

EXECUTIVE SUMMARY

Audit Recommendations Tracking Report as of June 30, 2006

Report No. TR-06-01, December 28, 2006

Summary

The Office of the Public Auditor (OPA) maintains an audit recommendations tracking system to monitor implementation and resolution of audit recommendations. On a semi-annual basis, OPA issues its Report on CNMI Agencies' Implementation of Audit Recommendations (Audit Recommendations Tracking Report) which presents the audited agencies' compliance with OPA's recommendations.

Open and resolved audit recommendations are included in OPA's tracking system report. In addition, we have also included recommendations which were closed during the past six months. An *open* recommendation is one where no action or plan of action has been made, or no time frame for the plan of action has been provided by the client (department or agency). A *resolved* recommendation is one in which OPA is satisfied that the client cannot take immediate action, but has established a reasonable plan and time frame for action. A *closed* recommendation is one in which the client has taken sufficient action to meet the intent of the recommendation or we have withdrawn it. Also, we have considered open or resolved recommendations as *delinquent* if the recommendation has been outstanding for at least 180 days and we have not been informed by the concerned agency or department of any action being taken to close the recommendations.

Audit recommendations tracked for the first six months of 2006 totaled 79. Of the 79 audit recommendations, 16 were closed and 63 remained either open or resolved. Of the 63 open or resolved recommendations, 33 were considered delinquent.

The table below presents the status of OPA's audit recommendations for the first six months of 2006.

Status of Audit Recommendations	Up to 6/30/06
Total Recommendations Tracked for the first six months of 2006	79
Less: Closed Recommendations	(16)
Outstanding Recommendations as of June 30, 2006 (Open or Resolved)	63
Number of Delinquent Recommendations	33

OPA closed 16 or 20% of the 79 audit recommendations it tracked in the first six months of 2006. Closed recommendations also increased from 5 in 2005 to 16 as of June 30, 2006. Moreover, the number of delinquent recommendations decreased by 28%.

These positive results were attributable in large part to the efforts of the Governor's Office, and in particular, the Special Legal Counsel to the Governor, for their initiative in encouraging agencies to respond to OPA on their delinquent recommendations. The initiative taken by the Governor's Office has resulted in the closure

of recommendations as well as the decrease of delinquent recommendations. Closing recommendations where action has been taken will help OPA streamline the process, as well as improve the efficiency and effectiveness of the CNMI government.

An analysis of the 16 closed recommendations for the first six months of 2006 showed that 11 were closed because the agencies either implemented OPA's recommendations, drafted policies and procedures or issued memoranda and directives in order to re-emphasize the need to comply with existing regulations. OPA also closed 3 recommendations due to expenditure accounts earlier reviewed by OPA being ceased and no longer authorized or programs canceled by the grantor agency making the recommendations earlier issued as inapplicable. A recommendation was also closed due to alternative actions taken by the agency which OPA considered sufficient to close the recommendation.

Recommendations issued by private CPA firms are also included in OPA's audit recommendations tracking report. OPA is not responsible for tracking the implementation of these recommendations, however, they are included in the audit tracking report for information purposes. Based on the classification followed by private CPA firms, a recommendation is described as either *resolved* or *unresolved*. OPA has included in the tracking report a total of 106 recommendations in 8 recent audit reports issued by private CPA firms under contract by OPA.

As of June 30, 2006, recommendations in 13 audit reports were referred to the Attorney General's Office for legal action to recover monies improperly expended. According to OPA's audit reports, approximately \$2,735,557 is potentially recoverable. In addition to this, potential recovery of another \$3.7 million also hinges on agencies' actions.

Recommendations in 8 audit reports identified potential recoveries due to unpaid rentals of land leases, uncollected labor processing fees, overpayments in professional services contracts and retirement benefits, and improper expenditure of public funds. Initial actions by agencies as of June 30, 2006 resulted in the partial recovery of \$950,289.

In accordance with statutory restrictions in the Auditing and Ethics Acts, the names of individuals and entities in the audits are not disclosed in this report.



A copy of the entire report is available at the Office of the Public Auditor, or through OPA's Website.

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