

EXECUTIVE SUMMARY

Audit Recommendations Tracking Report as of December 31, 2006

Report No. TR-06-02, June 28, 2007

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is one in which the client has taken sufficient action to meet the intent of the recommendation or we have withdrawn it.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 in 2006 totaled 79. Of the 79 audit recommendations, 19 were closed and 60 remained either open or resolved. Of the 60 open or resolved recommendations, 47 were considered delinquent.

The table below presents the status of OPA's audit recommendations for the year 2006.

Status of Audit Recommendations	2006
Total Recommendations Tracked for the Year	79
Less: Closed Recommendations	(19)
Outstanding Recommendations as of December 31, 2006 (Open or Resolved)	60
Number of Delinquent Recommendations	47

OPA closed 19 or 24% of the 79 audit recommendations it tracked in 2006. Closed recommendations also increased from 5 in 2005 to 19 in 2006. Moreover, the number of delinquent recommendations slightly increased by 2%. Although, not reflected in the above table, the number of delinquent recommendations decreased by 28% during the first six months of 2006.

These positive results were attributable in 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 significant 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 19 closed recommendations for year 2006 showed that 14 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 4 recommendations due to expenditure accounts earlier reviewed by OPA being ceased and no longer authorized and the suspension of a federal program and medical referral allowance making earlier recommendations issued as now inapplicable. A recommendation was also closed due to alternative actions taken by the agency which OPA considered sufficient to close the recommendation.

OPA is also responsible for overseeing all audits of the CNMI Government conducted by private Certified Public Accounting (CPA) firms under contract by OPA. Therefore, follow-up procedures are also conducted for recommendations issued by these CPA firms requesting for information on actions taken to address their recommendations. OPA includes in the tracking report a total of 119 recommendations in 9 recent audit reports of the CNMI government and various government entities issued by private CPA firms. OPA would like to recognize the Marianas Visitors Authority for having no reportable audit findings in its annual financial and compliance audit report for fiscal year ended September 30, 2006 conducted by a private CPA firm.

As of December 31, 2006, recommendations in 13 audit reports were referred to the Attorney General's Office for legal action to recover monies improperly expended. According to these 13 audit reports, approximately \$2.7 million is potentially recoverable. As no update was provided to OPA on these referral cases, the status of these referrals remain unchanged from the previous report as of June 30, 2006.

In addition to the 13 audit reports referred to the Attorney General's Office, recommendations in 8 audit reports also identified potential recovery of another \$3.7 million which hinges on agencies' actions. These potential recoveries include unpaid rentals of land leases, uncollected fees, overpayments in professional service contracts and retirement benefits, and improper expenditure of public funds. During its semi-annual follow-up process for the period covering July 2006 through December 2006, OPA received no new update by agencies on the recovery of these funds. As such, the status of these referrals remain unchanged from the previous report as of June 30, 2006.

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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