

EXECUTIVE SUMMARY

Report on CNMI Agencies' Implementation of Audit Recommendations, as of June 30, 2007
Report No. TR-07-01, December 28, 2007

Summary

Background

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

The provisions of 1 CMC § 2307 established the Interagency Audit Coordinating Advisory Group (Coordinating Group) consisting of the presiding officer and minority leader of each house of the Legislature, the Secretary of Finance, and the Special Assistant for Management and Budget. According to the law, the Coordinating Group is to review all audit reports of the Public Auditor, and the Public Auditor will discuss the manner in which audit recommendations can be implemented with the assistance of the members of the Coordinating Group. The Coordinating Group shall also recommend to the Governor and to the Legislature any changes in laws or regulations which it finds necessary or desirable as a result of its work with the Public Auditor.

The Coordinating Group has not met since 2000. However, OPA continues to send follow-up letters and/or contact agencies with outstanding recommendations to request for information on corrective actions taken to implement OPA's audit recommendations. OPA also meets with agencies when requested to discuss and clarify actions necessary to implement OPA's audit recommendations. This report incorporates agency responses to OPA's follow-up letters or documents obtained by OPA on or before November 16, 2007. In accordance with statutory restrictions in the Auditing and Ethics Acts, the names of individuals and entities are not disclosed in OPA's Audit Recommendation Tracking Report.

Classification of OPA Audit Recommendations

OPA recommendations are classified as either *open*, *resolved*, or *closed*. Open and resolved recommendations are included in OPA's Audit Recommendation Tracking Report. In addition, OPA also includes recommendations which were closed during the six month cut-off period.

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 OPA has withdrawn it. Also, OPA classifies open and resolved recommendations as *delinquent* if the recommendation has been outstanding for at least 180 days and OPA has not been informed by the concerned agency or department of any action being taken to close the recommendations.

Status of OPA Audit Recommendations

OPA tracked a total of 60 audit recommendations for the first six months of 2007. Of the 60 audit recommendations, 1 was closed and 59 remained either open or resolved. Of the 59 open or resolved recommendations, 50 were considered delinquent.



The table below presents the status of OPA's audit recommendations for the first six months of 2007.

Status of Audit Recommendations	6/30/07
Total Recommendations Tracked for the first six months of 2007	60
Less: Closed Recommendation	(1)
<u>Outstanding Recommendations as of June 30, 2007 (Open or Resolved)</u>	<u>59</u>
<u>Number of Delinquent Recommendations</u>	<u>50</u>

Closed Recommendation

OPA closed only 1 of the 60 audit recommendations it tracked during the first six months of 2007. The Department of Commerce implemented OPA's recommendation to address the security of CNMI Government deposits by requiring all banks and financial institutions holding deposits of CNMI government and autonomous agencies to furnish the Office of Director of Banking with evidence and a certification that such deposits are being properly secured with bank assets.

Delinquent Recommendations

The number of delinquent recommendations slightly increased by 3 (7%) from 47 in 2006 to 50 for the first six months of 2007. Agencies with delinquent recommendations as of June 30, 2007 include the Attorney General's Office, Department of Finance, Commonwealth Utilities Corporation, Department of Public Lands, Northern Mariana Islands Retirement Fund, Northern Marianas College, and the Department of Labor. The recommendations addressed to these agencies were classified as delinquent as OPA was not informed by these agencies within the last 180 days of any corrective action taken to implement OPA's recommendations.

Potential Recovery of \$2.7 Million Referred to the AGO

As of June 30, 2007, audit 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. The AGO did not provide OPA an update on these referral cases during OPA's follow-up process covering the period January 1, 2007 through June 30, 2007, therefore, the status of these referrals remain unchanged from the previous report as of December 30, 2006.

Potential Recovery of \$3.7 Million Depend on Agencies' Action

OPA identified potential recoveries of another \$4.6 million in 8 audit reports addressed to various agencies. Of the 4.6 million, \$950,289 has been partially recovered, leaving a balance of 3.7 million as still potentially recoverable. During its semi-annual follow-up process for the period covering January 1, 2007 through June 30, 2007, OPA has not received an update on the status of recovery of funds by the responsible agencies. Therefore, the balance of \$3.7 that is potentially recoverable still remains unchanged from the previous report as of December 31, 2006.

Independent Auditor's Recommendations

OPA also includes in its Audit Recommendation Tracking Report a total of 117 recommendations from 10 recent audit reports issued by private CPA firms under contract with OPA.



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

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