

**Office of the Public
Auditor**

Department of Public Lands
Managaha Landing Fees Trust Account
December 1, 2012 – December 31, 2012

Agreed-Upon Procedures



**Report No.
13-01 AUP**



Office of the Public Auditor

Commonwealth of the Northern Mariana Islands

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EXECUTIVE SUMMARY

Department of Public Lands Managaha Landing Fees Trust Account Report No. 13-01 AUP, May 2013

The CNMI Office of the Public Auditor and the Department of Public Lands (DPL) entered into an engagement to perform certain agreed upon procedures to assist DPL with an evaluation of the trust account and collection of Managaha landing fees from December 1, 2012 through December 31, 2012.

Interviews, Walkthroughs and Observation

We performed interviews of DPL management and a Tasi Tours (Tasi) accountant to obtain an understanding of the collection procedures and accounting process of the Managaha landing fees. Based on our interviews, walkthroughs and observations at Managaha Island were performed to verify and confirm our understanding.

The result of our walkthroughs of the accounting process was consistent with our understanding as described by DPL management and the Tasi accountant. Our observations at Managaha Island, however, resulted in the following findings:

- A head count of passengers arriving on Tasi's vessels is not performed by DPL rangers. The number of Tasi's passengers, both residents and nonresidents, is provided to the DPL ranger at the end of the day by a Tasi representative. There is no verification by DPL rangers that the information provided by Tasi is accurate.
- Postdated cash receipts are issued to passengers arriving after the days' sales are closed and are included in the collection for the next business day.

Testing of Collections

We tested collections received for the month of December 2012. We examined the Daily Collection Reports, cash receipts, validated deposits, billings, and bank statements. Based on our testing, we noted on the following:

- a) We obtained and examined the sequence of official cash receipts issued and noted no discrepancies.
- b) We examined and agreed the supporting manifest or other details to the cash receipts/cash collection reports and noted no discrepancies.
- c) We obtained and examined the trust account's bank statement for December 2012 and compared deposits to the collection reports and noted the following:

The December 2012 billing to Tasi was \$100 less than the total landing fees due. We were advised that Tasi is allowed to deduct \$100 a month as an administrative fee related to the accounting of the Managaha landing fees by a written agreement. The agreement between Tasi and DPL authorizing the monthly deduction was not available.

Except as discussed in c) above, no significant issues were noted that required us to expand our testing.

Conclusion

The procedures established for the collection and accountability of landing fees at Managaha Island should be revisited to ensure fees are properly assessed and collections reported appropriately. We recommend DPL management monitor and perform regular site visits to Managaha Island. Further, administrative fees paid from landing fee collections should be supported by an agreement that is maintained on file.

Agency Response

DPL management agreed with our findings and will take corrective action to address our recommendations.

A handwritten signature in black ink that reads "Mike Pai". The signature is written in a cursive, flowing style.

Michael Pai, CPA
Public Auditor



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REPORT ON APPLYING AGREED-UPON PROCEDURES

May 28, 2013

Mr. Pete A. Tenorio
Acting Secretary
Department of Public Lands

Dear Mr. Tenorio:

We have performed the procedures enumerated below, which were agreed to by the Department of Public Lands (DPL), solely to assist you with respect to evaluating the trust account and collection of Managaha Landing Fees from December 1, 2012 through December 31, 2012. DPL's management is responsible for the adequacy of the trust account and collection of Managaha Landing Fees from December 1, 2012 through December 31, 2012. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures that we performed and our findings are as follows:

AGREED-UPON PROCEDURES

We performed the following procedures on DPL's trust account and collection of Managaha Landing Fees from December 1, 2012 through December 31, 2012:

A. We obtained an understanding of the policies and procedures.

1. We interviewed DPL personnel and documented the policies and procedures related to the collection and deposit of Managaha Landing Fees.
2. We performed a walkthrough of the procedures identified in item 1 above to verify our understanding and noted the following:

During our observation of collection procedures at Managaha Island, we noted the following:

AGREED-UPON PROCEDURES, CONTINUED

- A head count of passengers arriving on Tasi Tours (Tasi) vessels is not performed by DPL rangers. The number of Tasi's passengers, both residents and nonresidents, is provided to the DPL rangers at the end of the day by a Tasi representative. There is no verification by DPL rangers that the information provided by Tasi is accurate.
- Postdated cash receipts are issued to passengers arriving after the days' sales are closed and are included in the sales for the next business day.

We recommend all passengers arriving at Managaha Island be accounted for and physically verified by DPL rangers. In addition, we recommend cash receipts be dated at the time cash is received from passengers.

B. We examined cash receipts and the trust account.

1. We selected the month of December 2012 for examination of collections and deposits to the trust account and noted no discrepancies.
2. For that month:
 - a) We obtained and examined the sequence of official cash receipts issued and noted no discrepancies.
 - b) We examined and agreed the supporting manifest or other details to the cash receipts/cash collection report and noted no discrepancies.
 - c) We obtained and examined the trust account's bank statement for the month selected and compared deposits to the collection reports and noted the following:

The December 2012 billing to Tasi was \$100 less than the total landing fees due. We were advised that Tasi is allowed to deduct \$100 a month as an administrative fee related to the accounting of the Managaha landing and user fees. A written agreement between Tasi and DPL authorizing the monthly deduction was not available.

We recommend deductions from total collections be supported by a written agreement that is maintained on file.

Except as discussed in 2. c) above, no significant issues were noted that would require us to expand our testing.

DPL management was provided an opportunity to review and comment on the findings and recommendations before the report was finalized. Their response is summarized in the next paragraph.

Agency Response: DPL agrees with the findings and will take corrective action to address the recommendations. Specifically, DPL will (1) ensure that the rangers account for resident and nonresident passengers from all vessels arriving at Managaha Island and (2) meet with Tasi to mutually agree and document the monthly administrative fee related to the accounting of the Managaha landing and user fees.

* * * * *

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.



Michael Pai, CPA
Public Auditor

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