

**Audit of Misuse of Funds  
By the Former Secretary of Finance  
Fiscal Years 1995, 1996, and 1997**

# Contents

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# EXECUTIVE SUMMARY

**O**ur audit showed that the former Secretary of Finance misused public funds amounting to \$100,249. Specifically, the former Secretary (1) received two cash advances of \$20,000 and \$10,000 (a total of \$30,000) for two off-island trips which were recorded directly as official representation expenses instead of advances. Recording the cash advances directly as expenses prevented the monitoring and implementation of collection procedures (such as salary deductions) when the advances were not liquidated. Furthermore, instead of liquidating the advances after the two trips, the former Secretary requested additional reimbursements of \$33,077 by submitting receipts for his expenses. The former Secretary (2) was also reimbursed for various questionable official representation expenses totaling \$66,582. These included payments for hotel accommodations and meals without justification or supporting documentation, items that are inappropriate to be charged to official government expense such as liquor and cigars (except for legitimate and necessary official representation purposes), unaccounted for equipment, duplicate charges, unidentified expenses, and personal expenses such as purchases of expensive shirts, suits, and leather accessories. In addition, the former Secretary (3) was reimbursed for several questionable expenses charged to other accounts totaling \$3,667. These consisted of equipment rental for his private business and reimbursement of an amount already refunded by a vendor to his credit card account. These conditions occurred because the former Secretary of Finance used his position to benefit himself at the expense of the CNMI Government. As the head of DOF, he had the authority over all staff members responsible for processing payments made to him, and therefore there was almost no instance when his requests for payment were denied.

## **Background**

In May 1997, the Office of the Public Auditor (OPA) received several reports that the Secretary of Finance misused public funds by charging cash advances directly to expenses without presenting supporting documents. There were also reports that the Secretary was improperly reimbursed for personal expenses incurred during his trips abroad. After a preliminary investigation, OPA determined that abuses of government funds may have occurred and that a formal audit should be conducted.

1 CMC §2551 of the Commonwealth Code established the Department of Finance (DOF) to be headed by a Director of Finance. This official title was later changed to Secretary of Finance pursuant to Executive Order 94-3, the "Second Reorganization Plan of 1994" effective August 23, 1994.

Under 1 CMC §2552, the Secretary of Finance is appointed by the Governor with the advice and consent of the Senate. No person may be appointed as Secretary of Finance who does not

possess professional qualifications, including at least a bachelor's degree in an appropriate academic discipline, or who is a certified public accountant and in addition has at least five years of progressively increasing experience in governmental finance and accounting or equivalent private sector experience.

Among other things, the Secretary of Finance has the duty and responsibility to (a) establish and maintain the books of accounts of the Commonwealth, (b) collect and deposit all locally raised revenues from any source, including taxes, custom duties, excise tax revenues, license fees and payment for services, (c) receive and deposit all funds from the federal government, (d) disburse funds pursuant to law, and (e) pay obligations owed by the Commonwealth to vendors, suppliers, and other individuals whom the Commonwealth has a legal obligation to pay.

This audit focused on payments to the former Secretary of Finance under the administration of the former Governor. In addition to his salary and personnel benefits, the former Secretary of Finance was paid and reimbursed more than \$140,000 for travel advances and claims for various expenses incurred from fiscal years 1995 to 1997. Of the \$140,000, about \$96,900 or 69 percent was for official representation which was charged to the Office of the Governor account and the Governor's Contingency account.

### **Objective and Scope**

The objective of the audit was to determine whether the former Secretary of Finance misused government funds for his own benefit.

The scope of our audit covered all payments to the former Secretary from fiscal year 1995 to 1997 excluding payment of his salary and personnel benefits. To accomplish our objectives, we reviewed and analyzed disbursement and travel records, examined supporting documents, evaluated propriety of payments and reimbursements to the former Secretary, and interviewed knowledgeable DOF and Office of the Governor officials and personnel.

### **Former Secretary of Finance Misused Public Funds for his own Benefit**

Public officials should not use their position for private and personal gain. It is the duty of the Secretary of Finance, as the official in charge of government finances, to ensure that public funds are spent only for official purposes. Our audit showed, however, that the former Secretary of Finance misused public funds amounting to \$100,249. Specifically, the former Secretary (1) received two cash advances of \$20,000 and \$10,000 (a total of \$30,000) for two off-island trips which were recorded directly as official representation expenses instead of advances. Recording the cash advances directly as expenses prevented the monitoring and implementation of collection procedures (such as salary deductions) when the advances were not liquidated. Furthermore, instead of liquidating the advances after the two trips, the former Secretary requested additional reimbursements of \$33,077 by submitting receipts for his expenses. The former Secretary (2) was also reimbursed for various questionable official representation expenses totaling

\$66,582.<sup>1</sup> This included payments for hotel accommodations and meals without justification or supporting documentation, items that are inappropriate to be charged to official government expense such as liquor and cigars (except for legitimate and necessary official representation purposes), unaccounted for equipment, duplicate charges, unidentified expenses, and personal expenses such as purchases of expensive shirts, suits, and leather accessories. In addition, the former Secretary (3) was reimbursed for several questionable expenses charged to other accounts totaling \$3,667. These consisted of equipment rental for his private business and reimbursement of an amount already refunded by a vendor to his credit card account. These conditions occurred because the former Secretary of Finance used his position to benefit himself at the expense of the CNMI Government. As the head of DOF, he had the authority over all staff members responsible for processing payments made to him, and therefore there was almost no instance when his requests for payment were denied. As a result, public funds totaling \$100,249 were wasted and abused.

Accordingly, we recommend that the current Secretary of Finance:

1. Require the former Secretary of Finance to return public funds he misused, totaling \$100,249. Of this amount, \$47,837 is immediately recoverable and \$52,412 is recoverable unless adequately justified or supported by the former Secretary.

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<sup>1</sup>This amount includes the \$33,077 reimbursements received by the Secretary which was in addition to the \$30,000 cash advances charged to expenses without receipts.

If the former Secretary refuses to cooperate or repay the funds, the current Secretary should request the Attorney General's Office (AGO) to take legal action against the former Secretary to recover the amount of funds misused.

2. Request the AGO to prosecute the former Secretary for misconduct in public office.
3. Develop and implement written policies and procedures to ensure that official representation expenses are incurred only for official purposes. In developing such policies, the current Secretary should be guided by our discussion of official representation on pages 4 and 5 of this report.
4. Issue a directive to DOF-Finance and Accounting Division instructing them to reject any reimbursement request without adequate supporting documents and justification. Among other things, DOF should not allow reimbursements supported only by credit card receipts or official receipts without sufficient description of the expenses incurred.

#### **Department of Finance Response**

In her letter response dated October 23, 1998 (**Appendix H**), the Secretary of Finance generally concurred with all the recommendations, and provided OPA copies of the letters and memoranda issued together with a draft of official representation policies to address the recommendations.

In response to Recommendation 1, the Secretary stated that DOF agrees with the finding and recommendation but since DOF has not independently analyzed the receipts in question, it is depending on OPA's categorization of the expenditures by the former Secretary. The Secretary stated that a copy of the draft report was sent to the former Secretary in August 1998 but no response was received. Another copy of the draft report was sent to the former Secretary on October 23, 1998 together with a letter requesting full repayment. In the letter, the Secretary requested the former Secretary to make repayment arrangements by November 6, 1998 or the Attorney General's Office would be asked to take legal action to enforce repayment.

For Recommendation 2, the Secretary stated that DOF does not have enough information to agree or disagree with the finding and recommendation, and that the decision to prosecute or not lies with the Attorney General's Office, after a review of the available information. The Secretary issued a memorandum on October 23, 1998 to the Attorney General's Office requesting an investigation of the misconduct in public office by the former Secretary.

For Recommendation 3, the Secretary agreed with the recommendation. DOF has drafted Official Representation Policies and Procedures and a Documentation Form. Since the adoption of such policies and procedures would have an impact on the Governor and other CNMI elected officials, a copy was sent to the Office of the Governor on October 23, 1998 for the Governor's review and comments. In her letter to the Governor, the Secretary suggested that after any revisions, the Legislature should also be given the opportunity to review and comment on the policies and procedures prior to implementation.

For Recommendation 4, the Secretary agreed with the finding and recommendation. She issued a directive to the Acting Director of the Division of Finance and Accounting to address the recommendation.

#### **OPA Comments**

Based on the response we received from the Secretary, we consider Recommendations 1 and 2 as open, Recommendation 3 as resolved, and Recommendation 4 as closed. The additional information or action required to close recommendations 1, 2, and 3 is presented in **Appendix I**.

# Introduction

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## Background

In May 1997, the Office of the Public Auditor (OPA) received several reports that the Secretary of Finance misused public funds by charging cash advances directly to expenses without presenting supporting documents. There were also reports that the Secretary was improperly reimbursed for personal expenses incurred during his trips abroad. After a preliminary investigation, OPA determined that abuses of government funds may have occurred and that a formal audit should be conducted.

### Secretary of Finance

1 CMC §2551 of the Commonwealth Code established the Department of Finance (DOF) to be headed by a Director of Finance. This official title was later changed to Secretary of Finance pursuant to Executive Order 94-3, the “Second Reorganization Plan of 1994” effective August 23, 1994.

Under 1 CMC §2552, the Secretary of Finance is appointed by the Governor with the advice and consent of the Senate. No person may be appointed as Secretary of Finance who does not possess professional qualifications, including at least a bachelor’s degree in an appropriate academic discipline, or who is a certified public accountant and in addition has at least five years of progressively increasing experience in governmental finance and accounting or equivalent private sector experience.

Among other things, the Secretary of Finance has the duty and responsibility to (a) establish and maintain the books of accounts of the Commonwealth, (b) collect and deposit all locally raised revenues from any source, including taxes, custom duties, excise tax revenues, license fees and payment for services, (c) receive and deposit all funds from the federal government, (d) disburse funds pursuant to law, and (e) pay obligations owed by the Commonwealth to vendors, suppliers, and other individuals whom the Commonwealth has a legal obligation to pay.

### Payments to the Former Secretary of Finance

This audit focused on payments to the former Secretary of Finance under the administration of the former Governor. In addition to his salary and personnel benefits, the former Secretary of Finance was paid and reimbursed more than \$140,000 for travel advances and claims for various expenses incurred from fiscal years 1995 to 1997. Of the \$140,000, about \$96,900 or 69 percent was for official representation which was charged to the Office of the Governor account and the Governor’s Contingency account. A summary of payments to the former Secretary of Finance is shown in **Table 1** (see next page).

Nature	Fiscal Year				%
	1995	1996	1997	Total	
Official Representation	\$822	\$6,092	\$89,991	\$96,905	69
Travel Expenses	247	14,949	16,208	31,404	22
Computer System & Equipment	-	-	6,055	6,055	4
Rental - Housing *	2,380	-	-	2,380	2
Rental - Office Equipment	-	2,156	-	2,156	2
Miscellaneous Expenses	-	1,243	-	1,243	1
Total	\$3,449	\$24,440	\$112,254	\$140,143	100 %

When requesting reimbursements, the former Secretary usually prepared memorandums requesting approval from the Executive Assistant to the Governor. The Executive Assistant approved the payments by issuing memorandums addressed to the DOF-Finance and Accounting Section requesting issuance of checks payable to the former Secretary.

**Table 1**

\* Represents rent income of the former Secretary for leasing his personal property to a government employee.

**Objective, Scope, and Methodology**

The objective of the audit was to determine whether the former Secretary of Finance misused government funds for his own benefit.

The scope of our audit covered all payments to the former Secretary from fiscal year 1995 to 1997 excluding payment of his salary and personnel benefits. To accomplish our objectives, we reviewed and analyzed disbursement and travel records, examined supporting documents, evaluated propriety of payments and reimbursements to the former Secretary, and interviewed knowledgeable DOF and Office of the Governor officials and personnel.

We conducted our audit at DOF’s office in Saipan between June and October 1997. Additional follow-up procedures were performed in June 1998 to update the audit. This performance audit was made, where applicable, in accordance with Government Auditing Standards issued by the Comptroller General of the United States. Accordingly, we included such tests of records and other auditing procedures as were considered necessary in the circumstances.

As part of our audit, we evaluated DOF’s internal controls over payments and reimbursements of expenses. We found internal control weaknesses in these areas, which are discussed in the Findings and Recommendations section of this report. Our recommendations when implemented should improve controls in these areas.

**Prior Audit Coverage**

During the past five years, OPA conducted several financial and performance audits of various CNMI government agencies, which included the review of payments relating to official representation, travel, and other expenses. OPA reported several findings which included questionable charges for representation expenses mainly due to lack of policies and procedures to control official representation expenses.



# Findings and Recommendations

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## Former Secretary of Finance Misused Public Funds for his own Benefit

Public funds totaling \$100,249 were wasted and abused by the former Secretary of Finance

Public officials should not use their position for private and personal gain. It is the duty of the Secretary of Finance, as the official in charge of government finances, to ensure that public funds are spent only for official purposes. Our audit showed, however, that the former Secretary of Finance misused public funds amounting to \$100,249. Specifically, the former Secretary (1) received two cash advances of \$20,000 and \$10,000 (a total of \$30,000) for two off-island trips which were recorded directly as official representation expenses instead of advances. Recording the cash advances directly as expenses prevented the monitoring and implementation of collection procedures (such as salary deductions) when the advances were not liquidated. Furthermore, instead of liquidating the advances after the two trips, the former Secretary requested additional reimbursements of \$33,077 by submitting receipts for his expenses. The former Secretary (2) was also reimbursed for various questionable official representation expenses totaling \$66,582.<sup>2</sup> These included payments for hotel accommodations and meals without justification or supporting documentation, items that are inappropriate to be charged to official government expense such as liquor and cigars (except for legitimate and necessary official representation purposes), unaccounted for equipment, duplicate charges, unidentified expenses, and personal expenses such as purchases of expensive shirts, suits, and leather accessories. In addition, the former Secretary (3) was reimbursed for several questionable expenses charged to other accounts totaling \$3,667. These consisted of equipment rental for his private business and reimbursement of an amount already refunded by a vendor to his credit card account. These conditions occurred because the former Secretary of Finance used his position to benefit himself at the expense of the CNMI Government. As the head of DOF, he had the authority over all staff members responsible for processing payments made to him, and therefore there was almost no instance when his requests for payment were denied. As a result, public funds totaling \$100,249 were wasted and abused.

### Expenditure of Public Funds

As provided under Article X, Section 8 of the Commonwealth Constitution, the DOF shall control and regulate the expenditure of public funds. The Secretary of Finance as head of DOF shall be responsible for promulgating regulations including

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<sup>2</sup>This amount includes the \$33,077 reimbursements received by the former Secretary which was in addition to the \$30,000 cash advances charged to expenses without receipts.

*accounting procedures* that require public officials to provide full and reasonable documentation that public funds are expended for official purposes.

Proper accounting procedures require that cash advances be recorded as receivables from employees. The advances should be charged to expenses and removed from receivables only upon liquidation based on submission of receipts by the employee after completion of travel. These procedures are generally followed by the DOF-Finance and Accounting Division when granting advances.

## **Official Representation**

1 CMC §7705 of the Commonwealth Code provides that government officials can only expend public funds for public purposes. The CNMI Chart of Accounts defines official representation as reasonable expenditures incurred by authorized government officials for entertainment of government guests, or for other expenses to promote goodwill or the public interest.

To ensure that official representation expenses are made only for official purposes, written policies and procedures need to be developed and implemented by DOF. Policies and procedures are necessary because official representation, by its nature, is susceptible to abuse. Among other things, the written policies<sup>3</sup> on official representation or entertainment expenses should state (1) which government officials are authorized to incur such expenses, (2) who is the approving authority, (3) whether and under what circumstances CNMI government guests and officials of other governments may be entertained, and what may be authorized as promoting goodwill or public interest, (4) that the purpose of the entertainment must be directly related to official agency business. The policies should also include restrictions such as (1) that CNMI officials, employees, consultants, or contractors shall not be entertained unless the main purpose of the entertainment is, for example, to hold business meetings with foreign governments which cannot be conducted during normal business hours or in a government office, (2) what dollar limits exist on the amount that may be spent on entertainment, and (3) that the entertainment must be conducted in dignified establishments.

Written procedures should include (1) approval in advance and in writing, (2) names of the official(s) being entertained and their titles, (3) the purpose of the entertainment and its relationship to official agency business, (4) when other CNMI government employees, consultants or contractors are included, the purpose and necessity, (5) itemized costs and the name and type of establishment where the

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<sup>3</sup>The same criteria were used and recommended by OPA in a previous audit of the Rota Mayor's Office's expenditures (OPA Report No. AR-96-06, issued on June 20, 1996). In the report, we discussed a finding on questionable charges for representation expenses incurred by the former Mayor due to DOF's failure to establish and implement written policies and procedures to control official representation expenses. We recommended that the Secretary of Finance develop and implement written policies and procedures regulating official representation. In his response, the former Secretary stated that DOF was in the process of developing the policies and procedures, and that the points noted in the recommendation would be incorporated into these policies and a copy provided to OPA when completed. To date, however, OPA has not received these policies and procedures. Based on our discussion with the Special Assistant to the Secretary of Finance, the policies and procedures were formulated but were not adopted.

entertainment took place, (6) submission of official receipts, invoices, and other documents supporting the cost of the entertainment, and (7) a requirement that if the authorized official and any other CNMI government employees, consultants or contractors are included while they are also being paid per diem, a portion of their per diem for meals (such as 30% for breakfast, 30% for lunch, and 40% for dinner) should be deducted when they submit their travel vouchers. To facilitate documentation, DOF should develop an “official representation form” to be filled out by DOF officials and employees to ensure that written policies and procedures are complied with.

In developing official representation policies and procedures, DOF should also consider the provisions of the CNMI Ethics Act and any other applicable government laws, policies, and regulations, such as the CNMI Procurement Regulations. For instance, the Ethics Act prohibits any CNMI government employee from receiving gifts over \$50 and cash or equivalent regardless of value. In addition, if the employee is entertaining contractors or potential contractors, it raises a serious question about ethics in procurement and the appearance of impropriety.

**Misuse of Public Funds**

Particulars	Amounts
1. Travel advances charged directly to expenses prevented liquidation or collection	\$ 30,000.00
2. Reimbursements of questionable official representation expenses	66,581.51
3. Others	3,667.15
Total	\$100,248.66

**Table 2**

As provided under the above-mentioned laws, public officials should not use their position for private and personal gain. It is also the duty of the Secretary of Finance, as the official in charge of government finances, to ensure that public funds are spent only for official purposes. Our audit showed, however, that the former Secretary of Finance misused public funds amounting to \$100,248.66. (See **Table 2**).

**Travel Advances Charged Directly to Expenses Prevented Liquidation or Collection**

Our audit showed that the former Secretary of Finance received two cash advances of \$20,000 and \$10,000 (a total of \$30,000) for two off-island trips which were recorded directly as official representation expenses instead of advances. Recording the cash advances directly as expenses prevented the monitoring and implementation of collection procedures (such as salary deductions) when the advances were not liquidated. Furthermore, instead of liquidating the advances after the two trips, the former Secretary requested additional reimbursements of \$33,077.25 by submitting receipts for his expenses.

During fiscal year 1996, the former Secretary took two off-island trips for which he received cash advances for official representation expenses. For his “Far East” trip in October 1996, the former Secretary received \$10,000, and for his “Manila” trip in December 1996, he received \$20,000. Upon his return, the former Secretary submitted expense receipts covering the two trips amounting to \$14,653.10 and

\$18,424.15, respectively, for which he was again paid without offsetting the earlier cash advances.

#### ***Far East Trip - \$10,000 Cash Advance***

From October 5 to 18, 1996, the former Secretary traveled to several Far East countries, which included Hongkong, China, Singapore, and the Philippines. The purpose of the trip was to accompany the Governor and other CNMI officials to meet with investors. A day prior to this Far East trip, the former Secretary was given a \$10,000 cash advance requested in an October 4, 1996 memorandum from the Executive Assistant to the Governor. The memorandum specified that the payment be charged directly to official representation expense under the Governor's Contingency Account (a/c no. 1012-6217). Our review also showed that all of the officials who participated in the trip, including the former Secretary, were issued travel authorizations (TA) and were separately given travel per diem allowances. The former Secretary himself was given an additional \$2,549.50 for per diem.

On October 22, 1996, the Executive Assistant issued another memorandum to the Director of Finance and Accounting authorizing a reimbursement of \$14,653.10<sup>4</sup> for representation expenses incurred by the former Secretary during his Far East trip (see **Appendix A**). The former Secretary was paid the requested amount of the reimbursement without offsetting the initial travel advance of \$10,000. According to the DOF Accounts Payable Supervisor, no additional receipts were submitted by the former Secretary to offset against the \$10,000 cash advance. But since the advance was charged directly to expense, DOF records did not reflect any outstanding receivable from the former Secretary, thus preventing the collection or recovery of the \$10,000 cash advance.

#### ***Manila Trip - \$20,000 Cash Advance***

The former Secretary, together with the Governor and other CNMI officials, traveled again to the Philippines from December 9 to 13, 1996. Three days prior to this "Manila" trip, the former Secretary was given another \$20,000 cash advance requested in a December 3, 1996 memorandum from the Executive Assistant. Again, the memorandum specified that the payment be charged directly to official representation expense under the Governor's Contingency Account. The purpose of the Manila trip was to attend the National Defense Council Foundation (NDCF) awards said to be co-hosted by the Governor and NDCF. The former Secretary, however, was not issued a TA for this trip. Other officials who participated in the trip, however, were issued TAs and were given per diem allowances.

On December 23, 1996, the Executive Assistant issued another memo to the Director of Finance and Accounting authorizing reimbursement of \$20,884.35 in official representation expenses paid by the former Secretary of Finance from his *personal*

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<sup>4</sup>\$14,650.74 of the \$14,653.10 reimbursement is included in our finding on reimbursements of questionable official representation expenses on pages 8 to 13 of this report.

*funds*. Of that amount, \$18,424.15<sup>5</sup> was for various expenses incurred during his Manila trip (see **Appendix A**). He was again reimbursed for the full amount without offsetting the \$20,000 advance. According to the DOF Accounts Payable Supervisor, no additional receipts were submitted by the former Secretary to offset against the \$20,000 cash advance.

Besides violating travel regulations for traveling without a TA, the former Secretary was again able to obtain improper reimbursements. All of this occurred because the former Secretary ignored the procedures for recording and liquidating cash advances.

#### ***Executive Assistant's Explanation***

In our discussion with the former Executive Assistant to the Governor, he stated that he was not aware of the proper account to be charged for cash advances. According to him, he instructed a direct charge of cash advances to expenses because it was the usual account being charged.

#### ***Former Secretary's Actions Improper***

As head of DOF, the former Secretary was expected to implement and follow all regulations requiring accounting for public funds in the form of advances received for official travel. Recording advances as direct expenses without any evidence to show how and where the funds were used violates the requirement for accountability. Commingling receipts and documents supporting expenses incurred during official trips with other receipts for reimbursements was also not in accordance with travel regulations. It appears, therefore, that the former Secretary was paid twice for expenses for which the initial advances were provided.

The former Secretary's actions were contrary to what is expected and mandated for his position. Instead of following regulations and ensuring accurate financial records, the regulations were disregarded and expenses were allowed to be recorded without documentation.

The \$30,000 cash advance received by the former Secretary *should be immediately recovered* because he failed to account for the expenditure of the funds received. Effectively, the former Secretary was paid a total of \$63,077.25 for the two trips because he was reimbursed \$33,077.25 without first offsetting the \$30,000 advances.

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<sup>5</sup> All of the \$18,424 reimbursement was included in our finding on reimbursements of questionable official representation expenses on pages 8 to 13 of this report.

### Reimbursements of Questionable Official Representation Expenses

Particulars	Amount
1. Hotel accommodations	\$14,058.02
2. Meals (food and drinks)	22,592.33
3. Liquor and cigars	6,054.03
4. Personal expenses	2,522.48
5. Duplicate charges	2,356.76
6. Unaccounted for equipment	6,394.42
7. Unidentified expenses	12,603.47
<b>Total</b>	<b>\$66,581.51</b>

Table 3

The former Secretary was also reimbursed for various questionable official representation expenses totaling \$66,581.51. These included payments for hotel accommodations and meals without justification or supporting documentation, items that are inappropriate to be charged to official government expense such as liquor and cigars (except for legitimate and necessary official representation purposes), unaccounted for equipment, duplicate charges, unidentified expenses, and personal expenses such as purchases of expensive shirts, suits, and leather accessories. A breakdown of these expenses is shown in the table at left (Table 3).

**HYATT REGENCY MANILA**  
 2702 Roxas Boulevard, Pasay, Metro Manila, Philippines  
 Phone: (63) (2) 833-1234  
 FAX: (63) (2) 833-5913  
 TIN 619-000-772-859 VAT

INVOICE ADDRESS: \_\_\_\_\_

I AGREE THAT I AM PERSONALLY LIABLE FOR THE PAYMENT OF THE FOLLOWING STATEMENT AND IF THE PERSON, COMPANY OR ASSOCIATION INDICATED BY ME AS BEING RESPONSIBLE FOR PAYMENT OF THE SAME DOES NOT DO SO, THAT MY LIABILITY FOR SUCH PAYMENT SHALL BE JOINT AND SEVERAL WITH SUCH PERSON, COMPANY OR ASSOCIATION.

APPROVED BY: \_\_\_\_\_  
 MANAGER'S NAME (PLEASE PRINT) AND SIGNATURE Signature: \_\_\_\_\_

OLIO, H. 332814 ROOM: 1011 PAGE NO. 3

ANTONIO CARRERA/MR  
 DEPT OF FINANCE  
 PO BOX 5234 CHRB  
 SAIPAN  
 USA  
 ARRIVED 09 DEC  
 DEPART 13 DEC

DATE	DESCRIPTION	DEBIT	CREDIT	BALANCE
51 12 DEC 96	TR ALL CHARGES -- 332733	235024.11		
52 12 DEC 96	TR RM R1002 PRES RAMOS	4890.37		
53 12 DEC 96	TR HOTEL BILLS FR 333173	42.00		
54 12 DEC 96	ADC 1011 15:17 005.07 091845006	76.51		
55 12 DEC 96	TR TRRC 24426 (PARA532910)	1320.00		
56 12 DEC 96	TR MESSING(308) 332874	4777.29		
57 12 DEC 96	TR COPULOS(502) 332871	6632.42		
58 12 DEC 96	ALC 1011 16:20 000.49 8051831	14.00		
59 12 DEC 96	RS ROOM SERVICE-RS88665	1207.49		
60 12 DEC 96	MSC MISCELLANEOUS	6620.20		
61 12 DEC 96	ALC 1011 20:56 007.40 5212992	14.00		
62 12 DEC 96	ALC 1011 21:06 000.25 5222617	14.00		
63 12 DEC 96	RM ROOM REVENUE	3689.00		
64 12 DEC 96	CX CITY TAX	25.15		
65 12 DEC 96	SC SERVICE CHARGE	335.36		
66 13 DEC 96	ALC 1011 03:11 000.09 5216679	14.00		
67 13 DEC 96	ALC 1011 03:11 000.13 5216796	14.00		
68 13 DEC 96	RS ROOM SERVICE-RS88708	175.63		
69 13 DEC 96	TR AOL TO 1011 -- 332897	9709.96		
TOTAL BALANCE		334,424.42		
DEPOSIT AMOUNT			0.00	
NET BALANCE		334,424.42		or \$13,934.35 (at 24 Pesos to \$1)

Total Transfer Charges:  
 • This Page (highlighted items) 262,396.15 Pesos  
 • Page 2 (not shown) 29,748.19  
 -----  
 292,144.34 Pesos  
 or \$12,172.68  
 (at 24 Pesos to \$1)

- CONTINUED -

Figure 1

#### Hotel Accommodations - \$14,058.02

The former Secretary was reimbursed \$14,058.02 for hotel accommodations without supporting justification (see Appendix B). The former Secretary also did not explain the high cost of the hotel accommodations. For example, the former Secretary claimed reimbursement for hotel billings of \$13,934.35 charged by a Philippine hotel (Figure 1) during his December 9 to 13, 1996 trip with the Governor and other CNMI officials. The billings included “transfer charges” of \$12,172.68 for which no explanation was included in the bill or the reimbursement request. Although the former Secretary was not given a per diem allowance for his hotel and meals, the \$13,934.35 in hotel charges was too high for his 5-day stay, especially when added to the \$20,000 cash advance. Also, the former Secretary should not pay and later claim reimbursement for the hotel accommodations of other officials who participated in the trip because these officials were issued TAs and were separately given travel per diem allowances.

## Meals - \$22,592.33

The former Secretary was reimbursed a total of \$22,592.33<sup>6</sup> for meals (food and drinks) in various hotels and restaurants (see **Appendix B**). In almost all requests for reimbursement, the former Secretary failed to identify the names of the government guests being entertained and the purpose for which the entertainment expenses were incurred. For example, there was a \$6,144.87 reimbursement for expenses incurred on October 11, 1996 during an official trip to China (**Figure 2**). The details of the invoice submitted were in Chinese and we only found out later through a translator that the charges were for “banquet fees.” The amount appeared to be excessive, and there was no documentation as to the purpose of the expense or the names of the persons entertained.



Figure 2

Our review of invoices also showed that the former Secretary claimed reimbursement for meals totaling \$3,236.28 when he was already given travel per diem allowances (see **Appendix B**). For example, the former Secretary received per diem of \$200 per day for a 3-day trip to the Philippines, but subsequently claimed reimbursement for restaurant expenses of \$1,249.04. Since per diem allowances cover meals, the former Secretary was effectively double paid when he claimed reimbursement. The former Secretary should be required to immediately repay these expenses.

In addition, reimbursements for food and drinks totaling \$8,013.07 were supported only by credit card receipts or other receipts without sufficient information (see **Appendix B**). The former Secretary was reimbursed without requiring him to explain the purpose of these entertainment expenses.

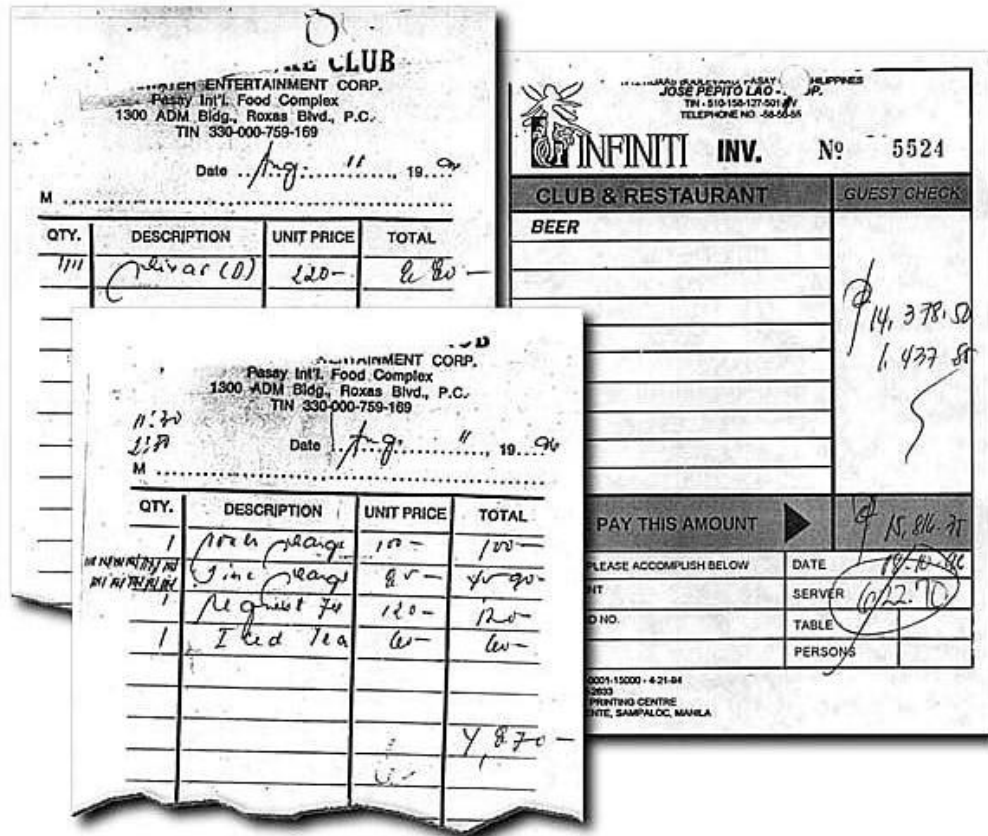
We also found instances totaling \$1,290.65 where the former Secretary indicated the names on the receipts and the persons entertained were DOF and other CNMI government officials (see **Appendix B**). Public funds should not be spent to entertain CNMI government officials. Any official business with these officials should be conducted during normal office hours.

## Liquor and cigars - \$6,054.03

Reimbursements claimed by the former Secretary included purchases of liquor (Remy Martin, Chivas Regal, Fundador, American beer) and cigars totaling \$6,054.03 (see **Appendix B**). Reimbursement consisted of expenses incurred at night clubs,

<sup>6</sup> Cost of liquor and cigars totaling \$6,054.03 included in this amount was separately questioned.

whose receipts showed that the expenses were obviously personal in nature because the expenses were for “liquor and ladies drinks” (See **Figure 3** for sample invoices).



**Figure 3** Reimbursements to the former Secretary consisted of expenses incurred at night clubs. Receipts from night clubs showed that the expenses were obviously personal in nature because the expenses were for “liquor and ladies drinks.”

Included in the reimbursements were charges at EPC International Recruiting Service (EPC Recruiting) totaling \$2,204, and at Moods and Music totaling \$359.50. The invoices and receipts indicated “Purchase” or “Food and drinks.” Our further review showed that EPC Recruiting was licensed to engage in the business of help supply and employment services in Saipan. The owners of EPC Recruiting had other businesses in Saipan, however, which were night club, commercial space rental, and retail general merchandise. Except for the night club, the nature of the other businesses is not related or consistent with incurring official representation expenses. Thus, it is very likely that the official representation charges at EPC Recruiting were actually incurred in the owners’ night club. The owners also had another corporation which established “Moods and Music,” a business licensed to engage in a cocktail lounge in Saipan. (See **Figure 4** on next page)

The government should not be required to pay for such expenses since they cannot be considered or allowed as expenditures for an official purpose because of their very nature. The former Secretary should be required to immediately repay these expenses.





Figure 4 Sample of invoices and receipts of “EPC International Recruiting Service” and “Moods and Music.”

**Personal Expenses - \$2,522.48**

The former Secretary was reimbursed for personal expenses totaling \$2,522.48 (see Appendix C). For example, while in China on official travel, the former Secretary purchased expensive shirts, cuff links, suits, and leather accessories<sup>7</sup> (See Figure 5 for sample invoices). In Hawaii, the former Secretary purchased educational computer software. The description of the software indicated that it was intended for 8 to 10-year-old children (Figure 6). Besides the lack of explanations as to purpose of the expenditures, all of the reimbursements were personal in nature and cannot be considered expenditures for an official purpose. The reimbursements should be



Figure 5

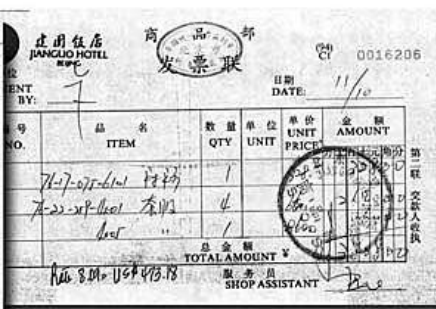


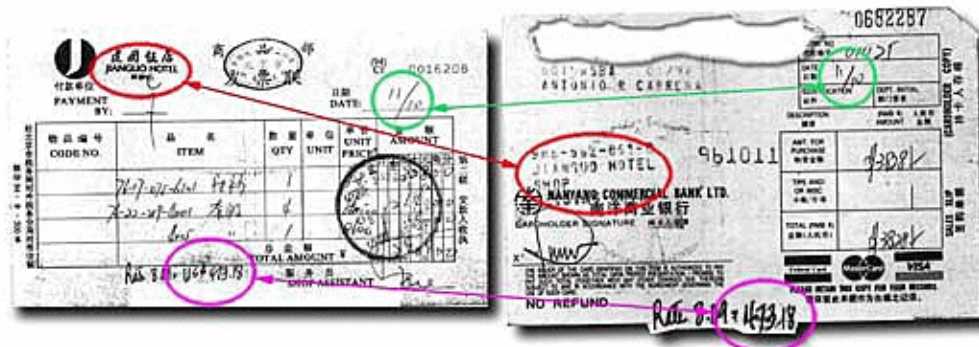
Figure 6

<sup>7</sup>The details of the invoices were in Chinese and the former Secretary did not make any remarks to explain the nature of the charges. We later learned the nature of the expenses through a translator.

immediately recovered from the former Secretary.

**Duplicate Charges - \$2,356.76**

We found at least 10 instances wherein the former Secretary was reimbursed twice because he separately submitted invoices and credit card receipts for the same payment (see **Appendix D**). Both invoices and receipts bore the same date, vendor's name, location, and amount (in original currency of the country where the items were purchased) (See **Figure 7** for sample duplicate payment). The duplicate reimbursements which totaled \$2,356.76 should be immediately recovered from the former Secretary.

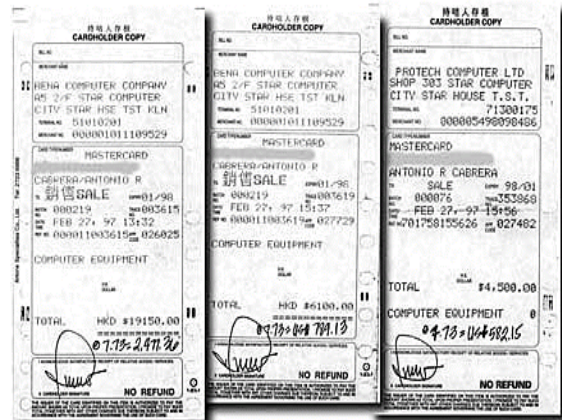


**Figure 7**

**Unaccounted for Equipment - \$6,394.42**

The former Secretary requested reimbursement for computer and other equipment totaling \$6,394.42 which he purchased during his trips abroad (see **Appendix E**). It appears, however, that these items were not turned over by the former Secretary to DOF and are currently missing. Since the former Secretary submitted only credit card receipts, there were no invoices, specific descriptions or serial numbers that can be used to identify the equipment. Three credit card receipts totaling \$3,848.64 (**Figure 8**) were issued by computer vendors and indicated “computer equipment.”

To determine whether the equipment was turned over to the government, we checked the inventory records of the former Secretary’s Office maintained by the Procurement and Supply Division. We did not find any equipment which even came close to matching the amounts or dates of purchase. DOF officials were also not sure where the equipment could be currently stored or located. In any case, however, the former Secretary failed to provide documentation



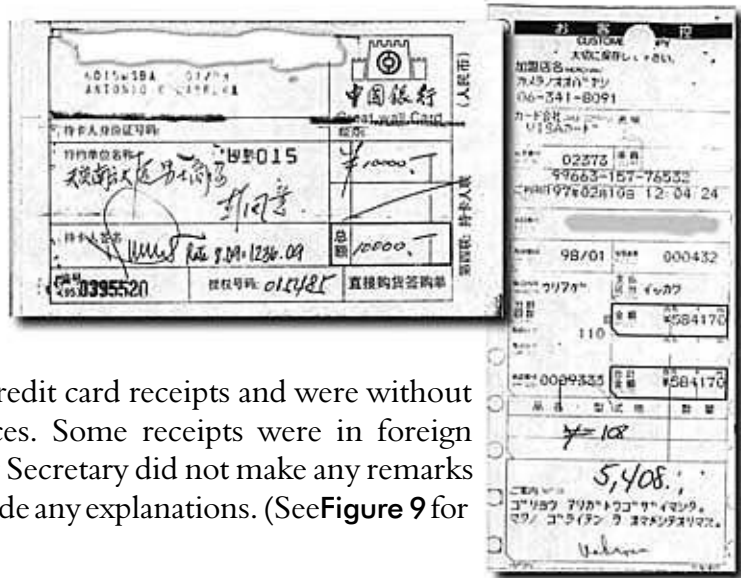
Recap: \$ 2,477.36 + 789.13 + 582.15 = \$3,848.64

**Figure 8**

showing why the equipment was purchased and charged to official representation expenses.

**Unidentified Expenses - \$12,603.47**

The nature and purpose of several expenses for which the former Secretary was reimbursed, totaling \$12,603.47, cannot be determined from the documents he submitted (see **Appendix F**). The expenses were supported mostly by credit card receipts and were without any supporting invoices. Some receipts were in foreign languages. The former Secretary did not make any remarks on the receipts or provide any explanations. (See **Figure 9** for sample invoices)



**Figure 9**

**Former Secretary Abused Official Representation Expenses**

The former Secretary failed to ensure that official representation expenses were incurred only for official purposes. The former Secretary should have been aware of the need to properly document expenditures of public funds. In fact, the Constitution (Article X, Section 8) required him, as head of DOF, to promulgate accounting procedures that require public officials to provide *full and reasonable documentation* that public funds are expended for official purposes. As discussed above, the former Secretary himself abused official representation funds.

**Questionable Expenses Charged to Other Accounts**

The former Secretary was reimbursed for several questionable expenses charged to other accounts, totaling \$3,667.15. These consisted of equipment rental for his private business and reimbursement of an amount already refunded by a vendor to his credit card account.

**Equipment Rentals for Private Business - \$2,156.17**

The former Secretary was reimbursed \$2,156.17 for the rental of office equipment which was used by his private company (see **Appendix G**). Specifically, on June 18 and July 16, 1996, the former Secretary was reimbursed \$544.62 and \$1,611.55 based on memorandum requests prepared by the former Deputy Secretary of Finance. Our review showed that the supporting invoices were for rental of three fax/prINTER machines from March to September 1996 leased by a private company owned by

the former Secretary. Attached to the requests were copies of the two personal checks of the former Secretary. The order agreements we obtained from the lessor also showed that (1) the rental charges were incurred by the private company, and (2) the equipment was installed at the office of the private company (located at 1<sup>st</sup> floor, House/Office Fina Sisu, near Northern Marianas College). The order agreements were signed by the former Secretary as President of the private company. In our discussion with the former Deputy Secretary of Finance, he stated that he was not aware that the invoices were for the rental of fax/printer machines leased by a private company owned by the former Secretary. Because of the personal nature of the expenses, the \$2,156.17 reimbursements should be immediately recovered from the former Secretary.

### ***Reimbursements for Returned Equipment - \$1,510.98***

The former Secretary was reimbursed for credit card charges pertaining to returned computer equipment for which he was already given a refund. In addition, the former Secretary was reimbursed again for the amount refunded when he received the credit card refund slip.

While on official business in Hawaii, the former Secretary purchased a computer and a laser printer costing \$5,299.31 for the Marianas Hawaii Liaison Office (MHLO) using his credit card. Subsequently, MHLO exchanged the laser printer for a cheaper color inkjet printer. The decrease in cost of the printer was evidenced by a credit card refund slip reducing the charges by \$755.49. The former Secretary, however, requested reimbursement for the full amount of the charges (\$5,299.31) despite the refund. In addition, the former Secretary was again reimbursed \$755.49 when he used the credit card refund slip for another reimbursement request. Consequently, the former Secretary was overpaid by \$1,510.98, which should be immediately recovered.

### **Former Secretary of Finance Took Advantage of His Position**

These abuses occurred because the former Secretary of Finance used his position to benefit himself at the expense of the CNMI Government. As the head of DOF, he had the authority over all staff members responsible for processing payments made to him, and therefore there was almost no instance when his requests for payment were denied. He also ignored his responsibilities to control and regulate expenditures of public funds. As a result, public funds totaling \$100,248.66 were wasted and abused. A summary of amounts that should be recovered from the former Secretary is presented in the following table (**Table 4** on next page).

Particulars	Immediately Recoverable	Recoverable Unless Justified	
		Amount	Amount
Travel funds charged directly to expenses instead of advances to conceal improper reimbursements	\$30,000.00	\$0.00	\$30,000.00
Reimbursements of questionable official representation expenses			
- Hotel accommodations	0.00	14,058.02	14,058.02
- Meals	3,236.28	19,356.05	22,592.33
- Liquor and cigars	6,054.03	0.00	6,054.03
- Personal Expenses	2,522.48	0.00	2,522.48
- Duplicate charges	2,356.76	0.00	2,356.76
- Unaccounted for equipment	0.00	6,394.42	6,394.42
- Unidentified expenses	0.00	12,603.47	12,603.47
Other questionable expenses			
- Equipment rentals for private business	2,156.17	0.00	2,156.17
- Double reimbursements of refund received from returned equipment	1,510.98	0.00	1,510.98
Total	\$47,836.70	\$52,411.96	\$100,248.66

Table 4

## Conclusion and Recommendations

The former Secretary of Finance took advantage of his position to misuse public funds. As the top official in charge of government finances, the former Secretary used his authority to override standard procedures and no one with adequate authority was available to question his actions. In addition, he failed to establish policies and procedures to ensure that official representation funds are expended only for official purposes. Instead, he himself abused official representation funds. Accordingly, we recommend that the current Secretary of Finance:

1. Require the former Secretary of Finance to return public funds he misused, totaling \$100,248.66. Of this amount, \$47,836.70 is immediately recoverable and \$52,411.96 is recoverable unless adequately justified or supported by the former Secretary. If the former Secretary refuses to cooperate or repay the funds, the current Secretary should request the Attorney General's Office (AGO) to take legal action against the former Secretary to recover the amount of funds misused.
2. Request the AGO to prosecute the former Secretary for misconduct in public office.

3. Develop and implement written policies and procedures to ensure that official representation expenses are incurred only for official purposes. In developing such policies, the Secretary should be guided by our discussion of official representation on pages 4 and 5 of this report.
4. Issue a directive to DOF-Finance and Accounting Division instructing them to reject any reimbursement request without adequate supporting documents and justification. Among other things, DOF should not allow reimbursements supported only by credit card receipts or official receipts without sufficient description of the expenses incurred.

### **DOF Response**

In her letter response dated October 23, 1998 (**Appendix H**), the Secretary of Finance generally concurred with all the recommendations, and provided OPA copies of the letters and memoranda issued together with a draft of official representation policies to address the recommendations, as follows:

Recommendation 1 - The Secretary stated that DOF agrees with the finding and recommendation but since DOF has not independently analyzed the receipts in question, it is depending on OPA's categorization of the expenditures by the former Secretary. The Secretary stated that a copy of the draft report was sent to the former Secretary in August 1998 but no response was received. Another copy of the draft report was sent to the former Secretary on October 23, 1998 together with a letter requesting full repayment. In the letter, the Secretary requested the former Secretary to make repayment arrangements by November 6, 1998 or the Attorney General's Office would be asked to take legal action to enforce repayment.

Recommendation 2 - The Secretary stated that DOF does not have enough information to agree or disagree with the finding and recommendation, and that the decision to prosecute or not lies with the Attorney General's Office, after a review of the available information. The Secretary issued a memorandum on October 23, 1998 to the Attorney General's Office requesting an investigation of the misconduct in public office by the former Secretary.

Recommendation 3 - The Secretary agreed with the recommendation. DOF has drafted Official Representation Policies and Procedures and a Documentation Form. Since the adoption of such policies and procedures would have an impact on the Governor and other CNMI elected officials, a copy was sent to the Office of the Governor on October 23, 1998 for the Governor's review and comments. In her letter to the Governor, the Secretary suggested that after any revisions, the Legislature should also be given the opportunity to review and comment on the policies and procedures prior to implementation.

Recommendation 4 - The Secretary agreed with the finding and recommendation. She issued a directive to the Acting Director of the Division of Finance and Accounting to address the recommendation.

### **OPA Comments**

Based on the response we received from the Secretary, we consider Recommendations 1 and 2 as open, Recommendation 3 as resolved, and Recommendation 4 as closed. The additional information or action required to close recommendations 1, 2, and 3 is presented in **Appendix I**.

**RECEIPTS REIMBURSED IN ADDITION TO THE INITIAL \$30,000  
PREVIOUSLY RECEIVED BY THE FORMER SECRETARY**

Vendor	Location	Description	Transaction Date	Amount
I. Reimbursements in addition to the \$10,000 Cash Advances (Paid thru APV 720419) - \$14,653				
Included in Finding on Reimbursements of Questionable Official Representation Expenses				
1. Hotel Accommodations				
Century Park Sheraton, Manila	Philippines	Food & mini bar, valet	10/18/96	\$25.55
2. Meals				
Seafood Market, Manila	Philippines	Seafood	10/05/96	940.40
Seafood Market, Manila	Philippines	Seafood	10/05/96	172.54
The Heritage Hotel, Manila	Philippines	Food	10/06/96	124.31
China World Hotel Lobby Lounge	China	Iced coffee	10/10/96	15.92
Vendor name in Chinese characters	China	Banquet fee	10/11/96	6,144.87
China World Hotel, Beijing	China	Food, transfer charges	10/13/96	1,787.68
The Garden Hotel, Guangzhou	China	Valet, food & room service, banquet	10/16/96	1,183.65
Century Park Sheraton, Manila	Philippines	Food & mini bar, valet	10/18/96	11.79
3. Personal Expenses				
Vendor name in Chinese characters	China	Gifts, cuff links, tie	10/09/96	346.11
Vendor name in Chinese characters	China	Picture	10/09/96	222.50
Vendor name in Chinese characters	China	Peasant's picture	10/09/96	22.25
Jianguo Hotel Shop	China	Expensive Shirts and Suits	10/11/96	473.18
Vendor name in Chinese characters	China	Imperial family leather series	10/13/96	98.64
Vendor name in Chinese characters	China	Imperial family leather series	10/15/96	89.99
Vendor name in Chinese characters	China	Kodak TMY120 & EC120	10/15/96	38.32
4. Duplicate Charges				
Jewellery Beijing Friendship Store	China	Gifts, cuff links tie/credit card receipt only	10/09/96	346.11
Jianguo Hotel Shop	China	Credit card receipt only	10/11/96	473.18
5. Unaccounted For Equipment				
New Radio City, Robinson's Galleria, Manila	Philippines	Credit card receipt only	10/17/96	274.61
6. Unidentified Expenses				
Vendor name in Chinese characters	China	Invoice in Chinese characters	10/08/96	15.82
Vendor name in Chinese characters	China	Credit card receipt only	10/15/96	19.41
GZ Commercial & Trade Co.	China	Credit card receipt only	10/15/96	294.56
Vendor name in Chinese characters	China	Credit card receipt only	10/15/96	1,236.09
Christian Travel Center, Ortigas	Philippines	Credit card receipt only	10/17/96	293.26
Not a Finding				
Ifugao Development Foundation, Pasay	Philippines	Baggage cart rental	10/17/96	2.36
SUB-TOTAL OF I				\$14,653.10



**Appendix A**  
**Page 2 of 2**

**RECEIPTS REIMBURSED IN ADDITION TO THE INITIAL \$30,000  
PREVIOUSLY RECEIVED BY THE FORMER SECRETARY**

Vendor	Location	Description	Transaction Date	Amount
II. Reimbursements in addition to the \$20,000 Cash Advances (Paid thru APV 724379) - \$18,424				
Included in Finding on Reimbursements of Questionable Official Representation Expenses				
1. Hotel Accommodations				
Hyatt Regency Manila	Philippines	Hotel charges for rooms/food, etc.	12/13/96	\$13,934.35
2. Meals				
Seafood Market, Manila	Philippines	Credit card receipt only	12/09/96	46.61
Seafood Market, Manila	Philippines	Credit card receipt only	12/09/96	261.35
Manila Peninsula, Makati	Philippines	Credit card receipt only	12/10/96	143.85
Kiku Japanese Restaurant, Manila	Philippines	Credit card receipt only	12/10/96	209.63
Moon Shadow Music Lounge, Manila	Philippines	Credit card receipt only	12/10/96	196.83
Kamayan Restaurant, Manila	Philippines	Credit card receipt only	12/11/96	172.57
Pharaoh Business and Entertainment Ctr, Makati	Philippines	Food & Beverage guest check, no details	12/11/96	999.04
Pharaoh Business and Entertainment Ctr, Makati	Philippines	Alcoholic beverages	12/11/96	131.25
Moon Shadow Music Lounge, Manila	Philippines	Credit card receipt only	12/12/96	506.21
3. Unidentified Expenses				
Vendor name not clear	Philippines	Credit card receipt only	12/10/96	1,476.67
Vendor name not clear	Philippines	Credit card receipt only	12/12/96	345.79
SUB-TOTAL OF II				\$18,424.15
OVERALL TOTAL				\$33,077.25

### REIMBURSEMENTS OF QUESTIONABLE HOTEL ACCOMMODATIONS, MEALS, LIQUOR, AND CIGARS

APV No.	Vendor	Location	Description	Transaction Date	Hotel Accommodations	Meals	Liquor & Cigars	With Per Diem
<b>1. Without Justification</b>								
<b>a. Not Supported by Invoice</b>								
724379	Island Garden Restaurant and Bar	Saipan	Credit card receipt only	12/15/96		\$17.50		
740666	Island Garden Restaurant and Bar	Saipan	Credit card receipt only	05/31/97		21.00		
728132	Island Garden Restaurant and Bar	Saipan	Credit card receipt only	01/30/97		25.50		
728886	Island Garden Restaurant and Bar	Saipan	Credit card receipt only	?		29.50		
724379	Seafood Market, Manila	Philippines	Credit card receipt only	12/09/96		46.61		
914841	Dr. Jack's Bar and Grill	Saipan	Payment on account of Maggie dlg Cabrera	09/29/95		47.25		
728132	Island Garden Restaurant and Bar	Saipan	Credit card receipt only	01/25/97		51.50		
739701	Kamayon Restaurant, Manila	Philippines	Credit card receipt only	02/25/97		61.35		
934299	Gloria Jeans Coffee Bean, San Diego	California	Credit card receipt only	07/01/96		67.58		
722247	Fishmonger's Wife Restaurant and Bar	Hawaii	Credit card receipt only	11/15/96		74.95		
739701	Yee Lu Fat Seafood Restaurant	Philippines	Credit card receipt only	02/28/97		80.47		
728886	Hyatt Regency Saipan	Saipan	Credit card receipt only	02/09/97		105.75		
724379	Kiku Japanese Restaurant, Manila	Philippines	Credit card receipt only	08/12/96		108.18		
728132	As Paris Restaurant & Lounge	Rota	Lunch food and drinks	01/20/96		117.50		
724379	Ming Palace Chinese Restaurant	Saipan	Credit card receipt only	11/24/96		121.88		
739701	Tinder Box #115	California	Cigars and lighters/ credit card receipt only	03/02/97		129.30		
724379	Manila Peninsula, Makati	Philippines	Credit card receipt only	12/10/96		143.85		
724379	EPC International Recruiting Service	Saipan	Credit card receipt only	12/16/96			147.00	
722247	Restaurant Tsukasa	Hawaii	Credit card receipt only	11/13/96		149.34		
739701	Arirang Restaurant	Saipan	Credit card receipt only	02/14/97		161.00		
724379	Kamayon Restaurant, Manila	Philippines	Credit card receipt only	12/11/96		172.57		
728132	Pacific Gardenia Bar and Grill	Saipan	Credit card receipt only	12/27/96		187.75		
724379	Moon Shadow Music Lounge, Manila	Philippines	Credit card receipt only	12/10/96		196.83		
739701	Philippine Village	Philippines	Credit card receipt only	02/28/97		199.61		
724379	Kiku Japanese Restaurant, Manila	Philippines	Credit card receipt only	12/10/96		209.63		
739701	Capital Grille	Washington	Credit card receipt only	03/06/97		226.55		
722568	Pacific Gardenia Bar and Grill	Saipan	Only Ck # 1252 of A. Cabrera attached			250.25		
724379	Seafood Market, Manila	Philippines	Credit card receipt only	12/09/96		261.35		
724379	Pacific Gardenia Bar and Grill	Saipan	Credit card receipt only	11/22/96		279.95		
739701	Davidoff Cigar BTQ	Hongkong	Credit card receipt only	02/27/97			314.10	
739701	Morton's of Chicago	Washington	Credit card receipt only	03/07/97		324.93		
739701	Seafood Market, Manila	Philippines	Credit card receipt only	08/13/96		378.45		
724379	Moon Shadow Music Lounge, Manila	Philippines	Credit card receipt only	12/12/96		506.21		
724379	Island Garden Restaurant and Bar	Saipan	Credit card receipt only	11/27/96		512.00		
722261	Island Garden Restaurant and Bar	Saipan	Credit card receipt only	11/22/96		557.00		
728132	Pacific Gardenia Bar and Grill	Saipan	Credit card receipt only	01/07/97		608.50		
722247	Morton's of Chicago#32	Phoenix	Food and beverage, credit card receipt only	11/08/96		868.94		
740666	EPC International Recruiting Service	Saipan	Credit card receipt only	05/31/97			887.00	
<b>Sub-total - Not Supported by Invoice</b>					\$0.00	\$7,300.53	\$1,348.10	\$0.00
<b>b. Supported by Invoice</b>								
720419	Century Park Sheraton, Manila	Philippines	Food & mini bar, valet	10/18/96	\$25.55	\$11.79		\$11.79
937659	The Manila Peninsula	Philippines	Telephone, Laundry, Dinner, 8/10 to 17/96	08/17/96	98.12	68.72		68.72
724379	Hyatt Regency Manila	Philippines	Hotel charges for	12/13/96	13,934.35			

**Appendix B**  
**Page 2 of 4**

**REIMBURSEMENTS OF QUESTIONABLE HOTEL ACCOMMODATIONS,  
MEALS, LIQUOR, AND CIGARS**

APV No.	Vendor	Location	Description	Transaction Date	Hotel Accommodations	Meals	Liquor & Cigars	With Per Diem
722260	New Royal Taga Beach Club	Saipan	rooms/food, etc. Food,bud/lite/Hawaiian screw	11/21/96		9.50	32.00	
937659	Edgewater Entertainment Corp.	Philippines	Chivas	08/11/96			41.58	
728886	Sizzler Waikiki	Hawaii	Food	02/05/97		41.74		41.74
724379	Teppanyaki	Saipan	Food/Drinks	10/24/96		42.50		
937659	Seafood Market, Manila	Philippines	Food	08/13/96		41.67		41.67
937659	Kamayon Restaurant, Manila	Philippines	Bar sales invoice attached, no details	08/13/96			43.23	
739701	Hyatt Regency Saipan	Saipan	Food	04/11/97		45.50		
914841	Vendor not specified on invoice	Saipan	Food	09/21/95		22.00		
722260	New Royal Taga Beach Club	Saipan	Food, soft drinks, bud/lite	11/21/96		11.50	22.00	
937659	Hyatt Regency Saipan	Saipan	Food	07/15/96		42.50		
739701	Poker Palace	Tinian	Food	05/13/97		48.75		48.75
739701	China House Restaurant	Saipan	Food	05/02/97		49.25		
914841	Pacific Gardenia Bar and Grill	Saipan	Bud & seven-seven/food	09/29/95		15.25	17.75	
722260	New Royal Taga Beach Club	Saipan	Bud, lite, Hawaiian screw	11/21/96			32.00	
739701	Palm Cafe Corporation	Philippines	Chivas/SMB/Baileys	?			31.79	
739701	Halina's Kitchen	Saipan	Food	05/18/97		56.75		
722260	New Royal Taga Beach Club	Saipan	Soft drinks, Bud/lite	11/21/96		3.00	28.00	
934299	Chadd's	Rota	Food	05/02/96		31.00		31.00
934299	Pacific Island Club	Saipan	Food	02/11/96		60.90		
934299	Cheesecake Factory	U.S.A.	Food	06/21/96		47.47		47.47
739701	Club Roppongi Karaoke, Manila	Philippines	Shandy, tea	02/27/97		9.80	51.42	9.80
739701	Island Garden Restaurant and Bar	Saipan	Screw, seven-seven, shot (1800)	04/12/97			31.00	
914841	Chamoru Café	Rota	Food	09/24/95		36.75		36.75
937659	Kamayon Restaurant, Manila	Philippines	Bar sales invoice attached, no details	08/11/96			63.67	
739701	Poker Palace	Tinian	Liquor & ladies drink, food	05/13/97		6.50	58.75	6.50
914841	Vendor not specified on invoice	Rota	Drinks	09/24/95		66.50		66.50
739701	Cheesecake Factory	U.S.A.	Food	03/08/97		30.58		
739701	Island Garden Restaurant and Bar	Saipan	Bud, screw driver, corona, 1 shot (1800)	04/12/97			68.00	
937659	Infiniti Club and Restaurant, Pasay	Philippines	Beer	08/16/96			70.16	
934299	Dai-Ichi Hotel	Saipan	Food, white wine	7/05/97		62.00	10.00	
739701	Poker Palace	Tinian	Liquor, cigars, and food	05/13/97		14.00	59.50	14.00
934299	Pacific Island Club	Saipan	Food	02/11/96		15.50		
739701	Big Dipper Ice Cream	Saipan	Coffee bag, bulk hard LG	05/01/97		29.95		
937659	Sea Palace Restaurant, Manila	Philippines	Food	08/12/96		77.01		77.01
914841	La Filipiniana	Saipan	Food and drinks	09/27/95		29.50		
739701	Island Garden Restaurant and Bar	Saipan	Budweiser, screw, seven-seven	04/12/97			28.50	
937659	China House Restaurant	Saipan	Food	07/30/96		82.50		
739701	Poker Palace	Tinian	Ladies drink, cigars, coffee	05/13/97		1.00	24.00	1.00
934299	Kamayon Restaurant, Manila	Philippines	Food	invoice undated		85.68		85.68
934299	Tony's Restaurant Lounge	Rota	Food	05/01/96		86.00		86.00
914841	Vendor not specified on invoice	Saipan	Food, miller	10/07/95		31.00	4.00	
914841	Vendor not specified on invoice	Saipan	Soft drinks, 7-7/blk water	09/21/95		1.25	36.00	
722260	New Royal Taga Beach Club	Saipan	Coke, bud/lite	11/21/96		1.00	24.00	
937659	Kamayon Restaurant, Manila	Philippines	Bar sales invoice attached, no details	08/15/96			97.57	
728886	Rudolphos	Saipan	Food	02/04/97		23.95		
937659	Kiku Japanese Restaurant, Manila	Philippines	Food	08/12/96		102.22		102.22

### REIMBURSEMENTS OF QUESTIONABLE HOTEL ACCOMMODATIONS, MEALS, LIQUOR, AND CIGARS

APV No.	Vendor	Location	Description	Transaction Date	Hotel Accommodations	Meals	Liquor & Cigars	With Per Diem
739701	Island Garden Restaurant and Bar	Saipan	Bud, shot	04/12/97			12.00	
739701	Vendor name not specified	Undetermined	Bud, lite, seven-seven	04/24/97			106.75	
739701	Island Garden Restaurant and Bar	Saipan	Seven-seven	04/12/97			22.00	
739701	Morton's of Chicago	Phoenix, AZ	Food	03/04/97		110.05		
739701	Shirley's Coffee Shop	Saipan	Food	05/06/97		20.05		
934299	Sze-Chuan House , Manila	Philippines	SMB (San Miguel Beer)	12/18/95			10.62	
739701	Island Garden Restaurant and Bar	Saipan	Miller, liquor, corona, shot (1800)	04/12/97			18.00	
720419	The Heritage Hotel, Manila	Philippines	Food	10/06/96		124.31		124.31
722260	New Royal Taga Beach Club	Saipan	Bud, lite	11/21/96			18.00	
724379	Pharaoh Business and Entertainment Ctr, Makati	Philippines	Alcoholic beverages	12/11/96			131.25	
722260	New Royal Taga Beach Club	Saipan	Food, bud/lite/tequila	11/21/96		108.50	24.00	
914841	Vendor not specified on invoice	Saipan	Food, lite/bud/wine/k. milk	09/21/95		40.00	95.75	
722247	Safari Resort Restaurant	Undetermined	Only lower portion of guest check presented	11/10/96		16.65		16.65
720419	China World Hotel Lobby Lounge	China	Iced coffee	10/10/96		15.92		15.92
739701	Island Garden Restaurant and Bar	Saipan	Miller lite and seven-seven	04/12/97			9.00	
937659	Saipan Grand Hotel	Saipan	Food	08/05/96		149.00		
739701	Island Garden Restaurant and Bar	Saipan	Tequila shot	04/12/97			15.00	
728886	Kentucky Fried Chicken	Saipan	Food	02/05/97		13.88		
937659	Shangrila Hotel, Manila	Philippines	Food, Fundador	08/15/96		155.87	10.37	155.87
722247	Sluggo's II, Honolulu	Hawaii	Food	11/14/96		12.94		12.94
934299	Ginga Music Lounge	Philippines	Food, Remy M. & cigarette	04/11/96		105.00	64.00	105.00
720419	Seafood Market, Manila	Philippines	Seafood	10/05/96		172.54		172.54
914841	Vendor not specified on invoice	Saipan	Lite	09/21/95			12.50	
937659	Kiku Japanese Restaurant, Manila	Philippines	Food/Remy M. & chivas	08/13/96		52.83	128.85	52.83
739701	Island Garden Restaurant and Bar	Saipan	Budweiser	04/12/97			7.00	
739701	Island Garden Restaurant and Bar	Saipan	Bud, screw driver	04/12/97			12.00	
739701	Winchell's Garapan	Saipan	Donuts	05/22/97		6.94		
739701	Island Garden Restaurant and Bar	Saipan	Seven-seven and corona	04/12/97			10.00	
739701	Island Garden Restaurant and Bar	Saipan	Food	04/12/97		10.00		
739701	Island Garden Restaurant and Bar	Saipan	One shot of Baileys	04/12/97			5.00	
937659	Edgewater Entertainment Corp.	Philippines	Cover, time, req. chg./iced tea	08/11/96		2.08	228.00	2.08
739701	Lori Lyn's Restaurant	Tinian	Food	05/14/97		7.75		7.75
739701	Club Roppongi Karaoke, Manila	Philippines	Charm	02/27/97			4.00	
937659	Kamayan Restaurant, Manila	Philippines	Bar sales invoice attached, no details	08/11/96			262.41	
739701	Host Marriott Cafeteria	Ohio	Coffee	03/05/97		1.14		
739701	Poker Palace	Tinian	Food	05/13/97		6.00		6.00
739701	Island Garden Restaurant and Bar	Saipan	Food	04/12/97		2.50		
937659	Kiku Japanese Restaurant, Manila	Philippines	10 Remy M. & 8 Chivas/juice	08/14/96		85.91	256.83	85.91
934299	Sze-Chuan House , Manila	Philippines	Food	12/18/95		2.50		
728886	EPC International Recruiting Service	Saipan	Food and drinks	01/05/96			495.00	
739701	Lori Lyn's Restaurant	Tinian	Food	05/14/97		19.00		19.00
934299	Sze-Chuan House , Manila	Philippines	Food	12/18/95		91.20		
722247	Safeway	Undetermined	Chardonnay & groceries	11/10/96		53.97	35.98	53.97
934299	Tony's Restaurant Lounge	Rota	Food	05/01/96		60.00		60.00
937659	Infiniti Club and Restaurant, Pasay	Philippines	Beer	08/10/96			622.70	
728132	EPC International Recruiting Service	Saipan	Food and drinks	01/27/97			675.00	
722260	New Royal Taga Beach Club	Saipan	Coke, bud/lite/tequila	11/21/96		1.00	60.00	

**REIMBURSEMENTS OF QUESTIONABLE HOTEL ACCOMMODATIONS,  
MEALS, LIQUOR, AND CIGARS**

APV No.	Vendor	Location	Description	Transaction Date	Hotel Accommodations	Meals	Liquor & Cigars	With Per Diem
722247	Japanese Restaurant Tsukasa, Honolulu	Hawaii	Only lower portion of guest check presented	11/13/96		30.00		30.00
720419	Seafood Market, Manila	Philippines	Seafood	10/05/96		940.40		940.40
724379	Pharaoh Business and Entertainment Ctr, Makati	Philippines	Food & Beverage guest check, no details	12/11/96		999.04		
720419	The Garden Hotel, Guangzhou	China	Valet, food & RS, banquet	10/16/96		1,183.65		35.69
720419	China World Hotel, Beijing	China	Food, transfer charges	10/13/96		1,787.68		562.82
720419	Vendor name in Chinese characters	China	Banquet fee 1	10/11/96		6,144.87		
914841	Vendor not specified on invoice	Saipan	Food, beer, drinks	09/29/95		25.50	38.00	
<b>Sub-total - Supported by Invoice</b>					\$14,058.02	\$14,001.15	\$4,264.93	\$3,236.28
<b>Total - Without Justification</b>					\$14,058.02	\$21,301.68	\$5,613.03	\$3,236.28
<b>2. Entertained CNMI Government Official</b>								
<b>a. Not Supported by Invoice</b>								
583515	Kansai Restaurant	California	Credit card receipt only	06/28/95		51.50		
914841	Island Garden Restaurant and Bar	Saipan	Credit card receipt only	10/13/95		52.00		
914841	Kaizoku Restaurant	Saipan	Credit card receipt only	10/18/95		59.80		
583515	Keeraku Japanese Restaurant	Saipan	Meal	09/12/95		74.50		
583515	Dai-ichi Hotel	Saipan	Credit card receipt only	08/10/95		80.00		
583515	Pickle Restaurant	Unknown	Food, credit card receipt only	08/17/95		83.19		
583515	Kaizoku Restaurant	Saipan	Food, no details	06/17/95		91.50		
914841	As Paris Restaurant & Lounge	Rota	Food, no details, just Official Receipt (OR) No. 0096	10/19/95		100.05		
583515	Island Garden Restaurant and Bar	Saipan	Credit card receipt only	06/23/95		120.00		
914841	Moods and Music	Saipan	Food, drinks, no details, just OR No. 3678	10/03/95			139.00	
914841	Moods and Music	Saipan	Food and drinks, no details, just OR No. 3674	09/28/95			220.50	
<b>Sub-total - Not Supported by Invoice</b>					\$0.00	\$712.54	\$359.50	\$0.00
<b>b. Supported by Invoice</b>								
583515	Coral Ocean Point	Saipan	Food , beer & Heineken \$24	08/30/95		\$22.80	\$24.00	
583515	Hyatt Regency Hotel	California	Chard kenjack/red hook drf/miller	06/29/95			57.50	
914841	La Filipiniana	Saipan	Food and drinks	10/27/95		31.50		
583515	Saipan Bowling Center	Saipan	Food	08/24/95		26.50		
583515	Royal Taga Beach Club	Saipan	Food	06/30/95		67.00		
914841	Pacific Gardenia Bar and Grill	Saipan	Food and coffee	10/24/95		9.50		
583515	Pacific Island Club	Saipan	Food	8/27/95		20.76		
583515	Dai-Ichi Hotel	Saipan	Food	7/25/95		30.80		
583515	Pacific Castle	Saipan	Food	07/03/95		42.00		
914841	China House Restaurant	Saipan	Food and drinks	10/23/95		265.25		
914841	China House Restaurant	Saipan	Food and drinks	10/14/95		62.00		
<b>Sub-total - Supported by Invoice</b>					\$0.00	\$578.11	\$81.50	\$0.00
<b>Total - Entertained CNMI Government Official</b>					\$0.00	\$1,290.65	\$441.00	\$0.00
<b>Overall Total</b>					\$14,058.02	\$22,592.33	\$6,054.03	\$3,236.28

## Appendix C

## PERSONAL EXPENSES

APV No.	Vendor	Location	Description	Transaction Date	Amount
934299	House Gift Shop/US Representatives	Washington, DC	Tie Tac, bookends, eagle brass, utility box w/ seal	06/26/96	\$75.48
720419	Vendor name in Chinese characters	China	Picture*	10/09/96	222.50
720419	Vendor name in Chinese characters	China	Peasant's picture*	10/09/96	22.25
720419	Vendor name in Chinese characters	China	Gifts, cuff links, tie*	10/09/96	346.11
720419	Jianguo Hotel Shop	China	Expensive Shirts and Suits*	10/11/96	473.18
720419	Vendor name in Chinese characters	China	Imperial family leather series*	10/13/96	98.64
720419	Vendor name in Chinese characters	China	Imperial family leather series*	10/15/96	89.99
720419	Vendor name in Chinese characters	China	Kodak TMY120 & EC120*	10/15/96	38.32
722247	DFS Saipan Ltd.	Saipan	Pens	10/31/96	99.00
722247	DFS Saipan Ferragamo	Saipan	Boutique	10/31/96	248.00
724379	J.C. Tenorio Enterprises	Saipan	Films (8 pieces)	12/18/96	51.92
739701	Saipan's Pacific Galleries and Framing	Saipan	Picture framing	Invoice undated	170.00
728886	Computer City	Hawaii	Educational Computer Software	02/05/97	529.09
934299	Vendor not specified on invoice	Location undetermined	Hats, machine tape receipt only**	Receipt undated	58.00
TOTAL					\$2,522.48

\* The details of the invoices were in Chinese and the former Secretary did not make any remarks to explain the nature of the charges. We later found the nature through a translator.

\*\* Supported by machine tape receipt only without sufficient detail. The former Secretary was reimbursed without being required to explain the purpose.

## Appendix D

## DUPLICATE CHARGES

APV No.	Supported by	Description	Double Payment	Amount	Details
1. Edge Water Entertainment - Philippines - 8/11/96					
937659	Credit card receipt		\$271.66		Peso 6,900.00 @ 25.40
937659	Invoice	Cover, time, req. chg./ice tea		\$230.08	Peso 5,844.00 @ 25.40
937659	Invoice	Chivas		41.58	Peso 1,056.00 @ 25.40
2. Kamayan Restaurant, Makati - Philippines - 08/11/96					
724379	Credit card receipt		345.10		Peso 8,282.31 @ 24.00
937659	Invoice	Bar sales invoice attached, no details		63.67	Peso 1,617.10 @ 25.40
937659	Invoice	Bar sales invoice attached, no details		262.41	Peso 6,665.21 @ 25.40
3. Kiku Japanese Restaurant, Manila - Philippines - 08/13/96					
724379	Credit card receipt		192.27		Peso 4,614.51 @ 24.00
937659	Invoice	Food/Remy Martin & chivas		181.68	Peso 4,614.51 @ 25.40
4. Kiku Japanese Restaurant, Manila - Philippines - 08/14/96					
724379	Credit card receipt		362.72		Peso 8,705.38 @ 24.00
937659	Invoice	10 Remy Martin & 8 Chivas/juice		342.74	Peso 8,705.38 @ 25.40
5. Kamayan Restaurant, Makati - Philippines - 08/15/96					
724379	Credit card receipt		103.25		Peso 2,478.09 @ 24.00
937659	Invoice	Bar sales invoice attached, no details		97.57	Peso 2,478.09 @ 25.40
6. Shangrila Hotel, Makati - Philippines - 08/15/96					
724379	Credit card receipt		175.93		Peso 4,222.31 @ 24.00
937659	Invoice	Food, Fundador		166.24	Peso 4,222.31 @ 25.40
7. Jewellery Beijing Friendship Store - China - 10/09/96					
720419	Credit card receipt		346.11		Yuan 2,800.00 @ 8.09
720419	Invoice	Gifts, cuff links, tie/credit card receipt		346.11	Yuan 2,800.00 @ 8.09
8. Jianguo Hotel Shop - China - 10/11/96					
720419	Credit card receipt	Credit card receipt only	473.18		Yuan 3,828.00 @ 8.09
720419	Invoice	Expensive shirt and suits		473.18	Yuan 3,828.00 @ 8.09
9. Sears - Hawaii - 02/04/97					
728886	Official Receipt	2 items described as Miscellaneous sale	40.54		Same receipt presented twice
728886	Official Receipt	2 items described as Miscellaneous sale		40.54	Same receipt presented twice
10. Pacific Seino/Antonio Cabrera - Travel to Rota - 10/29/95					
914841	Credit card receipt	Credit card receipt only	46.00		Credit card receipt no. 384417
286996	Travel Voucher	Travel advance liquidation		46.00	Cost of ticket was reimbursed
TOTAL			\$2,356.76	\$2,291.80	

## UNACCOUNTED FOR EQUIPMENT

APV No.	Vendor	Location	Transaction Date	Amount
720419	New Radio City, Robinson's Galleria, Manila	Philippines	10/17/96	\$274.61
722247	Software, Etc	Arizona	11/11/96	197.44
722247	Honolulu Electronics	Hawaii	11/15/96	59.50
739701	Bena Computer Company*	Hongkong	02/27/97	789.13
739701	Bena Computer Company*	Hongkong	02/27/97	2,477.36
739701	Protech Computer Ltd.*	Hongkong	02/27/97	582.15
739701	Top Selection Video and Camera Ctr	Hongkong	Receipt undated	1,095.73
739701	Top Selection Video and Camera Ctr	Hongkong	Receipt undated	918.50
TOTAL				\$6,394.42

Note: All items above were supported by credit card receipts only.

\* Indicated "computer equipment" in credit card receipts.



## Appendix F

## UNIDENTIFIED EXPENSES

APV No.	Vendor	Location	Description	Transaction Date	Amount
914841	Vendor not specified on invoice	Rota	Item purchased unreadable	09/24/95	\$10.00
914841	Name of vendor unclear	Undetermined	Credit card receipt only*	10/17/95	51.25
739701	Vendor name not clear	Philippines	Credit card receipt only*	06/17/96	119.00
934299	America's Best, Rockville	Maryland	Credit card receipt only*	06/22/96	246.98
739701	Vendor name not on receipt	Saipan	Credit card receipt only*	10/03/96	976.00
739701	Vendor name not on receipt	Saipan	Credit card receipt only*	10/03/96	367.20
720419	Vendor name in Chinese characters	China	Invoice in Chinese characters	10/08/96	15.82
720419	GZ Commercial & Trade Co.	China	Credit card receipt only*	10/15/96	294.56
720419	Vendor name in Chinese characters	China	Credit card receipt only*	10/15/96	19.41
720419	Vendor name in Chinese characters	China	Credit card receipt only*	10/15/96	1,236.09
720419	Christian Travel Center, Ortigas	Philippines	Credit card receipt only*	10/17/96	293.26
722247	Vendor not specified on tape receipt	Undetermined	Machine tape receipt only*	10/24/96	126.00
722247	Vendor not specified on OR	Undetermined	Purchase*	10/24/96	39.00
722247	Vendor not specified on tape receipt	Undetermined	Machine tape receipt only*	11/09/96	38.43
722247	Waldenbooks	Undetermined	Items purchased hard to determined	11/09/96	7.45
722247	Game Fiesta Mall	Undetermined	Items purchased hard to determined	11/11/96	122.74
722247	Los Olivos Mexican Pati	Arizona	Credit card receipt only*	11/12/96	91.83
722247	Vendor not specified on tape receipt	Undetermined	Items purchased hard to determined*	11/13/96	3.10
722247	Franklin Quest, Honolulu	Hawaii	Credit card receipt only*	11/15/96	238.13
724379	Vendor name not clear	Philippines	Credit card receipt only*	12/10/96	1,476.67
724379	Vendor name not clear	Philippines	Credit card receipt only*	12/12/96	345.79
739701	Swindon Book Co., Ltd.	Hongkong	?	02/27/97	28.14
739701	Vendor not specified on tape receipt	Undetermined	Machine tape receipt only*	03/04/97	19.20
739701	Oaxaca Sky Harbor Int'l.	Undetermined	Machine tape receipt only*	03/05/97	8.01
739701	Circuit City Stores, Inc.	Bethesda, MD	Portable music A?	03/08/97	3.14
739701	Vendor not clear	Saipan	Credit card receipt only*	04/19/97	182.00
739701	Vendor name in foreign language	Japan?	Invoice in foreign language	05/09/97	306.25
739701	Vendor not specified on tape receipt	Undetermined	No details on machine tape receipt*	05/11/97	66.35
728886	Sears	Hawaii	2 items described as Miscellaneous sale*	02/04/97	40.54
728886	Vendor name in foreign language	Japan?	Official Receipt in foreign language*	02/10/97	5,408.98
728886	Vendor name not clear	Hawaii	Credit card receipt only*	02/06/97	302.88
739701	Vendor name not clear	Washington	Item purchased cannot be determined	undated	119.27
TOTAL					\$12,603.47

\* Reimbursement supported by credit card receipts only or other receipts without sufficient detail. These totaled \$11,990.66.

## Appendix G

**EQUIPMENT RENTALS FOR THE FORMER SECRETARY'S  
PRIVATE BUSINESS**

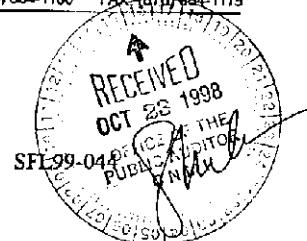
Check Date	APV No.	Description	Amount	Fax Printer Serial No.
6/18/96	439841	March/April 1996 lease of fax printer	\$150.16	SN ONH-016040
6/18/96	439841	March/April 1996 lease of fax/printer	150.16	SN ONH-015882
6/18/96	439841	No billing attached	244.30	Unsupported
7/31/96	935420	May to Sept. 1996 lease of fax/printer	450.40	SN ONH-016040
7/31/96	935420	May to Sept. 1996 lease of fax/printer	450.40	SN ONH-015882
7/31/96	935420	May to Sept. Lease of work center	710.75	SN SUL-003155
TOTAL			\$2,156.17	



**Office of the Secretary  
Department of Finance**

P.O. Box 5234 CHRB SAIPAN, MP 96950

TEL (670) 664-1100 FAX (670) 664-1115



October 23, 1998

Mr. Leo L. LaMotte, Public Auditor  
Commonwealth of the Northern Mariana Islands  
2nd Floor, J.E. Tenorio Bldg.  
Gualo Rai, Saipan, MP 96950

**Subject: Response to Draft Audit Report on Misuse of Funds by the Former Secretary of Finance, Fiscal Years 1995, 1996 and 1997**

Dear Mr. LaMotte:

The above referenced report contains four recommendations directed to the Secretary of Finance.

**Recommendation 1**

That the Secretary of Finance require the former Secretary of Finance to return public funds he misused totaling \$100,249. Of this amount, \$44,959 is immediately recoverable and \$55,290 is recoverable unless adequately justified or supported by the former Secretary. If the former Secretary refuses to cooperate or pay back the funds, the current Secretary should request the Attorney General's Office to take legal action against the former Secretary.

**Response:**

In general we agree with the finding and recommendation. However, since we have not independently analyzed the receipts in question, we are depending on the Office of the Public Auditor's categorization of expenditures by the former Secretary. A copy of the draft audit report detailing the expenditures in each of the categories was mailed to the former Secretary in August 1998. No response was received and a letter, including another copy of the draft report, was sent to him today, October 23, 1998 by certified mail requesting full payment. If no response is received by November 6, 1998, I will request the Attorney General's Office to take legal action to secure repayment.

**OPA Draft Audit Response 10/23/98**

**Page 2**

**Recommendation 2**

That the Secretary of Finance request the AGO to prosecute the former Secretary for misconduct in public office.

**Response:**

We do not have enough information to agree or disagree with the finding and recommendation. The decision to prosecute or not lies with the Attorney General's Office after a review of the available information. I have sent a memo (copy attached) to the Attorney General's Office requesting them to investigate whether the former Secretary should be charged with misconduct in office.

**Recommendation 3**

That the Secretary of Finance develop and implement written policies and procedures to ensure that official representation expenses are incurred only for public purposes. In developing such policies, the Secretary should be guided by our discussion of official representation on pages 4 and 5 of this report.

**Response:**

We agree that a better definition of appropriate official representation expenditures is needed. The only legal requirement in effect at this time is that official representation must be for a public purpose and the Legislature has not provided a definition of public purpose. We are in the process of developing suggested policies and procedures for official representation expenditures. However, I do feel that the Governor and Legislature should have the opportunity to review and comment on these policies and procedures. The draft policies and procedures will be sent to them for review prior to implementation.

**Recommendation 4**

Issue a directive to DOF-Finance and Accounting Division instructing them to reject any reimbursement request without adequate supporting documents and justification. Among other things, DOF should not allow reimbursements supported only by credit card receipts or official receipts without sufficient description of the expenses incurred.

**APPENDIX H**  
**Page 3 of 12**

OPA Draft Audit Response 10/23/98  
Page 3

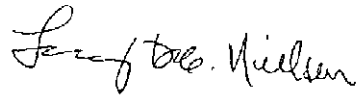
**Recommendation 4 (Con't)**

**Response:**

We agree with the finding and recommendation. A directive has been issued to the Acting Director of the Division of Finance and accounting to so instruct the staff. A copy of this memo is attached. It should be noted that requiring proper documentation for expenditures is a normal procedure but, as the audit report points out, the former Secretary was able to circumvent normal procedures as he had authority over all staff members responsible for processing payments to him.

Thank you for the opportunity to respond to this draft report

Sincerely,



LUCY DLG. NIELSEN  
Secretary of Finance



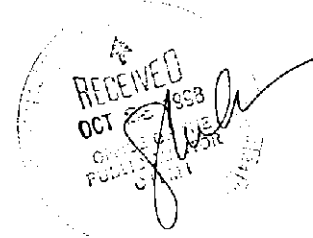
Office of the Secretary  
Department of Finance

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October 23, 1998

SFL99-045



Antonio R. Cabrera  
P.O. Box 1658  
Saipan, MP 96950

Dear Mr. Cabrera:

The Office of the Public Auditor recently issued a report alleging your misuse of public funds amounting to \$100,249 during your tenure as Secretary of Finance. \$44,959 of this amount was deemed immediately recoverable since it represented a \$30,000 advance that was never recovered, personal expenses, duplicate charges and expenses for liquor and cigars. The remaining \$55,290 was categorized as recoverable unless adequate supporting documents could be provided. My office provided you with a copy of this report in August 1998 and we have received no response from you as of the date of this letter.

Therefore, consider this letter a request to repay the full \$100,249 cited in the Public Auditor's report. If you have documentation for any of the expenses detailed in the report, please submit them to my office so they may be reviewed and deducted from the total if they represent legitimate governmental expenses.

Please contact me by November 6, 1998 to make repayment arrangements or this matter will be turned over to the Attorney General's Office for legal action.

Sincerely,

LUCY DLG. NIELSEN  
Secretary of Finance

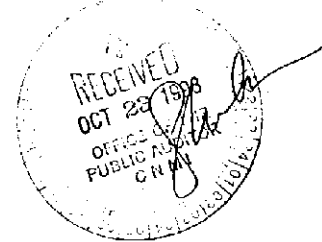




Office of the Secretary  
Department of Finance

P.O. Box 5234 CHRIB SAIPAN, MP 96950

TEL. (670) 664-1100 FAX: (670) 664-1115



MEMORANDUM

TO: Acting Director  
Division of Finance & Accounting

DATE: October 23, 1998

FROM: Secretary of Finance

SFM99-034

SUBJECT: Travel and Official Representation Reimbursements

In a recently issued draft audit report, the Office of the Public Auditor found instances of inadequate documentation for reimbursement of travel and official representation expenses. Please instruct your staff to insure that all reimbursements are properly documented. Proper documentation consists of a vendor receipt containing sufficient description to determine that the expense incurred was for a public purpose. Reimbursements supported by only a credit card receipt or by a receipt without adequate description of the purchase should be rejected.

Thank you for your attention to this matter.

LUCY DLG NIELSEN

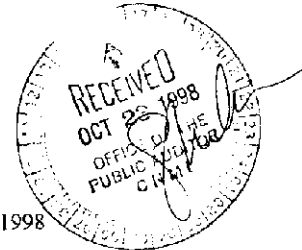




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**MEMORANDUM**

TO: Governor DATE: October 23, 1998  
FROM: Secretary of Finance SFM99-035  
SUBJECT: Draft Official Representation Policies & Procedures

In Recommendation No. 3 of the draft Audit of Misuse of Funds by the Former Secretary of Finance, The Office of the Public Auditor noted abuses concerning the approval and documentation of "official representation" expenditures. He attributes this condition to the absence of written policies and procedures regulating official representation activities and recommends development of such policies and procedures. Previous audit reports have also contained this recommendation.

Enclosed is a draft of Official Representation Policies and Procedures and associated Documentation Form developed by the Department of Finance. Since the adoption of such policies and procedures will have an impact on you and other CNMI elected officials, we are requesting your review and comments on these policies and procedures. After any revisions based on your comments, I would suggest that the Legislature also be given the opportunity to review and comment on these policies and procedures prior to their implementation.

Please let me know if you have any questions or need additional information

LUCY DLG NIELSEN

**DRAFT**

**COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS**  
**OFFICIAL REPRESENTATION POLICIES**

**POLICY NO. 1:**

The Governor, Lieutenant Governor, Mayor of Saipan, Mayor of Rota, Mayor of Tinian, and members of the Legislature are the only persons authorized to incur expenses for official representation without prior approval. The above elected officials may authorize other CNMI Government employees to incur expenses for official representation on their behalf by providing written approval to the employee stating the reason that employee will incur the official representation expense, persons to be entertained and date(s) of entertainment. These delegations to incur official representation expenses should be authorized on a case by case basis and the written approvals included as part of the supporting documentation for the expense.

**POLICY NO. 2:**

Official representation for entertainment and promotional expenses must be completely documented as to (1) the persons entertained, (2) nature and purpose of the expense and its direct relationship to CNMI Government business, (3) description of matters discussed and (4) analysis of cost details. In the case of official representation incurred for government guests, other CNMI agency officials and CNMI Government employees, an additional justification is required to explain why such meetings could not be accomplished at CNMI Government offices during normal business hours.

Where off-island official representation is incurred for firms doing business with CNMI Government, the justification should include the reasons why the persons entertained could not come to Saipan. In the case where CNMI Government officials are on a daily per diem allowance while incurring official representation, the value of their meals per the entertainment should be deducted from the per diem allowance when submitting their travel voucher.

It is the policy of the CNMI Government that official representation should only occur in dignified establishments which are conducive to the conduct of business matters.

Official representation expenditures must be for a public purpose. Personal items such as food or clothing and contributions to individuals, known in the vernacular as "chenchule", are examples of expenditures that are not considered a public purpose.

**DRAFT****COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS**  
**OFFICIAL REPRESENTATION POLICIES**

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In order to help document official representation, the CNMI Government has devised a form called the "Official Representation Documentation Form" which highlights all the applicable requirements to adequately support expenses for official representation. Those persons either charging or submitting claims for reimbursement of official representation should complete this form and attach it to their copies of vendor receipts. In this way all pertinent details concerning the basis for the expense can be well documented and easily explained to any examining authority.

**POLICY NO.3:**

Unauthorized or undocumented official representation expenditures will not be reimbursed by the Government. In cases where payments for such unauthorized or undocumented expenses have been made from CNMI Government funds such as travel or other advances, imprest funds or other government funds, the responsible party will reimburse the CNMI Government for these expenditures. If not paid in a timely manner, such costs will be recovered through payroll deductions.

**DRAFT****DEPARTMENT OF FINANCE OFFICIAL REPRESENTATION PROCEDURES:****PROCEDURE NO.1:**

The staff assigned to process accounts payable and travel vouchers should be alert for vendor billings and receipts covering items of official representation, i.e., entertainment, business luncheons, gifts, or other promotional activities. Such vendor statements and supporting invoices or receipts must be compared to the supporting documentation as outlined in the policies for official representation. The person incurring such expenses is responsible for the preparation and submission of an "Official Representation Documentation Form" which details all the pertinent documentation. As such expenses are incurred, the person responsible should prepare this form and attach it to his copy of the charge ticket and submit to the Comptroller's Office. This form is matched to the vendor statement and related invoices and reviewed for completeness as to all pertinent details. If it is judged to be incomplete, the Comptroller is advised and the person submitting the form is sent a memorandum detailing the deficiencies and potential personal liability if not corrected. If the form is complete, it is attached to the vendor statement/invoice as additional supporting documentation of the expense. The procedure is the same in the case of a person submitting an expense report and claiming reimbursement of an expense for official representation.

**PROCEDURE NO.2:**

When an official representation expenditure is unauthorized or has not been properly supported, the person responsible is subject to reimbursing the CNMI Government. If reimbursement has not been made within 30 days of notifying the responsible official of their liability, a notice of payroll deduction should be sent indicating that deduction will occur if not paid. If still unpaid, then payroll deduction should occur on the next pay period.

**DRAFT**

**COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS**  
**OFFICIAL REPRESENTATION DOCUMENTATION FORM**

**Note to Preparer:** The purpose of this Official Representation Documentation Form is to inform the person responsible for incurring entertainment, business luncheons, gifts or any other type of promotion of the necessary documentation required per CNMI Government policies and procedures. The following items listed below should be answered in a complete manner. Any expenses incurred which are not adequately justified may revert to the person responsible and become his personal liability. Please attach this completed form to your copy of the vendor invoices, receipts, travel voucher, etc. and file with the Department of Finance.

**Date:**

**Person submitting this Form:**

**Name:**

**Signature:**

1. If you are not a CNMI Government official authorized to incur "official representation" expenses without prior approval, have you received prior written approval from an authorized official for this expense?

If "YES", please attach your written authorization.

2. State the persons for which the "official representation" expenses were incurred.
3. State the nature and purpose of the expense and its direct relationship to CNMI Government business:
4. Describe the matters discussed:

**DRAFT**

**COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS**  
**OFFICIAL REPRESENTATION DOCUMENTATION FORM**

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5. Itemize the expenses according to the nature of the expense and the type of establishment where the entertainment or activity took place.
  
6. If the "official representation" involves governmental guests, CNMI agency officials, other CNMI Government employees, consultants or contractors, state an additional explanation as to the reasons why such activity could not take place at CNMI Government offices during normal business hours.
  
7. Was the "official representation" incurred while you were off-island on a daily per diem allowance?  
  
If "YES" did you deduct the value of your meal, etc. from the per diem allowance submitted on your travel voucher?

If space is insufficient, please attach additional supplementary pages.

**Appendix I**  
**Page 1 of 2**

**STATUS OF RECOMMENDATIONS**

Recommendations	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>1. Require the former Secretary of Finance to return public funds he misused totaling \$100,248.66. Of this amount, \$47,836.70 is immediately recoverable and \$52,411.96 is recoverable unless adequately justified or supported by the former Secretary. If the former Secretary refuses to cooperate or repay the funds, the current Secretary should request the Attorney General's Office (AGO) to take legal action against the former Secretary to recover the amount of funds misused.</p>	<p>DOF</p>	<p>Open</p>	<p>The Secretary stated that DOF agrees with the finding and recommendation but since DOF has not independently analyzed the receipts in question, it is depending on OPA's categorization of the expenditures by the former Secretary. The Secretary stated that a copy of the draft report was sent to the former Secretary in August 1998 but no response was received. Another copy of the draft report was sent to the former Secretary on October 23, 1998 together with a letter requesting full repayment. In the letter, the Secretary requested the former Secretary to make repayment arrangements by November 6, 1998 or the Attorney General's Office would be asked to take legal action to enforce repayment.</p> <p><i>Further Action Required</i></p> <p>The Secretary of Finance should provide OPA documents showing recovery or action taken to recover the misused public funds from the former Secretary.</p>
<p>2. Request the AGO to prosecute the former Secretary for misconduct in public office.</p>	<p>DOF</p>	<p>Open</p>	<p>The Secretary stated that DOF does not have enough information to agree or disagree with the finding and recommendation, and that the decision to prosecute or not lies with the Attorney General's Office, after a review of the available information. The Secretary issued a memorandum on October 23, 1998 to the Attorney General's Office requesting an investigation of the misconduct in public office by the former Secretary.</p> <p><i>Further Action Required</i></p> <p>The Secretary of Finance should provide OPA the status of the Attorney General's Office investigation.</p>

**STATUS OF RECOMMENDATIONS**

Recommendations	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>3. Develop and implement written policies and procedures to ensure that official representation expenses are incurred only for official purposes. In developing such policies, the Secretary should be guided by our discussion of official representation on pages 4 and 5 of this report.</p>	<p>DOF</p>	<p>Resolved</p>	<p>The Secretary agreed with the recommendation. DOF has drafted Official Representation Policies and Procedures and a Documentation Form. Since the adoption of such policies and procedures would have an impact on the Governor and other CNMI elected officials, a copy was sent to the Office of the Governor on October 23, 1998 for the Governor’s review and comments. In her letter to the Governor, the Secretary suggested that after any revisions, the Legislature should also be given the opportunity to review and comment on the policies and procedures prior to implementation.</p> <p><i>Further Action Required</i></p> <p>The Secretary of Finance should provide OPA a copy of the adopted policies and procedures on official representation.</p>
<p>4. Issue a directive to DOF-Finance and Accounting Division instructing them to reject any reimbursement request without adequate supporting documents and justification. Among other things, DOF should not allow reimbursements supported only by credit card receipts or official receipts without sufficient description of the expenses incurred.</p>	<p>DOF</p>	<p>Closed</p>	<p>The Secretary agreed with the finding and recommendation. She issued a directive to the Acting Director of the Division of Finance and Accounting to address the recommendation.</p> <p><i>Further Action Required</i></p> <p>None.</p>