



Office of the Public Auditor
Commonwealth of the Northern Mariana Islands

**Tinian Casino Gaming Control Commission
Audit of Travel Transactions
Fiscal Years 1996 - 2001**



Audit Report
AR-02-02

Contents

Introduction	1
Background	1
Objectives, Scope, and Methodology	2
Prior Audit Coverage	2
Findings and Recommendations	3
A. Potentially Recoverable Travel Advances	3
No Travel Vouchers Obtained	4
Inadequate Documentation	5
Unallowable Discretionary Fund Expenses	6
Improper CNMI Advances to Four Individuals	7
Excessive Per Diem	8
Other Inconsistencies in Collection of Travel Advances	8
B. Questionable Travel	10
Per Diem/Stipend Allowance	10
Length of Travel	11
Airfare Advance to Travelers	11
Ground Transportation	12
Travel Vouchers Not Timely Submitted	13
Appendices	17
A - Recoverable Travel Advances	17
B - TCGCC Response	18
C - Status of Recommendations	24

Introduction

Background

The Tinian Casino Gaming Control Act of 1989 (the Act) was enacted by a local initiative pursuant to Article IX, Section 1 of the CNMI Constitution to regulate and control gambling enterprises in the Second Senatorial District (Tinian). On January 1, 1990 the Tinian Casino Gaming Control Commission (TCGCC) was made responsible for administering, implementing, and enforcing the Act on matters such as licenses, fees and taxes, casino operation, internal controls, administrative and accounting procedures, and audit requirements.

TCGCC Travel

TCGCC has adopted travel policies governing the official travel of employees¹, consultants, commissioners, and other individuals traveling at TCGCC expense. TCGCC uses a Travel Authorization (TA) form to approve or disapprove all requests for travel. Travelers can liquidate cash advances by submitting a travel voucher (TV) form showing that a trip was taken. All expenses (other than per diem) must be supported by receipts or other documents, and must be itemized on a daily basis. Per diem must be supported by a trip report or public transportation receipts.

As shown in the table below, TCGCC processed 361 TAs with total advances of \$857,285 in the six years ending 2001. Of these advances, \$673,625 was advanced in Fiscal Years (FY) 1996 and 1997 alone.

Fiscal Year	Number of TAs	Travel Cost
1996	48	\$167,619
1997	75	506,006
1998	3	430
1999	44	66,774
2000	122	41,618
2001	69	74,838
Total	361	\$857,285

¹ In accordance with statutory restrictions in the Auditing and Ethics Acts, names of individuals and corporations are not disclosed in this report.

**Objectives,
Scope, and
Methodology**

The objectives of our audit were to determine whether: (1) commissioners, officials, and employees liquidated travel advances based on applicable travel liquidation policies; and (2) government-paid travel performed by commissioners, officials, and employees was necessary and was completed within a reasonable period of time.

Initially, the audit covered TCGCC travel authorizations issued during FYs 1996 and 1997, and we later extended the audit to cover FYs 1998 to 2001. For FYs 1996 and 1997, we reviewed all TAs issued, including related travel vouchers and other supporting documentation, but limited our tests for FYs 1999 to 2001 to 20 per cent of such documents, and did not test TAs for FY1998 because travel was minimal. We also interviewed commissioners, officials, and employees of TCGCC and the Tinian Mayor's Office responsible for authorizing or processing these transactions.

This audit began as part of a larger audit of TCGCC operations that was delayed when TCGCC management refused to provide OPA with needed information. As a result, OPA issued separate audit reports: an audit of TCGCC Consultant's Contract (Audit Report No. AR-99-03, dated April 7, 1999), and an audit of TCGCC travel transactions discussed herein.

We conducted audit work at the TCGCC office in Tinian during three time periods: October 1997 to June 1999, December 1999 to April 2000, and in March 2002. This 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 under the circumstances.

As part of our audit, we evaluated TCGCC's internal controls over preparation of TAs, granting of advances, submission of trip reports, and documentation of travel expenditures. Related internal control weaknesses are discussed in the Findings and Recommendations section of this report. Our recommendations, when implemented, should improve controls in these areas.

On August 14, 2002 prior to receiving TCGCC comments on our audit report, OPA conducted an exit meeting with TCGCC officials and discussed preliminary audit findings.

**Prior Audit
Coverage**

The Office of the Public Auditor has previously issued two audit reports covering TCGCC operations for Fiscal Years 1990 to 1993. On September 15, 1997, OPA presented testimony to the Senate Committee on Executive Appointments and Government Investigations on the preliminary results of our review of TCGCC financial transactions and administrative practices, including \$2.6 million that the Office of the Governor loaned to finance TCGCC's operations for FY 1997. Then on April 7, 1999, OPA issued a report on its audit of the TCGCC Consultant's Contract (AR-99-03).

Findings and Recommendations

A. Potentially Recoverable Travel Advances

Approximately \$400,000 in travel advances were not liquidated in accordance with the TCGCC Travel Policies.

Travel advances granted to commissioners, officials, and employees while on official business are considered loans which should be liquidated in accordance with TCGCC travel policies. OPA found that \$406,925, or 60 percent of the \$673,625 that TCGCC management advanced to travelers, remains outstanding because these advances were not properly liquidated in accordance with TCGCC policy. More specifically TCGCC: (1) failed to obtain travel vouchers but continued to issue advances; (2) allowed advances to be liquidated without adequate supporting documentation; (3) approved unallowable expenses; (4) requested the CNMI's DOF to advance funds to four individuals in violation of an agreement with the CNMI; and (5) allowed excessive per diem allowances to travelers.

TCGCC management abused its responsibility to the public when it disregarded TCGCC policy both by accepting travel liquidations without valid or appropriate documentation, and by granting new advances to individuals without liquidating previous advances. Although TCGCC policy requires a single individual to approve advances, we found that no single TCGCC official was responsible; instead the various commissioners approved the TAs of fellow commissioners and other travelers. Likewise, no single TCGCC official was responsible for approving vouchers; instead the various commissioners approved the vouchers of fellow commissioners and other travelers. The failure to vest responsibility for approving advances and vouchers in one person may have contributed to the breakdown which allowed advances to be made while others were still outstanding, and for payments to be made without supporting documentation. As a result, \$406,925 in public funds is now outstanding and needs to be recovered.

On August 14, 2002, prior to receiving TCGCC comments on this report, OPA met with the TCGCC management and discussed preliminary audit findings.

Policies on Liquidating Travel Advances

Travel advances granted to commissioners, officials, and employees while on official business are considered loans. Travelers need to submit evidence showing that an official trip was taken, and submit receipts to document daily expenses except per diem. Travelers are responsible for paying back any outstanding funds after liquidation.

Liquidation of Advances

For FYs 1996 and 1997, we reviewed 123 advances totaling \$673,625, and found that management had failed to liquidate advances totaling \$406,925 in accordance with the TCGCC travel policies. We also tested travel transactions for Fiscal Years 1999 to 2001, and while we found recoverable advances, we did not determine the amount recoverable. Since we did not test all travel transactions for those latter years, we are unable to determine the overall recoverable amount. TCGCC is in the process of establishing a subsidiary ledger to account for travel advances, and its accounting section needs such a control in order to recover outstanding travel advances. **Appendix A** shows amounts recoverable from individual travelers as of September 30, 2001 for advances made in FYs 1996 and 1997 as summarized in the following table:

Types of Exceptions	Advances Questioned	Amount	Collections as of 9/30/01	Outstanding as of 9/30/01
1. No travel vouchers submitted	Per diem, discretionary fund, airfare, and ground transportation.	\$131,960	\$24,546	\$107,414
2. Insufficient supporting documentation	Per diem, discretionary fund, airfare, and ground transportation	281,847	34,569	247,278
3. Spent on potentially unallowable expenses	Discretionary fund	20,906	5,077	15,829
4. Improper CNMI advances to four individuals	Discretionary fund	59,214	32,406	26,808
5. Excessive per diem	Per diem	10,696	1,100	9,596
Total Recoverable Advances from Travelers (see Appendix A for details)		\$504,623	\$97,698	\$406,925

1. **No Travel Vouchers Obtained - \$131,960 (FY 1996 - \$5,850; FY 1997- \$126,110)**

TCGCC Travel policies provide that if travel is canceled the traveler must, within 24 hours, repay the full amount of the advance outstanding. If the travel is incomplete, any amount advanced shall also be returned. Also, travelers must submit travel vouchers within 15 days after completion of official travel, and take action to repay a travel advance within 30 days. If a travel voucher is not submitted, the employee is liable for the full amount of the advance. Affected employees shall be notified to pay in full or make payment through payroll deductions. Advances outstanding for 45 days will automatically be deducted from an employee's paycheck, on a bi-weekly basis, in the shortest possible time period.

Our review of 123 advances for FYs 1996 and 1997 showed that TCGCC had not obtained vouchers to liquidate 12 advances of \$131,961 made to travelers. In addition,

TCGCC issued some of these advances without ensuring that travel vouchers for previous advances had been obtained. For example:

- A commissioner whose trip in June 1997 was canceled did not return his \$18,000 advance. Records showed that the commissioner did not promptly return the unused travel advance, ignoring the subsequent instruction of another commissioner to return the travel advance and the unused plane ticket. Later, in November 1997, TCGCC initiated payroll deduction from this commissioner.
- A former TCGCC official who already owed TCGCC \$17,697 from previous advances was issued two additional advances totaling \$21,310 for a two-week trip to California and Nevada beginning on May 31, 1997 followed by a one month trip to Sydney, Australia. The former TCGCC official failed to file any travel vouchers. He died about a year after resigning with \$39,007 in advances remaining uncollected.
- Another former commissioner was advanced \$22,229 on one trip despite not having submitted vouchers for two previous advances amounting to \$21,831. When he resigned, TCGCC accepted a sworn “Affidavit of Lost Receipts” for all unsupported travel costs of this commissioner.

In March 2002, OPA tested 48 TAs totaling \$66,290 issued during FYs 1999 to 2001. We found that TCGCC is still not obtaining vouchers from travelers to liquidate advances in a timely manner. To illustrate, from the samples OPA tested, 23 new advances of \$30,796 have been outstanding for at least six months. We found that six travelers had received 12 advances without liquidating any of the \$28,638 received. Eleven other advances were partially liquidated, with \$2,158 still outstanding. Finally, we noted two instances where advances were not returned promptly when trips were canceled.

We found there was no single individual responsible for approving TAs; instead the various commissioners approved the TAs of fellow commissioners and other travelers. The failure to vest responsibility for approving TAs in one person may have allowed outstanding advances to accumulate, because TCGCC officials continued to issue some advances without ensuring that previous advances were liquidated.

2. Inadequate Documentation - \$281,847 (FY 1996 - \$134,390; FY 1997-\$147,457)

Per diem allowance is given to cover cost of lodging, meals, and incidental expenses while on official travel. Although the TCGCC Travel policies do not require travelers to submit receipts for per diem advances, the policies do require travelers to submit evidence, e.g. used transportation ticket, boarding pass, or a signed trip report to

show that an official trip was taken. Also, when travelers find it impractical to obtain receipts, they may itemize such expenses in a travel voucher. In FYs 1996 and 1997:

- commissioners, officials, and employees failed to submit documents such as boarding passes and trip reports to document 53 official trips where \$192,918 had been advanced to travelers;
- most travelers' claims were not supported with valid and appropriate documentation such as official receipts or a detailed accounting of travel expense claims. Instead, travelers provided no documentation or frequently merely submitted "Affidavit of Lost Receipts" in lieu of actual receipts. We noted that even the affidavits submitted by 6 travelers on 11 advances totaling \$51,124 were incomplete as they did not describe expenses incurred, but merely stated that receipts were misplaced. It appears that an affidavit is an inadequate form of documenting expenses incurred. OPA discourages its use because of its susceptibility to abuse. An additional \$37,805 was claimed without any supporting documentation.

In FYs 1999 to 2001, only 6 of 48 liquidations lacked documents showing that an official trip was taken.

We found no single individual responsible for approving vouchers; instead the various commissioners approved the vouchers of fellow commissioners and other travelers. TCGCC's failure to vest responsibility for approving vouchers in one person may have contributed to the breakdown which allowed travel expenses to be paid without proper supporting documentation and allowed advances to be made even though others were still outstanding.

Shortly after the exit briefing on this audit, certain travelers provided OPA copies of documents evidencing that official trips were performed. Although these had not been timely submitted, most of them adequately documented claimed expenses and would reduce the outstanding amount by \$14,672.

3. Unallowable Discretionary Fund Expenses - \$20,906 (FY 1997)

While travelers may be reimbursed for expenses other than per diem under TCGCC Travel, management may require that travelers submit receipts or itemize expenses daily in a travel voucher, but such expenses must add to the trip's success to be eligible for reimbursement. Accordingly, expenses involving personal grooming, comfort, health, or recreation are unallowable. Travel policies also cover special allowable expenses whereby the Chairman and certain other officials can entertain officials of other organizations without using representation funds. Receipts are required, however, and the officials entertained must be identified. If it is impractical for a traveler to obtain a receipt, then he/she must identify the amount, type of expense, and officials involved.

Of 123 advances reviewed in FYs 1996 and 1997, travel records showed 10 cases where Discretionary Fund advances were spent on expenses not allowable under TCGCC travel policy.

- On 9 advances, travelers spent \$11,474 on hotel accommodations, meals, and liquor rather than on expenses for legitimate and necessary official representation purposes. Invoices submitted indicated that commissioners claimed hotel accommodations and meal expenses paid out of Discretionary Fund advances even though they had already been provided per diem allowances. For example, a commissioner received per diem of \$250 per day for a ten-day trip to Las Vegas and Los Angeles, but he also claimed expenses paid out of Discretionary Fund advances for hotel and restaurant expenses without any valid explanation.
- Costs totaling \$3,465 were paid to travelers going to unauthorized destinations.
- On nine advances, travelers spent \$5,967 on items considered personal for expenses of family members accompanying the traveler. Official receipts submitted for liquidation by these travelers showed that Discretionary Fund advances were used for the travelers' personal expenses such as clothes and recreational activities. Others were used for their friends and relatives.

It appears that TCGCC has corrected this improper practice as our tests of documents covering FYs 1999 through 2001 did not show this to be a continuing problem. TCGCC however, should obtain reimbursement for any improper expenses advanced earlier.

4. Improper CNMI Advances to Four Individuals - \$59,214 (FY 1997)

Under a Memorandum of Agreement between a former Governor and a commissioner, the CNMI in December 1996 loaned TCGCC \$2.6 million to finance TCGCC's FY 1997 operations. According to the agreement, CNMI's Department of Finance was to deposit any loan drawdowns directly into TCGCC's Imprest Account so that TCGCC could make disbursements to finance its operating expenses. The Commissioner and a former DOF Secretary appear to have violated the agreement calling for direct deposits to TCGCC's Imprest Account on loan drawdowns.

On April 1, 1997, the commissioner requested that a former DOF secretary make direct payments totaling \$59,214 to three commissioners and a TCGCC employee rather than to the Imprest Fund. The DOF subsequently released the payments without receiving any supporting documentation other than a letter requesting that checks be issued to the four individuals. According to TCGCC's Chairman in March 1999, the four individuals claimed that they had used the advances for travel. We found no evidence of TAs issued for these advances and no documents to show how the advances were used.

To remedy the situation, the former Governor directed TCGCC and DOF to suspend salary payments to the four until they explained how they spent the \$59,214.

Documents show that another commissioner subsequently paid the salaries. We believe that TCGCC should recover the full amount of outstanding advances from the four.

5. Excessive Per Diem - \$10,696 (FY 1996 - \$3,250; FY 1997 - \$7,446)

TCGCC Travel policies allow TCGCC to pay per diem for official travel to cover the daily cost of lodging, meals, and other incidental expenses when travel includes an overnight stay. Alternately, the travelers can be paid a daily stipend for meals and indirect incidental expenses exclusive of lodging for travel that exceeds 30 days. Our audit shows that TCGCC granted fourteen travelers excessive per diem allowances amounting to \$10,696. To illustrate, we noted six instances where travelers who returned early to Tinian still claimed per diem for days not spent in a travel status. It appears that the approving official approved vouchers without having a trip report to document travel and without needed supporting documentation.

On August 16, 2002, one of the travelers provided OPA a copy of an official receipt for payment of \$75 excess per diem.

Other Inconsistencies in Collection of Travel Advances

The TCGCC determined that as of September 30, 1997, two commissioners owed outstanding travel advances of \$56,482 and \$51,131, respectively. In FY 1998, TCGCC arbitrarily allowed the two to repay such advances through salary deductions over 100 pay periods (3 years and 10 months). In September 2000, TCGCC stopped the salary deduction of one commissioner leaving \$16,018 outstanding. In July 2001, the other commissioner instructed the accounting section to temporarily stop his deductions so “.....he could take care of personal matters” leaving outstanding advances of \$47,477.09. Two other commissioners accumulated outstanding travel advances of \$8,438 from fiscal years 1997 to 2001. Those advances were recovered only through offset of the commissioners’ accumulated leave balances when their terms of office ended.

Inadequate Controls over Advances and Liquidations

TCGCC management abused its responsibility to the public when it disregarded TCGCC policy both by accepting travel liquidations without valid or appropriate documentation, and by granting new advances to individuals without liquidating previous advances. Although TCGCC policy requires a single individual to approve advances, we found that no single TCGCC official was responsible; instead the various commissioners approved the TAs of fellow commissioners and other travelers. Likewise, no single TCGCC official was responsible for approving vouchers; instead the various commissioners approved the vouchers of fellow commissioners and other travelers. The failure to vest responsibility for approving advances and vouchers in one person may have contributed to the breakdown which allowed advances to be made while others were still outstanding, and for payments to be made without supporting documentation. As a result, \$406,925 in public funds

is now outstanding and needs to be recovered. Unless valid evidence is presented, the concerned travelers should be required to return the advances to TCGCC.

B. Questionable Travel

Questionable travel practices have resulted from inadequate travel policies.

Poorly written TCGCC travel policies have allowed TCGCC travelers to engage in very questionable travel. We found that the per diem provided did not always have a valid basis; travelers took unnecessarily long trips and incurred major expenditures for ground transportation without valid documentation. Also, TCGCC advanced air fares to both the carrier/agent and the traveler for the same trip. TCGCC needs to modify its policies to prevent such potential abuses. Also, when travelers fail to liquidate travel advances within 15 days of completion as required, TCGCC has not always taken the steps necessary to promptly recover these funds. As a result of these practices, travel funds may have been wasted.

Per Diem/Stipend Allowance

TCGCC Policy provides that any overnight stays will be reimbursed on a per diem basis and is to cover the daily cost of lodging, meals, and incidentals, all of which need not be documented with receipts. Per diem is to be determined by the destination where overnight travel occurs. When a trip exceeds thirty days and lodging is provided, TCGCC policy allows a stipend allowance to be paid for meals and indirect incidental expenses. The stipend rate is to be determined by the destination.

Our review showed that in 22 of 123 TAs issued in 1996 and 1997, TCGCC computed and paid questionable per diem of \$43,400 for practices not addressed in its travel policy. To illustrate:

- During a 30-day trip to Manila, two commissioners were each provided daily per diem of \$275 even though TCGCC had already provided them with lodging. TCGCC's policy does not address trips of less than 30 days where lodging is provided. To illustrate, had TCGCC instead applied CNMI's policy² where lodging is provided, daily per diem would have been \$137.50 and it would have saved \$7,300.
- Travelers on trips to Saipan not requiring an overnight stay were provided Saipan's daily per diem rate even though there is no written policy on trips not involving an overnight stay. TCGCC would have saved \$680 for eight trips to Saipan not requiring an overnight stay had it applied the CNMI government's practice to pay only \$15 subsistence allowance.

In our recent tests, we found per diem being computed on an hourly basis although not addressed by TCGCC policy, allegedly, according to a TCGCC official, to

² According to the Governor's directive dated Feb. 9, 1996, a traveler is entitled to 15 percent of the applicable per diem when the government pays for lodging and meals. To illustrate, where government provides lodging, breakfast, lunch, and dinner, the following percentages are deducted from per diem to arrive at the amount provided: lodging- 50%; breakfast- 5%; lunch-10%; and dinner-20%.

minimize TCGCC travel expenses. More specifically, of 48 TAs issued between 1999 and 2001 we tested, 21 showed per diem being computed on an hourly basis. OPA found that TCGCC policies were silent on these matters. TCGCC policies need to be amended to specify allowances both for trips not requiring an overnight stay as well as for trips where TCGCC provides lodging and/or meals. TCGCC might well adopt CNMI government policy which provides \$15 subsistence for trips not requiring an overnight stay, and 15 percent of the applicable per diem rate when the government provides lodging and meals. TCGCC policies should also be amended to address the computation of hourly per diem.

Length of Travel

TCGCC Policy covers all official travel in the interest of TCGCC. TCGCC approved trips whose duration exceeded both the training attended and related travel to and from the training site, resulting in unneeded travel expenses. TCGCC travel policies are silent as to whether travelers can arrive unreasonably early and leave unreasonably late on trips authorized. Our review of 137 TAs issued in FY 1997 showed that TCGCC approved 30 trips whose length exceeded the actual training and related travel time. These cost the TCGCC over \$33,000 in apparently unnecessary expenses. To illustrate:

- 12 employees, 2 commissioners, and one official traveled to Manila to attend and oversee inspector training. They arrived about one week early and stayed 3 days after completion of training. Officials initially advised us that an early arrival time was needed to get travelers oriented even though they were staying adjacent to their training location. The additional 10 days that each traveler spent in Manila resulted in the TCGCC spending an additional \$10,350 on the trip, apparently unneeded.
- Three commissioners also traveled to Sydney to oversee the training of seven inspectors. Allowing that the training lasted 14 days and that two travel days were needed, the trip should have covered only 16 days. Their travel, however, was approved for 29 days, or 13 in excess of what apparently was needed. On the other hand, the seven inspectors who underwent the training were approved for 25 days. The additional days that each traveler spent in Sydney resulted in the TCGCC spending \$20,175 in excess of what appears to have been necessary.

TCGCC Policy needs to be clarified to show that only travel spent carrying out official duties is allowable and can be authorized.

Airfare Advanced to Travelers

Our review of travel advances indicates instances where both the traveler and the carrier or agent were paid the cost of airfare for the same trip because TCGCC advanced airfare to the traveler and also paid a carrier or agent. To illustrate, both parties received funds for airfare as shown in the table on the next page.

Traveler	TA No.	Airfare Advances to Traveler	Airfare Directly Paid to Travel Agent
Commissioner 1	96-004	\$405	\$405
	96-032	963	826
	97-055	4,254	1,775
Commissioner 4	97-056	4,254	3,220
TCGCC Official 1	96-026	1,588	1,799
	96-031	1,875	2,063
	97-018	5,062	156
	97-058	4,254	3,626
Total 8 TAs		\$22,655	\$13,870

The apparent confusion exists because TCGCC travel policy allows air fare to be advanced to either the agent, carrier, or the traveler, and does not specifically prohibit advances to travelers. Subsection 7-7 of the TCGCC travel policies states:

“the TCGCC usually pays a commercial carrier or travel agent directly for airline or ship fares, and presents the tickets to the traveler before departure”

We believe the practice of issuing airfare advances to travelers should be stopped by amending TCGCC Policy. The amendments may authorize reimbursement for plane fares but not advancing the cost of plane fares to officials or employees. The current policy weakens TCGCC’s control over ticket purchases, and can lead to double payment of airfare cost. Centralizing ticket procurement with the Accounting/Travel Section could enable that section to track all ticket purchases and verify the accuracy of travel agent billings.

Ground Transportation

Our audit disclosed several instances of suspicious claims for ground transportation. TCGCC travel policy allows TCGCC to reimburse travelers for taxi and subway fares to and from residence and airport, between airport and lodging, and between points of business, without requiring receipts. Instead, the traveler need only itemize such expenses. Normally, travelers incur little cost for such items. However, we noted two instances where itemized claims for reimbursement of ground transportation may have been excessive and could have resulted in misuse of government funds.

- A traveler who had been authorized \$1,500 in ground transportation for a 15-day trip to California claimed \$1,380 in taxi expense in Las Vegas. The taxi fare appears questionable because of the amount expended, together with its use in an unauthorized location.
- Another traveler who was advanced \$1,450 subsequently hired a taxi for 30 days at a rate of \$48 per day but stayed at a hotel near the training site. This

travel appears suspicious because much of the taxi's use was not between airport and lodging, or between points of business.

Normally ground transportation is an incidental expense. However, when it becomes a major cost item as in the travel described above, there is a need for receipts showing destinations to ensure that government funds are not misused. CNMI policy allows \$15 in taxi fares daily without accompanying receipts. Accordingly, we believe that TCGCC travel policy should be amended to require receipts showing origin, destination, and purpose, for taxi fares that exceed a specific threshold amount.

Travel Vouchers Not Timely Submitted

TCGCC travel policies require that travelers submit travel vouchers within 15 days of travel unless there is a good reason for a delay. Our review of vouchers submitted by commissioners, employees and officials in FYs 1996 and 1997 indicates that 27 were submitted after the 15-day period. Our tests of recent vouchers, filed in FYs 1999 through 2001, indicate this to be a continuing problem as 14 of 48 were filed after the 15-day period. According to records of and discussions with the fiscal officer, some commissioners gave low priority to filing vouchers on time. Although policies allow TCGCC to suspend the issuance of TAs until delinquent travelers have filed a travel voucher, it has not done so. Also, although TCGCC policies authorize it to make automatic monthly payroll deductions, it has not consistently done so. Failure to liquidate advances promptly results in travelers accumulating travel advances longer than necessary at a significant cost to the TCGCC. We believe TCGCC should make greater use of payroll deductions to recover outstanding advances.

Conclusions and Recommendations

TCGCC management abused its responsibility to the public when it disregarded TCGCC policy both by accepting travel liquidations without valid or appropriate documentation, and by granting new advances to individuals without liquidating previous advances. As a result, \$406,925 in public funds is now outstanding and needs to be recovered. Unless valid evidence is presented to TCGCC, the concerned travelers should be required to return the advances to TCGCC. Poorly written TCGCC travel policies have allowed TCGCC travelers to engage in very questionable travel. Finally, TCGCC did not enforce its policy on the timely submission of vouchers. Consequently, travel funds may have been wasted.

Accordingly, we recommend that Tinian Casino Gaming Control Commission:

1. Recover advances totaling \$406,925 (**Appendix A**) from the commissioners, officials, and employees unless convincing evidence is submitted showing otherwise. If the commissioners, officials, and employees refuse to repay the funds, the Chairman should request the Attorney General's Office to take legal action against the commissioners, officials, and employees to recover the amount of advances outstanding.

2. Revise TCGCC policies to prevent questionable travel. More specifically, policies should be revised to:
 - a) address trips where lodging and/or meals are provided,
 - b) address trips that do not exceed 30 days in length,
 - c) address trips that do not require an overnight stay,
 - d) address computation of an hourly per diem allowance,
 - e) require that all travel be supported with specific itineraries and covering dates of all official travel, with no travel allowed in excess of specific needs,
 - f) stop the practice of issuing airfare advances to travelers,
 - g) require receipts showing origin, destination, and purpose, for use of taxis in excess of a certain threshold.
3. Establish a subsidiary ledger to account for advances, and use it to recover and monitor outstanding travel advances.
4. Designate one individual to review and approve travel vouchers.
5. Ensure that only the Chairman approves advances as specified in TCGCC travel policy.

TCGCC Response

Recommendation 1 - The TCGCC states that it is not possible to comply with this recommendation to recover travel advances unless convincing evidence is submitted. This is because "...neither the TCGCC Chairman nor the Executive Director has the training, background or experience to make such determination. Further, it is beyond the statutorily authorized duties and responsibilities of the current Chairman and the current Executive Director to make this type of legal determination."

In addition, TCGCC states that the "...initial evaluation of the legality of a particular travel should be made by OPA legal staff working in conjunction with OPA audit staff.... refer the information and conclusions set forth in the Draft Audit Report to the Attorney General. The Attorney General can then independently evaluate the OPA recommendation and determine whether the institution of either criminal or civil legal proceedings is appropriate."

Further, TCGCC states that "...it does not appear that prior to the preparation of the Draft Audit Report, any of the parties who are the potential subjects of litigation were interviewed by the OPA staff...13 of 16 living parties listed in the Draft Audit as having an unresolved liability for travel expenses have been contacted by the writer on behalf of the TCGCC and given an opportunity to voluntarily meet with representatives of the OPA staff. The meeting would permit the person named in the Draft Audit Report to present evidence, convincing or otherwise, as to whether they believe there exists a continuing obligation to make reimbursement to the TCGCC for previous travel advances..."

Recommendations 2 to 5 - The TCGCC concurs that existing TCGCC travel policies should be revised and clarified. Review of existing policies is now an agenda item scheduled for consideration in the next TCGCC Board Meeting. It also states that TCGCC is currently implementing the requirement that only the TCGCC Chairman approve travel advances. It also now requires review of travel vouchers by a single designated individual and makes use of a subsidiary ledger.

OPA Comments

Based on TCGCC's response dated August 16, 2002, we consider Recommendation 1 as open and Recommendations 2 to 5 as resolved. Actions or documents needed to consider these recommendations as closed are presented in **Appendix C**.

TCGCC has a management responsibility to recover outstanding travel advances of its travelers. OPA's duty is to audit and make appropriate recommendations. If after appropriate TCGCC actions travelers still refuse to settle their outstanding advances, TCGCC management should refer this matter to the Attorney General's Office for appropriate action.

The outstanding amount of \$406,925 represents travel advances issued during FYs 1996 and 1997 that were not liquidated in accordance with the TCGCC travel policies. This amount consists mostly of travel advances that lacked the documentation required by the TCGCC travel policy to evidence that an official trip was performed. Contrary to TCGCC's comments, we do not question the legality of a particular travel, provided it was authorized under a TA. Likewise, we did not question evidence submitted by travelers, provided it complied with the requirements of the TCGCC travel policy.

In the meeting referred to in TCGCC's response, OPA assisted TCGCC when it agreed to meet with travelers to explain outstanding advances. Four travelers subsequently met individually with OPA staff and indicated their willingness to close their outstanding travel advances. Two travelers said they will pay for the personal expenses (unallowable expenses) included in their liquidation. Also, one of them stated that he will arrange with the Commission to resume his payroll deduction. The meeting also corroborated the fact that they had not submitted documents pertaining to their outstanding advances (insufficient documentation). It appears that these travelers were misinformed by former management as to the real purpose of the travel advances. They claimed that they were not required by former management to submit documents, and they believed the Discretionary Fund advance could be used at their discretion and that they were not required to submit receipts.

Another traveler stated that a former TCGCC official told travelers going on the same trip with him that the former official would prepare a trip report. In addition, the traveler claimed that he gave all receipts for Official Representation advanced to him to the former TCGCC official. Finally, he claimed that an affidavit he submitted for one trip was sufficient to document his expenses and no one told him that the affidavit did not comply with the requirements of TCGCC travel policy.

Appendix A

Page 1 of 1

RECOVERABLE ADVANCES FROM TRAVELERS FISCAL YEARS 1996 AND 1997

Traveler	Questionable Payments (Collections)					Total Cost for Recovery
	(1) No Travel Voucher Submitted	(2) Insufficient Supporting Documentation	(3) Potentially Unallowable Expenses	(4) Improper CNMI Advances to Four Individuals	(5) Excessive Per Diem	
Commissioner 1	\$44,060	\$53,313		\$15,454		\$112,827
Commissioner 2		14,830	783		4,021	19,634
					(1,100)	(1,100)
		14,830	783		2,921	18,534
Commissioner 3		26,593	3,098		450	30,141
		(733)	(2,649)			(3,382)
		25,860	449		450	26,759
Commissioner 4		46,483	16,943	15,454	2,275	81,155
		(26,966)	(2,428)	(11,071)		(40,465)
		19,517	14,515	4,383	2,275	40,690
Commissioner 5	19,796	23,375		21,335		64,506
	(19,796)	(2,729)		(21,335)		(43,860)
	0	20,646		0		20,646
Commissioner 6	1,100	2,500			250	3,850
TCGCC Official 1	43,757	65,115			3,475	112,347
	(4,750)	(4,141)				(8,891)
	39,007	60,974			3,475	103,456
TCGCC Official 2		8,725				8,725
TCGCC Official 3		250			75	325
TCGCC Official 4		2,758				2,758
TCGCC Official 6		1,575				1,575
Non-TCGCC Official 1		21,596				21,596
Non-TCGCC Official 2		1,455				1,455
TCGCC Employee 1		9,075		6,971		16,046
TCGCC Employee 12					75	75
TCGCC Employee 13		1,375			75	1,450
TCGCC Employee 14			82			82
Non-TCGCC Employee 1	23,247	2,829				26,076
Grand Total	131,960	281,847	20,906	59,214	10,696	504,623
Total Collections	(24,546)	(34,569)	(5,077)	(32,406)	(1,100)	(97,698)
Net Due	\$107,414	\$247,278	\$15,829	\$26,808	\$9,596	\$406,925

Note:

The net amount due includes \$26,076 travel cost recoverable from a non-TCGCC employee who had a Consulting Service Agreement with TCGCC, which was previously audited (OPA report AR-99-03 dated April 7, 1999). In that audit, the entire travel payment of \$38,483 was deemed recoverable because the Agreement is considered null and void. The AGO has instituted legal action in response to our prior audit recommendation and have charged the consultant at least \$1,000,000 in punitive damages.



TINIAN CASINO GAMING CONTROL COMMISSION

Municipality of Tinian and Aguiguan
Commonwealth of the Northern Mariana Islands



Martin DLG. San Nicolas
Chairman

August 16, 2002

William M. Cing
Vice-Chairman

Members:

Jose P. San Nicolas
Serafina R. King-Nabors

Michael S. Sablan
Public Auditor
Commonwealth of the Northern Mariana Islands
P.O. Box 501399
Saipan, MP 96950

Via Facsimile #234-7813

8/22/02
[Handwritten Signature]

Esther H. Barr
Executive Director

In Re: Draft Audit Report – TCGCC Travel Expenses – 1996- 2001

Dear Mr. Sablan:

The Tinian Casino Gaming Control Commission (TCGCC) through its Chairman, Executive Director, Fiscal Officer and Legal Counsel have reviewed the OPA Draft Audit Report regarding travel transactions for the fiscal years 1996-2001. I have been directed by the Chairman to submit the Commission's comments to the five primary recommendations set forth therein.

GENERAL COMMENTS

The "Draft Report of the Audit of the Tinian Casino Gaming Control Commission's Travel Transactions for Fiscal Years 1996-2001" (Draft Audit Report) covers a period of five fiscal years from 1996 through 2001. However, substantially all (approximately 80%) of the travel transactions deemed "questionable" by the CNMI Office of the Public Auditor (Public Auditor or OPA) occurred during 1996 and 1997. During 1996 and 1997, the Commission was controlled by appointees no longer associated with the TCGCC and the position of TCGCC Executive Director, (then responsible for implementing and enforcing Commission's travel policy, practices and procedures) was held by an individual no longer associated with the Commission. The current leadership of the Commission, including the Commission Chairman, Commission members and the TCGCC Executive Director have a commitment to full compliance with any and all applicable travel policies, and related laws, rules or regulations. They also share your belief that it is appropriate to improve the travel related accounting and recordkeeping system of the Commission.

The Draft Audit Report states that preparation of the report was difficult due to the fact that previous representatives of the Commission refused to provide the OPA with various travel documents or related information. Unfortunately, due to incomplete and unreconciled records maintained by the previous Commission, preparing a response to various aspects of the Draft Audit Report is similarly difficult for the current Commission and its representatives, since many documents relating to previously incurred travel expenses are not readily available.

Under the current TCGCC leadership, records of recent travel, subsequent to 2001, are available, reconciled, organized and maintained on a basis that will facilitate

P.O. Box 143 San Jose Village Tinian. MP 96952 ^{lx} Tel: (670) 433-9288/9292 * Fax:(670) 433-9290

Appendix B

Page 2 of 6

future audit review by the OPA. Additionally, several of the recommendations within the Draft Audit Report have already been adopted as internal procedures by the Commission. Unfortunately, budget constraints preclude the hiring or designation of a full-time employee to implement the OPA Draft Audit Report recommendations.

COMMENTS ON SPECIFIC RECOMMENDATIONS

(1) – RECOVERY OF PREVIOUS TRAVEL ADVANCES

The OPA recommends that, “unless convincing evidence is submitted” demonstrating that recovery is not appropriate, the TCGCC Chairman require the TCGCC Executive Director to recover travel advances of approximately \$407,000 from previous Commission members, TCGCC employees, TCGCC officials and others who, between 1996 and 2001, traveled on behalf of the Commission. Compliance with this recommendation is not possible since neither the TCGCC Chairman, nor the TCGCC Executive Director has the training, background or experience to make such a determination. Further, it is beyond the statutorily authorized duties and responsibilities of both the current Chairman and current Executive Director to make this type of legal determination. This procedure is also more appropriate and impartial since several of the parties named in the Draft Audit Report still have a relationship with the Commission.

Pursuant to the unique constitutional and statutory authority granted both the CNMI Public Auditor and CNMI Attorney General the initial evaluation of the legality of a particular travel related transaction should be made by the OPA legal staff working in conjunction with the OPA audit staff. By applying their specialized skills, training, background and experience the OPA staff can advise the Public Auditor whether it is appropriate to refer the information and conclusions set forth in the Draft Audit Report to the Attorney General. The Attorney General can then independently evaluate the OPA recommendation and determine whether the institution of either criminal or civil legal proceedings is appropriate.

In spite of the incomplete nature of the records available for OPA and/or TCGCC review, it does not appear that, prior to the preparation of the Draft Audit Report, any of the parties who are the potential subjects of litigation were interviewed by the OPA staff. To assist the OPA in concluding its preliminary investigation and determining whether there is “convincing evidence” indicating that either civil or criminal litigation to collect these previous travel advances is appropriate, 13 of the 16 living parties¹ listed in the Draft Audit as having an unresolved liability for travel expenses have been contacted by the writer on behalf of the TCGCC and given an opportunity to voluntarily meet with representatives of the OPA staff. The meeting

¹Of the 18 individuals named in the Draft Audit Report, 2 individuals (identified in Appendix A as “TCGCC Official 1” and “TCGCC Official 4”) are deceased and therefore, excluded. Of the 16 remaining individuals, 3 individuals (identified in Appendix A as “Commissioner 1”, “TCGCC Official 3” and “TCGCC Employee 1”) are no longer residents of Tinian and therefore, could not be promptly contacted.

would permit the person named in the Draft Audit Report to present evidence, convincing or otherwise, as to whether they believe there exists a continuing obligation to make reimbursement to the TCGCC for previous travel advances; and if not, why not. Each of these individuals was provided with a Memorandum identical to Exhibit A attached hereto. In order to preserve the confidentiality of the information relating to your audit investigation, each recipient of the Memorandum, Exhibit A, also received only that portion of Appendix A, (Page 15 of the Draft Audit Report) that specifically pertained to what the OPA has set forth as the individuals unliquidated travel expenses.

Several parties named in the Draft Audit Report have now met with OPA representatives. We are pleased to have assisted your office by arranging these meetings. Hopefully, information and documents provided during these meetings will assist your staff in evaluating the existence of a basis to institute legal proceedings against these individuals and/or also result in the OPA preliminary determination of unliquidated TCGCC travel advances totaling approximately \$407,000 being substantially reduced prior to the public release of your Audit Report.

The Commission will, as noted above, respectfully defer to the CNMI Office of the Public Auditor and CNMI Office of the Attorney General to determine whether litigation to collect such unliquidated TCGCC travel advances for the period 1996-2001 is appropriate. Therefore, the Commission considers recommendation 1 of the Draft Audit Report resolved.

2 – REVISE TCGCC TRAVEL POLICIES

3 – ESTABLISH A SUBSIDIARY LEDGER FOR TRAVEL FUNDING

4 – REVIEW FOR ALL TRAVEL VOUCHERS

5 – ONLY TCGCC CHAIRMAN MAY APPROVE TRAVEL ADVANCES

The Commission concurs with the recommendation that the existing TCGCC travel policies should be revised and clarified to prevent questionable travel, enforce requirements relating to prompt liquidation of existing travel advances and regulate the filing of all appropriate travel documents with the Commission. Review of existing TCGCC Travel Policies is now an agenda item scheduled for consideration at the next TCGCC Board Meeting. The procedure pursuant to which only the TCGCC Chairman may approve travel advances² and the requirement that such approval must be consistent with TCGCC Travel Policy, is currently being implemented and will be included in the Revised TCGCC Travel Policy. Also, the Commission has, as a matter of practice, implemented the use of a subsidiary ledger for travel related matters and now requires review of all travel vouchers by a single designated individual (the TCGCC Chairman).

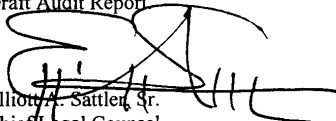
² The exception to this requirement is travel by the TCGCC Chairman which will be approved by the TCGCC Vice Chairman or, in the absence of the Vice Chairman, another TCGCC member.

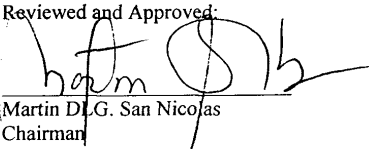
Once the Commission determines the scope and extent of the revisions to its travel policy, a new, written, Revised TCGCC Travel Policy will be prepared, adopted by the Commission and distributed to the TCGCC staff. At that time, a copy of the Revised TCGCC Travel Policy will be provided to your office. When this occurs, the Commission will consider recommendations 2-5 of the Draft Audit Report resolved.

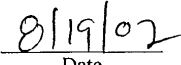
CONCLUSION

This correspondence addresses the five specific recommendations submitted with your Draft Audit Report. The Commission notes that in addition to the five addressed immediately above, throughout this report there are comments which could be interpreted to be "recommendations". It is the intention of the TCGCC to carefully evaluate each of these comments and, as appropriate, incorporate the recommended changes into the Revised TCGCC Travel Policy.

Prior to the adoption of the Revised TCGCC Travel Policy, the Commission would welcome any additional recommendations which you or your staff deem appropriate once the OPA has concluded the interviews with those individuals named in the Draft Audit Report.


Ellison A. Sattler, Sr.
Chief Legal Counsel

Reviewed and Approved:

Martin D. G. San Nicolas
Chairman


Date

TINIAN CASINO GAMING CONTROL COMMISSION

Municipality of Tinian and Aguiguan
Commonwealth of the Northern Mariana Islands



Esther H. Barr
Executive Director

Martin DLG. San Nicolas
Chairman

August 14, 2002

William M. Cing
Vice-Chairman

MEMORANDUM

Members:

TO: Designated Recipients

Jose P. San Nicolas
Serafina R. King-Nabors

Subject: OPA's Investigation of TCGCC Travel Expenses

Recently, in my capacity as Legal Counsel for the Tinian Gaming Commission, I received a copy of the CNMI Office of the Public Auditor (OPA) Draft Audit Report relating to travel expenses incurred by Commission members, Commission staff and certain local government officials acting for and on behalf of the Commission. The time period covered by this report is 1996-2001, with the primary focus involving travel expenses incurred during 1996 and 1997. At this time, the entire report remains classified as "confidential".

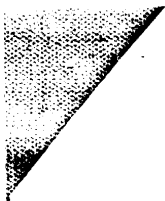
Attached hereto is an excerpted summary of certain travel expenses which you incurred during 1996 or 1997. For the reasons indicated, the Public Auditor believes these expenses are questionable and that a portion of the money paid to you should be recovered through litigation filed by the CNMI Attorney General's Office. The total amount of recovery the Public Auditor believes should be recovered from you is circled in the attachment. Both the Office of the Public Auditor and I realize that there are numerous potential explanations, such as incomplete records, which have led the Public Auditor to classify these expenses as impermissible. In an effort to resolve these issues prior to publishing the Final Audit Report, representatives of the OPA have agreed to informally meet with you and review their records relating to this claim prior to referring this matter to the Attorney General's Office. At this meeting, you would have an opportunity to review, explain and clarify various papers and documents relating to your travel expenses and/or provide any additional documents which you believe could assist the Office of the Public Auditor in better understanding this situation.

If you wish to meet with an OPA representative, please contact Esther H. Barr, Executive Director of the Commission, to arrange for such meeting which will be held on a confidential basis at the Commission offices or other mutually satisfactory location. Although she will coordinate and schedule the meeting, neither the Executive Director, nor I, nor any other Commission member or representative will be present when this private meeting takes place.

All information related to the Draft Audit Report must be presented to the Office of the Public Auditor no later than August 20, 2002. Because time is of the essence, a prompt reply to this Memorandum would be appreciated. If neither the Commission, nor the Office of the Public Auditor hear from you regarding

EXHIBIT A

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this matter within 3 days after receipt of this correspondence, the Commission would assume that you do not wish to meet with the Office of the Public Auditor to review this claim prior to the Office of the Public Auditor issuing its Final Audit Report.

/s/ ELLIOTT A. SATTLER

Elliott A. Sattler, Sr.
Legal Counsel

cc: Mr. Michael Sablan, Public Auditor

STATUS OF RECOMMENDATIONS

Recommendation	Status	Agency Response/Additional Information or Action Required
<p>1. Recover advances totaling \$406,925 (Appendix A) from the commissioners, officials, and employees unless convincing evidence is submitted showing otherwise. If the commissioners, officials, and employees refuse to repay the funds, the Chairman should request the Attorney General's Office to take legal action against the commissioners, officials, and employees to recover the amount of advances outstanding</p>	Open	<p>The table on page 4 of the report presents five types of exceptions noted and the potentially recoverable amount. The following information or actions are required for each exception in order to consider the recommendation closed:</p> <ol style="list-style-type: none"> 1. No travel voucher submitted - \$107,414 - the Tinian Casino Gaming Control Commission (TCGCC) should present travel vouchers and documents to support claimed expenses. Otherwise, it should collect the advances and present evidence of collection from the traveler such as official receipts or, if applicable, evidence of payroll deduction. 2. Insufficient supporting documentation - \$247,278- TCGCC should present valid documents to support claimed expenses. Otherwise, it should collect the advances and present evidence of collection from the traveler such as official receipts or, if applicable, evidence of payroll deduction. <p>After the exit briefing conducted on August 14, 2002, certain travelers provided copies of documents evidencing that official trips were performed. Although these documents had not been timely submitted, most of them adequately documented claimed expenses and would reduce exception no. 2 by \$14,672.</p> <ol style="list-style-type: none"> 3. Unallowable discretionary fund expenses - \$15,829 - TCGCC should present evidence of collection from the traveler such as official receipts or, if applicable, evidence of payroll deduction. <p>Two travelers concurred that they should pay TCGCC for personal expenses cited by OPA.</p> <ol style="list-style-type: none"> 4. Improper CNMI advances - \$26,808- TCGCC should present evidence of collection from the traveler such as official receipts or, if applicable, evidence of payroll deduction. 5. Excessive Per diem - \$9,596- TCGCC should present proof of collection from the traveler such as official receipts or, if applicable, evidence of payroll deduction. <p>On August 16 2002, a traveler provided OPA a copy of official receipt for payment of \$75 excess per diem.</p> <p>In order to consider this recommendation as closed, the requirements for each of the five types of exceptions above should be met until the entire amount for each is collected or otherwise satisfactorily explained and justified.</p>

Appendix C

STATUS OF RECOMMENDATIONS

Recommendation	Status	Agency Response/Additional Information or Action Required
2. Revise TCGCC policies to prevent questionable travel.	Resolved	Submit to OPA a copy of revisions made to the travel policy that address specific areas enumerated in recommendation no. 2.
3. Establish a subsidiary ledger to account for advances, and use it to recover and monitor travel advances.	Resolved	TCGCC should complete establishing the subsidiary ledger of travel advances and provide OPA results of actions taken.
4. Commission members designate one individual to review and approve travel vouchers.	Resolved	Submit a copy of the TCGCC resolution or memorandum showing appointment of an individual to review and approve travel vouchers.
5. Only the Chairman should approve advances as specified in the TCGCC travel policy.	Resolved	<p>TCGCC should enforce compliance with its travel policy.</p> <p><u>Further Action Required</u> The TCGCC Chairman should issue a memorandum to the Tinian Municipal Treasurer to issue travel advance checks only for TAs approved by the Chairman.</p>

