



Office of the Public Auditor

Commonwealth of the Northern Mariana Islands

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January 23, 1997

Mr. Thomas A. Tebuteb
Secretary of Community and Cultural Affairs
Department of Community and Cultural Affairs
Garapan
Saipan, MP 96950

Dear Mr. Tebuteb:

Subject: **Final Letter Report on Missing Collections for the ManAmko Fundraising Project Organized Through the Office of Aging (Report No. LT-97-01)**

This report presents the results of our investigation of missing collections from the ManAmko fundraising project organized through the Office of Aging. The objective of the investigation was to determine whether theft of missing collections occurred and if so, identify the person or persons involved for referral to the Attorney General and financial recovery.

Our investigation showed that the lack of controls over collections being solely handled by one person resulted in missing collections estimated to be from \$8,430 to \$27,380. Records were grossly inadequate to estimate the amount of missing funds more accurately. The Program Activity Coordinator for the ManAmko fundraising admitted to the theft of \$4,000 in cash collections. We have referred this matter to the Attorney General's Office for further action.

We recommended that (1) the Director of the Office of Aging develop and strictly enforce collection policies and procedures when conducting fundraising; (2) The Governor's Office where the Program Activity Coordinator is presently employed impose adverse employment actions in this case where a criminal charge has been filed against the employee; (3) The Director of the Office of Aging take action requiring the Program Activity Coordinator to make restitution of the \$4,000 admittedly taken from the ticket sales for the ManAmko, and (4) The Director of the Office of Aging ensure that all raffle tickets produced are numbered and controlled by an individual not assigned to receive collections when conducting fundraising projects.

In his letter response dated January 8, 1997 (**APPENDIX A**), the Special Assistant for Administration agreed with Recommendation 2. We also received a copy of a memorandum dated December 27, 1996 (**APPENDIX B**) sent to the Director of the Office of Aging instructing the Director to develop collection policies and procedures to be enforced when conducting future fundraising events for the ManAmkos.

Based on the response we received from the Special Assistant for Administration, we consider Recommendation 2 as open. The reassignment of the Program Activity Coordinator by the Special Assistant for Administration downplayed the seriousness of the offense committed. Reassignment is not an appropriate disciplinary action in relation to the gravity of the offense committed by the Program Activity Coordinator. We also consider Recommendations 1, 3 and 4 as open as we did not receive a response from the Director of the Office of Aging.

BACKGROUND

The ManAmko members organized a fundraising drive by selling raffle tickets for the celebration of Senior Citizens Month (Mes ManAmko) in May 1996. The top four male and four female ManAmko sellers were declared King and Queen (Rai and Raraina) winners. Other sellers (not ManAmkos) were allowed to choose to whom among the ManAmko members they wanted their sales to be credited. All ManAmko members got 10% of their total ticket sales as a commission. The proceeds of the ticket sales were used for the expenses of the Coronation Night which was held on May 15, 1996. The ManAmko originally planned on using the ticket money to pay for goodwill trips to Palau and Guam and to buy handicraft tools, but the ticket money was only enough for the Coronation Night expenses.

On May 28, 1996, the Office of the Public Auditor began an investigation of an employee hired by the Office of Aging as Program Activity Coordinator but working in the Governor's Office (who also became involved in the fundraising) about a possible misappropriation of collections from ticket sales for the fund-raising event sponsored by ManAmko members. The investigation was prompted by a complaint received by the OPA Investigation Section about missing collections from the ManAmko ticket sales.

OBJECTIVE, SCOPE AND METHODOLOGY

The objective of the investigation was to determine whether theft of missing collections occurred and if so, to identify the person or persons involved for referral to the Attorney General and financial recovery.

From May 28 to June 19, 1996, the Office of the Public Auditor examined, reviewed and compiled pertinent documents and written statements, and interviewed witnesses concerning the investigation of the sale of ManAmko tickets.

FINDINGS AND RECOMMENDATIONS

Theft of Missing Collections

6 CMC §1601 of the Commonwealth Criminal Code provides that A person commits the offense of theft if he or she unlawfully takes the property of another with intent to permanently deprive the owner of his or her rights to the property. Our investigation showed that the Program Activity Coordinator for the ManAmko fundraising admitted to the theft of missing collections amounting to \$4,000 in cash collections. This occurred due to lack of controls over collections because collections were solely handled by one person. As a result, an estimated amount of collections ranging from \$8,430 to \$27,380 was missing. Records were grossly inadequate to estimate the amount of missing funds more accurately.

Discussion

6 CMC §1601 of the Commonwealth Criminal Code provides that A person commits the offense of theft if he or she unlawfully takes the property of another with intent to permanently deprive the owner of his or her rights to the property . . . Further, §1608 provides that A person who purposely obtains property upon agreement subject to known legal obligation to make specified payment or other disposition, whether from that property or its proceeds, commits theft if that person deals with the property obtained as his or her own and fails to make the required payment or disposition and such dealing is to the person s benefit without lawful authorization.

The OPA Investigations Unit conducted an interview with the Program Activity Coordinator to inquire about the ManAmko ticket sales. The coordinator was asked about how much ManAmko ticket money she had taken, and she admitted to stealing about \$4,000. In a written admission, the Program Activity Coordinator said that she did not intend on keeping the ticket money and had planned to turn in the money taken on the last day when tickets stubs were due. She said she would balance the tickets sold with the amount collected and pay the difference. The coordinator further stated that she had taken approximately \$100 every three days for personal expenditures but didn t keep track of how much was spent all together.

Our investigation further showed that from March 1 to April 15, 1996, the Program Activity Coordinator was the only one who handled the collections from ManAmko ticket sales.

According to the statements of two witnesses, the Program Activity Coordinator, on several occasions, (a) did not turn over the complete amount of cash collections, (b) collected ticket money prior to submission of ticket stubs and later denied that collections were made, and (c) went to ManAmko members houses to collect ticket money usually after working hours, during weekends, and on holidays, instead of during working hours when the ManAmko members were at the Center.

Our review also showed that the Program Activity Coordinator did not issue official receipts for money collected nor did she maintain a cash receipt book. We examined records provided to us by the Program Activity Coordinator which showed the number of booklets sold by some of the ticket sellers. The Director of ManAmko stated that because the Program Activity Coordinator did not keep complete and accurate records, she had to ask the persons selling the raffle tickets how many tickets they were given to sell. The Program Activity Coordinator was able to provide OPA with a daily collection record for only six days totaling \$3,460 out of a 45-day collection period.

As a result, the actual number of booklets sold could not be determined. Based on our examination of documents and discussions with employees, we estimate the amount of missing collections to be from \$8,430 to \$27,380.

The schedule below presents a summary of estimated missing collections.

| | Based on Total Booklets Printed less Unsold Booklets On Hand | Based on Sales Declared by 63 Sellers in their Statements | Based on the Records of the Program Coordinator Under Investigation |
|---|--|---|---|
| Estimated Ticket Sales | \$ 41,730 ² | \$ 27,655 ³ | \$ 22,780 ⁴ |
| Less: Total Amount Deposited ¹ | 14,350 | 14,350 | 14,350 |
| Estimated Missing Collections | \$ 27,380 | \$13,305 | \$ 8,430 |

¹ The total amount deposited includes the 10% commission on total ticket sales of ManAmko members which was not yet paid at the time of the audit.

² Total booklets printed less unsold booklets on hand is estimated booklets sold multiplied by \$5 per booklet (i.e., 9,165 - 819 = 8,346 x \$5 = \$41,730).

³ Based on statements of 63 sellers (representing 76% of total sellers), a total of 5,531 booklets sold for \$5 per booklet for a total of \$27,655 in ticket sales.

⁴ Based on a record kept by the program activity coordinator under investigation, total sales for the 63 sellers asked amounted to \$22,780.

Conclusion and Recommendations

Our investigation showed that an estimated amount of collections ranging from \$8,430 to \$27,380 was missing. The Program Activity Coordinator, however, only admitted to theft of \$4,000 in cash out of the missing collections.

Accordingly, we recommend that:

1. The Director of the Office of Aging develop and strictly enforce collection policies and procedures when conducting fundraising such as (a) maintaining a cash receipt book and issuing official receipts for money collected, (b) accounting for sold and unsold ticket booklets and ticket sales per seller on a daily basis, (c) requiring collections to be during working hours, and (d) segregating duties so that more than one person is involved in the collection process, record keeping process and deposits in the Bank.
 2. The Governor's Office where the coordinator is presently employed impose adverse actions (e.g., admonishment, reprimand, suspension without pay, reassignment, demotion, termination or such other action as management may deem necessary) in this case where a criminal charge has been filed against the employee, in accordance with Part III.D2-M of the Personnel Service System Rules and Regulations.
 3. The Director of the Office of Aging take action requiring the Program Activity Coordinator to make restitution of the \$4,000 admittedly taken from the ticket sales for the ManAmko.
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Other Matter

Based on our investigation, there is evidence of unauthorized reproduction of ManAmko raffle tickets. This occurred due to lack of controls over the custody of unnumbered raffle tickets. As a result, as many as 9,165 ticket booklets could have been circulated, of which only 5,000 booklets were legitimately printed.

Discussion

Based on the written testimony of the Program Activity Coordinator, the Public School System printed 5,000 booklets of raffle tickets. The first printing was for 3,500 booklets which were numbered by United Printers and taken to the ManAmko office. The second printing was for 1,500 booklets which were numbered by the helpers of the Program Activity Coordinator using a manual stamp. We accounted for all the tickets printed based on the printer's invoices and

those manually numbered by the employees of ManAmko, which showed that a total of 9,165 booklets could have been circulated. In addition, based on statements of 63 sellers interviewed, about 5,531 booklets were sold by them.

The Program Activity Coordinator could have reproduced the 1,500 unnumbered booklets in her possession by photocopying the original before the booklets were numbered. There is evidence that photocopying was used to reproduce the tickets because the small white sheet attached at the back of the original ticket showing the three consolation prizes was copied onto the back of the photocopied ticket in the same position as in the original ticket. Also, the photocopied tickets have a lighter black print and the booklet cover page has a different shade of yellow color.

This could have occurred because the unnumbered raffle tickets were in the custody of only the Program Activity Coordinator who was also involved in the collection of ticket money. Based on our investigation, there is evidence of unauthorized reproduction of raffle tickets. As a result, 9,165 ticket booklets could have been circulated, of which only 5,000 booklets were legitimately printed.

Conclusion and Recommendation

Our investigation showed that there was unauthorized reproduction of ManAmko raffle tickets. Our review showed that about 9,165 ticket booklets were circulated of which only 5,000 booklets were legitimately printed.

Accordingly, we recommend that:

4. The Director of the Office of Aging ensure that all raffle tickets produced are numbered and controlled by an individual not assigned to receive collections when conducting fundraising projects.

RESPONSE FROM THE OFFICE OF THE GOVERNOR

In his letter response dated January 8, 1997 (**APPENDIX A**), the Special Assistant for Administration agreed with Recommendation 2 but did not respond to the other recommendations. He mentioned in his response that he has long since imposed adverse actions on the Program Activity Coordinator by removing her from the Office of Aging and reassigning her to an area within his office for strictly clerical work. Furthermore, he mentioned that the Program Activity Coordinator is restricted from participating in any future office activities that involve money.

We also received a copy of a memorandum dated December 27, 1996 (**APPENDIX B**) sent by the Special Assistant for Administration to the Director of the Office of Aging instructing the Director to develop collection policies and procedures to be enforced when conducting future fundraising events for the ManAmkos.

OPA's COMMENTS TO THE RESPONSE

Based on the letter response, all four recommendations are considered as open, as follows:

- (a) The Director of the Office of Aging did not respond to Recommendation 1. We, therefore, consider Recommendation 1 as open.
- (b) We consider Recommendation 2 as open because the response of the Special Assistant for Administration downplayed the seriousness of the offense committed. The reassignment of the Program Activity Coordinator is not an appropriate disciplinary action in relation to the gravity of the offense she committed. A more appropriate adverse action commensurate to the offense committed is suspension without pay or termination.
- (c) The Director of the Office of Aging did not respond to recommendation 3. We, therefore, consider Recommendation 3 as open pending receipt of action taken to recover the \$4,000 cash collection.
- (d) We consider Recommendation 4 as open because the Director of the Office of Aging did not respond to our recommendation.

★ ★ ★

Our office has implemented an audit recommendation tracking system. All audit recommendations will be included in the tracking system as open or resolved until we have received evidence that the recommendations have been implemented. An open recommendation is one where no action or plan of action has been made by the client (department or agency). A resolved recommendation is one in which the auditors are satisfied that the client cannot take immediate action, but has established a reasonable plan and time frame for action. A closed recommendation is one in which the client has taken sufficient action to meet the intent of the recommendation or we have withdrawn it.

Please provide to us the status of recommendation implementation within 30 days along with documentation showing the specific actions that were taken. If corrective actions will take longer than 30 days, please provide us additional information every 60 days until we notify you that the recommendation has been closed.

Sincerely,



Leo L. LaMotte
Public Auditor, CNMI

cc: Governor
Lt. Governor
Tenth CNMI Legislature (27 copies)
Attorney General
Secretary of Finance
Special Assistant for Management and Budget
Special Assistant for Administration
Public Information Officer
Director of the Office of Aging
Press



APPENDIX A

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
Special Assistant For Administration
Office of the Governor

Caller Box 10007
Saipan, MP 96950
Telephone (670) 664-2200/1/2
Fax: (670) 664-2210

January 8, 1997



Leo Lawrence LaMotte
Public Auditor
Office of the Public Auditor
Saipan, MP 96950

Dear Mr. LaMotte:

Reference: Draft Audit Letter Report dt. 12/10/97

This is in response to your recommendation provided in the subject in reference. I am in agreement to your recommendation to impose adverse actions on the Program Activity Coordinator, although I have long since imposed such actions. Be informed that upon knowledge of the possibility of misconduct by this individual, I immediately assigned Mr. Joseph Cabrera, also of this office, to investigate. Mr. Cabrera developed a system of monitoring all sales transaction conducted by the Program Activity Coordinator, which eventually led to the exposure of the activity. Upon Mr. Cabrera's reports, I removed the Program Activity Coordinator from the Office of Aging, and reassigned her to an area within my office for strictly clerical work. Furthermore, the said individual is restricted to participate in any future office activities that involves money.

Should there be any questions, please do not hesitate to let me know.

Sincerely,

VICENTE T. ATTAO
Special Assistant for Administration

APPENDIX B

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

OFFICE OF THE SAA
OFFICE OF THE GOVERNOR
Caller Box 10007
Capitol Hill
Saipan, MP 96950
Tel. # 664-2200/1/2
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MEMORANDUM

JAN 10 1997
RECEIVED
G.A.B.

DATE: 12/27/96

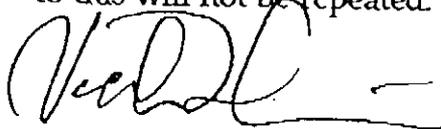
TO : Jose C. Leon Guerrero, Director
Office of Aging

FROM : Special Assistant for Administration

SUBJECT : Financial Monitoring System

Relative to the Public Auditor's Draft Audit Letter on Missing Collections, I am hereby instructing you to develop a fundraising enforcement collection policies and procedures to be used in conducting future fundraising events for the Man'Amkos. Such a policy should include an effective monitoring and maintenance system of all monetary transactions handled by your office. In addition, I am requesting that upon completion of the draft document, that a copy of such draft be provided to my office for review prior to implementation.

Your strict adherence to this instruction will ensure that an incident similar to this will not be repeated.


VICENTE T. ATTAO

xc Governor
Public Auditor

**LETTER REPORT ON MISSING COLLECTIONS
FOR THE MANAMKO FUNDRAISING PROJECT ORGANIZED
THROUGH THE OFFICE OF AGING**

STATUS OF RECOMMENDATIONS

| Recommendations | Agency | Status | Action Required |
|---|-------------------|--------|---|
| 1. Develop and enforce collection policies and procedures when conducting fundraising. | Office of Aging | Open | Respond to recommendation. |
| 2. Impose adverse actions on the Program Activity Coordinator. | Governor's Office | Open | Impose more appropriate adverse action such as suspension without pay or termination. |
| 3. Require the Program Activity Coordinator to make restitution of the \$4,000 admittedly taken from the ticket sales of ManAmko. | Office of Aging | Open | Respond to recommendation. |
| 4. Ensure that all raffle tickets produced are numbered and controlled by an individual not assigned to receive collections when conducting fundraising projects. | Office of Aging | Open | Respond to recommendation. |