



Office of the Public Auditor

Commonwealth of the Northern Mariana Islands

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May 8, 1997

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

Dear Secretary Tebuteb:

Subject : Final Letter Report on the Reported Missing Equipment of the Office of Aging (Report No. LT-97-04)

This report presents the results of our investigation into information we received about missing equipment of the Office of Aging, Saipan Office. Our investigation showed that 27 pieces of equipment which belonged to the Office of Aging, costing a total of \$10,866, were found missing and could not be accounted for. The investigation further showed that the Director of the Office of Aging improperly left 10 pieces of equipment belonging to the Office of Aging and costing \$3,184 at Double M Ltd. and gave them permission to use it.

We recommended that (1) the Secretary of Community and Cultural Affairs review the facts of the case for the purpose of determining if a personnel action (e.g., admonishment, reprimand, suspension, reassignment, demotion, etc.) against the Director of the Office of Aging is warranted, and (2) the Secretary of Finance instruct the Survey Officer to investigate the circumstances surrounding the lost property, report his/her findings, and make recommendations as to whether there is any personal liability for the missing property.

This matter was referred to the Attorney General's (AG) office on November 14, 1996. On February 4, 1997, the AG's office filed a case with the CNMI Superior Court against the Director of the Office of Aging for misconduct in public office. Our last information is that court proceedings are still ongoing.

In the memorandum response from the Secretary of Community and Cultural Affairs dated February 14, 1997 (**APPENDIX B**), the Secretary stated that the Department could not account for 22 of the 27 pieces of missing equipment. According to the memorandum, pending (1) the results of the upcoming court proceedings of the alleged misconduct in public office by the Director of the Office of Aging, and (2) the verification from Double M Ltd. Manager whether

permission was in fact granted to Double M Ltd. to use the property, no action will be taken against the Director of the Office of Aging.

In his letter response dated January 29, 1997 (**APPENDIX C, Page 1 of 4**), the Secretary of Finance concurred with our recommendation, and instructed the Director of the Division of Procurement and Supply to conduct an investigation and recommend whether liability can be established for the missing property. The Procurement and Supply Director in his letter response dated February 12, 1997 (**APPENDIX C, Page 3 of 4**) stated that of the 27 items of alleged missing equipment, one had been surveyed, three had 0-4 condition (broken) and the rest are still unlocated and considered missing. According to the Director, the “accountable” official could not provide any documentation as to whether the property was transferred or surveyed. He also said that the location of the property could not be determined, therefore, personal liability for the missing property is warranted.

We consider both recommendations 1 and 2 as resolved. The additional information needed to close these recommendations is shown in **APPENDIX D**.

BACKGROUND

The Office of Aging is one of the largest divisions within the Department of Community and Cultural Affairs with over 80 employees CNMI-wide. The Office of Aging is charged with the responsibility of providing services to the elderly community in terms of (1) recreational activities at the Aging Center, (2) transportation services, (3) food and nutrition services at the Aging Center and for those confined at home, and (4) vocational instruction at the schools provided by the elders themselves through passing on the traditions and culture to students of the CNMI.

Under Public Law 9-28, the Legislature appropriated \$1.5 million for the design and construction of an administration building for the Office of Aging which also contained a recreation center for senior citizens. The construction contract was awarded to Double M Ltd. and was projected to be finished by January 1996. Due to construction delays, however, it was not completed until May 15, 1996.

On April 1, 1996, the Office of Aging was required to vacate its old building. Because the construction of its new building was not finished on time, Double M Ltd. provided the Office of Aging with temporary space at its company complex so the Office of Aging could continue to operate until its new building was completed. At the time the Office of Aging moved into the temporary facilities at Double M Ltd., only the equipment needed for their temporary operation was moved. The remaining equipment was placed in storage containers and stored on the site of the new building. On May 15, 1996, the new building was completed and the office staff of the Office of Aging transferred to their new office.

OBJECTIVES, SCOPE, AND METHODOLOGY

On or about August 12, 1996, the Office of the Public Auditor (OPA) received a complaint that after the Office of Aging moved into their new building, some equipment from the old building could not be accounted for. Acting on this information, the objectives of our investigation were to (1) ascertain whether there was missing equipment at the Office of Aging as reported, and (2) determine what equipment was missing.

Between August and September 1996, the Office of the Public Auditor discussed these matters with the owner of Double M Ltd., the Property Manager of the Division of Procurement and Supply, the Director of the Office of Aging and his wife, and two members of the staff from the Office of Aging. The Public Auditor's Office also requested the Division of Procurement and Supply to conduct a complete inventory of the Office of Aging equipment.

FINDINGS AND RECOMMENDATIONS

Property Management and Accountability Policy states that the department director who has physical control over and use of such CNMI Government personal property assigned to or purchased by said department director shall be "accountable" for that property. Our investigation showed, however, that (1) 27 items of equipment belonging to the Office of Aging were missing from its custody, and (2) the Director of the Office of Aging had allowed the removal of 10 pieces of Office of Aging equipment costing \$3,184 from his custody for temporary use by a private company. This occurred because the Office of Aging did not inventory or monitor the movement of its equipment from its premises to a temporary storage facility, and allowed use of other equipment by a private contractor. As a result, the CNMI Government may have suffered a loss of \$10,866, representing the cost of the 27 missing pieces of equipment, based on Division of Procurement and Supply inventory records. In addition, the Director of the Office of Aging as a public official may have committed misconduct in public office.

Discussion

Missing Equipment of the Office of Aging

Property Management and Accountability Policy VI (B) states that the senior official or department director who has physical control over and use of such CNMI Government personal property assigned to or purchased by said senior official or department director shall be "accountable" for that property.

Our investigation showed that 27 pieces of equipment belonging to the Office of Aging were missing from its custody. The Office of the Public Auditor requested the Procurement and Supply Office to conduct a complete inventory of the equipment of the Office of Aging. After some verification by the Office of the Public Auditor, it was determined that there were 27 pieces of equipment missing from the Office of Aging costing \$10,866 (**APPENDIX A**). According to the Director of the Office of Aging, he was aware that a grinder and a Sanyo TV belonging to the Office of Aging had been lost during the move from the old Office of Aging building to the new building, and that the remaining equipment found to be missing was either turned in to the Division of Procurement and Supply or transferred to other agencies. However, he could not provide any documents showing the transfer of equipment to another location or provide documents that a request for a survey of equipment had been made to the Division of Procurement and Supply.

During the temporary transfer of the Office of Aging from its old building to the complex owned by Double M Ltd., the agency did not conduct an inventory of its equipment. Nor did it conduct an inventory of its equipment upon transfer to the new building. The Property Manager of the Division of Procurement and Supply in an interview told us that when the Office of Aging moved from its old office in Susupe, all furniture and equipment not needed for its temporary operation at Double M Ltd. were put into containers. He further stated that he had advised the Office of Aging to take an inventory before it put the equipment into the containers and again when the equipment was taken out of the containers. He later learned that no inventory had been taken. As a result, the Office of Aging failed to document the disposition of the equipment taken out of the Office.

Improper Use of Government Property By a Private Company

6 CMC §3401 states that it is unlawful for any person, without the proper authority to remove from its location any property of any kind, wherever situated, of the government of the United States or of the Commonwealth or its political subdivisions. Our investigation showed, however, that the Director of the Office of Aging allowed the removal of 10 pieces of Office of Aging equipment in his custody, costing \$3,184, to be placed in temporary storage in the complex owned by Double M Ltd. The investigation further showed that he gave Double M Ltd. his permission to use this equipment while it was being stored without proper authority from the Division of Procurement and Supply. The Director of the Office of Aging stated that this occurred because his office had no other place to store the excess equipment. As a result, (1) Double M Ltd. was given use of government equipment left on its premises by the Office of Aging, and (2) the Director of the Office of Aging, as a public official, may have committed misconduct in public office.

Discussion

6 CMC §3401, Possession or Removal of Government Property, states that it is unlawful for any person, without proper authority, to have in his or her possession or remove from its location property of any kind, wherever situated, of the Commonwealth or its political subdivisions.

Our investigation showed that the Director of the Office of Aging allowed the removal of some of the equipment of his office from his custody, and its temporary storage in the complex of Double M Ltd., without proper authorization from the Procurement and Supply Office. On April 1, 1996, the Office of Aging was required to vacate its old building. Because the construction of its new building which was projected to be finished by January 1996 had not yet been completed due to construction delays, Double M Ltd., which was the project contractor, provided the Office of Aging with temporary space at its company complex so the Office of Aging could continue to operate. At the time the Office of Aging moved into the temporary facilities at Double M Ltd., it brought only the equipment needed for its temporary operation to the new quarters.

On May 15, 1996, the Office of Aging officially transferred to its completed building and left some of its equipment at the premises of Double M Ltd. After discussions with Office of Aging staff members and subsequent verification by the Office of the Public Auditor at Double M Ltd., the equipment was determined to be as follows:

- 2 metal desks, CNMI Tag #12678 & US-20647
- 3 chairs, CNMI Tag #40387, 36474 & US-27980CM
- 1 stainless table, CNMI Tag #36489
- 1 Friedrich air-conditioner, CNMI Tag #36497
- 1 Bradford water heater, CNMI Tag #US 25276
- 2 leather type executive chairs, CNMI Tag #36636 & no tag on one chair

According to the Director, the Office of Aging had no other place to store this excess equipment, and therefore the equipment was left at the premises of Double M Ltd. He further stated that he gave the owner of Double M Ltd. permission to use the equipment on a temporary basis.

As a result, Double M Ltd. used some of this excess equipment left in its custody for its own purposes. Two metal desks and three chairs were used by the employees at Double M's office (see pictures on page 6). The air-conditioner and water heater were used by employees at the Double M living quarters (see pictures on page 6), and the 2 leather type executive chairs were not used and were stacked outside a cabinet shop at Double M Ltd.



Metal desk and chair of the Office of Aging used by employees of Double M Ltd. in its office.



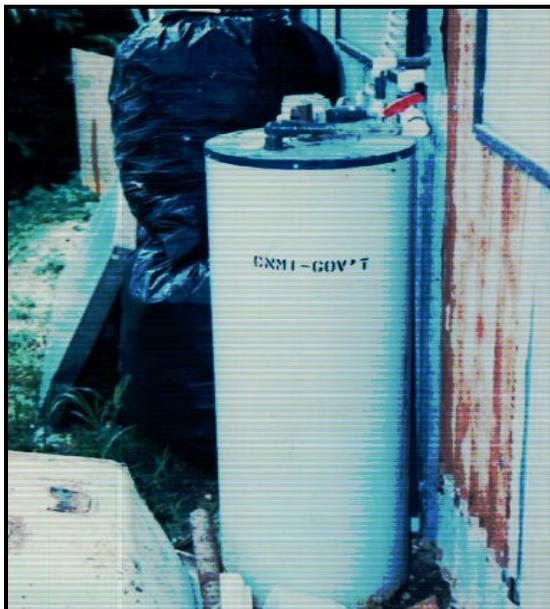
Metal desk and chair of the Office of Aging used by employees of Double M Ltd. at the Double M Ltd. office.



Outside view of the Friedrich air-conditioner owned by the Office of Aging and used by employees of Double M Ltd. at the Double M Ltd. living quarters.



Chair of the Office of Aging used by employees of Double M Ltd. at its office.



Water heater owned by the Office of Aging and used by employees of Double M Ltd. at the Double M Ltd. living quarters.



Inside view of the Friedrich air-conditioner owned by the Office of Aging and used by employees of Double M Ltd. at their living quarters.

The owner of Double M Ltd. advised the Office of the Public Auditor that he returned the government equipment he was using and storing on his property to the Office of Aging on September 3, 1996. Nevertheless, the Director of the Office of Aging, as a public official, may have wilfully neglected the duties of his office and consequently did not (1) safeguard the government property under his custody, and (2) inventory and store the equipment of his office as required. 6 CMC §3202 states that any public official who does an illegal act under the color of office, or wilfully neglects to perform the prescribed duties of the office, is guilty of misconduct in public office.

Conclusions and Recommendations

Our investigation showed that 27 pieces of equipment with a total cost of \$10,866 belonging to the Office of Aging were found to be missing and unaccounted for. Our investigation further showed that the Director of the Office of Aging had improperly allowed a private company to temporarily use 10 pieces of equipment costing \$3,184 belonging to the Office of Aging.

This matter was referred to the Attorney General's (AG) office on November 14, 1996. On February 4, 1997, the AG's office filed a case in the CNMI Superior Court against the Director of the Office of Aging for misconduct in public office. Our last information is that court proceedings are still ongoing.

Accordingly, we recommend that (1) the Secretary of Community and Cultural Affairs review the facts of the case to determine if a personnel action (e.g., admonishment, reprimand, suspension, reassignment, demotion, etc.) against the Director of the Office of Aging is warranted, and (2) the Secretary of Finance instruct the Survey Officer to investigate the circumstances surrounding the lost property, report his/her findings, and make recommendations as to whether there is any personal liability for the missing property.

Response from the Secretary of Community and Cultural Affairs and the Secretary of Finance

In his memo response dated February 14, 1997 (**APPENDIX B**), the Secretary of Community and Cultural Affairs stated that the Department is unable to account for 22 of the 27 alleged missing items listed in the report. The response further stated that a request for a complete inventory of all existing items within the new center will be made to the CNMI Procurement Office, with another attempt to locate and possibly recover those items claimed as missing. Pending the results of the upcoming court hearing concerning the alleged misconduct in public office by the Director of the Office of Aging, and/or pending the verification from the Double M Ltd. Manager whether permission was in fact granted to Double M Ltd. to use the property, no action will be taken against the Director of the Office of Aging.

In his letter response dated January 29, 1997 (**APPENDIX C, Page 1 of 4**), the Secretary of Finance concurred with our recommendation, and instructed the Director of the Division of Procurement and Supply to conduct an investigation and recommend whether any personal liability can be established for the missing property. The Director in his letter response dated February 12, 1997 (**APPENDIX C, Page 3 of 4**) stated that property no. CNMI-20603 (deep freezer, Kelvinator) had been surveyed in 1995, and that the cost of the standing fan (CNMI-36486) should be changed from \$315.00 to \$50.00, thus bringing the total amount of missing items to \$9,852.00. The response also said that property nos. CNMI 36492 (water pump), US-23101CM (mower/riding) and US-20524CM (chair/swivel) had 0-4 condition (broken). In addition, the response further stated that the rest of the property had still not been located and was considered missing. According to the Director, the “accountable” official could not provide any documentation as to whether the property was transferred or surveyed. He also said that the whereabouts of the property could not be determined, and therefore personal liability for the missing property was warranted. The Property Management Branch concluded that poor management in the handling of the items of property contributed to their loss. The Branch therefore recommended that the Office of Aging designate a Property Custodian to ensure that government property is properly used and cared for, and that property custody and safekeeping are provided.

OPA’s Comments to the Response

Based on the memo response, the Secretary of Community and Cultural Affairs will not take any action against the Director of the Office of Aging until the verification from the Double M Ltd. Manager whether permission to use the property had been granted, and/or pending the results of the upcoming court proceedings by the Attorney General’s Office against the Director of the Office of Aging. We therefore consider Recommendation 1 as resolved.

Based on the letter response, the Director of the Division of Procurement and Supply stated that the location of some of the property cannot be determined, and therefore personal liability for the missing property is warranted. We therefore consider Recommendation 2 as resolved.

The additional information or action required to close the recommendations is shown in **APPENDIX D**.

* * *

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 along with documentation showing the specific actions taken.

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,

ORIGINAL SIGNED

Leo L. LaMotte
Public Auditor, CNMI

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

APPENDIX A

List of Missing Office of Aging Equipment

Property No.	Description	Manufacturer	Model No.	Serial No.	Cost *
CNMI-36491	Grinder				75.00
CNMI-36486	Standing Fan				315.00
CNMI-36492	Water Pump				153.00
CNMI-20603	Deep Freezer	Kelvinator	HF262DMIW	107H001659	749.00
CNMI-36498	Oven/Load				1,380.00
US-22685CM	Mixer/Kitchenaid	Hobart		K555	391.00
US-23101CM	Mower/Riding	Ace Hardware		033 K0420	1,624.00
CNMI-36477	Mower/Lawn			228478	275.00
CNMI-36479	Mower/Lawn				275.00
CNMI-36627	Filing Cabinet 4-				250.00
US-28032CM	Filing Cabinet 4-				199.00
CNMI-36202	Chair/Exec				345.00
CNMI-36476	Chair/Exec				345.00
CNMI-00680	Chair/Exec				345.00
CNMI-36629	Chair/side w/ arm				100.00
CNMI-36628	Chair/side w/ arm				100.00
CNMI-12752	Chair/swivel				165.00
US-20524CM	Chair/swivel				165.00
CNMI-36605	Desk/D.P.				250.00
US-22189CM	Calculator	Sanyo	M-CY-5031	01700260	82.00
CNMI-36504	Air-conditioner	Tatung	TW-23286	2875720080	335.00
CNMI-36632	Air-conditioner				798.00
US-25809CM	Typewriter	Xerox	6018	08C-010174	1,000.00
CNMI-36495	Cassette Player				350.00
CNMI-36482	TV	Sanyo			300.00
CNMI-36204	VCR	Samsung	VT-325/AFS	610BC00004	300.00
US-21688	Soap/Machine				100.00
Total					\$10,866.00

*Cost was based on the inventory records of Procurement and Supply.

APPENDIX B
Pages 1 to 6

Note: Appendix B, which represents the response letter from the Secretary of Community and Cultural Affairs, was intentionally omitted to reduce this publication's file size. This is available at the Office of the Public Auditor upon request.

APPENDIX C
Pages 1 to 4

Note: Appendix C, which represents the response letter from the Secretary of Finance, was intentionally omitted to reduce this publication's file size. Appendix C is available at the Office of the Public Auditor upon request.

STATUS OF RECOMMENDATIONS

Recommendations	Agency	Status	Action Required
1. Secretary of Community and Cultural Affairs review the facts of the case for the purpose of determining if a personnel action against the Director of Office of Aging is warranted.	DCCA	Resolved	Provide OPA a copy of an action taken against the Director of Office of Aging upon resolution of the upcoming court proceedings.
2. Secretary of Finance instruct the Survey Officer to investigate the circumstance surrounding the lost property and report his findings and make recommendations for establishing the possibility of personal liability for the missing property.	DOF	Resolved	Provide OPA a copy of the recommendation of the Survey Officer as to: (1) who is the accountable person, (2) how much is he liable for, and (3) how will the liability be settled. Also provide OPA a copy of the settlement with the accountable person.