

Letter Audit Report

Department of Public Health Audit and Investigation of Missing Funds at the Commonwealth Health Center

February 6, 1997

(Letter Report No. LT-97-02)



Office of the Public Auditor
Commonwealth of the Northern Mariana Islands



Office of the Public Auditor

Commonwealth of the Northern Mariana Islands

Internet Home Page: www.mtccnmi.com/community/opa/index.html

2nd Floor J.E.Tenorio Building
Gualo Rai, Saipan, MP 96950

Mailing Address:
P.O. Box 1399
Saipan, MP 96950
E-mail Address:
opa@mtccnmi.com
☎ (670) 234-6481/2
☎ (670) 234-7812

February 6, 1997

Dr. Isamu J. Abraham
Secretary
Department of Public Health
P.O. Box 409
Saipan, MP 96950

Dear Secretary Abraham:

**Subject: Final Letter Report on Missing Funds at the Commonwealth Health Center
(Report No. LT-97-02)**

This report presents the results of our investigation of missing funds at the Commonwealth Health Center (CHC). The objective of the investigation was to ascertain whether there was a theft of CNMI funds, and if so, to identify the person or persons for financial recovery and criminal liability.

Our investigation showed that one of the CHC evening cashiers admitted to the theft of \$3,608.40 from a CHC daily collection which was mislaid at the CHC cashier station. The lack of control procedures to document receipts of collections during times when the computer is unable to process and generate receipts resulted in the theft of funds. We have referred this matter to the Attorney General's Office for further action.

We recommend to the Secretary of Public Health that he (1) strictly enforce acknowledging and documenting turnover of collections by developing and implementing a system for creating manually written receipts when the computer cannot print the official receipts. The form can include all the relevant information on the computer-generated receipt such as the source of collections, denominations, date, time, collecting cashier's name and signature, and the acknowledging cashier's name, signature, date and time; (2) Amend the adverse action against cashier number 2. Her suspension should be enforced and missing funds should be collected from her. However, the action should be amended to return any funds collected from evening cashier number 1; and (3) Ask the payor of the \$150 check to issue another check or pay the same amount in cash because his/her bank account was not charged for the amount of the check.

In his letter response on January 2, 1997 (**APPENDIX A**), the Secretary agreed with recommendation 1, and the CHC Business Manager has informed us that the policies and procedures are under review for approval. Regarding recommendation 2, he stated that he does not need to amend the adverse action against evening cashier number 2; however, the deduction through payroll allotment to repay \$3,608.40 will be temporarily suspended because the parents of evening cashier number 1 voluntarily came to CHC and signed a payroll allotment to repay CHC the \$3,608.40. We also received a copy of a memorandum on January 14, 1997 from the CHC accounting office advising us of the details of the payroll allotment executed by the parents of evening cashier 1. Regarding recommendation 3, the Secretary stated that the payor of the \$150 check was advised to put a stop payment on the check and issue a replacement check.

Based on the response we received from the Secretary, we consider *Recommendations 1 and 2 as resolved* pending the release of written policies and procedures and full collection of the missing funds. We consider *Recommendation 3 as closed*.

BACKGROUND

On September 23, 1996, the Office of the Public Auditor received information that a theft of public funds had recently occurred at CHC. Our investigation disclosed that the theft had been reported to DPS on the evening of August 28, 1996.

OBJECTIVES, SCOPE AND METHODOLOGY

The objective of the investigation was to ascertain whether there was a theft of CNMI funds, and if so, to identify the person or persons for financial recovery and criminal liability.

Between September 23 and October 16, 1996, the Office of the Public Auditor examined pertinent documents and written statements, interviewed witnesses, and conferred with DPS investigators as well as the patrolmen who made the initial response to the call.

FINDINGS AND RECOMMENDATIONS

Missing Funds

The Commonwealth Criminal Code provides that a person commits a theft if he or she unlawfully takes the property of another with intent to permanently deprive the owner of his or her right to the property. Our investigation resulted in one of the CHC evening cashiers admitting to the theft of a CHC daily collection which was mislaid at the CHC cashier station.

The theft occurred due to the lack of control procedures to document receipts of collections during times when the computer is unable to process and generate receipts. Collections of \$3,608.40 including one \$150 check were stolen.

Discussion

Commonwealth Criminal Code, 6 CMC §1601 provides that “A person commits 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...” Furthermore, §1605 provides that “A person who comes into control of property of another that the person knows to have been lost or mislaid commits theft if, with purpose to deprive the owner thereof, he or she fails to take reasonable measures to restore the property to a person entitled to have it.” Also, §1608 provides that “A person who purposely obtains property upon agreement or subject to a known legal obligation to make specified payment or other disposition... 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 or the benefit of another without lawful authorization.”

On September 23, 1996, the Office of the Public Auditor received a telephone call regarding the incident of theft on August 28, 1996 at CHC. We verified the complaint with DPS and learned that the case was still not resolved, so we agreed to assist in the investigation.

Our investigation showed that CHC had obtained written statements from the cashiers present during the incident and had conducted an internal investigation. CHC investigators were not able to identify the person liable, but CHC officials issued a 30-day notice of adverse action against an evening cashier for negligence and failure to perform her responsibilities. The adverse action included a 15-day suspension without pay and required repayment of \$3,608.40 through payroll allotment.

On August 28, 1996 around 4:25 p.m. , a CHC downstairs collection clerk delivered her collection for the day to one of the evening cashiers (on duty from 4:00 p.m. to 12:00 a.m.). The evening cashier was supposed to issue a computer-generated receipt to acknowledge the collection but was unable to issue the receipt because the computer was not operating properly. The evening cashier took the envelope which contained the \$3,458.40 cash, a \$150 check and supporting documents without any kind of written acknowledgment to the collection clerk. She then put the envelope down, unattended, on the cashier counter beside a credit card machine. The downstairs collection clerk agreed to pick up the receipt the following morning assuming that the computer would be working by then.

There were five CHC personnel present at the cashier station when the downstairs collection clerk delivered her collections. They were the admitting clerk, the day shift cashier (on duty from 7:30 a.m. to 4:30 p.m.), the b-shift cashier (on duty from 9:00 a.m. to 6:00 p.m.) and the two evening cashiers (on duty from 4:00 p.m. to 12:00 a.m.). They were attempting to restore the computer to working order when the downstairs collection clerk arrived. It took them an

hour to restore the computer, after which the admitting clerk and the day shift cashier left the station while the b-shift cashier resumed duties at one of the cashier windows. Evening cashier number 1 then assumed her post. Evening cashier number 2 meanwhile left her post to go with another CHC employee, who happened to drop by the cashier station. The two went to the office of the business office manager which is directly behind the cashier station.

As it was nearing the end of her shift, the b-shift cashier went to the office of the business office manager and delivered her daily receipts in the cash box, in the presence of evening cashier number 2 and another CHC employee who both then left the office. Evening cashier number 2 recalled that she saw the envelope containing the collection on the counter as she walked through the cashier station to the telephone operator's room.

The b-shift cashier then returned to the cashier station and watched both windows while evening cashier number 1 went to the restroom and outside the building for a smoke. The b-shift cashier reported that evening cashier number 1 returned quicker than it normally takes one to smoke.

Evening cashier number 2 returned to the station shortly thereafter, and took over the b-shift cashier's post. The b-shift cashier then went home. Evening cashier number 2 noticed the collection was missing at approximately 7:00 p.m. The two evening cashiers searched for the collection for approximately one hour, then called their supervisor. The supervisor subsequently informed the business office manager, who informed the acting deputy secretary of hospital administration. Evening cashier number 2 then asked the telephone operator to inform DPS, which then responded and conducted its preliminary investigation.

OPA conducted independent interviews of the CHC personnel involved in the incident. The statements were consistent with those previously obtained by CHC in its internal investigation, with the exception of evening cashier number 1. She admitted and signed a written confession on October 16, 1996 to the OPA Investigator that she stole the money. She stated that she took the envelope of funds to her car after she told the b-shift cashier that she was going to "smoke." She also confessed that she gave her family members part of the money, paid off her parents' account at a store, and spent the rest for other purposes. She stated that the \$150 check included in the collection was thrown into the trash. The check had not cleared the bank when CHC issued a stop payment advice on September 27, 1996.

Evening cashier number 1 was hired by CHC on July 15, 1996 and was assigned to perform cashier duties. When the incident occurred on August 28, 1996, she was still undergoing training. She no longer reported for work after the incident, and submitted her resignation letter on September 20, 1996.

OPA informed the DPS Investigator of the result of OPA interviews and the confession made by evening cashier number 1. OPA referred this matter to the Attorney General's Office on October 29, 1996.

Conclusion and Recommendations

Our investigation showed that the missing funds at the CHC cashier station, amounting to \$3,608.40, were stolen by one of the evening cashiers. A signed written confession was obtained from evening cashier number 1 on October 16, 1996. CHC was informed of the confession and decided to pursue the terms of a previously initiated adverse action against evening cashier number 2, who received and mislaid the money which was ultimately stolen. The terms of this action provide that she will be suspended for 15 days without pay and repay the \$3,608.40 through payroll allotment.

We recommend to the Secretary of Public Health that he:

1. Strictly enforce a policy of acknowledging and documenting turnover of collections by developing and implementing a system for creating manually written receipts when the computer cannot print the official receipts. The form can include all the relevant information on the computer-generated receipt such as the source of collections, denominations, date, time, collecting cashier's name and signature, and the acknowledging cashier's name, signature, date and time.
2. Amend the adverse action against evening cashier number 2. Her suspension should be enforced and missing funds should be collected from her. However, the action should be amended to return to her any funds collected from evening cashier number 1.
3. Ask the payor of the \$150 check to issue another check or pay the same amount in cash because his/her bank account was not charged for that amount.

RESPONSE FROM THE SECRETARY OF PUBLIC HEALTH

In his letter response on January 2, 1997 (**APPENDIX A**), the Secretary agreed with recommendation 1, and the CHC Business Manager has informed us that the policies and procedures are under review for approval. He stated in his response that all Cashiers were verbally informed and appropriately trained on how to prepare manual receipts when the computer system is occupied or malfunctioning. He explained that this procedure was practiced since they started using the Cash Computer System but, it was the negligence of evening cashier number 2 in failing to follow existing procedures of issuing a manual official receipt. Regarding recommendation 2, he stated that CHC does not need to amend the adverse action against evening cashier number 2. He stated that CHC had enforced the fifteen day suspension from work without pay for evening cashier number 2 from November 17 to December 6, 1996. However, the deduction through payroll allotment to repay the \$3,608.40 was suspended because the parents of evening cashier number 1 voluntarily came to CHC and signed payroll allotment forms to repay CHC

the \$3,608.40. Regarding recommendation 3, the Secretary stated that the payor of the \$150 check was advised to put a stop payment on the check and issue a replacement. The replacement check was subsequently deposited to the General Fund account; however the amount was only \$135, net of the issuer's bank charges.

OPA's COMMENTS TO THE RESPONSE

Based on the letter response, we consider *recommendations 1 and 2 as resolved* while *recommendation 3 is considered closed*, as follows:

1. The Secretary of Public Health agreed with recommendation 1 and the CHC Business Manager informed us that the policies and procedures is under review for approval. Until completion of the review, we consider *Recommendation 1 as resolved*.
2. In recommendation 2, the Secretary stated that CHC will not amend the adverse action against evening cashier number 2. However, the deduction through payroll allotment to repay \$3,608.40 was suspended because the parents of evening cashier number 1 voluntarily came to CHC and signed payroll allotment forms to repay CHC the \$3,608.40. We suggest that the total repayment be reduced by the \$135 replacement check received pursuant to action taken for recommendation 3. We consider *Recommendation 2 as resolved* pending full collection of the missing funds.
3. The payor of \$150 check has already issued a replacement check of \$135, which was net of the \$15 bank charges for stop payment; therefore, we consider *Recommendation 3 as closed*.

★ ★ ★

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 of 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 the recommendation implementation along with the 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 Finance
Special Assistant for Management and Budget
Public Information Officer
Deputy Secretary of Hospital Administration
CHC Business Office Manager
Press



COMMONWEALTH HEALTH CENTER
OFFICE OF THE SECRETARY

GOVERNMENT OF THE NORTHERN MARIANA ISLANDS
DEPARTMENT OF PUBLIC HEALTH-ENVIRONMENTAL SERVICES

January 2, 1997

Mr. Leo LaMotte
Public Auditor
Office of the Public Auditor
Commonwealth of the Northern Mariana Islands
PO Box 1399
Saipan, MP 96950



Dear Mr. LaMotte:

Subject: Response Letter on the Audit Report on Missing Funds

Thank you for your assistance in resolving the investigation of the missing funds of \$3,608.40 at the Commonwealth Health Center. Set forth below is our response on the three recommendations outlined in your audit report.

Recommendation No. 1

We agree with the recommendation. Ms. Remedio Seman, Business Office Manager will prepare the written policies and procedures strictly enforcing the issuance of manually prepared official receipt when the computer system is occupied. The written policy will be issued no later than January 15, 1997.

However, we would like to mention that all the Cashiers were verbally informed and appropriately trained on how to prepare manual receipts when the computer system is occupied or malfunctioning. This procedure had been in place and was being practiced since the inception of the Cash Computer System. Evening Cashier Number 2 is aware of this procedure and had been following it. In this incident, it is through Evening Cashier Number 2's negligence in following in-place procedures that led to the non-issuance of manual official receipt.

Recommendation No. 2

Presently, we are not going to amend the adverse action against Evening Cashier Number 2. CHC had enforced the fifteen day suspension from work without pay for Evening Cashier Number 2 from November 17, 1996 to December 6, 1996. However, the deduction through payroll allotment to repay for the \$3,608.40 will be momentarily suspended. The parents of Evening Cashier Number 1 voluntary came to CHC and signed a payroll allotment to repay CHC the \$3,608.40. The parents of Evening Cashier Number 1 will be paying \$117 per pay period starting from pay period ended January 4,

1997 to pay period ending February 15, 1997. Starting pay period ending March 10, 1997, the parents of Evening Cashier Number 1 be paying \$468 per pay period until the \$3,608.40 is fully paid. Consequently, the 3,608.40 will be fully paid approximately within eight months from January 1997. In addition, CHC's legal counsel is preparing the promissory note to be signed by the parents of Evening Cashier Number 1.

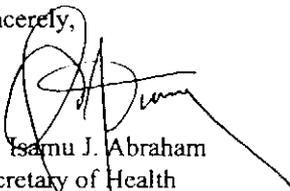
CHC will enforce collection from Evening Cashier Number 2 in case the parents of Evening Cashier Number 1 will default in their payments.

Recommendation No. 3

The payer of the \$150 check was advised to put a stop payment on the check. In addition, the payer had issued a replacement check on October 1, 1996 and it was deposited to the General Fund account on October 2, 1996. Please see attached copy of the official receipt issued on the replacement check.

If you need additional information, please let us know.

Sincerely,



Dr. Isamu J. Abraham
Secretary of Health
Department of Public Health

Attachment: A/S

Cc. Greg Calvo, Deputy Secretary for Hospital Administration
Remy Seman, Business Office Manager
File

**LETTER REPORT ON MISSING FUNDS
AT THE COMMONWEALTH HEALTH CENTER**

STATUS OF RECOMMENDATIONS

Recommendations	Agency	Status	Action Required
1. Strictly enforce a policy of acknowledging and documenting turnover of collections.	CHC	Resolved	Provide OPA copy of the procedures.
2. Amend the adverse action against evening cashier number 2.	CHC	Resolved	Provide OPA a copy of the biweekly remittance of allotment report and the CNMI Treasury official receipt until stolen funds are fully collected.
3. Ask the payor of the \$150 check to issue another check or pay the same amount in cash.	CHC	Closed	