

# Office of the Public Auditor

Commonwealth of the Northern Mariana Islands

World Wide Web Site: <http://opacnmi.com>

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

Mailing Address:  
P.O. Box 501399  
Saipan, MP 96950

E-mail Address:  
[mail@opacnmi.com](mailto:mail@opacnmi.com)

Phone: (670) 234-6481  
Fax: (670) 234-7812

August 30, 2000

Ms. Rita H. Inos, Ed.D.  
Commissioner of Education  
P.O. Box 501370  
Saipan, MP 96950

Dear Commissioner Inos:

**Subject: Final Letter Report on the Audit of Property and Equipment at Hopwood Junior High School- February to June 1999 (LT-00-07)**

In July 1996, the Office of the Public Auditor (OPA) received a written complaint from a teacher at Hopwood Junior High School regarding operation of the school. The complaint alleged that assets, especially those classified under the Property and Equipment account such as computers, were missing from the school premises. It further alleged that tables, sewing machines, chairs, TVs and VCRs with the "Public School System (PSS)" logo stenciled and engraved on them were reportedly seen in the homes of some PSS teachers. After a preliminary investigation, OPA determined that misuse of government assets may have occurred.

This report presents the results of our audit of property and equipment at Hopwood Junior High School. The objectives of the audit were to determine whether: (1) formal property control policies at PSS are sufficient, (2) existing property control policies are being implemented, (3) PSS Procurement and Supply personnel are qualified to perform its property control functions, and (4) PSS classrooms are adequately secured.

Our audit showed, however, that the PSS Procurement Office failed to conduct an annual physical inventory of property at PSS schools. This occurred because PSS lacked policies and procedures needed for a complete system of property management accountability and PSS Procurement officials disregarded applicable CNMI policies and procedures. In addition, some PSS facilities are not physically secure. As a result, the files and records of PSS are inaccurate, and electronic assets such as computer equipment worth considerably more than \$31,413 at Hopwood Junior High School could not be located.

We recommended that the Commissioner of Education: (1) enforce compliance with the CNMI property management and accountability policy without exception. The Commissioner should ensure that a physical inventory of the fixed assets of PSS is taken annually, and inventories should be reconciled against recorded balances, (2) direct the PSS Procurement Officer to develop

additional policies and procedures suitable to the needs and requirements of PSS operations. These policies and procedures should include, among other things, a system of accountability in which the Principal or Program Head is made responsible for all property issued to the facility. In addition, the system of tagging and marking items needs to be improved in order to insure that all property is identified and accounted for, and (3) direct the PSS Maintenance Office to install additional security (e.g., deadbolt locks and security cameras or other security measures as needed and practical) at all PSS schools.

The Commissioner of Education responded to OPA with two letters dated July 12, 2000 and July 20, 2000, respectively. In her letter response dated July 12, 2000 (**Appendix B**), the Commissioner of Education said that PSS was able to determine the disposition for 13 of 47 missing items stated in the report. On the other hand, in her letter response dated July 20, 2000 (**Appendix C**), the Commissioner agreed with all our recommendations and stated that they will comply with the recommendations.

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

## **BACKGROUND**

The PSS Procurement and Supply Office (Procurement Office) is responsible for administering the procurement and management of property and equipment after acquisition. Administration entails acquiring, recording, physical inventory counts, reconciling, and disposal of approximately 8,000 documented pieces of PSS property as of December 1999. The total value of those PSS properties is estimated at \$7,808,196. The Procurement Office is directed by a Procurement Officer, and staffed with an Administrative Officer, two Supply Specialists, a Supply Technician and two Warehousemen.

A Supply Specialist is tasked with receiving goods from vendors, recording the property, and tagging or affixing a "PSS" property control number. Regardless of funding source, PSS tags all assets valued at more than \$2,000. The Supply Specialist is also tasked to conduct an annual inventory with the assistance of the Supply Technician and the two Warehousemen. He is required to submit written reports to the Administrative Officer.

The Administrative Officer receives reports from the Supply Specialist and makes a data entry of each tagged item into a computerized spreadsheet which serves as the tagged property master list. A log<sup>1</sup> documenting untagged items is received from the Supply Specialist and placed in a hard copy file. Items purchased for less than \$2,000 are called "controlled assets." For disposal of property and equipment, the Administrative Officer receives "Survey Reports" and makes

---

<sup>1</sup>This log is on a yellow legal pad where the following information is recorded: date of receipt, purchase order no., account no., purchase price, quantity, item description, name of the vendor, and the PSS school or program which will receive the item.

appropriate data entries deleting disposed items in the computerized spreadsheet. The Administrative Officer also processes clearance requests for individuals separating from PSS. She determines whether the employee was responsible for any missing PSS property. According to her, she spends approximately thirty percent (30%) of her time on property management tasks, with the rest spent on various other administrative functions of the Procurement Office.

The three other staff members do not directly work with personal property management. The other Supply Specialist primarily performs administrative duties related to procurement contracts. The two Warehousemen perform functions primarily related to warehousing of bulk purchases.

## **OBJECTIVES, SCOPE AND METHODOLOGY**

The objectives of the audit were to determine whether (1) formal property control policies at PSS are sufficient, (2) existing property control policies are being implemented, (3) PSS Procurement and Supply personnel are qualified to perform its property control functions, and (4) PSS classrooms are adequately secured.

Based on interviews with Procurement Office personnel, we learned that there were no annual inventories made of all PSS assets, and consequently there was no reconciliation of past inventories with the master tagged property list. OPA limited the scope of the audit to cover only electronic items issued to Hopwood Junior High School as of June 1999 because those items were expensive and subject to conversion to personal use.

To accomplish our objectives, we (1) reviewed and analyzed existing property management regulations to determine sufficiency; (2) test counted the inventory of Hopwood Junior High School to verify and assess policy compliance and effectiveness; and (3) interviewed PSS Procurement and Supply personnel regarding the implementation of property control policies and procedures of PSS.

We conducted our audit at PSS and Hopwood Junior High School offices in Saipan between February and June 1999. This performance audit was made, where applicable, in accordance with Government Auditing Standards issued by the Comptroller General of the United States. Accordingly, we included such tests of records and other auditing procedures as were considered necessary in the circumstances.

As part of our audit, we performed a limited review of internal controls over inventory procedures for accountability of property and equipment performed by the PSS Procurement Office. We found weaknesses in these areas which are discussed in the Finding and Recommendation section of this report. Our recommendation, if implemented, should improve controls in this areas.

## **PRIOR AUDIT COVERAGE**

During the past five years, OPA has not issued any audit reports pertaining to property and equipment of PSS. However, in November 1998 and March 1999, Deloitte and Touche, in its Independent Auditors' Reports on the Internal Control Structure of PSS for years ended September 30, 1995 and September 30, 1996, respectively, included a review of the PSS property and equipment. The reports stated that PSS does not maintain a properly valued register of all fixed assets on hand. The lack of a physical inventory of fixed assets was reported as a finding in the Single Audits of PSS for fiscal years 1989 through 1995.

## **FINDING AND RECOMMENDATIONS**

### **Electronic Assets Worth Considerably More Than \$31,000 Could Not Be Located at Hopwood Junior High School**

The CNMI's Property Management and Accountability Policy states that the Chief of Procurement and Supply (PSS Procurement Officer) or his official designated and deputized "Deputy Survey Officers" will inventory all personal property annually. Our audit showed, however, that the PSS Procurement Office failed to conduct an annual physical inventory of property at PSS schools. This occurred because PSS Procurement officials disregarded applicable CNMI laws and regulations and failed to adequately perform their duties and responsibilities. As a result, the files and records of PSS are inaccurate, and electronic assets worth considerably more than \$31,413 at Hopwood Junior High School could not be located.

#### ***Property Management and Accountability Policy***

The CNMI Property Management and Accountability Policy VI(C), which the PSS Procurement and Supply Office adheres to in the absence of internal policy, states that the Chief of Procurement and Supply (PSS Procurement Officer) or his official designated and deputized "Deputy Survey Officers" will annually inventory all personal property. The date of such annual inventory will be determined by the Director of Finance (Commissioner of Education) and notice given to all concerned parties by letter at least 30 days prior to the date of performing the annual inventory.

The policy further requires that the designated survey office will be responsible for the investigation of circumstances surrounding lost, missing, damaged, destroyed, and unserviceable property, and will make recommendations as to liability of any individual in relation to the loss or damage of property.

The CNMI State Board of Education Policy Manual § 902 further provides that:

- 902.1 An inventory of furniture and equipment will be maintained. All items that cost \$2,000 or more and have a life expectancy of one year or longer will be

included in the inventory, with the exception of equipment permanently fixed in a building such as chalkboards, bookshelves attached to a wall, etc. The equipment inventory will serve both the functions of control and conservation.

- 902.2 Each teacher departing from a particular classroom assignment (retirement, reassignment, etc.) will be required to submit an inventory of all instructional supplies, materials, equipment, etc., to the principal. All classroom personnel will inventory all instructional materials at the end of the school year.

### ***OPA Conducted a Limited Test Count of Inventory at Hopwood Junior High School***

In an effort to verify and assess policy compliance and effectiveness, OPA together with some school personnel conducted a limited test count of the inventory of mostly electronic items listed as having been issued to Hopwood Junior High School. The school was listed as having 441 tagged pieces of property and was deemed to be fairly representative of the PSS system as a whole in terms of property control. The school was under new management as the principal had assumed her duties earlier in the same school year. The test count was conducted over the period from February to June 1999. Advance notice was given and school management was consulted. School personnel actively participated in the test count which was performed on average six hours per week (two hours per day). We then reconciled the items per record with the items per inventory. Individual school personnel were consulted as to the whereabouts of specific unlocated pieces of property and a significant amount of property was located after these consultations. The following are our findings and observations:

- OPA test counted 468<sup>2</sup> pieces of mostly electronic items at the school. 166 of these items were not on record; therefore, 302 items on record should have been at the school at the time of the inventory. Of those 302 recorded items, 121 could not be located. Based on PSS records, the purchase value of the 47 unlocated items amounted to \$31,413 (**Appendix A**) while the purchase value of the 74 other unlocated items could not be determined because of insufficient inventory record information.
- Per PSS records, 154 of the 468 electronic items issued to the school had been tagged with a property control number. Of those 154 tagged items, 107 items were located while the remaining 47 could not be found. Of the 107 located tagged pieces, 80 were found to be in possession of an individual other than the custodian of record, thus leaving only 27 items in possession of the signed responsible employee. The names reflected in the tagged property master file for much of the remainder were individuals who had been terminated, transferred

---

<sup>2</sup>Per PSS records, the school had 441 tagged pieces of property; however, at the time of our inventory we test counted 468 items. The difference of 27 items may have come from other PSS facilities and no formal documentation was made to record the receipt of these additional items.

to another PSS school, retired, or were deceased. All but 13 of the 107 located tagged pieces still retained the adhesive tag with the property control number stamped on it. The 13 items were identified only because the serial numbers were recorded when the properties were tagged. The current procedures for disposing of or transferring assets were not followed, making it difficult to determine if a missing asset was disposed of, transferred, lost, or stolen.

- We noted during the count that untagged property items were not listed on the PSS Procurement master tagged property lists. Therefore, the school listing of untagged property was not available. We also noted during the test count that some items had property tags but were not listed in the PSS tagged property master list for the school. The items were treated as untagged for inventory purposes because without being recorded in the property list, the property is untraceable.
- During the period of the test count, a classroom at the school was reportedly burglarized. This incident happened in spite of the fact that PSS employs a night security guard stationed on the school premises. Our investigation revealed that the classroom door faced the outside and did not have a deadbolt lock. Furthermore, there were no signs of forced entry into the classroom. Some of the school staff expressed frustration that the classrooms can apparently be easily accessed by unknown persons without any sign of forced entry.

#### ***No Annual Physical Inventory of PSS Assets***

Our audit and investigation showed that the PSS Procurement Office employees failed to perform annual inventories of all PSS properties. According to the Supply Specialist, one school that was reported to be typical of PSS inventory-taking practices had been inventoried by Procurement Office employees in 1994, and again four years later in 1998. Furthermore, the inventories were not reconciled with the master property list; consequently, any missing assets had gone unnoticed and the loss was never established by the Procurement Office.

Our audit also disclosed that there was no inventory made of federally funded assets in private schools. Forty schools and programs are in possession of 8,000 (both tagged and untagged) pieces of property. The average number of listed pieces of tagged property per school is 200. Out of 40 schools and programs, 15 are private schools in possession of assets purchased with federal funds for their use.

We gathered from our interview that when one of the schools or programs is to be inventoried, the Supply Specialist enlists the assistance of the Supply Technician and the two Warehousemen. It was reported that inventories normally take approximately one week per school to complete, and are conducted when the schools or programs are on break.

## ***PSS Procurement and Supply Office Failed to Adhere to CNMI Property Management and Accountability Policy***

This non-adherence to the CNMI Property Management and Accountability Policy occurred because top PSS officials disregarded applicable CNMI policies and failed to adequately perform their duties and responsibilities. As a result, (1) PSS assets amounting to considerably more than \$31,413 at Hopwood Junior High School could not be located and are missing, (2) assets were not safeguarded against misuse and theft, and (3) the fixed asset records of PSS were inaccurate and not updated.

### **Conclusions and Recommendations**

Our audit of property and equipment at Hopwood Junior High School showed major deficiencies in the current system for managing and conserving government assets. High-level officials disregarded existing policies and procedures, and records were so inadequate that we were able to include in our audit only a sample of the assets at Hopwood, instead of conducting a complete and thorough audit of all property. From the limited audit work performed, however, it was clear that accountability for PSS assets is seriously lacking, suggesting an extremely critical situation involving misuse of PSS funds of a magnitude far greater than the amount shown by our limited audit. Accordingly, we recommend that the Commissioner of Education:

1. Enforce compliance with the CNMI property management and accountability policy without exception. The Commissioner should ensure that a physical inventory of the fixed assets of PSS is taken annually, and inventories should be reconciled against recorded balances.
2. Direct the PSS Procurement Officer to develop additional policies and procedures suitable to the needs and requirements of PSS operations. These policies and procedures should include, among other things, a system of accountability in which the Principal or Program Head is made responsible for all property issued to the facility. In addition, the system of tagging and marking items needs to be improved in order to insure that all property is identified and accounted for.
3. Direct the PSS Maintenance Office to install additional security (e.g., deadbolt locks and security cameras or other security measures as needed and practical) at all PSS schools.

### ***Public School System Response***

The Commissioner of Education responded to OPA through two letters dated July 12, 2000 and July 20, 2000, respectively. In her letter response dated July 12, 2000 (**Appendix B**), the Commissioner of Education said that PSS was able to locate or able to determine the disposition for 13 of 47 missing items stated in the report. Three items were found and two items were surveyed per Report of Survey dated December 21, 1998. The response further stated that the custodians of seven missing property items were appropriately charged upon separation from PSS

and one item was transferred to Marianas High School. Each recommendation was addressed as follows:

Recommendation 1 - The Commissioner stated in her letter response dated July 20, 2000 (**Appendix C**) that PSS will comply with the recommendation. It will maintain subsidiary ledgers of property and equipment for all schools, and a master list will be kept by the custodian from the Procurement Office. It will also reconcile the inventory taken against the recorded balances and any discrepancies will be reported to the school principals and program managers. In addition, the Commissioner further stated that the PSS Procurement and Supply Office conducted physical inventory counts in Fiscal Year 2000, as stipulated under Board Policy 902.

Recommendation 2 - The Commissioner stated that PSS will send a memorandum to all school Principals and Program Managers with respect to acquisition, disposition and accountability of property and equipment under their jurisdiction.

Recommendation 3 - The Commissioner stated in her July 20, 2000 response that PSS will comply with the recommendation with the inclusion of Board Policy 901.

#### ***OPA Comments***

Although the Commissioner of Education said that PSS recovered the cost (about \$3,462.75) of seven lost properties by charging the custodian employees during the resignation/retirement clearance process, our subsequent examination of PSS records showed that only \$229.34 was collected from one employee who resigned in March 1998. The record of that employee showed that she still owed PSS \$56,097.81 in missing/unreturned assets. Most of the missing items are located at the PSS Central Office. We asked the Acting Internal Auditor about this matter and she told us that she would prepare a collection notice for the employee. Furthermore, PSS failed to withhold the last paychecks of the other two employees because one employee threatened to sue PSS while the payroll check of the other employee was issued before the clearance sheet was forwarded to the payroll department. As of this date, no further action has been taken to collect from the two employees. It appears therefore that the clearance process is not fulfilling its purpose if PSS does not collect from the employees the cost of the PSS assets they are accountable for.

Based on the letter responses we received from the Commissioner of Education, we consider recommendation 1 as resolved and recommendations 2 and 3 as open because of the following:

Recommendation 1 - Ideally, the inventory taken should be reconciled with the master property list. However, this was not done according to the Acting Internal Auditor. Consequently, any missing assets went unnoticed and the loss was never established by the Procurement Office, thus, defeating the purpose of the inventory-taking procedures. We are therefore reiterating that the Commissioner of Education should strictly implement OPA's recommendation that the inventory taken should be reconciled with the master property list.



Recommendation 2 - PSS did not address the recommendation to develop additional policies and procedures suitable to the needs and requirements of PSS operations. Because of the uniqueness of PSS operations, additional policies and procedures should be developed so that the school Principal or Program Head is made responsible for all property issued to the facility. This will insure that all property is properly identified and accounted for, and that any missing item should immediately be charged against the custodian. Perhaps one way of ensuring better control is to adopt a policy in which every asset custodian must undergo a clearance process at the end of each school year before receiving his/her last payroll check.

Recommendation 3 - PSS did not address the recommendation. Instead they reiterated Board Policy 901 which basically stated that the principal or administrative head of each PSS facility is responsible for the security of all facilities under their jurisdiction. Because of evidence showing that one of the classrooms at Hopwood Junior High can apparently be accessed by unknown persons without any sign of forced entry, we recommend that each school Principal and Program Head should see to it that additional security measures are installed to avoid the same situation recurring. There is also a need to further reinforce Board Policy 901 in order to ensure that the actual custodians of the assets will be held accountable.

The additional information or action required to close Recommendations 1, 2 and 3 is presented 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 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 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,

A handwritten signature in black ink, appearing to read "Leo LaMotte". The signature is written in a cursive style with a large initial "L" and "M".

Leo L. LaMotte  
Public Auditor, CNMI

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

### List of Missing Equipment

| No. | Property #  | Item/ Description                               | Serial No.    | Date Issued | Received By      | Amount      |
|-----|-------------|---|---------------|-------------|------------------|-------------|
| 1   | CNMI-02459  | Hitachi color TV 13"                            | #S8A006997    | 12/02/98    | Terry Shiprit    | donation    |
| 2   | CNMI-02259  | 1993 Nissan Urvan Micro-Bus LIC #PSS-025        | #WHE24-007195 | 04/22/98    | did not indicate | \$265.95    |
| 3   | CNMI-02040  | Smith corona XL2800 electronic typewriter       | #5AEK 2038426 | 02/05/92    | did not indicate | \$248.00    |
| 4   | CNMI-02039  | Smith corona XL2800 electronic typewriter       | #5AEK 2033039 | 02/05/92    | did not indicate | \$248.00    |
| 5   | CNMI-02038  | Smith corona XL2800 electronic typewriter       | #5AEK 2041338 | 02/05/92    | did not indicate | \$248.00    |
| 6   | CNMI-02037  | Smith corona XL2800 electronic typewriter       | #5AEK 2041356 | 02/05/92    | did not indicate | \$248.00    |
| 7   | CNMI-02036  | Smith corona XL2800 electronic typewriter       | #5AEK 2033063 | 02/05/92    | did not indicate | \$248.00    |
| 8   | CNMI-02035  | Smith corona XL2800 electronic typewriter       | #5AEK 2041353 | 02/05/92    | did not indicate | \$248.00    |
| 9   | CNMI-000909 | Audiotronics portable cassette tape player      | #0246         | 10/29/91    | Antonette Sablan | \$159.95    |
| 10  | CNMI-000604 | Video cassette recorder- Panasonic              | #A1AA10710    | 12/09/98    | Lou Mendiola     | \$359.10    |
| 11  | CNMI-000601 | Sony 20" color TV                               | #8088407      | 12/03/98    | Luis Daily       | \$584.10    |
| 12  | CNMI-000253 | ACE hardware riding mower, 11 horsepower        | n/a           | 12/12/90    | Enrique Sablan   | \$2,985.00  |
| 13  | CNMI-000252 | ACE hardware riding mower, 11 horsepower        | n/a           | 12/12/90    | Enrique Sablan   | \$2,985.00  |
| 14  | CNMI-000223 | Xerox memory writer #6010 (electronic)          | #1C-194339    | 08/07/95    | did not indicate | \$369.00    |
| 15  | CNMI-000222 | Xerox memory writer #6010 (electronic)          | #1C-194243    | 08/07/95    | Albert Duenas    | \$369.00    |
| 16  | CNMI-05340  | Mac Performa monitor, keyboard, mouse etc.      | #XA6472GZ95R  | 03/06/97    | Billy Billy      | \$2,599.00  |
| 17  | CNMI-04999  | Uniphone compination TTY & telephone            | #6401U        | 05/01/95    | Maggie Polig     | \$229.00    |
| 18  | CNMI-04214  | Appledesign speaker etc. (2 ea.)                | #CX3342A4S44  | 10/14/96    | did not indicate | \$164.00    |
| 19  | CNMI-04210  | Appledesign powered speaker sets (2 ea.)        | #CX3342A4S44  | 10/14/96    | did not indicate | \$164.00    |
| 20  | CNMI-04208  | Macintosh LC575 computer, keyboard              | #SG4361HE2GZ  | 10/14/96    | did not indicate | \$2,510.00  |
| 21  | CNMI-03856  | Goldstar 14" color computer monitor             | #247H4404050A | 12/22/98    | Mario Banca      | \$1,245.00  |
| 22  | CNMI-03855  | Pioneer Laserdisc player w/ barcode reader      | #3913546      | 11/30/98    | Duane McCarth    | \$1,434.00  |
| 23  | CNMI-03840  | Apple stylewriter II computer printer           | #CE4044HWC89  | 12/04/98    | Jonathan Peters  | \$2,510.00  |
| 24  | CNMI-03838  | Apple macintosh LC575 computer system           | #SG42802X2GZ  | 12/02/98    | Jonathan Peters  | \$2,510.00  |
| 25  | CNMI-02368  | Panasonic portable cassette recorder            | #DU2CE76351   | 09/08/92    | Victoria Eusebio | \$32.40     |
| 26  | CNMI-02367  | Panasonic portable cassette recorder            | #DU2CE76240   | 09/08/92    | Victoria Eusebio | \$32.40     |
| 27  | CNMI-02366  | Panasonic portable cassette recorder            | #DU2CE76356   | 09/08/92    | Mary Rosario     | \$32.40     |
| 28  | CNMI-02365  | Panasonic portable cassette recorder            | #DU2CE76355   | 09/08/92    | Mary Rosario     | \$32.40     |
| 29  | CNMI-00902  | Franklin deluxe wordmaster                      | #KS1891       | 02/21/92    | Angie Buniag     | \$84.95     |
| 30  | CNMI-00901  | Franklin language master                        | #PM1691BA     | 12/03/98    | J. Peterson      | \$139.95    |
| 31  | CNMI-00888  | Panasonic AC adaptor for camcorder #C1DA        | #PM1691BA     | 01/15/92    | D. Buckley       | \$1,199.00  |
| 32  | CNMI-00887  | Panasonic OMNImovie VSH HQ camcorder            | #C1NA13182    | 01/15/92    | D. Buckley       | \$1,199.00  |
| 33  | CNMI-00809  | 3.5 HP Briggs & stratton/20" cut- lawnmower     | n/a           | 12/02/98    | Rosendo Skang    | \$340.00    |
| 34  | CNMI-00808  | Tillsmith by wheller tiller 5 HP Briggs & Strat | #521997       | 11/19/91    | Mario Banca      | \$575.00    |
| 35  | CNMI-00754  | Craig cassette tape recorder/player             | #11222030     | 11/13/91    | D. Buckley       | \$66.60     |
| 36  | CNMI-00753  | Craig cassette tape recorder/player             | #11221228     | 11/13/91    | D. Buckley       | \$66.60     |
| 37  | CNMI-00715  | Colt video cassette player                      | #S-106201395  | 10/21/91    | Andrea Alepuyo   | \$254.00    |
| 38  | CNMI-00673  | Apple imagewriter II printer                    | #TF1035NC0090 | 10/09/91    | Patrick Tellei   | \$254.00    |
| 39  | CNMI-00646  | Microtek 300ZS 24-bit color canner              | #SOA3708068   | 09/21/91    | Patrick Tellei   | \$1,649.00  |
| 40  | CNMI-05581  | Apple stylewriter 4500 color printer            | #HG725B46U9CG | 03/09/98    | Gary Corley      | \$499.00    |
| 41  | CNMI-05531  | Multiple scan 15" AV monitor                    | #CY64510D6UE  | 12/09/97    | Mario Banca      | \$599.00    |
| 42  | CNMI-05513  | L-TV portable pro external Mac TV               | #B00899       | 11/30/98    | Joseph Ferrari   | \$399.00    |
| 43  | CNMI-05407  | Apple color stylewriter 1500                    | #VD7034AU69N  | 12/02/98    | Joseph Ferrari   | \$395.00    |
| 44  | CNMI-03585  | JVC CD cassette player RCQW35                   | #172H0946     | 03/10/98    | Pat Kapileo      | \$199.00    |
| 45  | CNMI-03584  | JVC CD cassette player RCQW35                   | #172H0914     | 03/10/98    | Pat Kapileo      | \$199.00    |
| 46  | CNMI-03582  | JVC CD cassette player RCQW35                   | #51035554     | 03/10/98    | Pat Kapileo      | \$110.00    |
| 47  | CNMI-03056  | Sharp Personal Organizer                        | #7A368879     | 01/19/98    | Lou Mendiola     | \$124.99    |
|     |             |   |               | Total       |                  | \$31,412.79 |



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

STATE BOARD OF EDUCATION  
PUBLIC SCHOOL SYSTEM  
P.O. BOX 1370 CK  
SAIPAN, MP 96950



Frances H. Diaz  
Chairwoman

Roman C. Benavente  
Vice-Chairman

**Members**  
Anthony Pellegrino  
Esther S. Fleming  
Marja Lee C. Taitano

David Borja  
Pub. School Teacher Rep.

Scott Norman  
Non-Pub. School Rep.

Antenille M. Mendiola  
Student Representative

July 12, 2000

Commissioner of Education  
Rita Hocog Inos, Ed.D

Mr. Leo LaMotte  
CNMI Public Auditor  
2nd Floor J. E. Building  
Chalan Pale Arnold  
Saipan, MP 96950

Dear Mr. LaMotte:

The Public School System appreciates the extension that you had granted PSS in extending the response time to July 12, 2000 based on your letter dated June 14, 2000 in reference to the Draft Audit Letter Report on the Audit of Property and Equipment at Hopwood Junior High School. Based on the May 12, 2000 Audit Letter Report, it indicated that on July 06, 1999, the Office of the Public Auditor received a written complaint from a teacher at Hopwood Junior High School regarding operations of the school. The complaint that assets especially those classified as the Property and Equipment account such as computers were missing from the school premises. It reported that tables, sewing machines, chairs, TVs and VCRs with PSS Property stenciled on them were seen in the homes of some PSS teachers. Based on a preliminary investigation that was conducted by OPA, it was determined that misuse of government assets may have occurred and thus an audit can only be conducted if there is an adequate system of recording and documenting the acquisition and movement of property and equipment within PSS.

Based on the above, the Office of the Public Auditor conducted an audit and issued its draft finding on a letter dated May 12, 2000 to the Commissioner Of Education. The Public School System would like to make corrections on certain issues that the OPA had cited:

**Background Information:**

Under the background information, it indicated that items purchased with local funds, only those valued at more than \$2500 are tagged, while all items purchase with federal funds are tagged.

Board of Education  
Telephone : (670) 664-3711/3727  
Fax : (670) 664-3711/3717

website: <http://www.saipan.com/gov/branches/pss/index.htm>

Commissioner of Education  
Telephone : (670) 664-3727  
Fax : (670) 664-3717

**PSS Response:**

PSS tags all properties irregardless of funding source for those valued from \$2,000 and above and controll items for those below \$2000. (Please refer Exhibit-A- BOE Policy # 902.1 Inventories). Prior practice of stenciling items with the purchase order number that were valued at less than \$2,000 were done irregardless of funding source. This was done sometimes between FY1995 and 1999 fiscal year based on a discussion that was held with Office of the Public Auditor in improving the tracking of properties that were less than \$2,000. Present at the meeting were the PSS Procurement Officer- Louise Concepcion, Mr. LaMotte(OPA), Herminia Fusco-PSS Fiscal Officer, and Ross Zapata (OPA), and Norbert Camacho from the PSS Procurement Office. PSS requested for assistance from OPA in helping the PSS develop and improve the Fixed Asset's Annual Audit situation. The stenciling and engraving of controll assets was changed after a number of complains were received especially on computer equipments. It became a problem when returning goods that were later needing to be replaced because of malfunction during the warranty period. Engraving on equipments became also a major concern especially for computer equipments in view that such equipment were very sensitive. The computer companies had indicated the need for PSS not to use the engraving machine because of the sensitivity of the computers and other equipments. Furthermore, if such equipment was to be replaced during the warranty period, the engraving could not be erased which became permanant marks on the equipment or item.

The practice of either engraving or using stencil to properties below \$2000 was implemented after a meeting that was conducted between PSS Staff and the Office of the Public Auditor met on ways that PSS could improve on the Property Management and Accountability of PSS Properties.

Upon review of the 47 items indicated as missing, listed below are the areas of corrections based on PSS investigation:

- | No.   | PropertyNo. | Description:                                       | Error Found:  |
|---|-------------|--|---|
| 2.  | CNMI-02259  | 1993 Nissan Urvan                                  | Price of item and item was found  |
| Corrective Action: Item was found parked at the School Site. This is included in the Inventory Package Under Exhibit-B- FY2000 Inventory.                     |             |  |   |
| 9.  | CNMI-00909  | Audiotronics portable cassette tape player         | Item was charged to employee upon separation.                               |
| Corrective Action: Custodian of property was appropriately charged of the item upon separation. (See Exhibit-C- Clearance Sheet)                              |             |  |   |
| 17.   | CNMI- 04999 | Uniphone combination TTY & Telephone               | Item was charged to employee upon Separation.                               |
| Correction Action: Custodian of property was appropriately charged of the item upon separation.(See Exhibit-D)  |             |  |   |
| 23. & 24.   | CNMI-038-US | Aple stylewriter II Computer System McIntosh LC575 | Item #23 \$ #24 are 1 set at a price of \$2510.00 (See Exhibit- E- LogBook) |
| Corrective Action: Custodian of property was appropriately charged of the item upon separation. (See Exhibit- F).   |             |  |   |
| 27.   | CNMI-02366  | Panasonic Portable cassette recorder               | Item will be charged to employee upon separation effective 7/27/00.         |
| Corrective Action: Custodian of property will be charged to employee upon separation on July 27, 2000 as per clearance sheet attached as Exhibit- G.          |             |  |   |
| 28.   | CNMI-02365  | Panasonic Portable cassette recorder               | Item will be charged to employee upon separation effective 7/27/00.         |
| Corrective Action: Custodian of property will be charged to employee upon separation on July 27, 2000 as per clearance sheet attached as Exhibit- G.          |             |  |   |
| 29.   | CNMI-00902  | Franklin Wordmaster                                | Item was surveyed as per Exhibit-H  |
| Corrective Action: Item was surveyed as per Report Of Survey dated December 21, 1998. Custodian of the item was also charged upon separation. See Exhibit- H. |             |  |   |

30. CNMI-00901 Franklin language master Item was surveyed as per Exhibit-H

**Corrective Action:** Item was surveyed as per Report Of Survey dated December 21, 1998. It was also found that the custodian of the property was charged of the item upon separation. See Exhibit-I.

33. CNMI-00809 3.5 HP Briggs & Stratton 20" Lawn mower Per investigation , item was at MHS Voc-Ed. Bldg on top of the wooden roof classroom.

**Corrective Action:** Item was found at MHS Voc Ed Building on top of the wooden classroom. Finding was made based on investigation made by the Procurement Officer's interview with the maintenance staff at Hopwood Junior High School and had informed Procurement Officer that item was at transferred to the Voc Ed. Building for the small mechanics class. Item should be surveyed after MHS inventory scheduled for next week. Procurement Officer and MHS Staff (Mr. Tom Pritchard) searched the Voc- Ed Building and found the property on top of the wooden classroom.

34. CNMI-00808 Tillsmith by Wheller tiller 5HP Briggs & Stratt Per investigation with MHS Staff, MHS Staff indicated that the best person to inquire where this specific item is at will be through their Mechanic Teacher For SY 00-01. Procurement will follow up thereafter upon reporting of this teacher to the school.

**Corrective Action:** Procurement will follow up with affected staff from MHS on the whereabouts of the item after it was transferred from HJHS.

40. CNMI-05581 Apple stylewriter 4500 Color Printer Staff was appropriately charged for the missing item upon separation on 10/18/99.

**Corrective Action:** Item was appropriately charged to the custodian of the item upon separation from PSS on 10/18/99.

47. CNMI-03056 Sharp Personal Organizer Item was with the custodian of this property . Item has been returned to Procurement for transfer to new custodiam.

**Corrective Action:** The custodian of the item was in possession of the item. Item has been returned to Procurement Office to be transferred to a new custodian.

Listed below are the findings and the PSS Response and Corrective Action for each finding.

**Audit Finding #1:**

PSS Asset amounting to considerable more than \$31,402 at Hopwood Junior High School could not be located and are missing.

**PSS Response:**

The PSS Procurement and Supply has been conducting an inventory for FY98 and FY99 on an alternate basis only for the school. (Please see Exhibit- attached as inventory listing).

**Corrective Action:**

The Procurement and Supply Office has been conducting annual physical inventory for FY2000 for all the schools stipulated under Board Policy 902 inventories (902.1, 902.2, 902.3) A memorandum will be sent out to all PSS employees, Principals, to effectively follow as indicated per above cited Board Of Education Policy.

In addition, information of such property and equipment to include a description of the item, serial number or other identification number, the location, model number, use and condition of the property and equipment.

**Audit Finding #2:**

The fixed assets records of PSS were inaccurate, property and equipment were untagged and not updated.

**PSS Response:**

PSS will continue to utilize establish CNMI Procurement Policies and Procedures and Practices with respect to acquisition, disposition, accounting, and financial reporting of the fixed assets.



**Corrective Action:**

PSS will continue to utilize established CNMI Procurement Policies and Procedures, practices with respect to acquisition, disposition, accounting, and financial reporting of the fixed assets.

**Audit Finding #3:**

Assets were safeguard against misuse and theft.

**PSS Response:**

The Public School System shall review and adapt the CNMI Procurement Policies and Procedures that govern the use and safeguarding of fixed assets. A memorandum will be issued to all PSS employees regarding the usage of property and equipment per Board Policy number 901.1, 901.2, and 901.3.

**Corrective Action:**

Application of Board Policy as stated above will utilized.

The Public School System will make every effort to improve the Property Management and Accountability of PSS Properties and equipments. Though it has recovered some of the lost properties through the implemetation of clearance sheet of employees thus charging affected employees of the lost items.

Should you have any questions pertaining to the content of this letter, please contact Ms. Lori Grizzard, Acting PSS Internal Auditor at telephone number 664-3747 or Mrs. Louise Concepcion, PSS Procurement Officer at telephone 664-3752/10.

Sincerely,

  
Rita Hocog Inos, Ed. D.

xc: Fiscal Officer  
Internal Auditor  
Chairperson, Board Of Education  
Procurement & Supply Officer  
File



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS  
STATE BOARD OF EDUCATION  
PUBLIC SCHOOL SYSTEM  
P.O. BOX 1370 CK  
SAIPAN, MP 96950



Frances H. Diaz  
Chairwoman

Roman C. Benavente  
Vice-Chairman

**Members**  
Anthony Pellegrino  
Esther S. Fleming  
Marja Lee C. Taitano

David Borja  
Pub. School Teacher Rep.

Scott Norman  
Non-Pub. School Rep.

Antenille M. Mendiola  
Student Representative

Commissioner of Education  
Rita Hocog Inos, Ed.D.

July 20, 2000

RECEIVED  
7/21/00  
AW  
8:03 am

Mr. Leo LaMotte  
Public Auditor, CNMI  
2nd Floor J.E. Building  
Chalan Pale Arnold, Gualo Rai  
Saipan, MP 96950

Dear Mr. LaMotte:

Based on the audit of Property & Equipment at Hopwood Junior High School, following are the response to the recommendations made by your office:

1. Enforce compliance with the CNMI property management and accountability policy without exception. The Commissioner should ensure that a physical inventory of the fixed assets of PSS is taken annually, and inventories should be reconciled against recorded balances.

PSS response:

We will comply with the recommendations. In addition, we will maintained subsidiary ledgers for all the schools (public and private). A master list will be kept by the custodian from Procurement Supply Office as a tool for reconciliation against the general ledger, any discrepancies will be reported to the school principals and program managers.

The Procurement Supply Office has been conducting an annual inventory for FY2000 for all the schools stipulated under Board Policy 902 Inventories.

2. Direct PSS Procurement Officer to develop additional policies and procedures suitable to the needs and requirements of PSS operations. These policies and procedures should include, among other things, a system of accountability in which the Principal or Program Head is made responsible for all property issued to the facility. In addition, the system of tagging and marking item needs to be improved in order to insure that all property is identified and accounted for.

Board of Education  
Telephone: (670) 664-3711/3727  
Fax: (670) 664-3711/3717

website: <http://www.saipan.com/gov/branches/pss/index.htm>

Commissioner of Education  
Telephone: (670) 664-3711  
Fax: (670) 664-3717

page 2  
Mr. Leo LaMotte

PSS response:

We will sent a memorandum to the School Principals and Program Managers with respect to acquisition, disposition and accountability of property and equipment under his/her jurisdiction.

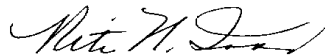
3. Direct the PSS Maintenance Office to install additional security (e.g. deadbolt locks and security cameras or other security measures as needed and practical) at all PSS schools.

PSS response:

We will comply with the recommendations with the inclusion of Board Policy 901 Operation of Buildings & Grounds.

If you have questions, please feel free to contact Ms. Lori Grizzard, Acting PSS Internal Auditor at 664-3794 or Mrs. Louise Concepcion, PSS Procurement Officer at 664-3752 and 664-3710.

Sincerely,

  
Rita Hocog Inos, Ed. D.

xc: Fiscal Officer  
Internal Auditor  
Chairperson, Board of Education  
Procurement & Supply Officer  
file

**AUDIT OF PROPERTY AND EQUIPMENT AT  
HOPWOOD JUNIOR HIGH SCHOOL - FEBRUARY TO JUNE 1999**

**STATUS OF RECOMMENDATIONS**

| Recommendations   | Agency to Act | Status   | Agency Response/<br>Action Required   |
|---|---------------|----------|---|
| <p>The Commissioner of Education should:</p> <p>1. Enforce compliance with the CNMI property management and accountability policy without exception. The Commissioner should ensure that a physical inventory of the fixed assets of PSS is taken annually, and inventories should be reconciled against recorded balances.</p>   | PSS           | Resolved | <p>PSS will comply with the recommendation. It will maintain subsidiary ledgers for all schools (public and private), and a master list will be kept by the Procurement Office. PSS will also reconcile the inventory taken with the master list and any discrepancy will be reported to the school principals and program managers. Additionally, PSS has conducted an annual inventory for FY 2000 for all schools.</p> <p><i>Further Actions Needed</i></p> <p>PSS should provide OPA a copy of the reconciliation made against recorded balances.</p> |
| <p>2. Direct the PSS Procurement Officer to develop additional policies and procedures suitable to the needs and requirements of PSS operations. These policies and procedures should include, among other things, a system of accountability in which the Principal or Program Head is made responsible for all property issued to the facility. In addition, the system of tagging and marking items needs to be improved in order to insure that all property is identified and accounted for.</p> | PSS           | Open     | <p>No action has been taken to address the recommendation. PSS should consider and implement the recommendation.</p>  |
| <p>3. Direct the PSS Maintenance Office to install additional security (e.g., deadbolt locks and security cameras or other security measures as needed and practical) at all PSS schools.</p>   | PSS           | Open     | <p>No action has been taken to address the recommendation. PSS should consider and implement the recommendation.</p>  |