



Office of the Public Auditor

Commonwealth of the Northern Mariana Islands

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August 8, 2001

Mr. Vicente C. Camacho
Chairman, Board of Trustees
Northern Mariana Islands Retirement Fund
P.O. Box 501247, CK
Saipan, MP 96950

Dear Mr. Camacho:

Subject: Final Letter Report - Northern Mariana Islands Retirement Fund - Audit of Travel Outside the CNMI from October 1996 Through March 2000 (Report No. LT-01-04)

This report presents the results of our audit of travel conducted outside the Commonwealth of the Northern Mariana Islands (CNMI) by personnel¹ from the Northern Mariana Islands Retirement Fund (NMIRF). The objectives of the audit were to determine whether: (1) NMIRF's travel outside the CNMI was performed in accordance with NMIRF travel policy and applicable laws and regulations, and (2) related travel expenses were valid, necessary, and related to NMIRF operations.

Evidence gathered showed that a number of NMIRF officials and employees did not strictly comply with the agency's travel policy, and at least 21 NMIRF travelers were overpaid by about \$42,776. These overpayments occurred because NMIRF management did not strictly enforce the agency's travel policy, and because NMIRF did not always implement travel procedures. As a result, there were no assurances that travel was for the intended purposes. Also, excess travel funds were held by NMIRF officials and employees longer than necessary. Finally, NMIRF travel funds totaling \$42,776 may have been improperly paid to travelers.

We recommended that the NMIRF management (Board of Trustees and Fund Administrator): (1) remind all NMIRF travelers to comply with the agency's travel policy and procedures by issuing a memorandum explaining the most important requirements, such as the need to promptly submit travel vouchers and trip reports; (2) consistently enforce sanctions or remedies for travel violations by denying additional travel advances to travelers with unliquidated advances, by immediately making payroll deductions for travelers who fail to submit the required travel documents on time, and by requiring board members, including those who are not government

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

employees, to immediately repay outstanding travel advances; (3) disallow the practice of using corporate credit cards for payment of hotel and car rentals, by using them to guarantee hotel and car reservations only when and if required by vendors, and by adopting a strict credit card policy to limit the use of corporate credit cards; (4) identify off-island meetings and conferences considered non-essential that should be eliminated, and for those to be continued, NMIRF should determine if it can achieve its objectives with a reduced number of participants; and (5) require NMIRF officials and employees to follow the Governor's Travel Directive, which states that all off-island travel must be by economy class. (Recommendation 5 was subsequently withdrawn by OPA and the issue is being referred to the Attorney General's Office.)

In the letter response dated June 8, 2001 (**Appendix A**), the NMIRF Board of Trustees agreed with most of our recommendations. Based on the response received from NMIRF, we consider Recommendations 1, 4 and 5 closed, and Recommendations 2 and 3 resolved. While Recommendation 5 was closed, we are referring that matter to the Attorney General's Office. The additional information or action required to close Recommendations 2 and 3 is presented in **Appendix E**.

BACKGROUND

In March 2000, an NMIRF official requested the Office of the Public Auditor (OPA) to review travel and related expenses by NMIRF officials and employees.

Northern Mariana Islands Retirement Fund

The NMIRF is an autonomous government agency responsible for providing retirement security and other benefits to employees of the CNMI Government. The NMIRF was initially established by Public Law (P.L.) 1-43, effective October 1, 1980, to provide pension benefits to civil service government employees. Later, on May 7, 1989, P.L. 6-17 established NMIRF as an autonomous agency and public corporation responsible for providing retirement security to CNMI government employees.

The NMIRF is administered by a seven member Board of Trustees (BOT) appointed by the Governor, with the advice and consent of the Senate. The daily operations of the NMIRF are performed by an Administrator who serves at the pleasure of the Board of Trustees. As part of its responsibilities, the NMIRF also administers the operations of the Worker's Compensation Commission (WCC) and the Government Health and Life Insurance Trust Fund (GHLI).

NMIRF Travel Policy

NMIRF travel policy is similar to that of the CNMI Executive Branch. All travel must be supported by travel authorizations approved by the Administrator. Travelers are provided travel advances. Upon completion of travel, travelers must file detailed trip reports, as well as travel vouchers, which summarize amounts due to or from the travelers. A traveler's failure to file a travel voucher will result in withholding amounts due him or her.

Travel Outside the CNMI

From October 1996 through March 2000, the NMIRF spent over \$660,000 for trips outside the CNMI. We found that 143 travelers attended meetings, conferences, and training in destinations such as Japan, Manila, Hawaii, and the U.S. mainland, at an average cost of \$4,625 each. With few exceptions, NMIRF's Board of Trustees and employees traveled by business class, which contributed significantly to the Fund's high travel expenses. For example, during April 2001, the fare of a Saipan-Hawaii-Saipan segment was \$1,868.60 by economy class, while the cost of traveling by business class was \$3,455.60, or 45% (\$1,587) more than by economy class. A summary of off-island travel showing the number of travelers, destination, travel purpose, and related costs is presented in **Appendix B**.

OBJECTIVES, SCOPE AND METHODOLOGY

The objectives of our audit were to determine whether: (1) NMIRF's travel outside the CNMI was performed in accordance with NMIRF travel policy and applicable laws and regulations, and (2) related travel expenses were valid, necessary, and related to NMIRF operations.

We conducted our audit at the NMIRF office, Saipan, from April to July 2000. The scope of our audit covered all travel outside the CNMI from October 1996 through March 2000. To accomplish our objectives, we reviewed NMIRF's travel policy and examined supporting documents, such as travel authorizations, vouchers, and trip reports. We also examined travel receipts, invoices, and other documents submitted by travelers to support related travel expenses. However, our audit scope was limited because certain accounting records and documents were either missing or incomplete. As part of our audit, we reviewed the NMIRF's management controls over travel, and found weaknesses as discussed in the Findings and Recommendations section of this report. Our recommendations, if implemented, should improve management controls over travel.

Government Auditing Standards require that organizations conducting government audits should have an external quality control review at least once every three years. OPA's last review was conducted in October 1997 when the office received a full compliance rating. An external control review is scheduled later this year. Except for the scope limitation noted above and the need for a current external control review as noted, this audit was made 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 we considered necessary.

PRIOR AUDIT COVERAGE

During the past five years, OPA issued one report which addressed travel conducted by the NMIRF. The report, entitled "Compilation of CNMI Government Travels for Fiscal Year 1997" (LT-00-01), was issued on February 16, 2000. Our objectives were to provide information that government officials could use in implementing government austerity measures and in rationalizing the implementation of standard travel policy. The report showed that NMIRF participated in and sent large groups to meetings and conferences. The report showed that certain government travelers may have improperly received per diem allowances for travel expenses already covered by airlines.

FINDINGS AND RECOMMENDATIONS

A. Compliance with NMIRF Travel Policy

NMIRF Travel Policy requires that travelers promptly submit travel vouchers and trip reports within 15 days after completion of travel, and then refund any unused travel advance to the government. Failure to do so may result in the CNMI withholding additional amounts due to the traveler, denial of future travel advances, and possible legal consequences.

Our audit showed that a number of NMIRF officials and employees did not strictly comply with the agency's travel policy. Specifically, we noted the following deficiencies:

- *Submission of trip reports.* Seventy four of 139 travel vouchers examined, or about 53 percent, were not supported by trip reports detailing the accomplishments resulting from the trip. Although NMIRF Travel Policy requires such reports to be submitted to the Administrator within 15 days after the completion of travel, NMIRF has not consistently enforced this requirement.
- *Timely submission of travel vouchers.* In at least 42 cases, the travelers submitted travel vouchers late. Instead of submitting them within 15 days after completion of travel as required, the travel vouchers were, on average, submitted one additional month later, and several vouchers were outstanding for over a year. Travelers are required to timely submit travel vouchers so that outstanding travel advances can be promptly liquidated. While travelers are reimbursed for excess travel expenses, they are required to return any excess advances to the NMIRF.
- *Outstanding travel advances.* Twelve NMIRF officials and employees failed to promptly return outstanding travel advances of more than \$13,700 after completing travel. As a result, NMIRF resorted to using salary deductions and offsets against board compensation to collect such advances. Currently, at least \$4,500 remains uncollected, and two advances have been outstanding for over a year.

- *Additional advances given.* Even though three members of the BOT and one NMIRF official failed to submit travel vouchers and liquidate related travel advances of more than \$7,000, they were still given additional travel advances for subsequent trips.

These conditions occurred because NMIRF management did not strictly enforce the agency's travel policy. Further, NMIRF officials and employees were not reprimanded for failing to comply with travel policies. As a result, there was no assurance that the travel conducted was for intended purposes. Also, excess travel funds were held by NMIRF officials and employees longer than necessary. Finally, travel expenses were not recorded in the proper period because of delays in the liquidation of advances.

B. Overpayments of Per Diem and Other Travel Expenses

According to instructions on the travel voucher, NMIRF travelers are not to be granted travel per diem if they are provided free lodging and subsistence (meals) by an airline carrier. This practice is also currently followed in the CNMI Executive Branch. Also, under the NMIRF travel policy, any cost of accommodations or meals in excess of per diem is to be supported by receipts. Finally, when reimbursing travelers, the NMIRF accounting section should adequately review the per diem computations, as well as the validity of travel expenses claimed by travelers.

Our audit showed that 21 NMIRF travelers may have been overpaid \$42,776 (**Appendix C**):

- NMIRF paid excess travel per diem of \$37,950 to several NMIRF travelers not entitled to it, as an airline carrier provided them with free hotel rooms and meals. This occurred mostly during overnight stops in Narita, Japan.
- NMIRF allowed several travelers to claim excess meal allowances without presenting valid receipts as required under the agency's travel policy. Therefore, meal allowances of \$1,950 were not supported by documentation.
- Our review of supporting travel documents disclosed erroneous computation of travel per diem and ground transportation of \$2,340, payment for unneeded stops costing \$400, and payment of personal expenses of \$136 (transportation to mall and churches on Sundays).

These conditions occurred because of lapses in implementing travel procedures. As a result, NMIRF travel funds totaling \$42,776 may have been improperly paid to travelers.

Corrective Action

OPA found that beginning January 2000, NMIRF stopped the practice of providing per diem when the airline carrier provides free hotel rooms and meals. NMIRF incorporated this restriction in its travel policy on June 21, 2001.

C. Other Matters

Use of Credit Cards

The NMIRF allowed its board members to use corporate credit cards to pay for hotel and car rentals. Board members were also given travel advances to cover up to 80 percent of such expenses. Some board members used their corporate credit cards to pay for the hotel and car rental charges, but then failed to promptly return the travel advances upon completion of travel. To help recover such advances, the NMIRF offsets periodic board compensation of \$30 due to members per board session against these advances. As a result, several board members still have significant outstanding travel advance repayment balances. For example, as of March 31, 2000, at least one former board member owed the NMIRF about \$6,100. If the amount owed was to be collected solely through offset of the \$30 per day board compensation, it would take about 203 board sessions to collect the balance owed. The NMIRF board meets about 36 sessions a year, and it would therefore take the traveler five and a half years to pay the amount owed. This occurred because NMIRF management allowed board members to take improper advantage of corporate credit cards. As a result, some board members owed travel advances which may be considered equivalent to interest-free loans.

Corrective Action

On June 21, 2001, the NMIRF management cancelled all credit cards issued to members of the Board of Trustees, except for one held by the Administrator, for making hotel and car rental reservations.

Travel Costs and Large Number of Participants

Compared to the travel costs incurred by similar government agencies in the region, such as the Government of Guam Retirement Fund (GGRF), annual NMIRF travel costs appear to be excessive. The GGRF, which has more than \$1.2 billion in net assets, spent an average of less than \$12,000 annually on travel during Fiscal Years 1999 and 2000. In contrast, the NMIRF, with net assets of about \$385 million², annually spent about \$195,000 during the same time period.

The large number of participants attending off-island meetings and conferences is one reason for the high travel costs. As shown in **Appendix D**, the NMIRF sent many groups of 5 to 11 people on trips.

²Net assets based on the latest audited financial statements for Fiscal Year 1999.

Conclusion and Recommendations

NMIRF management did not strictly enforce the agency's travel policy and procedures. OPA suggests that they be tightened to address areas susceptible to abuse. Accordingly, we recommend that management:

1. Remind all NMIRF travelers to comply with the agency's travel policy and procedures by issuing a memorandum explaining the most important requirements, such as the need to promptly submit travel vouchers and trip reports.
2. Consistently enforce sanctions or other remedies for travel violations. Travelers with unliquidated advances should be denied additional travel advances; payroll deductions should be immediately implemented for travelers who fail to submit the required travel documents on time; and board members, especially those who are not government employees, should be required to immediately repay outstanding travel advances.
3. Disallow the practice of using corporate credit cards for payment of hotel and car rentals. Corporate credit cards should be used to guarantee hotel and car reservations only, when and if required by vendors. In addition, a strict credit card policy should be adopted to limit the use of corporate credit cards.
4. Identify off-island meetings and conferences considered non-essential that should be eliminated, and for those to be continued, the NMIRF should determine if it can achieve its objectives with a reduced number of participants.
5. Require NMIRF officials and employees to follow the Governor's Travel Directive, which states that all off-island travel must be by economy class. (This Recommendation was subsequently withdrawn by OPA, but referred to the Attorney General's Office for consideration.)

Northern Mariana Islands Retirement Fund Response

In the letter response dated June 8, 2001 (**Appendix A**), the members of the BOT responded to OPA's recommendations as follows:

Recommendation 1 - The members of the Board of Trustees expressed surprise with this recommendation because they believed BOT had always provided trip reports immediately upon completion of travel. Subsequently on June 21, 2001, NMIRF implemented a new travel policy.

Recommendation 2 - They agreed and stated that erroneous and unnecessary travel reimbursements must be collected. The BOT will work with the Administrator towards identifying the errors, and to collect from the travelers who owe the Fund.

Recommendation 3 - They agreed and stated that BOT members and staff shall not be allowed to use credit cards, except for the Administrator, who can use it in making hotel and car reservations. They also agreed that the BOT should not use Fund credit cards for unofficial charges, and such use should not be tolerated.

Recommendation 4 - They said that the Fund has always evaluated which conferences or workshops should be attended. Additionally, the full BOT and Administrator no longer travel to investment meetings or on investment assignments. Instead, an investment committee now oversees this task, thereby reducing travel expenses by almost half. They also stated that they will further limit attendance to conferences and workshops.

Recommendation 5 - The members of the BOT disagreed with this recommendation. They believed that after five hours of travel, a traveler on official government business deserves to travel in business class. (This recommendation has been redirected to the AGO.)

OPA Comments

We are pleased that the Administrator and the Board of Trustees acted promptly on all recommendations. The implementation of the new travel policy effective June 21, 2001 was a significant achievement, which we believe will result in improved control and accountability over travel performed by NMIRF officers, employees and Board members. We commend the NMIRF management for their action in this regard.

Based on the letter response from the BOT members of the NMIRF, we consider Recommendations 1, 4 and 5 closed, and Recommendations 2 and 3 resolved. While Recommendation 5 has been closed, we are referring the matter to the Attorney General's Office for its consideration.

The additional information or action required to close Recommendations 2 and 3 is presented in **Appendix E**.

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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 OPA is 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 the recommendation has been withdrawn.

Please provide to us with the status of recommendation implementation within 30 days along with documentation showing the specific action that was taken. If corrective action will take longer than 30 days, please provide us with additional information every 60 days until you are notified that the recommendations have been closed.

Sincerely,



Michael S. Sablan
Public Auditor

xc: Governor
Lt. Governor
Twelfth CNMI Legislature (27 copies)
Administrator, Northern Mariana Island's Retirement Fund (NMIRF)
Secretary of Finance
Special Assistant for Management and Budget
Attorney General
Press Secretary
Vice Chairperson and Board Members, NMIRF
Media



Northern Mariana Islands
RETIREMENT FUND
"Investing For The Future Financial Security Of Our Members"

June 8, 2001

Mr. Michael S. Sablan
Public Auditor
Commonwealth of the Northern Mariana Islands
Saipan, MP. 96950

Dear Mr. Sablan:

We are responding to the draft audit report, which has been forwarded to the Board of Trustees of the Fund (BOT Fund or Fund). This audit encompasses the date from October 1996 to March 2000.

First of all, we are not sure why the magic number of 1996 to March 2000 alone is audited. This has placed the travel history of the Fund to an inconsistent findings and a pattern of abuse, if any cannot be clearly established. In order that the audit becomes equally applied to all former BOT and employees of the Fund, the audit should have been performed from the inception of the Fund or where the most recent audit, if any left off. This is necessary so that a full accounting of revenues that should not have been compensated BOT (if in fact they should not be) or employees of the Fund can be accounted for properly. Nevertheless, we are responding to your findings as follows:

One thing that should be instilled in your auditors is fact one: The Fund oversees three major agencies encompassing membership of over 4,000 and up to 16,000 when their dependents are included in the monitoring of their pension and as members of the Group Health and Life Insurance Program (GHLIP). Also, the Fund oversees the Workers Compensation Program (WCC). These trips are not Fund business alone, but also deals with GHLIP and WCC for both BOT and staffs of the Fund. These are mandated by law and inasmuch as I and the members of the BOT like it, we are left with no option but to oversee it as the Fund was the chosen entity to oversee GHLIP and WCC and the Fund itself. Our tasks are enormous and with the aggressive posture the BOT takes on investments, our time is consumed in so many meetings, not that of Board meetings, but meetings with investment advisors, money managers, health insurance experts, presenters from different investment firms; life insurance meeting and hearings after hearings on all appeals filed both on Fund and WCC matters on Saipan and Tinian and Rota.

We are curious about the excess meal allowances of \$1,950.00. In my tenure as a member of the BOT, I have recalled utilizing around \$600.00 in the seven years I served the Fund. In fact, it was extremely rare for me and other members of the BOT to charge for meal allowances, although the BOT has allowed up to \$8,000 for the BOT to use on official representation. I and the other members would like to have an itemized list of the nature and of these charges for our perusal. The BOT are sometimes placed in difficult situations when a prospective manager will invite us for a dinner meeting or when our regular managers host us abroad. Traditionally, island hospitality calls for reciprocity. I believe that the meager amount of entertainment expended for such occasion is justified and very rarely used by the BOT.

We agree that erroneous and unnecessary travel reimbursements must be collected. We will work with the administrator towards identifying those errors and to collect from those travelers that owe the Fund in error.

Use of credit cards is one area I agree should be banned from members of the BOT and even the staff, except for one to be held by the administrator for use in bookings of room and car. The history behind this was that at times there are members of the BOT who when traveling on Fund business cannot get a hotel room or they could but have to pay up front. This has placed some members of the BOT to be in an uncomfortable position to use their credit cards and risk not being paid or paid in installments by other members or staff. Over time, several members of the BOT has surrendered the card. I personally prefer it as when I charge for a rental car, the billing goes directly to the Fund and I do not to file reimbursements and make copies of receipts. Nevertheless, the BOT agrees this should be done away with except for one to be held by the administrator. We agree that the BOT should never use Fund cards for unofficial charges and *this should not be tolerated at all*. We will bring this matter up with the full BOT to once and for all do away with issuance of credit cards to members of the BOT.

It has been the practice of the Fund to evaluate what conferences or workshops to be attended. We will further narrow down just exactly what conferences or workshops *should be attended* and wherever possible ensure that if there are conferences within a few days apart, that such conferences be simultaneously attended instead of returning again to attend one when two could be attended within close dates. For instance, if there are two conferences to be held in a given year, and one is close to another but it is to be held late in the year while one is offered early in the year, the one late in the year should be taken so that the other conferences being held close to that date late in the year, would be the one attended.

These meetings are at times held off island and many are also held on island. Therefore, it is not appropriate for your auditors to label the Fund travel to have accumulated over the years to a staggering six digit figure and not take into consideration that many of those travels are also connected with the agency functions of GHLIP and WCC. This is only fair it be done.

What have we done to curb travel whenever and wherever necessary? First of all, the BOT did away with the full BOT and administrator traveling when investment meetings or investment assignments are made. Instead, the BOT created an investment committee to now oversee these task thereby cutting travel by almost half of what it would normally cost the Fund. The per diem in transit in Japan was also abolished since about three years ago. The per diem history dates back to day one since the Fund was created and travel was made through Japan. **Every single member of the BOT asked the same question when they first joined the BOT why per diem is allowed in transit.** The answer and none of this has been disputed by the administrators and all legal counsels serving the Fund then was that it was allowed pursuant to Fund travel policy. Knowing then that everyone has accepted the per diem and that this has not raised any red flag from the Fund's legal counsel and administrators in the recent past, BOT members and staff accepted the per diem. **Again, this policy has been abolished since about three years ago.**

There are times when necessary travel has to be made, especially when a manager is under performing or is on the brink of going down in its performance. Our consultant usually recommends a visit with the manager and if a manager has only a few million dollars of our account, chances are that the investment committee has to travel to meet and discuss the nature of the decline of the portfolio. Other red flags raised by our consultant will initiate contact with managers. When an RFP is sent out, the committee has to travel to perform interviews. We do not have *financial specialists on island that deal with fund management matters of this magnitude, etc.*

We are surprised of your findings of the lack of reports being submitted by traveling staffs and members of the BOT. Insofar as the BOT is concerned, we have diligently provided *trip reports* immediately within the allotted time period to file our trip report. We will discuss this matter with the administrator as to whether this is mostly staff or BOT travels (where reports are not timely submitted), but we can assure you the BOT has timely filed travel vouchers and trip reports. As for the travel advances, this matter will also be brought up and the administrator will be directed to determine who are those with outstanding balances so that we can initiate collection procedures to collect for the Fund. As for excess per diem paid, we do not know exactly how is this to be handled as we stated earlier. Furthermore, if this were to be enforced, then the entire travel of BOT and staffs from day one of the Fund's inception should be conducted and collection made from each and every member and staff that is determined to have owed excess per diem. The BOT will decide on this matter to settle this question once and for all.

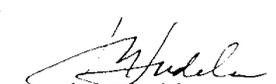
We believe it is not fair to be compared to the Guam Retirement Fund. In the first place, the Guam Fund has only five board members and none from Rota and Tinian. We are a seven member BOT that includes Rota and Tinian, each island with managers and staff overseeing, again, three agencies---the WCC, the GHLIP and the Fund. Guam's investment laws are restrictive and most of its assets are held in fixed income. The Guam Fund does not have the flexibility of the NMRF and therefore are not in our style of investments. We are way more aggressive than the Guam Fund and that was simply because they are restricted from some form of statute to be aggressive. If the growth of the Guam Fund is to be compared to the CNMI's, we are way ahead in the curve of investment returns. This excludes the some \$40 million the government still owes the Fund.

As far as the BOT and staff flying business class, we believe that after five hours of travel one deserves the class of business, especially on official business and you have to fly 15 hours to the east coast. It is torture and we all know you would agree with us that to be squeezed like sardines on coach class for a 12 to 15 hour plane ride is very uncomfortable. We don't mind economy class on short hauls like to Japan or Hong Kong, but to the east coast and even west coast, it is no reward to fly coach. The previous administration has allowed travel on business class knowing what travelers endure when they travel over four or five hours. The federal government recognizes this fact, and if we return \$47 million dollars a year and spend some \$70,000 dollars on BOT and staff development on off island training and workshops, I believe it is worth it. We could lose or go up several million dollars in a day. Our travel budget for BOT and staff is within the parameters of the Fund size, but again, bear in mind that some of these travels are for GHLIP and WCC matters and not confined strictly to Fund business.

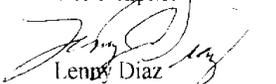
Finally, the BOT is in the process of revising its travel policies to address your office's concern. As time goes by, we will refine our policy to reflect changes in travel, per diem rates, attendance at conferences, etc. We hope this addresses your concern.

Respectfully submitted this 8th day of June 2001.

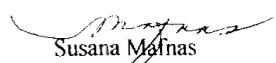

Vicente C. Canjacho
Chairman


Marian Tudela
Vice Chairperson

Rosita Santos
Member


Lenny Diaz
Member


Thomas Saures
Member


Susana Mafnas
Member


Charles P. Reyes
Chairman, Investment Committee

**Northern Mariana Islands Retirement Fund
Travel Outside of the CNMI
October 1996 to March 2000**

Initial Travel Date	No. of Travelers	Purpose	Destination	No. of Days	Travel Cost
Fiscal Year 1997					
10/19/96	3	Meet with Makati Med. & St. Luke 's officials re: government health insurance	Manila, PI	4	\$6,308.60
11/05/96	11	International Foundation 42 nd Annual Employee Benefits Conference in San Diego	San Diego, CA	8	58,949.94
12/17/96	1	Consult with Baulder and Associates	Honolulu, HI	3	3,401.48
01/08/97	1	IAIABC Conference re: dispute intervention techniques in Orlando, Florida	Orlando, FL	4	5,334.95
02/01/97	1	Prior Service Trust Fund Meeting in Honolulu	Honolulu, HI	5	3,733.40
02/20/97	5	Workshop of Trustees' and Administrators' Institute in Orlando, FL; money managers's meeting in Washington, DC; Visit site of Locomotive Project	Orlando, FL; Washington, DC	16	40,276.65
02/28/97	5	Attend money managers' meeting in Washington DC and visit site of Locomotive Project	Washington, DC	8	30,329.42
03/01/97	3	Attend Administration Automation Institute in Palm Springs, CA	Palm Springs, CA	6	13,638.75
04/24/97	1	Meet with Straub Hosp. re: medical bills in Honolulu, and attend 24 th Int'l. Workers' Compensation Seminar in Phoenix, AZ	Honolulu, HI; Phoenix, AZ	7	5,302.95
04/25/97	1	24 th International Workers' Compensation Seminar in Phoenix, AZ	Phoenix, AZ	7	5,357.95
05/09/97	1	Attend IFEBP Washington legislative update in DC; Visit Chance Int'l Locomotive Factory in Wichita, Kansas	Washington, DC; Wichita, KS	8	6,761.68
06/13/97	9	Perform interviews for fixed income manager in Minneapolis, MN	Minneapolis, MN	4	41,350.07
07/24/97	6	Workshop of Investment Institute in Boston	Boston, MA	7	33,259.02
08/07/97	4	Benefits Conference for Public Employees in Williamsburg, VA	Williamsburg, VA	8	23,993.93
09/12/97	2	Fundamentals of Money Management Course in Philadelphia, PA	Philadelphia, PA	6	11,077.63
	54				\$289,076.42

**Northern Mariana Islands Retirement Fund
Travel Outside of the CNMI
October 1996 to March 2000**

Initial Travel Date	No. of Travelers	Purpose	Destination	No. of Days	Travel Cost
Fiscal Year 1998					
10/21/97	7	Meeting with Money Managers and Fund Actuary and attend 43 rd Annual IFEBP Conference	Honolulu, HI	7	\$29,887.04
12/08/97	6	Meeting with money managers	Las Vegas, NV	4	25,002.03
01/31/98	1	Prior Service Trust Fund annual meeting	Honolulu, HI	4	3,770.91
03/05/98	10	Attend annual money managers' meeting in NYC	New York, NY	6	57,354.20
05/29/98	1	Meeting with MCL Architecture planning interiors to finalize fund building office furniture	Guam	1	233.31
06/10/98	1	Attend Judicial College Course Administrative Law-Fair Hearing	Reno, NV	13	6,455.15
	26				\$122,702.64
Fiscal Year 1999					
10/04/98	3	Meeting with Money Managers	Las Vegas, NV	4	\$13,475.69
10/04/98	4	Meeting with Money Managers and attend 44 th Annual Employee Benefits Conference	Las Vegas, NV	10	22,518.00
02/06/99	1	Meeting with fund actuary to discuss health insurance legislation	Honolulu, HI	4	4,251.72
02/27/99	5	Attend annual money managers meeting in Atlanta, GA & meeting with fund actuary in San Diego, CA	Atlanta, GA; San Diego, CA	8	30,727.29
06/09/99	7	Attend insurance seminar in Guam	Guam	3	4,641.39
06/19/99	1	Attend courses at the National Judicial College	Reno, NV	11	6,727.31
06/25/99	4	Meeting with Bjurman Assoc., interview fund consultant's list of small/large cap managers & attend lecture on securities lending; Meeting with Quadramet/Compucare Reps. and Sec. of Health; Conduct site visits meeting with Bucks Consultant; Interview with FHB & meeting with fund custodian	Chicago, IL; Honolulu, HI	7	21,599.28
09/26/99	4	Interview firms responding to RFP for security lending	Honolulu, HI	4	17,178.62
	29				\$121,119.30

**Northern Mariana Islands Retirement Fund
Travel Outside of the CNMI
October 1996 to March 2000**

Initial Travel Date	No. of Travelers	Purpose	Destination	No. of Days	Travel Cost
Fiscal Year 2000					
10/26/99	9	Meeting with IAC Reps re: government insurance program on 10/28 (Nevada) and attend IFEBP Conference from 10/29 to 11/03/99 (Florida)	Las Vegas, NV; Orlando, FL	7	\$ 46,066.32
11/24/99	5	Meeting with Invesco Asia Managers; Attend professional presentation of Invesco; follow-up on Malaysian currency discrepancy on CNMI acct.; attend presentation on current Indian Market account.	Hongkong	5	15,054.68
01/22/00	2	Attend seminar on WCC in Orlando, FL from 1/24 to 1/28/00	Orlando, FL	6	10,987.23
01/28/00	8	Attend Ibbotson/Metropolitan West Asset Allocation Workshop on 1/28/00	Guam	1	2,756.58
02/06/00	1	Attend Prior Service Money Managers' Meeting on 2/7/00	Honolulu, HI	3	3,508.80
03/04/00	8	Meeting with money managers, fund consultant & fund custodian from 3/7-10/00; Meeting with Individual Life Assurance Co. (GHLI Carrier)	Houston, TX	7	46,225.59
03/17/00	1	Attend WCC Certification Program Workshop in East Lansing, Michigan	East Lansing, MI	7	3,809.10
	34				128,408.30
Total	143				\$661,306.66

**Northern Mariana Islands Retirement Fund
Travelers with Overpayments
October 1996 To March 2000**

Traveler	Excess Travel Per Diem	Unsupported Meal Allowances	Erroneous / Unnecessary Reimbursements	Total
BOT #1	\$6,600.00	\$275.00	\$32.00	\$6,907.00
BOT #2	4,950.00	475.00	450.00	5,875.00
Employee #1	4,400.00		50.00	4,450.00
Employee #2	3,300.00	275.00	500.00	4,075.00
BOT #3	3,300.00	150.00	336.00	3,786.00
BOT #4	3,025.00			3,025.00
BOT #5	2,475.00	150.00		2,625.00
BOT #6	1,925.00		58.00	1,983.00
BOT #7		300.00	1,250.00	1,550.00
Legal Counsel #1	1,100.00	225.00		1,325.00
Employee #3	1,100.00			1,100.00
BOT #8	1,100.00			1,100.00
BOT #9	550.00		200.00	750.00
Employee #4	550.00			550.00
Employee #5	550.00			550.00
Employee #6	550.00			550.00
Employee #7	550.00			550.00
Employee #8	550.00			550.00
BOT #10	550.00			550.00
BOT #11	550.00			550.00
BOT #12	275.00	100.00		375.00
Total	\$37,950.00	\$1,950.00	\$2,876.00	\$42,776.00

**Northern Mariana Islands Retirement Fund
Travel With Large Number of Participants
October 1996 To March 2000**

Date	Purpose	Destination	No. of Participants	Travel Cost
11/05/96	International Foundation 42 nd Annual Employee Benefits Conference in San Diego	San Diego, CA	11	\$58,949.94
02/20/97	Workshop of Trustees' and Administrators' Institute in Orlando, FL; Money Manager's meeting in Washington, DC; Visit site of Locomotive Project	Orlando, FL; Washington, DC	5	40,276.65
02/28/97	Attend Money Managers' Meeting in Washington, DC and visit site of Locomotive Project	Washington, DC	5	30,329.42
06/13/97	Perform Interviews for Fixed Income Manager	Minneapolis, MN	9	41,350.07
07/24/97	Workshop of Investment Institute in Boston	Boston, MA	6	33,259.02
10/21/97	Meeting with Money Managers and Fund Actuary and attend 43 rd Annual IFEBP Conference	Honolulu, HI	7	29,887.04
12/08/97	Meeting with Money Managers	Las Vegas, NV	6	25,002.03
03/05/98	Attend Annual Money Managers Meeting	New York, NY	10	57,354.20
10/04/98	Meeting with Money Managers & Attend 44 th Annual Employee Benefits Conference	Las Vegas, NV	7	35,993.69
02/27/99	Attend Annual Money Managers Meeting in Atlanta, GA & Meeting with Fund Actuary in San Diego, CA	Atlanta, G A; San Diego, CA	5	30,727.29
06/09/99	Attend Insurance Seminar	Guam	7	4,641.39
10/26/99	Meeting with IAC Reps re: Government Insurance Program on 10/28 (Nevada) and attend IFEBP Conference from 10/29 to 11/03/99 (Florida)	Las Vegas, NV; Orlando, FL	9	46,066.32
11/24/99	Meeting with Invesco Asia Managers; Attend professional presentation of Invesco; follow-up on Malaysian currency discrepancy on CNMI account; attend presentation on current Indian Market account	Hongkong	5	15,054.68
01/28/00	Attend Ibbotson/Metropolitan West Asset Allocation workshop	Guam	8	2,756.58
03/04/00	Meeting with Money Managers Meeting	Honolulu, HI	8	46,225.59
Total				\$497,873.91

**NORTHERN MARIANA ISLANDS RETIREMENT FUND
AUDIT OF TRAVEL OUTSIDE THE CNMI
FROM OCTOBER 1996 THROUGH MARCH 2000**

STATUS OF RECOMMENDATIONS

Recommendations	Agency to Act	Status	Agency Response/ Action Required
<p>The Fund Administrator should take the following steps:</p> <p>1. Remind all NMIRF travelers to comply with the agency's travel policy and procedures by issuing a memorandum explaining the most important requirements, such as the need to promptly submit travel vouchers and trip reports.</p>	NMIRF	Closed	The BOT stated that they have diligently provided trip reports immediately upon completion of travel and they will discuss this matter with the Administrator. In addition, NMIRF management implemented a new travel policy effective June 21, 2001.
<p>2. Consistently enforce sanctions or others remedies for travel violations. Travelers with unliquidated advances should be denied additional travel advances; payroll deductions should be immediately implemented for travelers who fail to submit the required travel documents on time; and board members, especially those who are not government employees, should be required to immediately repay outstanding travel advances.</p>	NMIRF	Resolved	<p>NMIRF agreed with the recommendation and stated that erroneous and unnecessary travel reimbursements must be collected. The BOT will work with the Administrator towards identifying the errors and to collect from the travelers who owe the Fund.</p> <p><i>Further Actions Needed</i></p> <p>NMIRF is requested to provide the expected date when the scheduled overpayments will be collected.</p>
<p>3. Disallow the practice of using corporate credit cards for payment of hotel and car rentals. Corporate credit cards should be used to guarantee hotel and car reservations only, when and if required by vendors. In addition, a strict credit card policy should be adopted to limit the use of corporate credit cards.</p>	NMIRF	Resolved	<p>NMIRF agreed with the recommendations. They stated that the use of the credit cards should be banned from members of the BOT and the staff, except for one to be held by the Administrator for use in making hotel and car reservations.</p> <p><i>Further Actions Needed</i></p> <p>NMIRF should provide OPA a copy of the written policies and procedures restricting the use of the corporate credit card.</p>
<p>4. Identify off-island meetings and conferences considered non-essential that should be eliminated. For those that are to be continued, the NMIRF should determine if it can achieve its objectives with a reduced number of participants.</p>	NMIRF	Closed	It has been a practice of the Fund to evaluate which conferences or workshops to attend. Additionally, the full BOT and Administrator no longer travels to investment meetings or on investment assignments. Instead, an investment committee now oversees the task, thereby cutting travel expenses by half. Additionally, they will further limit attendance to conferences/workshops.
<p>5. Require NMIRF officials and employees to follow the Governor's Travel Directive, which states that all off-island travel must be on economy class.</p>	NMIRF	Closed	We are referring this matter to the Attorney General's Office for consideration.