

**Survey of CNMI-Contracted Lobbyists Activities
January 1994 through September 2001**



**Report No.
M-01-05**



Office of the Public Auditor

Commonwealth of the Northern Mariana Islands

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November 9, 2001

The Honorable Edward U. Maratita
Chairman, Senate Fiscal Affairs Committee
Twelfth Northern Marianas Commonwealth Legislature
P.O. Box 500129
Saipan, MP 96950

Dear Chairman Maratita:

**Subject: Survey of CNMI Contracted Lobbyist Activities Covering the Period
January 1994 through September 2001 (Report No. M-01-05)**

The following compilation of information is being provided pursuant to a CNMI legislative request. Please note that this compilation is based only on information locally available, and we have not completed any audit procedures necessary to determine the completeness or accuracy of information presented. This compilation of information is part of an ongoing audit, and does not constitute an audit report as defined by generally accepted auditing standards.

Background

On October 2, 2001 Senator Edward U. Maratita, Chairman of the Senate Fiscal Affairs Committee, formally requested the Office of the Public Auditor (OPA) to conduct an audit or performance evaluation of services received from the lobbying firm of Greenberg Traurig LLP. At the same time he requested that the Administration refrain from renewing the lobbyist's contract because of the uncertainty of the current CNMI economy. Later, on October 9, 2001, we met with Senator Maratita and Senate President Manglona to clarify the scope of the requested audit, and decided to expand the audit scope to include all lobbyist activities.

Subsequently, on October 10, 2001, OPA staff met with members of the Senate Fiscal Affairs Committee to discuss lobbyist activities. The Senators stated they needed information concerning: (a) whether the CNMI has been getting its money's worth from lobbyist contracting efforts, (b) whether lobbyists' efforts should be coordinated through the Office of the Resident Representative to the United States (Washington Representative's Office), and (c) how much the CNMI Government has spent for lobbyist activities. During this meeting, Senator Ramon Guerrero stated that he would likewise request that OPA conduct an audit of the Washington Representative's Office. The Public Auditor explained that an audit of contracted lobbyist activities, as well as

activities of the Washington Representative's Office, could take considerable time. To meet the Committee's urgent need for information, however, OPA agreed to provide the Committee with preliminary survey information on CNMI contracted lobbyist activities during the two most recent administrations. Because of time constraints, we were unable to follow generally accepted accounting standards as prescribed by the Comptroller General of the United States, and accordingly are qualifying the information we are providing. Consequently, our survey and the submission of accompanying information does not constitute an audit or an audit report.

Objectives, Scope and Methodology

Our survey objectives were to provide:

- a history of lobbyist activities during the two most recent administrations, and
- an analysis of the most recent lobbyist contracts including the procurement methodology followed and related lobbyist costs.

We limited our survey of lobbyists to: (a) work we conducted on Saipan, and (b) lobbyists contracted during the two most recent CNMI administrations covering the period from January 1994 through September 2001. We did not include individuals or firms whose only lobbyist activities were within the CNMI. We also talked to individuals in Saipan considered knowledgeable about CNMI contracted lobbyist activities in the two most recent administrations.

To develop a history of CNMI lobbyists contracted by the CNMI government, we defined a lobbyist¹ as:

“a person who by himself or herself or through any agent, employee, or other person in any manner whatsoever, directly or indirectly, solicits, collects, or receives any money or any other thing of value to be used to aid or influence:

- passage or defeat of any legislation or resolution by the U.S. Congress or the U.S. Executive Branch including agencies and instrumentalities, or
- adoption or defeat of any regulation, rule, rate, standard or decision of any board commission, committee, or subcommittee in the Federal Government that has rule-making authority under the U.S. Constitution, or federal laws and regulations.”

Using this definition, we requested three knowledgeable individuals from the two most recent administrations to identify any lobbyists contracted by the CNMI Executive Branch or its departments and agencies. We also queried officials at 5 major CNMI autonomous agencies to identify any lobbyists their agency or organizations had contracted during this period. We also reviewed the Department of Finance's payment data base, OPA's previous audit of professional services, and related contracts awarded to identify any additional lobbyists that agencies may have

¹Developed from the definition of lobbyists as provided in the Lobbying Disclosure Act (1 CMC § 9413), and modified to address lobbyist activity in Washington D.C.

used. Finally, we reviewed contract language and the contract deliverables provided by contractors to determine whether subject contracts were, in fact, lobbyist contracts.

Our review of contracts and deliverables showed that it was not always clear who was and was not a lobbyist. Frequently, contracts and/or deliverables contained information showing that the contractor was monitoring legislation. We did not consider such language by itself to be evidence of lobbyist activities, as such activity may not necessarily be directed toward influencing the enactment or defeat of legislation or approval of a regulation.

History of CNMI Lobbyists

During the last two administrations, the CNMI has increasingly sought the expertise and assistance of lobbyists in its effort to influence any legislative agenda in Washington D.C. that might adversely impact the CNMI. Our survey identified those firms or individuals who were clearly lobbyists, as well as those where there was strong evidence indicating that they were lobbyists, by reviewing: (a) the language in the contracts, and (b) the deliverables, if any, provided to the CNMI. (See **Appendix A** for our determination of lobbyists and “likely” lobbyists). Based on both contract language and contract deliverables, we consider the following five firms or individuals have been lobbyists during the period January 1994 to October 2001:

- Thomas Crowe
- Greenberg Traurig, LLP
- Manuel Lujan, Jr.
- Preston Gates Ellis & Rouvelas Meeds (Preston Gates)
- Verner, Liipfert, Bernhard, McPherson & Hand

We also consider the following seven firms or individuals as “likely” lobbyists based on either contract language or contract deliverables.

- Counselors Management, Inc. (Janice Lipsen)
- Devens, Lo, Nakano, Saito, Lee & Wong
- Arnold Leibowitz
- Edward Pangelinan and Associates
- Phoenix International Consultants
- Stillwell Communications
- Adam Turner

Lobbyist Expenditures in the CNMI for October 1993 through September 2001

Our survey of lobbyist contracts disclosed that the CNMI may have paid as much as \$9.5 million for lobbyist services in the last eight years. This includes \$8.5 million paid for individuals/firms we considered lobbyists and \$1.0 million to “likely” lobbyists. About 72 percent of this \$9.5 million, or about \$6.7 million, was paid to one lobbyist, Preston Gates. As shown in **Figure 1** on page 4, most lobbyist expenditures were charged to the Office of the Governor or to the Governor’s

Discretionary Fund Account². The Washington Representative’s Office paid \$.4 million for two lobbyists. Autonomous agencies surveyed did not contract for lobbyists. See **Appendix B** for details of payments.

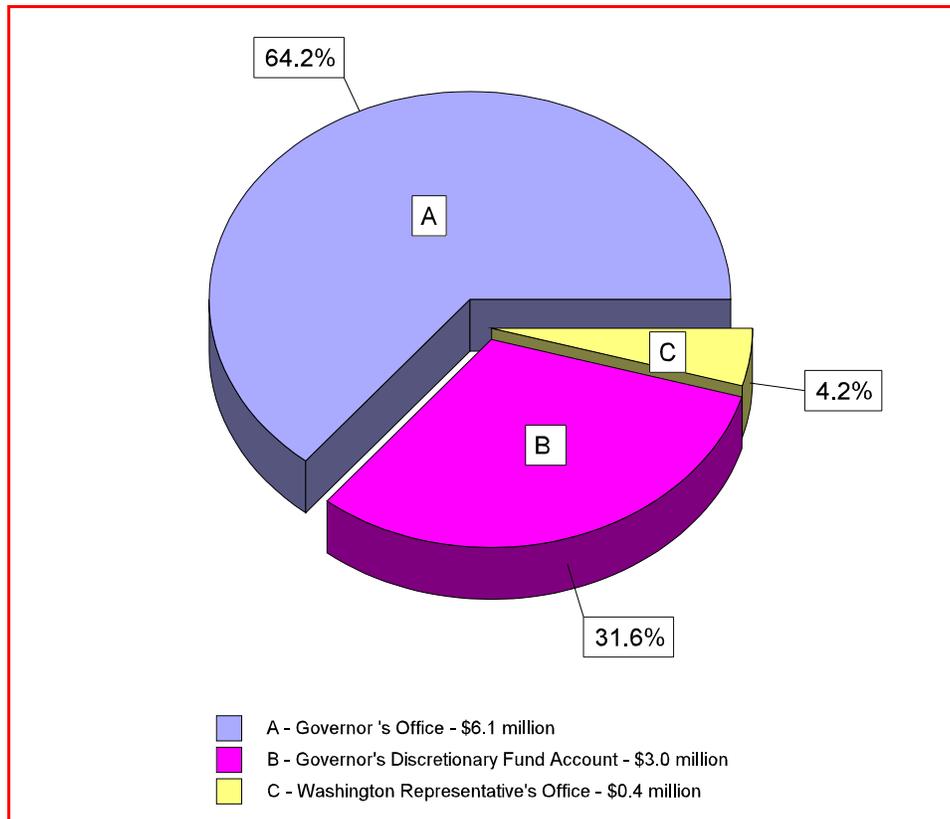


Figure 1 - Distribution of \$9.5 Million Lobbying Expenditures From Fiscal Year 1994 Through Fiscal Year 2001

As shown in **Figure 2** on page 5, payments for lobbyist services peaked in 1997. Of the \$3.8 million incurred in 1997, \$3.1 million was paid to Preston Gates. However, most of this amount was for services rendered without a valid contract³. For Fiscal Year 2000, the CNMI paid a total of only \$.1 million because the Governor’s Office had no existing lobbying contract with Preston Gates until August 2000. Since 1994 the CNMI has paid about \$6.7 million for the services of Preston Gates. Current and past advisors to the Governor stated that the CNMI curtailed the services of Preston Gates in late 1998 because of the need for austerity measures in view of the CNMI’s emerging fiscal crisis.

²Previously, this was called the “Governor’s Contingency” Account.

³Our compilation of contracts showed that the CNMI had no contract with Preston Gates during the 13-month period from October 1, 1996 through October 31, 1997. Our compilation also showed that the CNMI had no contract with Preston Gates during the 21-month period from November 1, 1998 through July 31, 2000.

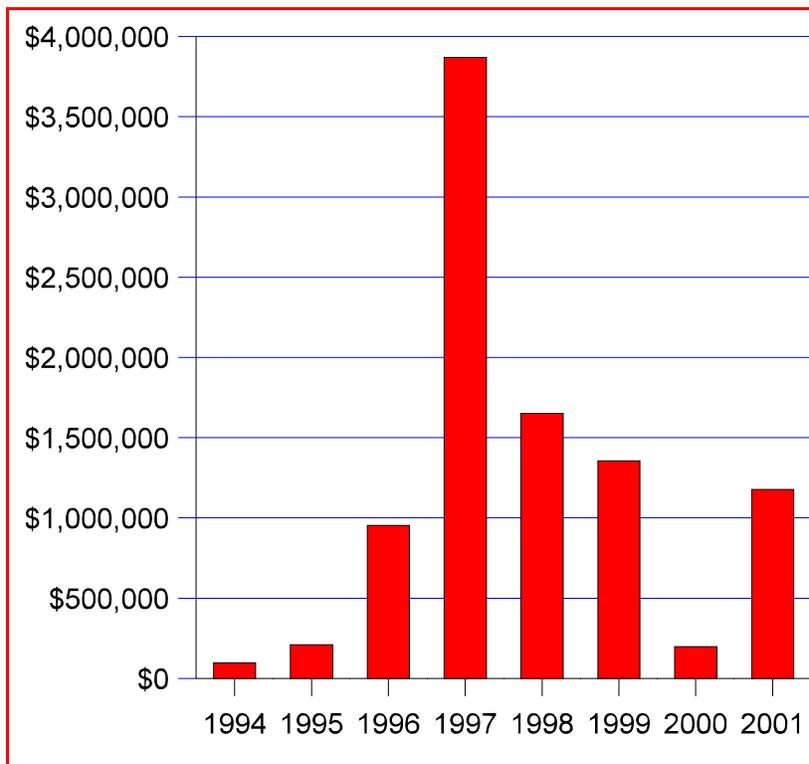


Figure 2 - Lobbying Expenditures

Previous Audit Report Issued-Preston Gates Services Rendered Without a Contract

Previously in an audit report addressing CNMI professional services contracts, OPA reported that unlawful payments were made to Preston Gates who was allowed to continue incurring expenditures without a new contract. (AR-99-04, issued October 28, 1999.) The audit showed that Preston Gates was allowed to continue services beyond the contract expiration date and to incur expenditures without a valid contract, in violation of procurement regulations. It showed that the former Governor executed a \$360,000 contract for the 12 months ending June 30, 1996, and a \$500,000 change order extending the contract for another 3 months until September 30, 1996. It showed further that the CNMI paid Preston Gates a total of \$5.21 million, \$3.23 million of which was for services rendered from October 1, 1996 to January 11, 1998 without a valid contract. The initial contract had expired on September 30, 1996. The audit showed that the CNMI also made payments of \$153,696 to other lobbyists without valid contracts during the 31-month period ending December 1997.

The audit report stated that the CNMI paid Preston Gates on the basis of memoranda issued, and corresponding invoices or billing statements submitted by Preston Gates, pursuant to a request made to the former Secretary of Finance by the former Executive Assistant to the Governor. The former Executive Assistant justified the billings as covered by the change order of Contract C50388 even though the period of service extended beyond the period covered by that change order. Under CNMI procurement regulations, the official with expenditure authority is responsible for ensuring that the contractor incurs no expenses until a contract with all required signatures is signed.

Based on our previous audit findings, OPA recommended that:

- the Governor and the Attorney General's Office take *appropriate action* against these former government officials, including the former Governor and the former Secretary of Finance who violated the procurement regulations by requesting payments to companies without valid contracts. Such *action* includes but is not limited to reprimand, suspension without pay, termination of employment, civil injunction, civil suit for damages or return of government money, or criminal prosecution. This recommendation was resolved after the current Governor concurred with this recommendation and requested the Attorney General's Office to investigate the conduct of the former government officials cited in the audit report. (Italics added.)
- the Secretary of Finance require the Department of Finance's Accounting Section to stop any payments for services performed without valid government contracts or before completion of contract processing. This recommendation was closed after the Secretary of Finance issued a memorandum directing the Finance and Accounting Director not to issue any further payments if the contract process has not been completed or in the absence of a valid contract.

Review of the Most Recent CNMI Lobbyist Contracts

The CNMI has reportedly been among Preston Gates' largest clients. An article from the November 25th 1998 issue of the *Money and Politics Report* gave an indication of how much organizations such as the CNMI paid for lobbyists. It listed the 25 organizations which paid the most for lobbyists during the six-month period ending June 1998. The report showed that the largest spenders for lobbyist services were two tobacco companies--paying \$18.2 million and \$14.4 million, respectively. The 25th ranked spender for lobbyist services spent \$3 million. We must note that during the 12 months of 1997 the CNMI paid Preston Gates about \$3.1 million (**Figure 2** on page 5), or about as much as the 25th U.S.-ranked spender paid during a 6-month period. However, in 1998, the CNMI paid Preston Gates considerably less than that, namely, about \$1.3 million.

The individual in the Preston Gates contract considered key in attaining the CNMI's objectives was Jack Abramoff. In late 2000, Abramoff left Preston Gates and joined the firm of Greenberg Traurig. Before he relocated to Greenberg Traurig, Preston Gates reportedly ranked as one of the ten largest lobbyists in the U.S., and the CNMI was reportedly among Preston Gates' largest clients. To illustrate:

- The *Washington Post* in an article dated August 24, 1999, ranked Preston Gates as the fifth largest lobbyist in terms of 1998 receipts. The article also showed the CNMI, which paid Preston Gates \$1,360,000 in 1998, as Preston Gates' second largest client. (Information not verified).
- The *National Journal Group Inc.*, in an article dated April 14, 2001, listed the top 10 lobbyists in terms of income during 1999 and 2000. The article showed Preston Gates as the 6th largest lobbyist in both years. The article also showed that the highest paying client of Preston Gates

paid \$1.8 million for the firm's services. When Jack Abramoff left Preston Gates in 2001 for Greenberg Traurig, he took three of his 7 largest clients, two of whom were from the CNMI. These two were Preston Gates' 6th and 7th largest clients in the year 2000, namely: (a) the Western Pacific Economic Council (\$550,000) a non-profit organization in the CNMI, and (b) the CNMI government (\$500,000). (Information not verified).

The CNMI contracted Greenberg Traurig for lobbyist services at \$100,000 per month from February through September 2001. To date, the CNMI has paid Greenberg Traurig \$500,000 for such advocacy services.

Before hiring Greenberg Traurig, the CNMI reportedly requested that Greenberg Traurig: (a) justify what it had previously done for the CNMI, (b) justify what it planned to do, and (c) provide a description of why it was uniquely qualified for the contract award. Jack Abramoff, on behalf of Greenberg Traurig, responded in a memorandum dated January 4, 2001 in which he: (a) summarized his team's advocacy efforts in the 104th, 105th and 106th sessions of Congress, (b) identified and described the various future threats that faced the CNMI, and (c) explained why Greenberg Traurig was uniquely qualified to represent the CNMI.

Contract Awarded to Greenberg Traurig on a Sole Source Basis

As with all lobbyist contracts we reviewed, the CNMI justified the contract award to Greenberg Traurig on a sole source procurement basis stating:

- The transition to the Bush administration presents an opportunity for the CNMI to communicate its concerns regarding its relationship with the Federal Government. There is a continuing threat to the status of the customs, labor, and immigration laws of the CNMI from pending or potential legislation in Congress.
- The CNMI needs an advocacy specialist with special capabilities, namely one who: (a) is familiar with the Northern Mariana Islands and the issues it would like to advance with the new U.S. administration; (b) is familiar with issues concerning the impact of proposed or potential laws that would compromise the existing labor, immigration and customs status of the CNMI; (c) is knowledgeable about the history of the U.S. government's relationship with the CNMI; (d) has expertise in federal law governing this relationship; (e) is familiar with the committees of the Bush administration's transition team as well as with agencies of the Federal Executive Branch and committees of Congress that may take actions affecting the CNMI; and (f) is located in Washington D.C.
- While Preston Gates had previously provided this expertise, Jack Abramoff, the CNMI's primary contact at Preston Gates, and nine other members of his team have now relocated to Greenberg Traurig. Preston Gates therefore no longer has the specialists familiar with Commonwealth issues. Accordingly, the expertise needed to adequately represent Commonwealth interests now lies with the firm of Greenberg Traurig, which claims they can provide the contracted scope of work more expeditiously and at a lower cost than others. A firm without the above described expertise would require months to educate itself to the minimum level required to competently represent the CNMI.

- Finally, immediate attention to these issues is needed given the timing of the transition in Washington D.C. The location of Greenberg Traurig in Washington D.C. provides the CNMI with immediate accessibility to: (a) members of Congress and other federal officials, and (b) information resources of the national capitol.

The CNMI awarded a \$600,000 contract to Greenberg Traurig on February 5, 2001 for the following scope of work:

Advocacy in the Congress of the United States, the Executive Branch of the United States, and to other entities or persons deemed appropriate, as requested by the Governor in support of the Commonwealth's efforts to improve relations with the United States, to preserve the Commonwealth's current independence from certain aspects of United States immigration, customs, and labor laws, to provide representation of Commonwealth's issues during the transition to the new Bush Administration, and to advance other Commonwealth interests. The services will include advice, both verbal and written, and advocacy by Contractor of Commonwealth's interests to the United States and appropriate third parties.

Lobbying Efforts Provided by Greenberg Traurig

On October 8, 2001 a Greenberg Traurig staffer provided the CNMI with an outline of its team activities undertaken during 2001. The outline addressed the following six lines-of-effort:

1. Initiated activities to combat application of a minimum wage to the CNMI,
2. Prevented the passage of Senate Bill 507 (Immigration Takeover),
3. Initiated effort that could lead toward eventual passage of the 2002 Interior Appropriations Bill dealing with compact impact, and infrastructure improvements,
4. Worked on legislation addressing the "Made in USA/Tariff Issue,"
5. Educated staff of the new administration about issues affecting the CNMI, and
6. Advanced the CNMI's interests in the 107th Congress when confronted with a change in party control of the U.S. Senate.

Greenberg Traurig's e-mail to the CNMI also provided detail on how its team had addressed each of these six lines-of-effort. To illustrate the first of these, namely the "application of the federal minimum wage," the team stated its members had:

- met with dozens of members of Congress to inform them about negative implications of applying the federal minimum wage to the CNMI,
- met with the new Chairman and staff of the House Education Committee regarding minimum wage,
- monitored introduction of wage bills affecting the CNMI, including those by Senators Daschle and Kennedy and Representatives Banner and Miller,

- met with dozens of key officials in the new Administration to discuss the minimum wage issue,
- worked closely with Congressional and Administration leadership on developing strategies for preventing the application of federal minimum wage to the CNMI, and
- met with outside interest groups, including the U.S. Chamber of Commerce and National Federation of Independent Businesses, to develop strategy.

We have not verified how extensive these activities and other actions shown in the above 6 lines-of-effort were as this would involve work in the Washington D.C. area, which we have yet to perform.

To determine how much time Greenberg Traurig’s team dedicated to these lines-of-effort, we reviewed billing documents submitted to the CNMI during the 6-month period ending July 31, 2001. We also found that Mr. Abramoff, considered the key person in the team transferring to Greenberg Traurig from Preston Gates, expended slightly less than five percent of the teams effort in direct support of this contract. Rather, other members of the team provided most of the effort. According to the detailed billings, the team had allocated its time to the lines-of-effort shown in **Figure 3**.

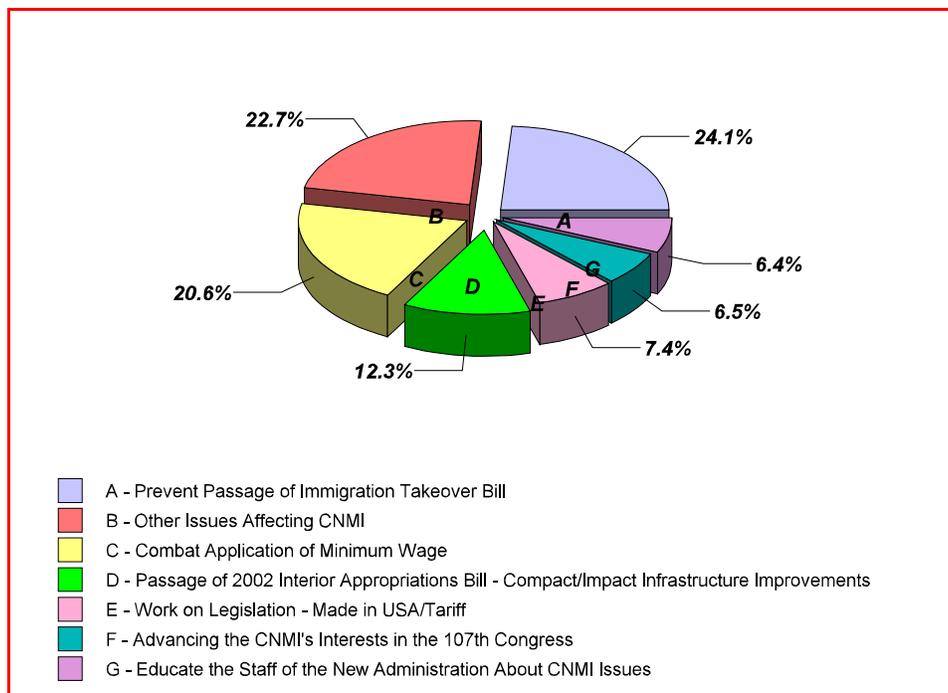
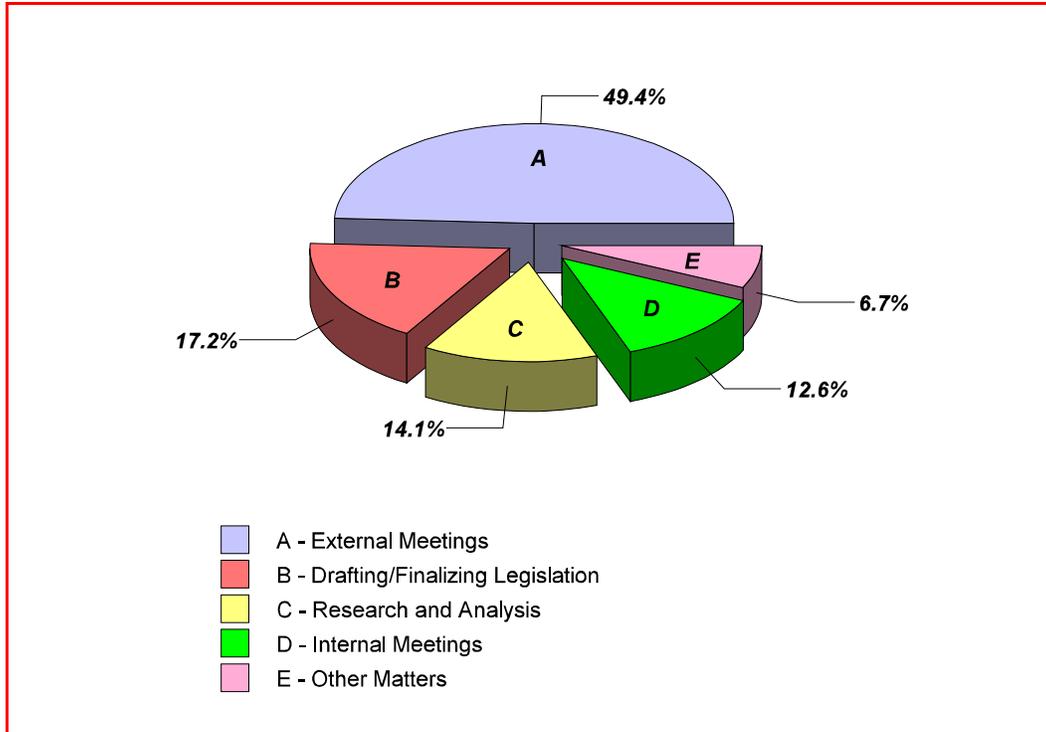


Figure 3 - Greenberg Traurig Time Charges By Issues Worked On From February 1, 2001 through July 31, 2001

Analysis of these billings shows that about half of Greenberg Traurig’s time charges were for external meetings including those with Congressional staff. **Figure 4** shows the distribution of time charges incurred by type of activity during the 6 months of the contract ending July 31, 2001.



**Figure 4 - Greenberg Traurig Time Charges by Activity
From February 1, 2001 Through July 31, 2001**

Greenberg Traurig Contract Deliverables

While the CNMI’s contract with Greenberg Traurig was not specific as to contract deliverables, it appears that the firm has complied with contract terms. The CNMI’s contract with Greenberg Traurig describes “deliverables” as follows:

“Deliverables under this contract consist of legal services, which may or may not be reduced to writing, *as agreed between the Contractor and the Contracting Officer*. All written deliverables shall be delivered to the Contracting Officer, or to persons designated by the contracting officer.” (Emphasis added.)

We believe that the description of services in the billing documents and in the summary statements submitted to the CNMI by Greenberg Traurig provide sufficient evidence that the contractor met the deliverables requirement in the contract. We have not, however, verified whether such services have in fact been provided by the lobbyist. This would undoubtedly involve more extensive verification which could not be done in the time provided.

Our brief survey of Preston Gates and Greenberg Traurig contracts indicates that the CNMI contracting officer did not always define deliverables. We found similar language in previous lobbyist contracts with Preston Gates and in other lobbyist contracts. As a result we had considerable difficulty in ascertaining from the contracts whether these were in fact contracts for lobbyist services, because of the non-specific language relating to scope and deliverables.

Analysis of Billings and Time Charges of Preston Gates vs. Greenberg Traurig

Our analysis of billings and time charges (Table 1 below) shows that the CNMI has received more lobbyist services from Greenberg Traurig, in terms of time spent, than it did from Preston Gates. Contract billings show that Preston Gates charged a flat fee of \$100,000 per month during the 5-month period from August through December 2000, and that Greenberg Traurig likewise charged a similar fee during the 6-month period from February through July 2001. Our analysis of these flat fee billings indicates that Greenberg Traurig expended a monthly average of 278 hours, while Preston Gates expended an average of 195 hours for related work. However, for the 17 months prior to October 1997, Preston Gates billed the CNMI for an average of 689 hours monthly, and added auxiliary charges separately. This resulted in a net average monthly lobbyist cost of \$238,541, considerably higher than the \$100,000 the CNMI later paid as a flat fee. See Appendix C for a detailed analysis of billings and time charges.

	Monthly Hours Expended	Average Monthly Cost	Average Cost Per Hour
Preston Gates:			
17 months ending Oct. 1997	689	\$238,541	\$323.06
5 months ending Dec. 2000	195	\$100,000	\$512.82
Greenberg Traurig:			
6 months ending July 2001	278	\$100,000	\$359.71

Table 1

Three-Month Greenberg Traurig Contract Extension

Shortly after the September 11 terrorist incidents in the United States, Greenberg Traurig cautioned the CNMI that it needed to remain vigilant as to minimum wage legislation being introduced in the Congress. More specifically, in an e-mail dated September 19, 2001, Greenberg Traurig stated:

“We have heard, however, that President Bush and many in Congress are considering passage of additional tax cuts in order to boost the economy. In particular, we have heard about a capital gains cuts and other investment relief initiatives. We are watching VERY carefully because of our concern that tax relief might be put on fast track for passage and that, when it does, some Members will try to add the *minimum wage provision* to it. Because many of the tax relief provisions would be aimed at business, the President might feel he needs to compromise on *minimum wage* in order to get his tax package enacted.” (Emphasis added)

After the CNMI's contract for lobbyist services with Greenberg Traurig expired on September 30, 2001, several members of the CNMI Senate questioned whether the contract should be renewed given the current fiscal condition of the Government. However, after some deliberation, the Governor renewed the advocacy contract with Greenberg Traurig for an additional 2 2/3 months, from October 10, 2001 until December 31, 2001 at a cost of \$300,000, citing the continuing threat to the CNMI from pending or potential legislation in Congress. In justifying the award on a sole source procurement basis, the CNMI stated:

The threat to the status of customs, labor and immigration laws of the Commonwealth from pending or potential legislation in Congress continues to exist. Three months remain until the Congress recesses for the year. Information from Washington concerning the status of federal bills indicates that proponents of measures to apply an increased U.S. minimum wage and federal immigration provisions to the CNMI will continue to press for passage. Further, recent events in the U.S. mainland (New York bombing and anthrax threats) and their effects on the CNMI make it necessary to solicit support from contacts in Washington to mitigate the immediate damage.

Comments from Advisors to the Governors

We interviewed three key policy advisors to the current Governor concerning the CNMI's use of two lobbyists—Preston Gates and Greenberg Traurig. All three indicated that these two lobbyists had made a difference through their access and relationships in Washington. To illustrate their impact, one advisor cited specific instances where lobbyists had placed holds on bills being introduced in Committee and another instance where a lobbyist had inserted in a bill language considered favorable to the CNMI. The two other advisors said the best indication of the two lobbyists' value was the status quo that has been maintained on CNMI labor and immigration issues during their contracts. They acknowledged, however, that they had no concrete information that these two lobbyists were solely responsible for maintaining the status quo.

The three advisors believed that Greenberg Traurig was worth the money paid it. Also, all three said the CNMI paid less for Greenberg Traurig's services than it had paid for those of Preston Gates. One said that the previous administration may have paid too much for services of Preston Gates but that the current administration had reduced such costs by eliminating certain lobbying costs, such as travel of members of Congress, Congressional staff, and lobbyists to the CNMI.

The three advisors gave different reasons why a lobbyist was needed on a full time continuing basis:

- One advisor stated that such a lobbyist is needed as long as the CNMI's labor and immigration issues are ongoing,
- Another advisor stated such a lobbyist will be needed until the CNMI has staved off the threat of a federal takeover and regained its economic health,

- The last advisor stated that such a lobbyist was needed on a daily basis because bills before committees can and do get amended on a daily basis.

Comments from the Washington Representative

We also interviewed the Washington Representative concerning the use of lobbyists. We pointed out that it might be difficult to assess the impact of lobbyists, and he likewise acknowledged that this might be difficult given that lobbyists do not always provide written deliverables. He suggested that the language of lobbyist contracts should be more specific as to CNMI requirements, and that deliverables should be more clear and better defined, thereby helping to ensure that the CNMI gets its money's worth. He ended by recommending that OPA focus its work on what lobbyists are hired to do and why.

OPA Conclusion

The CNMI may have in the past paid more than it needed to for lobbyist services. More recently, the CNMI has reduced such cost, but further steps may still be necessary if the CNMI decides to hire or retain lobbyists. While there is a strong feeling that Washington lobbyists, contracted by the CNMI, have helped preserve the status quo here on some major issues such as legislative threats to raise the minimum wage or a federal "takeover," we have been unable, in the time allowed, to verify the impact of lobbyists in Washington. Further, it may be difficult to validate to what extent lobbyists were the reasons behind preserving this status quo, as there are many outside forces that go into such decisions in Congress. Some believe that as long as the CNMI must confront issues, it will need the close access to the Federal Government and the U.S. Congress that only a Washington lobbyist or its own Washington Representative can provide.

This compilation of information is part of an ongoing audit, and does not constitute an audit report as defined by generally accepted auditing standards prescribed by the Comptroller General of the United States. In our ongoing audit, we will attempt to address the efficiency and effectiveness of lobbyist activities, including:

- the mandate of the Washington Representative's Office and its role in representing the CNMI in the U.S. Congress and Executive Branch,
- coordination between the Washington Representative's Office and lobbying firms,
- the appropriateness of procurement methodology and the degree of specificity needed in contract language,
- verification of lobbyist services rendered, and
- the ultimate funding source, i.e. other CNMI offices, of funds used to contract for lobbyist services.

Thank you for the opportunity to provide information concerning CNMI lobbyist activities.

Sincerely,



Michael S. Sablan
Public Auditor

cc: Governor, Pedro P. Tenorio
Resident Representative to Washington, Juan Babauta
President of the Senate, Paul Manglona
Speaker of the House Speaker, Benigno Fitial
Members of the Senate
Members of the House
Attorney General, Herb Soll
Secretary of Finance, Lucy Nielsen

Appendix A

Lobbyists and “Likely” Lobbyists as Identified by Contract Language, Written Contract Justification and Deliverables Provided by Contractor

Contractor	As per Contract Language	As per Deliverables Provided	Lobbyists	Likely Lobbyists
Greenberg Traurig, LLP	x	x	x	
Preston Gates Ellis & Rouvelas Meeds	x	x	x	
Verner, Liipfert, Bernhard, McPherson & Hand	x	x	x	
Thomas Crowe	x	x	x	
Manuel Lujan, Jr.	x	x	x	
Phoenix International Consultants	x			x
Counselors for Management, Inc.. (Janice Lipsen)	x			x
Adam Turner	x			x
Stillwell Communications		x		x
Arnold Leibowitz		x		x
Devens, Lo, Nakano, Saito, Lee & Wong		x		x
Edward Pangelinan & Associates		x		x

Summary of CNMI Lobbyists and Payments Made During Fiscal Years 1994 to 2001

Contractor	-----PAYMENTS MADE DURING FISCAL YEAR-----									TOTAL	Account Charged	Government Agency
	1994	1995	1996 (Note 1)	1997	1998	1999	2000	2001				
<u>Contractors determined to be definitely lobbyists based on contract language "and" deliverables:</u>												
Greenberg Traurig LLP								\$500,000	\$500,000	1011	Office of the Governor	
Manuel Lujan, Jr.				\$71,500					71,500	1021	Governor's Discretionary	
Preston Gates		\$100,000	\$758,736	1,388,909	\$562,804	\$1,064,314		500,000	4,374,763	1011	Office of the Governor	
				461,025					461,025	1012	Governor's Discretionary	
				1,213,479	721,864				1,935,343	1021	Governor's Discretionary	
	0	100,000	758,736	3,063,413	1,284,668	1,064,314	0	500,000	6,771,131			
Thomas Crowe				407,486	51,062				458,548	1016	Administrative Services	
					64,440	222,996	91,055	83,462	461,953	1011	Office of the Governor	
	0	0	0	407,486	115,502	222,996	91,055	83,462	920,501			
Verner, Liipfert, Bernhard, McPherson & Hand			130,745	50,734	60,273				241,752	1012/ 1021	Governor's Discretionary	
Subtotal	\$0	\$100,000	\$889,481	\$3,593,133	\$1,460,443	\$1,287,310	\$91,055	\$1,083,462	\$8,504,884			
<u>Contractors determined to be likely lobbyists based on either contract language "or" its deliverables:</u>												
Adam Turner	\$40,996								\$40,996	1012	Governor's Discretionary	
		\$12,000	\$9,000	\$52,000	\$58,000	\$69,000	\$73,750	\$69,645	343,395	1070	Washington Rep. Office	
	40,996	12,000	9,000	52,000	58,000	69,000	73,750	69,645	384,391			
Arnold Leibowitz				19,111	14,635				33,746	1011	Governor's Office	
		30,000							30,000	1012	Governor's Discretionary	
				47,676	2,631				50,307	1021	Governor's Discretionary	
	0	30,000	0	66,787	17,266	0	0	0	114,053			

Summary of CNMI Lobbyists and Payments Made During Fiscal Years 1994 to 2001

Contractor	-----PAYMENTS MADE DURING FISCAL YEAR-----									TOTAL	Account Charged	Government Agency	
	1994	1995	1996 (Note 1)	1997	1998	1999	2000	2001					
<u>Contractors determined to be likely lobbyists based on either contract language or its deliverables Continuation:</u>													
Counselors for Mgmt, Inc.	\$12,963										\$12,963	1012	Governor's Discretionary
Devens, Lo, Nakano, ...		\$6,312									6,312	1011	Office of the Governor
Edward Pangelinan							\$33,000	\$25,000			58,000	1070	Washington Rep. Office
Phoenix Int'l Consultants				\$109,200	\$89,200						198,400	1021	Governor's Discretionary
Stillwell Communications	41,729	62,924	\$55,767	37,193	26,747						224,360	1011	Office of the Governor
				12,000							12,000	1021	Governor's Discretionary
	41,729	62,924	55,767	49,193	26,747	0	0	0			236,360		
Subtotal	95,688	111,236	64,767	327,914	251,486	69,000	106,750	94,645			1,065,719		
TOTAL	\$95,688	\$211,236	\$954,248	\$3,870,313	\$1,651,656	\$1,356,310	\$197,805	\$1,178,107			\$9,515,363		

Distribution of Total per Business Unit:

<u>Government Agency</u>	<u>Business Unit</u>	<u>Total Expenditures</u>
Office of the Governor & Related Administrative Services	1011/1016	\$6,059,682
Governor's Discretionary	1012/1021	3,054,286
Washington Rep. Office	1070	401,395
TOTAL		<u>\$9,515,363</u>

Note 1: Lobbying expenditures for Fiscal Year 1996 could not be accounted for due to unavailability of financial records. In lieu thereof, we obtained some data from previous OPA reports, specifically audits on professional services and the Washington Representative's Office.

Analysis of Billing and Time Charges for Greenberg Traurig & Preston Gates

	Contract No.	Billing Period	Amount	No. of Hours Spent	Auxiliary Charges (Note 2)	Total Fees Including Auxiliary Charges
<u>Preston Gates</u>						
<i>At actual monthly time charges</i>	CO 50388-01	June 1996	\$211,386	912.50	\$24,805	\$236,191
		July 1996	158,204	651.00	66,631	224,835
		August 1996	142,810	562.40	53,253	196,063
		Sept 1996	132,185	558.30	40,491	172,676
	Subtotal for CO 50388-01		644,585	2,684.20	185,180	829,765
<i>At actual monthly time charges</i>	no contract	Oct 1996	138,725	575.20	26,299	165,024
	no contract	Nov 1996	119,617	509.30	189,659	309,276
	no contract	December 1996	171,199	775.30	74,913	246,112
	no contract	January 1997	not available			
	no contract	February 1997	141,193	503.10	49,639	190,832
	no contract	March 1997	152,624	542.00	72,651	225,275
	no contract	April 1997	146,257	550.90	70,929	217,186
	no contract	May 1997	not available			
	no contract	June 1997	178,025	678.40	42,170	220,195
	no contract	July 1997	197,649	726.20	18,014	215,663
	no contract	August 1997	229,426	897.60	43,248	272,674
	no contract	Sept 1997	182,047	903.30	25,858	207,905
	no contract	October 1997	215,429	991.80	24,238	239,667
	Subtotal for payments with no contracts		1,872,191	7,653.10	637,618	2,509,809
Total of billings based on actual time charges			\$2,516,776	10,337.30	\$822,798	\$3,339,574
Net Monthly Average of billings at actual time charges				689.15		\$238,541
(Total payments divided by total number of months, 14 - i.e. those from June 1996 through October 1997 excluding those months without available data.)						
<u>Preston Gates</u>						
<i>At flat fee of \$100,000 monthly</i>	351166	August 2000	100,000	208.50		
		Sept 2000	100,000	325.40		
		Oct 2000	not available (Note 1)			
		Nov 2000	100,000	192.70		
		Dec 2000	100,000	55.20		
	Total for CO 351166		400,000	781.80		
	Monthly Average		\$100,000	195.45		
<u>Greenberg Traurig</u>						
<i>At flat fee of \$100,000 monthly</i>	361523	February 2001	\$100,000	294.95		
		March 2001	100,000	309.65		
		April 2001	100,000	260.35		
		May 2001	100,000	317.35		
		June 2001	100,000	254.05		
		July 2001	100,000	233.55		
	Total for CO 361523		600,000	1,669.90		
	Monthly Average		\$100,000	278.32		

- Notes 1: Information not available from files provided by the Office of the Governor.
2: Auxiliary charges pertain to additional billings made by Preston Gates for travel fees, long distance, copier/photocopying, Lexis/Westlaw charges, secretary's service/overtime, reference materials, mobile phone, legal/firm messenger services, air courier, computerized research services, cab fares, and meeting costs.
3: Contract with Preston Gates per Co 50388 effective from July 1995 to June 1996 was not included in this analysis.