

EXECUTIVE SUMMARY

Report on CNMI Agencies' Implementation of Audit Recommendations, as of June 30, 2009

Report No. TR-09-01, January 14, 2010

Summary

Background

The Office of the Public Auditor (OPA) maintains an audit recommendations tracking system to monitor the implementation and resolution of audit recommendations. On a semi-annual basis, OPA issues its *Report on CNMI Agencies' Implementation of Audit Recommendations* (Audit Recommendation Tracking Report) which presents the audited agencies' compliance with OPA's recommendations.

The provisions of 1 CMC § 2307 established the Interagency Audit Coordinating Advisory Group (Coordinating Group) consisting of the presiding officer and minority leader of each house of the Legislature, the Secretary of Finance, and the Special Assistant for Management and Budget. According to the law, the Coordinating Group is to review all audit reports of the Public Auditor, and the Public Auditor will discuss the manner in which audit recommendations can be implemented with the assistance of the members of the Coordinating Group. The Coordinating Group shall also recommend to the Governor and to the Legislature any changes in laws or regulations which it finds necessary or desirable as a result of its work with the Public Auditor.

The Coordinating Group has not met since 2000. However, OPA continues to send follow-up letters and/or contact agencies with outstanding recommendations to request for information on corrective actions taken to implement OPA's audit recommendations. OPA also meets with agencies when requested to discuss and clarify actions necessary to implement OPA's audit recommendations. This report incorporates agency responses to OPA's follow-up letters or documents obtained by OPA on or before December 23, 2009. In accordance with statutory restrictions in the Auditing and Ethics Acts, the names of individuals and entities are not disclosed in OPA's Audit Recommendation Tracking Report.

Classification of OPA Audit Recommendations

OPA recommendations are classified as either *open*, *resolved*, or *closed*. Open and resolved recommendations are included in OPA's Audit Recommendation Tracking Report.

An *open* recommendation is one where no action or plan of action has been made, or no time frame for the plan of action has been provided 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 for action. A *closed* recommendation is one in which the client has taken sufficient action to meet the intent of the recommendation or OPA has withdrawn it. Also, OPA classifies open and resolved recommendations as *delinquent* if the recommendation has been outstanding for at least 180 days and OPA has not been informed by the concerned agency or department of any action being taken to close the recommendations.

Status of OPA Audit Recommendations

OPA tracked a total of 48 audit recommendations during the first six months of 2009. Of the 48 audit recommendations, one was closed and 47 remained either open or resolved. Of the 47 open or resolved recommendations, 29 were considered delinquent.



The table below presents the status of OPA's audit recommendations as of June 30, 2009.

Status of Audit Recommendations	as of 6/30/09
Total Recommendations Tracked as of June 30, 2009	48
Less: Closed Recommendation(s)	1
Outstanding Recommendations as of June 30, 2009 (Open or Resolved)	47
Number of Delinquent Recommendations	29

Closed Recommendations

OPA closed one audit recommendation it tracked during the first six months of 2009.

Delinquent Recommendations

The number of delinquent recommendations decreased by 13 (31%) from 42 in 2008 to 29 during the first six months of 2009. Agencies with delinquent recommendations as of June 30, 2009 include the Commonwealth Ports Authority, Commonwealth Utilities Corporation, Department of Finance, Department of Public Lands, Department of Public Safety, Marianas Visitors Authority, Northern Marianas College, Northern Mariana Islands Retirement Fund, and the Public School System. The recommendations addressed to these agencies were classified as delinquent as OPA was not informed by these agencies within the last 180 days of any corrective action taken to implement OPA's recommendations.

Potential Recovery of \$2.6 Million Referred to the AGO

As of June 30, 2009, audit recommendations in 7 audit reports were referred to the Attorney General's Office for legal action to recover monies improperly expended. According to these 7 audit reports, approximately \$2.6 million is potentially recoverable. On December 1, 2009, OPA met with the Attorney General to discuss the status of these referrals. The Attorney General advised OPA that AGO will conduct further review of these referrals and will provide OPA the results of its review. As such, the status of these referrals remains unchanged.

Potential Recovery of \$3.7 Million Depend on Agencies' Action

OPA identified potential recoveries of approximately \$3.7 million in 8 audit reports addressed to various agencies. During its semi-annual follow-up process for the period January 1, 2009 through June 30, 2009, OPA has not received any update on the status of recovery of funds from the responsible agencies. Therefore, approximately \$3.7 million remains potentially recoverable from the previous report of December 31, 2008.

Independent Auditor's Recommendations

OPA also includes in its Audit Recommendation Tracking Report a total of 147 recommendations from 12 recent audit reports issued by private CPA firms.



A copy of the full report is available at the Office of the Public Auditor, or through OPA's Website

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