

MARIANAS PUBLIC LAND TRUST

**INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL AND ON COMPLIANCE**

YEAR ENDED SEPTEMBER 30, 2008

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Marianas Public Land Trust:

We have audited the financial statements of the Marianas Public Land Trust (MPLT) as of and for the year ended September 30, 2008, and have issued our report thereon dated June 15, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered MPLT's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MPLT's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of MPLT's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects MPLT's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of MPLT's financial statements that is more than inconsequential will not be prevented or detected by MPLT's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material misstatement of the financial statements will not be prevented or detected by MPLT's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MPLT's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings (pages 3 and 4) as items 2008-1 and 2008-2.

We noted certain matters that we reported to management of MPLT in a separate letter dated June 15, 2009.

MPLT's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit MPLT's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

DeBelle & Touche LLC

June 15, 2009

MARIANAS PUBLIC LAND TRUST

Schedule of Findings
Year Ended September 30, 2008

Local Noncompliance

Finding No. 2008-1

Criteria: In accordance with Article XI, Section 6 of the Commonwealth of the Northern Mariana Islands (CNMI) Constitution, the trustees shall make reasonable, careful and prudent investments.

Condition: During the year ended September 30, 2008, MPLT loaned \$3,500,000 to a government agency. The loan is secured by future funds earmarked by Public Law 16-3, which are \$100,000 less than the loan value. The MPLT legal counsel recommended that certain actions be taken before the loan was finalized. However, we could not determine that all such conditions were met.

Cause: The cause of the above condition is that management is of the opinion that requisite conditions were met but such was not fully documented.

Effect: We could not determine if a financial statement effect results from the condition.

Recommendation: We recommend that management formally document the manner in which the legal counsel recommendations were considered.

Auditee Response and Corrective Action Plan:

Name of Contact Person: Bruce M. MacMillan, Board Consultant

Corrective Action: MPLT Trustees realize that making a loan to the Commonwealth Utilities Corporation (CUC) may appear to be lacking prudence given their financial problems. The Trustees were well aware of all the potential issues in making this investment, but the nature of the whole transaction outweighed the negatives of any potential default. This loan did not involve using any of MPLT's existing resources as the funding for this loan came from the simultaneous receipt of new principal due to the Department of Public Lands distribution of \$3,500,000. It is questionable as to whether this distribution would have been given to the Trust otherwise. Additionally, we received the earmarks per P.L. 16-3, which allows us to apply a total of \$3,400,000 to the repayment of this loan of which one half will be applied from the FY 2009 distribution to the CNMI General Fund. We have also been receiving the monthly interest payments from CUC in a timely manner, which has helped to offset the loss of interest from our NMHC loan. This has helped our beneficiary's interest considerably. The repayment of the loan for FY 2009 will be reinvested in accordance with our Investment Policy Statement.

The Trustees do not feel any corrective action is needed or required.

Proposed Completion Date: Not applicable

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Schedule of Findings, Continued
Year Ended September 30, 2008

Local Noncompliance

Finding No. 2008-2

Criteria: In accordance with the By-Laws, any travel of over six hours of flight time may be permitted in business class or comparable class offered by the carrier. In all other situations, travel shall be by economy or coach class.

Condition: We noted four items representing the purchase of airfare tickets to the Philippines. The travel was based on business class travel. The flight to Manila, Philippines was three hours and forty minutes.

Cause: The cause of the above condition is due to lack of adherence to travel policies.

Effect: The effect of the above condition is noncompliance with the By-Laws.

Recommendation: We recommend that the Board of Trustees ensure that all travel arrangements strictly adhere to the By-Laws.

Auditee Response and Corrective Action Plan:

Name of Contact Person: Bruce M. MacMillan, Board Consultant

Corrective Action: The Trustees approved this travel using business class even though the flight time was less than six hours. Their rationale was that the total travel time including layover in Guam exceeded the six hour requirement and it was a matter of the Trustees arriving in a rested state.

The Trustees are reviewing their By-Laws and may change this requirement.

Proposed Completion Date: Ongoing

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**Unresolved Prior Year Comments
Year Ended September 30, 2008**

There are no unresolved findings from prior year audits of MPLT.