

# ASSOCIATION OF PACIFIC ISLANDS PUBLIC AUDITORS

December 15, 2011

Michael Pai, CPA  
Public Auditor  
Commonwealth of the Northern Mariana Islands  
Office of the Public Auditor  
P.O. Box 501399  
Saipan, MP 96950

Dear Public Auditor Pai,

We have completed a peer review of the Commonwealth of the Northern Mariana Islands Office of the Public Auditor (CNMI OPA) for the period October 1, 2009 through September 30, 2011. In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide* approved by the Association of Pacific Islands Public Auditors (APIPA).

We reviewed the internal quality control system of your audit organization and conducted tests in order to determine if your internal quality control system operated to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States. Due to variances in individual performance and judgment, compliance does not imply adherence to standards in every case, but does imply adherence in most situations.

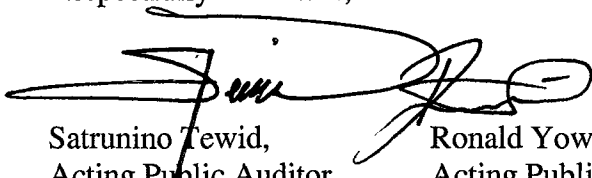
Based on the results of our review, it is our opinion that the CNMI OPA's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for audits and attestation engagements during the period of October 1, 2009 through September 30, 2011.

A separate letter to management has been prepared, which offers suggestions for further strengthening the internal quality control system. The management letter should be considered an integral part of the report.

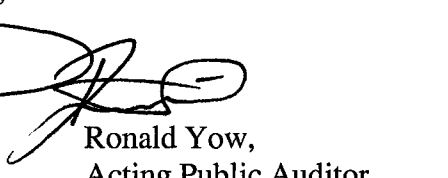
The report, and the accompanying management letter, should be made available to the public.

We extend our appreciation to you and your staff for the hospitality and cooperation extended to us during our review.

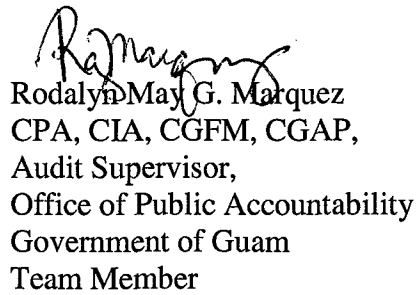
Respectfully submitted,



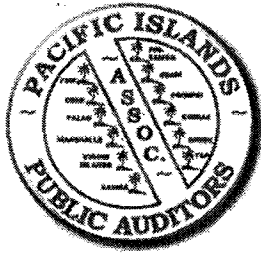
Satrunino Tewid,  
Acting Public Auditor,  
Office of the Public Auditor  
Republic of Palau  
Team Leader



Ronald Yow,  
Acting Public Auditor,  
Office of the Public Auditor  
Yap State, FSM  
Team Member



Rodalyn May G. Marquez  
CPA, CIA, CGFM, CGAP,  
Audit Supervisor,  
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Saipan, MP 96950

Dear Public Auditor Pai:

We have completed a peer review of the Commonwealth of the Northern Mariana Islands Office of the Public Auditor (CNMI OPA) for the period October 1, 2009 through September 30, 2011 and issued our report thereon dated December 13, 2011. We are issuing this companion letter to offer certain observations and suggestions stemming from our peer review. This letter is to be read in conjunction with the opinion report.

Our review was limited to the one performance audit that the CNMI OPA issued for the period of our review. Had we been able to review more audits conducted in accordance with *Government Auditing Standards*, we may discover that some of the observations noted herein are either isolated instances or more pervasive occurrences. Based on our review, we offer the following observations and suggestions to enhance your organization's demonstrated adherence to *Government Auditing Standards*.

**Policy and Procedures Manual.** The OPA updated and adopted an audit manual in August 2009. More than two years later, in December 2011, management indicated that the manual is still a "work in progress", citing errors in exhibit references and other procedures that are still pending implementation. We suggest that the OPA place a high priority in finalizing its manual and that the Public Auditor take steps to ensure that audit staff are provided adequate training to familiarize themselves with the policies and procedures manual and that all documentation for its system of internal quality control and assurance are followed.

**Independence.** GAGAS requires the audit organization and the individual auditor be free from personal, external, and organizational impairments to independence and must avoid the appearance of such impairments of independence. The OPA policies require staff members to file a Project Statement of Independence (QC Form 2) for each project declaring whether or not they have any impairment. In the one audit reviewed, we found that the Public Auditor and other staff that may have been involved in the audit did not file the required statement of independence. We suggest that the Public Auditor ensure

that the Public Auditor and staff file the required statements of independence declaration.

**Management Representations.** In planning the audit, *Government Auditing Standards* require auditors to inquire of management of the audited entity to identify previous audits, attestation engagements, performance audits or other studies that directly relate to the objective of the audit, including whether related recommendations have been implemented. Auditors should use this information in assessing risk and determining the nature, timing, and extent of current audit work, including determining the extent to which testing the implementation of the corrective actions is applicable to the current audit objectives. In the one audit reviewed, there was no evidence of any inquiry with management regarding prior audits, studies, etc. We suggest that the Public Auditor ensure that in future audits each set of working papers clearly document the audit planning to include inquiries with management of previous audits, attestation engagements, performance audits, and other studies.

**Competence.** *Government Auditing Standards* require that the staff assigned to conduct audits or attestation engagements must collectively possess the technical knowledge, skills, and experience necessary. However, this requirement was not evident in the working papers reviewed. The OPA P&P manual prescribes a Staff Qualifications Questionnaire (QC Form 1), which was not completed in the performance audit reviewed. We suggest that the Public Auditor ensure each set of working papers clearly document that the staff assigned collectively possess the technical knowledge, skills, and experience to adequately conduct the audit or attestation engagement.

**Audit Documentation.** *Government Auditing Standards* state that auditors should prepare audit documentation in sufficient detail to enable an experienced auditor, having no previous connection to the audit, to understand, among other things, the audit evidence obtained and its source. The one audit reviewed did not indicate the source of evidence in most of the work papers on file. We suggest that the Public Auditor ensure that for all future audits, the source of evidence is documented in the working papers.

The above suggestions have been discussed with management and staff of the CNMI OPA during the exit conference conducted on December 7, 2011. Management has responded that the suggestions and observations herein will help improve the office's audit process and quality control system.

We extend our appreciation to you and your staff for the hospitality and cooperation extended to us during our review.

Respectfully submitted,

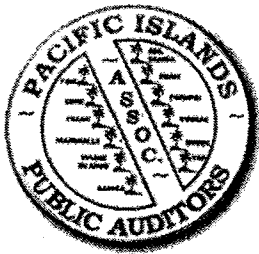


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# ASSOCIATION OF PACIFIC ISLANDS PUBLIC AUDITORS

December 15, 2011

Honorable Benigno R. Fitial, Governor  
Commonwealth of the Northern Mariana Islands  
2nd Floor Hon. Juan A. Sablan Memorial Bldg.  
Caller Box 10007  
Saipan, MP 96950

Dear Governor Fitial:

Attached for your reference is the final report on the Commonwealth of the Northern Mariana Islands Office of the Public Auditor pursuant to a Peer (Quality Control) Review done by our team of auditors from the Association of Pacific Islands Public Auditors (APIPA). The External quality control reviews of all audit offices issuing audit reports guided by *Government Auditing Standards* (GAS) are required at least every three years. Because of this requirement, your Public Auditor initiated and contracted with APIPA.

Your Public Auditor's office was determined to be in full compliance with government auditing standards for the period reviewed. Full compliance is the highest of three possible ratings issued in an external quality control review. However, a separate letter to management has been issued, which offers suggestions for further strengthening the office's internal quality control system. The management letter should be considered an integral part of the report. The report and management letter now become public information and may be made accessible to any interested person(s). The working papers and other supporting documentation accumulated during our review will be maintained by the Public Auditor's office.

For your information, the expenses of the Peer Review were borne by the U.S. Department of the Interior's Office of Insular Affairs.

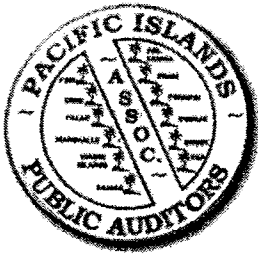
It was a privilege working with the staff of the Public Auditor's office, most especially Michael Pai, the Public Auditor. Each member of Mr. Pai's office was most cooperative and helpful to the team and exemplifies the highest standards of the auditing profession.

Respectfully submitted,

Satrunio Tewid,  
Acting Public Auditor,  
Office of the Public Auditor  
Republic of Palau  
Team Leader

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Office of the Public Auditor  
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Office of Public Accountability  
Government of Guam  
Team Member



# ASSOCIATION OF PACIFIC ISLANDS PUBLIC AUDITORS

December 15, 2011

Honorable Paul A. Manglona  
Senate President, The Senate  
Seventeenth Northern Marianas Commonwealth Legislature  
P.O. Box 500129  
Saipan, MP 96950

Dear President Manglona:

Attached for your reference is the final report on the Commonwealth of the Northern Mariana Islands Office of the Public Auditor pursuant to a Peer (Quality Control) Review done by our team of auditors from the Association of Pacific Islands Public Auditors (APIPA). The External quality control reviews of all audit offices issuing audit reports guided by *Government Auditing Standards* (GAS) are required at least every three years. Because of this requirement, your Public Auditor initiated and contracted with APIPA.

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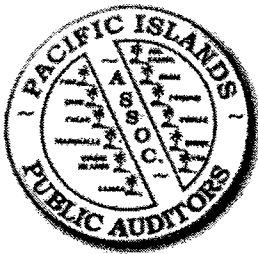
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# ASSOCIATION OF PACIFIC ISLANDS PUBLIC AUDITORS

December 15, 2011

Honorable Eliceo D. Cabrera  
Speaker, House of Representatives  
Seventeenth Northern Marianas Commonwealth Legislature  
P.O. Box 500586  
Saipan, MP 96950

Dear Speaker Cabrera:

Attached for your reference is the final report on the Commonwealth of the Northern Mariana Islands Office of the Public Auditor pursuant to a Peer (Quality Control) Review done by our team of auditors from the Association of Pacific Islands Public Auditors (APIPA). The External quality control reviews of all audit offices issuing audit reports guided by *Government Auditing Standards* (GAS) are required at least every three years. Because of this requirement, your Public Auditor initiated and contracted with APIPA.

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