



TRUST TERRITORY OF THE PACIFIC ISLANDS
OFFICE OF THE HIGH COMMISSIONER
SAIPAN, MARIANA ISLANDS 96950

TELETYPE ADDRESS
HICOTT SAIPAN

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HICOM COMM. NO. 55
(Senate)

FEB 21 1974

The Honorable Tosiwo Nakayama
President of the Senate
Congress of Micronesia
Saipan, Mariana Islands 96950

Dear Mr. President:

An audit of the Rota Finance Office has been completed by the Trust Territory Internal Auditors. Enclosed please find copies of the audit report for your information.

Sincerely yours,

Handwritten signature: Peter W. Coleman
Peter W. Coleman
Deputy High Commissioner

Enclosure

03- 031673

[FEB 1974]

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REPORT OF AUDIT

ROTA (Sub-District) FINANCE OFFICE

MARIANA ISLANDS

AUDIT REPORT No. 74-3

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REPORT OF AUDIT
ROTA (Sub-District) Finance Office
Mariana Islands
AUDIT REPORT NO. 74-3

Introduction, Objectives, Scope

At the request of the Deputy High Commissioner, on behalf of the District Administrator, dated January 24, 1974, we audited the fiscal records and the related financial management of the Rota Finance Office. The request for an audit resulted from the findings of a recent (January 16, 1974) cash count conducted by the Marianas District Finance Officer, Mr. Antonio Arriola. There was an alleged shortage in the neighborhood of \$10,000.00. //

Our audit objective was to determine that books and records were being maintained in keeping with good accounting principles and practices; and that fiscal procedures controlled and safeguarded all government monies and other assets. Above all, our audit objective was to determine if a shortage does actually exist and if so, to verify the shortage and obtain all pertinent information related to the shortage.

The examination covered the July 1, 1973 through January 28, 1974 period. Audit field work was performed on site on Rota, January 28 - 29, 1974.

Background Information

Mr. Joannes R. Taimanao, Administrative Specialist II, traveled to Saipan to attend the Political Status Commission meeting on January 6, 1974. He was asked to take with him two Trust Territory Government Imprest Fund replenishment checks, totaling \$4,345.56, to convert into cash and return the cash to the Petty Cash Custodian, Miss Janet Ogo, on or about January 11, 1974. After Mr. Taimanao failed to return to Rota, the District Administrator's Representative,

Mr. Prudencio T. Manglona, contacted Saipan January 14 - 15, 1974 for assistance in locating Mr. Taimanao. Since the results proved negative, the District Finance Officer, Mr. Arriola, was requested to go to Rota to conduct a cash count. The cash count revealed a shortage of \$10,607.09. The Internal Audit Office was contacted shortly thereafter to audit the records and verify the shortage.

Results of Audit

There are four (4) separate funds maintained, including the General Fund collections, which are as follows:

<u>Name of Fund</u>	<u>Amount of Fund</u>
A. Imprest Fund	\$ 1,000.00
B. Agriculture Revolving Fund	5,000.00
C. High School Project Fund (Appropriated by M.I.D.L.)	5,000.00
D. General Fund collection	-----

Impress Fund - The findings of the Imprest Fund cash count and examination revealed a shortage of \$4,345.56, which represents the total of the two missing replenishment checks. They are as follows:

Check No. 050173	\$2,528.31	Dated 11/5/73
Check No. 050295	1,817.25	Dated 12/10/73
	<u>\$4,345.56</u>	

These two checks were the replenishment checks given to Mr. Taimanao to convert into cash and return to the Petty Cash Custodian. It was learned that the Petty Cash replenishment checks are usually cashed with General Fund cash collections - however, these two checks were being held by Mr. Taimanao, supposedly awaiting for enough cash to generate into the General Fund in order to cash these checks. The Petty Cash Custodian was repeatedly told by Mr. Taimanao that there was insufficient cash in the fund to cash the two checks. From our findings in the General Fund collections audit, it was learned that there was sufficient cash in the General Fund collection to cash both if these

checks. The dates of the two replenishment checks are November 5 and December 10, 1973, which indicates that Mr. Taimanao purposely held on to these checks for reasons other than 'not having sufficient cash' in the General Fund.

Agriculture Revolving Fund - Our examination of the agriculture revolving fund proved to be in order, having the full amount of fund (\$5,000.00) accounted for.

It was noted that the Imprest Fund and the Agriculture Revolving Fund are co-mingled and maintained as one fund, totaling \$6,000.00. The replenishments for the two funds are submitted to the District Finance Office also as one fund. We feel that the funds should be maintained separately and replenishments for these funds should be handled separately.

High School Project Fund - The High School Project Fund, an appropriation from the Mariana Islands District Legislature, was received in part (\$5,000.00) in December 1973, to be used for expenditures on the construction of the Rota High School. The full amount of the fund is intact and accounted for. We were informed that this fund will soon be disbursed for construction expenditures and the form of payments will be by means of cash.

General Fund Collection - Our findings from the audit of the General Fund collections did confirm that a shortage does exist in the amount of \$6,261.53. Our examination included a verification of mathematical accuracy of the receipts and postings to the general ledger. The examination covered the period from July 1, 1973 to January 28, 1974. It was noted that the receipts were in very good order, and the postings to the general ledger were maintained within the prescribed fiscal procedures. The collections were taped during the examination period which also proved to be in excellent order. We did not feel it necessary to examine the records prior to July 1, 1973 since there was a cash count made by the District Finance Officer during the month of July 1973 which was in balance with the general ledger.

There was a situation existing in the Rota Finance Office over the past five or six months that contributed to the embezzlement. The Administrative Specialist II, Mr. Joannes R. Taimanao, was the sole keeper of the general fund collections and the Petty Cash Custodian, Miss Janet Ogo, in charge of recording the general ledger. A monthly cash collection report is prepared and forwarded to the District Finance Officer which includes, among other pertinent information, a cash count of the General Fund collections. The cash count forms require signatures, certifying that a cash count was made by the Accountable Cash Officer, however, even though the Accountable Cash Officer, Miss Janet Ogo, signed the certifications, she was not given the opportunity to be present during the cash count that was supposedly made by Mr. Taimanao. This practice is far from having any firm internal fiscal controls and should never have continued for that length of time without it being reported or noticed. However, it is understandable that this is another example of a subordinate not wanting to 'go over the head' of her immediate supervisor - meanwhile, trusting his judgement and accepting monthly General Fund cash count figures without being physically present during the actual counting of the cash.

Conclusions & Recommendations

Our review and examination of the Rota Finance Office's financial management and fiscal operation indicated that there was in fact a confirmed shortage of \$10,607.09. It is evident that through the efforts of the Administration Specialist II, having ulterior motives, did prompt the shortage to occur. We find no fault with the keeping of the general ledger, the recording of the pre-numbered receipts, the keeping of the interim cash receipts, and the many other detailed fiscal duties performed in the Rota Finance Office. However, we do take exception of the method the monthly General Fund collection cash count had been handled in the past. A physical cash count must be taken in the presence of at least two trusted employees - those employees who affix their signatures on the cash count form, certifying that the cash was counted and witnessed by them.

It was noted that there is a need for more timely deposits into the General Fund, since oftentimes the balance of the general fund collections reach over the twenty thousand dollar mark. Over the period from July 1, 1973 to the end of our audit period, there were approximately seven deposits made which is far from sufficient. It is recommended that deposits be made at least twice a month.

We recommend for consideration that the Marianas District Administrator initiate investigative procedures be taken to the extent deemed necessary by the investigating authorities, and that corrective legal action be instigated by the Marianas District should intent to improperly divert Trust Territory assets by Joannes R. Taimanao be proven.