

OFFICE OF THE NATIONAL PUBLIC AUDITOR
FEDERATED STATES OF MICRONESIA

INSPECTION OF CHUUK STATE TRAVEL SECTION
(FY 2006 through July 31st, 2007)

REPORT NO. 2008-06



Haser H. Hainrick
National Public Auditor



FEDERATED STATES OF MICRONESIA

Office of The National Public Auditor

P.O. Box PS-05, Palikir, Pohnpei FSM 96941

Tel: (691) 320-2862/2863; Fax: (691) 320-5482;

CID Hot Line: (691) 320-6768; E-mail: hhainrick@fsmopa.fm

August 28, 2008

His Excellency Manny Mori, President
The Honorable Members of the FSM Congress

RE: Inspection of the Chuuk State Travel Section

We have completed our inspection of the Chuuk State Travel Section for fiscal years 2006 and 2007 up to July 31, 2007. The objectives of our inspection were to ascertain whether the Travel Section and other concerned departments and offices complied with regulations in the processing of travel advances and expenses to prevent misuse, abuse, and irregularity in the use of travel funds and whether the Travel Section collected due travel advances in a timely manner. We conducted our inspection in accordance with the *Quality Standards for Inspections* issued in 1993, as amended by the U.S. President's Council on Integrity and Efficiency and the Executive Council of Integrity and Efficiency.

The allure of travel in an environment of inadequate internal controls led to imprudent use of travel and training budget. In summary, we found that the Travel Section and other concerned departments and offices did not comply with regulations to prevent abuse, misuse, and irregularity in the use of travel funds nor did the Travel Section collect outstanding travel advances in a timely manner. For example, we found that the Travel Section and concerned departments did not comply with regulations regarding timeliness of submitting or processing of travel vouchers, proper maintenance of travel advance records, and accurate travel costs computations. In addition, the Travel Section failed to comply with regulations in properly monitoring and enforcing collection of due accounts in a timely manner resulting in a decision to write-off long outstanding accounts. The details of our findings and recommendations are in the attached report.

We provided a draft of this report to Chuuk State government officials such as Director of Department of Administrative Services, Director of Department of Education (DOE), Vice Chairman of Compact Funds Control Commission, and Chairman of Board of Education for their review and comment. However, we only received management comments from the Vice Chairman of Compact Funds Control Commission, the Director of DOE, and the Chairman of Board of Education. These officials indicated no major disagreement with our findings and recommendations. We are issuing this report without comments from the current DAS management despite follow-ups. Mr. Gillian Doone, who was the Director of DAS during our fieldwork, had left office prior to the time this report was finalized.

Respectfully yours,

A handwritten signature in black ink, appearing to read "Haser H. Hainrick".

Haser H. Hainrick
National Public Auditor

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INTRODUCTION

Background

Travel Section

In 2003, the Chuuk State Department of Administrative Services (DAS) was created pursuant to Chuuk State Law Number 2-94-10. The DAS consists of various divisions including the Division of Treasury and Finance under which the Travel Section is a unit. The Travel Section is under the immediate supervision of the Chief of Finance and has two employees – an Accountant and an Accounting Technician. Its primary responsibilities include reviewing and processing travel transactions, (such as travel authorizations, travel advances, and travel claim vouchers) maintaining travel records, and collecting receivable accounts arising from travel advances. It implements travel policies and procedures to ensure that travels are performed in accordance with applicable laws and regulations. *See Appendix I for detailed processing of travel advances and claims.*

Travel Budget

Chuuk State Travel Budget increased from \$536,762 to \$796,961 for fiscal years 2006 and 2007, respectively. Among all the departments and offices, the Chuuk State Department of Education (DOE) had the largest travel budget and expenditures. Table No. 1 illustrates that the Education Sector Grant and Supplemental Education Grant (SEG) under the accountability of the DOE received the biggest budget for travel in the amount of \$308,005 and \$516,074 in fiscal years 2006 and 2007, respectively. The budgets for Education Sector and SEG include all reprogramming of funds from other object classes or budget categories to travel approved by the Office of Insular Affairs (OIA) Grant Specialist for Education.

Table No. 1 Travel Budget, Actual and Balance
By Amended Compact Sector
Fiscal Year 2006 & 2007 (actual for 2007 are up to July 31, 2007 only)

Sector	Budget	Actual	Balance (Over)/Under
2006			
Education	\$65,819	\$29,478	\$36,341
Supplemental Educational Grant (SEG)	242,186	184,160	58,026
<i>Subtotal for DOE travel</i>	\$308,005	\$213,638	\$94,367
Health	97,730	72,430	25,300
Capacity Building	93,466	65,031	28,435
Environment	37,561	25,977	11,584
Private Development	00	11,200	(11,200)
Total	\$536,762	\$388,276	\$148,486
2007			
Education	\$100,742	\$67,243	\$33,499
SEG	415,332	193,369	221,963
<i>Subtotal for DOE travel</i>	\$516,074	\$260,612	\$255,462
Health	55,658	28,850	26,808

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Sector	Budget	Actual	Balance (Over)/Under
Capacity Building	141,370	41,491	99,879
Environment	35,726	8,506	27,220
Private Development	48,133	7,974	40,159
Total	\$796,961	\$347,433	\$449,528
Summary for 2006 and 2007			
Education	\$166,561	\$96,721	\$69,840
SEG	657,518	377,529	279,989
<i>Subtotal for DOE travel</i>	\$824,079	\$474,250	\$349,829
Health	153,388	101,280	52,108
Capacity Building	234,836	106,522	128,314
Environment	73,287	34,483	38,804
Private Development	48,133	19,174	28,959
Grant Total	\$1,333,723	\$735,709	\$598,014

Source: Department of Administrative Services. ONPA did not perform any audit procedures to determine accuracy.

Objective, Scope and Methodology

Objectives - The objectives of our inspection were to ascertain whether 1) the Travel Section and other concerned departments and offices complied with regulations in the processing of travel advances and expenses to prevent misuse, abuse, and irregularity in the use of travel funds and 2) the Travel Section collected due travel advances in a timely manner.

Relative to this inspection, the terms “misuse” and “abuse” are defined as follow:

- **Misuse of Funds**- appropriating money for personal gain without authority of law;
- **Abuse**- involving behavior that is deficient and improper when compared with behavior that a prudent person would consider reasonable and necessary business practice given the facts and circumstances. [U.S. Government Auditing Standards (Yellow Book), Chapter 7, Section 7.33].

Scope - Our inspection covered the travel transactions for the fiscal years (FY) 2006 and 2007 up to July 31, 2007. However, the gathering, reviewing and testing of relevant information and documentations included previous and subsequent periods for analytical purposes. We conducted the inspection pursuant to Title 55 FSM Code, Chapter 5, which states in part:

“The Public Auditor shall inspect and audit transactions, accounts, books, and other financial records of every branch, department, office, agency, board, commission, bureau, and statutory authority of the National Government and of other public legal entities, including, but not limited to, States, subdivisions thereof, and nonprofit organizations receiving public funds from the National Government.”

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Likewise, we performed the inspection in accordance with the *Quality Standards for Inspections* issued by the PCIE and ECIE¹ and included tests of records, transactions, and other auditing procedures that were considered necessary under the circumstances.

Although the Regulations for Implementation of Financial Management Act and Public Contract Act (FMR) was promulgated by the Auditor-in-Charge (Nakama Sana) when he was the Director of Finance, we concluded that his independence was not impaired because this inspection did not review the effectiveness of the FMR but rather the compliance of travel activities with the FMR. Furthermore, the Auditor-in-Charge has an immediate family member who holds a key position at DOE. We remedied this issue on independence by having the Audit Supervisor of this inspection do the testing of expenditures involving the family member of the Auditor-in-Charge.

Methodology - We selected the travel account as the focus of this inspection because of its large budget amount and its susceptibility to abuse. We performed a preliminary survey that revealed questions concerning travel by DOE personnel, which was the recipient of funding sources available under the amended Compact, Supplemental Educational Grants, and several other U.S. federally funded education programs. Thus, the samples that were selected for review during our fieldwork were mostly travels made by personnel from DOE. However, since the Travel Section processes travel forms from all departments and offices in a similar manner, our findings and recommendations are applicable to all other employees' travel advances, liquidation and outstanding travel advances for the other departments, offices, and agencies of the Chuuk State Government.

We assessed the adequacy of the control measures and regulations in safeguarding travel funds as well as the control monitors to ensure the timely collection of outstanding travel advances. To satisfy our objectives, we selected a judgmental sample of travels from a computer-generated printout of travels for FY 06 and FY 07 to test the control attributes with respect to travel advances and travel claim liquidation. Such control attributes include authorization and approval, accuracy of calculation of travel costs, timely processing of transactions, propriety and justifiability of travel, adequate documentations, proper charging of travel to appropriate fund organization and expense account, collection of due accounts and other requirements to comply with the provisions of the regulations. In addition, we obtained a List of Outstanding Travel Advances from which we judgmentally selected samples to test for collections, completeness of files, and supporting records for outstanding accounts. We inspected travel documents such as Travel Authorization (TA), travel advance voucher, travel expense voucher, trip expense report, supporting receipts, and such other necessary documents. Such inspection was done to check the adequacy of control measures that were developed to safeguard travel funds from abuse, misuse and irregularity and to determine compliance with the regulations and the control measures. We inquired and confirmed issues with some travelers and concerned individuals. Lastly, we interviewed concerned officials and staff from DAS and other departments.

¹ U.S. President's Council on Integrity & Efficiency (PCIE) and the Executive Council on Integrity & Efficiency (ECIE)

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We obtained copies of all related written regulations and policies for travel. We noted, however, three existing regulations governing travel activities for Chuuk State. Thus, we requested the Chuuk State Attorney General to determine which regulations should be followed. The State Attorney General provided a formal legal opinion that the “Regulations for Implementation of Financial Management Act and Public Contract Act” (FMR) dated November 2, 2004 are the valid, current, and applicable regulations that shall be used in processing of travel transactions. In addition to these regulations, we also researched and referred to some prudent travel practices as basis of our criteria for this inspection.

Prior Audit Coverage

This is the first ONPA review of the Travel Section within Chuuk State DAS regarding the processing of travel authorizations, travel advances, travel advances liquidation, disbursement of travel funds claims, and monitoring and collecting of travel advances.

We reviewed the Single Audit Report by Deloitte and Touché for FY 2006 for audit findings relevant to Chuuk State travel. The following were the conditions cited in their Financial and Independent Auditor’s report dated July 18, 2007:

- Finding No. 2006-15 Condition No. 2 – For travel advances, \$268,781 or 88 percent of the total accounts receivable of \$304,587, is aged greater than 90 days.
- Finding No. 2006-19 – Condition No. 1 – For the five travel advances tested, aggregating \$20,591, no travel advance files were provided. Condition 2 - For six travel advances tested, aggregating \$23,695, the travel advances were not cleared in a timely manner.

The results of our inspection showed that the above conditions still exist.

Subsequent Event

Effective October 2007, Mr. Gillian Doone, former Auditor-In-Charge at the ONPA Chuuk field office, was appointed and confirmed as the new Director of DAS replacing Mr. Winiplat Bisalen. The transactions covered by our inspection (FYs 06 and 07 up to July 31, 2007) were processed during the tenure of Mr. Bisalen. Furthermore, we believe that no conflict of interest exists in our relationship with Mr. Doone as a former colleague that would compromise our independence.

During the course of our inspection, the new DAS Director approved the write-off of outstanding travel advances (receivables) totaling \$119,364 due to various reasons such as death, inactive employment, and unknown whereabouts.

CONCLUSION

In summary, we found that the Travel Section and other concerned departments and offices did not comply with regulations to prevent abuse, misuse, and irregularity in the use of travel funds nor did the Travel Section collect outstanding travel advances in a timely manner. For example, we found that the Travel Section and concerned departments did not comply with regulations regarding timeliness for submitting and processing of vouchers, proper maintenance of travel

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advance records, and accurate travel costs computations. In addition, the Travel Section failed to comply with regulations in properly monitoring and enforcing collection of due accounts in a timely manner resulting in a decision to write-off long outstanding accounts. Finally, we also identified potential travel control policies and procedures for inclusion in the regulations to ensure the effective use of training and travel funds.

FINDINGS AND RECOMMENDATIONS

1. Non-Compliances with FMR Increased the Risk of Abuse of Travel Funds

The Travel Section and other concerned departments failed to comply with regulations in safeguarding travel funds against abuses and misuses. We found that travel vouchers were not filed or processed in a timely manner. In addition, the Travel Section failed to collect outstanding travel advances after travel was completed and allowed employees with outstanding travel advances to receive additional travel advances. Finally, the Travel Section did not follow regulations and these non-compliances include keeping inadequate records, processing unauthorized transactions, miscalculating travel advances, processing travel vouchers without adequate documentation and mischarging of travel transactions.

Untimely Filing and Processing of Travel Voucher - Section 5.6 of the Regulations for Implementation of Financial Management Act and Public Contract Act of Chuuk State (FMR) requires the traveler to clear travel advances by submitting an approved travel voucher, with appropriate documentations, within ten days upon returning from a trip. The FMR also specifies that within ten days from the submission of the travel voucher, the Travel Section should review the travel voucher and the supporting documents.²

We found that travel vouchers have not been submitted or processed in a timely manner. Specifically, we found that

- 45 percent (33 of 73) of a sample of processed travel vouchers were submitted late. The actual delays of filing travel vouchers ranged from 40 to 169 days.
- 83 percent (39 of 47) of the travelers who attended the 2007 Pacific Educational Conference (PEC) held in Honolulu in July 2007 had not filed travel vouchers at the time of audit fieldwork on November 15, 2007, a delay of approximately 115 days. Several of these travel vouchers were not filed while others were withheld by CFCC. A new requirement of providing hotel receipts to claim the per diem amount contributed to this delay. We learned from the CFCC that the US Office of Insular Affairs –Honolulu Field Office (U.S.-OIA) instructed³ them to implement a new requirement requiring hotel receipt, which conflicted with the Chuuk State travel regulations. This new requirement was later withdrawn.

² The travel regulations also specify that if the trip report and the voucher are not filed, the DAS Director can either withhold the whole amount of the advance from the employee paycheck or initiate legal action to compel the traveler to submit a completed travel voucher within 90 days after returning from the trip.

³ July 3, 2007 letter from U.S.-OIA at Honolulu Field Office addressed to the CFCC.

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- 63 percent (5 of 8) of the travel vouchers received for the 2007 PEC held in Honolulu in July 2007 were not processed in a timely manner. As of November 13, 2007, these five vouchers have not been processed for an average of 80 days.

Delay in submitting or processing of travel vouchers increases the risk that any misused funds will not be detected in a timely manner, thus increasing the risk of abuse and misuse of travel funds. Furthermore, delay in processing of travel vouchers increases outstanding travel advances and may lead to un-collectible amounts.

Failure to Enforce Collection of Due Travel Advances - Section 5.6 of the FMR requires that if there is an amount due and owing to the government, the traveler shall repay the government within 20 working days from the written notification date. If the traveler fails to pay, DAS Director should collect the receivable by withholding the amount from employee paycheck or by legal means within 90 days from the submission of travel voucher.

We found that the Travel Section did not enforce the collection of the outstanding travel advances.

- Based on computer generated printout as of June 8, 2007 from which we selected a sample of employees with outstanding travel advances, we found that none of the 26 sampled employees with total outstanding travel advances of \$80,217 was notified of due accounts. When we requested files of communications with the traveler demonstrating any effort to collect due accounts, the Travel Section was unable to provide any record.
- Furthermore, during the testing of collection of due accounts subsequent to our inspection cut-off period, we found that the outstanding travel advances of these 26 sampled accounts as of June 8, 2007 remained outstanding as of December 11, 2007 six months thereafter.

Because of weak enforcement of collection of outstanding travel advances, the total outstanding travel advances has increased by \$175,273 (58 percent) in one year from \$303,963 at the end of fiscal year 2006 to \$479,236 at the end of fiscal year 2007. In addition, the aging of due travel advances resulted in the decision to write-off overdue accounts amounting to \$119,364 due to various reasons such as death, inactive employment, and unknown whereabouts of the traveler.

Employees With Outstanding Travel Advances Were Given Additional Advances. – Section 5.6 of the FMR denies additional advances to employees who failed to submit a completed travel voucher until said completed voucher is filed. Further, existing policy in Chuuk also indicated that any travel advances of more than 60 days should not be eligible for additional travel advance.

We found that the Travel Section did not enforce the above provision. Specifically, we found that:

- 59 percent (41 of 69) of sampled Travel Advances were made to employees with existing travel advances.
- 21 employees with total outstanding travel advances of \$77,187 as of June 8, 2007 had more than two outstanding accounts. Of these accounts, \$64,679 represents additional

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advances that could have been avoided had the Travel Section properly monitored travel advances.

- 29 percent (6 of 21) of the employees with two or more travel advances were able to obtain travel advances more than four times after their first outstanding travel advances.

The effect of allowing multiple travel advances is an increased risk of abuse of travel funds because the un-liquidated travel advances would likely become un-collectible due to various reasons such as employee's death, termination from employment, or relocation to other places.

Travel Section Is Not Following the FMR And Other Prudent Practices —The Travel Section is required to abide by the various requirements. Article VI Section 2(ii) of the FSM/US – Fiscal Procedures Agreement⁴ (November 4, 2002) requires that accounting records should adequately identify the source and application of funds provided for all sector grant activities. Moreover, prudent accounting practice requires that official files and records of financial transactions be updated, accurate and available for inspection. Prudent government practice also requires that the traveler must obtain the department's authorization and approval of travel vouchers and advances to ensure that funds are relevant to government operations and that only 80 percent of per diem and other non-special allowance and non-flight costs can be advanced to the traveler. Furthermore, accounting and government practices require that TAs and the corresponding expenses be charged to the appropriate funding source and travel expense account (object class) to reflect accurate accumulation and accounting of expenditures and encumbrances for travels. All expenditures should be classified to the correct object class and transaction code to ensure that only authorized and relevant transactions are expensed and controlled for budget monitoring purposes.

We found instances of non-compliance which included keeping inadequate records, processing unauthorized transactions, miscalculating travel advances, processing travel vouchers without adequate documentation and mischarging to accounts.

- We found that the Travel Section did not maintain accurate and updated records of outstanding travel advances. Specifically, we found that
 - Of the 22 sampled employees with outstanding balances of \$ 90,913, none of them had up-to-date file that contained copies of acknowledged TAs, vouchers supporting outstanding travel advances and/or notification of overdue account. As a result, we were unable to review and compare the schedule of travel advances with supporting TAs and vouchers to determine the accuracy of each account in the schedule.
- We found cases in which the Travel Section processed and paid travel advances and claims without authorization and approval of the Accounts Payable Voucher (APV) by DAS Director or his designee. Specifically, we found that

⁴ Part of Amended Compact (2004-2023) between the Government of the United States of America and the Government of Federated States of Micronesia

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- 22 percent (15 of 69) of sampled travel advances were not approved (on APVs) by the DAS Director or his designee.
- 18 percent (13 of 73) of sampled travel claim vouchers were not approved (on APVs) by the Director of DAS or his designee.

As a result, the government is not ensured that travel funds were spent only for relevant expenses.

- The Travel Section was not strictly implementing the existing practice of restricting the amount of travel advances to a traveler. The existing practice allows that a traveler can advance only 80 percent of the total per diem amount and 100 percent of other special allowances and non-flight costs. Specifically, we found that
 - 23 percent (16 of 69) of sampled travel advances were paid to travelers greater than what is allowed for an advance. For example, three (3) TAs were fully advanced to the traveler, including the airfare, instead of only 80 percent advance.As a result, travel advances were higher than allowed increasing the risk of misuse of funds.
- The Travel Section paid travel vouchers that did not contain adequate documentation. Specifically, we found that
 - 36 percent (26 of 73) of the sampled travel vouchers did not contain adequate supporting documentation. Examples of inadequate documentation include a car rental receipt in the name of a person other than the traveler and missing receipts for conference registration fees.As a result, the government is not ensured that travel funds were spent only for relevant expenses.
- We found that the Fund Control Section within DAS was not consistently charging travel expenses to the travel expense account and fund organization. Specifically, we found that
 - 33 percent (24 of 73) of sampled travel advances were charged to non-travel expense accounts such as Training, and Contractual Services. These misclassified travel expenses amounted to \$41,976 in fiscal year 2006 and \$26,568 in fiscal year 2007.
 - Two TAs to recruit a tax advisor were charged to a federally funded program for Bilingual Education instead of charging them to DAS accounts that were funded under Capacity Building Grant.As a result, the travel expense account in the books was understated while other accounts (e.g. training and contractual services) in which travel costs were recorded were overstated. Thus, these conditions increased the risk of abuse and misuse of travel funds.

Causes and Recommendations

One of the causes of non-compliance was the absence of single and updated regulations on travel. There are three existing policies at Chuuk State governing travel including (1) Manual of

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Administration signed and approved by the late Governor Aten; (2) Administrative Directive 93-05 signed and approved by Governor Gouland; and (3) Regulations for Implementation of Financial Management Act and Public Contract Act (FMR) dated November 2, 2004 and approved by Governor Walter. Per interview with staff, the Travel Section has been using Administrative Directive 93-05 as guide in processing of travel transactions during the period under review. However, Chuuk State Attorney General, in response to ONPA inquiry, issued a legal opinion stating that FMR of 2004 is the valid, current, and applicable regulations that should be followed in processing of travel transactions.

In addition to the confusion over the travel regulations, we observed that the Travel Section lacked guidelines, checklists, and monitoring techniques. Further, the absence of updated and communicated written job duties and responsibilities contributed to weakness in effectively performing their respective functions. Travel personnel's written job duties did not include key functions such as preparation and review of aging report for outstanding Travel Advances, notification of the traveler that a travel advance became due, enforcement of collection of overdue Travel Advances, and monthly reconciliation of the total of subsidiary ledgers with corresponding controlling account in general ledger.

Furthermore, a new requirement which conflicted with the existing regulations and mandated hotel receipts in support of the per diem amount contributed to the untimely submission and processing of travel vouchers from the 2007 PEC participants. According to the CFCC, the letter from the U.S.-OIA about the new requirement was provided to the DAS prior to travel and was attached to each traveler's TA.

We recommend that the Chief of Finance or his designee should:

1. Review current Travel Section policies to ensure that they are aligned with the FMR of 2004, the current travel regulations per Chuuk State Attorney General.
2. Issue guidelines to properly charge the expenses that are related to conferences and training.
3. Review the functioning of the Travel Section and develop procedures to monitor the compliance with regulations. These procedures should include aging reports, collection status of due accounts, and reconciliation of subsidiary ledgers. *See Appendix II for additional suggestions for the functions of the Travel Section.*
4. Develop TA and travel voucher exception checklists for use by Travel Section personnel to identify relevant regulations and the compliance measures with respect to authorization, approval, computation, and valid documentations. By noting exception(s) in the course of transaction processing, the checklist could be used to communicate exceptions for proper resolution to travelers, reviewers and approving officer.
5. Use the Travel Advances Logbook to monitor the travel advances by inserting additional columns on the logbook such as due date, actual liquidation date, and liquidation

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voucher/journal voucher reference, to close the travel advances. This information would provide easy identification of travel advances that are pending for liquidation.

6. Update the job duties and responsibilities of Travel Section personnel to cover all required functions regarding the processing and management of travel advances and expenses.
7. Promote understanding of the regulations by conducting periodic training sessions for the entire staff of the Travel Section and concerned staff in other sections within DAS (e.g. Fund Certification, Payables, and Reconciliation).

We also recommend that the CFCC, an entity created by Chuuk State Legislature, refrain from implementing new travel requirements outside of the normal process of promulgating new policy requirements for the State Government. We further recommend that any new proposed policy should be submitted to the appropriate Chuuk authority for review and comment. Further, if a new requirement is to be implemented, then ample time should be given to disseminate such requirement throughout the State Government to ensure that everyone is properly informed prior to taking effect.

2. Absence of Policies and Regulations Exposed Travel Funds to Abuse

Lack of policies, guidelines, and state regulations caused the Travel Section and concerned departments' failure to exercise proper accountability in the use of travel funds. Specifically, lack of evidence of conference attendance, unjustified length of travel, lack of competitive quotes for travel beyond Guam and Honolulu and inappropriate training participation, increased the risk of abuse of funds.

Absence of Certificates or Conference Attendance - Prudent practices in government travel require submission of a certificate or attendance record as evidence for attending a conference, training, or similar events. This requirement would ensure that funds were used for authorized reasons.

We found that the Chuuk State FMR does not require that a certificate or an attendance record be attached to a Travel Voucher or be checked when the travel involved seminars, trainings and similar events to verify that a traveler actually attended the conference as authorized.

We obtained confirmation of the Chuuk employees' participation in the PEC through an official of the program. However, the official added that there was no established procedure for recording attendance during the conference. Thus, we could not verify whether the 107 travelers for the 2006 and 2007 PECs, with estimated total travel costs of \$316,967, actually attended the various segments of the conference.

As a result, the State may have incurred unnecessary travel expenses.

Unjustified Length of Travel- Prudent travel practices require that a traveler should be in travel status (with paid per diem) not longer than the assignment requires unless properly justified.

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We found that the Chuuk State FMR does not require justification of extended travel length beyond that needed for stated purpose of the trip. We found that 32 percent (23 of 73) of travel vouchers reviewed had longer travel periods than what was necessary for the stated purpose of the trip. These long travel periods compared to the actual conference days were not justified either on TAs or on travel vouchers. For example,

- 16 TAs to attend a 4-day 2006 PEC in Palau were approved with paid per diem for 10 to 15 days when the reasonable travel period for the conference was only 7 days including travel time. Although the 4-day conference started on July 11, 2006 and ended on July 14, 2006, these travelers departed for conference as early as July 6, 2006, five days ahead of the conference and returned on July 19, 2006, four days after the conference was completed. The estimated per diem cost for the unjustified portion of the travel period (average of 6 days) for these 16 TAs was \$11,136.
- A traveler who attended a 3-day Pacific Rim Conference on Disability was paid full per diem for 14 days in Honolulu. The state incurred an estimated per diem amount of \$1,248 for the unjustified portion of the travel period. This was equivalent to 8 days after verifying that the reasonable period for the trip was 6 days including travel time.

As a result, the Chuuk State may have incurred unnecessary travel expenses.

Absence of Quotations in the Procurement of Airline Tickets - The government's policy is that purchases, including acquisition of airline tickets, should be done in accordance with established competitive procurement and bidding requirements. Where it involves Compact funds and other federal program funds, the concerned state department should obtain price quotations from several travel agencies including airline carriers whenever travel is anticipated beyond Guam or Honolulu.

We found that Chuuk State travel regulations do not require multiple quotations for travel destinations beyond Guam and Honolulu. In our testing of travel expense reports, we noted eight instances of travels beyond Guam and Honolulu that lacked airfare quotations from other airline companies or travel agencies. These travel destinations were to US Mainland and the Philippines.

As a result, the Chuuk State was not able to realize possible savings from available lower fares.

Inappropriate Participants in Training/Conference - Prudent government travel practices require that employees be granted authorization to attend conferences, seminars, and similar events only when it is relevant to the employee's job duties and responsibilities and will help the employee acquire the necessary knowledge and skills to effectively perform assigned duties and responsibilities.

We found that Chuuk State travel regulations do not require approved justification for travel to attend conferences, seminars, and training events. We found 11 cases of travelers who inappropriately attended trainings or conferences. Either the traveler's job duties did not have any relevance to the training attended, or the traveler already possessed the skills offered by the

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training as it is the basic skill they should have to qualify for their current job positions. For example, we found

- Four TAs for computer operators to attend Basic Microsoft Office Training for \$8,801. Note: a computer operator should have basic knowledge of MS Office.
- Four TAs to attend 2006 PEC for \$10,434. Although the courses at PEC were intended for teachers, these travelers were a secretary, computer operator, administrative officer and DOE administrative staff.

As a result, the Chuuk State incurred unnecessary travel costs amounting to \$30,180 for the 11 cases of inappropriate participation in the training and conference noted.

Cause and Recommendations

The lack of policies or regulations regarding these control deficiencies contributed to the failure of the Travel Section and the concerned approving officers to ensure that travel funds were used economically and responsibly.

We recommend that the DAS Director, in coordination with other departments, update and implement travel regulations that take into account appropriate controls and prudent practices with respect to travel. Such updates in the regulations should include the following:

1. Require certificate or attendance record from travelers who attend seminar, training, conference, and similar events as an attachment to the travel voucher.
2. Require written and approved justification when the actual travel period is longer than the assignment requires.
3. Require the submission of multiple quotations in the procurement of the airline tickets for travels beyond Guam and Honolulu;
4. Require written and approved justification for travel to attend conferences, seminars, and training events.

In addition, we provided suggestions regarding internal controls on travels in *Appendix II* for consideration in developing and/or updating of travel regulations.

3. Training Alternatives Could Improve the Effectiveness of Travel and Training Fund

Chuuk State DOE could improve the effectiveness of its travel and training funds by considering alternatives to sending large number of participants to travel for conferences and trainings. Prudent government practices require that travel and training funds be spent in an economical manner. Alternatives to sending large number of participants include bring-the-trainer, train-the-trainer and obtain training locally.

Costly Travel for Large Delegations to Conferences Abroad – Chuuk State DOE has been sending large delegates to the annual PEC. As claimed by the organizer, this conference provides opportunities for professional development to educators, policymakers, and other stakeholders

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from across the Pacific region each year. Table No. 2 in the subsequent page illustrates that Chuuk State spent an estimated total amount of \$316,967 for the two conferences covered by our inspection. Of this total estimated amount, \$135,216 (43 percent) was spent for per diem, \$165,426 (52 percent) for airfares, and \$16,325 (five percent) for registration fees. The total amount of \$300,642, which was spent for per diem amount and airfares during the two conferences, could have been used more wisely for local training that would benefit a greater number of teachers who need training and development. Therefore, we believe that an informed, prudent person would reasonably conclude that travels involving large delegations, in which substantial amount of funds was allocated to per diem and airfares that absorbed 95 percent of the total travel cost, were not only inefficient (costly) but also self-serving.

Table No. 2 Analysis of PEC Conference Estimated Costs
Fiscal Years 2006 and 2007

Conference/Place	No of Participant	Actual Seminar Days	Estimated Per Diem Amount	Airfare	Total Registration Fee	Total
2006 PEC - Palau	60	4	\$ 76,560	\$ 82,607	\$ 8,100	\$ 167,267
2007 PEC - Honolulu	47	4	\$ 58,656	\$ 82,819	\$ 8,225	\$ 149,700
Total	107	8	\$ 135,216	\$165,426	\$16,325	\$ 316,967

Source – File of TAs and travel vouchers from DAS

Costly Travel in Sending Non-teachers to PEC Conferences Abroad—Although the PEC conferences are intended for teachers, Chuuk State DOE approved a large percentage of non-teacher delegates. For example, 70 to 75 percent of the Chuuk State DOE delegates were non-teachers in both 2006 and 2007 PECs.

- In the 2006 PEC, the teachers accounted for only 25 percent (15 of 60) of the Chuuk delegates and the remaining 75 percent (45 of 60) was composed of administrative officers and staff of DOE. The Chuuk State spent an estimated amount of \$125,451 in sending the administrative officers and staff to the conference.
- Similarly, for the 2007 PEC, the teachers accounted for 30 percent (14 of 47) of the Chuuk delegates and the remaining 70 percent (33 of 47) was composed of administrative officers and staff. The Chuuk State spent an estimated amount of \$105,109 in sending administrative officers and staff to the conference.
- Twelve administrative staff and officers at DOE attended both of the conferences.

The Education Specialist at the Honolulu Office of U.S. DOI-OIA also expressed concern about the DOE fiscal officers and administrative personnel attending the PEC. In her email dated June 27, 2007 approving the 2007 PEC participants, she said that the PEC, “.... is for educators who would learn something for later use in classrooms and who would in turn conduct similar sessions at home for those not able to attend”.

Since the PEC course contents are intended for teachers, we question the decision to send large numbers of administrative officer and staff to the conference.

Costly Travel for Courses that Could Have Been Obtained Locally--We noted that Chuuk State DOE could have saved funds by locally obtaining Microsoft Office training instead of sending

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employees off island for the same training. Specifically, DOE spent about \$55,377 to provide various levels of Microsoft Office trainings to send 20 employees to Pohnpei. DOE could have saved an estimated \$34,552, (\$22,491 for per diem and \$12,061 for airfares), had the employees received said trainings locally. See Table No. 3 in the subsequent page for more information. The College of Micronesia- Chuuk State formally confirmed that they offer Microsoft Office training services. Furthermore, DOE could have used the savings of \$34,552 to finance similar trainings of an additional of 42 personnel based on average registration fee of \$800 per participant.

Table No. 3– Breakdown of Travel Costs for Microsoft Training at Pohnpei, FY 2007

Dates of Training	Jan 29-Feb 03	Feb 05 – Feb 09	Feb 12 – Feb 17	Feb 19 – Feb 24	Total
Microsoft	Introduction Level 1	Intermediate Level 2	Intermediate Level 2	Advanced Level 3	
	Word, Excel, PowerPoint	Word, Excel, PowerPoint, Publisher	Word, Excel, PowerPoint, Publisher	Excel, Access Publisher	
Total Participants	5 (a)		12	3 (b)	20
Costs					
Diem	\$ 7,854		\$ 12,138	\$ 2,499	\$ 22,491
Airfare	3,446		6,892	1,723	12,061
Registration Fee	4,650		9,300	2,325	16,275
Total Costs	\$ 15,950		\$ 28,330	\$ 6,547	\$ 50,827

Source – Estimated from an analysis of DAS travel voucher file.

(a) Same participants for level 1&2

(b) There were 6 participants but 3 extended from level 2 without an additional registration fee.

The travel and training funds could have been spent more wisely had options been explored before sending large number of participants overseas. DOE could have considered the following options:

- Train-the-Trainer—under this option, DOE could send a limited number of participants who in turn are resource persons in sharing or cascading back to others the knowledge and skills learned at the conference.
- Bring-the-Trainer—under this option, DOE could negotiate and hire consultants and bring them in the state as resource persons for similar topics that are offered in the conference.
- Obtain Training Locally—under this option, DOE could negotiate and hire local experts such as the College of Micronesia staff to provide the course.

Causes and Recommendations

Lack of regulations and inadequate selection criteria for attendees in trainings and conferences contributed to costly travels in sending large delegations out of state. The DOE failed to consider economical options such as train-the-trainer, bring-the-trainer, and source the training locally.

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We recommend that the DOE Director establish policies to:

1. Exercise options whenever trainings or conferences involve large delegations or when training would be held out of State. These options could be train-the-trainer, bring-the-trainer, local outsource and others.
2. To limit sending of large delegations in a conference, implement selection criteria that would only allow appropriate personnel to attend trainings and conferences.

We recommend that the Director of DOE should:

3. Reduce its budget for travel outside of Chuuk and allocate more of the annual budget funds for monitoring within the State and provide local trainings to benefit teachers and students.

We recommend that the Board of Education for Chuuk State should:

4. Monitor the use of DOE's training funds to ensure that they are productively used to build the capacities of teachers and obtain certificates and degrees as required by the National Government Department of Education.

4. Existing Practice Overpays Travelers for Last Day of Expenses

Although prudent government practices require that the government only reimburse staff for expenses incurred, the Chuuk State travel practice allows the payment of full per diem for the last day of travel even though the traveler returns home much earlier.

We noted that the per diem on the last day of the trip was computed on full per diem covering full day meals and accommodations irrespective of actual return time from trip. This means that even though the traveler returned from the trip before the end of the day and did not incur an accommodation expense for that day, the traveler still received the full amount of per diem. We found this practice not consistent with the basic principle of receiving reimbursement only for actual expenses incurred.

The Travel Section Logbook in Chuuk State registered 1,100 and 700 total trips during the fiscal years 2006 and 2007, respectively. If, hypothetically, the State uses an estimated per diem rate of \$40 for meals only on the last day, the State could have saved \$79 per day (\$119 minus \$40, based on a minimum \$119 per diem) for a total savings of \$86,900 and \$55,300 during the fiscal years 2006 and 2007, respectively. Therefore, by providing meal allowance only on the last travel day, Chuuk could have saved an estimated amount of \$142,200 for the two fiscal years under inspection.

Cause and Recommendations

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The Chuuk State current practice provides the travelers with more per diem on the last day of travel than is needed to cover meals.

We recommend that the Director of DAS update the travel regulations to provide clear guidelines in computing the per diem amount during the duration of the trip and to provide adequate reimbursement to travelers on the last day of travel just to cover meals and miscellaneous expenses and without the accommodation costs. In this regard, there should be standard meal allowance for breakfast, for lunch and for dinner.

5. Travel Advance Subsidiary Ledgers Not Reconciled with General Ledger

For receivable accounts like travel advances, the generally accepted control procedure is to maintain a subsidiary ledger (SL) for each employee receivable account and periodically total all subsidiary ledgers and reconcile the total with the corresponding controlling account in the general ledger (GL).

We found un-reconciled discrepancies between travel advances SL and GL totals amounting to \$442 and \$261,557 during FY 2006 and FY 2007, respectively, as shown in Table No. 4.

Table No. 4 SL versus GL Totals of Outstanding Travel Advances
FY 2006 and FY 2007

Fiscal Year	Per SL	Per GL	GL (Over)/Under
2006	\$ 303,521	\$ 303,963	(\$ 442)
2007	\$ 217,679	\$ 479,236	\$ 261,557

Source – DAS file

As a result, the correctness of the total travel advances is questionable.

Cause and Recommendations

The un-reconciled discrepancy was due to failure to perform the reconciliation procedures between the total of travel advances SLs and the controlling account in the GL.

We recommend that the Chief of Finance under the DAS should:

1. Ensure that the discrepancies above are reconciled and adjusted.
2. Perform monthly reconciliations of the travel advances SL and its controlling account in the GL

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Appendix I

Processing of Travel Advances and Travel Vouchers

Chuuk State Compact Funds Control Commission (CFCC)

The Chuuk State Legislature established the CFCC to provide greater reliability in amended Compact funds paid by the DAS. After the DAS has processed a transaction, CFCC reviews and approves it to provide additional assurance that funds are available and expenditures are proper. Effective fiscal year 2006, all expenditures funded by sector grants and Supplemental Educational Grant (SEG) under the amended Compact were checked and reviewed by the CFCC prior to disbursement or payment.

Processing of Travel Authorization

The traveler prepares a TA Form indicating all required information such as mode of travel, itinerary, estimated costs, travel purpose, and fund source. The concerned Department Head then signs that TA indicating approval and forwards to the Funds Control Section for review. The Funds Control Section certifies budget availability and forwards the Sector/SEG TAs to CFCC for review and approval. CFCC forwards the signed TA to DAS Director for approval. If approved by the DAS Director, the TA then goes to the Governor for final approval.

Processing of Travel Advance

Once the Governor approved the TA, it is forwarded to the Travel Section. The Travel Section initiates and/or reviews the computation of travel costs then verifies if the traveler has any outstanding travel advances. If no exception exists, an Accounts Payable Voucher (APV) is prepared and forwarded, with the approved Sector/SEG TA, to CFCC for verification and approval of the travel advances. If approved by the CFCC, the APV and TA are forwarded to the DAS Director for final approval before check printing at the DAS.

Processing of Travel Voucher

Processing of Travel Voucher is specified in the DAS travel regulations. The regulations specify that within 10 days after completion of travel, the traveler must prepare a travel voucher attaching the original TA, original receipts and boarding passes, and other documents related to the travel. The regulations also specify that within 10 working days after receiving the travel voucher, the Travel Section must review the travel voucher, trip expense report, and other supporting documents.

The Travel Section then forwards all Sector/SEG Travel Vouchers to CFCC for review and approval. If approved by CFCC, the Travel Voucher is sent back to DAS for final approval by the DAS Director and check printing for the claim (travel advance is less than actual expenses). However, if the travel advance amount is greater than the actual expense (overdrawn), the Travel Section is required to notify the traveler and take the necessary means to collect the overdrawn amount. The regulations require that the traveler has 20 working days from notification date to clear the overdrawn amount. If, however, the traveler fails to clear the overdrawn amount within the specified period, the Travel Section is required to initiate collection within 90 days from the submission of the travel voucher by deducting payments from the traveler's paycheck or by other legal means.

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Appendix II
Observation on Internal Controls on Travel

We suggest that the following internal control procedures should be considered when developing and/or updating policies and procedures for travel.

DAS should consider:

1. Updating the job duties and responsibilities of the staff within the Travel Section to include:
 - a. Maintaining individual subsidiary ledger for receivable arising from travel advances;
 - b. Reconciling the total of travel advance subsidiary ledgers with the controlling account in the general ledger book every month;
 - c. Generating monthly aging report of Travel Advances receivables;
 - d. Returning vouchers for travel advances, liquidation or claims with incomplete documentation;
 - e. Ensuring that travel advances are only provided to travelers without an existing outstanding travel advance;
 - f. Notifying the concerned employee and the Payroll Section that due travel advances will be collected through salary deduction every month as necessary.
2. Updating the 2004 Financial Management Regulations (FMR) on travel for the following areas:
 - a. Requiring the presentation of the original receipts of documents to support travel expenses (note: this requirement was not made clear in the existing regulations);
 - b. Providing a limit as to amount that a traveler should receive as an advance for travel allowances (note: the existing practice on 80 percent limit was not made clear in the 2004 FMR)
 - c. Providing a grace period for the validity of approved but un-issued travel advances;
 - d. Rejecting vouchers if complete documentations are not provided at the time of travel expense report liquidation;
 - e. Eliminating the 60-day or 90-day collection period in the policy such that any excess amount of travel advances is due and demandable within 10 days after returning from trip;
 - f. Requiring that alterations of information or amount on vouchers and TAs be initialed by the traveler and by the approving officer to ensure that such changes are approved;
 - g. Suspending or deducting from claims the expenses not allowed in the regulations or not properly supported by receipts during claim computation; and,
 - h. Requiring that any person traveling by an indirect route shall assume extra expenses incurred unless reasonably justified.

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Appendix III
Response from the Vice Chairman of CFCC

COMPACT FUNDS CONTROL COMMISSION

P.O. BOX 1345 • WENO, CHUUK • FM 96942
PHONE: 691.330.4605 / 4960 • FAX: 691.330.4763

MEMORANDUM

August 6, 2008

To: Nakama Sana, Auditor in Charge
From: Alan Burnham, Vice Chairman
Subj: Audit Report No. 2008-6
Inspection of Chuuk State Travel Section

Greetings Nakama,

All of us at CFCC want to thank you for taking time to come to our office to discuss issues in the Travel Section Inspection Report. Your suggestions will help us in our compliance review efforts concerned with Chuuk State Travel Regulations.

I would like to comment that I can not find support in the Chuuk FMR for the statement below concerning per diem for the entire last day of travel. The FMR authorizes per diem but does not specify how it is to be calculated other than the rate to be used.

Report, Page 16: Travel Regulations overpay Travelers for Last Day of Expenses

Although prudent government practice requires that the government only reimburse staff for expenses incurred, the Chuuk Travel Regulations specify that per diem costs be calculated for the entire last day of travel, even though the traveler returns home much earlier.

FMR 5.5.c., Page 14:

Per Diem. Authorized travelers shall be entitled to receive per diem allowance at the rate established by the Director. For high cost cities, and in special circumstances, the government may pay 100% for cost of lodging and half of the per diem, subject to approval by the Director.

I'll appreciate your comments.

Thank you,


Alan Burnham


NICK ANDON, CHAIRMAN
ALAN BURNHAM, VICE CHAIRMAN
GILLIAN DOONE, DEPT.-ADMIN. SERVICES

NOHA RUBEN, GENERAL PUBLIC
IGNACIO STEPHEN, PRIVATE SECTOR
JULIO MARAR, HEALTH SERVICES SECTOR

*See ONPA's
Response in
Appendix VI*

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Appendix IV
Response from the Chairman of Board of Education



BOARD OF EDUCATION
CHUUK STATE SCHOOL SYSTEM
Weno Chuuk
Federated States of Micronesia

August 8, 2008

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Chairman
Mortlock Region

Sanphy William
Vice Chairman
Southern Namoneas

Johannes Berdon
Secretary &
Treasurer
Northern Namoneas

Tomokichy Aisek
Member
Faichuk Region

Anaina Kony
Member
Northwest Region

Alvior William
Expert in
Education field.

John Martin
Member
Private Schools

Arthur Hainrick
Member
Public Schools

Saffo A. Sony
Director of
Education

Nakaman Sana
Office of National Public Auditors
Chuuk State
Weno, Chuuk FM 96942


Dear Mr. Sana,

I just received the report late yesterday August 7, 2008. However, as the chairman of the Board of Education, I would recommend that all TAs for Chuuk State Department of Education be reviewed by the Board. I therefore propose a procedure to follow in processing TAs.

All department of education employees travel authorizations would be processed three weeks prior to the actual date of travel. This will allow the Board and the respective offices involved humble time to review the document in a timely manner. Along with the recommended control guidelines, the board further recommends that although fund for travel available in the department yearly approved budget, travel would be limited to minimal.

For the PEC, from the 90s, until now we did not realize any significant improvement in the students' learning outcomes as a result of the pacific educational conference. The board recommendation is to cease chuuk full participation in the conference. Perhaps number of participants would be reduced to five or seven is the most or no participants at all. Let us focus particularly on interstate travel (workshop, conference, teacher training and teaching material development in the schools).

kinnessou chapwuur,


Peter Sistra
Chairman, Board of Education, Chuuk

RECEIVED
8/11/08 10:00 am
FSM Public Auditor's Office
Chuuk Field Office

See ONPA's Response in Appendix VI

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Appendix V
Response from the Director of DOE



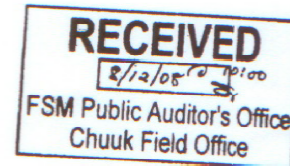
FEDERATED STATES OF MICRONESIA
OFFICE OF THE GOVERNOR
State of Chuuk
Weno, Eastern Caroline Islands 96942

TELEX ADDRESS
FAX NUMBER (691) 339-2004

Sanfio A. Sony
Director of Education

Joseph Kasian
Deputy Director of Education
August 08, 2008

Mr. Nakama Sana
Auditor
FSM National Public Auditor
Chuuk Field Office



Dear Auditor Sana:

It is indeed a pleasure for me to be given the chance to make comments of your audit finding with respect to travel for the Chuuk Department of Education. To admit, this is the first time I have to make comments over audit finding, and I believe because of the fact I am the Director of Education at this time.

As I read the findings I do have some comments. Since most of the findings talked about Chuuk DOE staffs attending PEC, I will try to explain what the Pacific Education Conference is so that we have the clear understanding of it. The Pacific Education Conference is for all educators and stakeholders including parents, community leaders, school administrators, teachers, accountants, secretaries, and really those people who work for education of the school children. It is not only for teachers, although we would want to involve majority of teachers because of their direct involvement with the students in the classrooms. It should be understood that not only teachers are teaching the school children. One education scientist said, "it take the whole village to educate a child".

The Pacific Education Conference being a one and may be one of the two biggest education Institutions in the Pacific offers these kinds of professional development and training for us the educational Pacific entities. Education is not only a responsibility of teachers and education staffs but all people who affects lives of school children. Therefore, it is necessary that other staffs will also participate in educational conference.

The accountants and administrative officers have training and workshops for them. There are consultants from the Department of Education at the conference who offer training and workshops for administrative people and also offer workshops on the use and regulations of federal programs including the compact and the supplemental education grants.

*See ONPA's
Response in
Appendix VI*

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Appendix V Continued
Response from the Director of DOE

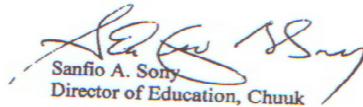
*See ONPA's
Response in
Appendix VI*

In as far as going before and coming back after the conference, it is due to travel arrangement with the airlines, or travel agencies. The big problem we have in terms of travel arrangement is the lack of support of the finance people. We have tried and failed several times to meet the reservations requirements, but mostly failed because of the last minute payment of tickets.

Last but not the least, Chuuk Department of Education is a member of the Pacific Resources for Educational Learning (PREL). We are part of this organizations as a pacific education entity which constitute PREL. PREL has provided different kinds of assistance to the pacific including Chuuk. The Pacific Island Bilingual and Bicultural Association is one Pacific Educational Organization that provides assistance in bilingual education and culture. One last note that I want to mention is the fact that international travels in fiscal year budget 2009 is not proposed, except when the Director of his designee is traveling to attend JEMCO meeting in Hawaii or the United States Mainland. Most travels are in state or interstate. I would also like to mention that most travels are for staffs or professional development, except other meetings and conference that we are required to attend. I would suggest that such travel regulations are disseminated for us to know.

I thank you very much.

Respectfully yours,


Sanfilio A. Sony
Director of Education, Chuuk

File

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Appendix VI
ONPA's Comments on Auditee's Response

CFCC Vice Chairman's Response to the Findings and Recommendations

Summary of Management Comments - The Vice Chairman of CFCC did not have any disagreement with the findings and recommendations in the draft report. However, he corrected the statement in the draft audit report which stated that Chuuk Travel Regulations specify that per diem costs be calculated for the entire last day of the travel.

ONPA Response - In the final audit report, ONPA corrected that the full per diem amount during the last day of the travel was made as a practice rather than as specified in the travel regulations.

Board of Education Chairman's Response to the Findings and Recommendations

Summary of Management Comments - The Chairman of Board of Education did not have any disagreement with the findings and recommendations in the draft report. However, the Chairman made further recommendation that the Board should review all Travel Authorizations (TAs) for Chuuk State DOE.

ONPA Response - ONPA did not consider the recommendation because the function of approving daily transactions is a management and not an oversight role. As created by the Chuuk State Constitution, the Board of Education has an oversight function which includes providing oversight control and direction through formulation of policies and adoption of rules and regulations for the Chuuk State education system.

DOE Director's Response to the Findings and Recommendations

Summary of Management Comments – The Director of DOE provided clarifications on some findings in the draft report as follows:

Re: *Inappropriate Participants in the PEC*
Costly Travel for Large Delegations to Conference

1. The Director of DOE explained that PEC is for all educators and stakeholders including parents, community leaders, school administrators, teachers, accountants, secretaries and those people who worked for the education of the children. PEC is not only for teachers but also offers trainings and workshops for accountants and administrative officers.

Re: *Unjustified Length of Travel*

2. The Director of DOE said that the failure to make timely reservations was due to lack of support from Finance Office. The unjustified length of travel was caused by reservations not being made because of the habit of paying the airline tickets at the very last minute.

Re: *Others*

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3. International travels are no longer included in the FY 2009 proposed budget except for travels such as those to attend JEMCO meetings, staff travels as part of the job functions, professional development, or necessary meetings and conferences.

ONPA Comments

1. In his response, the DOE Director justified sending many participants to PEC as appropriate but failed to address the issue of prudent spending to meet all the training needs of all teachers. So, ONPA retains the related findings and the recommendations.
2. The unjustified length of travel has to be controlled because it results in unnecessary travel expenses. However, the DOE Director did not directly provide clear recommendation on how this could be avoided. So, ONPA retains its recommendations that a policy be implemented requiring written and approved justification when the travel period is longer than the travel requires.
3. ONPA welcomes the move to cut travel abroad. However, this budget cut can only be effective if the concerned officials would ensure accountability and productive uses of the saved funds.

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NATIONAL PUBLIC AUDITOR'S COMMENTS

We would like to thank management and staff at DAS (Travel Section, Funds Control Section, Budget Office and Finance Office) and CFCC for their assistance and cooperation during the course of the review.

The Office of the National Public Auditor (ONPA) will perform a follow-up review within the next 6-9 months to ensure that DAS and the concerned departments have taken corrective measures to address all the findings and recommendations provided in this report.

In addition to providing copies of this report to the President and Members of the Congress, we also sent copies to the following officials:

- Governor & Lt. Governor, Chuuk State
- President, Speaker and Members of Chuuk Legislature
- Secretary of Finance and Administration, FSM National Government
- Secretary of Education, FSM National Government
- Director, Department of Administrative Services, Chuuk State
- Director, Department of Education, Chuuk State
- Chief of Finance and Accounting, Chuuk State
- Chief of Budget, Chuuk State
- Vice Chairman, Compact Funds Control Commission, Chuuk State
- Chairman, Board of Education, Chuuk State

Furthermore, we will make copies available to other interested parties upon request.

If there are questions or concerns regarding this report, please do not hesitate to contact our office. Contact information for the Office along with the ONPA staff who made major contributions to this report can be found on the last page of this report.



Haser H. Hainrick
National Public Auditor

August 28, 2008

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ONPA CONTACT AND STAFF ACKNOWLEDGEMENT

ONPA CONTACT

Haser H. Hainrick, National Public Auditor
Email: hhainrick@fsmopa.fm

ACKNOWLEDGEMENTS

In addition to the contact named above, the following staff made key contributions to this report:

Manuel L. San Jose Jr., Audit Supervisor
Nakama Sana. Auditor-In-Charge
Ivan Alafanso, Staff Auditor

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