

**INSPECTION OF THE FSM CONGRESS BUDGET**  
**(FY 2005 to 2007, as of July 31)**

**REPORT NO. 2008-03**



**Haser H. Hainrick**  
**National Public Auditor**



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May 5, 2008

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

**Re: Inspection of the Operating Budget of the FSM Congress**

We have completed our inspection of the operating budget of the Congress of the Federated States of Micronesia (Congress) for fiscal years 2005, 2006 and 2007 through July 31, 2007. Our inspection objectives were to determine whether the processes used by the Congress in appropriating and spending its operational budget were sufficient to establish clarity of purpose and promote accountability and transparency in the use of public funds. 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 on Integrity and Efficiency.

Good governance requires the promotion of accountability and transparency in the use of government funds. However, we found that certain processes used by the Congress in budgeting, appropriating and spending of funds for their own operations did not establish clarity of purpose, accountability, and transparency. These observations were particularly noted in Delegation office expense, Representation expense allowance and Official expense allowance, which account for \$1,328,100 (39%) of the Congress budget for FY'07. For example, the process used to allocate budgets for the Delegation Offices is not transparent because it allows lump sum budget appropriations with no details. Further, we found that most of the expenditures are not for the operation of the Delegation Offices. The total amount used for Representation Funds is not transparent because the Senators increased their Representation Funds with funds from the Delegation Office budget and Official Expense Allowances. In addition, we found that the Senators are not following FSM laws regarding conflict of interest issues, use of affidavits, and travel authorizations.

We provided a draft of this report to the Speaker of Congress and to the Secretary of the Department of Finance & Administration for their review and comment. We received their respective comments and noted no major disagreement with our findings and recommendations. Details of our findings and recommendations are presented in the attached report.

Respectfully yours,

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

Haser Hainrick  
National Public Auditor

Xc: Vice President  
Secretary, Department of Finance & Administration  
Director, Office of SBOC

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**INTRODUCTION**

**Background**

The Congress of the Federated States of Micronesia (Congress) is a unicameral national legislature consisting of fourteen (14) members known as Senators:

- (1) Four at-large members, one from each of the States of Kosrae, Pohnpei, Chuuk, and Yap, are elected based on State equality to serve for a 4-year term.
- (2) Ten members serving for a 2-year term are elected based on the population as follows: (a) one Member is elected from Kosrae as a single-member congressional district; (b) one Member is elected from Yap as a single-member congressional district; (c) three Members are elected from Pohnpei, one of whom representing each single-member congressional district; and (d) five Members are elected from Chuuk, one of whom representing each single-member congressional district.

The Congress enacts laws, promotes and protects political interest, economic, health and social welfare development. It works with the States and international communities to come up with strategic plans and programs and strengthens sustainable economic development. In addition, the Congress reviews and ratifies treaties, conventions and agreements with foreign countries to promote economic, health, social, education and political interests. Also, Congress enacts legislation for expenditures of public funds to promote education, health, social and welfare of the people and appropriates funds for public projects.

The Congress has five offices to provide administrative support. The Congress' main office is at the FSM Capital in Palikir, Pohnpei. In addition, it has Delegation Offices in each of the four FSM States of Kosrae, Pohnpei, Chuuk and Yap. The Delegation Offices provide administrative support to Congress Members (Senators) in each State. During fiscal year 2005, total Congress staff was 59 including the 14 Members. In fiscal year 2006 and 2007, total Congress staff was 58 and 57 respectively. Refer to Table 1 for details.

Table 1: Number of Senators and Congressional Staff  
Fiscal year 2005, 2006 and 2007

Office	F Y' 05	F Y' 06	F Y' 07
Main Office			
Senators	14	14	14
Staff	31	30	29
Delegation Offices			
Kosrae staff	4	4	4
Pohnpei staff	2	2	2
Chuuk staff	5	5	5
Yap staff	3	3	3
Total	59	58	57

Source: FSM Budget Books and Public Laws

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The Process for Congress Operating Budget

The operating budget for the Congress receives several reviews. The Congressional administrative and budget staff compile the operating budget for Congress using Budget Instructions as guidelines. The Speaker then reviews and makes necessary comments. Afterwards, the budget is forwarded to the Executive Budget Review Committee for further review, comment, and budget consolidation. Then, the Ways & Means Committee deliberates and recommends approval to the Congress as a whole. Finally, the President approves the budget.

The process for obtaining, expending, and recording funds for Congress is similar to the process used by the other Departments and Offices for the FSM National Government. After the approval of the budget, the Allottee submits a request for budget allotment to the Division of Budget within the Department of Finance and Administration (DF&A)<sup>1</sup>. Upon receipt of the request, the Division of Budget prepares an Advice of Allotment. The Allottee or Sub-Allottee at the Congress incurs the expenditures, prepares a payment request through a memo or Miscellaneous Request form to reimburse or claim payments, and submits such request to DF&A. The DF&A reviews payments and disburses funds upon proper documentations. The DF&A also records the transactions in the accounting records based on the forms and supporting documents such as written receipts or affidavits. This recorded information is then summarized by expenditure categories.

An Allottee or a Sub-Allottee is the one who authorizes and approves the disbursements or reimbursements from the allotted funds. For the Congress, the Speaker is the Allottee of all the funds for the Main Office except for Representation Expense Allowance, which are sub-allotted to each Senator, and Official Expense Allowance, which are sub-allotted to the Officers and Chairmen of the six Standing Committees. On the other hand, the Delegation Chairmen are the Sub-Allottees for the operational funds of the Delegation Offices while each Senator for Chuuk and Pohnpei is the Sub-Allottee for the portion of his share in the Delegation offices funds, e.g. Delegation Expense Allowance.

Distinction for the Term ‘Representation Fund’

The term ‘representation fund’ can be used loosely to refer to anyone of the following three Representation Allowance funds:

(1) *Representation Expense Allowance*

This is the representation fund for individual Senator, which is currently budgeted under the Main Office in the amount of \$35,000 per Senator per year, except in fiscal year 2007 when the amount was increased to \$37,500. The purpose of this fund is to cover expenses incurred in the course of official public relations, entertainment activities or constituent services necessary to advance the purposes and goals of the National Government. This fund is advanced to each Senator at the beginning of the fiscal year and the advance is closed out at the end of the fiscal year through affidavits.

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<sup>1</sup> The Division of Budget has been moved to the Office of Statistics, Budget and Economic Management, Overseas Development Assistance and Compact Management (SBOC).

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Each Senator is the Sub-Allottee for his share of the Representation Expense Allowance.

(2) *Official Expense Allowance*

This is an additional source of representation fund for the officials of the Congress including the Speaker, Vice Speaker, and Floor Leader as well as for the Chairmen of the six Standing Committees. These funds were intended for expenses incurred for goods or services necessary to carry out the official duties of the Officers of Congress and Chairmen of the Standing Committees. The Officers and Chairmen of the Standing Committees are the Allottees and Sub-Allottees of these funds. The amount allocated for each Member for the fiscal years 2005, 2006 and 2007 is given in Table 7 on page 9.

(3) *Delegation Expense Allowance (Delegation Office Budget)*

This is the third source of representation funds, which is budgeted under each Delegation Office. The purpose of this fund is to cover expenses incurred in the course of delegation operations, including, but not limited to, official public relations, travel, entertainment activities or constituent services necessary to carry out the functions of the Congressional Delegations in the FSM States. For Yap and Kosrae, the Delegation Chairmen are the Allottees of the Delegation Expense Allowance. On the other hand, the Delegation Chairmen for Pohnpei and Chuuk are the Sub-Allottees of the common fund for the Delegation Offices while each Delegation Senator is the Sub-Allottee of the Delegation Expense Allowances that are sub-divided among all the Senators. Refer to Table 8 on page 10 for the amounts involved.

Congress Operating Budget

The Congress operating budget is a sub-part of the National Government's budget and is appropriated under one Public Law (PL) with amendment(s) under different PL's. The total Congressional budget for fiscal year 2005 for \$3,343,077 was appropriated under PL 13-46, as amended. For fiscal year 2006, the total budget was \$3,203,226 and appropriated under PL 14-21, as amended. The fiscal year 2007 budget of \$3,412,164 was appropriated under PL 14-80, as amended. Refer to Table 2 below for budget details.

Table 2: Budget, Allotment, Expenditure, and Year-End Balance  
 By Budget Categories for Congress Operations  
 For Fiscal Years 2005, 2006 and 2007 (up to July 2007 only)

Budget Category	Budget Per PL	Reprogram	Adjusted Budget Per PL	Budget Allotment	Encumbrance	Expenditure	Balance at year end
<b>Fiscal Year 2005</b>							
Personnel				\$1,121,510		\$ 1,127,599	(6,089)
Travel				769,267		593,587	175,680
Contractual				830,620		706,825	123,795
Consumables				98,500		137,242	(38,742)
Fixed Assets				45,700		21,181	24,519
Delegation Offices				473,320		470,306	3,014
<b>Total</b>	<b>3,343,077</b>		<b>3,343,077</b>	<b>3,338,917</b>		<b>3,056,740</b>	<b>282,177</b>

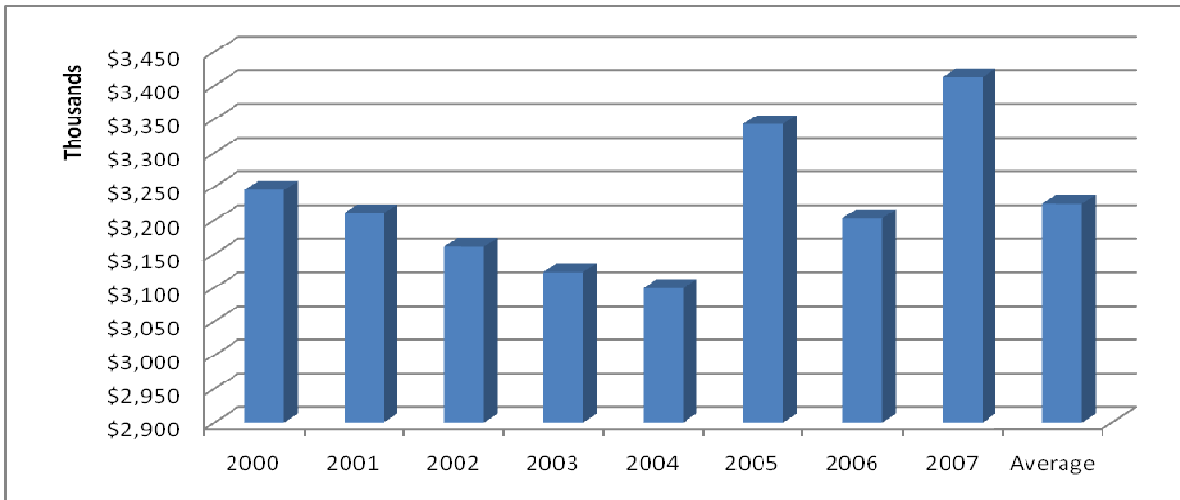
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Fiscal Year 2006							
Personnel	1,143,314		1,143,314	1,143,314		1,126,518	16,796
Travel	599,252	32,000	631,252	641,252		589,201	52,051
Contractual	752,100	5,000	757,100	747,100		714,847	32,253
Consumables	187,340	(37,000)	150,340	150,340		139,007	11,333
Fixed Assets	31,220		31,220	31,220		3,103	28,117
Delegation Offices	490,000		490,000	490,000		469,586	20,415
<b>Total</b>	<b>3,203,226</b>	<b>0</b>	<b>3,203,226</b>	<b>3,203,226</b>		<b>3,042,262</b>	<b>160,964</b>
Fiscal Year 2007 (as of July 31)							
Personnel	1,238,252		1,238,252	1,235,251		907,373	327,878
Travel	599,252	28,000	627,252	627,252	35,281	499,086	92,885
Contractual	816,100	(48,000)	768,100	768,100	596,947	229,721	(58,568)
Consumables	172,340	(35,000)	137,340	137,340		91,242	46,098
Fixed Assets	26,220	55,000	81,220	81,220		16,176	65,044
Delegation Offices	560,000		560,000	567,500	58,378	488,927	20,195
<b>Total</b>	<b>3,412,164</b>	<b>0</b>	<b>3,412,164</b>	<b>3,416,663</b>	<b>690,606</b>	<b>2,232,525</b>	<b>493,532</b>

Sources: Data obtained from Public Laws, FSM National Treasury and FSM Division of Budget (Advice of Allotment Forms). These are unaudited figures.

Figure 1 provides the Congress' yearly budgets for the past eight fiscal years (2000 – 2007). The largest budget was \$3.4 million for fiscal year 2007. The average yearly budget was \$3.2 million. Over the 8-year period, 2000 through 2007, Personnel budgets were always the largest category with a yearly average of \$1.1 million.

Figure 1: Congress Operating Budgets  
Fiscal Years 2000 to 2007



Source: Data obtained from the FSM Budget Books

**Objectives, Scope and Methodology**

Objectives – The objectives of this inspection were to determine whether the processes used by the FSM Congress in: (A) appropriating its budget for Delegation Offices were sufficient to establish clarity of purpose, accountability, and transparency; and (B) expending its budget for Congressional operation were sufficient to establish clarity of purpose, accountability, and transparency.

Scope – The scope of our review covered fiscal years 2005, 2006, and 2007 through July 31, 2007. We conducted this inspection in response to the Speaker's request for the National Public Auditor to review

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the Congress operation to identify areas of weaknesses and to make recommendations to improve the allocation and management of funds for Congress. We performed a preliminary survey and the results indicated that most of Congress budget was allocated to Personnel, Travel, Delegation Offices, and Contractual Services. Since Personnel expenses were processed in the same manner as all the other Departments and Offices of the National Government, we believe that some degree of internal controls exist in Personnel expenses (salaries) and hence we did not include Personnel expenses in this review. For the other categories, we decided to test samples to identify possible areas of weaknesses. The results of our initial testing indicated appearances of weaknesses in the following budget categories: 1) Representation Expense Allowance; 2) Official (Committee) Expense Allowance; 3) Delegation Expenses and 4) Travel Expenses. We therefore, focused our inspection on these budget items. Accordingly, we conducted our inspection pursuant to the authority vested in the National Public Auditor as codified at Title 55 of the 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, and agency, board 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.*

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 on Integrity and Efficiency. Accordingly, we included such tests of records, transactions, and other audit procedures that we considered necessary to achieve the inspection objectives.

Methodology - We conducted our fieldwork at the DF&A and the Congress. We reviewed accounting, financial and other records and documents related to the financial transactions of the Congress. We judgmentally selected expenditures from the budget categories for Delegation Office Expense, Representation Expense Allowance, Official Expense Allowances, and Travel expenses and reviewed related checks, contracts, control forms (accounts payable vouchers, travel vouchers, miscellaneous payment requests, etc), invoices and receipts to determine if FSM laws and regulations were followed. In addition, we reviewed the processes of compiling the budget as well as documents related to approval and monitoring. We sampled and tested 866 transactions (\$500 and above) which aggregated to \$2,546,457 and comprised of Delegation Office Expenses, Representation Expenses Allowance, Official Expense Allowances, and regular travel expenses.

We interviewed the current Speaker, two Senators, the Chief Clerk, Budget Officer, the Congress Administrator, and Administrative Officers at Delegation Offices. In addition, we interviewed officials and obtained budget documents and expenditure reports from the Divisions of FSM Budget and National Treasury. Finally, we visited the Delegation Offices and the National Treasury Field Offices in all the States for further review of Delegation Offices' expenditures.

**Prior Audit Coverage**

This is the first review of the Congress that focuses on the Delegation Expense budgets, Representation Expense Allowance, Official Expense Allowance, and regular travel expenditures.



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**CONCLUSION**

Based on our inspection, we found that certain processes used by the Congress in budgeting, appropriating and spending of funds for their own operations did not establish clarity of purpose, accountability, and transparency. These observations were particularly noted in Delegation office expense, Representation expense allowance and Official expense allowance, which account for \$1,328,100 (39%) of the Congress budget for fiscal year 2007. For example, the process used to allocate budgets for the Delegation Offices is not transparent because it allows lump sum appropriation with no details. Further, we found most of the expenditures are not related to the operation of the Delegation Offices. The total amount used for Representation Funds is not transparent because the Senators increased their Representation Funds with funds from the Delegation Office budget and Official Expense Allowances. In addition, we found that the Senators are not following FSM laws regarding conflict of interest issues, use of affidavits, and travel authorizations.

**FINDINGS AND RECOMMENDATIONS**

**1. Delegation Office Budget Not Transparent and Most Expenditures Not Related to Operations**

The process used by the Congress in appropriating its budget for Delegation Offices was not transparent and lead to expenditures that did not directly finance the operations of the Delegation Offices.

Good governance requires the promotion of transparency in the appropriation and use of government funds. However, we found that Congress does not follow its usual process to compile and review the budget for Delegation Office operations. Instead of requiring a detailed breakout of the budget by category (e.g. personnel, travel, consumables, contractual services, and fixed assets), Congress compiles and submits a lump-sum budget for Delegation Office expense as one budget line item in the Main Office budget. Although the Ways & Means Committee conducts public hearings on the Delegation Office budget, adequate scrutiny of the budget is limited without identification of the nature of expected expenditures. For fiscal years 2005, 2006 and 2007, the Congress appropriated \$1,523,320 for the operation of the State Delegation Offices.

Table 3: Delegation Offices Appropriated Budget  
For Fiscal Years 2005, 2006 and 2007

Delegation Office	Number of Senators	FY 2005 Allotment	FY 2006 Appropriation	FY 2007 Appropriation	Total
Pohnpei	4	\$ 125,400	\$ 140,000	\$ 160,000	\$ 425,400
Chuuk	6	207,920	210,000	240,000	657,920
Kosrae	2	70,000	70,000	80,000	220,000
Yap	2	70,000	70,000	80,000	220,000
<b>Total</b>		<b>473,320</b>	<b>490,000</b>	<b>560,000</b>	<b>1,523,320</b>
<b>Average per Delegation office per year</b>					<b>507,773</b>

**Source** – Analysis from the data taken from FSM Division of Budget - Congress Operations. The FY'05 figures were based on Advice of Allotment since the PL does not provide breakdown of amount for the Delegation office for that year.

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Although Congress appropriated funds for Delegation Offices, we found that 62 percent of the Delegation Offices' sampled expenditures we reviewed (\$294,843 of \$473,632) did not directly finance the operations of the Delegation Offices. As shown in Table 4, 38 percent was expended for Food, 17 percent was spent as Contribution, and 7 percent was spent for airline tickets.

Table 4: Types of Expenditures Paid Out of the Delegation Offices'  
 Funds Sampled Expenditures for Fiscal Years 2005 to 2007

Object Class	Amount	Percentage (%)
Food	\$ 178,427	38%
Office	126,297	27%
Contribution	81,337	17%
Airline Tickets	35,079	7%
Equipment (F/Asset)	23,487	5%
POL (Fuel)	14,889	3%
Other	14,116	3%
<b>Total</b>	<b>\$ 473,632</b>	<b>100%</b>

Sources: FSM Department of Finance and Administration and ONPA

Cause and Recommendations

The lack of transparency in the budget and the questionable uses of appropriated funds for the Delegation Offices was caused by Congressional approval of a lump sum budget without specifying expected nature of the expenditures (or breakdown by budget categories).

We recommend that Congress should:

- (A) Improve transparency in budgeting practices for and spending of Delegation Offices' budgets;
- (B) Budget for the operation of the Delegation Offices by listing budget amounts by categories such as personnel, travel, consumables, contractual services, and fixed assets in order to establish clarity of purpose, accountability, and transparency. Furthermore, this grouping would allow meaningful analysis and monitoring of the approved budget versus the actual spending.

**2. Representation Funds Increased By Several Budget Sources**

Lack of transparency in Congress budget hides several sources of representation funds used by Senators. The budget explicitly provides each Senator with Representation Expense to use to advance the purposes and goals of the National Government. In addition, Senators use a portion of the Delegation Office fund and the Official Expense Allowance as representation funds. The two additional sources of representation funds significantly increased the representation funds for the Senators.

Good governance requires the promotion of transparency in the appropriation and use of government funds. The Congress budget lacks transparency by hiding several line items throughout the budget, which Senators use for representation funds.

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Representation Fund --The law authorized each Senator with an allowance for Representation expense of \$37,500. The fund was provided for under budget category for Contractual Services in Table 2 on page 3.

Delegation Office Fund --Two Congressional Delegation Offices (Pohnpei and Chuuk) directly allocate their respective Delegation Office funds to individual Senators, which are used as additional representation funds. For fiscal years 2005, 2006 and 2007, the Congress appropriated an average of \$507,773 (Table 3) for the operation of the Delegation Offices and Chuuk and Pohnpei Delegation Offices reallocated their respective funds.

For Chuuk and Pohnpei, certain amount of the Delegation Offices' budget was set aside as a common fund for the office operations and the remaining amount was equally divided among the Senators including the two Chairmen.

On the other hand, Yap and Kosrae Senators did not allocate the Delegation Offices' funds among the individual Senators. The budgets for their Delegation Offices were used as a common fund for their respective operations, which also includes representation funds for the Delegation Offices (e.g. Delegation Expense Allowance) rather than dividing among the individual Senators.

Table 5 below shows the budget allotments for the Pohnpei Delegation Office. The individual Senator from Pohnpei State received an average of \$21,616 per year during the fiscal years 2005, 2006 and 2007. On the other hand, Table 6 on page 9 shows budget allotments for the Chuuk Delegation Office. The individual Senator from Chuuk State received an average of \$31,107 per year during the fiscal years 2005, 2006 and 2007.

Table 5: Breakdown of Budget Allotments for Pohnpei Delegation Office  
 Fiscal years 2005, 2006 and 2007

Delegation Office	Number of Senators	FY 2005 Allotment	FY 2006 Allotment	FY 2007 Allotment	Total Allotment
Common fund for the Pohnpei Office Operations		\$ 68,000	\$ 48,000	\$ 50,000	\$ 166,000
Senators & Chairman	4	57,400	92,000	110,000	259,400
Total		125,400	140,000	160,000	425,400
Average Per Senator	4	14,350	23,000	27,500	64,850
Total average per Senator for three fiscal years					21,616

**Source** – Analysis from the data taken from FSM Division of Budget - Congress Operations. These figures are based on Advice of Allotments issued by the FSM Budget.

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Table 6: Breakdown of Budget Allotments for Chuuk Delegation Office  
Fiscal Year 2005, 2006 and 2007

Delegation Office	Number of Senators	FY 2005 Allotment	FY 2006 Allotment	FY 2007 Allotment	Total Allotment
Common fund for Office Operations and Chairman		\$ 30,000	\$ 33,000	\$ 42,500	\$ 105,500
Senators	6	177,920	177,000	205,000	559,920
Total		207,920	210,000	247,500	665,420
Average Per Senator	6	29,653	29,500	34,167	93,320
Total average per Senator for three fiscal years					31,107

Source – Analysis from the data taken from FSM Division of Budget - Congress Operations. These figures are based on Advice of Allotments.

**Official Expense Allowance**--The Official Expense Allowance was used as additional Representation Funds. During fiscal years 2005 up to 2007, the FSM Congress authorized a total amount of \$349,900 to the Speaker, Vice Speaker, Floor Leader, and the Chairmen of six Standing Committees as official expense allowance for goods or services necessary to carry out the official duties of the Allottee or Sub-Allottee. These funds were provided for under the budget line item for Contractual Services in Table 2. Table 7 below lists the amount of funds allotted to the Officers and Chairmen of the Standing Committees during the fiscal years from 2005 to 2007.

Table 7: Budget Allotments for Official Expense Allowance  
Fiscal years 2005, 2006 through 2007

Office	FY' 2005 Allotment	FY' 2006 Allotment	FY' 2007 Allotment
Officers:			
Office of the Speaker	\$59,600	\$68,800	\$89,500
Vice Speaker	7,000	7,000	7,000
Floor Leader	5,000	5,000	5,000
Standing Committees:			
Ways & Means	4,000	6,000	6,000
J&GO	4,000	6,000	6,000
R&D	4,000	6,000	6,000
HESA	4,000	6,000	6,000
TC&I	4,000	6,000	6,000
External Affairs	4,000	6,000	6,000
<b>Total Funds</b>	<b>\$95,600</b>	<b>\$116,800</b>	<b>\$137,500</b>
<b>Total for three fiscal years</b>			<b>\$349,900</b>

Source: Data obtained from FSM Division of Budget. These figures were based on Advice of Allotments issued by FSM Division of Budget.

**Total of Three Sources of Representation Funds**--Table 8 on page 10 summarizes the estimated yearly funds a Senator gets to spend for Representation Expense, Delegation Offices Expense and Official Expense Allowance. We used Chuuk and Pohnpei States as sample in the Table because of the way in which the Delegation Offices' funds were divided. Per our calculation, a Senator from Chuuk State gets an amount of \$69,000, \$70,500 and \$78,500 respectively during fiscal years 2005, 2006 and 2007.

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On the other hand, a Senator from Pohnpei State gets an amount of \$54,000, \$64,000 and \$71,000 respectively during fiscal years 2005, 2006 and 2007. These amounts do not include the regular salary, which each Senator receives annually.

Table 8: Example of Total Representation Funds Allotted to a Senator  
For Fiscal Years 2005, 2006, and 2007

	<b>FY 2005 Allotment</b>	<b>FY 2006 Allotment</b>	<b>FY 2007 Allotment</b>
<b>A Chuuk Senator who is also a Standing Committee Chairman</b>			
Official/Committee Expense Allowance	4,000	6,000	6,000
Representation Expense Allowance	35,000	35,000	37,500
Delegation Offices Expense	30,000	29,500	35,000
<b>Total (Per Senator)</b>	<b>69,000</b>	<b>70,500</b>	<b>78,500</b>
<b>A Pohnpei Senator who is also a Standing Committee Chairman</b>			
Official/Committee Expense Allowance	4,000	6,000	6,000
Representation Expense Allowance	35,000	35,000	37,500
Delegation Office Expense	15,000	23,000	27,500
<b>Total (Per Senator)</b>	<b>54,000</b>	<b>64,000</b>	<b>71,000</b>

**Sources:** Data obtained from FSM Division of Budget and National Treasury. These are amounts allotted to each Senator per Advice of Allotment based on a full-year term. The average amounts received by each Senator for the Delegation Office Expense for fiscal years 2005 to 2007 are shown in Tables 5 and 6.

Cause and Recommendations

The Senators used their Delegation Offices' funds as though they were representation funds for individual Senators. This stemmed from the lack of clarity and aggregation of expenses under Delegation Offices' budget and overlapping definitions of both Representation Expense and Delegation Office Expense.

Title 55 Chapter 2 Section 224B(3) of the FSM Code defines "Delegation Office Expense" as expenses incurred in the course of delegation operations, including, *but not limited to, official public relations, travel, entertainment activities or constituent services* necessary to carry out the functions of a Congressional Delegation Office in the FSM States. Similarly, Title 55 Chapter 2 Section 224B(2) of the same FSM Code defined "Representation Expense Allowance" as expenses incurred in the course of *official public relations, entertainment activities or constituent services* necessary to advance the purposes and goals of the National Government.

We found the above definitions as broad, vague and overlapping. The definition of Delegation Office Expense does not specify what nature of expenses would carry out the functions of the Delegation Offices when incurred. Similarly, the definition of Representation Expense Allowance does not specify the nature of expenses that would advance the purposes and goals of the National Government. Furthermore, both definitions permitted overlapping of expenses for official public relations, entertainment activities, and constituent services. As a result, the Members of the Congress received an excessive amount of funds, which they used for representation funds. From a sample of transactions

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charged to Delegation Office expenses, we have accumulated a total amount \$178,427 (38% of total sampled amount) representing payments for food items, such as quarter-leg chickens, rice, flour, sugar, restaurant meals, and pigs that are Representation expenses in nature. Thus, this condition unreasonably increased the \$37,500 yearly budget for Representation Expense Allowance to each Senator by allowing the Delegation Office fund as supplemental for individual Senator's Representation Expenses Allowance.

Causes and Recommendations

The primary causes were:

- 1) The current practice of:
  - (a) Using the Delegation Office fund for whatever type or nature of payments was caused by lump sum budget approval without specific categories;
  - (b) Dividing certain amount of the Delegation Office Funds among Senators for both Chuuk and Pohnpei without proper internal control in place, and;
- 2) The absence of clear-cut and distinct laws defining Delegation Office Expense, Representation Expenses Allowance, and Official Expense Allowance.

We recommend that the Congress should:

- 1) Improve transparency in budgeting practices and spending of Delegation Offices' funds.
- 2) Approve Delegation Offices' budget by specific categories such as personnel, travel, consumables, contractual services, and fixed assets in order to establish clarity of purpose, accountability, and transparency. Furthermore, this grouping would allow meaningful analysis and monitoring of the approved budget versus the actual spending; and,
- 3) Amend the law and redefine "Delegation Office Expense", "Representation Expense Allowance" and "Official Expense Allowance" in order to avoid overlapping and to provide a more clear nature of expenses that can be covered by each fund.

**3. Transparency Reduced Due to Insufficient Accountability For Representation and Delegation Office Funds**

We found cases of expenditures charged against Delegation Office and Representation expenses supported by receipts, affidavits and/or documentations that did not describe the specific items, purpose, and nature of expense to justify payments. As a result, Senators reduced the transparency in Government expenditures, increased the risk of inappropriate and misuse of public funds.

Nature of Expenses not Adequately Described on Affidavit—Title 55 FSM Code Section 219 Paragraph 9 requires that in case of representation expense allowance, an affidavit of the Allottee or Sub-Allottee

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describing the amount and nature of the expenditure, or a written contract or receipt, submitted in a timely manner shall be deemed sufficient documentary evidence to support a legal obligation.

As allowed by FSM law, most Senators presented affidavits for their Representation expenses. Specifically, during fiscal years 2005 and 2006, all of the 14 Senators presented affidavits to provide accounting for their advances of Representation Expense Allowances. However, during fiscal year 2007, 13 of 14 Senators presented affidavits and only one Senator presented the actual receipts.

Although the law allows for the use of affidavit (instead of receipts) in closing of cash advances for Representation Expense Allowances, the affidavits did not provide adequate information rendering them defective to support legal obligation, accountability and transparency. We found that 87 percent (\$1,295,429 of \$1,481,500) of the Representation Expense Allowances for the three periods under review were supported by affidavits that did not itemize the expenses incurred or provide details as to the nature, purpose, or vendor of such expenses. We also found that the Senators have been executing one standard affidavit (refer to Appendix II for a sample of affidavit) for the total representation fund expense for a year. Thus, we were unable to establish from the affidavits whether the Senators satisfied the intent of the law for incurring Representation Expense Allowances, which is to advance the purposes and goals of the National Government. The lump sum amount and the lack of vendor information also restricted the means to verify the transactions covered by the affidavit.

Extensive use of affidavit, which lacked sufficient information to verify transactions, exposed the government to risk of fraud, misuse of funds and overpayment. Specifically, ONPA is unable to verify and establish whether the payments were actual and appropriate. Hypothetically, such misuse of funds can happen in a number of ways.

- Hypothetically, a Senator could receive a cash advance of \$37,500 for Representation Expense Allowance but not spend the funds as allowed by FSM law. Since a Senator is allowed to close 100 percent of his advances by executing an affidavit, the Senator could merely execute a defective affidavit and no one could determine that the funds were not properly used. In this hypothetical case, the Senator may keep all or part of the cash advanced for his own use.
- In another hypothetical case, a Senator could employ a double-dipping scheme. In this scheme, a Senator actually spends the amount of advances received for Representation Expense Allowance, which is budgeted under the Main Office and gets the receipts and invoices from the vendor upon spending. However, instead of providing these receipts or invoices to close the cash advances received for Representation Expense Allowance, a Senator could present them for reimbursements under the Delegation Office funds and execute an affidavit to close the cash advance for Representation Expense Allowance. In this case, fraud and overpayment exists because one payment is claimed twice.

Expenditures Not Sufficiently Justified— The FMR subpart 4.22 (a) states that no obligation shall be recorded for expenses unless approved in advance by appropriate Allottee, supported by documentary evidence sufficient to establish the purpose and amount of the expenditure and not otherwise prohibited by law.

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We found that a total of \$192,539 (41% of sampled transactions) reimbursements from Delegation funds have no indication as to the purposes. By supporting transactions with receipts but without clear description as to purposes, we could not determine whether the funds really served the appropriation intent, which is to serve the public purposes or goals of the State Delegation Offices and of the National Government. Table 9 below shows various examples of expenditure without proper justification. These include airline tickets, groceries, restaurant meals, apartment rental, pigs, pianos, and alcohol.

Table 9: Expenditure without Documentation as to Purpose  
Sampled Expenditures for Fiscal Years 2005 to 2007

Amount	Items (Based on Receipts)
\$ 5,172	Purchase of Airline tickets for four persons
2,189	Purchase of Yamaha Keyboards
1,083	Payments for roast pigs, coconuts, drinks, soda, wine and others
845	Purchase of Casio Keyboards
699	Payment for Apartment rental for 8 days
638	Purchase of 1 pig
455	Purchase of Ox-palm, Mackerel, Tuna, Ramen
390	Purchase of crops
256	Purchase of 15 bags of rice
214	Purchase of 10 bags of flour and 5 cases of sugar
105	Purchase of soda and beers
23	Payment for restaurant meals
21	Payment for restaurant meals

**Source:** Payment/Voucher files from DoF&A

Cause and Recommendations

The primary causes of these weaknesses are:

1. There are no specific regulations and guidance in the use of affidavit for good accountability and transparency of expenditures;
2. Key staff at Congress who review expenditures did not ensure that disbursements are in compliance with regulations, and;
3. There is lack of internal control and guidance on how to document the nature and purpose of payments, which should be made on the face of the receipts and payment vouchers.

We recommend that the Congress should:

- 1) Amend the law, which allows the use of Affidavit in order to establish good controls that can improve transparency, prevent problems and most importantly, improve the accountability of public funds through affidavit.
- 2) Require all Senators to provide original receipts and/or invoices to account for their expenditures involving Committee/Official Expense Allowance, Representation Expense Allowance, and Delegation Office Expense Allowance.



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- 3) Where the original receipts and/or invoices cannot be provided, Affidavits can be used however, at a minimum, it must contain the following information in order to allow subsequent verification and determination of the propriety of spending:
  - (A) Date;
  - (B) Vendor;
  - (C) Amount;
  - (D) Specific item;
  - (E) Companion(s) (if meals); and,
  - (F) Nature and purpose of payment.
- 4) Account for the spending of their representation funds (Committee/Official Expense Allowance, Representation Expense Allowance, and Delegation Office Expense Allowance) no later than every quarter (December 31<sup>st</sup>, March 31<sup>st</sup>, June 30<sup>th</sup> and September 30<sup>th</sup>) by filing the necessary documentation reports at the DoF&A; and,
- 5) Allow the use of Affidavits only as a last resort where original receipts and invoices have been lost and/or cannot be provided.

We further recommend that the Secretary of DF&A should ensure that:

- 1) Congress expenditures involving Senator's representation funds comply with all policies, procedures and internal controls.
- 2) The purpose and nature of representation funds expenses are adequately described and documented.
- 3) The description of the nature and purpose of any representation funds expenses should clearly show the linkage to current activities or government programs undertaken to advance the goals and purposes of the National Government.
- 4) Where disparities exist, he should:
  - (A) Document the exception or non-compliance by writing it down on the face of the document; and,
  - (C) Disclose such exception to the approving officers for disposition.

**4. The Use of the Delegation Office and Official Representation Expense Funds Appeared Self-Serving**

Promoting and retaining public trust obliges government officials to lead by examples in practicing ethical values and adhering to laws and policies. In FSM, *Title 11 of the FSM Code of Conduct Section 510 to 513* laid down the code of conduct for its public officials. This Code requires that a public official should not place himself in a position in which there exists a conflict of interest. The Code states

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that the official should not actually use or give the appearance of using his or her public office for personal gain. During our review of sample payments under the Delegation offices' funds and the Official expense allowance, we noted certain payments that appeared self-serving –that is the Senators appear to have a conflict of interests. These conditions increase the risk of inappropriate payments and violation of law on conflict of interest

“Conflict of Interest” — *11FSMC 510 and subsequent sections* state that any public official has a conflict of interest in a matter if the public official or a family member could benefit directly or indirectly from a decision on a matter over which that public official has influence or control. This code also provides that the influences or controls relate in any way to: (a) A business or property the public official directly or indirectly owns or controls; (b) A business or property owned or controlled, directly or indirectly, by a family member of the public official; (c) A business or property in which the public official has a beneficial interest of any kind, whether through a trust or otherwise.

During our review of sample payments under the Delegation offices' funds and Official (Committee) representation funds, we noted certain payments that appeared that Senators had a conflict of interest. We noted incidences of payments totaling \$28,171 made to businesses owned by certain Senators or family members. These included payments for pigs, alcoholic beverages, food, and car rental that were made to the businesses owned by Senators themselves or family members. Further, several of the requests for reimbursement did not indicate the purpose of the purchases. For example,

- Senator A paid a total amount of \$12,451 to a business owned by him or his family member for the purchase of food items and alcoholic beverages. Moreover, Senator A did not indicate the purpose of buying such items.
- Senator B presented a reimbursement for a total of \$8,303 for various payments from his Delegation office funds and paid to the business establishments either partially or fully owned by the said Senator or his family member. Likewise, these payments include food items, repair and fuel and the documentation did not specify the purpose for incurring the payments.
- Senator C presented reimbursement for a total amount of \$5,050 for various payments made in Senator's spouse name for car rental, and a payment for food items (pigs) from his niece.
- Senator D presented a reimbursement for a total of \$2,367 representing payment made to a restaurant owned by him and his wife for a reception that the Senator hosted in honoring his constituents and food items (takeouts) for a Congressional committee meeting.

Cause and Recommendations

The reason for the apparent conflict of interest payments is the Senators' disregard of conflict of interest law and the FSM Code of Ethics. Consequently, Senators continued to expend funds allotted to them for goods, material or services to their own businesses or businesses owned by family members. The Senators expended and approved payments by themselves. Furthermore, there is no segregation of duties requirements for the way Senators conducted their business affairs and no review is currently done to

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ensure that expenditures do not violate the provisions of the “Conflict of Interest” and the FSM Code of Ethics.

We recommend that Congress should require all Senators to produce and submit on an annual basis, with copies provided to the Secretary of DF&A, their Disclosure of a Conflict of Interest by:

- (A) Listing all businesses where he and members of his family have financial interests;
- (B) Disclosing the names of individual persons where he has conflict of interest.
- © Senators’ written Disclosure of a Conflict of Interest should be updated and filed at the Chief Clerk’s Office at start of each fiscal year, which shall be a matter of public records.

We further recommend that the approving official from Congress should not approve payment requests that involve conflict of interest.

We further recommend that the Secretary of DF&A should not approve any representation funds payment requests that involve conflict of interest.

**5. Fund Disbursements Not In Compliance With the FSM Laws and Requirements**

Funds should be allotted/disbursed in accordance with the FSM Financial Management Act, FMR, and other relevant policies and procedures. These requirements were established to safeguard the financial assets of the FSM. By not following these requirements, the risks of fraud and mismanagement are increased.

No Travel Authorization – Subsection 4.11 of the FMR specifies that a valid Travel Authorization (TA) is to be used for all travels involving Government funds. We found that Delegation expense worth of \$35,079 spent on airline tickets were not supported by TA forms and therefore lacked proper authorization and justification for the trip. The airline tickets were for the constituents not employed by the National Government. For example, tickets issued for a group travel from an FSM State to Hawaii to Los Angeles and back in the amount of \$5,172 was without TA forms.

TAs Lacked Clarity of Purpose — *Section 1.4 m of FMR* defined ‘Travel Authorization’ or “TA” as a form prescribed by the Secretary of DF&A that provides the minimum information or items on the TA like “the purpose of the travel”;

We found cases of TAs totaling \$15,478 under Travel Expense Account that did not provide sufficient justification to establish the purpose of such trips.

- For example, TAs for an amount of \$3,550 indicated the following: To amend original TA to obligate funds for airfare to allow the traveler to go to Majuro and back to Kosrae. The TA should document the purpose of the trip to Majuro since Majuro was not stated in the original TA.

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- Another example, TAs for an amount of \$2,112 indicated the following: To amend original TA for additional 3 days per diem in Guam. The purpose stated on the original TA was to conduct public hearing on the Strategic Development Plan in the States of the FSM. The TA should document the purpose of the trip to Guam since Guam is not stated in the original TA.
- Lastly, TA for an amount of \$760 indicated the following: To accompany Senator Z in Guam and Saipan. This TA should document the purpose of the travel to Guam and CNMI.
- Refer to Appendix I on page 19 for all the examples.

Personal In Nature – As a prudent business practice, permissible expenses shall be expenses that reflect proper stewardship and benefit the Government.

We noted reimbursements totaling \$1,064 was personal in nature. For example, a Senator reimbursed from his Official Expense Allowance an amount of \$465 for membership for himself and his spouse at the Continental Airlines President’s Club at the Guam International Airport while another Senator reimbursed an amount of \$599 from his share of Delegation Office funds for a repair of a private vehicle.

Cause and Recommendations

The primary causes of these findings were:

- 1) Lack of reconciliation between appropriated/reprogrammed budget against the prepared allotments;
- 2) Lack of segregation of duties existed in the way Senators spent those funds allotted/or allocated to them. Senators spent funds allotted to them and afterward approved them for reimbursements;
- 3) The Congress budget and administrative staff did not strictly review transaction to ensure that expenditures were appropriate, allowable and supported by appropriate documentation prior to disbursement of funds. In addition, the staff at the DF&A did not strictly review transactions to ensure charging to proper account categories, and;
- 4) Both Congress and DF&A did not strictly review expenditures to ensure all disbursements complied with FSM laws and regulations.

We recommend that the Speaker should:

- 1) Direct the Director of Administration and the Budget Officer to always reconcile the appropriated amount with the allotted amount to ensure that there would be no overspending of budget than what is allowed by law;

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- 2) Establish an internal control system to address the segregation of duties in spending Congress funds;
- 3) Direct the Director of Administration and Budget Officer to strictly review transactions to ensure that all expenses are appropriate, allowable and adequately supported; and,

We further recommend that the Secretary of DF&A should direct the key staff at the Main Office and at the Field Offices to strictly ensure that payment requests and expenses for Congress representation funds are properly documented for clarity of purpose, properly charged to correct account categories, and supported by all required control forms prior to disbursements.

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**Appendix I – Travel Authorizations without Clarity of Purpose**


Travel Authorizations Provided by FSM DF&A  
 Without Clarity of Purpose  
 Sampled Travel Expenses for Fiscal Years 2005 to 2007

<b>Item</b>	<b>Amount</b>	<b>Purpose Indicated on TAs</b>	<b>ONPA Comment</b>
<b>A</b>	\$1,810	To staff W&M Committee to Honolulu	This TA should provide the purpose of the committee's trip to Honolulu.
<b>B</b>	\$760	To accompany Senator X in Guam and CNMI.	This TA should provide the reason that the travelers are accompanying the Senator in both Guam and Commonwealth of the Northern Marianas Island.
<b>C</b>	2,112	To amend a TA for three additional days of per diem in Guam. The purpose stated on the original TA was to conduct Public hearings on the Strategic Development Plan in the States of FSM.	The purpose of the three days in Guam was not documented on the amendment TA. Further, the original TA did not mention any business in Guam.
<b>D</b>	2,271	To amend original TA to obligate funds for airfare to allow the traveler to go to Majuro and back to Kosrae.	The TA should document the purpose of traveler's trip to Majuro since Majuro was not part of the original TA.
<b>E</b>	3,550	To amend original TA to obligate funds for airfare to allow the traveler to go to Majuro and back to Kosrae.	The TA should document the purpose of the traveler's trip to Majuro since Majuro was not part of the original TA.
<b>F</b>	1,234	To staff the T&C committee in Guam.	The TA should document the purpose of T&C committee's trip to Guam.
<b>G</b>	2,303	To provide staff support with the Congressional Delegation.	This TA should document the purpose of the Congressional Delegation's trip.
<b>H</b>	1,438	To meet with certain staff of the East-West Center in Honolulu.	The TA should document the nature and purpose of the Senator's meeting with staff of East-West Center.
<b>Total</b>	<b>\$15,478</b>		

**Source:** Data obtained from FSM Department of Finance and Administration

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**Appendix II – Sample of Affidavit used by Senators**




**CONGRESS OF THE FEDERATED STATES OF MICRONESIA**  
P.O. Box PS 3  
Palikir, Sokehs  
Pohnpei State, FM 96941  
Tel: (691) 320-2324 / 2338  
Fax: (691) 320-5122

*Office of the Speaker*

**AFFIDAVIT FOR REPRESENTATION EXPENSES  
CONGRESS OF THE FEDERATED STATES OF MICRONESIA**

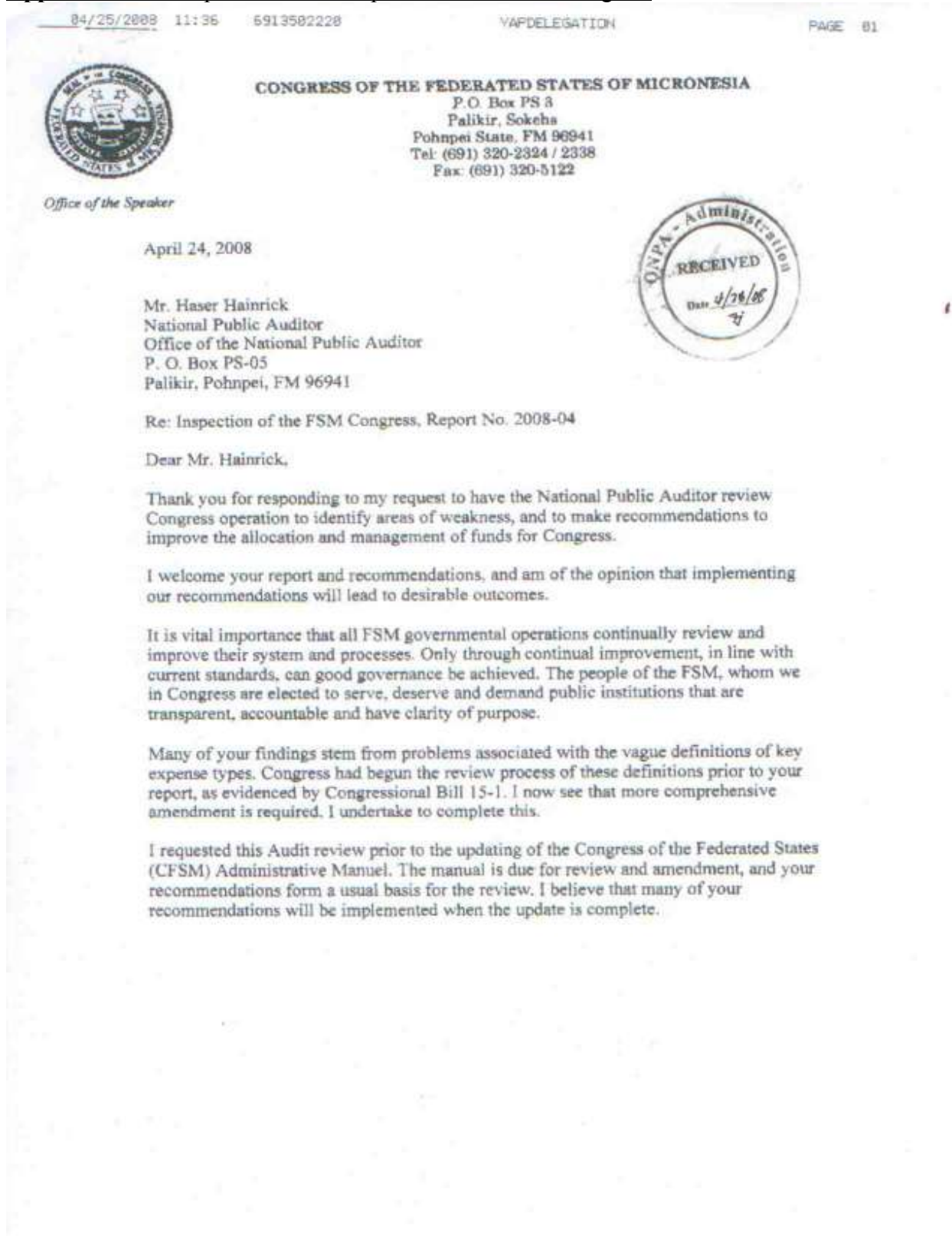
- 1 Pursuant to Section 224A of title 55 of the Code of the Federated States of Micronesia, and for the total sum(s) of advance(s) I received during the fiscal year 2007 from my Representation Expense Account and other accounts of the Congress of the Federated States of Micronesia, I certify that all these funds, which were received by me, were duly expended.
- 2 In connection with the advances described in paragraph 1, I now submit this affidavit in lieu of the contracts, and written receipts, for accounting purposes.
- 3 I hereby swear that the amount received was duly expended for representation expenses, incurred in the course of official public relations, entertainment activities or constituent services necessary to advance the purposes and goals of my Congressional Office and the National Government.

SUBSCRIBED AND SWORN TO before me a Notary Public of the Federated States of Micronesia this 21<sup>st</sup> day of Sept., 2007.

  
Notary Public/Clerk of Court

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**Appendix III – Response from the Speaker of the FSM Congress**





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YAPDELEGATION

P

Mr. Hainrick  
National Public Auditor  
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I will briefly highlight the proposed changes Congress will implement to ensure it remains an accountable, transparent body in which all transactions have clarity of purpose.

**Delegation Expense Allowance (Delegation Operation Budget)**

The delegation operation expenses will be budgeted as for all other categories, defined in line item set categories and able to be scrutinized.

**Representation Expense Allowance**

The definition of representation funds will be amended, to clarify appropriate use of the funds. Representation funds will be allotted every quarter, and only after the previous quarter funds have been reconciled.

**CFSM Administrative Manual**

The manual will be updated to upgrade the quality management system for the processing of all claims through the Congress. This will include the gathering of *original receipts* and detailed explanation for all expenditure. New forms will be designed to ensure these requirements are met.

**Affidavit Processes**

The use of one affidavit for all representation funds will cease. Members will be required to submit original receipts and detailed breakdown and explanation of the expense on the new claim forms.

**Conflict of Interest**

I am sure you are aware of the special difficulty with conflict of interest provisions in the FSM. With such a small population, many of whom are related, traditional Western conflict laws do not fit. However, I appreciate the direct conflict of interests identified in our report. As a result, a conflict of interest register will be maintained, and no members may approve funds that will benefit, directly or indirectly, themselves or a family member.

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YAPDELEGATION

Office of the National Public Auditor  
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04/25/20

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Mr. Hainrick  
National Public Auditor  
Page three

**Travel Authority**

The finding that Travel Authorities "lack clarity of purpose" and recommendation that transactions be strictly reviewed by both the Congress and Department of Finance and Administration is noted. Congress will endeavor to ensure that all documents present contain the required information. An essential check and balance to the use of funds by the Congress is the Department of Finance and Administration. I urge the Department of Finance and Administration to check every disbursement carefully, and refuse to approve them if all requirements are not met. Working together, we have a much higher success rate at using funds in a transparent and lawful manner.

I hope these proposed changes address all your concerns and adopt the recommendations outline in your report. However, at this time of my response, some issues remain unresolved in your report. Congressional staff noted errors in your figures which, while they have been acknowledged, have not yet been remedied by your Office. Although I am concerned with the fundamental errors in any Audit report, I note that these issues do not appear to interfere with the spirit of your findings and recommendations, and therefore I am providing comments in the required time frame. I do, however, reserve the right to provide additional comments based on any amendments to your report.

I look forward to your follow-up review within twelve (12) months.

Yours Sincerely,



Isaac V. Figir  
Speaker  
15<sup>th</sup> Congress of the Federated States of Micronesia

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**Appendix IV – Response from the Secretary of DF&A**



Secretary of Finance  
&  
Administration

**GOVERNMENT OF THE  
FEDERATED STATES OF MICRONESIA  
Department of Finance and Administration**

P.O. Box PS 158  
Palikir, Pohnpei FM 96941  
Tel: (691) 320-2640 Fax: (691) 320-2380  
E-mail: fsmsofa@mail.fm



April 21, 2008

*Handwritten:* Herz  
4.22.2008

Mr. Haser Hainrick  
National Public Auditor  
Office of the National Public Auditor  
Federated States of Micronesia  
Palikir Pohnpei FM 96941

Dear Mr. Hainrick:

We appreciate the opportunity given to us to review and comment on the recently concluded Review of the FSM Congress Budget for Fiscal years 2005 to 2007. In our review of the report, we reached the same observations and conclusions on areas cited in the report that need immediate attention for improvement and compliance particularly in the following areas:

1. The use of the three (3) representation allowance funds should be proper and in line with the purpose of the funds to prevent overlapping. It has been noted by FSM Finance that the cause of overlapping was due to the current definition of the representation funds. To address and prevent overlapping it is recommended that the law be amended to redefine the specific use of the following representation allowances:
  - a. Representation Expense allowance
  - b. Official Expense allowance
  - c. Delegation expense allowance
2. Purchase of fixed assets using any of the three (3) representation allowances should be disallowed. Fixed assets should be budgeted under the operation fund of the congress and should not form part in any of the three representation allowance fund.
3. Conflict of interest in using the representation allowance funds should be properly observed as stated by the opinion received by FSM Finance from FSM Attorney General.

FSM Finance and Administration believes that the findings and the recommendations are valid that needs to be addressed and to be seriously considered.

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Sincerely,



Juliet Jimmy  
Acting Secretary

**Office of the National Public Auditor  
Inspection of the FSM Congress Budget  
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**APPENDIX V**

**AUDITOR'S COMMENT ON THE SPEAKER'S RESPONSE**

The dollar amount which was found erroneous as noted in the last paragraph of Speaker's response was subsequently corrected and revised in this final report.

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**NATIONAL PUBLIC AUDITOR'S COMMENTS**

We would like to thank management and staff at the FSM Congress Main and Delegation Offices, and DF&A for their assistance and cooperation during the course of the review.

The ONPA will perform a follow-up review within the next 9-12 months to ensure that the FSM Congress and the DF&A have taken corrective measures to address all the findings and recommendations provided in this report.

In conformity with general practice, we presented our draft findings and recommendations to the Speaker of Congress. We also sent a copy of the draft report to the Secretary of the DF&A for comment. We have incorporated their written comments in the audit report.

We have provided copies of the final report to the President and Members of the Congress for their use and information. We will make copies available to other interested parties upon request.

If there are any questions or concerns regarding this report, please do not hesitate in contacting our Office. Contact information for the Office are listed on the last page of this report, along with the ONPA and staff who made major contribution to this report.



Haser H. Hainrick  
National Public Auditor

May 5, 2008

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**ONPA CONTACT AND STAFF ACKNOWLEDGEMENTS**

**ONPA CONTACT**

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Haser H. Hainrick, National Public Auditor  
Email: [hhainrick@fsmpublicauditor.fm](mailto:hhainrick@fsmpublicauditor.fm)

**ACKNOWLEDGEMENTS**

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

Manuel San Jose Jr, Audit Supervisor  
Moses Russel, Auditor-In-Charge  
Aisi Mori, Staff Auditor  
Ivan Alafanso, Staff Auditor

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