

**OFFICE OF THE NATIONAL PUBLIC AUDITOR
FEDERATED STATES OF MICRONESIA**

**CFSM Public Projects and Social Programs: \$1.6 Million
Approved Without Clear Criteria**

Audit Report No. 2015-04



**Haser H. Hainrick
National Public Auditor**



FEDERATED STATES OF MICRONESIA

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Monday, February 9, 2015

Excellency Manny Mori, President
Honorable Members of the 18th Congress
Federated States of Micronesia

RE: Inspection of CFSM Public Projects for FY 2013, PL 17-68

This report is the result of our inspection covering the appropriations made under Public Law 17-68 for Congress public projects.

After many years of spending several millions of dollars for public projects, one wonders - - where have the monies gone to? What positive results have been achieved? Could the process be improved?

Veto messages year after year, penned by the former and current Presidents, and highlighting the urgent need to refocus Congress appropriation to public projects that support National priorities, but sadly, it remains business as usual. Audits after audits, spanning many years from the past Public Auditors until present, disclosing flaws and recommending changes in Congress public projects, however, it is still the same practices thru the years. The few recipients of the public projects love it. The ultimate beneficiaries of this public project scheme remain. On the National front, however, it is unfortunately creating a culture of dependency on free government hand-outs that never helps in pushing the nation forward and runs counter to the whole idea of people empowerment. People want progress. People deserve better.

The statistics show that funding for public projects has increased from \$4.2 million in 2001 to \$6.5 million in 2013, putting nearly \$464,000 in the hands of each senator to spend for projects they so wish to fund without any public scrutiny. Preliminary figures seem to indicate that for 2014, the total amount for public projects further escalated to \$10 million, or 138% jump from 2001.

Let me comment on Congress response to this audit, which you can view the full text under the management response on page 55.

Congress commented they are not involved in implementation but only in the appropriation of public project funds

While the Constitution clearly requires Congress to appropriate and the allottees to implement, this does not hold true in actual practice as we found in several cases during our review. For instance, audit evidence we collected clearly show that project coordinators and allottees did as they were instructed by senators. Hence, we recommend that Congress should abolish the Election District Offices in Pohnpei and shift from designating the Development Authorities in Chuuk to serve as allottees. These entities (allottees) are the senators' own offices and employees there are simply receiving their instructions from the senators. The Udot Case in Chuuk sets the legal restrictions for Congress members from appropriating and at the same time implementing public project funds. Clearly, this has been going on for years and hasn't stopped. Certain members of Congress are directing what the allottees should do, thus playing the dual role as appropriator in Palikir and as executor at the state/municipal levels. The statement made by the Congress that any deficiency for project implementation should be addressed to the allottees (not Congress) to respond to needs to be re-examined simply because it does not agree with the actual practices in the field. Albeit these significant audit discoveries, we commend the Congress members from Yap State who have been consistently using the Governor of Yap as allottee for public projects.

Congress commented that the audit lacks standards to compare actual practices against

This is exactly the gist for this review. During our preliminary survey, we found that Congress continued to fund all kinds of public projects as members may choose even if many of the projects did not yield any meaningful, public benefit. Lack of clarity, transparency, and accountability was a significant audit concern that prompted us to move forward with this review. There are neither criteria nor guidelines to follow in selecting which projects to fund and who is eligible to receive funding. It is clear from the comment made by Congress that they, too, recognize this significant omission. Nonetheless, however, the argument that there are no standards and laws for our audit to measure actual practices against cannot stand because for many years the FSM already had in place its National and State development plans, there are laws which prohibit the involvement of Congress members in the implementation of public projects such as the Udot Case, and there are numerous best practices and prudent actions that should be consulted as standards. Failing this, however, has resulted in the waste of public funds appropriated for all sorts of public projects some of which are;

1. Buying sacks of rice, cases of chicken and turkey tail, ramen, coffee, sugar, etc.
2. Buying cigarettes from a store owned by a senator with justification that "these are the best tasting cigarettes."

3. Financial assistance to help students pay their old school debts. However, during our fieldwork we collected evidence that students abandoned their classes, did not perform well, expelled, and etc. In essence, this funding is rewarding poor performers and not only competes but sets out to defeat the intent of the already established governments' scholarship programs.
4. Growing crops in the backyard which is clearly for personal consumption.
5. Fishing projects supposedly to support export based on suspected receipts and for a fishing market that did not exist.
6. Vehicles bought and used more for personal needs than for any public purpose.
7. Stocking owned retail stores with rice and other inventories under the guise of exporting local produce to out-of-state markets.
8. Building and renovating personal residences with public funds.
9. Funerals
10. Airline tickets
11. Old debts incurred for equipment parts that were discarded years ago because they were of the wrong sizes, not fit, and therefore were wasted in the garbage dump.
12. Yearly recurring expenses for municipalities and agencies that did not receive any budget scrutiny and lacked public hearings via which their strategic plans for the future should have been required in order to evaluate how these entities should operate as going-concern and their expected performance outputs to yield public benefits. Lacking any such plans, they don't care because comes next year and the years thereafter and they will still receive government hand-outs, hence continuing to grow the attitude of government dependency.

People are asking, why is Congress wasting public funds on expenses that are for personal needs rather than for any public purpose?

The soundness of our conclusion is validated when Congress commented that it is the same as what they have heard from the President, that appropriations by Congress should be supported by hearings, detailed committee reports, and should be in accordance with the Strategic Plan. The fact is, our independent audits draw their conclusions based on the evaluation made on audit evidence collected during the course of our review. Further, our conclusion that Congress should re-evaluate and change its method of funding public projects is not new. This is the same conclusion in past audits after audits, which you may access on our website at www.fsmopa.fm. In other words, we don't mirror our audit conclusions based on others' but based on our own independent review and assessment.

It is a constitutional requirement in this government that the Office of the National Public Auditor should be independent. The public should know, and I hereby advise, that neither the Congress nor the President has influenced the independence or the objectivity of our work. The conclusions reached in our audits are strictly

based on unbiased and objective evaluation of the audit evidence, guided by a high degree of ethics in discharging our duties and responsibilities. Safeguarding the independence and the objectivity of the National Public Auditor and the staff is a top priority for me and all the good, hard-working staff of the office. Any claims otherwise should be shunned as without basis. Additionally, Congress claim that this audit is a political criticism is below our norm, and something which we do not subscribe to. If Congress can accept the check-and-balance roles between the executive and legislative, I submit therefore that in the same vein Congress should also accept our audits because they are objective and unbiased as mandated by the Constitution. That is because we do our work and we know that the public, to whom we are ultimately accountable to, depends on the conclusions and the findings disseminated through our audits in order to know what is happening in their governments.

Notwithstanding the above, we wish to commend some members of Congress who are committed to advancing the interest of the public at large over and above their own personal and political gains.

Finally and in the interest of space and time, I have not made any comment on the issue of non-compliance with the intent of the appropriation laws and the Project Control Documents because they are just too numerous to list. Let me, however, invite you to flip through the pages for the specific audit findings and encourage you and the other readers to judge for yourselves.

Respectfully submitted,



Haser Hainrick
National Public Auditor

Xc: Vice President
All Governors & Speakers
FSM State Auditors
Interested FSM Citizens In-Country & Abroad (through www.fsmopa.fm &
our Press Releases)

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear
Selection Criteria
Audit Report 2015-04

TABLE OF CONTENTS

INTRODUCTION	1
Background	1
Objectives, Scope and Methodology	3
Prior Audit Coverage	4
Conclusion	4
FINDINGS AND RECOMMENDATIONS	5
Finding 1: Lack of Definitive Parameters Led Congress to Appropriate \$1.6 Million for all Sorts of Activities and Programs Under “Public Projects” Which Did Not Yield Any Meaningful and Lasting Public Benefits.....	5
Finding 2: \$685,650 Public Projects Lacked Transparency and Accountability.....	9
Finding 3: At least \$93,381 CFMSM Funds Were Spent for Badly Constructed and Unimplemented Projects, Unused Materials and Equipment, and Unaccounted Expenditures	11
Finding 4: Over \$200,000 worth of Expenditures Appeared Not In Compliance with Laws and Regulations.....	13
APPENDICES	20
Appendix A - Master List of Public Projects and Social Programs per PL 17-68 as amended as of September 30, 2013	20
Appendix B –Summary of Projects Alloted as of September 30, 2013 (Refer to Finding 1)	31
Appendix C – Flowchart of Public Project Administration.....	32
Appendix D – Prior Audit and Inspection Findings	32
MANAGEMENT RESPONSE	40
TC&I Management Response.....	40
Secretary of Finance Management Response	44
Chuuk State Governor Management Response	46
Election District 5 Allottee Response, Chuuk State	50
Chairman of Ways and Means Management Response, 18 th FSM Congress.....	53
Speaker’s Management Response, 18 th FSM Congress.....	55
ONPA’s EVALUATION OF MANAGEMENT RESPONSES	57

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear
Selection Criteria
Audit Report 2015-04

NATIONAL PUBLIC AUDITOR’S COMMENTS62

ONPA CONTACT AND STAFF ACKNOWLEDGEMENT63

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

INTRODUCTION

Background

The Congress of the Federated States of Micronesia passed and sent to the President for action Congressional Bill No. 17-192 appropriating \$4.2 million from the General Fund to fund public projects and social programs in the four states of the Federated States of Micronesia (referred to as CFSM public projects for FY 2013). The President approved the CB No. 17-192 that became Public Law No. 17-67 with item veto¹ of some specific provisions² of the law. The Congress passed another act to amend Public Law No. 17-67. The President did not sign the new amendment that became bill Public Law 17-68 without his signature.

These public project funds were allocated in proportion to the number of Congress members at \$300,000 per member.

As of September 30, 2013, the FSM Congress had so far amended PL 17-68 eight times for several reasons that included: 1) added new projects, 2) decreased and/or increased appropriation amounts, 3) changed allottees, and 4) changed the use of funds previously appropriated and others.

Budget

Table 1 below shows the summary of CFSM public project appropriations for fiscal year 2013. As of September 30, 2013, \$3.8 million (90%) out of the \$4.2 million total appropriation was allotted and approximately \$2.4 million (63%) of the allotment was expended.

Table 1: Summary of CFSM Public Project Appropriations for FY2013							
States	No. of Projects	Appropriation	No. of Projects Allotted	Allotment	Expenditure / Encumbrance	Allotment Balance	Unallotted
Yap	22	600,000.00	18	505,000.00	167,563.11	337,436.89	95,000.00
Kosrae	31	600,000.00	20	387,858.00	260,635.63	127,222.37	212,142.00
Pohnpei	56	1,200,000.00	53	1,130,298.00	576,983.51	553,314.49	69,702.00
Chuuk	99	1,800,000.00	98	1,790,000.00	1,450,629.39	339,370.61	10,000.00
Totals	208	\$4,200,000.00	188	\$3,813,156.00	\$2,455,811.64	\$1,357,344.36	\$386,844.00

Public Law (PL) 17-68 as amended by PL 17-71, 17-81, 17-84, 17-89, 17-90, 18-03 & 18-13

Source-Office of SBOC & Department of Finance & Administration

¹ Veto Power - the right or power of a person in authority to decide that something (such as a new law) will not be approved (<http://www.merriam-webster.com/dictionary/veto>). The line-item veto or partial veto, is a form of veto that authorizes a President to reject particular provisions of a bill enacted by a legislature without vetoing the entire bill.

² Reasons that led to President's veto of certain PLs, include: 1. Lack of lasting impact on economy; 2. Lack of transparency caused by not conducting public hearings or consultations before approving the Act etc. (Veto message dated November 22, 2012)

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

In the Public Laws, the FSM Congress designated the allottees and defined their roles. An allottee is responsible for ensuring that funds are spent in accordance with the requirements of the applicable laws. The allottee is also responsible for submitting a Project Control Document (PCD) to the FSM Budget Office³ prior to issuance of advice of allotment for national government funds. The PCD specifies among other things, the purpose(s), the objectives, benefits expected, project budget, funding source, allowable types of expenditures and other general requirements for each item appropriated in the bill. It further stipulates that the authority of the allottee to obligate funds shall lapse on September 30, 2014. Refer to *Appendix A* on page 21 – Master List of Public Projects and Social Programs per Public Law 17-68 as amended as of September 30, 2013.

The Financial Management Act (FMA) of 1979 and the Financial Management Regulations (FMR) are some of the applicable laws and regulations containing provisions that govern the administration of appropriations for public projects. The FMR is a set of detailed instructions for the implementation of the FMA. It provides the specific key control activities that should be carried out to comply with the FMA and other applicable laws.

Public Project Administration

The PCD is a key control document that, if completed accurately and completely, should help in ensuring the CFSM funded public projects have accountability, traceability and that oversight for quality and completion exist for the project life cycle.

The SBOC Office is responsible for reviewing and approving a PCD before any public project funds allotment is processed and issued. If satisfied with the information in a PCD, SBOC should issue an ‘Advice of Allotment’ to the allottee or sub-allottee to authorize the obligation and disbursement of funds. A copy of the Advice of Allotment is provided to the Department of Finance & Administration (DF&A) that is responsible for disbursement and accounting of public project funds.

The allottee or sub-allottee shall obligate the public project funds and the Secretary of DF&A, or designee, shall disburse the public project funds in accordance with the applicable laws and regulations. According to the FMR, a person or entity is eligible to serve as an allottee only if they are included on a roster of eligible allottees maintained by the Secretary of DF&A.

Refer to *Appendix C* on page 32 for the flowchart depicting the processes and the key controls for the administration of public projects funded by the FSM Congress. The key controls in the project implementation include properly filled-up, supported and reviewed PCD project completion report to ensure satisfactory completion and closed out of the project/program review and approval of project expenditures to ensure the propriety of supporting documents and compliance of spending with the intent of the law; and budget monitoring to avoid over obligations.

³An office within the Office of Statistics, Budget and Economic Management, Overseas Development Assistance and Compact Management (SBOC)

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

Objectives, Scope and Methodology

Objective –The objectives of this inspection⁴ were to determine whether: (a) the process of spending the funds on CFSM funded public projects were sufficient to establish transparency and accountability, and (b) the public project funds were disbursed consistent with the intent for which they were appropriated and/or allotted and in compliance with the applicable laws and regulations.

Scope – This inspection covered the fiscal year 2013 Congressional appropriations for public projects in all four States of the Federated States of Micronesia, (Yap, Kosrae, Pohnpei and Chuuk) as appropriated by Public Law 17-68, as amended, as of September 30, 2013. The inspection was conducted 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.”

We performed this inspection in accordance with the 2011 *Quality Standards for Inspections and Evaluations* established by the U.S. Council of the Inspectors General on Integrity and Efficiency (CIGIE). Accordingly, we included such tests of records, transactions, and other inspection procedures that may be necessary to achieve our objectives.

Methodology – The inspection fieldwork was conducted at the FSM Finance Field Offices in the four states of the FSM, National Treasury in the Department of Finance & Administration (DoF&A), and at the Election District Offices in Palikir and Kolonia, Pohnpei State. Our inspection procedures included analyzing project control documents, fund status reports, detailed expenditures reports, and contracting practices. Accordingly, we reviewed the contracts, checks, invoices, and receipts. We also observed the current condition of construction related projects, equipment purchased, and other assets. We interviewed staff from the implementing agencies like the project coordinators and National, State and Municipal government officials at various organizations. Additionally, our review included tests of records, transactions, and other procedures that were necessary to satisfy our objectives.

⁴Inspection is an alternative type of study conducted by ONPA. The primary difference between an inspection and a GAGAS audit or attestation is that the standards established for conducting inspection are not overly prescriptive (Page4ONPAAuditManual2012).

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

Prior Audit Coverage

The last audit on Congressional appropriation for public projects was issued on August 17, 2013 - *Audit of Congress funded Public Projects FY 2010-2011*. The other audits in the series include the following:

- *Audit of Congress funded Public Projects in Chuuk State FY 2006-2008 (as of July 31, 2008) under PL 13-, issued on August 10, 2009*
- *Review of Congress funded Public Projects in Pohnpei, FY 2005-2007, issued December 5, 2008;*
- *Review of Congress funded Public Projects in Kosrae State, FY 2005-2006, issued October 29, 2007; and*
- *Inspection of Congress funded Public projects in Yap State, FY 2005-2006, issued April 26, 2007.*

The findings from the previous audits are summarized in Appendix D starting on page 34 of this report.

The results of this current inspection disclosed that similar issues and concerns previously reported in the prior audits continue to exist in the administration of public projects funded by Congress.

Conclusion

Based on our inspection, we concluded that the processes for appropriation, allotment and spending of funds for public projects were not sufficient to establish transparency and accountability. In addition, we concluded that certain projects were disbursed without following the intend of the appropriations or projects and issues of non-compliance with applicable laws and regulations. Consequently, we found the following weaknesses:

- Lack of definitive parameters led Congress to appropriate \$1.6million for all sorts of activities and programs under “public projects” which did not yield any meaningful and lasting public benefits;
- \$685,650 public projects lacked transparency and accountability;
- At least \$93,381 of CFSM Project Funds were spent for badly constructed and unimplemented projects, unused materials and equipment, and for unaccounted expenditures; and,
- About \$250,000 expenditures appeared not in compliance with laws and regulations.

The findings and recommendations are discussed in detail in the following pages.

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

FINDINGS AND RECOMMENDATIONS

Finding 1: Lack of Definitive Parameters Led Congress to Appropriate \$1.6 Million for all Sorts of Activities and Programs Under “Public Projects” Which Did Not Yield Any Meaningful and Lasting Public Benefits

Prudent practice requires that public projects in a broadest sense should relate to what the government does to fulfill a public purpose.

It also requires that project funds should be granted for project proposals that meet established funding criteria. Such criteria may include:

1. Clear description of the project envisioned;
2. Clear eligibility of the project recipients based on established criteria;
3. Provides value for the money with detailed estimate of expected outlays and estimated cost;
4. Provides benefit to the majority it serves;
5. Provides project outcomes that have relevance to sustainable social and economic development;
6. Aligned with or related to policies, initiatives, or priorities of the government;
7. Easy to track and ascertain whether or not the project is implemented properly; and,
8. Restriction of spending on activities and programs that are prone to abuse, misuse and corruption

Based on our review of approved PCDs, we found that over \$1.6 million (Appendix B on page 33) was approved for all sorts of programs and activities under public projects and social programs without following any selection criteria, establishing clear benefits to the majority in the community, or any clear linkage to sustainable social and economic development. For example, millions of CFSM public project appropriations were used to fund:

- Private schools without any clear government policy (yet public schools being underfunded are in dire need of government financial support);
- Yearly recurring operating expenditures of municipalities and agencies;
- Annual events and activities like Women’s Day, constitution anniversary celebrations, youth associations, inauguration and municipal activities;
- Purchase of consumables such as fuel, supplies, and food assistance;
- Paying old obligations to supplier (more than 10 years old) incurred by state-owned entities;
- Backyard planting of private crops under the label as farming projects;
- Payment of social security contribution for certain retirees
- Travels;
- Purchase of vehicles which have been used for personal more than serving any public purpose.

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

Further review of the detailed expenditure report revealed that funds were used for various expenditures, which we believe should have been funded either through separate appropriations or from operation accounts and purposes that were not adequately supported or, in our opinion, did not appear to have been made for a “public purpose”. Additionally, certain expenditures were difficult to account and monitor because they were spent on consumables and services. For example:

- Petroleum Oil & Lubricant (POL) /charters/freight subsidy/reimbursement (Chuuk State At Large) – \$25,600 was appropriated for POL/charters/freight subsidy/reimbursement. According to the PCD, *the funds would assist the land and sea transportation needs of the people of Chuuk*. However, \$23,445 (92%) of the appropriation was spent mostly on fuel and motor oil that we noted was spent within three months’ time without any relevance to sustainable social and economic development.
- Youth Activities & Programs (Chuuk State Election District 4) - \$15,000 was appropriated to provide supplies for youth programs and activities in Faichuuk. According to the PCD, *activities may include materials and sport equipment that promotes social development and good environment*. However, it turned out from the review of expenditure report and supporting documents that the allottee had spent approximately \$10,383 (69%) in two months’ time on food items like pigs, sacks of rice, cases of chicken and others. Aside from the fact that the expenditures were not in line with the intended purpose of the PCD as referenced in **Finding 4**, they were also wasteful or inefficient that would only create an attitude of dependence that is incapacitating rather than empowering.
- Students’ Financial Assistance – FSM wide, \$133,500 was allotted to assist students in paying their tuition fees and other outstanding debts. Without any selection criteria, there were instances where allottees awarded the financial assistance to students based only on written requests to their respective FSM Congress representatives. In the absence of criteria for the eligibility of financial assistance, the unintended effect would be to create an attitude of dependence that is incapacitating rather than empowering.

We judgmentally selected a sample of students to check the academic status of 56 students, from the College of Micronesia, who were awarded approximately \$45,112. Based on the results of the testing, we found that 30 students (54%) were neither enrolled nor graduated as of September 30, 2013. (Refer below for details)

STATE/DISTRICT	APPROPRIATION	ALLOTTED	SAMPLE TESTED
CHUUK			
At Large	\$17,500.00	\$17,500.00	\$5,060.00
Election District 1	\$20,000.00	\$20,000.00	\$1,000.00
Election District 2	\$15,000.00	\$15,000.00	\$3,308.20
Election District 3	\$0	\$0	\$0

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

Election District 4	\$15,000.00	\$15,000.00	\$1,500.00
Election District 5	\$9,000.00	\$14,000.00	\$7,708.31
POHNPEI			
At Large	\$0	\$0	\$0
Election District 1	\$22,000.00	\$22,000.00	\$22,000.00
Election District 2	\$15,000.00	\$15,000.00	\$4,535.45
Election District 3	\$15,000.00	\$15,000.00	\$0
TOTAL	\$128,500.00	\$133,500.00	\$45,111.96

- Business Startup/Entrepreneurship subsidies (Chuuk State Election District 3) – According to a PCD, \$10,000 would support and subsidize business retail stores and markets as start-up capital for buying, selling and marketing of seafood and farm products in Weno and outside of FSM. However, it turned out from the review of the detailed expenditure report and supporting documents, that one recipient benefited from \$1,495 worth of general merchandise to stock up an existing store in Weno. Furthermore, another individual was given 20 sacks of rice to start a new business in Southern Namoneas Region. This is another example of public funds used for private citizen’s businesses that did not serve any public purpose.
- Social Security contribution – A project was allotted \$20,000 to pay individuals’ outstanding social security taxes to become eligible for social security benefits. Two individuals’ outstanding payments amounting to \$1,421 were paid out of the fund as of 9/30/2013. Public funds used for private citizen’s needs that did not serve any public purpose. The break-down of the projects are as follows:

State	District	Appropriation	Expenditure
Pohnpei	Election District 1	\$15,000	\$1,421
Chuuk	Election District 3	\$5,000	0
Total		\$20,000	\$1,421

- Payment of Asphalt Conveyor Belt Account (Pohnpei State At Large) – \$15,000 was appropriated and partially paid for a prior obligation of \$50,200 incurred by Pohnpei Transportation Authority (PTA) 14 years ago (2000) involving a purchase of two asphalt conveyor belt sets.

We noted conflicting documentations. The receiving report certified by FSM Department of Finance Supply and Procurement Manager, indicated that the asphalt machinery parts were received in June 2013 and payment was made in July 2013. E-mail inquiry and interview with the vendor Manager indicated that the invoice of \$15,000 was partial payment of two asphalt conveyor belt sets for an invoice dated March 17, 2000 with a total amount of \$50,200. The Supply and Procurement Manager admitted that he signed the receiving report but did not verify whether the parts were actually received in June 2013.

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

- Further physical inspection and inquiry revealed that the two conveyor belt sets were never been used and were discarded in a site near the asphalt plant. According to PTA, the sizes of conveyor belt sets were big and did not fit to the machinery (refer to Appendix E 3.4 for the picture). The funds were used to pay for garbage. We question why the conveyor sets were not returned immediately upon learning that they did not match the specifications and the machinery.
- Department of Resources and Economic Affairs (DREA) Economic Projects and Programs (Kosrae State) – According to the PCD \$40, 000 was appropriated for DREA to be used to help develop the lands, improve drainage, and access roads. Such fund will be used to cover and supplement furniture and office equipment needs for DREA’s new office building. We identified expenditures totaling \$20,751 during our review that, in our opinion, were operational in nature that we believe should have been funded either through separate appropriations or from the DREA’s operation accounts. Specific examples of operating expenditures identified included office furniture purchase, salary and payment for special contractual services rendered. Such expenditures did not appear to have been made for a “public purpose” and were similar to expenditures made from regular operating accounts.
 - Chamber of Commerce (Yap State) - According to the PCD, \$30,000 was appropriated to continue operation in the year 2013 and also to infuse the needed business development initiatives into the small economy. We found that only \$2,489 was expended within the period under reviewed and we identified those expenditures were also operational in nature including payroll, telecommunication and other employee benefits such as life insurance. Again, in our opinion such funding should have been appropriated through separate appropriation other than “public projects” and “social programs” for they did not appear to be spent for public purposes.

As a result, the allotment of approximately \$1.6 million was highly susceptible to abuse, misuse, and waste of government funds. The absence of selection criteria for the recipients of funds may lead to the selection of projects that were not priority programs or activities for both the states and the national governments. Therefore, significant sums of public funds were not used for the public good of the citizens at large on a long term sustainable benefits.

Cause and Recommendation

There was lack of definitive parameters that would provide guidance in choosing the projects for funding by the Congress. The related public laws did not provide clarity on the intent of “public projects” and “social programs” to determine the kinds of projects suitable for the CFSM project funds. Thus, the funds may be allocated and spent on projects based on personal interest and agenda.

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

We also noted that the Congress members decided the projects without clear determination and reference to local priorities as set forth in the governments' development plans.

We recommend that:

- The FSM President should develop and propose for an act that will define the intent and the allowable “public projects” and “social programs” to provide definitive parameters and guidance in the selection of the kinds of projects suitable for the use of CFSM funds.
- FSM Congress should review and take into consideration any proposal by the President in regards to definitive parameter on the types of projects and purposes for which the CFSM Public Projects and Social Programs fund can be used.
- Furthermore, we recommend that the allottee/sub-allottee should develop and implement the criteria for selecting the CFSM project proposals and program recipients.

Finding 2: \$685,650 Public Projects Lacked Transparency and Accountability

Part VI of the Project Control Document (PCD) states that all construction projects should require blue prints or designs.

In addition, best practice for construction projects requires that detailed cost estimates should be used to support any infrastructure development plan and to ensure that resources are used effectively, efficiently, economically and with due regard to the total costs, benefits and outcomes which the government intends to achieve.

We found that \$685,650 or 91% of the \$750,352 (Table 2) appropriated for infrastructure projects lacked transparency and accountability because the funds were allotted based on PCDs without adequate auxiliary supports such as blue prints, project designs or detailed cost estimates.

Table 2: Infrastructure Development Projects					
State	Project Count	Appropriation	Allotted	Expended/ Encumbered	Allotment Balance
Pohnpei	19	\$402,202.00	\$342,500.00	\$130,578.07	\$211,921.93
Yap	8	\$156,150.00	\$156,150.00	\$2,925.91	\$153,224.09
Kosrae	3	\$135,000.00	\$130,000.00	\$100,408.00	\$29,592.00
Chuuk	3	\$57,000.00	\$57,000.00	\$52,254.19	\$4,745.81
Total	33	\$750,352.00	\$685,650.00	\$286,166.17	\$399,483.82

Source: SBOC's Advice of Allotments/Project Control Document

Furthermore, the test-review of documents supporting the expenditures as well as the results of site inspection of some projects revealed instances of questionable payments. For example:

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

➤ Roads/Seawalls/Bridges repair & Improvement (Chuuk State At Large)

According to PCD, \$25,000 would assist in the improvement and repair of roads, seawalls and bridges including beautification and clean-ups. As of 9/30/13 however, \$22,184 (88%) was spent on four seawall related projects (Oneop seawall, Tol Chukienu seawall, Oneisom seawall and Muniem village seawall) without proper documents to support the reasonableness of construction labor costs. It appears that the cost of labor was unreasonable and unaccountable. For instance, four individuals were paid \$1,750 each for working 25 hours (\$70 per hour) on the seawall slope protecting the Muniem village. In another example, seven individuals were paid at least \$200 each for providing bags of sand for the Oneisom seawall project amounting to \$1,500.

➤ Community Facilities/infrastructure & Housing Subsidy (At Large) / Multipurpose Public facilities, community facilities, housing improvement & repair (ED1) / Housing project (ED3)

During the site inspection of the project, we found that the funds were used to construct private homes. Specifically, we noted the following:

- \$4,593 (At Large - \$1,502; ED1 - \$921; ED3 - \$2,170) was used to pay for housing materials of three housing projects in Pohnpei, which is outside of the legislative jurisdiction of the sponsoring Chuuk Senator.
- These three houses are incomplete and two of them are private homes, thus, not consistent with the intent of the project (Refer to Appendix E 3.1-3.3 for the pictures).
- In addition, the beneficiaries of the two houses (At Large and ED3) are employees of the FSM Congress.

As a result, there was neither assurance that the project objectives were achieved nor project funds were used economically for the benefit of the public at large. The lack of transparency and accountability in allotting the funds without adequate supporting documentations like blue print, and project design increased the risk of waste, misuse and abuse of CFSM project funds.

Cause and Recommendation

The Office of SBOC did not comply with the PCD requirements that all construction projects should have blue prints, project designs, and cost estimates before approving and releasing the allotments.

We recommend that the Director of the Office of SBOC should require that all construction projects be supported with project designs and detailed cost estimate to provide transparency and accountability prior to issuance of advice of allotment.

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

Finding 3: At least \$93,381 CFSM Funds Were Spent for Badly Constructed and Unimplemented Projects, Unused Materials and Equipment, and Unaccounted Expenditures

A project inspection official is responsible for project management and oversight to ensure the proper accountability of funds and completion of the projects. Accordingly, there should be project implementation report that indicates not merely the project completion but also providing an assessment whether the project met its expected goals and objectives.

The site inspections of some of the projects revealed instances of badly constructed projects, unimplemented projects and unused equipment and materials. Furthermore, other projects were unsatisfactorily completed. The following illustrate some examples:

Badly Constructed Projects

- *Road Improvement* (Pohnpei State Election District 1)- \$10,417 was spent to improve a road in Kepinle, Kolonia. However, interview with the neighbors accessing the road stressed their disappointments about the newly constructed culvert⁵ because it was leading waterways into their homes during rainy days. (Refer to Appendix E 3.11 on page 41 for the picture)
- *Nett Secondary Road Improvement and Maintenance* (Pohnpei State Election District 3) - According to inspection report by TC&I, \$20,000 was paid to a contractor for a road construction in Nett even though the work performed did not meet the project scope.

Unimplemented Project

- *Water Extension & Sewer for Ifalik Community in Makiy* (Yap State) –The review of project expenditures revealed that \$24,874 was used to purchase 10 plastic septic tanks in June 2013. However, the project was not implemented as of December 2013. However, the project was not implemented as of December 2013. (Refer to Appendix E 3.10 on page 41 for the picture).

Based on the last status inquiry on September 3, 2014, we learned from a completion report dated June 12, 2014 that the project was satisfactorily completed per the scope of work and contract agreement.

Unused equipment and materials

- *Hydraulic Trailer Mounted Rig and Accessories* (Pohnpei State Election District #2) - \$15,000 was appropriated for the purchase of hydraulic trailer mounted rig and accessories for drilling of water wells in Kitti and Madolenihmw. The equipment, which was purchased in March 2013, has never been used and remained in custody of the vendor as of February 2014.

⁵A **culvert** is a structure that allows water to flow under a road, railroad, trail, or similar obstruction

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

Later inquiry with the vendor on September 02, 2014, revealed that the equipment had been transferred and now in the custody of Kitti Municipality. According to Luhk en Menlap (Mayor of Kitti), the equipment has not been used pending availability of funds for the operation of the machine. (Refer to Appendix E 3.5 on page 38 for the picture).

- *Other Road Improvement* (Pohnpei State Election District #1) - \$3,990 was spent on 210 cubic yards of coral materials that have not been used as of 9/30/2013. The vendor was keeping the corals. Based on our last inquiry with ED 1 on September 3, 2014, the corals were already used; however, ED 1 is unable to provide documentation on deliveries

Unaccounted Expenditure

- *Fishing Market Subsidy* (Chuuk State Election District 4) –\$5,000 was appropriated for the purchase of supplies and equipment to support a startup fishing market in terms of developing business opportunities. In April 2013, a fish market owner benefited \$3,000 by reimbursing the fish stock purchases made for his fish market. During the site inspection in November 2013, we learned that the business was no longer in operation and further inquiry revealed that the fish market was closed down since October 2012. The payment of the \$3,000 was highly questionable.
- *Farming Project Subsidy* (Chuuk State Election District 4) –The review of the supporting documents revealed that \$5,000 was paid to 10 farmers (\$500 each) to plant banana plants on their respective lands. However, the payments were not supported by an inspection report to provide evidence that the project was actually carried out. At the same time, we question why the government is paying for somebody planting his own crops.

As a result, \$93,381.32 was spent on projects that may not be effectively and efficiently implemented which in turn could result in poor quality and unrealized project outcomes and could lead to waste and abuse in the use of government funds. In addition, in the absence of project monitoring, the recipients may take advantage of project funds for their own personal interest. See Appendix E starting at page 37 for the result of site inspection.

Cause and Recommendation

Allottees did not ensure that capable workers and materials are in place before requesting the allotment of project funds.

TC&I did not comply with the requirements on project monitoring and completion report that result in Projects with no inspection report/ scope of work.

DoF&A did not ensure that vouchers are supported with required documentations.

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

We recommend that:

1. Allottees should have adequate planning to ensure that capable manpower and materials are in place before requesting the allotment of project funds.
2. TC&I should comply with the requirements on project monitoring and completion reports.
3. DoF&A to ensure that required project supporting documents are submitted before the disbursing the funds.

Finding 4: Over \$200,000 worth of Expenditures Appeared Not In Compliance with Laws and Regulations

The allottees (or sub-allottees) of public project funds are responsible for ensuring that funds are expended in accordance with applicable National laws, which include the Financial Management Act (FMA) of 1979 and the Financial Management Regulations (FMR). The requirements in these laws, regulations, policies and procedures were established to safeguard the financial assets of the FSM.

During our review of the actual expenditures for public projects, inspection and the results of interviews, we found cases that appeared not in compliance with the requirements of the law/regulations/policies/procedures that were referred to the Compliance Investigation Division (CID) for further investigation such as follows:

1. Expenditures not related to the purpose of the project	\$ 142,394
2. Senators involvement in project implementation	48,542
3. Conflict of Interest	34,000
4. Exceeded the approved budget	19,624
Total	\$ 244,560

The details of the above exceptions are as follows:

1. Expenditures not Related to the Intent of the Project- \$142,394

Title 55 FSMC 211.b specifies that no FSM officer, employee, or allottee of funds shall make or authorize expenditures or purpose other than those of which an allotment has been made.

We found from the review of documents supporting expenditures that at least \$129,834 was spent for purposes other than those of which an allotment has been made. For example:

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

Kosrae State

- *Kosrae Island Veterans Association (KIVA)(\$20,000)*- According to the PCD, the project should provide veterans a place with computers and pamphlets where members can go online and get guidelines to assist them in getting the benefits available for them. However, our review of the expenditures revealed that a total of \$1,489 was expended for activities not related to the project. Such expenditures include monetary awards to 8th and 12th grade graduates based on behavior and result of the ASVAB⁶ totaling to \$250; foods like cases of chicken, turkey tail, pig, sandwiches, luncheons and others amounting to \$1,123; and fuel and car rental amounting to \$116.

In addition, we noted that the Secretary to the Board and Manager of KIVA⁷ was also the vendor of office equipment such as computers, printer, and desk that were sold to the association for a total of \$1,300. The same person (the property owner of KIVA office) was paid a total of \$12,216 from the KIVA funds for expenditures consisting of lease payment and lunch meals from his restaurant.

- *Kosrae Women Christian Association – \$5,000* was appropriated to organize and procure materials for beautification and gardening project. However, review of payment documents revealed that a total of \$3,000 was spent on refreshments during Christian Fellowship and meals served to the students of Walung Elementary School.
- *Kosrae Department of Education (Youth Programs Activities) – \$5,000* was appropriated to provide support and assistance to youth in their skills and educational requirement for preparatory and transitional programs. The programs would allow youth participation thru sports, traditional and cultural activities and assist the off-island youth programs with donations and contributions. However, the review of detailed expenditure reports revealed that \$4,317 was spent for the reimbursement of airline tickets of two Kosraean students attending a school in China.

Chuuk State

- *Food Relief Assistance Program (Chuuk State Election District 5)*- According to the PCD, the food assistance is necessary to assist the islands stricken by intrusion of salt water into their taro patches caused by the rise of sea level. However, a total of \$27,943 (99%) out of the \$28,000 appropriated by the FSM Congress was spent on activities such as funeral, church gatherings, and inauguration.

⁶The Armed Services Vocational Aptitude Battery is a multiple-choice test, administered by the United States Military Entrance Processing Command, used to determine qualification for enlistment in the United States Armed Forces.

⁷Incorporated as Non-profit Corporation with Kosrae State Senator acting as President and a Congressman as the Vice-President of the Corporation

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

- *Students and Farmers Land Transportation and Vehicle Purchase for Local Government*— Seven vehicles were purchased in a total amount of \$40,971, but were used mainly for family purposes. The projects break-down are as follows:

State	District	Number of Vehicles	Purchase Amount	With Exception	
Chuuk	Election District 2	2	\$12,720	2	\$12,720
Chuuk	Election District 3	2	\$9,805	2	\$9,805
Chuuk	Election District 4	3	\$18,446	3	\$18,446
Total		7	\$40,971	7	\$40,971

We verified the existence of the above purchased vehicles. We noted they were generous provisions consisting of either station wagon, sport utility vehicle (SUV) or sedan, which can accommodate a very limited number of passengers making them not appropriate to the intent of providing transportation services to students and farmers. The results of the inspection indicated that the vehicles were used for personal or family purposes as follows:

1. *Weno Municipality Transportation Needs and Office Rehabilitation (Chuuk State Election District 2) – \$30,000.* Part of this fund was used to purchase the following vehicles:
 - \$6,360 Toyota Nadia Silver (Station Wagon): According to the custodian, he uses the vehicle for meeting constituents and municipal operations. Family members also use the vehicle for family errands.
 - \$6,360 Toyota Nadia Pearl (Station Wagon): According to the custodian, he uses the vehicle for work purposes (*to commute to and from work*), for errands (*to the stores, hospital, church*). He further stated that he uses the car as well for municipal operation purposes.

2. *Students Land Transportation need/ Vehicle purchase for local Governments (Chuuk State Election District 3) – \$15,000*
 - \$5,300 Mitsubishi Airtrek (Station Wagon): The custodian has been using the vehicle for family purposes. When needed and instructed, the custodian helps in the land transportation needs of people from Uuman when on Weno.
 - \$4,505 Nissan Expert (Station Wagon): The custodian has been using the vehicle as a service car (*to pick and drop off his grandchildren to and from school*) and for errand purposes (*to go to stores, run Southern Namoneas Development Authority*).

3. *Students and Farmers Land Transportation(Chuuk State Election District 4) – \$20,000*

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

- \$7,300 Mazda Bongo Truck (Flat bed): The custodian has been using the vehicle as a service vehicle (*to purchase merchandise for constituents of Faichuk and to transport students to and from school*).
 - \$4,346 Toyota Corolla (Sedan): The custodian has been using the vehicle as service cars (*to commute to and from work and to transport her children to and from school*).
 - \$6,800 Toyota Rav4 (Four doors): The custodian has been using vehicle as a service car (*to transport students to and from school and uses it for municipal operations*).
- *Youth Activities & Programs* (Chuuk State Election District 4) - \$15,000 was appropriated to provide supplies for youth programs and activities in Faichuk. According to the PCD, activities may include materials and sport equipment that promotes social development and good environment. However, it turned out from the review of expenditure report and supporting documents that the allottee had spent approximately \$10,383 (69%) in two months' time on food items like pigs, sacks of rice, cases of chicken and others without logical connection to the intend of the PCD.

2. Senators Involvement in Implementing the CFSM Project Funds

After the appropriation bill has become law, it is the duty of those who execute the law and administer the funds to follow the guidance Congress has given them by consulting the language Congress put in the public law, and any applicable regulations, not by consulting individual congressman. Congress may appropriate funds for specific improvement projects, or it may legislate rules for determining which projects are appropriate, or a combination of the two. What Congress, or individual congressman, may not do is involve themselves in the administrative and executive process of determining which projects are to be funded after the money has already been appropriated.⁸

We found from the results of test-examination of the documents supporting the CFSM project expenditures and from interviews with concerned persons that Congressmen were involved in the implementation of CFSM public projects to the extent of administering the uses of project funds. The Congress members had exercised influences during the implementation of project funds. For example:

Pohnpei State

- *Student Financial Assistance* (Election District 2 and 3) – The allottees made various payments for student financial assistance amounting to \$12,375 based on the payment-

⁸ See *Udot Municipality v. FSM (10 FSM Intrm.360)*

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

instructions by a Senator (This payment was also cited under Finding 1). The projects break-down are as follows:

<u>State</u>	<u>District</u>	<u>Amount</u>
Pohnpei	Election District 2	\$11,375
Pohnpei	Election District 3	<u>\$1,000</u>
Total		\$12,375

- *Women and Youth Association Activities* (Election District 3) – \$22,230 payments for Women and Youth Association activities were requested through the Senator.
- *Coral Materials* (Election District 2) – \$2,160 payments were made for coral materials upon written instruction of the Senator.

Chuuk State

- *POL Charter/ Freight Subsidy/ Reimbursement (\$25,000) and Community Facilities/ Infrastructure and Housing Subsidy (\$30,000)* (Chuuk At Large) – Three checks amounting to \$3,989 made payable to the ‘Senator A’ as reimbursement for the purchase of goods charged to the Senator’s project account.
- *POL Charter/ Freight Subsidy/ Reimbursement (\$25,000)* (Chuuk State At Large) – Two checks totaling \$3,877.10 were paid to a transportation company for boat charter indicated the ‘Senator A’ as the customer on the attached invoices.
- *Vehicles Purchase for Municipal Government (\$12,000)* (Chuuk State Election District 5) – ‘Senator B’ is controlling the custody of a vehicle purchased at \$6,000 by assigning the custodian of the vehicle. During our site inspection, the vehicle was not located at the designated⁹ custodian’s place. However, the vehicle was located at the place of the new custodian.
- *Repatriation of Remains/ Associations Contribution (\$15,000)* (Chuuk State Election District 1) –An invoice attached to check payment amounting to \$2,800 indicated ‘Senator C’ as the customer.

3. Conflict of Interest- \$34,000

Title 11 of the FSM Code of Conduct provides for the requirements of the law with regard to the conduct of public officials.

- *Sections 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

⁹ Custodian per fixed asset control form.

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

conflict of interest. The Code states that the official should not actually use or give the appearance of using his or her public office for personal gain.

- Section 512 specifies, “*Any public official has a conflict of interest in a matter if the public officials or a family member could benefit directly or indirectly from a decision on a matter over which the public official has influence or control.*”

The results of the test-review of documents supporting the expenditures indicated cases that appeared to involve conflict of interest. Neither the files nor the attached documentations to the vouchers demonstrated that the concerned officials actually implemented the necessary controls on conflict of interest. These cases of conflict of interest were referred to CID for further investigation.

4. Expenditure Exceeded Approved Budget- \$19,624

Title 55 FSMC 221 specifies that no FSM officer or employee or allottee of funds shall make or authorize an expenditure or an obligation in excess of the sum made available by law.

Based on detailed expenditure and fund status report, we noted three projects were over allotted by \$18,000 and eight projects were over expended by more than \$19,000.

Project Title	Account No.	Amount Appropriated	Amount Allotted/ Authorized	Amount Encumbered	Amount Expended	Amount Overallotted	Amount Overexpended
CHUUK							
Youth Groups equipment/ supplies/ activities	A2 25 85 90 42475 13	15,000.00	\$ 26,000.00	\$ -	25,703.38	(11,000.00)	\$ (10,703.38)
Mortlock Island Development Authority	A2 25 85 90 42404 13	\$ 25,000.00	\$ 25,000.00	\$ 2,717.32	\$ 22,353.08	-	\$ (70.40)
Subsidy	A2 25 85 90 42452 13	\$ 70,000.00	\$ 70,000.00	\$ -	\$ 72,996.32	-	\$ (2,996.32)
Students Financial Assistance School Subsidy	A2 25 85 90 42477 13	\$ 17,500.00	\$ 17,500.00	\$ -	\$ 17,995.89	-	\$ (495.89)
outstanding debt at COM-FSM, Hawaii at Hilo and Hawaii Pacific University	A2 25 85 90 42502 13	9,000.00	\$ 14,000.00	\$ -	12,446.27	(5,000.00)	\$ (3,446.27)
Vehicles purchase for municipal governments	A2 25 85 90 42446 13	12,000.00	\$ 14,000.00	\$ -	12,000.00	(2,000.00)	\$ -
KOSRAE							
Network	A3 25 85 90 43101 13	\$ 5,000.00	\$ 669.00	\$ -	\$ 669.21		\$ (0.21)
We Care Referral Program	A3 25 85 90 43144 13	\$ 20,000.00	\$ 19,841.00	\$ -	\$ 21,258.00		\$ (1,417.00)
Malem Municipal Government Subsidy	A3 25 85 90 43159 13	\$ 10,000.00	\$ 2,626.00	\$ -	\$ 2,822.07		\$ (196.07)
POHNPEI							
Youth Activities & Musical Instruments	A1 25 85 90 44366 13	\$ 15,000.00	\$ 15,000.00	\$ 6,175.60	\$ 9,098.96	-	\$ (274.56)
Medical Referral	A1 25 85 90 44370 13	\$ 10,000.00	\$ 10,000.00	\$ -	\$ 10,023.96	-	\$ (23.96)
TOTAL		\$ 208,500.00	\$ 214,636.00	\$ 8,892.92	\$ 207,367.14	\$ (18,000.00)	\$ (19,624.06)

Source: SBOC's record/Detailed expenditure report as of 9/30/2013

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

As a result, the risks of fraud, abuse, misuse and mismanagement of funds was increased by not strictly complying with the requirements of the law.

Cause and Recommendations

The following concerned officials did not ensure that funds were expended in accordance with the laws and regulations.

Description	Concerned Officials/Offices
<ul style="list-style-type: none"> • Expenditure not related to the intend of the project 	Allottee/Sub-allottee
<ul style="list-style-type: none"> • Senators' involvement in implementing CFSM funds 	Senators
<ul style="list-style-type: none"> • Conflict of interest 	Senator, Allottee/Sub-allottee, DOFA
<ul style="list-style-type: none"> • Overspending of allotment 	DOFA, Allottee/Sub-allottee
<ul style="list-style-type: none"> • Overallotment of appropriation 	SBOC

We recommend that concerned officials and government offices should ensure that the spending of funds should be in accordance with the control requirements of the pertinent laws and regulations:

- Allottee/Sub-allottee
 - Spending of project funds consistent with the intent of the appropriation, allotment and/or project purposes

- Senator
 - Senator's restriction in handling or administering project funds and in affecting any form of influence during the implementation of the projects funded by Congress

- Allottee& Sub-allottee/DoF&A
 - Develop and implement procedures to mitigate conflict of interest;

- SBOC/Allottee/Sub-allottee/DoF&A
 - To ensure that allotments do not exceed what is in the appropriation law and expenditures do not exceed the approved appropriation amount.

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

APPENDICES

**Appendix A - Master List of Public Projects and Social Programs per PL 17-68 as amended
as of September 30, 2013**

Public Law Reference	Project Title	Allottee	Approp	Allotted	Expended/ Encumbered/ Commitment	Allotment Balance	
YAP STATE (At Large: Joseph Urusemal & ED 1: Issac Figir)							
1	18-03	Water Exten. For Makiy (Septic Tank)	Governor Yap	\$ 50,000.00	\$ 50,000.00	\$ 24,874.30	\$ 25,125.70
2	18-03	Chamber of Commerce	Governor Yap	\$ 30,000.00	\$ 30,000.00	\$ 2,489.49	\$ 27,510.51
3	18-03	Yap Southern Water Authority (Purchase of Equipment)	Governor Yap	\$ 20,000.00	\$ 20,000.00	\$ 2,861.00	\$ 17,139.00
4	18-03	Yap Government Employees Credit Union	Governor Yap	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ -
5	18-03	Yap Catholic High School	Governor Yap	\$ 106,000.00	\$ 106,000.00	\$ 96,215.91	\$ 9,784.09
6	18-03	Falalop Ulithi Youth Center Renovation	Governor Yap	\$ 20,000.00	\$ 20,000.00	\$ 14,722.50	\$ 5,277.50
7	18-03	Amin, Maap Community Project	Governor Yap	\$ 30,000.00	\$ 30,000.00	\$ 16,335.00	\$ 13,665.00
8	18-03	Plaw road Culvert	Governor Yap	\$ 20,000.00	\$ 20,000.00	\$ 64.91	\$ 19,935.09
9	18-03	Ngolog road construction & equipment rental	Governor Yap	\$ 10,000.00	\$ 10,000.00	\$ -	\$ 10,000.00
10	18-03	Deployment of fishing aggregate device in O.I's	Governor Yap	\$ 3,150.00	\$ 3,150.00	\$ -	\$ 3,150.00
11	18-03	Contribution to Falalop Woleai Youth	Governor Yap	\$ 2,000.00	\$ 2,000.00	\$ -	\$ 2,000.00
12	18-03	Toruf Rumu village road supplemental	Governor Yap	\$ 40,000.00	\$ 40,000.00	\$ -	\$ 40,000.00
13	18-03	Milew Community House repair supple.	Governor Yap	\$ 13,000.00	\$ 13,000.00	\$ -	\$ 13,000.00
14	18-03	Satawal Island community boat & motor & Fais Island comm. Outboard motor for residents in the 2 respective islands	Governor Yap	\$ 23,850.00	\$ 23,850.00	\$ -	\$ 23,850.00
15	18-03	Outer Islands' social & educational workshop	Governor Yap	\$ 42,000.00	\$ 42,000.00	\$ -	\$ 42,000.00
16	18-03	Weloy Municipal subsidy	Governor Yap	\$ 5,000.00	\$ 5,000.00	\$ -	\$ 5,000.00
17	18-03	Rumung water channel restoration	Governor Yap	\$ 30,000.00	\$ 30,000.00	\$ -	\$ 30,000.00
18	18-03	Fanif Mun. multipurpose recreation field supplemental	Governor Yap	\$ 50,000.00	\$ 50,000.00	\$ -	\$ 50,000.00
19	18-03	Woleai runway repair supplemental	Governor Yap	\$ 20,000.00		\$ -	\$ -

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

Public Law Reference	Project Title	Allottee	Approp	Allotted	Expended/ Encumbered/ Commitment	Allotment Balance
20 18-03	Okau, Weloy road supplemental	Governor Yap	\$ 50,000.00	\$ -	\$ -	\$ -
21 18-03	Yapese medical students interns	Governor Yap	\$ 5,000.00	\$ -	\$ -	\$ -
22 18-03	Neighboring Islands Central HS computers (shipping & installation)	Governor Yap	\$ 20,000.00	\$ -	\$ -	\$ -
Yap Total			\$ 600,000.00	\$ 505,000.00	\$ 167,563.11	\$ 337,436.89
28%						
KOSRAE STATE (At Large: Yoshiwo George & ED1: Paliknoa Welley)						
1 18-13	Kosrae State Government subsidy (IMF matching, road & drainage maintenance , equipment)	Deputy Assist. Secretary, CTA	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00	\$ -
2 18-13	DREA economic projects and programs	Deputy Assist. Secretary, CTA	\$ 40,000.00	\$ 40,000.00	\$ 20,750.99	\$ 19,249.01
3 18-13	Department of Health Services for Pharmaceutical supplies		\$ 25,000.00	\$ -		\$ -
4 18-13	Kosrae State Subsidy	Deputy Assist. Secretary, CTA	\$ 55,000.00	\$ 55,000.00		\$ 55,000.00
5 18-13	Department of Education (Youth program/activities)	Deputy Assist. Secretary, CTA	\$ 5,000.00	\$ 5,000.00	\$ 4,317.32	\$ 682.68
6 18-13	Kosrae Island Resource Management Authority subsidy	Deputy Assist. Secretary, CTA	\$ 10,000.00	\$ 10,000.00		\$ 10,000.00
7 18-13	Kosrae Conservation Society Organization subsidy		\$ 10,000.00	\$ -	\$ -	\$ -
8 18-13	Panyacah bridge improvement and repair (IMF matching)	Mayor, Lelu Town Government	\$ 15,000.00	\$ -	\$ -	\$ -
9 18-13	Lelu municipal government subsidy	Deputy Assist. Secretary, CTA	\$ 10,000.00	\$ 6,711.00	\$ 6,602.67	\$ 108.33
10 18-13	Kosrae Island Veterans Association	Deputy Assist. Secretary, CTA	\$ 20,000.00	\$ 19,237.00	\$ 17,337.19	\$ 1,899.81
11 18-13	KHS lunch program	Deputy Assist. Secretary, CTA	\$ 40,000.00	\$ -		\$ -
12 18-13	B.A. program	Deputy Assist. Secretary, CTA	\$ 20,000.00	\$ -		\$ -
13 18-13	"We Care" referral program	Deputy Assist. Secretary, CTA	\$ 20,000.00	\$ 19,841.00	\$ 21,258.00	\$ (1,417.00)

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

	Public Law Reference	Project Title	Allottee	Approp	Allotted	Expended/ Encumbered/ Commitment	Allotment Balance
14	18-13	Multipurpose building in Lelu municipality	Mayor, Lelu Town Government	\$ 20,000.00	\$ 20,000.00	\$ 408.00	\$ 19,592.00
15	18-13	Road improvement (Wan Taf to Finkol)		\$ 10,000.00	\$ -		\$ -
16	18-13	Sungankuta, Malem inner road improvement		\$ 5,000.00	\$ -		\$ -
17	18-13	Kosrae Women Christian Association	Deputy Assist. Secretary, CTA	\$ 5,000.00	\$ 3,000.00	\$ 3,000.00	\$ -
18	18-13	Kosrae Visitor's Bureau (travel and promotion)	Deputy Assist. Secretary, CTA	\$ 10,000.00	\$ 4,308.00	\$ 2,573.90	\$ 1,734.10
19	18-13	Kosrae participants to the 2013 Women conference in Yap Pohnpei		\$ 20,000.00	\$ -		\$ - a
20	18-13	Kosrae Utility Authority subsidy	Deputy Assist. Secretary, CTA	\$ 40,000.00	\$ 40,000.00	\$ 40,000.00	\$ - a
21	18-13	Kosrae Youth Associations (Fusr)	Deputy Assist. Secretary, CTA	\$ 5,000.00	\$ -		\$ -
22	18-13	Kosrae Special Parent Network (KSPN)	Deputy Assist. Secretary, CTA	\$ 5,000.00	\$ 669.00	\$ 669.21	\$ (0.21)
23	18-13	Kosrae State Government's contribution to Pacific Island Development Bank	Deputy Assist. Secretary, CTA	\$ 30,000.00	\$ 30,000.00	\$ 30,000.00	\$ -
24	18-13	Yela Environmental Landowners Authority (YELA)	Deputy Assist. Secretary, CTA	\$ 10,000.00	\$ 3,000.00		\$ 3,000.00
25	18-13	Tourist travel trail in Malem municipality	Deputy Assist. Secretary, CTA	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ -
26	18-13	Lelu farm road improvement at Sruusr, Lelu	Deputy Assist. Secretary, CTA	\$ 10,000.00	\$ 10,000.00	\$ 4,000.00	\$ 6,000.00
27	18-13	Kings farm road project in pilyaul, Malem	Deputy Assist. Secretary, CTA	\$ 15,000.00	\$ 6,533.00	\$ 1,896.28	\$ 4,636.72
28	18-13	Tafunsak Municipal government subsidy		\$ 10,000.00	\$ -		\$ -
29	18-13	Tafeot Dam repair and water system improvement	Deputy Assist. Secretary, CTA	\$ 10,000.00	\$ -		\$ -
30	18-13	Malem Municipal government subsidy	Deputy Assist. Secretary, CTA	\$ 10,000.00	\$ 2,626.00	\$ 2,822.07	\$ (196.07)

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

Public Law Reference	Project Title	Allottee	Approp	Allotted	Expended/ Encumbered/ Commitment	Allotment Balance
31 18-13	Utwe Municipal government subsidy	Deputy Assist. Secretary, CTA	\$ 10,000.00	\$ 6,933.00		\$ 6,933.00
Kosrae Total			\$ 600,000.00	\$ 387,858.00	\$ 260,635.63	\$ 127,222.37
43%						
POHNPEI STATE						
At Large: (Peter Christian)						
1 17-84	Pohnpei Road Improvement (material purchase, transportation and equipment rental, tools, etc...)	TC & I	\$ 100,000.00	\$ 100,000.00	\$ 25,465.00	\$ 74,535.00
2 17-84	Payment of asphalt plant conveyor belt account by PTA to Ace Ocean Company	TC & I	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00	\$ -
3 17-84	Mountain trails (labor, tools, equipment)	TC & I	\$ 10,000.00	\$ 10,000.00	\$ 5,090.00	\$ 4,910.00
4 17-84	Waterways/channels improvement (labor, POL, tools, equipment)	TC & I	\$ 10,000.00	\$ 10,000.00	\$ 5,875.10	\$ 4,124.90
5 17-84	Pohnpei Outer Islands transportation needs (charter costs, fuel, channel clearing)	TC & I	\$ 35,000.00	\$ 30,000.00	\$ 5,776.25	\$ 24,223.75
6 17-84	Aid to non-public high schools	TC & I	\$ 20,000.00	\$ 20,000.00		\$ 20,000.00
7 17-84	Pohnpei Sports facilities improvement	TC & I	\$ 50,000.00	\$ 50,000.00	\$ 44,560.50	\$ 5,439.50
8 17-84	Historical sites restoration/maintenance	TC & I	\$ 15,000.00	\$ 15,000.00	\$ 2,000.00	\$ 13,000.00
9 17-84	Traditional leaders conference and travel needs	TC & I	\$ 20,000.00	\$ 20,000.00	\$ 10,217.05	\$ 9,782.95
10 17-84	Civic leaders' FSMState visit	TC & I	\$ 25,000.00	\$ 25,000.00	\$ 2,556.38	\$ 22,443.62
Election District 1: Kolonia & Sokehs (Dohsis Albert)						
11 17-84	Road improvement - Kolonia	TC & I	\$ 35,298.00	\$ 35,298.00	\$ 35,297.19	\$ 0.81
12 17-84	Other road improvements	TC & I	\$ 100,000.00	\$ 100,000.00	\$ 53,790.00	\$ 46,210.00
13 17-84	COM-FSM students' outstanding debt payment	TC & I	\$ 22,000.00	\$ 22,000.00	\$ 22,000.00	\$ -
14 17-84	St. Paul school subsidy	TC & I	\$ 8,000.00	\$ 8,000.00	\$ 7,857.69	\$ 142.31
15 17-84	Social Security premium contribution	TC & I	\$ 15,000.00	\$ 15,000.00	\$ 1,421.59	\$ 13,578.41
16 17-84	Classroom upgrade (Palikir school)	TC & I	\$ 12,000.00	\$ 12,000.00	\$ 9,285.59	\$ 2,714.41
17 17-84	Medical referrals (travel)	TC & I	\$ 10,000.00	\$ 10,000.00	\$ 10,023.96	\$ (23.96)
18 17-84	Need Assessment/monitoring - Election District No. 1	TC & I	\$ 43,000.00	\$ 43,000.00	\$ 40,346.20	\$ 2,653.80

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

Public Law Reference	Project Title	Allottee	Approp	Allotted	Expended/ Encumbered/ Commitment	Allotment Balance
19 17-84	Calvary Baptist Classroom Completion	TC & I	\$ 54,702.00	\$ -		\$ -
Election District 2: Kitti & Madolenihmw (Bernie Martin)						
20 17-84	Akahk/ Enipoas Road	TC & I	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00	\$ -
21 17-84	Rohi water system road	TC & I	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00	\$ -
22 17-84	Metipw/Dolopwail road	TC & I	\$ 10,000.00	\$ 10,000.00		\$ 10,000.00
23 17-84	Nan Woalin Pahloang road	TC & I	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00	\$ -
24 17-84	Pwoai Pwoai water system road	TC & I	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00	\$ -
25 17-84	Temwen/Poasihloa road paving	TC & I	\$ 30,000.00	\$ 30,000.00		\$ 30,000.00
26 17-84	Toamwoaroahlong water system improvement	TC & I	\$ 7,500.00	\$ 7,500.00	\$ 7,255.15	\$ 244.85
27 17-84	Sapwalapw water system improvement	TC & I	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ -
28 17-84	Pwok water system improvement	TC & I	\$ 10,000.00	\$ 10,000.00	\$ 3,496.70	\$ 6,503.30
29 17-84	Students financial supplemental	TC & I	\$ 15,000.00	\$ 15,000.00	\$ 11,375.45	\$ 3,624.55
30 17-84	High School Cooks	TC & I	\$ 12,000.00	\$ 12,000.00	\$ 4,300.00	\$ 7,700.00
31 17-84	Police Vehicle supplemental	TC & I	\$ 8,000.00	\$ 8,000.00		\$ 8,000.00
32 17-84	Youth activities	TC & I	\$ 7,500.00	\$ 7,500.00	\$ 1,128.00	\$ 6,372.00
33 17-84	women's activities/programs	TC & I	\$ 7,500.00	\$ 7,500.00	\$ 62.50	\$ 7,437.50
34 17-84	Alekot Power extension	TC & I	\$ 20,000.00	\$ 20,000.00		\$ 20,000.00
35 17-84	Takaieu/Madolenihmw Power Extension	TC & I	\$ 20,000.00	\$ 20,000.00		\$ 20,000.00
36 17-84	Coral materials	TC & I	\$ 7,500.00	\$ 7,500.00	\$ 2,430.00	\$ 5,070.00
37 17-84	ED#2 subsidy (administrative support and other current expenses)	TC & I	\$ 30,000.00	\$ 30,000.00	\$ 23,691.21	\$ 6,308.79
38 17-84	Agriculture Fair (Madolenihmw/Kitti)	TC & I	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ -
39 17-84	PVC materials	TC & I	\$ 5,000.00	\$ 5,000.00	\$ 3,681.09	\$ 1,318.91
40 17-84	Hydraulic Trailer mounted rig & accessories	TC & I	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00	\$ -
41 17-84	Box culvert/bridge	TC & I	\$ 15,000.00	\$ 15,000.00	\$ 2,935.00	\$ 12,065.00
42 17-84	Pohnlangas track and field upgrade	TC & I	\$ 5,000.00			\$ -
43 17-84	Sports Facilities Upgrade	TC & I	\$ 5,000.00			\$ -
Election District 3: Nett, Uh, Mwokiloo, Pingelap (David Panuelo)						
44 17-84	Women Associations' activities and equipment	TC & I	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00	\$ -
45 17-84	Youth Associations' activities and sporting equipment	TC & I	\$ 15,000.00	\$ 15,000.00	\$ 15,274.56	\$ (274.56)

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

Public Law Reference	Project Title	Allottee	Approp	Allotted	Expended/Encumbered/Commitment	Allotment Balance	
46	17-84	ED#3 Office subsidy	TC & I	\$ 45,000.00	\$ 45,000.00	\$ 6,987.75	\$ 38,012.25
47	17-84	Nett Secondary road improvement and maintenance	TC & I	\$ 75,000.00	\$ 75,000.00	\$ 75,000.00	\$ -
48	17-84	Water system projects improvement	TC & I	\$ 15,000.00	\$ 15,000.00	\$ 1,757.69	\$ 13,242.31
49	17-84	Youth/Community Center	TC & I	\$ 15,000.00	\$ 15,000.00		\$ 15,000.00
50	17-84	Dehpek/Takaiou students' support	TC & I	\$ 15,000.00	\$ 15,000.00	\$ 2,041.20	\$ 12,958.80
51	17-84	Student Financial Assistance	TC & I	\$ 15,000.00	\$ 15,000.00	\$ 2,800.00	\$ 12,200.00
52	17-84	Medical referral support	TC & I	\$ 10,000.00	\$ 10,000.00	\$ 9,529.71	\$ 470.29
53	17-84	Youth Sport facilities' upgrade	TC & I	\$ 15,000.00	\$ 15,000.00		\$ 15,000.00
54	17-84	Pohnpei Senior Citizens Associations program/activities	TC & I	\$ 5,000.00	\$ 5,000.00		\$ 5,000.00
55	17-84	Farming equipment	TC & I	\$ 15,000.00	\$ 15,000.00		\$ 15,000.00
56	17-84	General Road improvement and beautification	TC & I	\$ 45,000.00	\$ 45,000.00	\$ 6,675.00	\$ 38,325.00
Pohnpei Total				\$ 1,200,000.00	\$ 1,130,298.00	\$ 576,983.51	\$ 553,314.49
						48%	
CHUUK STATE							
At Large: (Wesley Simina)							
1	18-13	Chuuk Museum contribution	Governor, Chuuk	\$ 5,000.00	\$ 5,000.00	\$ -	\$ 5,000.00
2	18-13	Main water source lease obligation (Nefo)	Governor, Chuuk	\$ 7,000.00	\$ 7,000.00	\$ 7,000.00	\$ -
3	18-13	Roads/seawalls/Bridges repair & improvement	Governor, Chuuk	\$ 25,000.00	\$ 25,000.00	\$ 23,256.60	\$ 1,743.40
4	18-13	Contributions to state, mun., comm. Events/activities programs	Governor, Chuuk	\$ 42,000.00	\$ 42,000.00	\$ 41,764.57	\$ 235.43 a
5	18-13	Community facilities/infrastructure & housing subsidy	Governor, Chuuk	\$ 30,000.00	\$ 30,000.00	\$ 26,998.96	\$ 3,001.04
6	18-13	youth groups equipment/supplies/activities	Governor, Chuuk	\$ 15,000.00	\$ 26,000.00	\$ 25,703.38	\$ 296.62 b
7	18-13	Leaders/patients/students/re patriation of remains travel needs	Governor, Chuuk	\$ 23,000.00	\$ 23,000.00	\$ 22,994.70	\$ 5.30 a
8	18-13	students financial assistance/school subsidy	Governor, Chuuk	\$ 17,500.00	\$ 17,500.00	\$ 17,995.89	\$ (495.89) d
9	18-13	Lien Pukial prior obligations	Governor, Chuuk	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ -
10	18-13	Farmers' seedlings & labor cost obligations	Governor, Chuuk	\$ 1,400.00	\$ 1,400.00	\$ 1,340.00	\$ 60.00

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

Public Law Reference	Project Title	Allottee	Approp	Allotted	Expended/ Encumbered/ Commitment	Allotment Balance	
11 18-13	Municipal gov't. subsidy (elections/activities)	Governor, Chuuk	\$ 48,500.00	\$ 48,500.00	\$ 47,388.58	\$ 1,111.42	b
12 18-13	Administrative support costs for allottee/At Large	Governor, Chuuk	\$ 7,000.00	\$ 7,000.00	\$ 7,000.00	\$ -	a
13 18-13	Fishing projects (equipment/gears/marketing)	Governor, Chuuk	\$ 27,000.00	\$ 27,000.00	\$ 22,739.47	\$ 4,260.53	a
14 18-13	Community/students/farmers land transportation	Governor, Chuuk	\$ 18,000.00	\$ 7,000.00	\$ 6,800.00	\$ 200.00	c
15 18-13	POL/charters/freight subsidy/reimbursement	Governor, Chuuk	\$ 25,600.00	\$ 25,600.00	\$ 25,248.10	\$ 351.90	a
16 18-13	Women Groups' sewing equipment/supplies	Governor, Chuuk	\$ 3,000.00	\$ 3,000.00	\$ 2,879.29	\$ 120.71	
Election District 1: Mortlock Island Development Authority (Florencio Singkoro Harper)							
17 18-13	Students financial assistance	MIDA	\$ 20,000.00	\$ 20,000.00	\$ 17,600.00	\$ 2,400.00	
18 18-13	Repatriation of remain/association contributions	MIDA	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00	\$ -	
19 18-13	Multipurpose public facilities, community facilities, housing improvement & repair	MIDA	\$ 40,000.00	\$ 40,000.00	\$ 33,786.51	\$ 6,213.49	
20 18-13	Mortlock Island Development Authority (MIDA)	MIDA	\$ 25,000.00	\$ 25,000.00	\$ 25,070.40	\$ (70.40)	a
21 18-13	Professional service fee	MIDA	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00	\$ -	
22 18-13	Renewable energy project/communication system	MIDA	\$ 65,000.00	\$ 65,000.00	\$ 61,771.00	\$ 3,229.00	
23 18-13	Mortlock Islands' Sea vessel purchase	MIDA	\$ 100,000.00	\$ 100,000.00	\$ 91,081.60	\$ 8,918.40	a
24 18-13	Education, health & sanitation programs & projects/and/or training	MIDA	\$ 10,000.00	\$ 10,000.00	\$ 7,899.85	\$ 2,100.15	a
25 18-13	Municipal Gov't. special occasions activities	MIDA	\$ 10,000.00	\$ 10,000.00	\$ 9,984.90	\$ 15.10	
Election District 2: Northern Namoneas Social and Economic Development Authority (Roger Mori (End Term May 2013)/ Victor Vicky Gouland)							
26 18-13	Community Halls and Rehab	NNSSED	\$ 25,000.00	\$ 25,000.00	\$ 6,368.03	\$ 18,631.97	
27 18-13	NNSEDA Administration	NNSSED	\$ 50,000.00	\$ 50,000.00	\$ 27,445.74	\$ 22,554.26	
28 18-13	Piis-Paneu Municipal subsidy	NNSSED	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ -	
29 18-13	Housing renovation supplement	NNSSED	\$ 25,000.00	\$ 25,000.00	\$ 4,828.72	\$ 20,171.28	

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

Public Law Reference	Project Title	Allottee	Approp	Allotted	Expended/ Encumbered/ Commitment	Allotment Balance	
30	18-13	Regional leadership outreach visit	NNSD	\$ 25,000.00	\$ 25,000.00	\$ 19,128.51	\$ 5,871.49
31	18-13	Weno Municipality Transportation needs & office rehabilitation	NNSD	\$ 30,000.00	\$ 30,000.00	\$ 29,472.73	\$ 527.27
32	18-13	Weno constitution day & inauguration Day festivities	NNSD	\$ 10,000.00	\$ 10,000.00	\$ 9,944.76	\$ 55.24
33	18-13	Nutrition & Food security enhancement projects	NNSD	\$ 15,000.00	\$ 15,000.00	\$ 13,854.68	\$ 1,145.32
34	18-13	Weno Municipal Police Communication system & supplies	NNSD	\$ 9,000.00	\$ 9,000.00	\$ 551.20	\$ 8,448.80
35	18-13	Weno Municipal office upkeep	NNSD	\$ 5,000.00	\$ 5,000.00	\$ -	\$ 5,000.00
36	18-13	Nepukos Souak-association comm. Activities	NNSD	\$ 5,000.00	\$ 5,000.00	\$ -	\$ 5,000.00
37	18-13	Mechitiew souak community activities	NNSD	\$ 5,000.00	\$ 5,000.00	\$ -	\$ 5,000.00
38	18-13	Fonoton Youth Association (FCYA)	NNSD	\$ 2,000.00	\$ 2,000.00	\$ -	\$ 2,000.00
39	18-13	Piis-Paneu youth association	NNSD	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ -
40	18-13	Peniesene youth association (Kutta kinamwe)	NNSD	\$ 2,000.00	\$ 2,000.00	\$ -	\$ 2,000.00
41	18-13	Tunnuk Youth Association (TCYA)	NNSD	\$ 2,000.00	\$ 2,000.00	\$ -	\$ 2,000.00
42	18-13	Iras youth association	NNSD	\$ 2,000.00	\$ 2,000.00	\$ 110.00	\$ 1,890.00
43	18-13	Neauo youth association	NNSD	\$ 2,000.00	\$ 2,000.00	\$ -	\$ 2,000.00
44	18-13	Wichap youth association	NNSD	\$ 2,000.00	\$ 2,000.00	\$ -	\$ 2,000.00
45	18-13	Nemwean youth association	NNSD	\$ 2,000.00	\$ 2,000.00	\$ -	\$ 2,000.00
46	18-13	Youth community activities	NNSD	\$ 15,000.00	\$ 15,000.00	\$ 11,352.60	\$ 3,647.40
47	18-13	Fishing projects	NNSD	\$ 20,000.00	\$ 20,000.00	\$ 13,478.30	\$ 6,521.70
48	18-13	Fono Municipality subsidy	NNSD	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ -
49	18-13	College students' fianancial assistance	NNSD	\$ 15,000.00	\$ 15,000.00	\$ 8,676.16	\$ 6,323.84
50	18-13	Roads upgrade & rehabilitation	NNSD	\$ 10,000.00	\$ -		\$ -
Election District 3: Southern Namoneas Development Authority (Bonciano Fasy Nethon)							
51	18-13	Fishing Project	SNDA	\$ 70,000.00	\$ 70,000.00	\$ 68,375.61	\$ 1,624.39
52	18-13	Contribution to Social security	SNDA	\$ 5,000.00	\$ 5,000.00	\$ -	\$ 5,000.00
53	18-13	Business start up/Entrepreneurship subsidies	SNDA	\$ 10,000.00	\$ 10,000.00	\$ 5,697.27	\$ 4,302.73
54	18-13	Community Halls rehabilitation	SNDA	\$ 30,000.00	\$ 30,000.00	\$ 28,660.76	\$ 1,339.24
55	18-13	SNDA administration	SNDA	\$ 25,000.00	\$ 25,000.00	\$ 17,111.39	\$ 7,888.61

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

	Public Law Reference	Project Title	Allottee	Approp	Allotted	Expended/ Encumbered/ Commitment	Allotment Balance
56	18-13	Travel needs for students/referral patients/leaders	SNDA	\$ 20,000.00	\$ 20,000.00	\$ 16,374.40	\$ 3,625.60
57	18-13	Housing project	SNDA	\$ 30,000.00	\$ 30,000.00	\$ 24,769.52	\$ 5,230.48
58	18-13	Contribution/repatriation of remain, associations support (Guam, Saipan, Hawaii, U.S., Southern Namoneas.	SNDA	\$ 10,000.00	\$ 10,000.00	\$ 8,130.00	\$ 1,870.00
59	18-13	Youth/School sports & activities	SNDA	\$ 10,000.00	\$ 10,000.00	\$ 6,888.94	\$ 3,111.06
60	18-13	Humanitarian food aid relief program for community/municipalities	SNDA	\$ 10,000.00	\$ 10,000.00	\$ 9,625.04	\$ 374.96
61	18-13	contributions to Southern Namoneas off-island chartered associations	SNDA	\$ 10,000.00	\$ 10,000.00	\$ -	\$ 10,000.00
62	18-13	Students land transportation needs/vehicle purchase for local government	SNDA	\$ 15,000.00	\$ 15,000.00	\$ 14,505.00	\$ 495.00
63	18-13	Solar power lighting system	SNDA	\$ 10,000.00	\$ 10,000.00	\$ 9,860.00	\$ 140.00
64	18-13	Municipal/community health & sanitation water improvements projects	SNDA	\$ 7,500.00	\$ 7,500.00	\$ 3,147.34	\$ 4,352.66
65	18-13	Reimbursement payment for lease/rental obligation	SNDA	\$ 10,000.00	\$ 10,000.00	\$ -	\$ 10,000.00
66	18-13	Feeding program for Handicap/Disable elderlies	SNDA	\$ 5,000.00	\$ 5,000.00	\$ 3,113.60	\$ 1,886.40
67	18-13	Reimbursement for POL/charters	SNDA	\$ 5,000.00	\$ 5,000.00	\$ 3,665.00	\$ 1,335.00
68	18-13	Medical/medication contribution to non-insured & unemployed senior citizens	SNDA	\$ 7,500.00	\$ 7,500.00	\$ -	\$ 7,500.00
69	18-13	municipal government subsidies	SNDA	\$ 10,000.00	\$ 10,000.00	\$ 9,962.48	\$ 37.52
Election District 4: Faichuk Development Authority (Tiwiter Aritos)							
70	18-13	Student Financial Assistance	Faichuk Dev. Author.	\$ 15,000.00	\$ 15,000.00	\$ 14,818.00	\$ 182.00
71	18-13	Solar system project	Faichuk Dev. Author.	\$ 5,000.00	\$ 5,000.00	\$ 4,978.72	\$ 21.28
72	18-13	Faichuk Development Authority (Contractual services/administration)	Faichuk Dev. Author.	\$ 20,000.00	\$ 20,000.00	\$ 19,839.84	\$ 160.16
73	18-13	Municipal government subsidies	Faichuk Dev. Author.	\$ 70,000.00	\$ 70,000.00	\$ 72,996.32	\$ (2,996.32)
74	18-13	Farming project subsidy	Faichuk Dev. Author.	\$ 30,000.00	\$ 30,000.00	\$ 29,960.00	\$ 40.00

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

Public Law Reference	Project Title	Allottee	Approp	Allotted	Expended/ Encumbered/ Commitment	Allotment Balance	
75	18-13	Road improvement & beautification	Faichuk Dev. Author.	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ -
76	18-13	Fishing Projects	Faichuk Dev. Author.	\$ 40,000.00	\$ 40,000.00	\$ 40,000.00	\$ -
77	18-13	Fishing market subsidy	Faichuk Dev. Author.	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ -
78	18-13	Sewing project subsidy	Faichuk Dev. Author.	\$ 10,000.00	\$ 10,000.00	\$ 9,773.20	\$ 226.80
79	18-13	Low income housing subsidy	Faichuk Dev. Author.	\$ 30,000.00	\$ 30,000.00	\$ 27,009.70	\$ 2,990.30
80	18-13	medical referrals & repatriation of remains	Faichuk Dev. Author.	\$ 10,000.00	\$ 10,000.00	\$ 9,576.33	\$ 423.67
81	18-13	Youth activities and programs	Faichuk Dev. Author.	\$ 15,000.00	\$ 15,000.00	\$ 14,992.50	\$ 7.50
82	18-13	students & farmers land transportation	Faichuk Dev. Author.	\$ 20,000.00	\$ 20,000.00	\$ 18,446.00	\$ 1,554.00
83	18-13	fiber boat repair project	Faichuk Dev. Author.	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ -
84	18-13	States & municipal leadership exposure travel	Faichuk Dev. Author.	\$ 15,000.00	\$ 15,000.00	\$ 14,997.21	\$ 2.79
Election District 5: Northwest islands Development Authority (Tony H. Otto)							
85	18-13	Food relief assistance program	Northwest Island Dev. Authority	\$ 28,000.00	\$ 28,000.00	\$ 27,943.85	\$ 56.15
86	18-13	Fishing Project	Northwest Island Dev. Authority	\$ 70,000.00	\$ 70,000.00	\$ 16,827.50	\$ 53,172.50
87	18-13	Contributions to Northwest Island Associations	Northwest Island Dev. Authority	\$ 23,000.00	\$ 30,000.00	\$ -	\$ 30,000.00
88	18-13	Vehicles purchase for municipal governments	Northwest Island Dev. Authority	\$ 12,000.00	\$ 14,000.00	\$ 12,000.00	\$ 2,000.00
89	18-13	Northwest island Dev. Auth. Administration	Northwest Island Dev. Authority	\$ 38,000.00	\$ 38,000.00	\$ 35,951.95	\$ 2,048.05
90	18-13	Boat charters/funeral related expenses	Northwest Island Dev. Authority	\$ 34,000.00	\$ 20,000.00	\$ 19,976.45	\$ 23.55
91	18-13	Contributions to municipal events/activities	Northwest Island Dev. Authority	\$ 11,000.00	\$ 11,000.00	\$ 10,981.46	\$ 18.54
92	18-13	Payment for students' entrance test fees, and outstanding debt at COM-FSM, University of Hawaii at Hilo & Hawaii Pacific University	Northwest Island Dev. Authority	\$ 9,000.00	\$ 14,000.00	\$ 12,446.27	\$ 1,553.73

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

Public Law Reference	Project Title	Allottee	Approp	Allotted	Expended/ Encumbered/ Commitment	Allotment Balance
93 18-13	Boat charter/medical referral	Northwest Island Dev. Authority	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ -
94 18-13	Officials/patients/ & other travel needs	Northwest Island Dev. Authority	\$ 42,000.00	\$ 42,000.00	\$ 32,967.40	\$ 9,032.60 ^e
95 18-13	Onoun women association contribution	Northwest Island Dev. Authority	\$ 8,000.00	\$ 8,000.00	\$ 7,746.48	\$ 253.52
96 18-13	Pollap dispensary solar power project supplemental	Northwest Island Dev. Authority	\$ 2,000.00	\$ 2,000.00	\$ 1,998.63	\$ 1.37
97 18-13	Shoreline mitigation project	Northwest Island Dev. Authority	\$ 2,000.00	\$ 2,000.00	\$ -	\$ 2,000.00
98 18-13	Tupwunoil office rental	Northwest Island Dev. Authority	\$ 6,000.00	\$ 6,000.00	\$ 6,000.00	\$ -
99 18-13	Community Hall	Northwest Island Dev. Authority	\$ 5,000.00	\$ 5,000.00	\$ -	\$ 5,000.00
Chuuk Total			\$ 1,800,000.00	\$ 1,790,000.00	\$1,450,629.39	\$ 339,370.61
Grand Total All States			\$ 4,200,000.00	\$ 3,813,156.00	\$2,455,811.64	\$1,357,344.36
					81%	

Legend:

- a Project amended 1 time
- b Project amended 2 times
- c Project amended 3 times
- d Project amended 4 times
- e Project amended 5 times

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

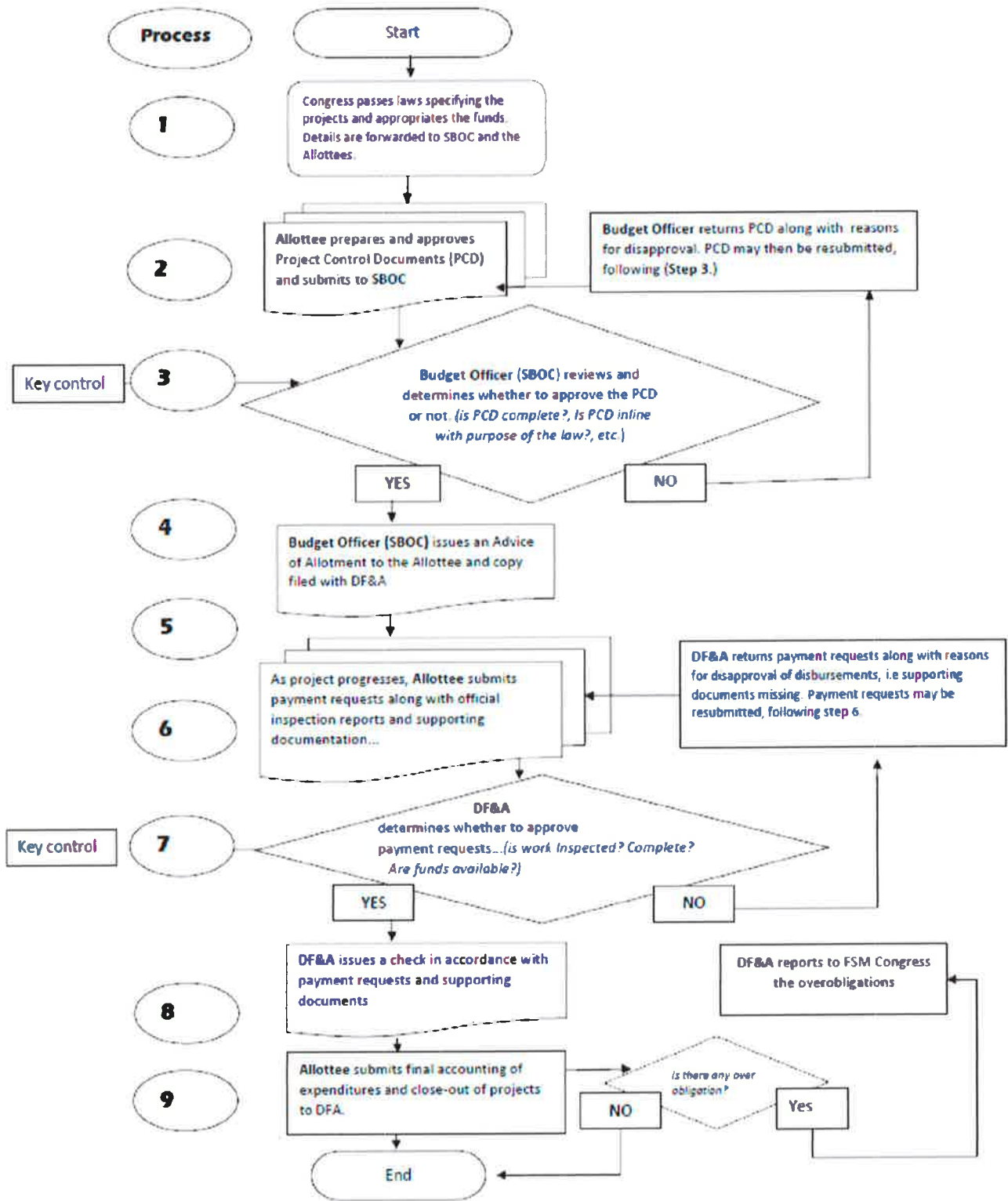
Appendix B –Summary of Projects Alloted as of September 30, 2013 (Refer to Finding 1)

Project Category	Yap	Kosrae	Pohnpei	Chuuk	Total All States
Education Assistance					
Private School Subsidy	\$106,000		\$28,000		\$134,000
Student Financial Assistance		669	52,000	61,500	114,169
Medical supplies/ referrals		19,841	20,000	17,500	57,341
Operations Subsidy - Municipal, Agency, grants & assistance	45,000	155,578	130,000	384,500	715,078
Others					
Fuel			15,000	30,600	45,600
Business Start-up				10,000	10,000
Food Assistance				58,000	58,000
Farming Project				30,000	30,000
Prior Obligation			15,000	18,000	33,000
Contribution to Social Security			15,000	5,000	20,000
Social Activities					
Youth Associations' Activities		5,000	22,500	92,000	119,500
Women's Activities		5,000	22,500	8,000	35,500
Constitution and Inauguration				10,000	10,000
Municipal Events				51,000	51,000
Travel					
Traditional leaders conference and travel needs			20,000		20,000
Civic leaders' FSM State visit			25,000		25,000
Contribution/repatriation of remain, associations support (Guam, Saipan, Hawaii, U.S., Southern Namoneas).				10,000	10,000
States & Municipal Leadership exposure travel				15,000	15,000
Officials/patients/ & other travel needs				42,000	42,000
Vehicle			8,000	36,000	44,000
Total	\$151,000	\$186,088	\$373,000	\$879,100	\$1,589,188

Source: SBOC's record (Project Control Documents)

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

Appendix C – Flowchart of Public Project Administration



Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

Appendix D – Prior Audit and Inspection Findings

Audit Report	Findings
Report No. 2012-03: Audit of CFSM Funded Public Projects fiscal years 2010 and 2011	<ol style="list-style-type: none"> 1. Failure to execute key controls 2. 47 projects across FSM (41) in Chuuk were overspent by \$149,033 3. Expenditures of \$306,521 could not be verified 4. Assets were being misused (given to personal use) or lost 5. Disbursement for \$401,619 without certifications
Report No. 2009-04: Audit of Congress Funded Public Projects in Chuuk State FY 2006-2008	<ol style="list-style-type: none"> 1. \$404,500 of the \$1,200,000 (approximately 1/3) of the funds appropriated to projects in Chuuk by PL 13-36, as amended, may not have been used for the intended purpose 2. Project selection lacked competitiveness, documentation, and transparency 3. Better coordination with state officials would increase the likelihood that the maximum benefit is realized from PL 13-36 appropriations 4. \$82,025 of vehicles, boats, and engines are not accounted for 5. Funds were not always expended in accordance with the project control documents or within authorized appropriation limits 6. Failure to designate inspection officials and require submittal of inspection reports resulted in lack of assurance that work was completed.
Report No. 2008-07: Review of Congress Funded Public Projects in Pohnpei State fiscal years 2005-2007	<ol style="list-style-type: none"> 1. Transparency and justification an issue in selection of public projects 2. Election district offices used inappropriately 3. Reasonable costs an issue with road construction projects 4. Project control documents not clear or complete


Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

<p>Report No. 2008-01: Review of Congress Funded Public Projects in Kosrae State fiscal years 2005-2006</p>	<ol style="list-style-type: none"> 1. Selection standards not met resulting in questionable public projects 2. Prudent management practices not followed resulting in mismanaged and misused project funds
<p>Report No. 2006-06: Inspection of Yap State CFSM Funded Projects fiscal years 2005-2006</p>	<ol style="list-style-type: none"> 1. Selection of CFSM Public Projects should include State review for better use and coordination of limited resources 2. More review and scrutiny of projects costs are needed before congressional funds are enacted into public law 3. Better management and oversight of projects are needed to ensure compliance with regulations 4. Clearer guidance of scholarship awards could help match awards to student needs

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04


Appendix E: CFSM Public Projects Inspected (PL 17-68 as amended as of 9/30/13)

3.1 Housing Projects

Project Name	Housing Projects	
Project Location	Sokehs, Pohnpei	
Date of Inspection	1/14/14	
Project Status	Incomplete	
Expenditure Amount	\$2,170.07	


Comments: Fund allocated to Chuuk State was used to implement projects in Pohnpei.

3.2 Community Facilities/ Infrastructure & Housing Subsidy

Project Name	Community Facilities/infrastructure & Housing Subsidy	
Project Location	Sokehs, Pohnpei	
Date of Inspection	1/14/14	
Project Status	Incomplete	
Expenditure Amount	\$1,501.87	


Comments: Fund allocated to Chuuk State was used to implement projects in Pohnpei.

3.3 Multipurpose Public Facilities, Community Facilities, Housing Improvement and Repair

Project Name	Multipurpose public facilities, community facilities, housing improvement and repair	
Project Location	Sokehs, Pohnpei	
Date of Inspection	1/14/14	
Project Status	Incomplete	
Expenditure Amount	\$920.75	

Comments: Fund allocated to Chuuk State was used to implement projects in Pohnpei.




Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

<i>Appendix E: CFSM Public Projects Inspected (PL 17-68 as amended as of 9/30/13)</i>		
3.4 Payment of Asphalt Conveyor Belt Account by PTA to Ace Ocean Company		
Project Name	Payment of asphalt plant conveyor belt account by PTA to Ace Ocean Company	
Project Location	Palikir, Pohnpei	
Date of Inspection	9/29/14	
Project Status	Asphalt Plant functioning	
Expenditure Amount	\$15,000	
Comment(s):		Fund allocated and partially paid for PTA's prior obligation of \$50,200 involving two asphalt conveyor belt set that were received in March 2000 and discarded in the scrap site of the Asphalt Plant in Palikir.




Conveyor belt set as shown by PTA

3.5 Hydraulic Trailer Mounted Rig & Accessories		
Project Name	Hydraulic Trailer mounted rig & accessories	
Project Location	Kitti, Pohnpei	
Date of Inspection	2/7/14	
Project Status	Equipment not utilized after its purchase	
Expenditure Amount	\$15,000	
Comment(s):		Fund used to purchase equipment that was not utilized after its purchase in March 2013 and had been under the care of the vendor. Last status inquiry on September 2, 2014, the equipment was transferred to Kitti Municipality and still it has not been used, awaiting availability of funds to operate the machine.

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04


<i>Appendix E: CFSM Public Projects Inspected (PL 17-68 as amended as of 9/30/13)</i>		
3.6 Coral Materials		
Project Name	Coral Materials	
Project Location	Serein Wai, Pohnpei	
Date of Inspection	10/10/13	
Project Status	Corals washed away	
Expenditure Amount	\$4,750.00	
Comment(s):	Fund allocated for coral materials used for farm road were washed away.	
Project Name:	Coral Materials	
Project Location:	Pohnus Road, Pohnpei	
Date of Inspection	10/07/13	
Project Status	Corals washed away	
Expenditure Amount	\$540.00	
Comment(s):	Fund allocated for coral materials used for secondary road were washed away.	
3.7 Coral Materials		
Project Name	Coral Materials	
Project Location	Kepine Road, Pohnpei	
Date of Inspection	10/07/13	
Project Status	Corals washed away	
Expenditure Amount	\$405.00	
Comment(s):	Fund allocated for coral materials used for secondary road were washed away.	
3.8-a Student Land Transportation Need/ Vehicle purchase for local governments		


Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04


Project Name	Student Land Transportation Need/ Vehicle purchase for local governments	
Project Location	Weno, Chuuk	
Date of Inspection	11/18/13	
Project Status	Personal use	
Expenditure Amount	\$5,300.00	
Comment(s):	Fund used to purchase personal vehicle.	
3.8-b Student Land Transportation Need/ Vehicle purchase for local governments		
Project Name	Student Land Transportation Need/ Vehicle purchase for local governments	
Project Location	Weno, Chuuk	
Date of Inspection	11/20/13	
Project Status	Personal use	
Expenditure Amount	\$4,505.00	
Comment(s):	Fund used to purchase personal vehicle.	
3.8-b Students and Farmers Land transportation		
Project Name	Students and Farmers Land transportation	
Project Location	Weno, Chuuk	
Date of Inspection	11/20/13	
Project Status	Personal use	
Expenditure Amount	\$4,346.00	
Comment(s):	Fund used to purchase sedan for transporting students to and from school yet was used personally.	

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

Appendix E: CFSM Public Projects Inspected (PL 17-68 as amended as of 9/30/13)

3.9 Kosrae Island Veteran's Association		
Project Name	Kosrae Island Veteran's Association	
Project Location	Kosrae	
Date of Inspection	11/29/2013	
Project Status		
Expenditure Amount	\$1,516.00	
Comment(s):	The secretary to the board of KIVA is also the vendor selling office equipment (computer, printer, desk, etc...)	

3.10 Water Extension & Sewer for Ifalik Community in Makiy		
Project Name	Water Extension & Sewer for Ifalik Community in Makiy	
Project Location	Ifalik, Yap	
Date of Inspection	12/06/2013	
Project Status	Unimplemented	
Expenditure Amount	\$24,874.00	
Comment(s):	Date of inspection and further inquiry on February 2014, the project has not been implemented. On September 2014 inquiry, the project was completed based on a completion report dated June 12, 2014.	

3.11 Road Improvement		
Project Name	Road Improvement	
Project Location	Kepinle, Pohnpei	
Date of Inspection	10/4/2013	
Project Status	Completed	
Expenditure Amount	\$10,417.00	
Comment(s):	The relocation of a culvert resulted in water flowing into households.	

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

MANAGEMENT RESPONSE

TC&I Management Response



Office of the Secretary

FEDERATED STATES OF MICRONESIA

Department of Transportation, Communication & Infrastructure
P.O. Box P.O.-2 Palikir, Pohnpei FM 96941

October 29, 2012

Haser Hairrick
National Public Auditor
FSM National Government
Palikir Pohnpei FM 96941

Handwritten signature and date: 11.4.2014



SUBJECT: Formal response/CFSM Funded Public
Project and Social Programs

The Department of Transportation Communications and Infrastructure wishes to thank the Office of the National Public Auditor for the management response to the recent audit of the CFSM Funded Projects and Social programs for FY 2013 and is pleased to submit the Departments response to the findings.

Finding No. 1

Lack of Definitive Parameter Led Congress to appropriate \$1.6 million for all sorts of activities and programs under "public projects" which did not yield any meaningful and lasting public benefits.

Student Financial Assistance/Social Security

The Department understands that these are none construction project and would not undertake such projects in the near future, however the issues remains that some mechanisms should be put in place as to how such funding assistance is to be disbursed. The Secretary has issued a policy and copy is attached that this Department will no longer be the Implementing Agency for non- Infrastructure project related appropriation.

Payment of Asphalt Conveyor Belt Account

The Department was not informed that the items were not the right size and should have been informed immediately so that the item could have been return for the right size. Furthermore the Department will ensure that future projects are in line with the procurement regulations.

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

Finding No. 3

At least \$93,381 CFSM Funds were spent for badly constructed and unimplemented projects, unused materials and equipment, and unaccounted Expenditures.

Badly constructed project:

With reference to the badly constructed project, the road project was constructed in accordance with the scope of work as approved. The issue is that the residence and the new fence was build on the right of way.

Unused equipment and materials

Hydraulic Trailer Mounted Rig and Accessories. The relevant drilling rig was purchased for the purpose of drilling water wells in Kitti and Madolehimw Municipality with the understanding that the public works officer has been trained and will man the equipment once funding for operation is made available. The Department has made an in-house policy that such equipment before it is turned over to anyone remains property of the National Government and a signed MOU by both parties must be in place for its use unless officially turned over by the Department of Finance/Supply Division.

Other Road Improvement:

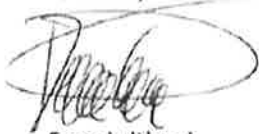
The 210 cu. yrds were reserved for the following road projects. Lewetik, Rohi, Seirenwai and Tomwara road maintenance. Accordingly the corals has been obtained and were used up accordingly. The Department concurred the findings and will ensure that future projects are planned accordingly and will comply with the regulations.

Finding No.4

Over \$ 200,000.00 worth of expenditures appeared not in compliance with law and regulations. The Department hereby concurred with the finding and will further abide by the law and regulations that project funds are expended with strict adherence.

The Department will ensure that future project are implemented accordingly and in line with the law and regulations and that prior to the implementing of these project, that the communities are consulted and that funds are expended accordingly. With the Presidential Order issued on the new PCD formulation and approval process, address these conflict of interest fundings.

Sincerely



Francis itimai
Secretary

Xc: Division of Infrastructure
File

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

SBOC Management Response



THE FEDERATED STATES OF MICRONESIA
OFFICE OF STATISTICS, BUDGET & ECONOMIC MANAGEMENT,
OVERSEAS DEVELOPMENT ASSISTANCE & COMPACT MANAGEMENT (S.B.O.C.)
P.O. BOX PS 52, PALIKIR, POHNPEI FM 96941
TEL: (691) 320-6260/2823/2824 FAX: (691) 320-2428/1626

October 31, 2014

Mr. Haser Hainrick
FSM Public Auditor
FSM National Government
Palikir, Pohnpei FM 96941

Haser
11.4.2014



Re: Comments on ONPA Audit on CFSM Public Projects & Social Programs for FY2013

Dear Mr. Hainrick:

Thank you for the opportunity to comment on the subject audit. Please find below are our comments on the two findings relating to the work of the Office of SBOC:

Finding 2. \$685,650 or 91% of \$750,352 appropriated for Infrastructure Projects lacked transparency and accountability as funds were allotted based on PCDs that were without adequate auxiliary supports such as blue prints, project designs or detailed cost estimates.

Comments: We agree with the finding and the cause identified.

Our inability to fully address this issue since your audit of CFSM projects last year was the result of certain Allottees having limited familiarity about the requirements of the Financial Management Regulations and how to properly complete a Project Control Document. The issue is also exacerbated by weaknesses in SBOC's own internal controls and we are correcting this by hiring experienced staff within the Budget Unit and developing guidelines for staff to use for the strict enforcement of the FMR requirements. New staff have recently been hired and we have started to put in place procedures to ensure that the requirements of the Financial Management Act and the Financial Management regulations are strictly adhered to. Additionally we are planning to conduct a workshop on public project implementation jointly with Department of Finance and other relevant departments and agencies. We are scheduling to commence the FSM wide workshop targeting allottees of the CFSM funded public projects and others involved in the implementation of such project funds.

Finding 4. Expenditure exceeded approved budget - \$19,624.

Comments: We agree with the finding and the cause identified.


We note however, that the appropriation law for the three projects identified in the finding underwent several amendments which included changing of the project appropriation amounts. This problem

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

becomes more challenging to manage when the amendments are to reduce the original appropriated amounts while allotments have already been issued for the projects. In all three projects SBOC needed to de-allot certain amounts already allotted for the projects but did not process de-allotment in a timely manner. This issue becomes difficult to manage from SBOC's standpoint where many of the CFSM project appropriations are constantly being amended. For example, within a span of 6 months, Public Law #17-67 (enabling law for the finding) has been amended 3 times. Other laws such as Public Law #16-18 have been amended 14 times. Especially for projects that are already allotted with funds, the level of review (considering the number of appropriations passed by Congress each year) and the speed to which SBOC need to determine a de-allotment is needed before amendment of the appropriation law becomes effective, presents a real problem. This issue is also not impossible to resolve and it is the reason we have commented in the earlier finding that our new Budget Unit staff will undergo training and we are instituting new procedures to address the finding. These procedures entail strict adherence to requirements to process de-allotment of project funds immediately following amendments to reduce public project funds.

Once again, thank you for the opportunity to comment and for the valuable recommendations for improving our processes.

Sincerely,



Evelyn Adolph
Director

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

Secretary of Finance Management Response



Office of the Secretary

Government of the Federated States of Micronesia
Department of Finance & Administration
P.O. Box PS158 Palikir, Pohnpei FM 96941



November 4, 2014

Honorable Haser Hainrick
National Public Auditor
FSM Office of the National Public Auditor
P.O. Box PS-05
Palikir, Pohnpei FSM 96941

Haser
11.4.2014

Ref: Management Response – CFSM Funded Projects (PL 17-68 as amended)

Dear FSM Public Auditor Hainrick:

Indicated herein below are our responses to the audit findings per your Audit Report 2014-08 on CFSM Funded Public Projects and Social Programs under Public Law 17-68. As with other CFSM funded projects, the accounting of these projects continue to pose difficulties as to the appropriateness and applicability of generally accepted cost principles for a public good.

We agree on the Audit Finding #4, Item 4, for which project expenditure exceeded approved budget by \$19,624.00. The Department will continue to remind its Finance field offices to ensure that fund certification is done properly with updated daily fund status reports. The Department is also in the process of configuring the Fundware accounting system to control and expedite fund certification which is currently done manually and time consuming. Also, monthly fund status reports should be provided to the Allottees for reconciliation of their financial records and for updating purposes.

With respect to other audit findings on compliance and conflict of interest, the Department will endeavor to train not only its accounting staff but also to provide training to the administrative personnel of the Allottees and Sub-Allottees. Additionally, training on the use and adherence to the cost principles of the newly revised Project Control Document (PCD) by SBOC is very much needed.

Tel: (691) 320-2640/5852 Fax: (691) 320-7728 E-mail: fsmsofa@mail.fm

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

Thank you for giving us the opportunity to respond to the audit findings with the extended timeline.

Sincerely yours,



Kensley R. Ikosia
Secretary

xc: Assistant Secretary, National Treasury
File

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

Chuuk State Governor Management Response



JOHNSON S. ELIMO
GOVERNOR

MARFUS J. AKAPPIO
Lt. GOVERNOR

OFFICE OF THE GOVERNOR
STATE OF CHUUK
Federated States of Micronesia

November 19, 2014

P.O. BOX 189
WENO, STATE OF CHUUK
FM 96942

TEL: (691) 330-2230/2234
FAX: (691) 330-2233

Haser Hainrick
National Public Auditor
Office of the National Public Auditor
P.O.Box PS-05
Palikir, Pohnpei FM 96941

Re: Response to Audit Findings (CFSM Funded Projects per PL. 17-68),
as amended, Chuuk At-Large

Dear Mr. Hainrick:

It gives me great pleasure to transmit my official responses to your Audit Findings on the subject matter in the attachment which I hope will be incorporated in and made a part of your final report. As Allottee, I generally agree with some of your recommendations relative to transparency and accountability, but as I clearly pointed out, most, if not all, of these issues are a clear function of the FSM National Government, including Congress and the relevant offices of the Executive Branch. For instance institution of clear guidelines such as the new PCD is not a function of the Allottees.

It would also be mutually beneficial to both ends if your field auditors/inspectors have some background ideas of the true situations in each respective jurisdiction so as to avoid making remarks about possible abuse and misuse of public funds without really understanding the real issues.

Nevertheless, I thank you for this opportunity to respond to your inspectors and hope we can continue to work cooperatively to ensure public funds are spent wisely pursuant to our National laws and regulations.

With warm personal regards, I remain,

Sincerely,


Johnson S. Elimo
Allottee

Attachment

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

Response to Audit Findings (CFSM Funded Projects per PL 17-68)

Finding No. 1. As allottee the governor only implement to the extent possible public project appropriations made by Congress. Clarity and wisdom of such appropriations are within the discretion of the Congress. Who determined purposes and uses of such appropriations also rest with Congress. Allottee however agrees that there should be prior consultation between allottee and members of congress before appropriations by congress are made to help guide allottee. The criteria policies are for Congress and the National Government to address. The several examples given on no clear linkage to sustainable social and economic development goals are also for the Congress to determine. With regards to the example use re POL/charters/freight subsidy/reimbursement (Chuuk at large), the high percentage of use within a three-month period simply goes to show how much demand and need there were for land and sea fuel and oil by the thousands of Chuukese people who commute and use vehicles given the cost of fuel. The amount was actually not enough.

On Student financial assistance, the requirement was and still is for the school to submit an official verification letter (e.g., from COM Business Office) first the balance for the student before FSM Finance can process payment, which is restricted to payment to said school. While it would be a good practice to have Congress define the intent and allowable "public projects", as allottee we can only support the recommendations, and cannot legally force Congress to do what's within its constitutional prerogatives.

Finding No. 2. I agree that construction projects should have some sort of design, but should be more in line with what we have in the FSM, especially in the remoteregions of our Nation, relative to capacity or capability. Rarely would we find individual and community construction projects for housing or community halls have the comprehensive blueprints or designs that they normally have in Honolulu or other advanced places. In fact, individual homes or even municipal structures rarely have blueprints or designs. This PCD requirement had never been adhered to in previous public projects appropriations, and SBOC and FSM Finance routinely approved and processed these projects in spite of this requirement. I understand this requirement is being enforced in the new public projects appropriation. While I agree with the intent of this, the overwhelming impact of enforcing this requirement would be to deprive the truly needy citizens of this Nation, especially for simple and minor renovations and individual housing. Re PCD on improvement and

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

repairs of roads, seawalls and bridges including beautification and cleanups, the appearance of unreasonableness and unaccountability of labor costs may stem from the FSM Finance-approved procedure and process of payments when there were numerous local people working said projects, and payment were made to only a few to avoid too much paperwork at Finance. Re Community Facilities/infrastructure and housing subsidy (Chuuk At Large), the three recipients were Chuukese people living in Pohnpei. When this was implemented, there was no indication that Congress cannot appropriate let alone allocate public projects to anywhere in the world, as long as the purpose would benefit FSM citizens, in this case Chuukese people. The amounts provided to these three houses are small assistance not meant to complete their housing projects, but to assist them toward that goal. The fact that they are employees of Congress does not raise any conflict as long as they are entitled thereto. As indicated earlier, requirement for blueprints or designs were not then enforced when these three projects were processed, and that's why these were processed and approved without them. I agree with the recommendations to have designs but having the SBOC to do these will impede more than expedite needed projects for the reasons stated above.

Finding No. 4. Involvement in Implementation of CFSM Projects. As allottee, I believe that the role of a Congressman is set by constitution and law. To ensure that the intent and purpose of a public project appropriation are carried out, clarity and certainty are needed. The newly improved PCD form and procedures will guide the allottee much more clearly in implementing projects. As to the POL examples for Chuuk At Large, the reimbursements were then allowable and authorized under the very appropriate line item title when Chuuk At Large incurred expenses related to the uses and purposes of that specific project. This reimbursement authority was set out in the law and more specifically in the PCD for that particular project. Since then subsequent appropriations did not have this reimbursement authority in the law and in the PCDs because of advice from SBOC and FSM Finance, and will not reoccur based on such advice. Regarding the other issue on the POL/Charter/Freight Subsidy (Chuuk At Large), the appearance of Chuuk At Large's name on the invoices as the customer were oversight by the vendors. The customers were those who use the boat, not Chuuk At Large. The payment, as indicated, was made to the transportation company.

As to expenditure exceeding approved budget, it should be noted that at the time of the two appropriations concerning Chuuk At Large – Youth Groups and Student Financial Assistance, the processing and requests were made between Allottee's assistance and the FSM Finance and given the lack of workers of both offices at the time, reconciliation of fund balance was often delayed and in error at times. Allottee's staffing has improved and I believe the FSM Finance – Chuuk has also obtained more workers, and hopefully this accounting deficiency can be improved substantially.

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

I agree with much of the recommendations (other than the need for comprehensive blueprints and designs, as explained above) and I also note that a lot of changes and improvements have been made to the forms and procedures requirements of the PCD and in processing and payments at the FSM Finance, and these things will help correct and improve the implementation of these important public projects in social and economic development needs of our Nation.

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

Election District 5 Allottee Response, Chuuk State

Northwest Island Development Authority
(NIDA)
Election District #5, Chuuk FSM, 96942

November 19, 2014

Office of The National Public Auditor
P.O. Box PS-05, Pohnpei FSM 96941

Thru. Chairman Jem Otto 

subject: Comments

Dear Auditor,

The NIDA office would like to extend its sincere thanks for the draft audit report that consist of your findings, cause and recommendation . However, I have some comments in respond to your findings during your inspection here in Chuuk, although we did not aware of it or being notified about it. Your report would have been accurate if you came to NIDA office for information and records.

Please see attached comments.

Sincerely,


James Rosokow

Project Coordinator, NIDA

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Criteria
Audit Report 2015-04

CFSM Public Project & Social Programs

1. CFSM funding is appropriated by law based on 1. Request proposals 2. Development plans 3. Identified needs and 4. Emergency needs within the region, municipalities, community, and organizations. Intention of the program and project is identified and specified in the PCD.
2. Allot tee/ Sub Allot tee is responsible for a draft control document (PCD) for each public projects, identify the intention of the project, estimate the duration of the project, place for the projects, manager and recipient of the project, and of course inspector for the project based on the proposal and requests to the Congressman. The allot tee is also responsible in reporting on project status and fund balances to the Speaker of the Congress.
3. Authority, the Executive Director and his staffs are responsible for the implementation, administration, management, and monitoring of the projects; this includes: coordination, requisition, and delivery and routing follow up until the Inspecting Official comes in.
 - a. Request will be routed, first to the allot tee for approval. The allot tee's approval will be in accordance to the applicable law (PCD) promulgated law (Bylaws), public law, regulation (IMA and the FMR), and procedures. Then it will go to the FSM Finance for certification, accounting, and processing.

Comments on the Following

1. Expenditures not related to the intention of the project.
 - a. Food Relief Assistance Program (ED #5)
 - i. PCD: Food assistance to the islands that were stricken by intrusion of saltwater into the taro patches caused by sea level rise.
 1. Comments: The food stuff was used for activities was the substitute food of the taros that were damaged, the taro that were supposed to be used for such activities.
 2. The fund was spent on food for the islands where the saltwater was intruding into the taro patches and damaged them.
 3. Yes, the fund was spent on food for the activities, but not other items or materials such as: gas, cigarettes, holy water, costumes, or T.As.
2. Senators Involvement in Implementing the Project
 - a. (Vehicles Purchased for Municipal Government)
 - i. PCD: It is the intent of this project to buy vehicles for at least two municipal governments or more depending on the prices of the vehicles.... The municipalities of Fananu and Onoun have requested NIDA for this assistance they shall be the recipient of this assistance.
 1. Comments: This funding was appropriated by law based on the requests of the mayors. NIDA administer this project in accordance

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

to the PCD. The PCD clearly mentioned that this project is for the two municipal governments stated above. Therefore, the Congressman was not assigning individuals but it was the PCD that identified who the recipients were.

2. The vehicle mentioned in the report was requested by the Deputy Mayor of Onoun Municipality. The vehicle was then purchased and released to the Deputy Mayor. When the Mayor arrived on Weno, the vehicle was released to his custody. He was the second custodian mentioned in the report.
3. Conflict of Interest
 - a. Vehicle Purchase for Municipal Government
 - i. Allot tee sold his own 1992 Flatbed Truck to NIDA for \$6,000.00
 1. Comments: It is true that NIDA bought a flatbed from the Allot tee. That time, the office needed a good-sized flatbed for both the office and the projects purposes. The owner of this truck did not want to sell us his truck at first. One month later, after the NIDA employees couldn't find any flat bed to purchase with a reasonable prize, they came back to the allot tee and begged him to sell his truck to NIDA. Fortunately, he sold it. So it was the demand and need of the NIDA office to purchase the flat bed, not the allot tee's.
 4. Expenditures Exceeded Approved Budget
 - a. Payment for students outstanding debt at COM-FSM, University of Hawaii at Hilo, and Hawaii Pacific University
 - i. Comments: No over expenditure. I don't know where you get your information from.
 - b. Vehicles Purchase for Municipal Government
 - i. Comments: No over expenditure.

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

Chairman of Ways and Means Management Response, 18th FSM Congress



**CONGRESS OF THE
FEDERATED STATES OF MICRONESIA**

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January 28, 2015

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

Re: Draft Audit on FY 2013 CFSM Funded Public
Projects and Social Programs- Yap State Chamber
of Commerce

Dear Mr. Hainrick:

I have reviewed your letter dated January 5, 2015, which addresses the forthcoming audit on FY 2013 Congressionally funded public projects. I specifically took note of the example you cited from my home State of Yap regarding the Chamber of Commerce.

In your letter you list a number of examples of projects that you believe do not serve a public purpose and/or have expenditures that are difficult to account for or monitor because you believe they were spent on consumables and services. Included in your list is the Yap State Chamber of Commerce. I have taken the time to evaluate your concerns below.

First, Congress appropriated these funds as a subsidy to the Yap State Chamber of Commerce. Once Congress makes an appropriation, it is up to the allottee of the funds to expend them within the parameters set by the appropriation. Congress does not oversee the use of the funds.

Secondly, the use of public project funds to pay for operational costs is a benefit to the public. The funds appropriated to the Yap State Chamber of Commerce were used to promote and develop business within the state. The Chamber of Commerce by its nature will have higher operational costs when providing their service to the public.

Haser
1-28-2015



Lester
1. Stamp
2. Copies
a) Jnd
b) Sm
c) Var
d) Da
3. Meeting
3:00 p.m.
Haser
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Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

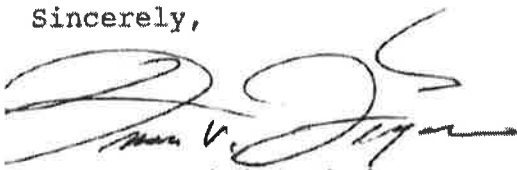
Mr. Haser Hainrick
January 28, 2015
Page 2

By citing the Chamber of Commerce for high operational costs is analogous to citing a road project for the high price of sand. While the public will not benefit from the sand alone, the end product of a completed roadway will be an asset to the public. Similarly, the high operational costs incurred by the Chamber of Commerce will materialize in a public benefit once businesses are developed in Yap State.

Finally, I would like to point out that funding the Chamber of Commerce in Yap through a public project bill is the avenue which Congress has to subsidize those state entities that request assistance. The public project appropriation is a subsidy to the state entity, which requests additional funding from the National Government. Congress does not have any authority to appropriate funds to the operational budget at the state level as there is a separation of National and State governmental authority.

I appreciate the opportunity to address your concerns regarding the Yap Chamber of Commerce appropriation. I hope you will take the time to consider the points that I have raised and please feel free to let me know if you have additional questions.

Sincerely,



Isaac V. Figir, Chairman
Committee on Ways & Means

xc: *Chairman*, Yap Congressional Delegation
Chairman, Yap Chamber of Commerce
All allottees of public project funds in Yap

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

Speaker's Management Response, 18th FSM Congress



Office of the Speaker

CONGRESS OF THE FEDERATED STATES OF MICRONESIA

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February 2, 2105

The Honorable Haser Hainrick
National Public Auditor
Pohnpei, FM 96941



Dear Mr. Public Auditor:

This is a reply to your requests for comments on a proposed audit report addressed to Congress. There was a meeting between your office in December and certain members of Congress, including myself. At that meeting it was mentioned that the "examples" you cited in your report seem to concentrate on a few states of the FSM, and you were requested to provide other examples covering the other states. You agreed to do so and your office did provide findings from the other states in January. In both cases I disseminated your findings to Congressional delegations for all four states. The delegations were given the chance to respond to your findings as they wish. In addition during the Regular Session of Congress in January, 2015 members of Congress did meet to discuss your findings and have requested that I submit the following to you as a consensus response form the members.

We thank you first of all for the tremendous work that appeared to have gone into these findings, covering all four states. The conclusions that your report are not new and appear to mirror what the President already told Congress: that appropriations by Congress should be supported by hearings, detailed committee reports, and should be in accordance with the Strategic Development Plan. The findings of the audit report then list a number of examples where the implementation of the projects for which Congress provided the appropriations went awry. These implementation problems were then used as evidence that the appropriations were inappropriate and not in the public interest. These included appropriations for education, public work, economic development and assistance to chambers of commerce.

We agree that in an ideal situation there should be hearings, reports and detailed paperwork for everything. The reality of the situation is that the entire government and Congress in particular have to operate under extreme time pressure. The practice is often for the Executive to submit requests for supplemental funding in the middle of a short congressional session for all kinds of spending, including at time for your own office of the National Public Auditor. At the same time Congress is deluged with a large number of requests for grant approvals, usually just days before the end of session. All of these requests are supported neither by pre-submittal hearings nor any attempt to fit them within any development plan. Congress has but a few days to make its decisions on all

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

these requests. To put the spotlight on those appropriations originated by Congress itself (the so-called "project bills") is misleading.

The unspoken charge is that Congress is unwilling and unable to discern the public interest in enacting the project bills. That assumption cannot hold true. The projects are usually in response to requests by constituents at the grass-root. By their nature many of these requests are small, continually developing, and not suitable for long term planning years in advance. That does not mean that Congress is not mindful of the public interest in the projects. As a matter of fact, it should be the presumption that funding for fields such as education, public work, and private sector development (Chambers of commerce) is in the public interest.

The report pointed out a number of examples where the implementation of the projects fell far short of the apparent intent of the appropriations to show that the appropriations were unsound. With all due respect the logic here is faulty. Congress does not deal with implementation of projects. That is the prerogative and obligation of the allottee, which in many cases is either the President of the FSM or the Governor of a State. To do its work the allottee is supported by a whole apparatus of laws and regulations, including PCDs, requirements for bidding, requirements for legal review of obligations, and a slew of administrative steps to insure that public funds are properly disbursed. The allottee is the person legally responsible for implementation. To that extent any deficiency for implementation should be addressed to the allottees to respond to.

It is the understanding of Congress that an audit report is supposed to compare an actual performance against some kind of standard, usually the law. This report does not identify any kind of standard, but just mentions non-compliance. The question is non-compliance of what? To the extent that Congress would like to improve its operations, Congress would be hard-pressed to do so because it would not know what to do. The report generally says that there should be a law generally governing how appropriations are made. Leaving aside the issue of whether such a law would be constitutionally permissible because it would unduly restrict the constitutional role of Congress, the report is silent on what such a law should contain.

Absent such recommendations and given the confusion between appropriation and implementation, the audit report looks uncomfortably like the political criticism that the Executive levies at Congress. From the Executive such criticism is expected because that is the nature of our check-and-balance system. However, from an audit report it becomes less comprehensible.

Thank you **again** for the tremendous work in this audit


Dohsis Halbert
Speaker, 18th Congress

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

ONPA's EVALUATION OF MANAGEMENT RESPONSES

We requested for formal management response from the following allottees and or stakeholders:

FSM National Government

- Francis Itimai, Secretary of Department of Transportation, Communication and Infrastructure, allottee for all of CFSM funded projects at Pohnpei State.
- Kensley K. Ikosia, Secretary of Department of Finance and Administration
- Evelyn Adolf, Director of Office of Statistics, Budget and Economic Management Overseas Development Assistance and Compact Management

Kosrae State

- William Mongkeya, Allottee

Chuuk State

- Johnson Elimo, Chuuk Governor, Allottee for Chuuk-at-Large
- Jem Otto, Chairman of NIDA, Allottee for Election District 5

18th FSM Congress

- Hon. Isaac Figir, Chairman of Committee on Ways and Mean
- Hon. Dohsis Halbert, Speaker

Since the allottees for some of the Chuuk State election districts were replaced, we were not able to discuss the audit findings and to request for management response from the following allottees:

- Allottee for Election District 1
- Allottee for Election District 2
- Allottee for Election District 3
- Allottee for Election District 4

Not all of the officials and allottees provided ONPA with their management responses. The management responses that were received, however, generally agreed with the findings and recommendations in the report. We have no further comments to add except to clarify some statements made in the following management responses:

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

Management response from Project Coordinator of Northwest Island Development Authority (NIDA), Allottee for Chuuk State Election District 5

Auditees Comment: Regarding the food relief assistance program, the auditee responded on page 52 (paragraph #1a) *that the food stuff used for the activities (e.g., funeral, church gatherings and inauguration) was the substitute food of taros that were damaged, the taro that were supposed to be used for such activities. Further, the fund was spent on food for the islands where saltwater was intruding into the taro patches and damaged them. The fund was spent on food for the activities but not on other items or materials such as: gas, cigarette, holy water or travel advances.*

ONPA Comment: According to the Project Control Document, the intended beneficiaries of food assistance were families and not to be used as food items during the activities such as funeral, church gatherings and inauguration.

Auditees Comment: Regarding the audit finding on the senator's involvement in the implementing the project, the management responded on page 52 (paragraph 2a.i) that it was the Project Control Document (PCD) that allocated the vehicles and not the Congressman.

ONPA Comment: The information gathered during fieldwork indicated that the Senator was involved in directing whom to use the vehicle. In the Asset Control Form maintained by the National Field Office at Chuuk, the vehicle with FSM Property Number FSM 011952 was assigned to a custodian. During the team's inspection, the vehicle was not in the custody of the designated custodian.

Auditees Comment: Regarding the appearance of conflict interest on a transaction involving the use of CFSM fund to buy the 1992 Flatbed Truck owned by the allottee of the CFSM fund for Election District 5. The management responded on page 53 (paragraph #3a) that the allottee did not want to sell his truck at first. But then, the NIDA employee could not find any flatbed type of vehicle in the market with a reasonable price, so *the employee came back and begged the allottee to sell his flatbed to NIDA.* They are justifying that the demand and need to purchase vehicle were of NIDA's and not of allottee's.

ONPA Comment: A conflict of interest can exist even if no unethical or improper acts results. We believe that the above transaction created an appearance of conflict of interest and of using public office for private gain. It may even be heightened by the perception that the selling of allottee's own vehicle to NIDA using the CFSM Project Fund could have been undertaken because of the allottee's position as Chairman of NIDA even though the public perception may be inconsistent with the facts. This could also undermine the confidence of the public in the activity related to the use of CFSM Project fund. We have recommended that the controls procedures should be implemented to handle or mitigate cases of conflict of interest.

Auditees Comment: Regarding the expenditures that exceeded the approved budget, the auditee responded on page 53 (paragraph #4b) that there was no over expenditure.

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

ONPA Comment: The figures were taken from the detailed expenditure and fund status report obtained from the National Finance. Since the over spending of budget is a violation of a law, the allottee should regularly reconcile (e.g., monthly) their balances with the records at national finance to ensure compliance of the total spending with the law. The allottee should notify the national finance if the results of the reconciliation showed discrepancies so that timely correction of error could be immediately reflected in the records.

ONPA Evaluation to Senator Figir's Response:

Funding the yearly recurring operational expenditures of municipalities, agencies, or entities would be more appropriate under the Executive Department where they can be subject to budget scrutiny, public hearings and effective oversight by the Legislative Department. Furthermore, the budgets of these municipalities and agencies could be examined in the light of their strategic plans especially against their expected performance outputs and/or the plan to operate as going concern entities so as not to be dependent on government for the operational expenditures.

ONPA Evaluation of FSM Speaker's Response

Speaker's Response – Second sentence in paragraph two: The conclusions in your report are not new and appear to mirror what the President already told Congress that appropriation by Congress should be supported by hearings, detailed committee reports and should be in accordance with the strategic development plan.

ONPA Evaluation – Whether that auditor's conclusion in its report mirrors what the President told congress is true or not is only a coincidence. However, this comparison should all the more persuade the Congress to take seriously the issues, concerns and the recommendation in the audit report for the sake of the public. ONPA independently (of the President) formulated its own audit objectives concerning the sufficiency of the process of selecting and spending the funds for the CFSM projects to establish transparency and accountability, and compliance of the disbursing of funds with the applicable laws and regulations. Based on the results of the audit and the conditions cited coupled with several examples in the report, ONPA believes that it provided appropriate, sufficient and sound evidence to support its findings and conclusion in support of the audit objectives.

ONPA wish to clarify though that the audit report did not mention anything about hearings and committee reports but did mention (under Finding # 1 Cause) that Congress provided fund allocation to the projects without clear determination and reference to local priorities as set forth in the governments' (all states) plan. It should be noted that the fact about lack of reference to local priorities was admitted in the Speaker's response in the fourth sentence of paragraph three which states that "*...Congress is deluged with large number of requests for grant approvals, usually just days before the end of the session. All of these requests are supported neither by*

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

pre-submittal hearings nor any attempt to fit them within any development plan. Congress has but a few days to make its decisions on all these requests.”

Speaker’s Response - Third and fourth sentences under paragraph 2 – *“The findings in the report list a number of examples where the implementation for which Congress provided the appropriation went awry. These implementation problems were then used as evidence that appropriation were inappropriate and not in the public interest.”*

First to third sentences under paragraph five – *“The report pointed out a number of examples where the implementation of the projects fell far short of the apparent intent of appropriations to show that the appropriations were unsound. With all due respect the logic is faulty here. Congress does not deal with the implementation of the projects.”*

ONPA Evaluation – Both appropriation (in the form of project selection for CFSM funding) and implementation problems were separately identified in the report (under Finding 1) and ONPA did not make any logical inference from the implementation problems to show that the related appropriations were unsound.

In Finding # 1, we identified from the outset several appropriations totalling about \$1.6 million that were approved for all sort of programs and activities using the CFSM Project Funds, which the ONPA believes should have been funded by other types of appropriations other than the CFSM Project Fund. ONPA further believes that for projects or programs to be able to use the CFSM Project fund in which the selection of project and the spending of funds are at the discretion and approval of the members of the congress, there should be selection criteria. These include among others established clear benefits to the majority in the community; not to be used to projects or programs which are prone to abuse, misuse and corruption; and with clear link to sustainable social and economic development.

The examples of the actual expenditures cited in the report were just to show further the inefficiencies in the spending of those identified appropriations but not to make any logical inferences about the specific problem in the appropriation.

Speaker’s Response – Paragraph 6 – *“It is the understanding of the Congress that an audit report is supposed to compare actual performance against some kind of standard usually the law. This report does not identify any kind of standard, but just mentions non-compliance. The question is non-compliance of what? To the extent that Congress would like to improve its operations, Congress would be hard-pressed to do so because it would not know what to do. The report generally says that there should be a law generally governing how appropriations are made. Leaving aside the issue of whether such a law would be constitutionally permissible because it would unduly restrict the constitutional role of Congress, the report is silent on what such a law should contain.”*

ONPA Evaluation - Consistent with the audit standard of writing a report, each finding in the report contains five finding elements – criteria, conditions, cause, effect and recommendations.

Office of the National Public Auditor
CFMSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

In the performance audit, the criteria serves as the standard of performance; these may come from bench mark, best practice, or existing procedures, policies, and laws and regulations. In the ONPA audit report, the first up to second paragraphs in each finding serve as the criteria or standard. For example in Finding # 1 – Lack of Definitive Perimeters Led Congress to Appropriate \$1.6 Million for all Sorts of Activities and Programs Under “Public Projects” Which did not Yield Any Meaningful and Lasting Public Benefits, the criteria that ONPA used were prudent practices that (1) public projects in a broad sense should relate to what the government does to fulfil a public purpose and (2) project funds should be granted for project proposals that must meet established funding criteria.

ONPA also clearly indicated the criteria in the other three findings in the report including the citation of laws or regulations that appeared not complied with by the concerned officials or staff.

Speaker’s Response – Paragraph 7 – *“...Absent such recommendation and given the confusion between appropriation and implementation, the audit report looks uncomfortably like political criticism that the Executive levies at Congress. From the Executive, such criticism is expected because that is the nature of our own check-and-balance system. However, from an audit report it became less comprehensible.*

ONPA Evaluation- The findings and conclusion in the report were made to provide answers to the audit objectives and not to criticize politicians. As public auditor, one of our concerns is to ensure that the best protection against abuse and misuse of public funds are in place, which is the maintenance of checks and balances, transparency, and accountability.

Office of the National Public Auditor
CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

NATIONAL PUBLIC AUDITOR'S COMMENTS

We would like to thank the Speaker and the Chairman of Ways and Means of the FSM 18th Congress, allottees of the CFSM Public Projects and Social Programs, project coordinators including management and staff at the SBOC, DF&A, and field offices for their assistance and cooperation during the course of the inspection.

We have provided copies of the final report to the President and Members of the Congress for their use and information. Furthermore, 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 can be found on the last page of this report along with the National Public Auditor and staff that made major contributions to this report.



Haser Hainrick
National Public Auditor
February 9, 2015

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CFSM Funded Public Projects & Social Programs: \$1.6 Million Approved Without Clear Selection
Criteria
Audit Report 2015-04

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 San Jose CPA, CGAP, CIA, CISA, CRMA, Audit Manager
Julinida Weital, Auditor-In-Charge (Chuuk, Yap and Kosrae Projects)
Erwhine David, Auditor-In-Charge (Pohnpei Projects)
Vanessa Sigrah, Staff Auditor
Dane William, Staff Auditor

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