

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



**Enhancing Governance: Inspection of Compliance and Internal
Controls for the 2023 Presidential Joint Inauguration
REPORT NO. 2024-02**



FEDERATED STATES OF MICRONESIA

Office of The National Public Auditor

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

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

CID Hotline: (691) 320-6768; Website: www.fsmopa.fm

Facebook: FSM Office of the National Public Auditor; E-mail: info@fsmopa.fm

July 8, 2024

His Excellency President Wesley W. Simina
Honorable Members of the 23rd Congress
Secretary, Department of Finance and Administration
Federated States of Micronesia

RE: Inspection on the 2023 Joint Presidential Inauguration

We have completed our inspection on the 2023 Joint Presidential Inauguration, covering October 1, 2022, to April 30, 2024, found the event to be a resounding success, with meticulous planning and execution. Attendee feedback overwhelmingly positive. However, the inspection identified control and compliance deficiencies that warrant immediate attention to enhance future inaugurations.

This report presents the results of our inspection, which was conducted in accordance with the *Council of the Inspectors General on Integrity and Efficiency's (CIGIE) Quality Standards for Inspections and Evaluations (QSIE)*.

Based on our inspection, we found the following issues:

1. Absence of Guidelines in the Administration of About \$137,550 cash donations;
2. Required progress report to the President was not fully complied with; and
3. Inadequate compliance with required financial documentation.

The Public Auditor may lack explicit authority to inspect private donations for the Presidential Inauguration, but including these funds in the inspection is crucial. Executive Order 10-02 permits donation solicitation, and these funds, used with congressional appropriations, require transparency for public trust and better financial management in the future inaugurations.

The Presidential Organizing and Inauguration Committee (current and future) and the Department of Finance & Administration should conduct the Joint Presidential Inauguration according to regulations, procedures and the intent of the Executive Order No. 10 - 02.

Respectfully submitted,

Haser H. Hainrick
National Public Auditor

cc: Chairperson of the 2023 Presidential Organizing and Inauguration Committee
Co-Chairperson of the 2023 Presidential Organizing and Inauguration Committee

**OFFICE OF THE NATIONAL PUBLIC AUDITOR
REPORT NO. 2024 - 02**

Table of Contents

1.	INTRODUCTION.....	3
2.	OBJECTIVES, SCOPE, METHODOLOGY.....	7
3.	LEGAL MANDATES/STANDARDS.....	8
4.	PRIOR AUDIT COVERAGE.....	8
5.	COMMENDATION.....	8
6.	CONCLUSION.....	8
7.	FINDINGS AND RECOMMENDATIONS.....	9
	7.1 Finding No.1: Absence of Guidelines in the Administration of About \$137,550 cash donations.....	9
	7.2 Finding No. 2: Required Progress Report to the President was not fully Complied with ..	11
	7.3 Finding No. 3: Inadequate Compliance with Financial Documentation Requirements	12
8.	APPENDICES.....	16
	Appendix A: Details of Expenditures on General Contractual Services.....	16
	Appendix B: Summary of Use of the Donations.....	17
	Appendix C: Available Balance of the Donations.....	17
9.	MANAGEMENT RESPONSE.....	18
10.	ONPA EVALUATION OF MANAGEMENT RESPONSE.....	20
11.	NATIONAL PUBLIC AUDITOR COMMENTS.....	21
12.	ONPA CONTACT ANDSTAFF ACKNOWLEDGEMENTS.....	22

**OFFICE OF THE NATIONAL PUBLIC AUDITOR
REPORT NO. 2024 - 02**

Abbreviations

Abbreviation / Term	Description / Meaning
DoFA	FSM Department of Finance and Administration
FMIS	Financial Management Information Systems
FMR	Financial Management Regulation
FSM	Federated States of Micronesia
ONPA	Office of the National Public Auditor
The Committee	Organizing and Inauguration Committee established by a Presidential Order

1. INTRODUCTION

1.1. Reason for the Assignment

The Office of the National Public Auditor (ONPA), in selecting the entities, programs or projects to audit or inspect, considers the circumstances surrounding the programs that have not undergone previous scrutiny, especially when substantial funds are being expended within a condensed timeframe. The primary rationale for initiating an audit or inspection lies in the imperative need for accountability and transparency. Unaudited and uninspected programs pose inherent risks, as the absence of systematic checks makes it challenging to ensure that allocated funds are used judiciously and efficiently.

When a program has not been audited or inspected previously, it lacks the necessary oversight to identify and rectify the financial, control and compliance irregularities. This absence of scrutiny creates a vulnerability to potential financial mismanagement, misuse of funds, or even fraudulent activities, all of which could have far-reaching consequences for the government and its stakeholders.

Audits and Inspections serve as crucial mechanisms for detecting these irregularities and providing a safeguard against financial malfeasance through its recommendation for the overall improvement of processes within a government's entity or program.

1.2. Background

The inauguration event of the Federated States of Micronesia (FSM) first happened on May 15, 1979. This milestone was realized through the enactment of Congressional Resolution No. 1-2 during the inaugural session of the FSM Congress in 1979, signifying a collective commitment to self-governance and sovereignty. Since its inception, the FSM Inauguration has evolved into a quadrennial traditional event with the transfer of executive and legislative authority occurring every four years.

Inauguration events, while symbolizing the commencement of a new political era, inevitably incur substantial financial costs for the government. The expenses associated with the ceremonies extend beyond the grandeur of the main event.

The 2023 Joint Presidential Inauguration is no exception, as it encompasses costs for the meticulous preparations, among others, from logistical arrangements, construction of permanent and temporary stages and seating arrangements, food and entertainment, enhanced security measures and the other costs associated with the execution of the main events during the day to the evening celebrations. The first day involved an interdenominational service at the Seinwar Church in the morning followed by an evening cultural experience and entertainment from groups representing all the 4 government states. The second day involved the Inauguration Ceremony at the Capital Complex in front of the Congress chamber in Palikir, followed by the Inaugural Reception in the evening.

As usual, the FSM Congress funded the 2023 Joint Presidential Inauguration through its appropriation of Public Laws No. 22-153 and 23-02. These legislative actions underscore

**OFFICE OF THE NATIONAL PUBLIC AUDITOR
REPORT NO. 2024 - 02**

the government’s commitment to allocate resources for the successful execution of the inauguration.

1.3. Enabling Laws and Presidential Executive Order

The 2023 Joint Presidential Inauguration gained momentum as the two critical resources came into effect, shaping the foundation for the event. The first key resources comprised of two Public Laws- No. 22-153 and No. 23-02. These legislative measures addressed the budgetary allocation for the event.

Refer to the table below regarding the Public Laws and their subsequent amendments that funded the Inauguration.

Table 1: Enabling law for the Inauguration Event, PL No. 22-153 and 23-02 with their amendments.

Public Law	Appropriation	1 st Amendment	2 nd Amendment	3 rd Amendment	4 th Amendment
22-153	(g) Presidential Inauguration \$50,000	PL No. 22-169 (g)Presidential Inauguration \$50,000	PL No. 22-204 (g)Presidential Inauguration \$50,000	PL No. 23-08 (g)Presidential Inauguration \$200,000	PL No. 23-13 (g)Presidential Inauguration \$400,000
					1.Speaker and Members-Up to \$70,000 may be used to pay Inauguration cost
23-02	(4) 2023 Inauguration \$200,000				
	TOTAL APPROPRIATION				\$670,000.00

Furthermore, the second critical resource was the establishment of the Presidential Organizing and Inauguration Committee through an Executive Order No. 10-02, which was signed on June 6, 2023. This committee served as a central coordinating body responsible for overseeing the intricate details of the inauguration, from event planning and logistics to security arrangements. Refer to the table below for more information.

Table 2: Executive Order No. 10-02

FSM 2023 Joint Presidential Organizing and Inauguration Committee
<p>1. Organizing and Inauguration Committee (the “Committee”) is hereby established with the following mandated key duties and responsibilities:</p> <ul style="list-style-type: none"> a. Develop and organize plans of key activities and programs befitting a presidential inauguration that include a suitable venue, the ceremonial program and arrangements, and required logistics. b. Develop, coordinate, and plan for essential security and emergency measures, and personal protection for the attending VIPs, dignitaries, and guests to this special occasion.

**OFFICE OF THE NATIONAL PUBLIC AUDITOR
REPORT NO. 2024 - 02**

FSM 2023 Joint Presidential Organizing and Inauguration Committee

- c. Plan, develop, and distribute the Invitations for the event, to include Foreign and Domestic attending dignitaries, and others as may be desired by the National Leadership. Develop the protocol plan, courtesies, and logistics requirements for arrivals, in-country schedules, and departures of invited guests.
- d. Coordinate with National, State and Local agencies and authorities on any matters that might relate to or affect the Joint Inauguration activities schedules.
- e. Plan, organize, and schedule events and activities associated with the Inauguration event, and on the margins of the Inauguration event, to include food and entertainment.
- f. Identify and manage current Inaugural budget appropriations, and coordinate with external entities for any additional fund raising requirements.
- g. Report progress to the President, or his designee, and carry out other assignments or instructions as may be given to the Committee from time to time.

2. Subcommittees may be designated at the discretion of the overall Chair to carry out the following specific assignments.
- a. Invitations and Programs
 - b. Protocol, courtesies, and required logistics.
 - c. Food and Entertainment
 - d. Security
 - e. Finance, budget accounting, and fundraising
 - f. Transportation and accommodation where required.
 - g. Venue preparations/construction, with particular attention to requirements for accommodating Dignitaries and Traditional Leaders, other invited guests, and the General Public.
 - h. Public Information dissemination.

3. Overall, the Chair of the Organizing and Inauguration Committee is represented by the private sector. The Co-Chairperson is represented by the national government.

4. The following are designated as Principal members of the Committee.
- a. Acting Secretary of Health and Social Affairs
 - b. Acting Secretary of Finance & Administration
 - c. Acting Secretary of Foreign Affairs
 - d. Acting Secretary of Transportation, Communication & Infrastructure
 - e. Acting Secretary of Justice
 - f. Acting Secretary of Education
 - g. Acting Secretary of Resources and Development
 - h. Acting Secretary of Department of Environment, Climate Change & Emergency Management
 - i. Acting Director, Office of National Archives and Historic and Culture Preservation

**OFFICE OF THE NATIONAL PUBLIC AUDITOR
REPORT NO. 2024 - 02**

FSM 2023 Joint Presidential Organizing and Inauguration Committee	
j. Acting Public Information Officer and Support Staff of the Office of the President	
k. Representatives of the FSM Congress Mr. Alfred Ansin and other supporting staff, and	
l. Chairman of FSM Association of Chambers of Commerce or his designee.	
5. The Cabinet members identified above, in consultation with the Chairman and Co-Chairperson, may designate appropriate representative(s) from their departments to represent them on the Committee.	
6. The overall Chair may create subcommittees and assign corresponding functions and duties as he may deem necessary.	

1.4. Total Expenditure of the 2023 Joint Presidential Inauguration

Based on the information and records obtained at the Department of Finance and Administration (DoFA), expenditures totaling \$ 454,365.35 were incurred from October 1, 2022, to April 30, 2024, which is depicted in Table 3 showing the expenditures incurred. Note that there are two accounts (A&B) for the inauguration that derived from the different congressional appropriations (refer to Table 1).

Table 3: Expenditure from October 1, 2022, to April 30, 2024

Operating Expenses	Account A	Account B	Total
Travel & Transportation	2,580.94	2,365.55	4,946.49
Communication	1,000.00		1,000.00
Food	65,602.20		65,602.20
Expendable Equipment/Furniture	6,480.00	2,607.07	9,087.07
Office Supplies & Materials Expendable	13,430.32	8,693.77	22,124.09
POL	92.31	67.80	160.11
Advertising, Printing, Repro	1,250.00		1,250.00
Rental Services	22,832.10	12,070.00	34,902.10
Misc Goods and Services	42,158.71		42,158.71
General Contractual Services	140,453.20	109,236.66	249,689.86
Compensation non-payroll	20,666.92	2,777.80	23,444.72
Grand Total	316,546.70	137,818.65	454,365.35

The General Contractual Services is the largest expenses, totaling \$249,689.68 and is 54.95% of the total operating expenses. For more details refer to [Appendix A](#).

2. OBJECTIVES, SCOPE, METHODOLOGY

2.1. Objectives

The objectives of this inspection were to determine whether the following key aspects existed for the 2023 Joint Presidential Inauguration:

1. Funds allocated were disbursed in compliance with their intended purposes and applicable laws and regulations.
2. Effective and sustainable governance practices were in place for the planning and execution.
3. Strong internal controls existed for the administration of donations from private donors.

2.2. Scope

This inspection covered the 2023 Joint Presidential Inauguration event including the appropriations, donations, planning and execution, budgeting, and expenditures as of October 1, 2022 to April 30, 2024.

2.3. Methodology

We conducted this inspection in accordance with the *Quality Standards for Inspections and Evaluations (QSIE)* issued by the Council of the Inspectors General on Integrity and Efficiency (CIGIE). Those standards require that we plan and perform the inspection to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objective.

To achieve the objectives, the inspection team reviewed the public laws and its amendments, other regulations relating to Inauguration, donation to the inauguration, Presidential Executive Order that created the Presidential Organizing and Inauguration Committee, interviewed key personnel and analyzing of expenditures reports.

With regards to our sample selection of the expenditure disbursement, our approach was based on our professional judgmental; we selected samples with significant dollar value representing the different operation costs listed below.

1. Travel & Transportation
2. Communication
3. Food
4. Expendable Equipment/Furniture
5. Office Supplies & Materials
6. Rental Services
7. Misc Good and Services
8. General Contractual Services
9. Compensation non-payroll

3. LEGAL MANDATES/STANDARDS

We conducted this inspection pursuant to the authority vested in the National Public Auditor as codified under Chapter 5, Title 55 of the FSM Code which states in part as the following:

“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”.

4. PRIOR AUDIT COVERAGE

This is the first engagement conducted by ONPA on matters relating to FSM National Government Inauguration.

5. COMMENDATION

We acknowledge the assistance of the Chair and Co-Chair of the organizing committee as well as the representative from DOFA, although we must state that it was a long delay waiting for the information on the private donations from the DOFA representative.

6. CONCLUSION

Based on our inspection, we concluded that not all funds were disbursed in compliance with applicable laws and regulations, there are weak controls in the administration of donations from private donors; and non-compliance with applicable regulations and the Executive Order No. 02 based on the following findings:

- i. Finding No.1: Absence of Guidelines in the Administration of About \$137,550 cash donations
- ii. Finding No. 2: Required report progress to the President were not fully complied with
- iii. Finding No. 3: Inadequate Compliance with Financial Required Documentation and Policies and Procedures

7. FINDINGS AND RECOMMENDATIONS

7.1 Finding No.1: Absence of Guidelines in the Administration of About \$137,550 cash donations

Criteria:

- *The Financial Management Regulation (FMR) 2021, Section 1.5 state that “for the purpose of better explaining compliance with these regulations, the Secretary may, from time to time, publish guideline or procedures”.*
- *According to the Presidential Executive Order No. 10-02 (Designating the Presidential Organizing and Inauguration Committee 2023) Section 1, the Committee was established with the following, among others, mandated key duties and responsibilities:*
 - a) *Develop and organize plans of key activities and programs befitting a presidential inauguration that include a suitable venue, the ceremonial program and arrangements, and required logistics;*
 - f) *Identify and manage current Inauguration budget appropriations, and coordinate with external entities for any additional fund raising requirements.”*

Condition:

Aside from Congress appropriated funds, there were also cash donations received from private sources to assist fund the 2023 Joint Presidential Inauguration. According to our inquiry to the Presidential Organizing and Inauguration Committee (the Committee), the total amount of money received from private donors, through solicitation, for the Inauguration event was \$137,550.

There were no guidelines to govern the use, management and control of the private donations. According to the committee and records provided:

- The Committee had opened a bank account under the name of the Committee for the purpose of keeping the cash donations.
- The members of the Committee are signatories to the bank account.
- Checks were issued from the bank account in the names of various groups, including women’s associations, church groups, entertainment groups, state visit functions, a state port authority and a gas station business for fuel.

Refer to [Appendix B](#) for the summary of the use of the Donations.

**OFFICE OF THE NATIONAL PUBLIC AUDITOR
REPORT NO. 2024 - 02**

- From the total donations received of \$137, 550, the bank account has a remaining balance of \$50,932. Refer to Appendix C for the summary.
- The records of transactions / ledgers are not maintained in the government Financial Management Information System (FMIS) but only manually maintained by a staff of the Division of Budget who was also filing the support documents.

While we commend the efforts of the Committee to achieve accountability by creating a bank account for the safekeeping of donations, it is vital and necessary to establish guidelines to ensure that donations are used appropriately and transparently for its intended purpose in the future.

Effects:

Absence of guidelines in the administration of \$137,550 private donations to the Government pose the risk of potential misuse of donated funds, undermining donor trust and government accountability.

Cause:

- The FSM FMR 2021 only includes the regulations for donations by the Government (FMR Section 5.8.8); however, it did not provide any regulations, or guidelines for receiving, documenting, using and reporting the donations from private entities. Neither are there any standard operating procedures for private donations.
- Bank account opened by the Committee was part of their own decision and transactions were recorded outside the government FMIS.

Recommendations:

To ensure public accountability and transparency through effective controls in the administration of donations received from private donors, the Secretary of DoFA should:

1. Regulate and provide clear procedures on administering private donations received by the National Government by:
 - a. Suggesting for the inclusion of Revising the FMR to include the required regulations and policies specifically for receiving private donations (in cash or kind)(for a specific purpose; and
 - b. Documenting detailed procedures that are aligned to the FMR for the accountable administration of donations to guide the staff at the Division of Treasury.

7.2 Finding No. 2: Required Progress Report to the President was not fully Complied with

Criteria:

The Presidential Executive Order No. 10-02 for the FSM 2023 Joint Presidential Organizing and Inauguration Committee listed the mandated key duties and responsibilities of the Committee that includes among others to; (g) Report progress to the President, or his designee, and carry out other assignments or instructions as may be given to the Committee from time to time.

Conditions:

The 2023 Joint Inauguration was undoubtedly a successful event, drawing praise and acclaim. However, it is concerning that the progress report requirement outlined in the FSM 2023 Joint Presidential Order (Executive Order 10-02) was not adequately met. Despite multiple attempts by the auditors to obtain a copy of the progress report, their efforts proved futile.

Based on our attempt with the Organizing and Inauguration Committee to obtain copy of the progress report provided to the President or his designee, all updates were conveyed orally at the President's office, introducing a sense of uncertainty, and raising questions regarding accountability in the absence of tangible evidence.

Effects:

1. The failure to provide written progress reports may result in critical information going unreported. This omission could hinder the identification of areas for improvement and documentation of successful strategies, ultimately impacting the efficiency and effectiveness of future Presidential Inauguration.
2. The remaining balance of the cash donations (from the initial amount of about \$137,000) could potentially not be reported.

Causes:

The Secretary of Finance as the sub-allottee of the Congressional appropriation funds for the Inauguration and a key member of the Committee, did not prepare written reports on the Inauguration event due to a long-standing practice of delivering oral reports. This historical reliance on verbal communication resulted in the absence of established procedures, templates, or systems for compiling and submitting written reports, perpetuating the tradition of verbal updates without formal documentation.

Recommendation:

The Secretary of DoFA, as the sub-allottee of the Congressional appropriation funds for the Inauguration and a key member of the Committee, should primarily assume the role of documenting written reports. Given the Secretary's direct access to and expertise in financial matters, he/she is well-positioned to compile comprehensive, timely, and accurate reports reflecting the Committee's progress. These written reports should detail the use of the Congressional appropriation funds, private donations received and utilized for the Joint Presidential Inauguration and include important information such as lessons learned and best practices to serve as references for future Inauguration committees.

7.3 Finding No. 3: Inadequate Compliance with Financial Documentation Requirements

Criteria:

- *FMR Section 6.3. PROCUREMENT BY COMPETITIVE PROPOSALS*
 - 1) *Should 'Procurement by Competitive Proposals' or 'request for proposal' method is selected, the following requirements apply:*
 - a) *Proposals must be solicited from at least two qualified sources.*
 - 2) *It is the responsibility of the contracting officer (or designee) to document the proposals received, conducting the technical evaluations of the proposals received and selection of recipients.*

- *FMR Section 6.6 WAIVER OF BIDDING REQUIREMENTS*
 - 1) *In special circumstances the bidding requirements outlined by the Regulations may be waived, which may include:*
 - a) *Purchases considered as 'urgent' by reason of public safety, welfare, security and/or humanitarian considerations with factual justification provided by the Allottee or designee;*
 - 2) *Where a waiver is proposed an application can be made to the Secretary of Finance & Administration who will make the recommendation to the President for a waiver to be granted, after all documentation and justification has been provided.*

- *FMR Section 5.3 Processing of Payments*

Sub-Section 5.3.1, Processing of Payments by data entry staff

 1. *All requests for payment must be checked by the Treasury department (Senior Officers) prior to the payment being processed in the centralized financial management information system. The check will be to ensure the following:*
 - a. *The correct form has been prepared;*
 - b. *All required information has been completed on the form i.e. department name, date, Allottee approval, adequate itemized detail of the purchase;*
 - c. *All required documentation has been attached to the payment request i.e., purchase order, invoice, receipt, contract, job order, bill of lading, etc.*

- d. *Certification has approved the purchased and signed;*
- *Department of Finance & Administration (DoFA) Accounting Policies and Procedures Manual on Prepaid Calling Cards (August 2, 2019), stated the following:*
 - a. *Key issues and risk areas:*

Prepaid Calling Cards provide convenience for users when away from their normal workstations. However, it is difficult to track whether the use of the Prepaid Calling Cards is for official Government Business. Due to this, there is an increased risk that Prepaid Calling Cards could be used inappropriately and perceived as a waste of public funds. Due to its widespread use, prepaid calling cards is an attractive item for theft and fraud. Hence it is important that there are adequate controls operating to minimize this risk. Ensuring that Prepaid Calling Cards are secured when not issued, recorded in a master control list and when issued to record that person it is issued to and the Government purpose it was issued for. Controls need to be put in place to ensure these interventions are completed.
 - b. *Definitions:*

A list maintained by the Administration Officer on behalf of the Allottee that will record: Prepaid Calling Card number, Prepaid Calling Card value denomination, date of purchase, purchase order/MS reference number, date of issue to user, government purpose for which card was used for, signature of the Allottee approving the issue and signature of the user.

Conditions:

While we acknowledge the overall success of the 2023 Joint Inauguration event, however, there were certain financial documentation requirements that were not complied with as noted below:

1. In previous inaugurations, temporary stages were built and did not last, materials were often lost when they were dismantled. Therefore, it is important to acknowledge that constructing the Congress Front Plaza saves the government \$105,920.41. However, the contract for the construction of the Congress Front Plaza was awarded to a vendor that received a total of \$105,920.41 from the contractual services budget of the project. We noted and questioned the following:
 - a) The relevant PCD stated *“Exemptions will be made to activities or special projects that may require bidding provided circumstances, competitive selection will be done in a fair manner”*. There were no separate documentation and justifications filed to support the need for the waiver of bidding requirements as required by the FMR Section 6.6. Neither were there any recommendations by the Secretary DoFA to waive bidding requirements and subsequent approval by the President.

**OFFICE OF THE NATIONAL PUBLIC AUDITOR
REPORT NO. 2024 - 02**

- b) There is no support document filed to confirm the selection of the contractor. We noted for a separate project (improvement of the Congress chamber) also for the Inauguration event, there was documentation on the selection of the contractor which was through invitation to provide quotes given the limited time. Similar documentation was not found for the above project to construct the Congress Front Plaza.
 - c) On July 14, 2023, the Civil Engineer of the government wrote to the Committee to confirm the completion of the construction work and added that the construction project has a warranty period of 1 year until July 14, 2024. There was no mention of incomplete work in this letter;
 - d) On January 29, 2024 (6 months after the first communication above) there was another communication to the Committee by the same Civil Engineer mentioned above. In this second letter, the Engineer stated that the project was substantially finished on July 23, 2023, before the Inauguration; however, since then some punch list were rectified and off-island materials were installed. He recommended the release of the retention money of \$10,592.04. From our verification this payment was made to the contractor on 02/20/2024; however, no photos were filed as evidence of the added works done.
- 2. Based on our review of the payments from Congress appropriated funds, we noted that several Accounts Payable Vouchers were missing and yet checks were still issued.
 - 3. We also noted purchase of calling cards “issued to the Inauguration principal committee members” which did not comply with DoFA’s Accounting Policies and Procedures Manual on Prepaid Calling Cards. We observed the absence of a Master Control List as required in the Manual above. Furthermore, detailed records regarding purchased prepaid Tel-cards such as the distribution date, card control number, name of card holder, face value, purpose, and other essential information necessary for tracking and monitoring the accountable usage of the prepaid Tel-cards were not documented.

Effects:

- 1. Noncompliance to the FMR and payments in the amount of \$105,920.41 that was made for the contract to construct the Congress Front Plaza may have been subject to undetected fraud and abuse;
- 2. Payments in the amount of \$14,780 may be subject to financial waste and loss by the government because of lack proper review of the payment vouchers and support documentation by the authorized authorities; and

3. The payment in the amount of \$1,000 for 50 pieces of 20 dollars' worth of the prepaid calling cards may be subject to financial waste and loss by the government because of the neglecting to administer a Master Control Sheet log for the prepaid calling cards. The amount may be immaterial; however, it is the non-compliance to the Prepaid Calling Card Policy that carries weight.

Causes:

1. The bidding requirements were waived according to the approved PCD; however, no documentation was found in the payment documents to confirm the actual method used to select the contractor to build the Congress Plaza;
2. The Finance key officer did not properly review the request for payment to ensure that the request had been properly approved by the authorized authorities (seniors) prior to effectuating the disbursement; and
3. The administrative officer of DoFA was not aware of her responsibility to administer a Master Control Sheet Log for the Prepaid Calling Cards; therefore, there were not records to verify the use of tele cards that were purchased for the purpose of the Joint Inauguration 2023.

Recommendations:

The Secretary of DoFA or his/her designee should ensure:

1. Contractors, engineers, project officers and finance officers are provided clear guidelines (considering the significant risks involved) on documentation requirements if the projects will be exempted from the bidding requirements such as the construction of the Congress Front Plaza.
2. Proper review of all payment requests to ensure compliance with the fund certification and disbursement approval requirements of the FMR; and
3. The Administrative Officer for DoFA is fully informed and understands the established in-house policies and procedures, while emphasizing strict adherence to them. The Master Control Sheet Log should be developed and maintained for Prepaid Calling cards.

**OFFICE OF THE NATIONAL PUBLIC AUDITOR
REPORT NO. 2024 - 02**

8. APPENDICES

Appendix A: Details of Expenditures on General Contractual Services

The General Contractual Services is the largest expenses among all, totaling \$249,689.68 and is 54.95% of the total operating expenses. Refer to the table below for details.

Contractor	Description of Work Performed	Amount	Total (\$)
Contractor A	Video Coverage-Inauguration	15,000	15,000
Contractor B	FSM Congress Front Plaza	105920.41	113,419.22
	Wooden Stage	7498.81	
Contractor C	Central Facility Main.	3642	43,392.00
	Painting	29,850.00	
	Road Repair @ FSM Capitol	9,900.00	
Contractor D	Improve FSM Congress Chamber	28,189.44	28,189.44
Contractor E	Landscaping	4,900.00	4,900.00
Contractor F	Concrete Around Entrance of Congress	6,500.00	6,500.00
Contractor G	Landscaping at Road C	4,990.00	25,703.20
	Painting at Congress Chamber	15,763.20	
	Pressure Washing Walkway	4,950.00	
Contractor H	FSM Capital Road Maintenance	9,586.00	9,586.00
Contractor I	Tree Trimming	3,000.00	3,000.00
Grand Total			\$249,689.86

Source: Department of Finance and Administration

**OFFICE OF THE NATIONAL PUBLIC AUDITOR
REPORT NO. 2024 - 02**

Appendix B: Summary of Use of the Donations

The Inauguration donated funds totaled \$137,550 with \$86,618 expended. Refer to the table below for details of the expenditures from the Donations Fund.

Payment To:	Purpose	No. of Vendors	Total
Church Groups	Inaugural Service and Donations	4	12,000
Entertainment Groups	Entertainment during the event	4	36,000
Gas station	Transportation for invited guests including government officials from overseas	1	6,483
Women Associations	Donations	3	30,000
President's Visit Function	Other expenses	1	1,000
Port Authority	Other expenses	1	1,135
Grand Total			\$86,618

Source: Joint Presidential Inauguration Committee

Appendix C: Available Balance of the Donations

The Inauguration Donated Fund has a total of \$137,550. The Committee spent \$86,618 and that leaves a balance of \$50,392 as of May 9, 2024. Refer to the table below.

Donated Funds	Spent	Balance
\$137,550.00	\$86,618	\$50,392

Source: Joint Presidential Inauguration Committee

9. MANAGEMENT RESPONSE



Secretary of Finance
&
Administration

**GOVERNMENT OF THE FEDERATED
STATES OF MICRONESIA Department of
Finance and Administration** P.O. Box PS 158

Palikir, Pohnpei FM 96941
Tel: (691) 320-2640/5852 Fax: (691) 320-7728
E-mail: fsmsofa@mail.fm

July 03, 2024

T.H. Haser H. Hainrick
National Public Auditor
Office of the NPA
Palikir, Pohnpei 96941



Subject: Response to the Inspection of the 2023 Presidential Joint Inauguration Report.

Greetings to you and your staff Mr. Public Auditor.

I am writing to provide the Department of Finance & Administration's response to the subject inspection report as required.

Overall, we agree with the findings, and we thank you for the opportunity to respond to the inspection report and for your patience in allowing us to provide the response later than expected. We will work together to find a better solution to safeguard the public funds including donated funds for such important undertakings in the future.

Below are our responses to the findings shown on the report.

Finding No.1

Auditee Response

We agree with the finding.

We will draft a guideline for use to manage future donated funds. We also would recommend that a member of the committee must be from DOFA to help safeguard the proper use of donated funds to the FSMNG.

Finding No.2

Auditee Response

**OFFICE OF THE NATIONAL PUBLIC AUDITOR
REPORT NO. 2024 - 02**

We agree with the finding.

A report of the use of the donated funds including a progress report must be filed with the President's Office as requested and after the inauguration activities are done. The remaining funds should be returned to the General Fund if all of the Inauguration activity expenses are paid for, to be safeguarded for future inauguration activities.

Finding No. 3

Auditee Response

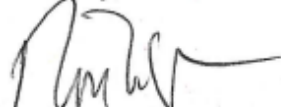
We agree with the finding.

Auditee Response:

If there would be a deviation from the approved guidelines, there must be a WAIVER requested and approved before the Committee can process payment request as noted.

Thank you very much.

Sincerely,



Rose N. Nakanaga
Secretary

cc: H.E. President Wesley K. Simina

10. ONPA EVALUATION OF MANAGEMENT RESPONSE

We requested a management response from the Secretary of the Department of Finance and Administration. A written response was received where the Secretary generally agreed with the findings and recommendations in this report.

11. NATIONAL PUBLIC AUDITOR COMMENTS

We would like to thank the Organizing and Inauguration Committee and relevant officials at the Department of Finance and Administration for their assistance and cooperation during the Inspection.

We have provided copies of the final inspection report to the President and Members of the 23rd FSM Congress and those charged with governance. 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 to contact 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 conducted the inspection and prepared this report.



Haser H. Hainrick
National Public Auditor

July 8, 2024

12. ONPA CONTACT AND STAFF ACKNOWLEDGEMENTS

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 during the period specified:

Miriama Naivalu, Audit Manager
Joey A. Iwo, Team Leader
Brenda Carl, Team Member

ONPA MISSION, We conduct quality audits and investigations to improve good governance and to prevent and deter fraud, waste and abuse for the stakeholders' benefit.

COPIES AVAILABLE AT www.fsmopa.fm

COPIES BY MAIL OR PHONE Office of the National Public Auditor
P.O. Box PS-05
Palikir, Pohnpei FM 96941
Phone: (691) 320-2862/3

CONTACT info@fsmopa.fm
Hotline: (691) 320-6768
Facebook: <https://www.facebook.com/fsmpublicauditor/>