



OFFICE OF THE NATIONAL PUBLIC AUDITOR

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ONPA Releases Audit Report on Travel Activities of the National Government

The Office of the National Public Auditor (ONPA) announces the release of Audit Report No. 2014-03, *Audit of Travel Activities of the FSM National Government*. A digital copy of the report is available for public review online at www.fsmopa.fm and printed copies are available at the ONPA offices on Weno, Chuuk and in Palikir, Pohnpei. The audit was conducted pursuant to Title 55 of the FSM Code, Chapter 5 and in accordance with the Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States.

Travel costs represent a significant portion of the total government expenditures every year. For the three fiscal years covered by the audit (2010, 2011 and 2012), the yearly amount of spending on travels that took place within FSM and abroad averaged approximately \$6 million per year. Travels are authorized by the respective allottees of approved travel budgets within the National Government while the processing, disbursing, and accounting functions thereof are performed by the Department of Finance & Administration (DF&A).

The objectives of the audit were to determine whether:

1. The travel activities of the National Government complied with the applicable laws and the implementing rules and regulations.
2. Internal controls over travel activities were operating effectively.

We concluded that the DFA has to improve the internal controls over travel activities to ensure compliance with the applicable laws and regulations. The areas that need significant improvement include:

- A. Monitoring of liquidation and/or processing of submitted liquidation reports;
- B. Writing-off of Travel Advances;
- C. Processing of Airfare payments;
- D. Control of travels fully funded by sponsoring agencies;
- E. Control of travels by non-government employees.

We observed the following weaknesses:

1. Ineffective monitoring and reviewing resulted in various non-compliances.
2. Travelers with outstanding and/or overdrawn travel advances were still issued travel advances.
3. Inadequate internal control procedures in writing-off travel advances/ overdrawn advances.
4. Travels funded by outside sponsoring agencies not refunded to the government.
5. Requirement for a non-government employee traveler not complied with.

As a result, long outstanding travel advances that were due for liquidation have accumulated in the books necessitating the set up of allowance to cover the uncollectible/unsettled travel advances. As of fiscal year ended September 30, 2012, the total travel advances in the financial statement amounted to \$1.7 million of which the allowance for bad debts was \$1.5 million (89%). This condition further led to a host of other problems- inaccurate travel expenditure per function (some were recorded as bad debts expenses), improper write-off of travel advances and others.

We discussed the details of our findings along with the recommendations in the report. We have discussed our report with officials from the DFA, the management response was included as part of the Appendix in the report.

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