



Office of the National Public Auditor – Federated States of Micronesia, Press Release No. 2013-02

ONPA Releases New Audit On Congress Appropriations For Public Projects, 2010 and 2011

The Office of the National Public Auditor announces the release of Audit Report No. 2013-02, *Audit of the Congress of the Federated States of Micronesia (CFSM) funded public projects for fiscal years 2010 and 2011*. 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 in Palikir, Pohnpei and Weno, Chuuk. The audit was conducted in accordance with Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States.

For the fiscal years 2010 and 2011, Congress passed five public laws which appropriated \$ 7.8 million from local revenue to fund its economic and social projects and programs throughout the four states in FSM. Numerous amendments were subsequently approved to modify specific projects or to redirect funds to other projects. As of September 30, 2011, 451 different economic and social projects and programs received funding under the five initial appropriation laws and the subsequent amendments.

The audit scope covered the appropriations for public projects in FY 2010 and 2011 as authorized by Public Law numbers 16-18, 16-23, 16-49, 16-58, and 16-62 as amended. The objective of the audit was to determine whether the administration of CFSM appropriations for public projects complied with the Financial Management Act (FMA), Financial Management Regulations (FMR), and other applicable laws, policies, and regulations.

Based on our audit, we concluded that the overall implementation process from project control documents (PCDs) to vendor payments to project close-out and reporting, lacked effective execution of existing controls and did not comply with the FMA, FMR and other applicable laws, policies, and regulations. As a result, the citizens of the FSM may have realized significantly less value for the use of public funds.

The auditors found evidence of significant issues such as:

- Failure to execute key controls and activities concerning PCDs weakened the entire process;
- Lack of monitoring, controlling and reporting of 47 projects across FSM (41 in Chuuk) resulted in \$149,033 being overspent;
- Expenditures of \$306,521 could not be verified;

- Assets were being misused (given to personal use) or lost; and,
- Disbursement of \$426,108 without certification of completion from the Project Inspection Officials.

The weak execution of controls resulted in an environment where there was no assurance that public projects were finished or that vendors completed agreed-upon work prior to receiving payments. Many projects were not inspected.

The audit highlights the findings and the recommendations which, if implemented, could significantly improve controls and administration of funds for public projects so that the people can realize meaningful value and benefits from their public funds. The results of the audit were discussed with the Chuuk State Commission on Improvement Projects (CSCIP), the Department of Finance and Administration, and the Office of SBOC. Their responses are included in the final audit report which can be accessed at www.fsmopa.fm.