



OFFICE OF THE NATIONAL PUBLIC AUDITOR

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ONPA Releases Audit Report on ADB Grant Assistance for Weno Water Supply Well Remediation Project funded by Japan Fund for Poverty Reduction

The ONPA announces the release of Audit Report No. 2014-05, Audit of ADB Grant Assistance for Weno Water Supply Well Remediation Project funded by Japan Fund for Poverty Reduction (JFPR) for fiscal years 2012 and 2013. The audit report is available for public viewing online at www.fsmopa.fm. Printed copies are available at the ONPA's offices in Palikir, Pohnpei and on Weno, Chuuk.

Grant assistance from the JFPR was provided to the FSM National Government to improve the delivery of safe and secure water supply to the residents of Weno Island in Chuuk State. The grant amounting to \$980,000 was administered by the Asian Development Bank. The Department of Transportation, Communication & Infrastructure was the Executing Agency for the project while the Chuuk Public Utility Corporation was the Implementing Agency.

The project started in 2009 and was completed in July 2012. As a result, 28 water wells were made operational, delivering safe and secure water supply to the residents of Weno Island.

We performed this financial audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Based on our audit, we expressed an unqualified opinion on the financials for the years ended September 30, 2012 and 2013.

We also evaluated the internal controls related to financial reporting and found a number of deficiencies as follows:

- Segregation of duties was lacking over the control of cash disbursements.
- Monitoring of reconciliations was not consistently performed.
- Manual checks were used for project disbursements instead of the MICR encoded checks routinely used for most payments processed through DFA.

- Certificates of insurance were not maintained on file for consulting and engineering contracts.
- The project maintained its funds in a non-interest bearing checking account.
- The project did not submit the required quarterly and annual progress reports.
- Payments to suppliers directly paid (direct payments) by ADB were not recorded in the books of accounts of the FSM National Government.
- Disbursements from the Imprest Accounts were not replenished/liquidated timely.

The concerned Departments generally agreed with all the findings and recommendations except for the finding and recommendation regarding the use of Manual Checks. The Acting Secretary of the Department of Finance & Administration disagreed with the recommendation that automating the printing of checks would minimize the likelihood for fraud and misappropriation of assets. The ONPA evaluated the response and is retaining the finding and recommendation about manual checks.

The concerned departments should take corrective actions to improve the deficiencies noted by the audit.

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