



OFFICE OF THE FSM NATIONAL PUBLIC AUDITOR

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ONPA Releases a Report on Follow-Up Audit Conducted on Customs and Tax Administration

The Office of the National Public Auditor (ONPA) announces the release of Audit No. 2015-06, *Customs and Tax Administration Not Fully Implementing Prior Audit Findings and Recommendations*. A digital copy of the report is available for public review online at www.fsmopa.fm and printed copies are available at the ONPA office in Palikir, Pohnpei.

The Office of the National Public Auditor conducted this follow up audit to determine whether the Customs and Tax Administration (CTA) management has implemented corrective actions to address the audit findings and recommendations disclosed in Audit Report No. 2012-01, issued on December 9, 2011 where ONPA reported the following findings:

- Poor internal controls over the system of manual cash receipts continued to put cash at risk of loss or theft.
- The tax rolls (list of active businesses) were incomplete and as a result, compliance and tax revenue collection was diminished.
- Unpaid or unreported taxes by businesses in Pohnpei were not followed-up and in Chuuk, they were followed up only when visited by a special task force.
- The accuracy of payment of import taxes was not verified by CTA and the inspection of freight containers was hap-hazard, not formalized, and seldom performed.
- CTA employees were not trained in the proper handling of potentially unethical situations including how to maintain independence with local businesses. In the absence of a CTA Code of Ethics, independence with local businesses was not specifically required.

The ONPA found that the CTA Management did not take appropriate corrective actions to address all of the findings and recommendations in Audit Report No. 2012-01. Specifically, of the five audit recommendations, one was implemented, two were partially implemented, and the other two were not implemented. The two recommendations that were not implemented are summarized below:

The Assistant Secretary for Customs and Tax Administration should:

1. Monitor the CTA Field Offices' performance to;
 - Obtain business listing from the respective local, state and national authorities for comparison; and,
 - Update the tax rolls for new businesses, non-filers and non-payers of taxes.

2. Monitor the CTA Main Office in Palikir and the Field Offices in the States to ensure the following;
 - Demand notices are regularly issued and distributed to non-filers and non-payers;
 - Levies are duly processed when non-compliant businesses continue to not pay taxes owed.

You may click here [FSMOPA/AUDIT](#) to access the full report.

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