



## OFFICE OF THE FSM NATIONAL PUBLIC AUDITOR

### Press Release # 2015-09

#### ONPA Releases New Audit - - *NORMA's Use & Management of the Project Development Fund: Characterized By Poor Control, Accountability and Transparency Issues*

The Office of the National Public Auditor announces the release of Audit Report No. 2015-09 entitled *NORMA's Use & Management of the Project Development Fund: Characterized by Poor Control, Accountability and Transparency Issues*. A digital copy of the report can be accessed online at [www.fsmopa.fm](http://www.fsmopa.fm) and printed copies are available at the ONPA office in Palikir, Pohnpei.

The Chairman of the Committee on Resources & Development, 18<sup>th</sup> FSM Congress, asked the Public Auditor to audit the use and management of the Project Development Fund (PDF).

The PDF was created for and by certain Pacific Island States with the United States of America to maximize the benefits from the development of the fisheries resources within the members' exclusive economic zones. About sixteen (16) Pacific Island States and the USA signed a treaty called "The Multilateral Treaty on Fisheries" ("The Treaty")<sup>1</sup>. The Treaty became effective on June 15, 1988 and has been extended a number of times until December 2015. It is a financial package with differing amounts for each licensing period of which the PDF is a component. Since its inception, the Treaty provides a yearly stream of revenues sourced from the United States and allocated to different funds that benefited the member countries. In FY 2014, the revenue from this source was \$63 million. The total allocation for FSM was \$6.5 million. \$156,250 was for the PDF. This amount was the FSM's yearly share for the last three years 2012, 2013 and 2014. In the aggregate, the FSM's total allocation for the PDF is estimated to have surpassed \$2 million over the 27 years life of the Treaty.

The National Oceanic Resource Management Authority (NORMA) represents the FSM in the association.

The PDF is administered by and kept at the Forum Fisheries Authority in Honiara, Solomon Islands. Funds are disbursed by FFA based on requests received from NORMA, the primary user of the PDF, through the Department of Foreign Affairs as the official focal point recognized by FFA per existing agreement. The FSM Attorney General has opined that the PDF belongs to the FSM Government. Therefore, NORMA as user is accountable to the FSM Government, the owner, regarding the use and management of the PDF funds.

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<sup>1</sup> The treaty consists of "The Treaty" and its subsidiary agreements namely – (1) "Agreement among Pacific Island States concerning The Implementation and Administration of the Treaty on Fisheries Between the Governments of Certain Pacific Island States and the Government of the United States of America" ("The Internal Agreement"); (2) "The Agreement between the Government of the United States and the South Pacific Fisheries Agency"; and (3) "Agreed Statement on Observer Program."

The audit objectives were to determine whether the PDF was used by NORMA for its intended purposes and, if management of it was consistent with the FSM's laws, financial regulations, policies and procedures.

Based on the audit, we conclude that the PDF was not used for its intended purposes. For example, we found that numerous payments were made for travels, daily subsistence allowance (per diem) and for other operational expenses for NORMA such as equipment purchases, office lease rental payments, representation funds, purchase of a computer server, etc., which did not fit the economic development purposes of the PDF. For the travel expenses, we noted that supporting documents such as travel vouchers, plane tickets, car rental receipts, airline boarding passes, and other commonly used travel documentations were not provided after a traveler returns from a trip. Further, the per diem rates used were not in accordance with the FSM Financial Management Regulations. Amounts paid were often more than the FSM travel per diem rates ranging from 8% to 61% higher than the FSM established rates based on the destinations. None of the entertainment and representation fund expenses was supported by receipts or whatsoever necessary to evaluate the purpose and the nature of the actual representation/entertainment expenses.

Additionally, we conclude that the management of the PDF did not follow FSM's financial regulations and procedures. For instance, we noted non-compliance deficiencies against the financial regulations and procedures, which resulted in weak internal controls and lack of reporting, disclosures and transparency for the PDF. Consequently, the accountability for the use and management of the PDF funds was a significant audit concern.

Our audit was conducted in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States.

Click here [FSMOPA/AUDIT](#) to access the full report.

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