



OFFICE OF THE NATIONAL PUBLIC AUDITOR
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Agreed Upon Procedures Engagement on NORMA Fisheries Access Agreement

The ONPA announces the release of the Agreed Upon Procedure Engagement Report Number 2017-02A on NORMA Fisheries Access Agreement.

This engagement was conducted based on a request from the Chairman of FSM Congressional Committee on Resources and Development solely to provide assistance in obtaining information specific to fishing revenues, fishing days and non fishing days, traded fishing days, and donated goods and services from foreign fishing partners. The procedures were agreed to by the Chairman and the Executive Director of NORMA.

The sufficiency of the procedures is solely the responsibility of the specified parties in the report. We made no representation regarding the sufficiency of the procedures either for the purpose of which the report has been requested or for any other purpose. Our responsibility is to perform the agreed upon procedures and report the results.

We developed two versions of the engagement report (full and redacted copy) based on our evaluation on the concerns raised by the specified parties on the sensitivity and confidentiality of subject matters regarding the vessel day scheme. The full copy was distributed to selected officials while the redacted copy was released to the public.

The summary results of the procedures are as follows:

Fishing Revenue:

- Approximately \$9.8 million out of \$173 million fishing rights fees collected could not be traced to fisheries access agreements or the supporting documents did not provide proper basis in determining the nature and amount that should be collected for fishing fees; and some amounts could not be traced to any fishing association/company;
- Approximately \$9.6 million identified as under collection for fisheries access agreements; (Approximately \$158 million should be collected for fisheries access agreements; however, only \$149 million was identified as collected for fisheries access agreements);
- We could not determine whether the collections for fisheries access agreements were delayed;
- NORMA's monitoring mechanism only started in calendar year 2015; however, there has been no regular reconciliation between the Department of Finance and Administration and NORMA to establish uncollected amounts and to identify and resolve discrepancies between their records.

Donated Goods and Services:

- There was no written policy or procedure in place to govern the receiving of donated goods and services by the recipients;
- Only Japan and Korea provided donated goods to FSM in which they were not reflected in the fisheries access agreements; however, the practice has been to execute a memorandum of understanding in case of Japan and no written agreement in case of Korea;
- The received donated goods from Korea in 2013 and 2014 and Japan in 2014 were not in compliance with Title 24 FSMC 114 as well as received donated goods from Japan for 2013 and 2015;
- Either only few or none at all of the donated fixed assets received were recorded in each respective FSM government's fixed assets register. Based on our inspection of the donated assets, we could not locate or inspect some of the assets due to absence of proper documentation for redistributed assets.

This agreed-upon procedure engagement was conducted in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States, which incorporates related attestation standards established by the American Institute of Certified Public Accountants (AICPA).

The redacted copy of the report can be accessed online at www.fsmopa.fm.

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Office of the National Public Auditor
P.O. Box PS-05
Palikir, Pohnpei FM 96941
Phone: 691.320.2862/2863; Fax: 691.320.5482
Hotline: 691.320.6768; Website: www.fsmopa.fm