



OFFICE OF THE FSM NATIONAL PUBLIC AUDITOR

PRESS RELEASE #2012-03

ONPA RELEASES AUDIT REPORT OF CHUUK ENVIRONMENTAL PROTECTION AGENCY

The Office of the National Public Auditor (ONPA) announces the release of Audit Report No. 2012-02, Audit of the Chuuk Environmental Protection Agency (CEPA). 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 (GAGAS) issued by the Comptroller General of the United States.

The CEPA was created pursuant to Chuuk State Law (CSL) No. 2-94-01 that was enacted in 1993 to implement Section 1, Article IV of the State Constitution. The Agency has a five member board that is regionally represented who are nominated by the Governor with the advice and consent of the Legislature. The board was set up to govern the affairs of the agency and it hired an executive director (ED) to be the administrator of the agency's functions.

The law (CSL No. 2-94-01) gave CEPA the powers and duties "to control and prohibit pollution of air, land, and water." Further, CEPA was empowered "to adopt, approve, amend, revise, promulgate, and repeal regulations" as well as enforcing them. CEPA's mission is to serve all the people of Chuuk, a total population of approximately 50,000 living on 11 mangrove-fringed islands and a series of 14 low islands and atolls outside the lagoon.

The scope of the audit included review of the activities of the CEPA for the fiscal years 2010 and 2011.

The objectives of our audit were to determine if:

- Chuuk State environmental goals and objectives were in alignment with the Federated States of Micronesia (FSM) Strategic Development Plan (SDP) and key global environmental initiatives and issues;
- the top environmental issues affecting Chuuk were within the control of the CEPA office, and, if so, were they being managed effectively;
- the CEPA results, as stated on required quarterly performance reports, were compared to targeted goals and objectives, and corrective actions identified and implemented if targets were not being met; and
- the CEPA funds were being administered and expended in compliance with laws, regulations, policies, procedures and terms and conditions of grants.

The auditors found:

- CEPA had not initiated activities for 6 of the 9 Strategic Goals identified in the SDP and further documented in the Five Year Environment Sector Plan.

Therefore, the surrounding environment in Chuuk continued to be at risk for adverse environmental conditions.

- There was a general lack of enforcement of the environmental laws and regulations, and the environmental conditions for the state of Chuuk were not improving significantly.
- Performance was not monitored effectively and the 3 (of 9) Sector Plan Goals being pursued by CEPA were not being achieved.
- Procurement was not being conducted in accordance with the laws and regulations. Purchases were made with conflict of interest from retail stores owned by CEPA Management or their family members. Additionally, the ED received more than \$8,000 of regular salary during a period of 5 months while he was absent from the state altogether. The same employee received housing allowance of over \$6,000 despite the fact his request had been denied by the Board. However, the housing allowance was included in the CEPA budget and because the Board failed to review the budget proposals before submission, the budget was approved.

The audit report discusses the detail findings along with the recommendations made to facilitate corrective improvement. The CEPA Board and Management responses are included in the report. The Board's response was appropriate and seeks improvement. Management's response, however, did not respond to the recommendations made.