



OFFICE OF THE NATIONAL PUBLIC AUDITOR

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ONPA Releases Audit Report on FSM Loans 2099-FSM (SF) and 2100-FSM from the Asian Development Bank

The ONPA announces the release of Audit Report No. 2014-02, Audit of ADB Loans 2099-FSM (SF) and 2100-FSM for the Omnibus Infrastructure Development Projects for fiscal year 2012. 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 Weno, Chuuk. We performed this financial audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

The audit was performed for the purpose of expressing an opinion as to whether the statement of project account presents fairly, in all material respects, the cash receipts and disbursements of the project for the year ended September 30, 2012, and we rendered a qualified opinion thereon.

The FSM Department of Transportation, Communications and Infrastructure serves as the Executing Agency and is responsible for carrying out the Project, including authorization of payments made from the Imprest Fund.

Based on our audit, we found a number of deficiencies as highlighted below.

1. Qualified Audit Opinion - - We qualified our opinion on the Statement of Project Account due to documentation issue surrounding the \$225,454 overpayment for which we were unable to satisfy ourselves as to its fairness through applying our designed or alternative auditing procedures.
2. Prior Audit Findings & Recommendations - - The Department's lack of action to implement prior audit findings and recommendations. For instance,

- Segregation of duties was lacking over the control of cash disbursements
- Manual checks were used for project disbursements instead of the MICR encoded checks routinely used for most payments processed through DFA
- The project maintained its funds in a non-interest bearing checking account
- Files and/or records were not intact and the Accountant/Bookkeeper did not have on file documents supporting some payments. They were either misfiled or missing.

3. Additional deficiencies in internal controls included;

- No regular review and reconciliation between Project Accountant's records and ADB online Loan Data Information to ensure that the Project Accountant's financial record is accurate, complete and consistent.
- Contractor's accounts e.g. cash advances, retention payable, were not monitored.
- The Project Management was lax in its responsibility for keeping and organizing records and preparing its own statement of project account
- The Project Accountant is not properly maintaining the imprest fund for the project e.g. regular replenishment of the fund not made.

The Department's management response indicated agreement with the findings and recommendations of the audit. The Department should move on to implementing the necessary corrective actions.