



OFFICE OF THE FSM NATIONAL PUBLIC AUDITOR

Press Release #2015-04

CFSM Public Projects and Social Programs: \$1.6 Million Approved Without Clear Criteria

The Office of the National Public Auditor has released Audit Report No. 2015-04 to the President and Members of the 18th Congress covering the appropriations made under Public Law 17-68 for Congress public projects. Here is the web link to the full report
<http://fsmopa.fm/files/onpa/2014/Audit%20Report%202015-04.pdf>

After many years of spending several millions of dollars for public projects, one wonders - - where have the monies gone to? What positive results have been achieved? Could the process be improved?

Veto messages year after year, penned by the former and current Presidents, and highlighting the urgent need to refocus Congress appropriation to public projects that support National priorities, but sadly, it remains business as usual. Audits after audits, spanning many years from the past Public Auditors until present, disclosing flaws and recommending changes in Congress public projects, however, it is still the same practices thru the years. The few recipients of the public projects love it. The ultimate beneficiaries of this public project scheme remain. On the National front, however, it is unfortunately creating a culture of dependency on free government hand-outs that never helps in pushing the nation forward and runs counter to the whole idea of people empowerment. People want progress. People deserve better.

The statistics show that funding for public projects has increased from \$4.2 million in 2001 to \$6.5 million in 2013, putting nearly \$464,000 in the hands of each senator to spend each year for projects they so wish to fund without any public scrutiny. Preliminary figures seem to indicate that for 2014, the total amount for public projects further escalated to \$10 million, or 138% jump from the 2001 total.

Let me comment on Congress response to this audit, which you can view the full text under the management response on page 55.

Congress commented they are not involved in implementation but only in the appropriation of public project funds

While the Constitution clearly requires Congress to appropriate and the allottees to implement, this does not hold true in actual practice as we found in several cases during our review. For instance, audit evidence we collected clearly show that project coordinators and allottees did as they were instructed by senators. Hence, we recommend that Congress should abolish the Election District Offices in Pohnpei and shift from designating the Development Authorities in Chuuk to serve as allottees. These entities (allottees) are the senators' own offices and employees there are simply receiving their instructions from the senators. The Udot Case in Chuuk sets the legal restrictions for Congress members from appropriating and at the same time implementing public project funds. Clearly, this has been going on for years and hasn't stopped. Certain members of Congress are directing what the allottees should do, thus playing the dual role as appropriator in Palikir and as executor at the state/municipal levels. The statement made by the Congress that any deficiency for project implementation should be addressed to the allottees (not Congress) to respond to needs to be re-examined simply because it does not agree with the actual practices in the field. Albeit these significant audit discoveries, we commend the Congress members from Yap State who have been consistently using the Governor of Yap as allottee for public projects.

Congress commented that the audit lacks standards to compare actual practices against

This is exactly the gist for this review. During our preliminary survey, we found that Congress continued to fund all kinds of public projects as members may choose even if many of the projects did not yield any meaningful, public benefit. Lack of clarity, transparency, and accountability was a significant audit concern that prompted us to move forward with this review. There are neither criteria nor guidelines to follow in selecting which projects to fund and who is eligible to receive funding. It is clear from the comment made by Congress that they, too, recognize this significant omission. Nonetheless, however, the argument that there are no standards and laws for our audit to measure actual practices against cannot stand because for many years the FSM already had in place its National and State development plans, there are laws which prohibit the involvement of Congress members in the implementation of public projects such as the Udot Case, and

there are numerous best practices and prudent actions that should be consulted as standards. Failing this, however, has resulted in the waste of public funds appropriated for all sorts of public projects some of which are;

1. Buying sacks of rice, cases of chicken and turkey tail, ramen, coffee, sugar, etc.
2. Buying cigarettes from a store owned by a senator with justification that “these are the best tasting cigarettes.”
3. Financial assistance to help students pay their old school debts. However, during our fieldwork we collected evidence that students abandoned their classes, did not perform well, expelled, and etc. In essence, this funding is rewarding poor performers and not only competes but sets out to defeat the intent of the already established governments’ scholarship programs.
4. Growing crops in the backyard which is clearly for personal consumption.
5. Fishing projects supposedly to support export based on suspected receipts and for a fishing market that did not exist.
6. Vehicles bought and used more for personal needs than for any public purpose.
7. Stocking owned retail stores with rice and other inventories under the guise of exporting local produce to out-of-state markets.
8. Building and renovating personal residences with public funds.
9. Funerals
10. Airline tickets
11. Old debts incurred for equipment parts that were discarded years ago because they were of the wrong sizes, not fit, and therefore were wasted in the garbage dump.
12. Yearly recurring expenses for municipalities and agencies that did not receive any budget scrutiny and lacked public hearings via which their strategic plans for the future should have been required in order to evaluate how these entities should operate as going-concern and their expected performance outputs to yield public benefits. Lacking any such plans, they don’t care because comes next year and the years thereafter and they will still receive government hand-outs, hence continuing to grow the attitude of government dependency.

People are asking, why is Congress wasting public funds on expenses that are for personal needs rather than for any public purpose?

The soundness of our conclusion is validated when Congress commented that it is the same as what they have heard from the President, that appropriations by Congress should be supported by hearings, detailed committee reports, and should be in accordance with the

Strategic Plan. The fact is, our independent audits draw their conclusions based on the evaluation made on audit evidence collected during the course of our review. Further, our conclusion that Congress should re-evaluate and change its method of funding public projects is not new. This is the same conclusion in past audits after audits, which you may access on our website at www.fsmopa.fm. In other words, we don't mirror our audit conclusions based on others' but based on our own independent review and assessment.

It is a constitutional requirement in this government that the Office of the National Public Auditor should be independent. The public should know, and I hereby advise, that neither the Congress nor the President has influenced the independence or the objectivity of our work. The conclusions reached in our audits are strictly based on unbiased and objective evaluation of the audit evidence, guided by a high degree of ethics in discharging our duties and responsibilities. Safeguarding the independence and the objectivity of the National Public Auditor and the staff is a top priority for me and all the good, hard-working staff of the office. Any claims otherwise should be shunned as without basis. Additionally, Congress claim that this audit is a political criticism is below our norm, and something which we do not subscribe to. If Congress can accept the check-and-balance roles between the executive and legislative, I submit therefore that in the same vein Congress should also accept our audits because they are objective and unbiased as mandated by the Constitution. That is because we do our work and we know that the public, to whom we are ultimately accountable to, depends on the conclusions and the findings disseminated through our audits in order to know what is happening in their governments.

Notwithstanding the above, we wish to commend some members of Congress who are committed to advancing the interest of the public at large over and above their own personal and political gains.

Finally and in the interest of space and time, I have not made any comment on the issue of non-compliance with the intent of the appropriation laws and the Project Control Documents because they are just too numerous to list. Let me, however, invite you to read the full inspection report by following the web link indicated above.

Our inspection was conducted in accordance with the *Quality Standards for Inspection* issued by the US Council of Inspectors General on Integrity and Efficiency (CIGIE).

*****END*****

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
www.fsmopa.fm