



OFFICE OF THE FSM NATIONAL PUBLIC AUDITOR

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ONPA RELEASES AUDIT REPORT ON FSM Personnel Division Awarding of Professional and Market Place Premiums

The Office of the National Public Auditor (ONPA) announces the release of Audit Report No. 2011-01, Audit of The Professional and Market Place Premiums, as awarded by the FSM Personnel Division. A digital copy of the report is available for public review online at www.fsmopa.fm and printed copies are available at the ONPA's 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.

This audit focused on whether the pay premiums were awarded in compliance with the Public Service System Regulations Act (PSSR) as amended by Public Law 13-64 in effect since 2004, which is codified as Title 52 in the FSM Code under the Constitution. Title 52 provides the professional premium to accountants, lawyers, engineers and a few select others who have attained certain educational achievements and/or professional certifications. Title 52 also provides a market place premium for the purpose of recruiting persons in other countries as inducement to accept employment in the FSM. The law states that the premiums awarded may be as much as 90% of the base wage or salary, which as a result nearly doubles the regular pay.

The objective of the audit was to determine whether the Division of Personnel (Personnel) implemented the Professional and Market Place premiums in compliance with the requirements of Title 52 which include verification that the candidate actually achieved the educational and/or professional certifications required by Title 52 and asserted by the employee or applicant.

The audit found that during fiscal year 2010, 25 FSM employees received payment of the premium awards, of which 24 received the Professional Premium and 1 (one) received the Market Place Premium. The 25 employees received total compensation of approximately \$992,000 or nearly \$1 Million. Of the nearly \$1 Million, approximately \$457,000 was awarded as the Professional Premium and \$5,366 as the Market Place Premium.

The audit found that the nearly \$1 Million of total compensation, of which \$462,000 was paid as premiums, was approved and awarded without Personnel performing verification of the educational and / or professional certifications asserted. In other words, significant amounts of compensation may have been awarded to individuals who were not eligible.

The audit recommends that Personnel institute procedures to verify educational and professional attainments asserted by employees and applicants, to recover the premiums awarded to recipients who falsely asserted the attainment of education and / or professional certifications and to consider legal action.

The Acting Personnel Officer and the FSM President's Chief of Staff agree with the findings.

Also, the audit team referred selected instances to the ONPA's Compliance Investigation Division.

**OFFICE OF THE NATIONAL PUBLIC AUDITOR P.O. BOX PS-05 PALIKIR, POHNPEI FM 96941
TEL. 691-320-2862/2863 FAX/691-320-5482 www.fsmopa.fm Hotline: 691-320-6768**