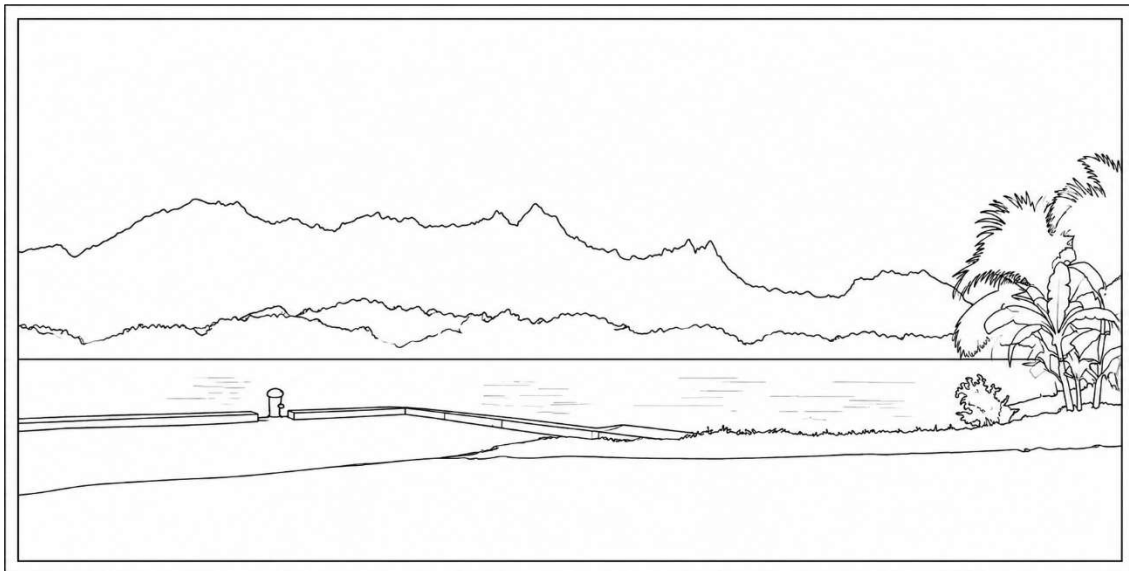

**OFFICE OF THE NATIONAL PUBLIC AUDITOR
FEDERATED STATES OF MICRONESIA**



**Inspection Review identifies Accountability Issues and Weaknesses in the
Implementation of Public Projects
REPORT NO. 2026-12**





FEDERATED STATES OF MICRONESIA

Office of The National Public Auditor

P.O. Box PS-05, Palikir, Pohnpei FSM 96941

Tel: (691) 320-2862/2863 Fax: (691) 320-5482

CID Hotline: (691) 320-6768; Website: www.fsmopa.fm

Facebook: FSM Office of the National Public Auditor; E-mail: info@fsmopa.fm

September 30, 2026

His Excellency President Wesley W. Simina
Honorable Members of the 24th Congress
Governor, Kosrae State, Allotee
Mayor of Lelu, Kosrae State, Allotee
Mayor of Tafunsak, Kosrae State, Allotee
Federated States of Micronesia

RE: Inspection on the CFSM Appropriation for Public Projects in Kosrae State

We have completed our Inspection of the expenditures concerning appropriation made by the Congress of the FSM to fund public projects in Kosrae State under various laws, as amended, specifically for the time between October 01, 2022, to March 31, 2025.

This report presents the results of our review, which we conducted as an Inspection in accordance with *the Quality Standards for Inspections and Evaluations Issued by the Council of the Inspector Generals on Integrity and Efficiency (CIGIE)* in the US federal government.

Based on our inspection, we found the following issues pertaining to the administration and implementation of CFSM funded public projects for the State of Kosrae.

1. Responsible public project officials failed to perform their duties resulted in \$126,234 worth of public projects that were not accounted for and verified.
2. Weak Internal Controls over Procurement Processes and Documentation Practices.

This report represents Part I of a four-part CFSM Public Projects series, focusing on Kosrae State, with the remaining states to be reviewed sequentially under ONPA's annual audit plan. The findings and recommendations in this report are intended to drive meaningful improvements in oversight, accountability, and internal controls, encouraging stronger integrity and transparency in future project implementation while safeguarding public resources and advancing social and community development across the State.

We strongly encourage public project officials to receive appropriate orientation and awareness training regarding their roles, responsibilities, and accountability in the management and oversight of public projects. This will help ensure that applicable requirements are clearly understood and consistently followed, while strengthening accountability, transparency, and the effective stewardship of public resources.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Haser H. Hainrick', with a stylized flourish at the end.

Haser H. Hainrick
National Public Auditor

cc: Rose N. Nakanaga, Secretary of Department of Finance and Administration

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Abbreviations

AoA	Advice of Allotment
CFSM	Congress of the Federated States of Micronesia
CIGIE	Council of the Inspectors General on Integrity and Efficiency
DoFA	Department of Finance and Administration
FMR	Financial Management Regulation
FY	Fiscal Year
KBS	Kosrae Broadcast Station
PCD	Project Control Document
PIO	Project Inspection Official
PL	Public Law
QSIE	Quality Standards for Inspection and Evaluation

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1. INTRODUCTION

1.1. Reason for the Assignment

The Office of the National Public Auditor (ONPA) conducts audits and inspections in accordance with its Medium-Term Risk Based Audit Plan, which includes CFSM Public Projects among its reviewed initiatives. ONPA examines the allocation of CFSM funding for public projects across all FSM States to ensure compliance with applicable laws and regulations. This particular review specifically focused on CFSM funded public projects in Kosrae State. The most recent inspection of Kosrae's public projects occurred in August 2023 after a request to review a project at the Kosrae Broadcast Radio Station. This time, ONPA carried out a more comprehensive inspection of several significant public projects.

1.2. Background

To secure funding for public projects, it is generally understood that members of Congress consult with their constituents to assess their needs. Based on the needs identified, Congress allocates CFSM funds to support public projects. In the case of Kosrae, its two members of Congress distribute their respective shares of CFSM funds to finance projects across the state.

Kosrae consists of five local governments as well as the state government. These entities are responsible for administering and implementing projects. Accordingly, project administration and implementation are typically carried out by either the state or local governments, with the State Governor – and in some cases, the mayors – designated as allottees of the funds for CFSM public projects within their respective jurisdictions.

The term “public project” encompasses a broad range of initiatives, including but not limited to government subsidies, grants, contributions, and appropriations for various public purposes, community needs, economic growth, and social development.

2. OBJECTIVES, SCOPE, METHODOLOGY

2.1. Objectives

The objective for this review was to determine whether CFSM funds were expended in accordance with their intended purposes, including compliance with applicable laws and regulations.

2.2. Scope

This inspection covered the public projects funded under the appropriations for the two Kosrae State Congress members -one representing a two-year term and the other serving an at-large four-year term. The review focused on expenditures made during the disbursement period from October 1, 2022, through March 31, 2025. Only projects assigned account numbers by the Budget Office for Fiscal Year 2023 through the first quarter of FY 2025 were included in the scope. Accordingly, the projects covered in this report represent expenditures that have already been disbursed. The table below summarizes the total expenditure included within the scope of this inspection. The total expenditure within the scope of this inspection is presented below.

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Fiscal Year	Expenditure Amount
2023	\$ 2,441,230.14
2024	\$ 1,755,099.33
2025 (1s Quarter)	\$ 470,916.06
Total	\$ 4,667,245.53

To obtain sufficient inspection coverage over expenditures within the scope of the inspection, the Inspection Team established a \$1,500 expenditure threshold for sample selection. Expenditures of \$1,500 or more were selected for testing from the total population of expenditures amounting to \$4,667,245.53.

Based on the established selection criteria, the Inspection Team selected expenditures totaling \$949,725.30 for testing, representing approximately 20.4 percent of the total expenditure population within the inspection scope. The selected sample was used to assess compliance with applicable requirements and to identify any conditions warranting further inspection or consideration.

2.3. Methodology (QSIE 3.5c)

We conducted this inspection in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*. These standards require that we plan and perform the inspection to obtain sufficient appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objectives.

The fieldwork inspection was conducted at the Field Office for the Department of Finance and Administration (DoFA). We interviewed the Allottees and other key personnel that are involved in the administration and implementation of the CFSM Kosrae Public Projects. Our inspection procedures included analyzing public laws, Advice of Allotments, Project Control Documents, Expenditure Reports, Fund Status Reports, and Disbursement Records. Accordingly, we also conducted physical inspections of the selected public projects at their respective project sites to validate their existence and verify compliance with all applicable laws and regulations.

In addition, we reviewed relevant supporting documentation, including checks, invoices, receipts, and other compliance documents surrounding CFSM public projects. We also conducted interviews with officials at the national, state, and municipal government levels who are directly and indirectly involved in the implementation and oversight of these public projects.

3. Legal Mandates/Standards

We conducted this inspection pursuant to the authority vested in the National Public Auditor as codified under Chapter 5, Title 55 of the FSM Code, which states in part as the following:

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“The Public Auditor shall inspect and audit transactions, accounts, books and other financial records of every branch, department, office agency, board, commission, bureau, and statutory authority of the National Government and of other public legal entities, including, but not limited to, States, subdivisions thereof, and nonprofit organizations receiving public funds from the National Government”.

4. PRIOR AUDIT COVERAGE

No comprehensive audit/inspection coverage of CFSM Public Projects for the State of Kosrae has been conducted within the past five years. However, the Office of the National Public Auditor (ONPA) performed reviews related to the subject matter prior to that period. The only relevant review identified within the five-year timeframe was an inspection of the Kosrae Broadcasting Station (KBS). The scope was limited to the KBS project as a single line item within the broader public project appropriations and did not constitute a comprehensive review of public projects throughout the State of Kosrae.

5. CONCLUSION

Based on the inspection performed, the inspection identified significant weaknesses in the management and oversight of CFSM Public Projects in Kosrae. The failure of responsible public project officials to carry out their duties resulted in approximately \$126,235 in public projects that could not be properly accounted for or verified. This raises serious concerns regarding accountability, transparency, and the safeguarding of public resources.

In addition, weaknesses in internal controls over procurement processes and documentation practices were observed. These deficiencies increased the risk of errors, misuse of funds, and non-compliance with established policies and procedures. The lack of proper documentation and control mechanisms limited the ability to track project implementation and ensured that funds were used for their intended purposes.

Overall, these findings indicated gaps in both operational oversight and control systems, which may undermine public trust and the effective delivery of government-funded projects. Strengthening accountability measures and improving internal control practices will be essential to ensure proper management, transparency, and value for public funds moving forward.

6. FINDINGS AND RECOMMENDATIONS

6.1 Finding No.1: Responsible public project officials failed to perform their duties resulted in \$126,234 worth of public projects that were not accounted for and verified.

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Criteria:

According to the Financial Management Regulation of May 2021, Section 10.2.5 Project Inspection Official:

- 1. The project Inspection Official must be an employee or independent contractor of the national government. In the even no such national official is available for a particular project, the Budget officer may accept a non-national official of suitable skill and experience who is independent of the Allottee. Identifying and obtaining acceptance of a Project Inspection Official is the responsibility of the Allottee.*
- 2. The Project Inspection Official designated in the PCD shall provide project management and oversight so as to ensure the adequate accountability of funds expended and completion of the project.*

In addition, Section III-C of the Project Control Document (PCD) specifies the Project Administration responsibilities, including project implementation, identification of project recipients, and the scheduled project implementation date. The Project Administration is comprised of the following officials and entities:

- 1. Administrative Agency,*
- 2. Inspection Official,*
- 3. Project Recipient,*
- 4. Project Manager,*

Condition:

During the inspection, the inspection team selected a sample of public projects totaling **\$986,960**. However, during the physical verification process, the team was unable to locate or verify public projects amounting to **\$126,234**.

The items that could not be verified included fixed assets and equipment such as fiberglass boats, outboard engines, laptops, cellular phones, a riding mower, and two cargo trucks assigned to one of the Municipal Governments.

In addition, for the Street Solar Lights Project, only one of the Municipal Governments could confirm partial receipt of the items. The remaining 3 municipalities reported that they had not received any of the equipment. Refer to the table below for a clearer understanding.

No.	Public Project Type	Asset/Item	Cost	Verification Result
1	Fishing Project	Boat 19'	\$ 9,081.00	Beneficiary per disbursement record reported boat not received
2	Purchase of Boats and Outboard motors	Boat 19'		Beneficiary per disbursement records

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				reported that boat not received
3	Purchase of Boats and Outboard motors	Boat 19'		Beneficiary per disbursement records reported that boat not received
4	Purchase of Boats and Outboard motors	Boat 19'	\$ 33,200.00	Beneficiary per disbursement records reported that boat not received
5	Fishing Project	Outboard Engine 40HP	\$ 3,780.10	Beneficiary per disbursement records reported not receive an outboard engine
6	Fishing Project	Boat 19'	\$ 8,881.00	Beneficiary per disbursement record reported that did not receive a boat
7	Fishing Project	Boat 19'	\$ 6,000.00	Beneficiary per disbursement records reported that never received a boat
8	Smart Phones/Laptops/iPad Purchase	Cell Phone		Five different beneficiaries per disbursement records stated that they've never received a cell phone.
9	Smart Phones/Laptops/iPad Purchase	Cell Phone		
10	Smart Phones/Laptops/iPad Purchase	Cell Phone		
11	Smart Phones/Laptops/iPad Purchase	Cell Phone		
12	Smart Phones/Laptops/iPad Purchase	Cell Phone	\$ 4,199.00	
13	Contribution to Community events, activity and programs	Lap Top	\$ 1,595.00	Beneficiary identified per disbursement records stated that he never received a Lap top

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14	Purchase of Solar Lights	Street Solar light 300W	\$ 23,400.00	Three municipalities reported no solar lights received. One municipality confirmed 30 units received (5 installed at Kosrae Airport), and 25 are in storage
15	Utwe Municipality Government Heavy Equipment	Hydrostatic Turn Riding Mower	\$ 5,920.49	Allottee reported no documentation available. Inspection Team noted that existing lawn mowers did not match project records and were inoperable
16	Utwe Municipality Government Heavy Equipment	Cargo Trucks (2007 Mazda Titan)-Qty 2	\$ 30,178.00	Municipality vehicles did not match trucks listed in project documentation
	Total		\$ 126,234.59	

Cause:

Inadequate oversight during project implementation, as key project officials designated in the Project Control Document (PCD)--including the Project Inspection Official-- did not effectively perform their project management and oversight responsibilities to ensure accountability for funds expended and the proper completion of the projects.

Effect:

This situation stated above exposed public assets to an increased risk of loss or misappropriation and limited to the government's ability to demonstrate that the projects funded were used for their intended purposes and that projects achieved their intended outcomes.

Recommendation:

We recommend that the allottee should strengthen asset accountability by reconciling distribution records, obtaining signed acknowledgement from recipients, maintaining a centralized asset register, and coordinating with municipal governments to account for and locate missing assets.

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6.2 Finding No. 2: Weak Internal Controls over Procurement Processes and Documentation Practices

Criteria:

On July 27, 2001, the FSM Supreme Court issued a judgment in *Udot Municipality vs. FSM*, 10 FSM Intrm. 354, 362 (Chk. 2001), stating that:

“[t]he involvement of Congress (either consultation or approval) in deciding which projects are to be funded after Congress has already appropriated the money is unconstitutional and is permanently enjoined.”

Condition:

During the review of expenditure supporting documents, the inspection team observed that the Kosrae Congressional Delegation Office (Office) was directly involved in the procurement and distribution of certain public projects. Such involvement was in direct violation of 10 FSM Intrm. 354, 362 (Chk. 2001). The Office appeared to participate in procurement activities including price canvassing, selection of project recipients, and distribution of project resources, particularly for fishing-related and sewing machine projects.

The inspection further noted that the Office engaged in key procurement activities such as coordinating with suppliers, obtaining vendor quotations, and participating in payment processing. Although payments were issued in the names of vendors, the Office routinely collected checks from the Finance Field Office and subsequently released them to the respective vendors. FSM Finance personnel indicated that the Office justified this practice as necessary to make copies for recordkeeping prior to distribution.

In doing so, the Office **conspicuously assumed** the roles and responsibilities of the Allottees and Project Inspection Officials, effectively displacing the designated implementing authorities. This level of involvement raises concerns as to whether such practices are proper and/or necessary for recordkeeping purposes or represent Congress inserting itself to take over control over procurement and disbursement processes from the project allottees. The handling of vendor checks by the Office may indicate a level of control beyond its intended role and creates a risk of influencing the determination of project beneficiaries, thereby assuming the responsibilities of the allottee, therefore, weakening transparency, accountability, and the integrity of financial controls.

Additionally, we noted wide inconsistencies in procurement documentation. Price canvassing quotations were not consistently prepared; some were issued in the name of the Kosrae Delegation Office, while others were issued under individual names believed to be project requestors—resulting in unclear accountability. Certain procurement documents did not include the names of project recipients, limiting transparency, and traceability.

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Furthermore, instances were observed where recipient names were crossed out and replaced without documented explanation or evidence of proper authorization. These practices raised serious concerns regarding the reliability, accuracy, and integrity of the records.

Interviews with public project implementation officials confirmed that the Congress Delegation Office also played a role in the designation of project recipients or custodians for certain projects, a direct violation of the FSM Supreme Court Ruling stated above.

The team further noted that projects referenced in Finding No. 1 exhibited similar issues, where documentation indicated purchases were made, but no evidence confirmed delivery to intended beneficiaries. Site verification revealed that some projects did not exist. This pattern suggested that the Kosrae Delegation Office was directly involved in project implementation.

Causes:

1. This condition occurred because designated public project implementation officials did not fully carry out their assigned procurement responsibilities, compounded by limited oversight and guidance to ensure compliance with established procedures.
2. The Congress Delegation Office assumed the roles and responsibilities of project allottees and implementing agencies, thereby overriding established responsibilities of designated officials.

Effect:

1. Participation by the Congress Delegation Office in recipient designation, without formal authority or procedures, creates a risk or perception of favoritism and undermines public confidence in the integrity of the selection process.
2. Involvement of unauthorized entities in procurement and recipient designation increases the risk that public projects are not implemented in accordance with applicable laws, regulations, and procedures.
3. Failure of designated implementation officials to perform their responsibilities increases the risk of inefficient use of public funds and failure to achieve intended project outcomes.

Recommendations:

1. We recommend that the allottees should ensure public project administration officials—including the Project Administration Agency, Project Manager, and Project Inspection Official—must comply with and perform their assigned duties. These

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officials should coordinate effectively to ensure proper administration, monitoring, and implementation of public projects from initiation through completion.

2. We suggest that the FSM Congress ensure that Members of Congress do not participate in the implementation, administration, or execution of CFSM-funded public projects following the enactment of the applicable appropriations, consistent with Article X, Section 2(a) of the FSM Constitution and the FSM Supreme Court's decisions in *Udot Municipality v. FSM*, 10 FSM Intrm. 354, 362 (Chk. 2001), and *FSM v. Udot Municipality*, 12 FSM Intrm. 29, 49-51 (App. 2003).

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MANAGEMENT RESPONSE



TAFUNSAK MUNICIPAL GOVERNMENT
Tafunsaq, Kosrae Federated States of Micronesia
PO Box 227
Phone # (691)370-3211

08/25/26

MEMORANDUM

To: OFFICE OF THE NATIONAL Public Auditor

Fr: MAYOR OF TAFUNSAK as ALLOTTEE

A handwritten signature in black ink, appearing to be "J. P. H.", written over a horizontal line.



I wish to thank you and your staff for the audit if we were to be Allottee for the upcoming term we know how we will work as an Allottee. We now understand the process with your finding and recommendation.

1. Finding NO.1 Agree we continue to see examples of legislature drafted at congress to be implemented by DOFA on which we haven't been consulted.
2. Finding NO.2 Agree we will work with the recommendation.

Recommendation : We request for the congress to hire Allottee for the Public Project not the Mayor or Government of the state.

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GOVERNMENT OF
KOSRAE
Office of the Governor
Kosrae State
Post Office Box 158
Tofol, Kosrae FM
96944
Telephone (691) 370-
3002/3003/3009

August 27, 2026

Mr. Haser Hainrick
FSM Public Auditor
Office of the National Auditor's Office
National Government
Palikir, PNI FSM 96941



Subject: **Formal Response to Audit Report on Inspection of CFSM Public Projects for Kosrae State**

Dear Mr. Hainrick

I thank you and your audit team for the opportunity to respond to the audit findings and the recommendations indicated for our use for better implementation of public projects from today and onward.

For Finding #1: Responsible public officials failed to perform their duties resulted in \$126,234 worth of public projects that were not accounted for and verified.

Response: We agree that the responsible public project officials failed to perform their duties resulted in **\$126,234 worth of public projects** that were not accounted for and verified. However, due to changes with Project Managers over the years, having some who passed on and from transition periods, also made it harder to better track all projects during implementation and at closing of each. We will have stricter processes in place for future projects today and onward. To address the question costs finding, some of the unaccounted items as stipulated in the audit draft report table are listed as being located so please see below. We were able to locate the following:

1. Hydrostatic Turn Riding Mower with cost of \$5,920.49

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"WORKING TOGETHER FOR THE WELLBEING OF OUR PEOPLE AND KOSRAE"

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2. Two Cargo Trucks changed to two Dump trucks for a change order due to the timing of the order from an outside dealership to the local vendor. Per the local vendor who ordered for the Municipality, the arrangement started with Two Titans but changed to two Dump trucks for a total of \$30,178.

Also on the same finding namely with the Project called: **Purchase of Solar Lights**; one municipality was able to locate the 4 pieces distributed to their office from this project by a past employee who knew about the solar lights back when the late former Mayor was still in office. Moreover on the solar lights, another municipality who had 30 pieces distributed to their office, were confirmed by the Mayor to the audit team. Furthermore, the two municipalities that were indicated to not have gotten solar lights, **a listing is provided for those people who did receive regardless of which municipality they came from.** The person who distributed has provided a listing to all that he distributed to, to show that items procured were actually received by the community as intended.

For the others listed in the Table of equipments, a listing is provided by the Project person who distributed to the community on boats/outboard motor engines, along with other recipients listed by one Vendor who also ordered for the Public Projects. We will continue to work with project managers and other public project officials and relevant agencies and vendors that may have solid information to locate and identify these fixed assets and etc., and may clear these remaining items as these are important for the betterment of our processes and all are accounted for to ensure that they were used for the intended purposes, per appropriate laws and regulations.

Although, we agree to the finding, we take into consideration the recommendation provided for future processing of all public project requests to avoid repeated findings of this magnitude or any amount.

Finding #2- Weak Internal Controls over Procurement Processes and Documentation Practices

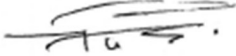
Response: We agree to the finding and we agree to the recommendation provided to the allottees. Rest assured that there will be stricter processes and monitoring of projects from beginning to the end for all projects that are initiated.

We thank you for the opportunity provided to the State to comment and respond to the findings and also for the time extended to respond.

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Sincerely,



Tulensa W. Palik
Governor of Kosrae State

Solar Lights Distribution.

Name	Village	Quantity
1. [REDACTED]	Tafunsak	3
2. [REDACTED]	Tafunsak	3
3. [REDACTED]	Tafunsak	3
4. [REDACTED]	Tafunsak	5
5. [REDACTED]	Malem	3
6. [REDACTED]	Lelu	2
7. [REDACTED]	Utwā	3
8. [REDACTED]	Tafunsak	5
9. [REDACTED]	Tafunsak	2
0. [REDACTED]	Tafunsak	2
1. [REDACTED]	Walung	2
2. [REDACTED]	Walung	2
3. [REDACTED]	Tafunsak	4
4. [REDACTED]	Tafunsak	4
5. [REDACTED]	Tafunsk	4
6. [REDACTED]	Tafunsak	3
7. [REDACTED]	Lelu	2
8. [REDACTED]	Lelu	2
9. [REDACTED]	Tafunsak	2
10. [REDACTED]	Malem	2

Pa inge mwet nga esam mu nga kite solar lights nu se u.

Kulo

Rol sim

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Boat/Outboard Motor.

Name	Description	Quantity
1. [REDACTED]	Boat 19footer	1
	Outboard 40 hp	1
2. [REDACTED]	Boat	1
	Outboard 30 hp	1
3. [REDACTED]	Outboard 40 hp	1
4. [REDACTED]	Boat 19footer	1
5. [REDACTED]	Outboard 40 hp	1
6. [REDACTED]	Outboard 40 hp	1
7. [REDACTED]	Outboard 40 hp	1
8. [REDACTED]	Boat 19footer	1
9. [REDACTED]	Boat 19footer	1
10. [REDACTED]	Boat 19footer	1

Pa inge esam luk ke boat ac outboard motor nga distribute ac.

Kulo

Rol sim

7. ONPA EVALUATION OF MANAGEMENT RESPONSE

Finding No. 1: Responsible public project officials failed to perform their duties, resulting in \$126,234 worth of public projects that were not accounted for and verified.

The Inspection Team evaluated the management's response and the additional information submitted in support of its position. While management provided explanations and, in some additional documentation, the information provided does not constitute sufficient and reliable evidence to demonstrate that all questioned project items were properly received, identified, located, assigned to accountable custodian and maintained in accordance with applicable project requirements,

1. Hydrostatic Turn Riding Mower – \$5,920.49

Management stated that the Hydrostatic Turn Riding Mower, valued at \$5,920.49, was located. However, management did not provide sufficient evidence to substantiate this assertion or to establish that the mower identified was the specific mower purchased under the project. No documentation or other evidence was provided to substantiate the claim or to enable the Inspection Team to verify the mower identified as the item purchased under the project.

During the physical inspection, the Inspection Team visited the location of the documented custodian's location and identified two riding mowers. Both mowers were non-operational and did not match the specifications of the riding mower identified in the supporting documentation reviewed by the Inspection Team.

The presence of two riding mowers at the location does not, by itself, establish accountability for the specific project asset. Management did not provide sufficient identifying information, such as a serial number, asset identification number, photographs, inventory records, delivery records, or other corroborating evidence establishing a direct connection between either mower observed and the \$5,920.49 mower identified in the project records.

Accordingly, the management assertions that the mower was located remain unsubstantiated. Therefore, this portion of the finding remains unresolved.

2. Two Cargo Trucks Changed to Two Dump Trucks

Management explained that the two Cargo Trucks were changed to two Dump Trucks through a change order because of the timing of the order from an outside dealership to a local vendor.

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The explanation, however, is not adequately supported by the procurement and project records provided to the Inspection Team.

A change in the type of vehicle purchased represents a material change to the project and should be supported by appropriate authorization and documentation. If the Cargo Trucks were formally replaced with Dump Trucks, the change should have been documented through an approved change order and reflected consistently in the Project Control Document (PCD), procurement records, invoices, payment records, delivery records and other applicable supporting documentation.

The Inspection Team found that the documentation reviewed reflected payment for the Cargo Trucks, while management response identified the purchased vehicle as Dump Trucks. Management did not provide sufficient documentation to reconcile these discrepancies or demonstrate that the Dump Truck were authorized replacement for the Cargo Trucks reflected in the project records.

An explanation of a change in the purchase of items does not substitute for the required documentary evidence supporting that change. Accordingly, the Inspection Team cannot independently verify, the authorization, procurement, payment, receipt, and accountability of the two Dump Truck based on the records provided. This portion of the finding remains unresolved.

3. Purchase of Solar Light Project

Management subsequently submitted a list identifying the custodians associated with the Solar Light Project. The Inspection Team acknowledges the submission and recognizes that the information may assist in conducting additional follow-up.

However, the list was provided after the physical inspection had been completed. At the time of the inspection, the responsible public project officials did not provide the Inspection Team with documentation identifying the custodians responsible for the project items. This is significant because accountability records should be maintained in a manner that permits public assets to be identified, located, and verified when requested. The fact that a list was subsequently produced does not establish that the list existed, was maintained, or was being used as part of an effective accountability process during the period under review. Furthermore, the subsequent submission of documentation does not, standing alone, cure the underlying deficiency identified during the inspection. The issue is not simply whether management can later produce a list of names; the issue is whether responsible officials maintained adequate and contemporaneous records sufficient to demonstrate accountability for public assets when the assets were subject to audit verification.

Accordingly, the subsequently submitted custodian list does not fully resolve this portion of the funding.

4. Boats and Outboard Motors

Management also submitted a list of identifying individuals as custodians of boats and outboard motors.

The Inspection Team compared the names provided by management with its inspection records and was able to verify some of the individuals identified. However, several individuals listed as custodians could not be located or otherwise verified during the physical inspection. The submission of a custodian list, without sufficient corroborating evidence establishing that the identified individuals received and maintained the corresponding project assets, is insufficient to establish complete accountability.

Therefore, while additional information provides a basis for follow-up, it does not fully resolve the finding. Several custodians and corresponding project items remain unverified.

Overall Evaluation

Based on the evidence available, the management response and additional information provided do not fully resolve Finding No. 1. While management has provided additional explanations and documentation for certain project items, the Inspection Team was unable to independently verify all the items identified in the finding. The information provided after the inspection also does not fully address the underlying concern regarding the responsible public project officials' performance of their oversight and accountability responsibilities.

Therefore, Finding No. 1 remains **unresolved**, pending sufficient supporting documentation and evidence to verify the location, receipt, and accountability of the remaining public project items.

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8. NATIONAL PUBLIC AUDITOR COMMENTS

We appreciate the support and cooperation provided by the Department of Finance and Administration and Kosrae Field Office throughout the inspection. We also extend our thanks to the allottees and their assigned special liaison officer for his assistance, which contributed to the successful completion of this inspection. We look forward to following up on the recommendations in the near future.

We have provided copies of the final report to the President and Members of the 24th FSM Congress. Furthermore, the report is made available to the public through our official website and upon request.

If there are any questions or concerns regarding this report, please do not hesitate to contact our Office. Contact information for the Office can be found on the last page of this report along with the National Public Auditor and staff that contributed to this report.



Haser H. Hainrick
National Public Auditor

September 30, 2026

OFFICE OF THE NATIONAL PUBLIC AUDITOR
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10. ONPA CONTACT AND STAFF ACKNOWLEDGEMENTS

ONPA CONTACT

Haser H. Hainrick, National Public Auditor
Email: hhainrick@fsmopa.fm

ACKNOWLEDGEMENTS

In addition to the contact named above, the following staff made key contributions to this report during the period specified:

Brandon Rodriguez, Audit Manager
Gillian Doone, Audit Supervisor
Joey A. Iwo, Senior Auditor & Team Leader
Reed Floyd, Staff Auditor
Shelolyn Neth, Staff Auditor

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Office of the National Public Auditor
P.O. Box PS-05
Palikir, Pohnpei FM 96941
Phone: (691) 320-2862/3

CONTACT

Email: info@fsmopa.fm
Hotline: (691) 320-6768
Facebook: <https://www.facebook.com/fsmpublicauditor>
LinkedIn: <https://www.linkedin.com/in/fsm-public-auditor-489581313/>
