



POHNPEI STATE GOVERNMENT
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April 24, 2024

Honorable Francisco Celestine
Executive Officer
Environmental Protection Agency
Kolonia, Pohnpei State, FM 96941

RE: Inspection Report No. 002-24: The Project for Construction of New Recycling Center for Pohnpei State.

Introduction

As requested, our Pohnpei Office of the Public Auditor (POPA) has conducted and completed an inspection of the “the Project for the Construction of New Recycling Center for Pohnpei State” (the Project). The Project was funded by the Japan Embassy in the Federated States of Micronesia through its Grass Roots Human Security Program. This report provides results of inspection.

Background

The Pohnpei Environmental Protection Agency (EPA), is an independent organization of the Pohnpei State Government. The EPA is responsible for overseeing the wise use, and conservation of environmental, natural and cultural resources and support for economic development for the benefit of the present and future generations of Pohnpei State.

In 2020, EPA requested and the Japan Embassy in the Federated States of Micronesia (FSM) approved a sum of \$87,609 for “the project for Construction of New Recycling Center, Pohnpei State”, under the Japan Government Grassroots Grant program. The Project’s primary aim is to build a facility that will store and compress recycling materials and enhance recycling activities. The interior design of the facility has areas that EPA wants to install compressors for waste metals and for bottles.

Objective, Scope and Methodologies

The objective of the Inspection was to determine whether the Pohnpei Environmental Protection Agency implemented and expended the grant funds in accordance with the grant agreement and the applicable laws and regulations of Pohnpei State. Our inspection was limited to the review of the grant utilization specific to the Project and did not include other functional services areas or activities of the Pohnpei Environmental Protection Agency.

To achieve our Inspection objective, we performed the followings: (1) met and discussed with relevant management officials and others involved in the project implementation, (2) obtained and reviewed relevant financial documentary information and records, and (3) made on-site visits and took pictures of the procured facility. Our inspection was conducted in accordance with the Quality Standards for Inspection and Evaluation issued by the Council of the Inspector General on Integrity and Efficiency (CIGIE), 2012.

Inspection Result

Based on our inspection, we observed that:

- 1) In early 2020, EPA submitted a grant application to the Embassy of Japan in the Federated States of Micronesia through the FSM National Government for a project to construct a recycling facility for Pohnpei State.

- 2) On February 27, 2020, the Grant Coordinator for Grass Roots Projects, Japan Embassy in the FSM informed the EPA Executive Officer of the the approval of the grant request/proposal.
- 3) On March 19, 2020, the Embassy of Japan in the FSM and the Governor of Pohnpei State signed the grant contract agreement in the total amount of US\$87,609.
- 4) On March 25, 2020, the Embassy of Japan issued a check for the entire grant amount of \$87,609 payable to the Pohnpei State Government. An official receipt was issued on the same date by the Department of Treasury and Administration certifying the receipt of the full grant funds.
- 5) The Pohnpei Government Office of Transportation and Infrastructure (T&I), issued an invitation for bid for the construction of the project. T&I received and reviewed three (3) proposals received and awarded the contract to the Pacific Landscaping Engineering and Construction Inc. as the most responsible bidder.
- 6) On September 17, 2020, a Pohnpei State Government check in the amount of \$9,905.30 was issued to the Pacific Landscaping Engineering and Construction Inc. for contract mobilization.
- 7) On November 20, 2020, the first project progress payment in the amount of \$15,641.17 was issued to the Contractor based on the inspection report submitted by the State government project inspectors.
- 8) Subsequent progress payments were made on January 11, 2021 and February 15, 2021 respectively in the total amount of \$40,265.05. The payments were again released to the Contractor based on inspection and progress reports prepared and submitted by the State's Office of Transportation and Infrastructure inspectors.
- 9) The last and final payment in the amount of \$21,797.45 was issued to the Contractor on April 27, 2021, which also marks the completion date of the Project.

During our on-site-visit and inspection of the Project (at the Deketik), we confirmed the existence of the completed recycling center under the management of EPA. Overall, the recycling facility was in good condition, except for the damage noted to the inner side of the main door. Inspectors noted also that the ceiling had started to

tear down. We could not verify the cause of damage but one of the employees did mention that the facility was completed a couple of years back.

Other Matters

We also noted other matters that we would like to bring to management attention, as these issues have the potential to pose risks to the Project. These include:

- *The Project has been completed but the recycling center is still not being used as intended. We learned that EPA is still waiting for the arrival of the recycling machine.*
- *We also observed bits of rusts to the building due to its proximity to the sea water. We learned that salt water intrudes into the building during high tide.*
- *Our ability to complete and issue this report earlier was not possible due to the physical relocation of the Department of Treasury and Administration (DOT&A) to another building. We had to stop our inspection until DOT&A completed its office relocation and was able to locate and provide documents needed for our inspectors' review.*

Conclusion

Based on our inspection, we conclude that the initiation, implementation and completion of “the project for *Construction* of the New Recycling Center for Pohnpei State” were carried out in accordance with the terms and conditions of the grant agreement and the applicable laws of the Pohnpei Government. The financial records and reports at the Department of Treasury and Administration confirmed that the project’s funds received were fully expended for the construction of a recycling facility for the Pohnpei State Government, as intended.

We appreciate very much the cooperation and the assistance extended to Inspectors by the Embassy of Japan in the Federated State of Micronesia, management and staff of the Pohnpei Environmental Protection Agency, the Office of Transportation & Infrastructure, and the Department of Treasury and Administration. Please contact

us at POPA's telephone number 320-2638 for any clarification you may have concerned this report.

With friendly greetings and warm regards, I am.

Sincerely,



Ihlen K. Joseph
State Auditor
Pohnpei

Enclosure: (Appendices A-C on pages 5-9)

Cc: Governor, Pohnpei State
Speaker, 10th Pohnpei Legislature

**Pohnpei Environmental Protection Agency
Constructing New Recycling Facility in Pohnpei State**

Appendix A:

Summary of Project Account

Cash Receipt/ Grant Award	\$87,609
Total Disbursements	\$87,609
Remaining Balance	0.00

Appendix B:

Schedule of Disbursements:

Total				\$87,609
Date	Obligation No.	Description	Amount	
09/17/2020	285420	Pacific Landscaping	\$9,905.33	
11/17/2020	288328	Pacific Landscaping	\$15,641.17	
01/12/2021	291961	Pacific Landscaping	\$18,464.74	
02/26/2021	295184	Pacific Landscaping	\$21,800.31	
05/04/2021	298962	Pacific Landscaping	\$21,797.45	
Total Disbursements				(87,609)
Remaining Balance				\$0.00

Source: Department of Treasury and Administration (DOT&A)

Appendix C:
Project Images



Exhibit I Front door inside of the New Recycling Facility



Exhibit II Inside of the Facility



Exhibit III Right Side of the New Recycling Facility facing the ocean