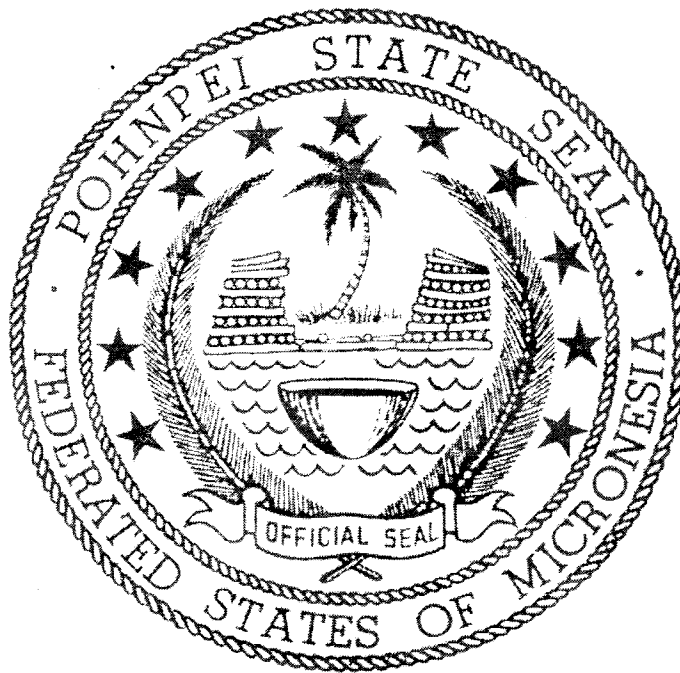


**POHNPEI STATE GOVERNMENT  
PERFORMANCE AUDIT OF TRAVEL AND  
TRANSPORTATION  
FISCAL YEARS 2013, 2014, 2015 AND 2016**

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***Office of the Public Auditor  
State of Pohnpei***



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State Public Auditor  
P. O. Box 370  
Kolonias, Pohnpei, FM 96941

Phone: 320-2638  
Fax: 320-2059  
E-mail: [opsa\\_psa@mail.fm](mailto:opsa_psa@mail.fm)

**POHNPEI STATE GOVERNMENT  
PERFORMANCE AUDIT OF TRAVEL AND TRANSPORTATION  
AUDIT REPORT  
FOR FISCAL YEARS 2013 TO 2016**

**AUDIT REPORT NO. 001-19**

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# Office of the Public Auditor Pohnpei State Government

P.O. Box 370  
Kolonja, Pohnpei FM 96941  
Tel: (691) 320-2638/5407 Fax: (691) 320-2059  
E-mail: [opsa\\_psa@mail.fm](mailto:opsa_psa@mail.fm)

March 14, 2019

Honorable Marcelo K. Peterson, Governor  
Honorable Fernando Scaliem, Speaker, 9<sup>th</sup> Pohnpei Legislature  
Honorable Members of the 9<sup>th</sup> Pohnpei Legislature  
Mr. Feliciano M. Perman, Director, DoT&A  
Mr. Dana Smith, Attorney General, Pohnpei State

## **RE: EXECUTIVE SUMMARY: TRAVEL AND TRANSPORTATION AUDIT, POHNPEI GOVERNMENT**

Maingkoa:

As part of the Pohnpei Office of the Public Auditor (POPA) operational plan for fiscal year 2017, we conducted a performance audit of the Pohnpei Government Travel and Transportation activities for the four fiscal years covering from 2013 to 2016. The audit was performed pursuant to the Article 11, Section 8 (2) of the Pohnpei Constitution and State Law No. 1L-10-79, as amended. We also performed the audit in accordance with the auditing standards applicable to performance audits continued in Government Auditing Standards issued by the Comptroller General of the United States.

The audit objective was: *“Did Pohnpei State Government administered and managed its travel and transportation activities in conformity with the applicable laws, regulations and prudent best practices during the audited period?”*

As a result of our review, we conclude that Pohnpei State Government did not fully comply with its travel and transportation laws and regulations. A summary of the internal control weaknesses and deficiencies identified during the audit include:

- 1) Non-compliance to the Pohnpei State Government Travel and Transportation Legal Framework;
- 2) Excessive Unpaid Outstanding Travel Advances:

- 3) Official Travelers Double Dipping
- 4) Inconsistent Travel Rates/Allowances paid to Official Travelers; and
- 5) Travel Expenditures in Excess of Approved Budget.

We provided copies of the draft audit report to the Governor, the Speaker of Legislature, the Chief Justice of the Pohnpei Supreme Court, the Director, Department of Treasury and Administration, and the Attorney General for review, and held an audit exit conference with them on February 22, 2019, and asked them to submit their written comments, if any. Refer to pages 17 to 19 of this report for written comments received. We have examined closely all written comments received and have provided our written responses shown on pages 6 to 16 of this report.

On behalf of all of us at POPA, I thank the DoT&A Director and his staffs for their kind support and wonderful assistance extended to the audit team during the audit. I also thank the POPA Audit Team for the excellent work completed for this project, and formally commend this audit report to the Pohnpei State Government leadership and our related stakeholders.

With friendly greetings and warm regards, I am,

Sincerely,



Ihlen K. Joseph  
State Auditor  
Pohnpei

**POHNPEI STATE GOVERNMENT  
PERFORMANCE AUDIT OF TRAVEL AND TRANSPORTATION  
FOR FISCAL YEARS 2013 TO 2016**

**Audit Report No. 001-19**

**INTRODUCTION**

As part of our Pohnpei Office of the Public Auditor (POPA) operation plan for fiscal years 2017 and 2018, we conducted a performance audit of the Pohnpei State Government Travel and Transportation activities for the four fiscal years covering 2013 to 2016. This report contains the results of our audit.

**BACKGROUND**

Government travels are performed by officials or employees of the Pohnpei State Government to conduct official business, such as attending meetings, conferences, professional development and capacity building trainings programs, seminars and other official related businesses within and outside of Pohnpei. The administration and management of the Pohnpei State Government travel and transportation activities are governed by the Pohnpei Financial Management Act and the Financial Management Regulations promulgated relative thereto.

At the outset, the legal framework requires that all government travels must be requested and authorized on the Travel Authorization (TA) form as prescribed by the Director, Department of Treasury and Administration (DoT&A), Pohnpei Government. The travel legal framework also authorizes actual transportation cost, per diem, car rental and other travel expenses for officials and employees of Pohnpei Government while on official travel or trip. This report should be reviewed in conjunction with Title 9 Chapter 5 of the Pohnpei State Code and Part 5 of the Financial Management Regulations of the Pohnpei State Government.

In general, the Pohnpei State Government spent an average of \$541,729 a year or little over \$2 million for travel and transportation related expenses during the audited period. The table below presents summary information of the Pohnpei State Government travel and transportation budget and expenditures during the four years being audited.

<b>Fiscal Year</b>	<b>Budget</b>	<b>Expenditure</b>	<b>Over/Under</b>
2013	\$ 456.652-	\$360.371-	\$96.281
2014	441.876-	555.859-	(113,983)
2015	570.842-	623.901-	(53,059)
2016	594.086-	626.784-	(32,698)
<b>Total</b>	<b>\$2,063,456-</b>	<b>\$2,166,915</b>	<b>(\$103,459)</b>

*Source: DoT&A Accounting and Financial Records.*

**POHNPEI STATE GOVERNMENT  
PERFORMANCE AUDIT OF TRAVEL AND TRANSPORTATION  
FOR FISCAL YEARS 2013 TO 2016**

**AUDIT OBJECTIVE**

The audit objective was:

- 1) Did the Pohnpei State Government administered and managed its travel and transportation portfolio in conformity with the applicable laws, regulations and prudent practices during the audited period?*

**AUDIT SCOPE AND METHODOLOGY**

Our audit covered fiscal years 2013, 2014, 2015 and 2016 and included review of the Pohnpei Government travels and related activities and expenses. We conducted the audit in accordance with the generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objective.

To achieve the audit objective, we applied the following audit procedures.

- We reviewed Pohnpei State Government travel and transportation laws, including Chapter 5, Title 9 of the Pohnpei Code, the FSM and Pohnpei Financial Management Regulations, the annual Comprehensive Budget Acts and the audit reports issued annually by the Pohnpei Government external auditor during the audited period.
- We interviewed responsible management officials and employee in-charge of the travel and transportation account/portfolios at the Department of Treasury and Administration (DoT&A).
- We examined individual travel authorizations, travel vouchers, trip reports and associated documents, and.
- Performed other audit procedures we deemed necessary to achieve the audit objective.

**PRIOR AUDIT COVERAGE**

POPA last audited the Pohnpei State Government travel and transportation account for Fiscal Year 1998 and issued an audit report which identified a number of internal control weaknesses and deficiencies. This is POPA's second audit conducted for the travel and transportation account, Pohnpei State Government.

**POHNPEI STATE GOVERNMENT  
PERFORMANCE AUDIT OF TRAVEL AND TRANSPORTATION  
FOR FISCAL YEARS 2013 TO 2016**

**CONCLUSION**

Based on the result of our audit, we conclude that the Pohnpei State Government did not fully comply with its travel and transportation laws and related procedures for the period being audited. During the audit, we identified a number of internal control weaknesses and deficiencies in the overall administration and management of the Government Travel and Transportation activities. These deficiencies are presented in greater detail in the **Schedule of Findings and Recommendations** shown on pages 4 to 16 of this report.

We provided copies of the draft audit report to the head of the three branches of the Pohnpei Government, the Director of Treasury and Administration and the Attorney General, Pohnpei State and held an audit exit conference with them on February 22, 2019. We asked them during the audit exit conference to further review the draft report and submit written comment, if any, to be incorporated as part of the final audit report. Refer to the pages 17 – 19 of this report for written comments received from the Director, Department of Treasury and Administration, Pohnpei State Government.

It should be noted that we have examined closely the written comments received and have provided our written responses starting on pages 6 to 16 of the report.

**POHNPEI STATE GOVERNMENT  
PERFORMANCE AUDIT OF TRAVEL AND TRANSPORTATION  
FOR FISCAL YEARS 2013 TO 2016**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

**Finding No. 001: Non-Compliance with the Pohnpei State Government Travel and Transportation Legal Frameworks**

**CRITERIA:**

- a) Part 5.6 of the Financial Management Regulations (FMR) requires Pohnpei Government official travelers to file a Travel Voucher (TV) with the Director of Treasury and Administration within 10 working days after the trip is completed.
- b) Part 5.7 of the FMR requires that in all instances, Travel Vouchers must be supported by:
  - 1) Original TA, 2) airline, ship or train boarding stub, 3) car rental agreement and payment receipts, 4) receipts for taxi, buses, departure fees and approved phone calls, and 5) detail trip report.

**CONDITION:**

Of the 156 Travel Authorizations (TA) selected for review and testing, we found:

- 1) Five (5) cases where Travel Vouchers (TV) were filed eleven (11) or more working days after trips were completed and these include.

TA #	Date of Travel	Date Filed	# of Days
T130135	12/16/12 – 12/23/12	04/04/13	74 days
T150569	09/01/15 – 09/18/15	10/05/15	11 days
T160362	07/02/16 - 07/15/16	08/01/16	11days
T160332	05/21/16 -06/08/16	08/24/16	55days
T160350	06/04/16 -06/17/16	07/25/16	26 days

- 2) Five (5) travel vouchers were processed by DoT&A without appropriate supporting documents as required by laws. These include:

<u>TA NO.</u>	<u>Document Missing</u>
T160216	Travel voucher
T140193	Original TA
T130385	Original TA
T160403	Original TA
T140004	Original TA



**POHNPEI STATE GOVERNMENT  
PERFORMANCE AUDIT OF TRAVEL AND TRANSPORTATION  
FOR FISCAL YEARS 2013 TO 2016**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

**Finding No. 001: Non-Compliance with the Pohnpei Government Travel and Transportation Legal Frameworks, Continued**

- 3) Two (TAs) where the government paid a total of \$165.50 more than it should. For example, a traveler on TA150569 received one day more per diem than was authorized in the TA. Also, TA160260 was processed by DoT&A with wrong per diem rate. Consequently, the traveler received \$63.00 more than actual entitlement.

<b>TA Number</b>	<b>Correct Per Diem Rate</b>	<b>Per Diem Received</b>	<b>Number of Days</b>	<b>Total difference (overpayment)</b>
T150569	0.00	103.50	1	103.50
T160260	196.00	205.00	7	63.00
<b>Total</b>				<b>\$166.50</b>

Moreover, the per diem rate of \$235 used in TA150569 is not justified for lack of documented information.

**CAUSE:**

DoT&A, travelers and management officials were not fulfilling their responsibilities under the authorized government travels to ensure requirements, policies and procedures were complied with. Also, DoT&A did not diligently review the two TAs to ensure accuracy of information and amounts provided therein.

**EFFECT:**

The condition can contribute to negative image of government travels and may lead to serious abuse and material loss of funds if not corrected.

**RECOMMENDATION:**

We recommend that DoT&A Director should:

- 1) Ensure that the Pohnpei Government officials and employees (travelers) are properly oriented and informed of the travel policies and related procedures, including timely submission of completed and adequately supported travel vouchers once travels are completed.

**POHNPEI STATE GOVERNMENT  
PERFORMANCE AUDIT OF TRAVEL AND TRANSPORTATION  
FOR FISCAL YEARS 2013 TO 2016**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

**Finding No. 001: Non-Compliance with the Pohnpei Government Travel and Transportation Legal Frameworks, Continued**

- 2) Improve and strengthen the review, monitoring and enforcement of travel laws, related regulations, policies and procedures to ensure compliance, completeness and accuracy of information and costs relating to government travels.

**AUDITEE RESPONSE:**

Basically, DoT&A Director disagreed with our findings regarding missing documents claiming they are on file intact. He further claimed the per diem amounts paid to the travelers under T150569 and T161260 were correct. Refer to DoT&A's response on page 17 this report.

**AUDITOR'S COMMENTS:**

We identify and report audit findings and deficiencies base on documentary evidence or the lack thereof provided to us by auditee, which in this case the DoT&A. We made several attempts and follow-ups to obtain the documentary evidence necessary to verify the Director's claim or position without any success. It is therefore, determined that Audit Finding No 001 shall remain and the resolution is requested at the earliest time possible, but not later than six (6) months after the issuance of this audit report.

**Finding No. 002: Excessive Outstanding Travel Advances**

**CRITERIA:**

Part 5.6 of the FMR requires that "in the event that the traveler fails to submit a completed Travel Voucher within ten (10) working days after completion of the trip for which the Travel Authorization was issued, the Director shall after 60 days withhold from employees paycheck or use any available legal means to compel the traveler to submit a completed Travel Voucher or refund all amounts for which the traveler has not accounted for. Travelers who fail to submit a completed Travel Voucher as provided herein shall be ineligible for future travel advances until said completed Travel Voucher is filed."

**POHNPEI STATE GOVERNMENT  
PERFORMANCE AUDIT OF TRAVEL AND TRANSPORTATION  
FOR FISCAL YEARS 2013 TO 2016**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

**Finding No. 002: Excessive Outstanding Travel Advances, Continued**

**CONDITION:**

Based on our review, we found that about \$103,842 for 23 travel advances remained outstanding as of the writing of this report. These travel advances are summarized in the table below:

Item No.	TA #	TA Amount	Time Outstanding
1	T150087	\$4,392.09	
2	T150353	3,529.39	2yrs
3	T150568	2,687.50	2yrs
4	T150571	4,863.00	3yrs
5	T150570	4,803.00	2yrs
6	T160099	1,444.00	1 yr
7	T160026	3,434.99	1 yr
8	T160025	4,154.99	1 yr
9	T130322	527.00	4 yrs
10	T130530	4,754.25	4 yrs
11	T140110	5,245.90	3 yrs
12	T140272	3,759.50	3 yrs
13	T160197	3,489.19	1 yr 2 months
14	T160311	4,085.00	1 yr 6 months
15	T160310	3,745.00	1 yr 6 months
16	T160324	25,000.00	1 yr 6 months
17	T160261	2,155.00	1 yr
18	T160334	4,642.39	1 yr
19	T160353	2,589.00	1 yr
20	T160316	3,050.39	1 yr
21	T160330	3,027.39	1 yr
22	T160338	1,012.00	1 yr
23	T150339	7,450.60	2 yrs
	<b>Total</b>	<b>\$103,841.57</b>	<b>--</b>

Further review also revealed the following:

- 1) All twenty-three (23) travelers received 100% of their approved per diems prior to their trips.

**POHNPEI STATE GOVERNMENT  
PERFORMANCE AUDIT OF TRAVEL AND TRANSPORTATION  
FOR FISCAL YEARS 2013 TO 2016**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

**Finding No. 002: Excessive Outstanding Travel Advances, Continued**

- 2) One (1) of the 23 travelers with outstanding travel advance is no longer with Pohnpei government.
- 3) Eleven (11) of the 23 travel advances outstanding were issued to the members and staffs of the Pohnpei Legislature.
- 4) DoT&A continued to process and issue travel advances to some of these travelers, although they are deemed ineligible to receive per diem under the Pohnpei FMR.

**CAUSE:**

Travelers have not filed appropriate travel vouchers and responsible government officials were lax in reviewing and overseeing their respective travel activities to ensure travel vouchers are filed in a timely manner. The travel advances are still outstanding and have been outstanding for at least a year due to DoT&A's ineffective monitoring and oversight, and lenient enforcement of applicable regulations and policies.

**EFFECT:**

The above condition undermines established policies, rules and regulations. Ultimately, this can lead to more non-compliances, abuse and/or questionable travel expenses and activities.

**RECOMMENDATON:**

We recommend:

- 1) DoT&A Director to take immediate steps necessary to resolve all outstanding travel advances and improve monitoring, oversight and enforcement of travel policies as required by Part 5.6 and 5.7 of the Pohnpei Financial Management Regulations.
- 2) DoT&A Director to immediately discontinue advancing per diem and related travel expenses to any Pohnpei Government travelers with unsettled outstanding travel advances until their accounts are updated, paid up in full or resolved as required by regulations.

**POHNPEI STATE GOVERNMENT  
PERFORMANCE AUDIT OF TRAVEL AND TRANSPORTATION  
FOR FISCAL YEARS 2013 TO 2016**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

**Finding No. 002: Excessive Outstanding Travel Advances, Continued**

- 3) Director of DoT&A to improve and strengthen travel policies to necessitate traveling agency/office to be equally responsible for unfilled travel vouchers.

**AUDITEE RESPONSE:**

DoT&A Director disagreed with our finding and indicated that DoT&A has been enforcing the travel laws and related regulations accordingly. Please refer to DoT&A's response on pages 17 to 18 for detail.

**AUDITOR'S COMMENTS:**

Again, we formulate and report our audit findings based on information given to us by the auditee. The auditee is responsible for the accuracy and reliability of documentary information provided to us and can be held liable for any false or unsubstantiated representation.

In his response, the DoT&A Director admitted that some of the travelers "are making payroll allotment to retire outstanding travel advances. Others have paid off their advances". The schedule of outstanding travel advances was provided to our audit team by DoT&A during our audit and we found evidentiary information that certain government travelers with unfilled travel vouchers from prior official trips continued to receive travel advances.

We have repeatedly requested DoT&A to provide our audit team an updated schedule of travelers who have filed their travel vouchers, are paying or have paid off their outstanding travel advances without success. Without such documentary information to support their position, our finding remains and the Director of DoT&A is urged to develop and implement corrective measures for the resolution of these internal control deficiencies at the earliest time possible, but no later than six (6) months from the issuance date of this audit report.

**POHNPEI STATE GOVERNMENT  
PERFORMANCE AUDIT OF TRAVEL AND TRANSPORTATION  
FOR FISCAL YEARS 2013 TO 2016**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

**Finding No. 003: Inconsistent Rates/Allowances Paid to Official Travelers for “Other Travel Expense”.**

**CRITERIA:**

Part 5.5.(f) of the Financial/Travel Management Regulations authorizes “Other Travel Expenses” to be paid or reimbursed to official travelers when properly authorized and supported by receipts.”

**CONDITION:**

Our review disclosed several instances where “Other Travel Expenses” were paid to government travelers at different rates or amounts. The table below presents examples of “other travel expenses” paid to official travelers.

**Stipend**

<b>TA No.</b>	<b>Destination</b>	<b># Days</b>	<b>Total</b>
T140616	PNI/Nuk/PNI	7	\$300
T140004	PNI/Sapw/PNI	4	200
T140548	PNI/Sapw/PNI	7	140
T150509	PNI/Gum/PNI	8	176
T130273	Majuro/Return	4	100

**Ground Transportation**

<b>TA No.</b>	<b>Destination</b>	<b># Days</b>	<b>Rate Total</b>
T130216	PNI/Hon/PNI	11	336
T140193	PNI/Gum/PNI	12	270
T160476	PNI/Hon/PNI	9	300
T150339	PNI/DC/PNI	15	370
T140110	PNI/Hon/PNI	10	300

**POHNPEI STATE GOVERNMENT  
PERFORMANCE AUDIT OF TRAVEL AND TRANSPORTATION  
FOR FISCAL YEARS 2013 TO 2016**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

**Finding No. 003: Inconsistent Rates/Allowances Paid to Official Travelers for “Other Travel Expenses”. Continued**

**CAUSE:**

Pohnpei State Government does not have in place written guideline to govern rates for “Other Travel Expense” for official travelers. In addition, it is evident that fund available sometimes dictate the amount given to travelers for other travel expense but this reason is not appropriately documented.

**EFFECT:**

The condition appears to indicate government travelers were not treated equally. Inconsistent rates can result to excessive or unjustified amount for “other travel expense”, and could lead to abuse.

**RECOMMENDATION:**

We recommend that the Director of DoT&A to initiate action necessary to establish and implement a uniform guide on determining rates or amounts for “Other Travel Expense” to be applicable to all Pohnpei Government official travelers.

**AUDITEE RESPONSE:**

Please refer to DoT&A’s response on page 18 of this report.

**AUDITOR’S COMMENTS:**

In DoT&A’s response under Stipend, item (1), DoT&A stated that the “Stipend rate was allowed by Grant” or in item (4) where the “Stipend was approved and requested by the Office involved according to its available budgets”. If these are meant to be used as guide on how to determine the stipend amount given to travelers then these practices should be clearly defined and incorporated in the travel policies. Similarly, if ground transportation should be less than the daily car rental rate, this should also be clearly documented and incorporated into the Pohnpei Government travel regulations and policies.

We urge DoT&A to initiate action necessary to develop and implement appropriate travel policies to clarify and strengthen proper application “Other Travel Expenses” processes.

**POHNPEI STATE GOVERNMENT  
PERFORMANCE AUDIT OF TRAVEL AND TRANSPORTATION  
FOR FISCAL YEARS 2013 TO 2016**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

**Finding No. 004: Official Travelers Receiving Double Entitlements for Same Expense**

**CRITERIA:**

Part 5.5 ©) of the Pohnpei Government Financial Management Regulations requires that for high cost cities, and in special circumstances, the government may pay 100% for cost of lodging and half of the per diem to government travelers, subject to approval by the Director.

In addition, prudent or common practice should be applied in cases where policy is silent or not clear.

**CONDITION**

During our review we noted an indication that in Fiscal Year 2016, a traveler received per diem for a sponsored trip. To verify the extent of this practice, we selected twelve (12) Travel Authorizations (TA) of government officials for travels taken in Fiscal Years 2017 and 2018 for review.

Our review of the twelve TAs revealed two (2) instances where certain Pohnpei Government officials requested and received per diems from the government, although their trips were fully funded and paid for by sponsoring agencies. The TAs and the per diem received including the one for FY 2016 are summarized as follows:

TA#	Itinerary	Amt. of Advance
T181010	PNI/China/PNI	\$2,343.60
T180000	PNI/Alaska/PNI	1,154.00
T160379	PNI/Guam/China/PNI	<u>1,077.00</u>
Total		<u>\$4,574.60</u>

The files lacked documentary information showing costs not covered by the sponsoring agencies.

**CAUSE**

Pohnpei travel laws and regulations do not provide policies or guidelines in dealing with travels fully sponsored or paid for by other agencies. DoT&A also did not apply prudent practice when handling these matters. DoT&A did not require and obtain necessary documents to support payment of per diem and the travelers kept silent due to the fact that they may have benefited financially.



**POHNPEI STATE GOVERNMENT  
PERFORMANCE AUDIT OF TRAVEL AND TRANSPORTATION  
FOR FISCAL YEARS 2013 TO 2016**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

**Finding No. 004: Official Travelers Receiving Double Entitlements for Same Expense,  
Continued**

**EFFECT**

The condition appeared to have resulted in ‘double dipping’ or receiving double entitlements for the same expense. The scheme is highly unethical particularly for an official to request and receive per diem (or portion thereof) from the government knowing the trip is fully sponsored or paid for.

**RECOMMENDATION**

We recommend the DoT&A Director to:

- 1) Amend applicable travel regulations to clarify the extent of government’s obligations when official travel is sponsored and paid for by an agency or organization other than the Pohnpei government.
- 2) Require submission of documentary information (invitation, financial support, itinerary and program agenda) with TAs for off-island travels sponsored and paid for by agencies other than Pohnpei government, so that determination of per diem or any entitlement (if any is warranted) could be made as appropriate.

**AUDITEE RESPONSE:**

Please refer to DoT&A’s response on page 18 of this report.

**AUDITOR’S COMMENTS:**

There was no appropriate documentation filed at State Finance to support Legislature’s requests for the 40% of per diem, yet DoT&A allowed the advance. Supporting documents were also insufficient for the determination of per diem on TA160379. Pohnpei Government travel regulations clearly states that for high cost cities, the government may pay 100% of the accommodation costs and up to 50% of the per diem rate established for the locality.

We urge the Director of DoT&A to initiate action necessary to amend the Pohnpei Government travel regulations to clearly define conditions and obligations of government when official travels are fully paid for by sponsoring agencies other than Pohnpei Government

**POHNPEI STATE GOVERNMENT  
PERFORMANCE AUDIT OF TRAVEL AND TRANSPORTATION  
FOR FISCAL YEARS 2013 TO 2016**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

**Finding No. 005 – Travel Expenditures Exceeded Approved Travel Budget**

**CRITERIA**

Part 1.10 (a) of the Pohnpei Government Financial Management Regulations (FMR) strictly prohibits any allottee of State and Grant Funds to obligate or spend monies in excess of the amount made available by law or grant agreement. That is, expenditures should stay within the approved budget.

**CONDITION**

Our review disclosed that travel expenditures exceeded the appropriated travel budget levels during the four fiscal years. The tables below show the total budgets appropriated specifically for travel and the total travel expenditures by fund source for each of the four fiscal years reviewed, as reflected from the financial reports obtained from DoT&A.

**Fiscal Year 2013**

<b>Fund</b>	<b>Budget</b>	<b>Expenditures</b>	<b>Over/Under</b>
General Fund	\$222,790	\$188,372	\$34,418
Compact All Grants	233,862	167,819	66,043
PTA Fund	0	4,084	-4,084
Police Fees Fund	0	96	-96
<b>Total</b>	<b>\$456,652</b>	<b>\$360,371</b>	<b>\$96,281</b>

**Fiscal Year 2014**

<b>Fund</b>	<b>Budget</b>	<b>Expenditures</b>	<b>Over/Under</b>
General Fund	\$207,130	\$239,304	(\$32,174)
Compact All Grants	190,415	183,844	6,571
Non-US Grants	2,302	17,240	(14,938)
CFSM Special Rev.	32,000	34,751	(2,751)
Fishing Fees	10,029	10,052	(23)
PTA Fund	0	67,322	(67,322)
Recycling Fund	0	3,346	(3,346)
<b>Total</b>	<b>\$441,876</b>	<b>\$555,859</b>	<b>(\$113,983)</b>

**Fiscal Year 2015**

<b>Fund</b>	<b>Budget</b>	<b>Expenditures</b>	<b>Over/Under</b>
General Fund	\$198,800	\$215,008	(\$16,208)
Compact All Grants	188,905	173,189	15,716
Non-US Grants	16,198	19,129	(2,931)

CFSM Special Rev.	45.900	37.796	8.104
Fishing Fees	0	3.860	(3.860)
PTA Fund	0	37.413	(37.413)
Recycling Fund	0	200	(200)
<b>Total</b>	<b>\$570,842</b>	<b>\$623,901</b>	<b>\$53,059</b>

#### **Fiscal Year 2016**

<b>Fund</b>	<b>Budget</b>	<b>Expenditure</b>	<b>Over/Under</b>
General Fund	\$225.806	\$209.604	\$16.202
Compact All Grants	213.401	197.617	15.784
Federal Grants	118.905	135.392	(16.487)
Non-US Grants	4.474	3.624	850
CFSM Special Rev.	31.500	31.619	119
Fishing Fees	0	0	0
PTA Fund	0	47.327	(47.327)
Policies Fees	0	1.600	(1.600)
<b>Total</b>	<b>\$594,086</b>	<b>\$626,783</b>	<b>(\$32,697)</b>

#### **CAUSE:**

DoT&A, including responsible officials and employees are not monitoring and reconciling their travel account fund balances to ensure availability of funds and to provide reliable financial reports. Likewise, travel expenditure accounts are not reconciled and updated to ensure accuracy of data and reports. The condition could also have been caused by using other accounts such as "all others" for travels.

#### **EFFECT:**

The condition reflects poor performance by the government whether it is on financial reporting or travel expenditures exceeding the approved budget. The condition also gives a bad image of the government.

#### **RECOMMENDATION**

We recommend the Director of DoT&A should ensure that:

- 1) Periodic reconciliation and update of travel accounts with departments/offices is performed to ensure travel expenditures are kept within the approved level.
- 2) Travel fund balances are closely monitored to prevent over spending and any changes to the original budget amounts are recorded to reflect fair presentation of financial information.
- 3) TAs are returned to the initiating department/agency unprocessed if the proposed travel cost exceeds travel fund availability.

**POHNPEI STATE GOVERNMENT  
PERFORMANCE AUDIT OF TRAVEL AND TRANSPORTATION  
FOR FISCAL YEARS 2013 TO 2016**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

**Finding No. 005 – Travel Expenditures Exceeded Approved Travel Budget, Continued**

We also recommend transparent appropriation to provide proper accountability of travel expenditures of the government and to ensure it is kept within the budget specifically for travel.

**AUDITEE RESPONSE:**

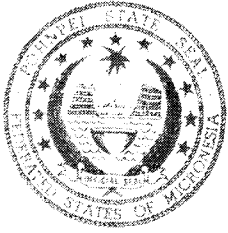
Please refer to DoTA's response on pages 18 to 19 of this report.

**AUDITOR'S COMMENTS:**

The presentation of encumbrances with the actual expenditures was for discussion only during the exit conference. As discussed with DoT&A Financial Advisor prior to the exit conference, the encumbrances would be taken out and will not be reflected in the final report to be issued. This was also discussed during the exit conference.

DoT&A's response is directed at the draft report used in the exit conference, however, we have removed the encumbrances. The schedule still shows budget overrun in the General Fund for fiscal years 2014 and 2015; and, both Compact Grants and CFSM in fiscal year 2016.

Though we consider this finding closed, we urge the Director to implement our recommendation to prevent overrun of budget travel in the future. Also, long time encumbrances should be reviewed to determine disposition so that appropriate action can be taken.



# POHNPEI STATE GOVERNMENT

Department of Treasury and Administration

P.O. Box 1567  
Kolonias, Pohnpei FM 96941  
Tel: (691) 320-2243/2323, Fax: (691) 320-5505  
Email: pnidota@mail.fm

Received: 3/27/19  
Gjell

Office of the Director

APPENDIX I

March 12, 2019

T.H. Ihlen K. Joseph  
State Public Auditor  
Office of Public Auditor  
Pohnpei State Government  
Pohnpei, FM 96941

RE: Response to Performance Audit of Travel and Transportation for Fiscal Years 2013 through 2016

Dear Honorable Joseph:

On behalf of the Department of Treasury, I extend my appreciation for the audit and giving us sufficient time to look into the documents from fiscal years 2013 through 2018. Below is our response to your report.

## **Finding No. 1 Noncompliance with the Pohnpei Travel and Transportation Legal Frameworks**

- 1) We shall strictly enforce Section 3 of the Amended Financial Management Regulations that is; "In the event traveler fails to submit his/her travel vouchers within 10 working days, the Director shall withhold from employees paycheck or use any available legal means to compel the traveler...."
- 2) We disagree that the documents are missing. All original Travel Authorizations and supporting documents are intact.
- 3) The per diem paid for T150169 was correct. Total per diem for 19 days was supported by host's airline booking, itinerary and boarding pass submitted. The traveler was only given half of per diem rate to accommodate expenses not covered by the host per Office request. For T160260, the per diem rate was \$196 in fiscal year 2016, the rate increased to \$205 in fiscal year 2017.

## **Finding No. 2 Outstanding Travel Advances**

We disagree that DOTA had not enforced the travel policies. All travelers have been notified, some are allotting and others have paid off their advances. However, there remain three travelers out of 23 who had not filed their vouchers. One of whom has

four outstanding Travel Authorizations. Monitoring, follow up calls and communication with travelers are made constantly.

### **Finding No. 3 Inconsistent Rates/ Allowances Paid to Official Travelers**

#### **Stipend**

- 1) T140616 Stipend rate was allowed by Grant.
- 2) T140004 Stipend was not paid for this TA.
- 3) T140548 Stipend was not paid for this TA.
- 4) T150509 The stipend was approved and requested by the concerned Office according to its available budget.
- 5) T130273 TA was not located.

#### **Ground Transportation**

Unlike car rental, there is no fixed rate for taxi. Ground transportation is subject to authorization from the concerned office which is less than the daily car rental rate. However, the travelers' receipts are required upon their return.

### **Finding No. 4**

#### **Official Travelers Receiving Double Entitlements for Same Expense**

Legislature requested 40% of per diem rate for T181010 and T18000 to cover expenses of travelers not included by the sponsor, which is allowed at the FSM. T160379 was calculated based on Legislature's budget availability.

We have directed this concern of double entitlement to Legislature. The staff was not aware of alleged misrepresentation.

### **Finding No. 5 Travel Expenditures Exceeded Approved Travel Budget**

We strongly disagree with the finding. From fiscal 2013 through fiscal year 2016, the audit added all year on year encumbrances by fund to actual expenditures which resulted to escalated expenditure and budget overrun. PTA and Special Revenue fund travels are budgeted and authorized.

The following table reflects the budget and actual expenditure for fiscal years 2013 through 2016.

	GENERAL FUND			
	FY 2013	FY 2014	FY 2015	FY 2016
Actual Expenditure	188,372	239,304	215,008	209,604
OPA Audited Expenditure	322,350	337,738	293,373	285,051
Encumbrances added by OPA as expenditure	133,978	98,434	78,366	75,447
Budget	222,790	207,130	198,800	225,806
Budget Over(Under) Expenditure	34,418	(32,174)	(16,208)	16,202

	COMPACT GRANTS			
	FY 2013	FY 2014	FY 2015	FY 2016
Actual Expenditure	230,174	165,280	176,132	195,716
OPA Audited Expenditure	374,748	241,931	235,654	258,375

## APPENDIX I

Encumbrances added by OPA as expenditure	144,574	76,651	59,522	62,659
Budget	233,737	190,040	188,905	188,401
Budget Over(Under) Expenditure	3,563	24,760	12,773	(7,315)

	FEDERAL GRANT	
	FY 2015	FY 2016
Actual Expenditure	132,493	128,246
OPA Audited Expenditure	170,552	152,994
Encumbrances added by OPA as expenditure	38,059	24,748
Budget	192,209	157,759
Budget Over(Under) Expenditure	59,716	29,513

		Non US Grant		CFSM	
		FY 2015	FY 2016	FY 2015	FY 2016
	Budget	16,198	4,474	45,900	31,500
	Actual Expenditure	(16,713)	(3,449)	(37,796)	(31,619)
Budget Over(Under) Expenditure		(515)	1,025	8,104	(119)

The proposed update of FSM Financial Management Regulations is currently ongoing. The Department shall update, review and adopt travel policies and regulations applicable to Pohnpei State. Lastly, the Division of Finance shall ensure compliance with the travel policies and regulations.

Respectfully,



Feliciano M. Perman

Director of Treasury and Administration