



**POHNPEI STATE GOVERNMENT
OFFICE OF THE PUBLIC AUDITOR**

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CONFIDENTIAL

August 9, 2017

Pelson Moses
Acting Administrator
Office of Fisheries & Aquaculture
Pohnpei State Government
Kolonias, Pohnpei FM 96941

Maing Acting Administrator:

MANAGEMENT ADVISORY

Ref: PCIU 17-004- Undelivered Diving Gears

We have conducted an investigation concerning the undelivered diving gears. This was predicated on a letter sent to our office on June 6, 2017 from the Office of the Pohnpei State Attorney General (AG) to look into an employee of the Office of the Fisheries and Aquaculture (OFA). This employee may have purchased \$2,575 of diving gear on behalf of OFA from his own business, NK0311 Outlet Scuba Wholesale. The equipment purchased in 2014 has never been delivered to OFA. The Pohnpei State Government has issued a check in that regard which has been endorsed by the employee and deposited into an account owned by the employee.

Methodology:

We conducted the examination in accordance with the Compliance Investigation Division's Manual of Operating Procedure adhered to the Quality Standards for Investigations issued by the US Council of Inspectors General on Integrity and Efficiency (CIGIE).

The review process included examination of relevant information and documents relating to the purchase such as purchase requisition, purchase order, pro-forma invoices, vendor invoice, check, etc. We also conducted voluntary interview with appropriate personnel, and other such evidence-gathering procedure as necessary under the circumstances.

Summary of Findings:

Based on the results of the examination, we conclude:

1. The OFA Hatchery & Fisheries Specialist may have diverted approximately \$2,575.00 into his private company.
2. We were able to confirm that the diving goods were not delivered by NK0311 since October 2014.
3. As owner of the company NK0311 Outlet Scuba Wholesale and employee of OFA, he exerted his influence to divert government funds into his own private company which was a Conflict of Interest on his part.
4. On the administrative side, we found that OFA Management at that time did not thoroughly review the purchase. The matter was reported to proper authorities three years after the incident.
5. The Hatchery Specialist was solely handling the purchase after the request was made which indicate lack of segregation of duties on OFA.
6. The three price quotation on the purchase package showed NK0311 was the most costly.
7. A generic invoice was submitted to Department of Treasury & Administration (DOTA) to issue the payment to NK0311 Outlet Scuba Wholesale. This is a violation of Part 6 of the Financial Management Regulations (FMR).

We recommend the following:

1. Responsible OFA Management to develop and implement appropriate corrective measure to resolve the internal control weaknesses identified.
2. Closer oversight is highly recommended over the procurement process to ensure timely delivery of goods and services.
3. Management must work closely with the Pohnpei Attorney General to develop for immediate corrective measures to ensure full compliance, including disciplinary or adverse and restitution of funds.

Our investigation Report in greater detail has been submitted to the Office of Attorney General for further criminal investigation and prosecution. Copies of this Management Advisory have been transmitted to Governor, Speaker and Director of DOTA.

We appreciate very much the support, cooperation and the kind assistance extended to our Investigation Team during the review. Please do not hesitate to contact our OPA for assistance, if required. With friendly greetings and warm regards, I am.

Sincerely,

Alice Epa
for Ihlen K. Joseph
State Auditor
Pohnpei

Xc: Governor, Pohnpei
Speaker, 9th Pohnpei Legislature
Attorney General, Pohnpei State
Director, DOTA