



POHNPEI STATE GOVERNMENT
OFFICE OF THE PUBLIC AUDITOR

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11/28/18
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November 28, 2018

The Honorable Nickolson Solomon
Director
Department of Resource and Development
Pohnpei State Government
Kolonja, Pohnpei State, FM 969414

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R&D

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MANAGEMENT ADVISORY

Ref: PCIU 18-004 – Agriculture Revolving Fund

Maing Director Solomon:

Received by
RG 11/28/18

As requested, the Pohnpei Office of the Public Auditor (POPA) has completed a preliminary review and administrative investigation of the Agriculture Revolving Fund (ARF). The Agriculture Revolving Fund (ARF) was established to enable the Division of Agriculture within the Department of Resources and Development (R&D), Pohnpei Government to support and promote agriculture development in Pohnpei. The ARF source of revenue comes from sales of fertilizers, animal feeds, wood chips, seedlings, compose farm animals for breeding and others.

The objective of the review was to determine whether the collection and management of the ARF were handled properly in accordance with established procedures and best practices during the fiscal year 2017. Based on our review, we found:

- 1) A new collection and deposit policy was developed and implemented by the R&D Administrative Officer during fiscal year 2017. The policy requires daily ARF monies collected be prepared, summarized, and submitted by the Division of Agriculture to the R&D Administration for concurrence/review and deposit at the Pohnpei Government Treasury in conformity with established procedures. The policy was not followed properly nor enforced consistently.
- 2) A total of \$41,056.64 was collected and receipted at the Division of Agriculture during the fiscal year 2017. Of this total, only \$27,100.54 was reported and deposited at the Pohnpei Treasury, Department of Treasury and Administration. **A total of \$13,956.10 was missing and unaccounted for.**
- 3) That several R&D employees involved in the collection and management of the ARF account: (a) admitted taking and using the fund for personal purpose and b) others (majority) admitted "borrowing" from the ARF without proper documentation or justification showing pay back. Some of the staff is willing to pay restitution on the missing funds.

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- 4) That \$1,691.53 of the \$13,956.10 unaccounted funds went missing at the Division of Agriculture. The remaining \$12,264.57 disappeared between R&D Administration (review and concurrence) and Pohnpei Treasury (depository, accounting and disbursement) management.
- 5) The cause of the missing funds is the serious internal control weaknesses in the management oversight. Management failed to do consistent oversight and monitoring of the control activities to ensure they were functioning as designed.

Recommendations

We recommend management to implement the following:

- 1) The ARF collection should be handled by DoTA. Department of R&D will be responsible to issue sales invoice to customers from the Agriculture Division and then customer pay the goods and services at the Treasury window of the DoTA. With this set up DoTA will be the one issuing receipt.
- 2) The Director of DoTA may appoint two of his employees to assist the Department of R&D in the collection of goods and services and to assist in doing monthly reconciliation and reporting of the ARF collections.
- 3) We further recommend that R&D management work closely with the Pohnpei Office of Attorney General to conduct disciplinary or adverse action for those involved including restitution of the missing funds.


We appreciate very much the support, cooperation and assistance extended to our review team during the engagement. We hope you will find this letter useful in developing and implementing the Agriculture Revolving Fund working guidelines going forward.

We are referring our complete Investigation Report with exhibits to the Office of Attorney General for further criminal action and prosecution.

Do not hesitate to let us know if further assistance is required.

With warm regards, I am,

Sincerely,


for Ihlen K. Joseph
State Auditor
Pohnpei

cc: Governor, Pohnpei State
Speaker, Pohnpei State Legislature
Attorney General, Pohnpei State
Director, Department of Treasury & Administration