



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

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June 30, 2021

Honorable John Rensle  
Acting Meninkeder Lapalap  
Madolenihmw Municipal Government  
Madolenihmw, Pohnpei State, FM 96941

And

Honorable Hidenobu Sobashima  
Ambassador Extraordinary Plenipotentiary  
Embassy of Japan in the FSM  
Kolonias, Pohnpei State, FM 96941

Maing Oahloakoa:

With much pleasure, I transmit enclosed the Pohnpei Office of the Public Auditor (POPA) Inspection Report No. IE-001-21, specific to the project to "Procure a Garbage Truck" for the Madolenihmw Municipal Government (MMG). We conducted the inspection in accordance with the Quality Standards and Evaluation issued by the Council of the Inspectors General on Integrity and Efficiency (CIGIE).

On behalf of our Inspection Team, I extend a warm KALAHNGAN to the management and staff of the Madolenihmw Municipal Government and all others involved for the assistance and cooperation extended to our Team during the field work or review period. Please feel free to contact our POPA for any assistance. With friendly greetings and warm regards, I am.

Sincerely,

Ihlen K. Joseph  
State Auditor  
Pohnpei

Enclosure



POHNPEI STATE GOVERNMENT  
OFFICE OF THE PUBLIC AUDITOR

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June 30, 2021

The Honorable John Rensle, Meninkeder  
The Honorable Hidenobu Sobashima, Ambassador Extraordinary and Plenipotentiary

RE: Inspection Report No. IE 001-21 Project for Procuring a Garbage Truck for Madolenihmw Municipal Government (MMG).

### EXECUTIVE SUMMARY

We have conducted and completed our inspection of the “Project for Procuring a Garbage Truck for Madolenihmw Municipal Government”. The review was requested by MMG as required by the grant agreement. This report, number IE 001-21, presents the results of our review. The report also contains our recommendations for other matters where we noted opportunities for improvement to ensure better accountability and transparency of procured asset and related services.

### Background

Madolenihmw Municipal Government (MMG) is one (1) of the eleven (11) Municipal Governments of Pohnpei State. Similar to the primary government, MMG is composed of three branches. The Executive Branch is headed by the Meninkeder, the Legislative Branch by the Speaker, and the Judiciary Branch is headed by the Chief Justice. Altogether, the branches contribute, advocate and support MMG’s economic development plan and community growth by providing essential public assistance and services to its citizens. Certain public services are provided on a user charge basis to help sustain the activity/program. One such service is garbage collection and disposal.

MMG is planning to provide garbage disposal services to all Madolenihmw residents on nominal fee, but did not have the resources to initiate this type of activity. For this reason, MMG searched, applied for and was granted \$89,647 by Japan Government through the Grassroot Grant in the Federated States of Micronesia. The purpose of the grant was to procure a garbage truck to assist with the disposal of trash in Madolenihmw. The Contract Agreement between Embassy of Japan (EOJ) and MMG began on December 13, 2019, which among others requires that, MMG:

- Provides interim progress reports on the Project within six months after the contract date;
- Provides a project completion report upon the completion of the Project;
- Cause an independent review and the resulting report on the use of the grant after the completion of the project;
- Provide any other reports on the Project to be provided upon request of the Donor, in accordance with the Donor's instructions;
- To complete the Project within one year after the contract date
- To keep accounting documents that verify how the grant was spent for at least five years after the completion of the Project; and,
- To consult with the Donor promptly on all matters which may have any influence on the execution of the Project.

MMG sought assistance from the Japan International Cooperation Agency (JICA) and Pohnpei Environmental Protection Agency (EPA) on the selection of a suitable vendor for procuring the garbage truck. Both agencies recommended *Futurebud International Company*, a vendor in Tokyo Japan.

### **Objective, Scope and Methodologies**

The objective of the review was to determine whether MMG expended the fund in accordance with the grant agreement and applicable laws and regulations of Pohnpei State. Our inspection was limited to the review of the Japan Grant received for the "Project for Procuring a Garbage Truck for Madolenihmw Municipal Government". To achieve our inspection objective, we conducted interviews and reviewed records and documentation, verified and inspected the procured asset and took pictures. 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).

### **On Site Visit**

During on-site inspection and review of the project, the auditors confirmed the existence of the garbage truck (also referred to as compactor truck) at MMG office in Pohnlangas. The garbage truck was in good operable condition. Pictures of the procured asset are attached as part of this report on pages 5-8 (Exhibits I, II, III and IV). In the contract agreement, two people from Futurebud International Company are to conduct training on the establishment of a maintenance plan. However, due to Covid-19 pandemic, the training was delayed and eventually had to be conducted via Zoom. The auditors learned on this visit also that management has not implemented the planned service fee for garbage or solid waste disposal.

### **Inspection Result**

Based on our inspection, inquiries and review performed from April 26, 2021 to May 04, 2021, we observed the following:

- (1) On April 20, 2020: The vendor, Futurebud International Company, submitted a price quotation of \$89,546 for the garbage truck to MMG.

- (2) On June 15, 2020: MMG received the first Debit Note/Invoice for 90% or \$80,591.40 of the contract price (for the garbage truck) from the vendor.
- (3) On June 18, 2020: Meninkeder of MMG informed the Embassy of Japan (EOJ) that the grant, \$89,647 has been received and deposited into the designated account at Bank of Guam.
- (4) On June 22, 2020: EOJ authorized MMG to withdraw \$80,591.40 from the Project account to pay for the first invoice submitted by the vendor.
- (5) On June 30, 2020: MMG withdrew \$80,994.36 (includes a wire transfer fee of \$402.96) from the Project account to satisfy the first invoice for the compactor truck.
- (6) On February 12, 2021: Bill of Lading was issued to MMG for the compact truck along with spare parts.
- (7) On February 18, 2021: The vendor issued an invoice to MMG for the remaining 10% or \$8,954.60 of the contract price.
- (8) On March 21, 2021: MMG's Division of Revenue and Taxation prepared a voucher of \$9,054.60 for the above payment (\$8,954.60 plus \$100.00 wire transfer fee).
- (9) On March 23, 2021: MMG sent a letter of payment request to EOJ for the 10% remaining balance of the garbage truck and withdrew the amount from the Project account. MMG records show a wire transfer through Bank of Guam for the final payment of \$8,954.60 and a receipt for \$100 wire transfer fee.

## **Conclusion**

Based on our inspection, we conclude that MMG expended the grant fund in accordance with the terms and conditions set out in the Grant Agreement for the "Project for Procuring a Garbage Truck for Madolenihmw Municipal Government". We confirmed that the grant received from Japan Government through its Embassy in the FSM was expended solely for the asset approved and specified in the Grant Agreement.

## **Other Matters**

We however, observed that MMG did not comply with certain reporting requirements and the completion date of the project. MMG did not meet the due dates for the interim reporting and the project completion reporting.

MMG was still preparing both reports during our review. Since MMG did not submit the reports on time, Meninkeder met with the staff of EOJ in person to provide explanation of the delay. The audit team also found that although the Project has been completed the intended program or activity was still in the 'trial phase' pending the establishment of related policies and procedures including schedules, service rates, and other necessary aspects of the Project.

MMG used the garbage truck twice in the month of March 2021 disposing garbage in Madolenihmw without charging for the services. The MMG provided to the audit team an informal

outline of activities planned for the months of April, September and December 2021 on the use of the garbage truck. The plan shows that MMG will dispose solid waste or garbage once a month at \$5 service charge for each pick up. Meninkeder shared that the garbage truck has the capacity to service all residents of Madolenihmw, but for safety and efficiency it will only be used on the main road. To service the residents on secondary roads, MMG's smaller office vehicles will be used.

We recommend Meninkeder to ensure that all reporting requirements are satisfied and that MMG establish and implement suitable control activities such as policies, rules and service rate as appropriate, procedures and other pertinent matters to help provide guidance, support and ensure sustainability of the MMG solid waste management program.

We appreciate very much the cooperation and the assistance extended to us by the Embassy of Japan in the Federated States of Micronesia, management and staff of Madolenihmw Municipal Government.

Please contact us at telephone number 320-2638 for any clarification relating to our report, if required.

With warm regards, I am,

  
Ihlen K. Joseph  
Pohnpei State Auditor

Cc: Governor, Pohnpei  
Speaker, 10<sup>th</sup> Pohnpei Legislature  
Director, DOT&A  
Acting Attorney General, Pohnpei

**Appendix A:**

**Summary of Project Account**

Cash receipt/Grant award	\$89,647.00
Total price of the garbage truck (excluding wire transfer fee)	<u>89,546.00</u>
Amount of Grant in excess of invoice for garbage truck	\$ 101.00
Total wire transfers fees paid	<u>( 502.96)</u>
Wire transfer's fee not covered by the grant	401.96
MMG share (contribution)	<u>401.96</u>
Balance	-0-

**Appendix B:**

**Schedule of Disbursements:**

Date	Description	P.O No	Check No.	Total amount of grant
6/30/2020	Compactor Truck (90% of invoice)		01-2020	\$80,591.40
	Telegraphic transfer fee			\$402.96
3/21/2021	Invoice Voucher to process 10 % of contract price			\$8,954.60
	Application for Telegraphic Transfer			\$100.00

Total Cost of the Project and Associated Fees

90,048.96

(89,647.00)

First Payment of the Garbage Truck (90%) \$80,591.40

Second/Final Payment of the Garbage Truck (10%) \$8,954.60

Total Cost of the Garbage Truck

\$89,546.00

First Wire Transfer Fee (90% of invoice)

\$402.96

Second/Final Wire Transfer Fee (final 10% of the invoice)

\$100.00

Total Wire Transfer Fees

\$502.96

**Total Cost of Garbage plus wire transfer fee** \$90,048.96

Total Grant

(\$89,647.00)

Difference (MMG Contribution)

\$401.96

**Project Images**



**Exhibit 1 Rear View of the White Mitsubishi Garbage Truck**



**Exhibit II Side View of the White Mitsubishi Garbage Truck**



Exhibit III: Front Side of the White Mitsubishi Garbage Truck



Exhibit IV: Registration Plate Number of the White Mitsubishi