

**POHNPEI TRANSPORTATION AUTHORITY  
FINANCIAL AUDIT  
FISCAL YEAR ENDED SEPTEMBER 30, 2020**

**AUDIT REPORT NO. 003-21**

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



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**POHNPEI TRANSPORTATION AUTHORITY  
AUDIT REPORT  
FISCAL YEAR ENDED SEPTEMBER 30, 2020**

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

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June 28, 2021

The Honorable Oliver B. Reed, Governor, State of Pohnpei  
The Honorable Stevick Edwin, Acting Speaker, 10<sup>th</sup> Pohnpei Legislature  
Honorable Members of 10<sup>th</sup> Pohnpei State Legislature  
Board of Directors, Pohnpei Transportation Authority  
Mr. Welson Panuel, Commissioner, Pohnpei Transportation Authority

**EXECUTIVE SUMMARY**

We are pleased to submit the financial audit report of Pohnpei Transportation Authority (PTA) as of and for the year ended September 30, 2020. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and the Government Auditing Standards, issued by the Comptroller General of the United States. The audit was also performed pursuant to Article 11, Section 8 (2) of the Pohnpei State Constitution and Pohnpei State Law No. 1L-10-79, and other laws enacted relative thereafter.

The objectives of our audit were:

1. The expression of an opinion concerning whether the financial statements present fairly, in all material respects, the financial position, result of operations, and cash flows of Pohnpei Transportation Authority as of September 30, 2020.
2. Reporting on the internal control relevant to an audit of the financial statements; and
3. Reporting on PTA's compliance with laws and regulations, which could have a material effect on the financial statements.

The highlights of the report are as follows:

- The financial statements present fairly, in all material respects, the financial position of the Pohnpei Transportation Authority, as of September 30, 2020, and the result of its operations, and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.
- Operating revenues for the year was \$1,551,877, an increased by 29% or \$345,140 compared to prior fiscal year of \$1,206,737.

- Operating expenses has decreased by 10% or \$175,539 from \$1,805,938 to \$1,630,399. 49% of the total operating expense was expended for payroll related costs. Supplies and Materials has decreased by \$159,207 and POL expenses decreased from \$251,604 to \$237,529 for the year.
- Net loss this year is \$78,522, a decreased by 87% or \$520,679 compared to prior year's loss.
- Due to Primary Government was decreased by 1% or \$17,429 from \$1,680,965 to \$1,663,536. This amount represents what PTA owes and needs to reimbursed to the Pohnpei General Fund

The audit cited five (5) findings which ere detailed on pages 18-25. Out of five (5) findings, we disclosed three (3) material weaknesses in internal control over financial reporting and two (2) material instance of non-compliance with laws and regulations as follows. Among the findings were:

1. Lack of proper oversight resulted in waste of fund;
2. Deficient Internal Control resulted to non-compliance and possible wrong doing;
3. Non-compliance with PSSR and employee contract;
4. Lack of accounting reconciliation resulted in incomplete and inaccurate financial information.
5. Unresolved Prior Year's Findings. Management has not appropriately resolved all prior year audit findings. The non-resolution of the prior year audit findings is not in compliance with Pohnpei State Law No. 5L-08-00, and also will continue to affect the effective maintenance of PTA's internal control system. Outstanding findings from prior year are as follows:
  1. Finding No. 14-001 - Inventory control system needs improvements.
  2. Finding No. 17-003 – Non-Compliance of Pohnpei Law - Commissioner should not allow PTA employees to use the newly acquired vehicles until such time that a legally obtained plate number is attached to the vehicles.
  3. Finding No. 18-001 – Control Weaknesses in the management and accounting system particularly reconciliation.
  4. Finding No. 18-004 – Management immediate attention is required to ensure full compliance of FMR.
  5. Finding No. 19-002 - Management should strengthen Internal Control Weaknesses Resulted in Serious Irregularities.
  6. Finding No. 19- 004 Non-Compliance to PTA by laws

A draft of this report was provided to and discussed with the management of PTA and the auditee's response is included hereto as Exhibit I on pages 27 to 30.

In the report, we have offered our recommendations to the findings that we believe once implemented, PTA's operations could be improved. In this regard, we request management to

promptly identify corrective measures and to implement the audit recommendations to fully resolve the findings.

Lastly, we extend our appreciation to the management and members of the PTA work force for the assistance they extended to us during the course of our audit.

Sincerely,



Ihlen K. Joseph  
State Auditor  
Pohnpei



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**INDEPENDENT AUDITOR'S REPORT**

Mr. Midion G. Neth  
Chairman  
Board of Directors  
Pohnpei Transportation Authority  
Kolonias, Pohnpei State, FM 96941

We have audited the accompanying statement of net assets of Pohnpei Transportation Authority (PTA), a component unit of the State of Pohnpei, as of September 30, 2020, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of PTA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PTA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PTA, as of September 30, 2020, and the result of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that PTA will continue as a going concern. As discussed in Note 6 to the financial statements, the agency has suffered recurring losses from operations during the prior years. The current year operating expenses has increased significantly and PTA still has significant amount of non-current liabilities which would require considerable amount of time to pay. Management's plans in regard to these matters are also described in Note 6. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The Management's Discussion and Analysis on pages 3 to 4 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the management of PTA. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurements and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2021 on our consideration of PTA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



Ihlen K. Joseph  
State Public Auditor  
May 28, 2021

# POHNPEI TRANSPORTATION AUTHORITY

## Management's Discussion and Analysis

Year Ended September 30, 2020

This section of the Pohnpei Transportation Authority's financial report presents our Management's Discussion and Analysis (MD&A) for the fiscal year ended September 30, 2020. This MD&A is prepared in compliance with the GASB 34 requirement. Readers are requested to read this MD&A in conjunction with the PTA's financial statements, which follows this section.

### Financial Highlights

- Operating revenues for the year is \$1,551,877 an increase of 29% or \$345,140 compared to prior fiscal year of \$1,206,737.
- Operating expenses has decreased by 10% or \$175,539 from \$1,805,938 to \$1,630,399. 49% of the total operating expense was expended for payroll related costs. Supplies and Materials has decreased by \$159,207 and POL decreased from \$251,604 to 237,529 for the year.
- PTA incurred an operating loss of \$78,522 which is a decrease of 87% or \$520,679 compared to prior year's loss.
- Net assets for the year is \$758,725 an increase of \$102,158 from prior year.
- Due to Primary Government was decreased by 1% or \$17,429 from \$1,680,965 to \$1,663,537.

### Financial Statements Preparation

PTA is a component unit of Pohnpei State Government. PTA uses proprietary funds, financed and operated in a manner similar to private business enterprises to account for its operations. The financial statements are presented using the economic resources measurement focus and utilize the accrual basis of accounting.

### Financial Analysis

The Statement of Net Asset presents information on all of the PTA's assets and liabilities, with the difference between the two is reported as net assets if assets are higher than liabilities, otherwise it is reported as net liabilities. Presented below is the comparative change in net assets (liabilities) as of fiscal years ended September 30, 2020 and 2019.

	<u>2020</u>	<u>2019</u>	<u>Increase (decrease)</u>	<u>%tage Inc(dec)</u>
Current assets	\$ 356,962	\$ 177,545	\$ 179,417	101%
Non-current assets	<u>2,329,333</u>	<u>2,349,777</u>	<u>(20,445)</u>	(.87%)
	<u>2,686,295</u>	<u>2,527,322</u>	<u>158,973</u>	6%
Other liabilities	264,033	189,790	74,243	39%
Due to primary government	<u>1,663,537</u>	<u>1,680,965</u>	<u>(17,429)</u>	(1%)
Total liabilities	<u>1,927,570</u>	<u>1,870,755</u>	<u>56,814</u>	3%
Net Asset (Deficit)	<u>\$ 758,725</u>	<u>\$ 656,567</u>	<u>102,158</u>	16%

# POHNPEI TRANSPORTATION AUTHORITY

Management's Discussion and Analysis  
Year Ended September 30, 2020

## Operating Activities

The fundamental responsibility of PTA is to plan, develop, construct and maintain public roads. During the year, it secured several road related projects from the municipalities, state and FSM Congress. The following table summarizes the comparative net income for fiscal years ended September 30, 2020 and 2019.

	<u>2020</u>	<u>2019</u>	<u>Inc (dec)</u>	<u>Inc (dec)</u>
Operating revenues	\$1,551,877	\$ 1,206,737	\$ 345,140	29%
Operating expenses	<u>1,630,399</u>	<u>1,805,938</u>	<u>175,539</u>	(10%)
Net income (loss)	<u>(\$78,522)</u>	<u>\$ (599,201)</u>	<u>\$ (520,679)</u>	(87%)

## Budget

PTA operates on an annual budget from revenues generated on road construction projects, equipment rentals, and sale of coral and reinforced concrete pipes. Receipts and disbursements are accounted for by the Pohnpei State Department of Treasury and Administration. Appropriations require that funds be administered in accordance with the provisions of the State's Financial Management Act. The enabling legislation provides PTA the power to expend revenues generated from its projects.

## Financial Contact

This financial report is designed to provide all interested users with a general overview of the PTA's finances. If you have questions about this report or need additional information, please contact the Commissioner, Pohnpei Transportation Authority, P.O. Box 36 Kolonia, Pohnpei FM 96941 or call (691) 320-2377/2148.

## POHNPEI TRANSPORTATION AUTHORITY

### Statement of Net Assets September 30, 2020 (With comparative totals for September 30, 2019)

<u>ASSETS</u>	2020	2019
Current assets:		
Accounts receivable, net (note 2)	\$ 126,854	\$ 126,854
Travel Advances	2,738	4,889
Inventory, at cost	226,482	45,802
Prepaid Expenses	888	-
Advances to Suppliers	-	-
Total Current Assets	\$ 356,962	\$ 177,545
Property and equipment, net (note 3)	2,329,333	2,349,777
TOTAL ASSETS	\$ 2,686,295	\$ 2,527,322
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 241,385	\$ 177,865
Accrued payroll	11,397	673
Accrued vacation leave	8,077	8,077
Deferred revenue	3,174	3,174
Total Current Liabilities	\$ 264,033	\$ 189,790
Non-current Liabilities:		
Due to primary government (note 4)	\$ 1,663,537	\$ 1,680,965
Total Non-Current Liabilities	\$ 1,663,537	\$ 1,680,965
Total Liabilities	\$ 1,927,570	\$ 1,870,755
Contingencies (note 5)	\$ - 0 -	\$ - 0 -
Net Assets:		
Invested in capital assets, net of related debt	\$ 2,329,333	\$ 2,349,777
Unrestricted	(\$ 1,570,608)	(1,693,280)
Total Net Assets (Liabilities)	\$ 758,725	\$ 656,567
TOTAL LIABILITIES AND NET ASSETS	\$ 2,686,295	\$ 2,527,322

See accompanying notes to financial statements.

**POHNPEI TRANSPORTATION AUTHORITY**

Statement of Revenues, Expenses, and Changes in Net Assets  
September 30, 2020

(With comparative totals for September 30, 2019)

	2020	2019
<b>Operating Revenues:</b>		
Construction Services	\$ 1,187,825	\$ 1,096,957
Aggregates & Sand Sales	50,198	39,437
Equipment Rental	49,544	9,445
Other Revenues	264,310	60,898
Total Operating Revenues	<u>\$ 1,551,877</u>	<u>\$ 1,206,737</u>
<b>Operating Expenses:</b>		
Salaries and wages	\$ 758,189	\$ 708,862
Supplies and materials	162,008	321,214
POL	237,529	251,604
Communications	4,600	5,444
Rental Services	114,013	115,723
Depreciation	284,952	344,846
Bad Debts	-0-	-0-
Utilities and water	13,568	9,546
Freight and Port Charges	20,437	23,525
Misc. Goods and Services	2,139	11,514
Travel	2,504	7,440
Repairs and Maintenance	6,201	939
Housing Allowances	7,200	-0-
Representation	6,317	-0-
Non-Cap Furniture and Fixtures	5,717	2,559
Non-Cap Equipment	5,025	2,723
Total Operating Expenses	<u>\$ 1,630,399</u>	<u>\$1,805,938</u>
<b>Operating Income (Loss)</b>	<b>\$ (78,522)</b>	<b>\$ (599,201)</b>
Non-operating revenues (expenses):	- 0 -	- 0 -
Net Income (Loss)	<b>(78,522)</b>	<b>\$ (599,201)</b>
Add: (Less) Adjustment that affect Net Loss	- 0 -	- 0 -
Contributed Capital	180,680	189,325
<b>Net Increase (Decrease) in Net Assets</b>	<b>\$ 102,158</b>	<b>\$ (409,877)</b>
<b>Net Assets (Liabilities), beginning of year</b>	<u><b>656,567</b></u>	<u><b>1,066,444</b></u>
<b>Net Assets (Liabilities), end of year</b>	<u><u><b>\$ 758,725</b></u></u>	<u><u><b>656,567</b></u></u>

See accompanying notes to financial statements.

**POHNPEI TRANSPORTATION AUTHORITY**

Statement of Cash Flows  
September 30, 2020

**Reconciliation of income from operations to net cash provided by operating activities:**

Loss from operations	\$ (78,522)
Adjustments to reconcile income from operations to net cash provided by operating activities:	
Depreciation	284,952
Changes in assets and liabilities:	
Decrease in accounts receivable	-0-
Decrease in Travel Advances	2,151
Increase in Prepaid Expense	(888)
Increase in Inventories	(180,681)
Increase in Advances to Suppliers	-0-
Increase in accounts payable	63,520
Increase in accrued payroll	10,723
Decrease in due to primary government	<u>(17,428)</u>
Sub-total	\$ 83,827
Add: (Less) Adjustment that affect net income	
Increase in liability/Decrease in net assets	180,680
<b>Net cash provided (used) by operations</b>	<b>\$ 264,507</b>
<b>Cash Used for acquisition of property and equipment</b>	<b><u>(\$ 264,507)</u></b>
Contributed Capital	-0-
<b>Cash Provided by Financing Activities</b>	<b><u>\$ -0-</u></b>
Net increase (decrease) in cash and equivalents	\$ - 0 -
Cash and equivalents at beginning of year	<u>- 0 -</u>
Cash and equivalents at end of year	<u><u>\$ - 0 -</u></u>

See accompanying notes to financial statements.

# POHNPEI TRANSPORTATION AUTHORITY

Notes to Financial Statements  
September 30, 2020

## (1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Reporting Entity

Pohnpei Transportation Authority (PTA) was established by 33PC 2-101 and subsequent amendments thereof. The primary purpose of PTA is to promote, develop, and improve transportation facilities and services within Pohnpei. The services include the construction of circumferential roads for the island, secondary farm roads for the municipal governments and performance of other construction maintenance on a user charge basis.

The affairs of PTA are governed by a seven-member Board, consisting of representatives of the Pohnpei State Government appointed by the Governor to four-year terms. Daily operation of PTA is delegated to a Commissioner, who is appointed by the Governor and serves at the pleasure of the Board.

PTA is a component unit of the Pohnpei State Government. The financial statements in this report do not represent the financial position, results of operations or cash flows of the State of Pohnpei as a whole.

### B. Basis of Accounting

The financial statements of PTA have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governmental units. Governmental Accounting Standards Board (GASB) Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting", requires that proprietary activities apply all applicable GASB pronouncements as well as Statements and Interpretations issued by the Financial Accounting Standards Board (FASB), Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989.

The accounts of PTA are organized as a proprietary fund - component unit of the Pohnpei State Government. Proprietary funds are used by governmental units to account for operations that are financed and operated in a manner similar to private business enterprises.

Basis of accounting refers to the time when revenues and expenses are recorded in the accounts and reported in the financial statements. PTA utilizes the accrual basis of accounting which means that revenues are recorded when earned and expenses are recorded when the related liabilities are incurred, regardless whether cash is received or payment is made.

## POHNPEI TRANSPORTATION AUTHORITY

Notes to Financial Statements  
September 30, 2020

PTA has adopted GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments". GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following net asset categories:

### Net Assets

Net assets represent the residual interest in the assets after liabilities are deducted and consist of three sections: invested in capital assets, net of related debt; restricted; and unrestricted.

- Invested in capital assets, net of related debt:

Capital assets, net of accumulated depreciation and reduced by outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

- Restricted:

Net assets constrained to a particular purpose by enabling legislation or imposed by third parties. PTA has no restricted assets.

- Unrestricted:

Net assets that are neither subject to externally imposed stipulations nor invested in capital assets.

### C. Budget

PTA operates on an annual budget from revenues generated by projects, which are accounted for by the Pohnpei State Department of Treasury and Administration. Appropriation acts require that funds be administered in accordance with the provisions of the State's Financial Management Act. The enabling legislation does provide PTA the power to expend revenues generated by projects maintained by PTA pursuant to 33PC 2-103. Such expenditures must, however, be in accordance with the provisions of the Financial Management Act and other applicable laws and regulations.

### D. Inventory

Inventory is stated at the lower of cost or market using the first-in, first-out (FIFO) costing method.

# POHNPEI TRANSPORTATION AUTHORITY

Notes to Financial Statements  
September 30, 2020

## E. Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is based on the straight-line method over the estimated useful lives of the respective assets, which range from two to fifteen years depending on the nature of the asset.

## F. Compensated Absences

Vested or accumulated vacation leave is recorded as an expense and liability as the benefit accrues to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. The related sick pay expense is recorded when the benefit is actually taken.

## G. Capital Contributions

Capital contributions represent amounts received from primary government for purchasing capital assets or capital assets donated by governments.

## H. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## I. Risk Management

PTA does not purchase commercial insurance covering its potential risks. There is no material loss sustained as a result of this practice.

## J. New Accounting Standards

During the Fiscal Year ended September 30, 2018, PTA implemented the following pronouncements:

- GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, which amends Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and addresses issues related to the frequency and timing of measurements for actuarial valuations first used to report funded status information in OPEB plan financial statements. The implementation of this pronouncement did not have a material effect on the accompanying financial statements.

## POHNPEI TRANSPORTATION AUTHORITY

### Notes to Financial Statements

September 30, 2020

- GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions* (an amendment of GASB Statement No. 53), which will improve financial reporting by state and local governments by clarifying the circumstances in which hedge accounting continues to be applied when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of this pronouncement did not have a material effect on the accompanying financial statements.

In December 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. The provisions of this statement are effective for periods beginning after December 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of PTA.

In December 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*, which is designed to improve financial reporting for governmental entities by amending the requirements of Statement No. 14, *The Financial Reporting Entity*, and No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, to better meet user needs and address reporting entity issues that have come to light since those Statements were issued in 1991 and 1999, respectively. The provisions of this statement are effective for periods beginning after June 15, 2012. Management does not believe that the implementation of this statement will have a material effect on the financial statements of PTA.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements. The provisions of this statement are effective for periods beginning after December 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of PTA.

In July 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, which establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The provisions of this statement are effective for periods beginning after December 15, 2011. Management has not yet determined the effect of implementation of this statement on the financial statements of PTA.

## POHNPEI TRANSPORTATION AUTHORITY

### Notes to Financial Statements

September 30, 2020

In April 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The provisions of this statement are effective for periods beginning after December 15, 2012.

Management has not yet determined the effect of implementation of this statement on the financial statements of PTA.

In April 2012, GASB issued Statement No. 66, *Technical Corrections- 2012*, which enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The provisions of this statement are effective for periods beginning after December 15, 2012. Management has not yet determined the effect of implementation of this statement on the financial statements of PTA.

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans*, which revises existing guidance for financial reports of most pension plans, and Statement No. 68, *Accounting and Financial Reporting for Pensions*, which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The provisions in Statement 67 are effective for financial statements for periods beginning after June 15, 2013. The provisions in Statement 68 are effective for fiscal years beginning after June 15, 2014. Management has not yet determined the effect of implementation of these statements on the financial statements of PTA.

In March 2016, GASB issued Statement No. 82, *Pension Issues—An Amendment of GASB Statements No. 67, No. 68, and No. 73*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The provisions in Statement 82 are effective for financial statements for periods beginning after June 15, 2016 except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The requirements of this Statement will improve financial reporting by enhancing consistency in the application of financial reporting requirements to certain pension issues. Management has not yet determined the effect of implementation of these statements on the financial statements of PTA.

**POHNPEI TRANSPORTATION AUTHORITY**

Notes to Financial Statements  
September 30, 2020

(2) ACCOUNTS RECEIVABLE

Accounts Receivable represents amounts owed by the State of Pohnpei related to restoration of roads and culverts during the “emergency period” declared by the Governor per Emergency Declaration 18-02.

(3) PROPERTY AND EQUIPMENT

A summary of the PTA’s property and equipment at September 30, 2020 follows:

	Estimated Useful Life	Balance October 1, 2019	Additions/Adj.	Deletions/Adj.	Balance September 30, 2020
Building	15 years	\$ 70,000	\$ -	\$ -	\$ 70,000
Heavy equipment	5-10 years	3,204,689	182,777	-	3,387,466
Vehicles	5 years	105,178	52,095	-	157,273
Furniture and fixtures	3 years	20,595	4,000	-	24,595
Machinery and tools	2 years	18,098	25,636	-	43,734
		<u>\$ 3,418,560</u>	<u>\$ 264,508</u>	<u>\$ -</u>	<u>\$ 3,683,068</u>
Less accumulated depreciation		<u>(1,068,783)</u>	<u>(284,952)</u>	<u>-</u>	<u>(1,353,735)</u>
Property and equipment, net		<u>\$ 2,349,777</u>	<u>\$ (20,444)</u>	<u>\$ -</u>	<u>\$ 2,329,333</u>

(4) DUE TO PRIMARY GOVERNMENT

The amount represents accumulated advances made by the Pohnpei State to fund PTA’s operations. Changes in the account are shown below:

Balance as of October 1, 2019	\$ 1,680,965
Increase (decrease) in the account as reflected in	
Cash Flow Statement	<u>(17,428)</u>
Balance as of September 30, 2020	<u>\$ 1,663,537</u>

These advances are facilitated by the use of a ‘pooled’ cash account at the Pohnpei State’s general fund. Cash pooling is a practice whereby for practical purposes, cash is maintained in a single bank account.

(5) CONTINGENCIES

Pohnpei Transportation Authority is a party to six legal proceedings. The Office of the Attorney General provides general legal assistance to the Authority. In addition to the assistance provided to PTA, a substantial amount of time is also spent on civil cases in litigation at the Pohnpei State Supreme Court and the FSM National Supreme Court.

## POHNPEI TRANSPORTATION AUTHORITY

Notes to Financial Statements  
September 30, 2020

(6) GOING CONCERN

PTA has incurred significant amount of losses from operations during the fiscal year. The balance of the due to primary government by the end of fiscal year 2020 was \$1,663,537.

The Authority was able to improve its net assets this year but was unable to generate sufficient revenues for operations. Management plan to secure more projects to generate revenues and to control operation expenses in order to prevent operating loss and be able to pay for its non-current liabilities.

Due to the Financial provision of Compact of Free Association coming to end, FSM might be selective on projects which will affect the revenue generating income of PTA.

**POHNPEI TRANSPORTATION AUTHORITY**

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**INDEPENDENT AUDITOR'S REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE BASED UPON THE AUDIT  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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**YEAR ENDED SEPTEMBER 30, 2020**



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

**P.O. BOX 370**

**KOLONIA, POHNPEI STATE, FM 96941**

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**WEBSITE: [www.opapni.fm](http://www.opapni.fm) E-MAIL: [opsa\\_psa@mail.fm](mailto:opsa_psa@mail.fm)**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE BASED UPON THE AUDIT IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

Mr. Midion G. Neth  
Chairman  
Board of Directors  
Pohnpei Transportation Authority  
Kolonia, Pohnpei State, FM 96941

We have audited the financial statements of Pohnpei Transportation Authority (PTA), as of and for the year ended September 30, 2020, and have issued our report thereon dated May 28, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered PTA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect PTA's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Recommendations as finding numbers 20-001, 20-002 and 20-004 on pages 18 to 23.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable conditions described above are material weaknesses.

## Compliance

As part of obtaining reasonable assurance about whether PTA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

The results of our tests disclosed material instances of noncompliance that we are reporting to the management in the accompanying Schedule of Findings and Recommendations in finding numbers 20-003 and 20-005 on pages 21 to 25.

This report is intended for the information of the Board of Directors and management of the Pohnpei Transportation Authority, State of Pohnpei, federal awarding agencies, pass-through entities, the cognizant audit and other federal agencies, and is not intended to be, and should not be, used by anyone other than those specified parties.

Sincerely,



Ihlen K. Joseph  
State Public Auditor  
May 28, 2021

## POHNPEI TRANSPORTATION AUTHORITY

Schedule of Findings and Recommendations  
Fiscal Year Ended September 30, 2020

### **Finding No. 20-001 Lack of Proper Oversight Resulted in Waste of Fund.**

#### Criteria:

As part of its oversight responsibility, the Board must ensure that the Pohnpei Transportation Authority management exercise prudence and good governance in its dealings and over its operation.

#### Condition:

We found instances indicative of irresponsible leadership and management, as follows:

- 1) The Authority entered into an agreement with a local business to rent a generator for use in its operation. For this arrangement and dealing, Pohnpei Transportation Authority has already paid a total of \$62,900 for the rental of the generator and still owes \$148,000 at September 30, 2020. Similar generator can be purchased online for \$42,000.
- 2) The PTA Accountant, who is not an FSM citizen was hired locally in April 2019. For FY 2020, the Board discussed salary increase for all employees including the Accountant and a change of his employment status to non-resident worker. Management went ahead and included a \$600 a month housing allowance in the employee's contract only based on discussion of the Board during the November 22, 2019 board meeting. The employee already has a dwelling and not in need of housing. We could not find evidence that the Board actually approved the change of the employee's status to a "non-resident worker" making him eligible for housing and other benefits/entitlements. Still, the employee is currently receiving such benefits.
- 3) The Authority spent \$2,500 for rental of a space to hold its FY 2020 Christmas party in addition to the costs of food at \$22 per head for 250 persons. In FY 2019, the authority has less than 100 employees.

#### Cause:

The condition happened due to poor and reckless management and absence of proper and responsible oversight. Decisions were made and actions taken without proper planning, analyzing and considering potential consequences. Obviously, Board is not monitoring the financial status of PTA.

#### Effect:

Questionable dealings, wasteful spending, unnecessary cost and increased payables resulted from the condition. The value of services received (to be received) may not equivalent to the amount of money already paid (still to be paid) by PTA.

**Finding No. 20-001 Lack of Proper Oversight Resulted in a Waste of Fund, continued**

Recommendation:

We recommend that the Board of Directors and management should exercise good governance to minimize potential risks for PTA including waste and lose of its funds due to error, corruption or fraud. The Board should obtain adequate knowledge of the Authority's operation to enable it to make informed decision and carry out proper oversight and monitoring of operation and management.

**Auditee Response and Corrective Action Plan:** Please refer to Exhibit I on pages 27 to 30 of this report.

**Auditor's Response:** Except for item No. 03, Board and management response did not address auditor's recommendation or how they will restore good governance in PTA's operation.

1. Settling \$100,000 of rental cost and obtaining ownership of the generator would certainly eliminate PTA's obligation but it does not resolve Board's lack of oversight and management recklessness. It is not prudent management decision to pay more than \$100,000 for the rental and eventual purchase of the generator when it could have been purchased for about \$42,000.

2. Board's consideration was sought to increase the Accountant salary of about \$1,500. Yet, for some reason management did not seek Board's approval for providing the employee with repatriation (paying for his ticket home plus household effects and applicable per diem) and housing allowance of about \$10,000 in total and were not part of his original contract. This not only shows management deliberate withholding of information from the Board indicating lack of transparency but it also shows unwise decision that would cost PTA extra \$10,000.

Therefore, the finding remains.

**Finding No. 20-002 Deficient Internal Controls Resulted to Non-compliance and Possible Wrongdoing.**

Criteria:

A sound system of internal control should comprise of control activities capable of ensuring applicable laws, regulations and rules are complied with and that irregularities are prevented or detected and corrected timely.

Condition:

Our review revealed that the Authority disregarded and circumvented the control activities in the processing of transactions and servicing of customers. We found the following:

- 1) Job Orders were prepared months after PTA has delivered goods and/or services to customers.

**Finding No. 20-002 Deficient Internal Controls Resulted to Non-compliance and Possible Wrongdoing continued**

- 2) Instances where customers were charged service rate different from the approved PTA rates. The Acting Commissioner applied the different service rate without documented justification.
- 3) An employee's travel claim voucher was submitted three months after the office travel was completed. The voucher did not include a trip report as required from all government travelers. However, it included a claim for car rental that did not look genuine. For instance, the rental agreement was dated before the employee's actual trip and the renter's name, address and contact number were only hand written. The form is similar to one of the local car rental's rental agreement.
- 4) Instances where disbursements were not supported with original invoice.

Similar condition has been cited repeatedly in the prior audits of PTA.

Cause:

The condition keeps reoccurring because PTA Board's disinterest and inability to direct management to improve and consistently implement good internal control activities. Good internal control is not a priority of management and the Board.

Effect:

The condition resulted in non-compliance with the Financial Management Regulations, waste of more than \$100,000 and possible wrongdoing. The condition will continue to hinder the effective maintenance of good internal control system.

Recommendation:

We recommend that the PTA Board should step up in its oversight responsibility and direct management to improve and implement control activities consistently to minimize risks of irregularities and to ensure requirement of laws, regulations and rules are observed and complied with. We also recommend management should make sure employees are aware and are well versed of the State regulations and PTA policies and procedures.

**Auditee Response and Corrective Action Plan:** Please refer to Exhibit I on pages 29 to 30 of this report.

**Auditor's Response:** Management response is just stating "what should be" but did not address how is PTA going to correct the deviant practices or resolved the finding by implementing the auditor's recommendation. The finding remains.

## **Finding No. 20-003 Non-Compliance with PSSR and Employee Contract.**

### Criteria:

The Public Service System Regulations should be followed by the general government, including state agencies and entities without a duly approved personnel policy in place. Employee contract serves as commitments of both employer and employee. It is designed to provide security and protection to both parties and set out their responsibilities and obligations. Number 12 under Terms and Conditions of the State Personal Contract Service provides that "*Contract employees are on negotiated salary and therefore, are not eligible for overtime, standby, night hazardous or any other differential.*" In addition, government entity with no personnel policy should follow PSSR.

### Condition:

Our review of PTA's personnel revealed that out of forty-six (46) samples tested, two (2) employees with resident contracts were receiving overtime and night differential. On the other hand, we found forty-five (45) employee contracts that did not contain a similar disqualification statement in the Terms and Condition.

We also found the following:

- 1) There was no public announcement made to one of the positions currently filled-in.
- 2) Two (2) new employees with less than a month on the job were already availing vacation leaves with pay.
- 3) Fifteen (15) employees had salary increase with only a letter to DOTA explaining the reason for the increase of rates.

### Cause:

The condition happened due to lack of understanding the regulations prescribed in the Public Service System Regulations (PSSR). In addition, PTA has not established and does not have its own policies and procedures governing employees and staff.

### Effect:

The condition resulted to inequitable treatment of employees and could lead to negative consequence, such as favoritism or bias in handling employee benefits. The matter is not in compliance with the PSSR.

### Recommendation:

We recommend that while there is no personnel policy for PTA, management should ensure that the PSSR is duly followed. We also recommend that management should develop personnel policies and procedures for Board's review and approval for use in management and administration of PTA's employees.

**Auditee Response and Corrective Action Plan:** Please refer to Exhibit I on pages 29 to 30 of this report.

**Auditor's Response:** PTA being an enterprise fund of the State Government does not exempt it from applying good practices. The finding remains and we urge management to implement auditor's recommendation.

**Finding No. 20-004 Lack of Proper Accounting and Reconciliation Resulted in Incomplete and Inaccurate Financial Information.**

Criteria:

Timely reconciliation is important to ensure that all accounts and transactions are valid as to amount and purpose; and that, errors and discrepancies whether intentional or unintentional are detected and resolved timely. Reconciliation provides management with updated and accurate financial information needed for good decision making should be documented to verify that review has done and communicated to Pohnpei State Finance.

Condition:

Our review revealed that the Authority's accounting and financial records and reports still show significant deficiencies, even though the Authority has hired a qualified Accountant. We found the following:

- 1) A total amount of \$264,507.48 was not capitalized and included in the Property, Plant and Equipment account as well as the corresponding revenue.
- 2) Depreciation expense was not recorded for depreciable assets;
- 3) Unrecorded project revenue of \$90,830 from the FSM National Government was used to buy fixed assets.
- 4) The 30% deduction from contract service revenues as payment for their advances to State Government was not deducted amounting to \$470,938.20.
- 5) Forty-eight (48) instances of misclassification of accounts;
- 6) Payables amounting to \$96,200 were not properly authorized and recorded, hence were not paid timely.
- 7) Proposed adjusting entry approved by the management in FY 2018 is still unrecorded up to this year affecting the beginning balance of Fund Balance Surplus.

In addition, PTA did not monitor and reconcile its accounting records, financial reports and financial statements, yet it is one of the main reasons the Accountant was hired. Instead, the Accountant waits for and only rely on the Auditor's report and schedule. The Accountant is aware of the unrecorded transactions.

Cause:

The condition happened because the PTA Accountant intentionally not reconciling PTA's records and reports with State Finance although he is aware and know about these misstatements. Instead, he waits for the auditors to find them and provide him with the schedules and recommendations.

**Finding No. 20-004 Lack of Proper Accounting and Reconciliation Resulted in Incomplete and Inaccurate Financial Information, continued.**

Effect:

Unaudited financial schedules and reports submitted to the auditors were misstated. Transactions were not posted in a timely manner affecting the completeness and reliability of Financial Statement as a whole. Tremendous work were exerted by the auditors to find and take up unrecorded transactions, identified misclassified accounts, identified errors due to unreconciled amounts and records of PTA and State Finance which greatly delayed and affected the timing of audit.

Recommendation:

We recommend that the PTA Board and management should direct the Accountant to duly perform his duties and responsibilities. Accounting and reconciliation of the Authority's financial records and reports are not auditor's job. Hence, we also recommend that PTA management must ensure the Accountant perform timely reconciliation of the Financial Statements and related schedules. PTA management should ensure the following are performed timely:

- 1) Monitor the advances from Pohnpei State and make sure necessary adjustments is made to reflect correct balance of their payables to the State.
- 2) Coordinate with State Finance regarding unrecorded transactions and not wait for the audit to find them.

**Auditee Response and Corrective Action Plan:** Please refer to Exhibit I on pages 27 to 30 of this report.

**Auditor's Reply:** Having State Finance doing the recording of PTA's transactions does not release PTA management of its responsibility for the accuracy and reliability of its financial records/reports. PTA must do its own accounting and recording of transactions and regularly reconcile its accounts and financial information with State Finance, pertinent vendors and clients.

Hence, this finding remains and we urge PTA management to implement our recommendation to improve the financial records and reports of the Authority.

**Finding No. 20-005 Unresolved Prior Year's Findings.**

Criteria:

Pursuant to Pohnpei State Law No. 5L-08-00, the Authority is required to submit to the Public Auditor a report on the progress in clearing the deficiencies cited in the audit report until such time that all the deficiencies have been cleared, which period shall not exceed six months.

**Finding No. 20-005 Unresolved Prior Year's Findings, continued**

Condition:

The table below shows the status of prior year's recommendations:

Audit Findings	Implementation Status	Auditor's Remarks
<p><b>Finding No. 14-001 Inventory control system and record keeping needs improvement</b></p> <p>Key staffs assigned to maintain inventory records must be properly trained. Ensure that reports prepared by staffs are reviewed by supervisors.</p>	<p>Management still has not improve the inventory control system, Filing system has improved and records were properly maintained for contracts (both project and employee) , Job Order, Pro-Forma Invoices, Receipts.</p>	<p>The new Commissioner should direct PTA employees to work together to improve the inventory control system and the related documentation.</p>
<p><b>Finding 17-003 Non-Compliance of Pohnpei Law</b></p> <p>Commissioner should not allow PTA employees to use the newly acquired vehicles until such time that a legally obtained plate number is attached to the vehicles.</p>	<p>PTA still continue to do this.</p>	<p>Management immediate attention is required to resolve this at the earliest time.</p>
<p><b>Finding No. 18-001 Control Weaknesses in the Management and Accounting System</b></p> <ol style="list-style-type: none"> <li>1) Establish policies and procedures for Accounts Receivable and Accounts Payable.</li> <li>2) Prepare aging of Accounts Receivable.</li> <li>3) Monthly reconciliation of Accounts Payable</li> </ol>	<p>Accounts Payable monitoring and reconciliation needs to improve.</p>	<p>The new Accountant did establish procedures on how to update PTA's Accounts Receivable and Accounts Payable.</p>
<p><b>Finding No. 18-004 Not complying with FMR</b></p> <p>PTA employees regardless of position should adhere to the regulations.</p>	<p>PTA still continues disregard rules and regulation required by FMR.</p>	<p>Management immediate attention is required to ensure full compliance soon.</p>
<p><b>Finding No. 19-002 Management and Internal Control Weaknesses Resulted in Serious Irregularities</b></p> <p>Management should strengthen and improve PTA's overall system of internal control.</p>	<p>Errors and discrepancies still continue to exist.</p>	<p>PTA to coordinate with State Finance regarding unrecorded transactions</p>
<p><b>Finding No. 19- 004 Non-Compliance to PTA by laws</b></p> <p>Appropriate person should be appointed to be responsible to properly record and maintain all minutes of Board Meeting.</p>	<p>Authority has not improve the recording of their Board minutes of meeting.</p>	<p>Management to ensure that all meetings are properly recorded.</p>

Cause:

PTA management failed to develop and implement corrective measures necessary to resolve prior years' audit findings and the associated recommendations timely.

Effect:

- 1) Non-compliance to audit legal framework requiring auditees to report monthly to the State Auditor regarding status of prior year's audit findings until such time that all deficiencies have been cleared, which period shall not exceed six (6) months.

**Finding No. 20-005 Unresolved Prior Year's Findings, continued**

- 2) Non-timely resolution of prior years' audit findings hampers and weakens PTA's internal control system, as reflected in this year's audit. The FY-20 audit disclosed or revealed numerous non-compliances to laws, rules and regulations by PTA management and employees as a whole.

Recommendation:

We recommend:

- 1) The PTA Board of Directors to direct the Commissioner to develop and implement appropriate measures necessary to resolve all prior years' outstanding audit findings.
- 2) The Commissioner to work closely with responsible employees to ensure that the project to resolve prior years' "outstanding audit findings" starts and completed at the earliest time possible.
- 3) The Commissioner to implement and keep the State Auditor current and updated on the audit resolution project progress as required by law.

**Auditee Response and Corrective Action Plan:** Please refer to Exhibit I on pages 27 to 30 of this report.

**Auditor's Reply to Auditee's response dated June 28, 2021:** Findings will remain until the auditors verify in the audit follow-up.

**POHNPEI TRANSPORTATION AUTHORITY**

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**AUDITEE RESPONSE (EXHIBIT I)**

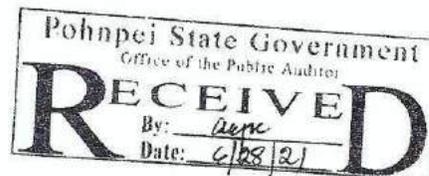
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**YEAR ENDED SEPTEMBER 30, 2020**



POHNPEI TRANSPORTATION AUTHORITY  
POHNPEI STATE GOVERNMENT  
P.O. Box 36, Kolonia, Pohnpei, FSM 96941  
Tel. Nos.: (691) 320-2377/ 2148      email: pta@mail.fm

June 28, 2021



Mr. Ihlen K. Joseph *IKJ*  
State Auditor  
Pohnpei Office of the Public Auditor  
Kolonia, Pohnpei, FM 96941

Maing State Auditor Joseph:

I am pleased to transmit to you the PTA's reply to the Schedules of Findings and Recommendations for the Fiscal Year Ended September 30, 2020.

Thank you very much.

With best regards.

Sincerely,

Mr. Midion G. Neth  
Chairman  
PTA Board of Directors

Enclosure

Cc: Director, DoT&A  
Commissioner, PTA  
Board of Directors, PTA

**Finding No. 20-001 Lack of Proper Oversight Resulted in Waste of Fund**

01. Generator Rental- Resolved: The owner of the Generator has transferred the ownership of the generator to PTA, after paying the final settlement amounting to \$100,000.
02. PTA Accountant- Resolved: Instead of hiring the accountant from his point of origin, the previous PTA Management had decided to pay \$1,005 for changing his status from Dependent to Employment due to the desperate need to hire a qualified Accountant/CPA. His Employment Contract was amended from Resident Employee to Out of State Employee, therefore eligible for \$600 Housing Allowance benefit. See attached Cash Receipt.
03. Space Rental – Resolved: PTA will not request nor approve payments for any kind of parties held outside PTA premises.
04. Board Meeting- Resolved: PTA is routinely holding a PTA Board Meeting first week of each month. A new PTA Board room is also available for such purpose.

**Finding No. 20-002 Deficient Internal Controls Resulted to Non-compliance and Possible Wrongdoing**

01. Job Order- Resolved: Job Orders will be prepared after the customers present their Cash Receipts as proof of payments. All Job Orders must be signed by the Commissioner before rendering services to the PTA valued customers.
02. Different Rates- Resolved: The Acting Commissioner was acting on his own discretion. He is no longer employed by PTA. The PTA Management has approved a new Price List for FY 2020-2021.
03. Travel Advances- Resolved: The PTA former employee deliberately disregarded to liquidate the Travel Advances. Travel Advances must be liquidated immediately after the trip has been made. Failure to do so will be dealt with accordingly.
04. Disbursements- Resolved: GAAP clearly states that all accounting transactions, specifically disbursements must be supported with a valid and verifiable original document. Strict adherence must be complied with before approval.

**Finding No. 20-003 Non-Compliance with PSSR and Employee Contract**

- 01 – 03 PTA is a Public Corporation. The PTA Management is seeking a legal opinion concerning compliance with PSSR and compliance with PTA Corporate Rules and Regulations.

**Finding No. 20-004 Lack of Accounting Reconciliation Resulted in Incomplete and Inaccurate Financial Information**

Recording of all PTA business transactions are being done at Pohnpei State Finance (PSF). The PTA Accountant believes he has no official capacity to enforce PSF staffs to do journal entries. He may recommend journal entries to correct posting errors, to record unrecorded valid transactions, etc., but ultimately it will be the discretion of the PSF staffs to take action. The PTA Accountant has no authority or direct participation in the daily recording process being done at PSF.

**Finding No. 20-004 Unresolved Prior Year's Findings:****Finding No. 14-001 Inventory control system and record keeping**

Resolved: PTA has recently hired a Procurement Officer to oversee the Inventory of Supplies. He will be in charge of requesting and recording of materials received and issued, and maintaining the database of supplies. PTA Supplies and Services Request form must be signed by the Commissioner for approval before issuances of supplies for PTA operations. In case of purchases, a proforma invoice must be attached to the form. The Procurement Officer's on the job training is ongoing currently

A PTA Fuel Truck Driver is in charge of issuing gasoline and diesel. Issuances must be supported with a POL Issue Slip form duly approved and signed by the Commissioner.

**Finding No. 17-003 Non-Compliance of Pohnpei Law**

Resolved: A PTA employee was designated as the PTA Safety Officer. He will oversee the overall safety conditions of all PTA employees, and that includes supervising the registration and usage of all PTA service vehicles. Only PTA employees holding a valid government license are allowed to operate PTA service vehicles.

**Finding No. 18-001 Control Weaknesses in the Management and Accounting System.**

Resolved: As pointed out earlier, The PTA Accountant has no authority or direct participation in the daily recording process being done at PSF. However, after the FY' 2020 Audit Exit Conference, the progress of this relevant issues will be put together with the participation of the PTA Accountant, POPA Senior Staffs, and with the cooperation of the PSF Senior staffs.

**Finding No. 18-004 Not complying with FMR**

Resolved: All required original documents must be attached to the Requisition or Request for Payment duly approved and signed by the Commissioner before forwarding the documents to the PSF Certification Office.

**Finding No. 19-002 Management and Internal Control Weaknesses Resulted in Serious Irregularities**

Resolved: As pointed out earlier, The PTA Accountant has no authority or direct participation in the daily recording process being done at PSF. However, after the FY' 2020 Audit Exit Conference, the progress of this relevant issue will be put together with the participation of the PTA Accountant, POPA Senior Staffs, and with cooperation of the PSF Senior staffs.

**Finding No. 19-004 Non-Compliance to PTA bylaws**

Resolved: PTA's new Secretary was assigned to keep the files of the PTA Board Meeting Minutes in order and updated.

**Finding No. 20-005 Unresolved Prior Year's Findings:**

Resolved: The new PTA Board of Directors and the Commissioner, are routinely holding a Board Meeting first week of month, and even holding Special Meetings to resolve concerns or issues immediately. They are actively engaged in the deliberations of past, present and the future of the PTA operations. Under the new PTA Administration, the first PTA Board Meeting took place last October 22, 2020.

The status of All unresolved Prior Years Findings will be reported regularly to the POPA Senior Staffs, and to be concluded immediately.

\*\*\*End\*\*\*



### IMPORTANT MESSAGE

We actively solicit and welcome allegations of any insufficient and wasteful practices, fraud and abuse of Pohnpei State Government public resources. Fraud, waste and abuse in government should be concern of everyone in Pohnpei. You can report allegations of fraud and abuse by contacting us at address below:

Office of the Public Auditor  
P.O. Box 370  
Kolonia, Pohnpei State, FM 96941  
Phone (691) 320-2638  
Hotline: (691) 320-8497 - (24/7)  
E-mail: [opsa\\_psa@mail.fm](mailto:opsa_psa@mail.fm)  
Website: [www.opapni.fm](http://www.opapni.fm)

### MEHN KAPESEH KESEMPWAL

Pwukoa en tetehk, apwapwalih oh doadoahki mwohni oh dipwisou en kopwerment en wein Pohnpei sapwelimatail karos (tohn doadoahk en kopworment, Ohpis en Public Auditor oh aramas karos en Pohnpei). Komw kak repwohtki omwi iren kapwunod kan me pid sou itar en apwalih mwohni, dipwsou de awahn doadoahk en kopworment en Pohnpei ni ahnsou karos ong ni:

Ohpis en Public Auditor  
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