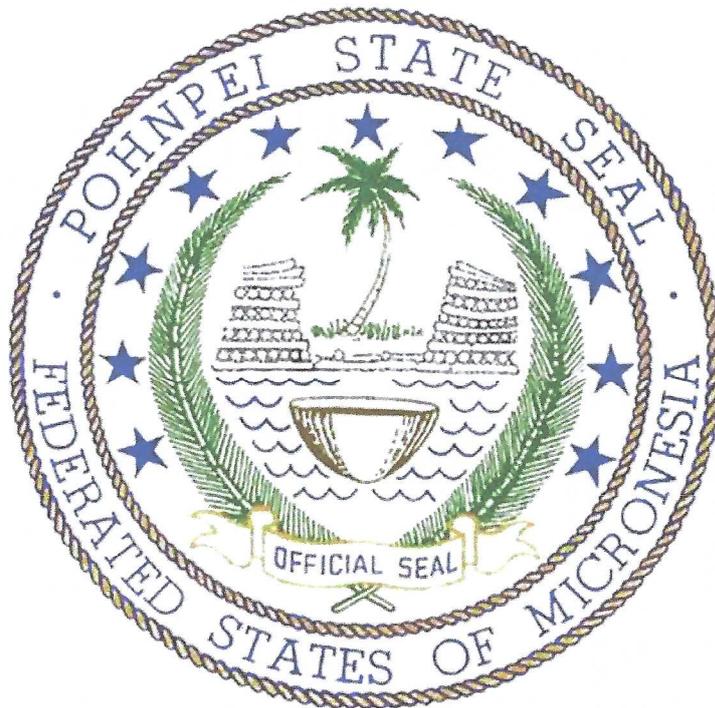


***OFFICE OF THE PUBLIC AUDITOR
POHNPEI STATE GOVERNMENT***

**COMPLIANCE AUDIT OF PPBC PROJECT
“Improving Emergency Disaster, Public
Announcements, Communication System, and Energy
Production”**

For the Period July 28, 2021 – September 30, 2023

AUDIT REPORT NO. 002-25



State Public Auditor
P.O. Box 1684
Kolonia, Pohnpei, FM 96941

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**POHNPEI STATE GOVERNMENT
POHNPEI PUBLIC BROADCASTING CORPORATION (PPBC)
For the Period July 28, 2021 – September 30, 2023**

AUDIT REPORT NO. 002-25

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April 28, 2025

The Honorable Stevenson A. Joseph, Governor, State of Pohnpei
The Honorable Marvin T. Yamaguchi, Speaker, 11th Pohnpei Legislature
Honorable Members of 11th Pohnpei Legislature
Board of Directors, PPBC
Mr. Peterson Sam, Commissioner

RE: Compliance Audit Report No. 002-25 The Project to Improving Emergency Disaster, Public Announcements, Communication System, and Energy Production

EXECUTIVE SUMMARY

We are pleased to submit our compliance audit report of the “Project to Improving Emergency Disaster, Public Announcements, Communication System, and Energy Production” (the Project) for the Pohnpei Public Broadcasting Corporation (PPBC), Pohnpei State Government. The Project was financed through the Technical Assistant Program Grants under the Office of Insular Affairs, U. S Department of Interior. The audit was performed pursuant to Pohnpei State Law No. 1L-10-79, as amended, and a request through the Office of the Governor, Pohnpei State.

Objective, Scope and Methodologies

The objective of the audit was to determine whether PPBC expended the fund in accordance with the grant agreement and applicable laws and regulations of Pohnpei State. Our audit was limited to the review of the US grant received for “Improving Emergency Disaster, Public Announcements, Communication System, and Energy Production” awarded to PPBC for the period July 28, 2021 to September 30, 2023.

To achieve our audit objective, we reviewed relevant provisions of laws and regulations, conducted interviews, analyzed and compared expenditures with relevant compliance provisions, reviewed reports and other documentation, verified and inspected the equipment and took pictures. Our audit was conducted in accordance with the generally accepted government auditing standards 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 sufficient, appropriate and relevant evidence to provide reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides reasonable basis for our findings and conclusions based on our audit objectives.

Results of Our Audit

We found that a payment of \$119,494.40 issued on April 4, 2022, was for an equipment (AM transmitter) that is still not received as of the date of our report. Also, certain documentation of the grant and information regarding the vendor were not readily available for review during our fieldwork. Moreover, we noted long delays of purchases and observed other matters of concern¹ yet PPBC did not take appropriate action early on.

Even so, the Governor's Office of Overseas Development Assistance (ODA), the PPBC Board of Directors and/or the Department of Treasury and Administration did not intervene early² before more serious issues developed. Due to lack of timely remedial action, in addition to insufficient management and failure of oversight monitoring, the government now is facing the risk of losing over \$119,000. Even more concerning, PPBC did not expend the whole grant in accordance with applicable laws, regulations and/or the grant agreement and its credibility in securing and managing future grant funds may be affected.

Our Conclusion and Recommendation

The situation underscores the importance of timely monitoring, clear procurement procedures, and prompt follow-up on outstanding deliverables. Management of PPBC, ODA and DOTA all failed to ensure the proper accountability, use and management of the grant. The unresolved status of the AM transmitter, coupled with unreliable vendor, prolonged procurement timelines, lax oversight monitoring and inconsistencies in payment records, points to a need for immediate corrective action.

Therefore, to safeguard public funds and restore confidence in Pohnpei State grant management practices, DOTA, ODA, Commissioner and PPBC Board of Directors should implement stronger internal controls, (especially on monitoring on/off island purchases and vendors), and effective oversight methods.

¹ Matters of concerns are under investigation and so we did not specify

² Intervene early includes but not limited to timely requesting inquiries into the delay and the background of the vendor, conduct administrative or management investigation or probe, request for audit, inspection, investigation or other legal action

Management must also pursue resolution with the vendor, and enhance accountability measures moving forward.

Other Significant Matters

The audit finding and other issues have been referred and are under investigation by POPA's Compliance Investigation Division.

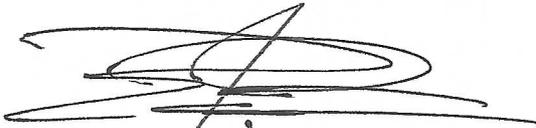
As is customary, we have discussed the draft audit report with PPBC management, ODA and DOTA representatives and have requested for their responses to our findings and recommendations. The responses from ODA and PPBC are in Appendix C, pages 8-12 of this report. In addition, the auditor's replies to their responses are also included in this report as Appendix D, on pages 13 to 17.

The Pohnpei State Law No. 5L-08-00 as amended, requires the auditee to prepare and submit monthly report to the Public Auditor indicating corrective measures already taken or will be shortly implemented to clear the deficiencies cited in the report until the findings are satisfactorily resolved, which period shall not exceed one year. Accordingly, the first progress report from the PPBC should be due around June 1, 2025.

In closing, we extend our sincere appreciation to the management and personnel of PPBC, ODA and DOTA for their assistance extended to us during our review.

With warm regards, I remain.

Respectfully,



Erick Paul
Public Auditor
Pohnpei State

Pohnpei Public Broadcasting Corporation
Compliance Audit on the Project for “Improving and Enhancing the Emergency/ Disaster Public
Announcements, Communication Systems, and Energy Production”
August 2021 to September 2023

The Pohnpei Office of the Public Auditor has completed a compliance audit on the Project for “Improving Emergency Disaster Public Announcements, Communication Systems, and Energy Production” (the Project). The audit was requested by the Commissioner of Pohnpei Public Broadcasting Corporation and the Office of Overseas Development Assistance. This report, number 002 -25, presents the results of our review.

Background

The Pohnpei Public Broadcasting Corporation (PPBC) provides audio and visual broadcasting services to the people and residents of Pohnpei through public owned stations and studios, broadcasting information, news, and educational, cultural, and entertaining programs. In line with its mandate, the PPBC requested for financial assistance from the United States Government through the Office of Governor, Pohnpei State.

The request was granted and \$237,444 was made available to PPBC exclusively for the purpose of “Improving Emergency Disaster Public Announcements, Communication Systems, and Energy Production”. Refer to summary of disbursements in Appendix A on pages 4 – 5 of this report. To improve its communication systems and public announcements, the Pohnpei Public Broadcasting Corporation used the grant to purchase equipment as pictured in Appendix B on pages 6 -7 of this report.

Objective, Scope and Methodologies

The objective of the audit was to determine whether PPBC expended the grant fund in accordance with the grant agreement and applicable laws and regulations of Pohnpei State. Our audit was limited to the review of \$237,444 US grant received for “Improving Emergency Disaster, Public Announcements, Communication System, and Energy Production.” Our audit scope covered the terms and the period of the grant. To achieve our audit objective, we performed the following procedures:

1. Reviewed relevant laws, regulations and grant terms and conditions;
2. Interviewed pertinent government officials and personnel;
3. Performed financial analysis of grant-related expenditures;
4. Compared expenditures with applicable compliance provisions;
5. Verified and took pictures of the equipment acquired; and,

6. Performed additional procedures to ensure comprehensive audit objectives are met.

Our audit was conducted in accordance with the generally accepted government auditing standards (GAGAS) contained in the *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and performed the audit to obtain sufficient, appropriate and relevant evidence to provide reasonable assurance basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides reasonable basis for our findings and conclusions based on our audit objectives.

Our Finding and Observation

As a result of our review and verification, we found that a check in the amount of \$119,494.40 was issued on April 4, 2022, to pay for an AM transmitter for PPBC. As of our fieldwork in February 2025, PPBC has not received the equipment. We have confirmed with State Finance that the check has already been redeemed at the bank.

In addition, we observed that purchases experienced significant delays, as shown in Table 1 below.

Item Purchased	Date of 1st Payment	Date of 2nd or Final Payment	Date of 3rd or Final Payment
Solar panels	4/13/22	11/25/22	—
FM transmitter	6/4/22	10/14/22	11/25/22
Phone system*	2/11/22	6/3/22	—
AM transmitter**	4/4/22	—	—

But in spite of the delays, PPBC did not take appropriate action.

* Amount of check differs from DOTA or PPBC reports by \$570

** Item not yet received as of our fieldwork or report dates

We also noted other matters of concern that were not resolved by PPBC early on prior to this disbursement (Due to on-going investigation, we could not specify these concerns). These circumstances should have prompted the Department of Treasury and Administration, Governor’s Office of Overseas Development Assistance, and/or PPBC Board of Directors to take earlier intervention before more serious issues developed. However, due to delayed action, insufficient management and failure of oversight monitoring, the government now faces high risk of losing over \$119,000 in funds. Even more concerning, PPBC’s credibility in securing and managing future grant funding may be significantly compromised as the grant was not all used in accordance with applicable laws, regulation and the grant agreement.

Our Conclusion:

The situation underscores the importance of timely monitoring, clear procurement procedures, and prompt follow-up on outstanding deliverables. Management of PPBC, ODA and DOTA all failed to ensure the proper accountability, use and management of the grant. The unresolved status of the AM transmitter, coupled with prolonged procurement timelines and inconsistencies in payment records, points to a need for immediate corrective action. The issues if not resolved, could result to Pohnpei State Government losing more than \$119,000 financially and reputation in grant management may be affected negatively.

To safeguard public funds and restore confidence in Pohnpei State grant management practices, DOTA, ODA, Commissioner and PPBC Board of Directors must implement stronger internal controls, especially monitoring and oversight methods, pursue resolution with the vendor, and enhance accountability measures moving forward.

Our Recommendation:

We therefore recommend the following:

- PPBC Commissioner and Board of Directors should take immediate action to recover the \$ 119,494.40 paid for the AM transmitter;
- PPBC management and its Board of Directors must ensure vendors undergo rigorous verification before engagements;
- PPBC Commissioner and Board of Directors should strengthen internal controls to prevent future procurement delays and discrepancies in payment records; and,
- DOTA and ODA to implement timely monitoring and oversight to enhance accountability measures for all grants moving forward.

Management Response:

Please refer to ODA and PPBC responses in Appendix C pages 8 – 12.

Auditor's Reply:

Please refer to our replies to management in Appendix D pages 13 – 17.

Appendix A

Summary of Disbursement

Appendix A:

Summary of Disbursements by Source

Grant Award \$237,444.00

Disbursement (Grant)		
4/13/22	Progress Payment for Solar Panels 1 st – Advance Payment	18,950.00
11/25/22	Progress Payment for Solar Panels 2 nd – Final Payment	18,950.00
6/4/22	Progress Payment for FM Transmitter 1 st – Advance Payment	14,393.07
10/14/22	Progress Payment for FM Transmitter 2 nd – 2 nd Payment	7,196.53
11/25/22	Progress Payment for FM Transmitter 3 rd – Final Payment	7,196.54
02/11/22	Progress Payment for Phone System 1 st – Advance Payment	6,328.00
06/ 30/22	Progress Payment for Phone System 2 nd - Final Payment	1,582.00
Expenditures from Grant		74,596.14
Remaining Balance of the Grant		\$162,847.86

Disbursement (General Fund)		
04/04/22	Progress Payment for AM Transmitter – Advance Payment	119,949.40

Total Disbursements		194,545.54
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Appendix B

Equipment's Pictures

Appendix B:

Equipment Images



Solar Panels : Energy Production



FM Transmitter :Enhancing the emergency or disaster public announcements

The purpose: With this FM transmitter, PPBC will be able to reach all age groups in Pohnpei.



VoIP Phone System: (Communication System)

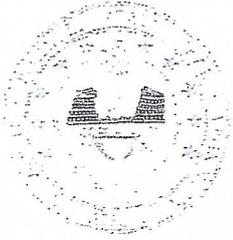
Purpose: the ability to maintain open communication lines, especially in sudden emergency situations. In order to receive emergency communications while communicating internally and externally, and to minimize the incurring costs.

AM Transmitter : Improving & Enhancing the emergency or disaster public announcements (Still pending after 3 years).

The purpose of the equipment: It will help enhance the services of PPBC to reach all households on the main island as well as the outer islands. With the new transmitter in place, all areas on the main island and all outer islands will be able to receive a clear radio signal and be informed of emergency/ disasters announcements.

Appendix C

Management Response



Pohnpei State Government
 Overseas Development Assistance (ODA) Unit
 Office of the Governor

April 14, 2025

The Honorable Erick Paul
 State Public Auditor
 Pohnpei State Government
 Pohnpei FM, 96941

Through: Governor Stevenson A. Joseph

Re: Response to the draft audit report of OIA grant D21AP1017 for V6AH

Kaselehlieh Public Auditor Mr. Paul;

The Overseas Development Assistance (ODA) Unit appreciates the opportunity to review and respond to the draft audit report for grant # **D21AP1017**. We respectfully submit the following clarifications and comments for consideration prior to the finalization of the report.

1. Audit Objectives, Scope, and Methodology

ODA notes that the objectives, scope, and methodology presented in the draft audit report are too broad and do not align with the original intent of the audit request. As stated in our letter dated April 5, 2024 (attached), the purpose of the audit request was to review procurement-related concerns—specifically, the delay in equipment delivery under the referenced grant.

The audit request followed a joint meeting among ODA, V6AH, Governor, and the Attorney General, during which all parties agreed to initiate a formal audit to understand the causes of the delay and for further action. The request was submitted on April 5, 2024, and nearly a year has passed before the issuance of the draft report. Following the submission of the request, DOTA issued an interoffice memorandum dated April 11, 2024, instructing ODA to refrain from taking further action. A copy of the memorandum is attached for reference.

2. Findings and Observations

ODA notes with concern the references in the draft report to “early intervention,” “insufficient management,” and “failure of monitoring.” These terms suggest oversight gaps which, from ODA’s perspective, are not fully supported by the available documentation or the actual circumstances. It remains unclear whether the audit team fully considered ODA’s role as governed by S.L. No. 10L-65-21 when assessing these responsibilities.

Additionally, ODA was not contacted or interviewed by the Auditor's team during the audit process regarding our specific role in this grant management. Had ODA been consulted, we would have provided full access to all relevant documentation, communications, and reports, including those submitted to OIA through the GrantSolutions- a web-based platform used for the management and administration of US federal grants. We are fully prepared to share these materials to ensure comprehensive understanding and transparency.

3. Conclusion and Recommendations

ODA respectfully disagrees with the draft report's conclusion suggesting a failure of accountability or proper management on our part. We are committed to transparency and stand ready to provide all relevant reports, communications, and supporting documents that reflect the actions ODA has taken in fulfilling its grant management responsibilities.

The grantor was informed and remained aware of both the delayed equipment delivery and the pending audit. ODA submitted a no-cost extension request for this grant, which was approved by the Office of Insular Affairs (OIA), extending the grant's period of performance through the end of January 2025 for drawdown purposes.

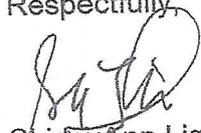
It is important to note that the 119k referenced was not included in the SF-270 drawdown request, and the grant has since expired. Given that the draft findings are broad and do not address the specific concerns outlined in the original audit request, ODA recommends the following:

That the final audit report includes a recommendation for a focused follow-up or investigation specifically addressing the vendor-related procurement delays. That any references to non-compliance or failure on the part of ODA include clear citations of the relevant laws, regulations, or procedures. This will help ensure mutual understanding and support continuous improvement.

Closing Statement

ODA appreciates the efforts of the Auditor's Office and looks forward to continued collaboration to strengthen transparency, accountability, and effective grant management. We remain committed to providing all necessary documentation and assistance to support the completion of this audit.

Respectfully,



ShirleyAnn Ligohr
External Assistance Coordinator
Overseas Development Assistance (ODA) Unit

cc: Commissioner Peterson Sam of V6AH
Director Sihna Lawrence of Treasury & Administration
Attorney General Belsipa Michael- Isom



Pohnpei Public Broadcasting Corporation
P.O. Box 1086, Kolonia, Pohnpei FM 96941
pohnpeiradio@outlook.com
Audio and Visual Broadcasting Services

BOARD OF DIRECTORS

April 18, 2025

CHAIRMAN

HELPER SAMUEL

T.H Eric Paul

VICE CHAIRMAN

PAUL JAMES

Public Auditor

Pohnpei State Government

SECRETARY

STEEGIE ALDIS

Re: Response To Draft Audit Report #002-25

MEMBERS

BARON MENDOLA

VACANT

VACANT

Kaselehlhie maing Public Auditor Paul,

Mwohn meh koaros oh ansou koaros, kaping oh wahu en pato pahn kupwuren
Kauno Koht.

COMMISSIONER

PETERSON SAM

Ahi tungoal wahu pahn kupwuromwi maing Public Auditor.

On behalf of the Chairman Helper Samuel and the members of the Pohnpei Public Broadcasting Corporation (PPBC) Board Of Directors, I thank you and your office for the attached draft audit report #002-25 and for allowing PPBC the opportunity to submit a response.

Although PPBC appreciates the efforts shown in compiling the draft audit report #002-25, the report as a whole is, especially the recommendations, is not what was expected as it is not in line with the audit request.

Objective, Scope and methodologies

Clearly there was a misunderstanding on what was requested. The intent of the audit request was "...to conduct a procurement audit on the awarded grant to V6AH ... [to] help identify the causes of the delay [by the vendor] in the procurement process of the equipment."

PPBC is ready and standing by to provide any and all the information needed for the final audit report.

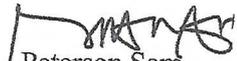
Finding, Observation and Recommendation

If requested, PPBC could have provided all the reports and documentations supporting the fact that PPBC took all appropriate actions, thereby allowing more appropriate recommendations, especially on actions and efforts, that PPBC has not taken or approached.

PPBC is ready and standing by to provide any and all the information needed for the final audit report.

I thank you sincerely for your continued support, assistance, and advice.

Kalahngan oh ni wahu,


Peterson Sam
Commissioner

Cc: Chairman Helper Samuel, PPBC Board
EAC ShirleyAnn Ligohr, ODA
Director Sihna Lawrence, DoTA
Attorney General Belsipa Mikel-Isom, AG Office

Attachments

Appendix D

Auditor's Reply



OFFICE OF THE PUBLIC AUDITOR
POHNPEI STATE GOVERNMENT
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April 28, 2025

Ms. ShirleyAnn Ligohr
External Assistance Coordinator
Overseas Development Assistance (ODA) Unit
Office of the Governor
Kolonia, Pohnpei 96941

Dear Ms. Ligohr,

Thank you for your response on April 14, 2025, regarding our draft audit report no. 002-25 for the US grant aimed at "Improving and Enhancing the Emergency/Disaster Public Announcements, Communication Systems, and Energy Production." Your feedback did not directly address the findings but highlighted perceived issues with our report.

1. Your critique that the audit's "objectives, scope, and methodology" are overly broad and do not align with the original audit intent is noted.

We respectfully disagree with your statement. After thorough consideration, the audit team concluded that a compliance audit and possible investigation by POPA's Compliance Investigative Division were needed. Such an audit ensures adherence to relevant laws, regulations, and grant agreement terms, allowing us to explore factors like administrative lapses leading to delivery delays. Thus, our audit aligned with your concerns but might not reflect your exact "intent."

Furthermore, our audit strategy considers how to best serve all report users, including management, stakeholders, public entities, and granting agencies. We are confident our approach appropriately addressed procurement-related concerns for this grant.

Three years post-disbursement, the focus should be on reclaiming improperly managed funds and ensuring reimbursement to the general fund, rather than critiquing our audit approach.

2. You expressed concern about auditors highlighting oversight failures, such as insufficient management and monitoring, as causes for delayed equipment delivery.

Our findings are substantiated by:

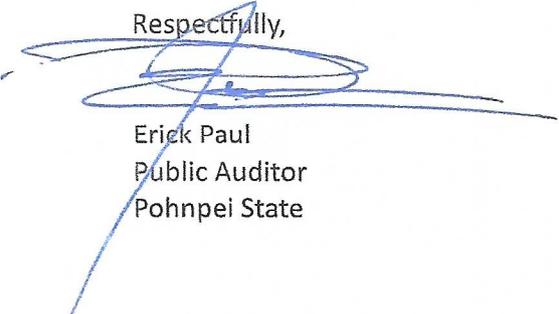
- a. An unresolved \$119,000 payment from April 2022 for undelivered equipment, despite grant conclusion in August 2023. The audit request only arrived in April 2024.
- b. Lack of transparency from ODA, DOTA, and PPBC regarding transactions. No documentation demonstrated efforts to prevent conflicts of interest or verify vendors' legitimacy.
- c. Awareness of delays by ODA, DOTA, and PPBC, yet vendor follow-up occurred a significant 11 months post-payment.

The auditor's observations regarding management oversight deficiencies, such as untimely intervention and inadequate monitoring, are accurate and highlight broader managerial issues.

Our findings and recommendations are aimed at improving grant management practices. Implementing our suggestions could enhance future management efficiency. Despite differing views, we trust our audit team's methodology exceeded expectations in accountability, transparency, and fiscal oversight.

With warm regards, I remain.

Respectfully,



Erick Paul
Public Auditor
Pohnpei State



OFFICE OF THE PUBLIC AUDITOR
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April 28, 2025

Mr. Peterson Sam
Commissioner
Pohnpei Public Broadcasting Corporation
Kolonias, Pohnpei 96941

Dear Commissioner Sam,

We thank you for your response to our draft audit report no. 002-25 on the US grant for “Improving and Enhancing the Emergency/Disaster Public Announcements, Communication Systems, and Energy Production”. In your response you did not address the issues or the deficiencies cited in our report as required by State Law No. 10L-59-21, on how you would resolve the audit findings. But you pointed out matters relating to our report that we want to clarify:

- 1. You said “the report as a whole is, especially the recommendations, is not what was expected as it is not in line with the audit request”.**

For your information, we reviewed the audit request from ODA and determined that a compliance audit of the grant was the most suitable approach to take, as it would cover the concerns in the request. As a result, our audit found managerial lapses that led to the delay of the equipment. It may not be what you expected, but our recommendation addresses the managerial gaps that caused or led to the issue (delay of equipment).

You may recall, we communicated to you in the engagement letter and during the entrance conference our audit objective, scope and methodologies. You did not disagree or oppose to the audit approach presented to you.

- 2. You cited a “misunderstanding” on our part as to the intent of the audit request.**

On the contrary, we understood the “intent” of the request, and we identified the root causes that led to the issue of undelivered equipment.

3. In your response you also mentioned that “if requested, PPBC could have provided all the reports and documentations supporting the fact that PPBC took all appropriate actions, thereby allowing more appropriate recommendations...” and that “PPBC is ready and standing by to provide any and all the information needed for the final audit report”.

The information/records and other documentations related to the grant were requested in our engagement letter and throughout the audit. What we have obtained (or lack thereof) were sufficient evidence for us to conclude that the grant was not all used in accordance with the grant agreement and/or applicable laws and regulations of Pohnpei State.

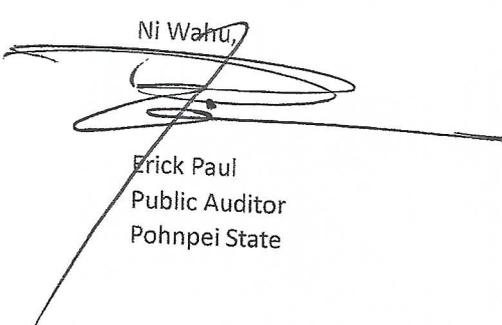
The issues we found during our audit have been referred to our **Compliance Investigation Division** and we are happy “PPBC is ready and standing by to provide any and all the information needed”.

The auditors appropriately cited deficiencies in management oversight, including the lack of timely intervention, inadequate monitoring, and insufficient management as contributing factors to the delayed equipment. We stand by our audit report and would like to remind you of the State Law No. S. L. No. 10L-59-21. The law requires PPBC to respond to our audit report on how to resolve the deficiencies cited and submit subsequent monthly progress reports to our office.

We believe that if our recommendation is implemented, management of the grant (and procurement) could be improved moving forward. Hence, we encourage you to consider implementing our recommendation.

With warm regards, I remain.

Ni Wahu,



Erick Paul
Public Auditor
Pohnpei State