

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

POHNPEI STATE GOVERNMENT

**INSPECTION REPORT ON THE “PROJECT FOR
PROCURRING GARBAGE TRUCKS FOR KOLONIA
TOWN GOVERNMENT”**

MARCH 18, 2021 – MARCH 18, 2022

INSPECTION REPORT NO. IE-001-25



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**INSPECTION REPORT ON THE “PROJECT FOR PROCURING GARBAGE
TRUCKS FOR KOLONIA TOWN GOVERNMENT”
MARCH 18, 2021 – MARCH 18, 2022**

INSPECTION REPORT NO. IE-002-25

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February 10, 2025

The Honorable Kummer S. Biza, Mayor, Kolonia Town Government

RE: Inspection Report No. IE 003-24: Project for Procuring Garbage Trucks for Kolonia Town Government (KTG).

INSPECTION REPORT

We have completed our inspection of the "Project for Procuring Garbage Trucks for Kolonia Town Government". The review was requested by KTG as required by the grant agreement. This report, number IE 003-25, presents the results of our review. The report also contains our recommendations for other matters where we noted opportunities for improvement to ensure better accountability and transparency of procured asset and related services.

Background

Kolonia Town Government (KTG) is one of the eleven (11) Municipal Governments of Pohnpei State. Similar to the primary government, KTG is composed of three branches: the Executive Branch, the Legislative Branch, and the Judiciary Branch. These branches contribute, advocate and support KTG's economic development plan and community growth by providing essential public assistance and services to its citizen.

The Contract Agreement between Embassy of Japan (EOJ) and KTG began on March 18, 2021 which among others requires KTG:

- A. To provide the Donor with an official receipt for the grant received.
- B. To provide the Donor with documents relevant to the Project such as procurement contracts and for products and/or services upon request by the Donor.
- C. To use the grant properly and exclusively for the purchase of such products and/or services necessary for the execution of the Project as specified and approved in the contract and not

to use those products and/or services purchased with the grant for purposes other than the execution of the Project, without acquiring any prior written approval from the Donor.

- D. To provide the Donor with the following reports on the progress of the Project:
- 1) Interim report to be provided within six months after the contract date;
 - 2) Project completion reports to be provided upon the completion of the Project (The above reports should outline achieved results in the light of the original goals and objectives stated in the application proposal for the Project. The reports should include a clear accounting report of the allocation and disbursement of the grant.); and,
 - 3) Any other reports on the Project to be provided upon request of the Donor, in accordance with the Donor's instructions.
- E. To complete the Project within one year after the contract date.
- F. To consult with and receive instructions from the Donor in case the Recipient wishes:
- 1) To change how the grant is spent from the original plan in the application
 - 2) To change the contents of the Project;
 - 3) To suspend and/or terminate execution of the Project; and,
 - 4) To extend the completion date of the Project.
- G. To keep accounting documents to verify how the grant was spent for at least five years after the completion of the Project.
- H. To bear all responsibilities for deaths, injuries, diseases, and any other damages to the members of the Recipient in the course of the execution of the Project, and that the Donor will not be responsible for anything that happens during the execution of the Project.
- I. To consult with the Donor promptly on all matters which may have any influence on the execution of the Project.
- J. To recognize that the Donor reserves the right to claim a refund of a portion or the whole of the grant if:
- 1) A part or the whole of the grant remains unused when the execution of the Project is suspended or terminated; and,
 - 2) The Recipient breaches this contract.
- K. That this contract shall be governed by and construed and interpreted in accordance with the laws agreed to by the Donor and the Recipient.

Objective, Scope, and Methodologies

The objective of the review was to determine whether KTG expended the fund in accordance with the grant agreement and applicable laws and regulations of Pohnpei State. Our inspection was limited to the review of the "Project for Procuring Garbage Trucks for Kolonia Town". To achieve our inspection objective, we conducted interviews, review records and documentation, verified and inspected the procured assets and took pictures. Our inspection was conducted in accordance with the Quality Standards for Inspection and Evaluation issued by the Council of the Inspector General on Integrity and Efficiency (CIGIE).

On Site Visit

During on-site inspection and review of the project, the auditors confirmed the existence of the garbage trucks (also referred to as compactor trucks) at KTG office in Kolonia Town. The garbage trucks were in good operable condition. Pictures of the procured assets are attached as part of this report on pages 7-9, Appendix II. In the contract agreement, KTG is responsible for establishing a maintenance plan. The auditors learned on this visit that management has implemented a daily, monthly, and yearly maintenance plan for the garbage trucks.

Inspection Result

Based on our inspection, inquiries, and review performed from December 12, 2024 to January 13, 2025, we observed the following:

1. **March 16, 2021:** KTG opened a separate Grant: Account with \$100 at Bank of the Federated States of Micronesia (BOFSM) specifically for the Japan grant in accordance with the grant agreement.
2. **March 18, 2021:** Signed the testimony and deposited the EOJ grant of \$177,088 into the Grant Account.
3. **March, 2021:** A purchase agreement was made between KTG and Future Bud International Co., LTD (Contractor) for 2 Refuse Compactor Collection Compactor Trucks.
4. **March 29, 2021:** Submitted to the Embassy of Japan the first request for of \$159,240.60 from the Grant Account.
5. **March 31, 2021:** Received the invoice of \$159,240.60 for the garbage trucks from Future Bud International Co., LTD.
6. **April 05, 2021:** Received authorization from Embassy of Japan to withdraw \$159,240.60 for payment of Future Bud International Co., LTD's invoice.
7. **April 14, 2021:** First payment (wire transfer of \$159,240.60) made to Future Bud International Co., LTD.
8. **April 15, 2021:** Received the receipt for the \$159,240.60 from Future Bud International Co., LTD.
9. **May 11, 2023:** Received invoice of \$17,693.40 from Future Bud International Co., LTD.
10. **May 30, 2023:** Submitted to the Embassy of Japan second request to withdraw \$17,693.40 from the Grant Account for Future Bud International Co., LTD.
11. **June 2, 2023:** Received authorization from the Embassy of Japan to withdraw wire transfer: \$17,693.40.
12. **June 12, 2023:** Second and final payment (wire transfer \$17,693.40) made to Future Bud International Co., LTD.
13. **June 13, 2023:** Received the receipt for the \$17,693.40 from Future Bud International Co., LTD.
14. **March 2022:** Garbage trucks dock at Dekehtik Harbor.

Conclusion

KTG expended the grant fund in accordance with the terms and conditions set out in the Grant Agreement for the "Project for Procuring Garbage Trucks in Kolonia Town Government". We confirmed that the grant received from Japan Government through its Embassy in the FSM was

expended solely for the assets approved and specified in the Grant Agreement. Please refer to Appendix I on page 6 of this report for the summary of the grant expenditures. During our review, we observed opportunities where improvement can be made to enhance KTG management of grant and related assets, and we have provided our recommendation.

Our Observation and Recommendation

During our inspection, we observed that certain e-mail communications between KTG management and the grantor were not maintained. In addition, the maintenance plan for the garbage trucks was not created when the assets were received. The auditors were informed that this happened due to the previous administration not ensuring the required communications were kept and maintained; and, that the maintenance plan was implemented timely.

We therefore recommend that KTG should apply good practices in the administration of grants to ensure that pertinent documentations are kept and maintained for the period specified in the grant or State law. To ensure the longevity, efficiency, and safety of KTG's garbage trucks, we recommend KTG to implement timely a comprehensive maintenance plan to ensure that operational efficiency is enhanced, downtime is minimized, and that costly repairs are reduced.

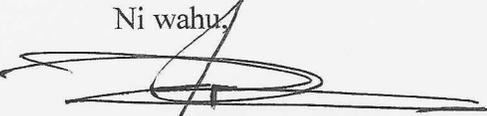
Other Matter

In December 2024, the KTG management implemented a maintenance plan for the assets procured through the Japan grant. We commend the new management for taking the initiative to take action to improve KTG operation and ensure compliance with the grant agreement.

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

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

Ni wahu.



Erick Paul
Pohnpei State Auditor

Cc: Governor, Pohnpei
Speaker, 11th Pohnpei Legislature
Director, DOT&A
Attorney General, Pohnpei
Embassy of Japan, FSM

APPENDIX I

Summary of Expenditures:

Grant Amount	<u>\$177,188.00</u>
Disbursements:	
First payment to Future Bud International Co., Ltd	\$159,315.60
Final Payment to Future Bud International Co., Ltd	\$17,768.40
Wharfage fee	<u> \$104.00</u>
Total disbursements	<u>\$177,188.00</u>

Note: The above disbursements were made to procure 2 garbage trucks for KTG. Pictures of the trucks are shown in Appendix II, pages 8 and 9 of this report.

APPENDIX II

License Plate of Garbage Truck



Interior of Garbage Truck KTG 013



Front of Garbage Truck KTG 013



Back side of Garbage Truck KTG 13



Side of Garbage Truck KTG 013



License Plate of Garbage Truck



Interior of Garbage Truck KTG 014



Front of Garbage Truck KTG 014



Backside of Garbage Truck KTG 014



Side of Garbage Truck KTG 014





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:

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MEHN KAPESE KESEMPWAL

Pwukoa en tetehk, apwapwalih oh doadoahki mwohni oh dipwisou en kopwoment en wein Pohnpei sapwelimatail koaros (tohn doadoahk en kopwoment, Ohpis en Public Auditor oh aramas koaros en Pohnpei). Komw kak repwohtki omwi iren kapwunod kan meh pid sou itar en apwalih mwohni, dipwsou de awahn doadoahk en kopwoment en Pohnpei ni ansou karos ohng ni:

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