

**Compliance Audit on Grant Assistance  
The Project for Renovation of Baseball Ground  
In Kosrae State**

A Report to the  
Governor  
and the  
Legislature of  
the State of Kosrae



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PUBLIC AUDITOR



# GOVERNMENT OF KOSRAE

OFFICE OF THE PUBLIC AUDITOR

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July 30, 2018

The Honorable Governor, Lyndon H. Jackson  
The Honorable Speaker, Tulensa W. Palik  
The Honorable Members, 11<sup>th</sup> Kosrae State Legislature  
Kosrae State Government  
Kosrae State, Federated States of Micronesia 96944

**Re: Compliance Audit on Grant Assistance: The Project for Renovation of Baseball Ground in Kosrae State**

## EXECUTIVE SUMMARY

We respectfully submit this Performance Audit CA 01-2018 as a result for our review on the Grant Assistance for Renovation of Baseball Ground in Kosrae State covering the period of March 2016-2018. The project for Renovation of Baseball Ground was provided by Embassy of Japan in the Federated States of Micronesia.

The objective of the audit was to determine whether: (1) the procurement and payment made for the Project was in accordance with the grant requirements and applicable laws.

The audit was performed in accordance with auditing standards generally acceptable in the United States of America and the standards applicable to performance audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The audit was also conducted pursuant to Title 10 Chapter 4 of the Kosrae State Code. Furthermore, Kosrae Financial Management Regulation and the Grant Agreement were use as criteria for compliance.

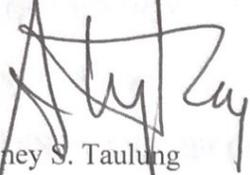
We concluded that based on the audit objective, the Renovation of Baseball Ground complies with the grant requirement, state law and regulation. During the verification of submission and process of the acuirements of the Renovation of Baseball Ground, the auditor noted that all documents, records



and process of the said findings were in accordance the existing law and grant agreement. This includes reference from suppliers and submission of reports to the grantor concerning the project.

The Office of the Public Auditor provided draft copies of this report with the administration of the Department of Education for review and comment on June 21, 2018. The contents were discussed with Administration of Department of Education and were given 10 working days to respond. Management response was received on July 11, 2018 attached as appendix 1 of this report.

Respectfully submitted,



Stoney S. Taulung  
Public Auditor



**Table of Contents**

EXECUTIVE SUMMARY.....1

INTRODUCTION.....4

    Objective.....6

    Scope.....6

METHODOLOGY.....7

CONCLUSION.....8

FINDINGS AND RECOMMENDATIONS.....9

APPENDIX I: MANAGEMENT LETTER.....10

PUBLIC AUDITORS COMMENTS.....11

ACKNOWLEDGMENT AND OPA CONTACTS.....12



## **INTRODUCTION**

The Public Auditor office has accepted a request to conduct audit on the Project for The Renovation of Baseball Ground in Kosrae State under the Department of Education (DOE). The engagement will focus on the compliance of the Department of Education thru the Department of Transportation and Infrastructure (DT&I) with the grant requirement, law and other regulations.

### **Background**

#### **The Grant**

The execution of the project by DOE (hereinafter referred to as “the Recipient”) entitle the project for the Renovation of Baseball Ground in Kosrae State (hereinafter referred as “the projector”), the Embassy of Japan in the FSM (hereinafter referred to as “the Donor”) will make available to the Recipient a grant up to ninety thousand four hundred and seventy-three US dollars (USD90,473.00) or its local currency equivalent as of the date of the disbursement by March 31, 2016.

#### **The Project**

The project is to provide assistance to Kosrae State and the Department of Education (DOE) on renovation of the baseball field located in Tofol, Lelu, Kosrae State, Federeted State of Micronesia. In view of the project, The Department of Transportation and Infrastructure (DT&I) was assigned as the implementing agency to select the contractor based on the Kosrae State Financial Management Regulation (KSFMR) and to provide assurance on contractor’s compliance with the approve renovation plan in relation to the grant agreement.

#### **The requirements in the Grant are as follow:**

- A. To provide the Donor with an official receipt for the grant received
- B. To provide the Donor with document relevant to the projects such as procurement contracts for products and/or services upon the request by the donor
- C. To use the grant properly and exclusively for the purchase of the products and/or services necessary for the execution of the Project and not to use such products and /or services purchased with the grant for the purpose 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 Projects



- i. One (1) interim report be provided within six months after the contract date;
  - ii. One (1) project completion report (including outline achieved results in the original goals and objectives. To include a clear accounting report of the allocation and disbursement of the grant
  - iii. Any other reports on the project to be provided upon the request of the Donor, in accordance of the Donors instructions;
- E. To complete the Project within one year after the contract date
- F. To consult with and received instructions from the Donor in case of recipient wished:
- iv. To change how the grant is spent from the original plan in the application
  - v. To change the contents of the project
  - vi. To suspend and/or terminate execution of the Project
  - vii. To extent the completion date of the Project
- G. To keep accounting documents that verify the grant was spent for at least five years after the completion of the Project;
- H. To bear all responsibilities for death, 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 consult with the Donor reserves the right to claim a refund of a portion or the whole of the grant if:
- viii. A part of the whole of the grant remains unused when the execution of the Project is suspended or terminated
  - ix. The recipient breaches the contract;
- K. That this contract shall be governed by and construed and interpreted in accordance with the laws and agreed to by the Donor and the Recipient.



## AUDIT OBJECTIVE AND SCOPE

### Objective

The purpose of this audit is to determine whether:

- (1) The procurement and payment made for the Project was in accordance with the grant requirements and applicable laws;

### Scope

Our compliance audit covered the Project for Renovation of Baseball Ground in Kosrae for covering period of March 31, 2016 to May 11, 2018. However, the gathering, reviewing and testing of relevant information and documentations included previous and subsequent period for analytical purposes. We conducted the inspections pursuant to Kosrae State Code Title 10, section 4 which stated in part:

“(a) The Public Auditor shall inspect and audit personally, or by his duly authorized assistants, all account, books, and other financial records of the State Government, to include but not be limited to, every branch, department, office, political subdivision, board, commission, agency, other public legal entity (owned, or partially owned by the state), whether they receive public funds or not, and nonprofit organizations that received public funds from the State Government;

(b) Inspect and audit personally, or by his duly authorized assistants, the fiscal books, records and accounts of all allottees and other custodians of public funds, making independent verification of all assets, liabilities, revenues, expenditures and obligations of the State Government, entities owned in whole or part by the State Government, and agencies of the State Government;

(c) Inspect and audit personally, or by his duly authorized assistant, the fiscal books, records, and other financial records associated with any project, program and activity receiving funding in whole or in part from public funds of the State Government, including the records of any contractor performing public work on a cost-reimbursement-type contract in order to verify the cost charged to the public contractor;



## **AUDIT METHODOLOGY**

The audit was conducted in accordance with generally accepted government auditing standard (GAGAS). Those standards requires that we plan and perform the audit to obtain, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In planning our examination, we obtained sufficient understanding of the internal controls that is material to the audit objectives to plan the engagement and design the audit procedures. Based on this assessment, we reviewed documents and records relevant to the Project.

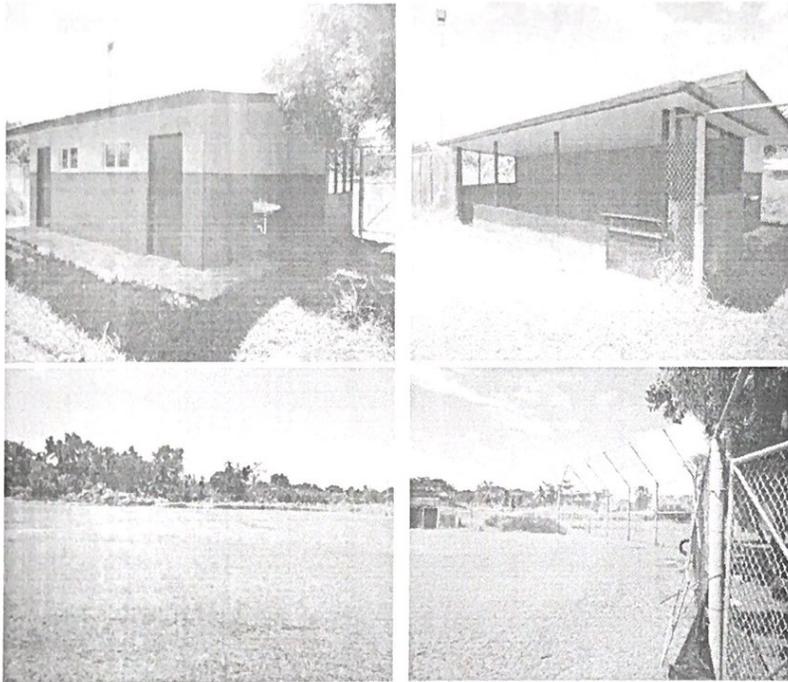
We considered compliance to state laws and regulations and to the Grant agreement to be able to render an opinion to our audit objectives. Our procedures were also designed to identify weaknesses on internal controls that are material to the expression of an opinion to our audit objectives.

Audit procedures included, but were not limited to, interviews of Department of Transportation and Infrastructure director and employees and review of transaction process and documentation. We also perform analytical review of disbursement and safety & maintenance procedure of fixed asset. The audit criteria used to develop the required audit tests were based on (1) the Financial Management Regulation, Kosrae State Code and (2) Grant Agreement provisions.



## **CONCLUSION**

We concluded that based on the audit objective, the Renovation of Baseball Ground complies with the grant requirement, state law and regulation. During the verification of submission and process of the acquisitions of the Renovation of Baseball Ground, the auditor noted that all documents, records and process of the said findings were in accordance the existing law and grant agreement. This includes reference from suppliers and submission of reports to the grantor concerning the project.





1. Were the procurement and payment made for the project was in accordance with the grant requirements and applicable laws.

## **FINDINGS AND RECOMMENTATION**

1. **The procurement and payment of the Renovation of Baseball Ground complies with the grant requirements, state laws and regulation.**

During the verification of document and process of the acquisition of the Baseball Ground, the auditor observed that all the documents, records and process of the said findings were in accordance with the existing law and grant agreement.



**KOSRAE STATE GOVERNMENT**

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July 10, 2018

Stoney Taulung  
 Public Auditor  
 Kosrae State, FM 96944



Mr. Stoney Taulung,

Kulo nuh sin God ke kuhlacng lal nuh sesr kuht kuh in osun ke leta se inge uh.

The purpose of this letter is to respond on behalf of Director Tulensru Waguk, who is off island at the moment and to convey our appreciation for the work that your team assist us in conducting an audit on the Project for the Renovation of the Baseball Ground in Kosrae State under the Department of Education (DOE).

Director Waguk and the Department of Education are all in agreement with the findings that your team concluded. We were glad to hear that the auditor noted all documents, records and process of the said findings were in accordance with the existing law and grant agreement.

Once again, thank you for all your assistance in performing the audit on the Renovation of the Baseball Ground in Kosrae State.

Kulo ma lulap.

  
 Lugo R. Skilling  
 Acting Director  
 Kosrae DOE

*Shaping Tomorrow Today*



## PUBLIC AUDITOR'S COMMENTS CONTACT

We would like to extend our appreciation to the Department of Education for their cooperation and assistance throughout the course of our audit.

In compliance with Generally Accepted Government Auditing Standards, a copy of the draft report was shared with the Director of Department of Education with a management response. The response is attached which agreed to our findings and recommendations.

In addition to provide a copy to the Director of Department of Education, we also extend copies to the officials and agencies:

1. Governor, Kosrae State
2. Speaker, 10<sup>th</sup> KSL and all members
3. Attorney General
4. Kosrae Delegation to Congress
5. Chief Clerk, Kosrae State Court
6. V6AJ Radio

If there are any questions or concerns regarding this report, please feel free to contact the Office of the Public Auditor.

  
Stoney S. Taulung  
Public Auditor

