CHUUK STATE ELECTION OFFICE: INADEQUATE COMPLIANCE WITH THE FINANCIAL REGULATIONS AND NEEDING IMPROVEMENT IN THE CONDUCT OF ELECTION

FISCAL YEAR 2017 to 2019

AUDIT REPORT NO. 2022-01

Voting is the expression of our commitment to ourselves, one another, this country, and this world.

- Sharon Salzberg
CHUUK STATE ELECTION COMMISSION: INADEQUATE COMPLIANCE WITH THE FINANCIAL MANAGEMENT REGULATIONS AND NEEDING IMPROVEMENT IN THE CONDUCT OF ELECTION

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August 22, 2022

RE: Audit on the Chuuk State Election Commission

We have completed the audit on the Chuuk State Election Commission. We conducted this audit in accordance with the U.S. Generally Accepted Auditing Standards. The objectives of this performance audit were to determine whether the Chuuk State Election Commission spent its funds in accordance with the Chuuk State Financial Management Regulations and to determine the extent to which the Election Commission strategically manages its operations.

The results of the audit disclosed that the election commission’s compliance with the Chuuk State Financial Management Regulation was considered inadequate. The audit noted that it did not comply with the budget laws when its expenditures amounting to $31,000 exceeded its budget and said amount was charged to the budget of Department of Transportation. The audit also disclosed weaknesses in internal control when sampled checks for examination worth $30,000 (50 checks) were not acknowledged by the recipients upon distribution. Lastly, we found the assets of the Chuuk State Election Commission were susceptible to loss, theft, and misuse without being detected because they were not fully controlled and accounted for. It has no records of assets assigned to them including the accountabilities for the assets. From the review of list of assets provided by and kept by the Supplies and Procurement, there were 22 assets under the accountability of the commission that include vehicles, laptop, air conditioner (at the
CHUUK STATE ELECTION COMMISSION: INADEQUATE COMPLIANCE WITH THE FINANCIAL MANAGEMENT REGULATIONS AND NEEDING IMPROVEMENT IN THE CONDUCT OF ELECTION

old building they rented per the Director), desktop computer, and printer. Out of the 22 assets in the list, 12 assets (55%) have unknown whereabouts. For these unknown assets, there was no investigation conducted of the facts and circumstances surrounding the missing assets to establish accountability as required by the financial management regulations.

The audit disclosed also that the Chuuk State Election Commission has not been strategically managing its operation. Strategic activities like the update of its laws, regulations, procedures, and voter’s registration to make them responsive to the current times were not done. By improving the process in conducting the elections for overseas voting and for voting at Chuuk islands, the Chuuk State Election Commission could avoid spending significant money amounting to $74,404.44 yearly on travel ($62,399.20) and fuel ($12,005.24). The commission could instead use this budget to fund strategic activities like computerization of election and voters registration. We found that the Chuuk State Election Commission does not have a strategic plan in place, but its annual activities are guided by what they have proposed in its annual budget. The Strategic Plan would communicate and provide clarity, direction and focus towards protecting voter’s rights and safeguarding fair election.

We requested a formal management response on this audit both from the management of Chuuk State Election Commission and the Department of Administrative Service (DAS). We received a formal management response from the Chuuk State Commission. They agreed on some recommendations but did not agree on some. The response was attached to this report under the section for management response. We did not receive a formal management response from the DAS but they verbally informed us that they agreed with the findings and recommendations.

Respectfully Yours,

Manuel L. San Jose Jr. CPA, CIA, CISA, CGAP, CRMA, CFIP
Public Auditor
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Chuuk State, Federated States of Micronesia
Table of Contents

INTRODUCTION ........................................................................................................................................... 1
Background .................................................................................................................................................. 1
Objectives, Scope, Methodology, Conclusion ............................................................................................... 6
   Objectives .................................................................................................................................................. 6
   Scope ...................................................................................................................................................... 6
   Methodology ............................................................................................................................................ 6
   Conclusion ............................................................................................................................................. 7
FINDINGS AND RECOMMENDATIONS ........................................................................................................ 8
Finding 1 – Election Commission can realize a big amount of savings in conducting an election that could
be used for funding strategic activities ........................................................................................................ 8
Finding 2 – Election Commission was not in compliance with relevant Financial Management Regulation
and Appropriation Law for spending of funds. ............................................................................................ 12
Finding 3 – Election Commission did not have Strategic Plan to provide clarity, direction and focus
towards protecting voters rights and safeguarding fair election. ............................................................... 19
Appendix A Chuuk State Election Commission Allotted Budget Versus Actual (FY 2017-19) ................. 23
MANAGEMENT RESPONSE ..................................................................................................................... 24
OCPA’s EVALUATION OF MANAGEMENT RESPONSES ................................................................. 27
OCPA CONTACT AND STAFF ACKNOWLEDGMENT ............................................................................ 29
CHUUK STATE ELECTION COMMISSION: INADEQUATE COMPLIANCE WITH THE FINANCIAL MANAGEMENT REGULATIONS AND NEEDING IMPROVEMENT IN THE CONDUCT OF ELECTION

INTRODUCTION

Background

Reason for Audit: This assignment was requested by House of Representatives, the Honorable Speaker, Innocente I. Oneisom, 14th Chuuk State Legislature. On behalf of the House of Representatives, the Speaker requested for an audit to understand how the funds for the Chuuk State Election Commission were handled.

Chuuk State Election Commission

The Chuuk State Law No. 3-95-26 (CSL No. 3-95-26) established an independent Chuuk State Election Commission pursuant to Article XII of the Constitution. Section 3 of the law enumerates the composition of the commission:

<table>
<thead>
<tr>
<th>Regions</th>
<th>Members (As of 2022)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Northern Region</td>
<td>Etop Sos, Vice Chairman</td>
</tr>
<tr>
<td>2. Southern Region</td>
<td>Serious Papier</td>
</tr>
<tr>
<td>3. Faichuk Region</td>
<td>Andreas Victus, Chairman of Commission</td>
</tr>
<tr>
<td>4. Mortlocks Region</td>
<td>Anthony Bualuay</td>
</tr>
<tr>
<td>5. Northwest Region</td>
<td>Angelino Rosokow</td>
</tr>
</tbody>
</table>

Powers of the Election Commission

The powers of the Election Commission were provided for in the Chuuk State Election Code (CSL No. 3-95-26). These powers include:

1. Appoint an Executive Director subject to advice and consent of majority vote of all members of the Senate.

The Executive Director shall

1.1. Shall administer and enforce the Election Law of Chuuk State on behalf of the Commission
1.2. Shall perform and discharge those powers, duties, purposes, functions and jurisdiction as may be required by law vested in the Commission.

1.3. Shall be responsible for the daily operation and management of the office of the Commission.

2. Conduct all elections including national and municipal elections.

3. Try, hear and decide election controversies within five days from the time the controversy is filed with the Commission. Issue summons to any elector or parties through the order of the Court. Issue subpoenas duces tecum to take testimony in any investigation or hearing.

**Duties and Responsibilities of the Election Commission**

Sections 6 and 7 (CSL No. 3-95-26) enumerate the Duties and Responsibilities of the Commission. The Commission shall

1. Have direct and immediate supervision over the municipal and state officials performing duties relative to the conduct of elections. (Sections 6)

2. Suspend any officials who shall fail to comply with its instructions, orders, decisions or rulings or regulations, and appoint temporary substitutes or may remove any officials who shall be found guilty of nonfeasance, or misfeasance in connection the performance of their duties relative to the conduct of elections. (Sections 6)

3. Designate such subordinate officers and employees as may be necessary for the efficient performance of its functions and duties. (Sections 6)

4. Prepare and promulgate a manual of administrative procedures to be used in the conduct of elections. (Sections 7)
5. Register new eligible voters. Prepare and compile a registration list of all voters for use in any election. Maintain accurate records of all registered voters in Chuuk State according to voter’s election precincts. Maintain accurate update of voter’s registry for new, deceased or transferred voters.

6. Deliver a master list of voters to each polling place for election use.

Organizational Chart of Election Commission

Figure A below shows the organizational chart of the Chuuk State Election Commission. It comprises five members appointed by the Governor.

Figure A. Chuuk State Election Commission Organizational Chart

Source – Chuuk State Election Commission

Chuuk State Election

A general election happens every two years (Section 4 Article XII- Suffrage and Election of the Chuuk State Constitution). The following officials are elected:

- **Executive** - The Governor and the Lieutenant Governor serve for a four-year term.
CHUUK STATE ELECTION COMMISSION: INADEQUATE COMPLIANCE WITH THE FINANCIAL MANAGEMENT REGULATIONS AND NEEDING IMPROVEMENT IN THE CONDUCT OF ELECTION

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Legislature - Each Senator at the House of Senate serves for a four-year term while each representative at the House of Representatives serves for a two-year term (Section 4, Article V-Legislative of the Chuuk State Constitution)

During the period covered by this audit, the following elections were held:

a. 2017 – Election for Governor, Lieutenant Governor, and members of the Legislature
b. 2018 – Special Election for a Senator and a member in the House of Representative
c. 2019 – Election for members of the House of Representatives

Election Expenses

The budget for election expenses should be appropriated (authorized) by the Legislature and allotted by the Budget Office, Department of Administrative Services (DAS), before they can be spent. Section 5 of the CSL No. 3-95-26 provides for the compensation and other expense of employees working under the Commission. In the absence of law, compensation of all regular, temporary and/or part-time employees and all other expenses shall be as prescribed by the Commission, provided that all such costs shall not exceed any operation funds appropriated by the Legislature. Any government who works part-time or on temporary basis with the Commission shall not be entitled to compensation, except overtime pay, provided that every effort shall be made to have the work performed during the normal 8-hour period.

Furthermore, Section 41 (CSL No. 3-95-26) specifies that, all expenses authorized and necessarily incurred in the preparation, or the conduct of elections as provided in this Act, shall be paid from appropriations by the Legislature, except as provided for in section 42 (recall election), and except for national or municipal elections which shall pay for their own elections carried out by the Chuuk State Election Commission. All payments shall be made in the same manner as other public expenditures.

Chuuk State Election Commission Office Budget – FY 2017-19

The election budget and actual expenditures for the period FY 2017 to FY 2019 of the Chuuk State Election Commission were presented in Appendix A of this report. The Chuuk State
CHUUK STATE ELECTION COMMISSION: INADEQUATE COMPLIANCE WITH THE FINANCIAL MANAGEMENT REGULATIONS AND NEEDING IMPROVEMENT IN THE CONDUCT OF ELECTION


In FY 2017, there was an increase in expenditures amounting to $178,463.48 (145%) compared to $122,979 expenditures in FY 2016 to $301,442.48 in FY 2017. We further noted that there was overspending in FY 2017 budget amounting to $34,719.49. A general election was held in FY 2017 for Governor, Lieutenant Governor, and members of the Legislature.

In FY 2018, there was a decrease in expenditures of $78,565.14 (35%) compared to FY 2017 expenditures. During this year, there was a special election to replace one member in the Senate and one member in the House of Representative.

In FY 2019, there was an increase in expenditures of $92,036.27 compared to FY 2018 expenditures. During this year, there was an election held for the members of the House of Representatives.

Number of Voters

According to the current Director of the Chuuk State Election Commission, there were around 44,906 registered voters at the 2019 election. Of this, there were about 20,000 (about 50%) overseas voters. However, there was no information on the actual registered voters who voted, who did not vote, and the actual number of ballots voted in that were counted and not counted. The voters were spread into 109 precincts of which seven precincts were for overseas voters. Furthermore, according to the Director of the Chuuk State Election Commission, there were about 11,000 ballots that were sent by mail. The votes by mail were sent back to Chuuk and tallied at the precincts in Weno, Chuuk. However, there was no information as to the number of votes that were received back and counted from the voting by mail.
**Objectives, Scope, Methodology, Conclusion**

**Objectives**

The objectives of the audit on the Chuuk State Election Commission were as follows:

1. To determine whether the Chuuk State Election Commission spent its funds in accordance with the Chuuk State Financial Management Regulation
2. To determine the extent to which the Election Commission strategically manages its operations

**Scope**

The review covers the period FY 2017-19. The audit is conducted pursuant to Article VIII Section 9 of the Chuuk State Constitution and TSL 6-21 which states in part:

> "The Auditor shall conduct audits of all financial transactions of all branches, departments, offices, agencies and instrumentalities of the government, and of all accounts kept by or for them."

**Methodology**

We conducted this performance audit in accordance with generally accepted 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 evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

To determine whether the Chuuk State Election Commission spent its funds in accordance with the Chuuk State Financial Management Regulation, we judgmentally selected a sample of transactions and verified compliance of the supporting documents with the financial management regulations.

To determine to what extent the Election Commission manages and oversees office operations, we requested for the plans, targets, and accomplishments of the Election Commission and
Conclusion

We conclude that the Chuuk State Election Commission must improve its compliance with the Chuuk State budget when it exceeded its spending with the appropriated budget and used another department’s budget to cover the deficiency. In addition, the commission should comply with the internal control requiring that payment checks be properly received by the recipient. Lastly, the Chuuk State Election Commission, together with the Department of Administrative Services need to strictly comply with the requirements of the financial management regulations for the keeping of records, controlling and accounting of fixed assets to avoid the risk asset loss, theft and misuse.

We also conclude that the Chuuk State Election Commission has not been strategically managing its operations. We found that the Chuuk State Election Commission does not have a strategic plan in place, but its annual activities were guided by what they have proposed in its annual budget. The Strategic Plan would communicate and provide clarity, direction and focus towards protecting voter’s rights and safeguarding fair election. There were many strategic activities that could be initiated such as the update of laws and regulations, training for the staff to handle the election, improve the electoral systems/process to provide efficiency, and update the procedure for handling absentee voting/ voting by mail, among others.

PRIOR AUDIT/RELATED EXMAINATION

This is the first audit of this agency.
CHUUK STATE ELECTION COMMISSION: INADEQUATE COMPLIANCE WITH THE FINANCIAL MANAGEMENT REGULATIONS AND NEEDING IMPROVEMENT IN THE CONDUCT OF ELECTION

FINDINGS AND RECOMMENDATIONS

Finding 1 – Election Commission can realize a big amount of savings in conducting an election that could be used for funding strategic activities

a) The commission can save money when conducting overseas voting.

In conducting overseas voting or out-of-country voting, the best practice is to have the embassies and consulates worldwide provide adequate assistance and services to registered voters overseas to ensure that the voting process will go smoothly and to enfranchise citizens living abroad to participate in an election.

It is difficult to trace all the costs related to overseas voting at one election due to lack of readily available information. However, it has been the practice of the Chuuk State Election Commission to send election officers abroad to conduct the election for overseas voting. Thus, the election commission has been incurring travel spending to bring the election officers to the poll precincts overseas. Table A below shows the history of travel expenditures related to overseas voting.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Election Held</th>
<th>Travel Expenditures for Overseas Voting</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2016</td>
<td>None</td>
<td>0</td>
</tr>
<tr>
<td>FY 2017</td>
<td>General Election held to elect Governor, Lieutenant Governor, and members of the Legislature</td>
<td>$ 66,274.25</td>
</tr>
<tr>
<td>FY 2018</td>
<td>Special Election held to replace one member of the Senate House and one member of the House of Representative</td>
<td>51,337.79</td>
</tr>
<tr>
<td>FY 2019</td>
<td>Election held for the members of the House of members of the House of Representatives.</td>
<td>92,601.39</td>
</tr>
<tr>
<td>FY 2020</td>
<td></td>
<td>$ 39,383.37</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$ 249,596.80</td>
</tr>
<tr>
<td>Yearly Average</td>
<td></td>
<td>$ 62,399.20</td>
</tr>
</tbody>
</table>
Consequently, the Chuuk Election Commission has been spending significant amount of travel expenditures for overseas voting which could have been avoided and saved had the embassy/consulate staff was used to conduct the overseas registration and voting. This amount could have been used as additional fund for a strategic activity e.g., computerized voter registration and election.

Cause and Recommendation

The lack of strategic plan, goals, and objectives to improve and streamline the election processes led to the lack of awareness in exploring a more efficient and ideal model for conducting overseas voting and effectively employing an insufficient resource.

Recommendation

To save the big amount of money that has been spent on travel related expenditure for overseas voting, we recommend that the Director of the Chuuk State Election Commission should train and deputize the embassy/consulate staff or citizens abroad for the conduct of overseas voting.

Management Response

The Chuuk State Election Commission management responded that the FSM Embassies and Consulate Offices with only few employees might be resisting with the additional work. The election commission said that this observation was based on the experience during the March 2021 General Election wherein their request to the embassy to help the voters to notarize the voting documents was met with resistance and the state has no authority to use FSM Embassy/Consulate staff for election purposes.

In addition, the management responded that the Chuuk State Legislature seems to prefer the Election Commission to oversee the polling places overseas. Lastly, the Chuuk State national election (gubernatorial) coincides with the FSM National Election.
b) The commission can save money when conducting voting in outer islands

The prudent practice is to use public school principal/teacher to serve as members of the board of election inspectors or use local individuals as poll workers.

The practice of the Chuuk State Election Commission was to transport inspectors and poll workers from main island of Weno (capital) to outer islands to serve as election inspectors and poll workers for election in lagoon and in Chuuk (outer) islands. The Commission has been renting boats and buying fuel to transport back and forth the election workers.

The Commission has only two cars which have a normal budget of about $2,500 in one year but due to election, it was incurring more expenses for fuel or POL (Petron, Oil & Lubricant). They have to pay fuel for rented boats. The fuel expenses during the election period were as follows:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$13,513.98</td>
</tr>
<tr>
<td>2018</td>
<td>$7,797.25</td>
</tr>
<tr>
<td>2019</td>
<td>$14,704.48</td>
</tr>
<tr>
<td>Yearly Average</td>
<td>$12,005.24</td>
</tr>
</tbody>
</table>

Source: Fund Status Report from ADP

As a result, the Election Commission has been incurring additional expenses for fuel in conducting election for the lagoon and Chuuk (outer) islands amounting to about $9,505 per year ($12,005.24 – $2,500).

Cause and Recommendation

The Election Commission was not conscious of the savings it would realize in using local public-school principal/teacher or local poll worker in conducting the election.
We recommend that the Election Commission deputize local public-school principal/teacher or local poll worker in the outer islands to conduct the election for the Election Commission.

Management Response

On the use of fuel (POL), the Chuuk State Election Commission management responded that the POL would not be reduced because of the increase in fuel and the Election Supervisors would still be used to drop off ballot boxes to the precincts and pick up the same. Further, the Supervisors would still be used to monitor the election activities.
CHUUK STATE ELECTION COMMISSION: INADEQUATE COMPLIANCE WITH THE FINANCIAL MANAGEMENT REGULATIONS AND NEEDING IMPROVEMENT IN THE CONDUCT OF ELECTION

Finding 2 – Election Commission was not in compliance with relevant Financial Management Regulation and Appropriation Law for spending of funds.

Our audit disclosed the following:

1. Election expenditures in FY 2017 exceeded the funds appropriated by the Legislature and such expenditures were charged to the budget of another department, Department of Transportation.

Section 41 of the Election Law of 1996 (CSL No- 3-95-26) specified that the commission can only spend money that was appropriated by the Legislature. It states that “all expenses authorized and necessarily incurred in the preparation, or the conducting of elections as provided in this Act, shall be paid from appropriations by the Legislature.”

During the field work while verifying, based on our audit samples for expenditures, whether the Chuuk State Election Commission’s expenditures complied with the financial regulations in terms of supporting documents and approval, the Deputy Director at that time informed us that they have actual expenses in FY 2017 that were charged to the budget of the Department of Transportation.

We found later that $31,442.44 which represent payments for election expenditures in FY 2017 exceeded the funds appropriated by the Legislature to the Chuuk State Election Commission and such amount was charged to the line-item budget for “Miscellaneous Goods and Services” of the Department of Transportation and Public Works. We were not able to see the actual documents to verify the support and the approval process because copies of said request for payment as well as the attached documents cannot be located at the Chuuk State Election Commission, Department of Transportation and at the Department of Administrative of Finance. The review of the election expenditures based on the computer printout from the DAS disclosed the following details of the expenditures:
CHUUK STATE ELECTION COMMISSION: INADEQUATE COMPLIANCE WITH THE FINANCIAL MANAGEMENT REGULATIONS AND NEEDING IMPROVEMENT IN THE CONDUCT OF ELECTION

<table>
<thead>
<tr>
<th>Nature of Expenditures</th>
<th>#</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poll Workers</td>
<td>475</td>
<td>$20,090.00</td>
</tr>
<tr>
<td>Office Supplies</td>
<td></td>
<td>1,827.44</td>
</tr>
<tr>
<td>Utility</td>
<td></td>
<td>525.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>$31,442.44</strong></td>
</tr>
</tbody>
</table>

Source: Invoice Distribution by Account (ADP)

Charging of election expenses to another department appeared violation of the Election as well as the Budgeting laws. This also led to the misuse of the funds appropriated to the Department of Transportation by another department.

According to the current Director of the Chuuk State Election Commission (who was a Deputy Director of the Election in 2017), the commission was short of funds at that time and unable to request for supplemental budget because the Legislature was not in session. The Chuuk State Election Commission requested for the accommodation of the payments from the Department of Transportation with a promise of returning it. However, the Chuuk State Election Commission was not able to reimburse the Department of Transportation. Thus, the expenditures were paid and recorded in the books as part of the expenses of the Department of Transportation.

2. No signature acknowledging the receipt of check amounting to about $29,472.63 representing payment to poll workers

Prudent practice in internal control for cash and check requires that releasing of a check payment be acknowledged to ensure its actual receipt by the payee.

Related to Finding 2, we selected 100 checks representing FY 2017 payment to poll workers and reviewed the records both form the Treasury and the Chuuk State Election Commission to determine whether they were acknowledged upon by the poll workers.
As practiced, some checks paid to poll workers are taken by the Administrative Officer from the Treasury Division who acknowledges them on the check stubs kept by the Treasury. The Administrative Officer, in turn, distributes the checks to the poll workers.

However, we found that 50 (50%) or about $29,472.63 of the 100 sampled checks for examination were not acknowledged by the poll workers when received from the Administrative Officer.

When a check payment is not acknowledged by the payee, there is risk that the check is not actually received by the recipient. The auditor was not able, though, to do a follow up verification because the check recipients were mostly from the islands.

Cause and Recommendations

The Administrative Officer did not strictly implement the internal control for releasing of checks to recipients.

We recommend that when checks are received by the Administrative Officer for later distribution to the ultimate payees, a log should be maintained by the Administrative Officer for purposes of the getting the payees’ acknowledgment of the checks.

Management Response

The Chuuk State Election Commission acknowledges the recommendations.

3. Deficient management and maintenance of records of Fixed Assets

There are various requirements and best practice regarding the purchase and handling of fixed assets and small but attractive assets

1. Part 7 (7.5) of the Chuuk Financial Management Regulations require that receipt of property shall be documented, and property accountability records shall be maintained.
2. Part 7 (7.5) of the Chuuk Financial Management Regulations require that the Department of Services Director shall identify all personal property, with respect to fixed assets, by assigning tag number to each item.

3. Part 7 (7.8) of the Chuuk Financial Management Regulations require that the accountable officer shall report loss, damage or destruction of property and the DAS Director shall conduct an investigation of the facts and circumstances surrounding such loss, damage, or destruction of property.

4. Prudent business practices require that small and attractive assets below the government’s established capitalization threshold for fixed assets (e.g., laptop) be subject to internal control procedures like assets tracking or monitoring.

5. Concerning the reliability of fixed assets, the standard internal control requires a regular physical count of fixed assets.

We found that the Chuuk State Election Commission has no records of assets assigned to them including the accountabilities for these assets. When we requested for their asset list, they merely forwarded information as to the type and quantity of assets under their office.

From the review of list of assets provided by and kept by the Supplies and Procurement, there were 22 assets that were listed that include vehicles, laptop, air conditioner (at the old building they rented per the Director), desktop computer, and printer. Out of the 22 assets in the list, 12 assets (55%) have unknown whereabouts because they were not anymore in the possession of the Chuuk State Election Commission. For these unknown assets, there was no investigation conducted, as required by the financial management regulations, of the facts and circumstances surrounding the missing assets to establish accountability.

As a result, assets are susceptible to loss, theft, and misuse without being detected. Further, it is not known whether the reality of the valued fixed assets recorded in the financial statement of the government corresponds to existing assets as the conduct of physical inventory was not being done on yearly basis. There were no written policies developed for managing and tracking small and attractive assets.
CHUUK STATE ELECTION COMMISSION: INADEQUATE COMPLIANCE WITH THE FINANCIAL MANAGEMENT REGULATIONS AND NEEDING IMPROVEMENT IN THE CONDUCT OF ELECTION
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Cause and Recommendation

The staff responsible both from the Supplies and Procurement section and from the Chuuk State Election Commission lacks the skills and knowledge about the regulations concerning the maintenance and managing of the fixed assets.

We recommend that the Director of Administrative Services (DAS) to:

a. update its listing of assets wherein the amount tallies with the general ledger records
b. conduct a regular count of fixed assets
c. provide disposition for unknown and missing assets in the list and establish accountability for those assets
d. provide proper training to responsible staff on handling and keeping of asset records
e. Provide records and accountability for valuable assets but below materiality threshold to be recorded as fixed assets (e.g. lap top, tablet, etc.)

We also recommend that the Director of Chuuk State Election Commission to:

a. update its listing of assets that tallies with the DAS records
b. periodically reconcile the assets records with accounting records and verify the assets under its custody to immediately identify and establish the accountability for any missing assets
c. provide proper training to responsible staff for the handling and keeping of asset records

Management Response

The Chuuk State Election Commission acknowledges the recommendations.
4. **Opportunity Exists for Improving Record Management and Retention**

Prudent practices and certain statutes of limitations require records be maintained continuously. There must be storage method that must be complete and reliable and be accessible for retrieval of relevant elements of information.

We were unable to fully examine the selected sample for FY 2017 Travel Expenditures since the person responsible (from the Department of Administrative Services) for keeping the documents had difficulty finding them in the storage. In addition, the Administrative Officer of the Chuuk State Election Commission has no copy file of those documents in their binder.

Thus, we were not able to form an opinion on compliance of those expenditures with the financial management regulations.

**Cause and Recommendation**

There were no regulations and established policies, standards, and guidelines for recordkeeping, including the creation, identification, maintenance, retention, disposition, custody and protection of records.

**We recommend** that the Director of the Department of Administrative Services should develop and implement policies and procedures for recordkeeping especially retention for pre-defined period of time and accessibility of documents.

**We further recommend** that the Director of the Department of Administrative Services to implement a system of archiving of physical documents to allow faster and easier retrieval of electronic copies of documents for future review, examination, and investigation purposes.
Lastly, for reference purposes, we recommend that the Administrative Officer of the Chuuk State Election Commission should maintain a binder of all requests for payments and check payments that were forwarded to the Department of Administrative Services for processing.

Management Response

The Department of Administrative Services did not provide their management response.
Finding 3 – Election Commission did not have Strategic Plan to provide clarity, direction and focus towards protecting voters rights and safeguarding fair election.

A best practice for the Election Commission is to prepare a strategic plan that would provide practical guide that sets out what and how the commission wants to achieve in the long term (e.g. five years), the resources and partnership it will need to do so and how the commission’s success on the delivery of its mandate be assessed and measured. The Strategic Plan would communicate and provide clarity, direction and focus towards protecting voter’s rights and safeguarding fair election. Among others, the strategic plan should include vision and mission, goals/objectives, values/guiding principles, strategies to achieve the goals and objectives, and performance measurements such as outputs and outcomes.

We found that the Chuuk State Election Commission does not have a strategic plan in place, but its annual activities are guided by what they have proposed in its annual budget. The annual budget proposal although includes a description of its objectives, goals, and activities to be implemented to achieve the identified goals and objectives but it did not identify strategic goals and activities. For example, the following strategic activities were not initiated:

1. Update of the election manual and regulations (1999) and the elections law (1996) since they were obsolete and not anymore responsive to the needs of the time. Specific discrepancies in the provisions were noted as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Per Law</th>
<th>Per Election Manual/Election Regulations</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Payment (for attending at a meeting or performing duties as member of a commission) to the member of the Election Commission who is not an employee of Chuuk State Government</td>
<td>$25</td>
<td>$200</td>
</tr>
<tr>
<td>b. Timeframe to try, hear and decide an election controversy</td>
<td></td>
<td>15</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5</td>
</tr>
</tbody>
</table>
2. Regularly update the registered voters for deceased and adjudged incompetent voter. On monthly basis, the law requires that the Chuuk State Election Commission shall obtain certificate of deaths (reports) from the Department of Health Services (Sec 19 CSL No 11-12-18). On the other hand, every judge shall file with the Chuuk State Election Commission a certificate of the fact of voter who was adjudged incompetent. However, the voter’s registry was not regularly updated for these occurrences.

**Management Response** – #2 The Chuuk Election Commission said it should be noted that it is mandated that registration is to be conducted throughout the year even during election.

3. Training for the staff to handle the actual election. The Chuuk State Electoral Commission shall endeavor to ensure that the services rendered by persons engaged during elections are of a high level. This necessitates competency by the individuals’ undertaking categories of election work like preparation; voter registration; conduct of election; tabulating the votes; accounting of issued, used, unused, and spoiled ballots; and certifying the election results. However, according to the Director of Election Commission, no training was ever conducted for the election personnel.

**Management Response** – #3 The Chuuk State Election Commission Management agreed with the recommendation but with reservation that the failure to conduct training was due inadequate funding.

4. Update the procedure for handling absentee voting/ voting by mail. We requested for the accounting of voting by mail like number of ballots sent thru email, number of ballots received back and counted, number of ballots not received, and number of ballots not counted. However, this information is not being prepared.

**Management Response** – #4 The Chuuk State Election Commission Management agreed to develop new procedure for voting by mail based on March 2021 election experience.
5. Monitoring and reporting of the results of the conduct of the election. We requested for a report or records on the conduct of previous elections to understand the experiences in the last election such as the success, the actual election results statistics, the challenges, the election complaints, and the sacrifices to protect the freedoms inherent in democracy. However, no such information was available that could be the basis for reforms to empower further the voter and to protect their rights and ensure free and honest election.

Management Response
The monitoring and reporting of the results of the conduct of the election could not be made because the counting and tabulation of election results are time consuming which run through the nights for few days,

6. Initiative for Election Reforms. The electoral reform is change in electoral systems to improve how public desires are expressed in election results. Electoral reforms will no doubt curb the irregularities in the conduct of elections. The electoral system has not been changed. Everything is manually done and using old procedures and policies.

As part of the strategic plan, the Chuuk State Election Commission for example can slowly initiate election reforms that will re-position an electoral system that will promote free and fair elections. For example,

- Continuous voter registration. Use of information technology like e-registration and computerized voting and counting.
- Administrative and financial autonomy (estimates/budgets) that should be sent directly to the legislature without being subjected to the control of the executive.
- Improve upon the training of election officials and poll workers

As a result, there is no sense of direction on how the Election Commission could achieve improvements in its operations. The lack of a strategic plan negatively impacts the attitude of an
organization’s team as an employee needs a reason to come to work every day (besides the paycheck).

Cause and Recommendations

The lack of experience in strategic management caused the absence of strategic plan for the Chuuk State Election Commission.

We recommend that the Chuuk State Election Commission should obtain training on strategic planning.

We also recommend that the Chuuk State Election Commission should develop and establish a strategic plan, operational plan and implement long term plans that would prioritize activities that would ensure direction and focus on election reforms that would promote a more efficient election and would protect voter's rights and safeguard free and fair election.

Management Response

#6 The Chuuk State Election Commission Management would develop a Strategic Plan for the elections 2023 and 2025
## CHUUK STATE ELECTION COMMISSION: INADEQUATE COMPLIANCE WITH THE FINANCIAL MANAGEMENT REGULATIONS AND NEEDING IMPROVEMENT IN THE CONDUCT OF ELECTION

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### APPENDICES

Appendix A Chuuk State Election Commission Allotted Budget Versus Actual (FY 2017-19)

Chuuk State Election Commission
Allotted Budget Versus Actual (FY 2017-19)

<table>
<thead>
<tr>
<th>Line Item</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Allotted Budget</td>
<td>Actual Expenditures</td>
<td>Expenditures (Over)/Under the Allotted Budget</td>
</tr>
<tr>
<td>Salaries and Benefits</td>
<td>$114,257.00</td>
<td>$116,848.95</td>
<td>$(2,591.95)</td>
</tr>
<tr>
<td>Travel</td>
<td>66,255.00</td>
<td>66,274.25</td>
<td>(19.25)</td>
</tr>
<tr>
<td>Consumables</td>
<td>49,547.00</td>
<td>49,546.43</td>
<td>0.57</td>
</tr>
<tr>
<td>Contractual Services</td>
<td>25,999.00</td>
<td>57,707.85¹</td>
<td>(32,108.85)</td>
</tr>
<tr>
<td>Fixed Assets</td>
<td>11,065.00</td>
<td>11,065.00</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$267,123.00</td>
<td>$301,442.48</td>
<td>$(34,719.49)</td>
</tr>
<tr>
<td>Yearly Increase/(Decrease)²</td>
<td>$178,463.48</td>
<td>$(78,565.14)</td>
<td></td>
</tr>
<tr>
<td>Yearly % Increase/(Decrease)</td>
<td>145%</td>
<td>(35.00%)</td>
<td></td>
</tr>
</tbody>
</table>

Source: Sub-ledger Status Report from ADP

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¹ Adjusted to include $31,442.44 election expenses which were charged to the budget of the Department of Transportation

² There was no election held in FY 2016 with actual expenditures of $ 122,979 (without election expenditures)
CHUUK STATE ELECTION COMMISSION: INADEQUATE COMPLIANCE WITH THE FINANCIAL MANAGEMENT REGULATIONS AND NEEDING IMPROVEMENT IN THE CONDUCT OF ELECTION

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MANAGEMENT RESPONSE

CHUUK STATE ELECTION COMMISSION
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WENO, CHUUK FM 96942
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Email: csecc

ANDREAS VICTUS
Chairman

ETOP MALON
Vice Chairman

ANGELINO ROLOCKO
Member

SERICUS PAPIER
Member

ANTHONY BIALUAJ
Member

YSEY Y. HERRY
Executive Director

ANSY LOUIE
Deputy Director

August 18, 2022

MR. MANUEL L. SAN JOSE, JR.,
CHUUK STATE PUBLIC AUDITOR
POST OFFICE BOX B, WENO, CHUUK
FEDERATED STATES OF MICRONESIA
96942

RE: Official Responds to Audit Findings

Dear Public Auditor:

The following are our official responds to Audit findings with respect the Chuuk State Election Commission with Office and its performances during the Fiscal Year (2017-2019). At the outset, we must thank you and Senior Auditor, Ms. Rosalinda Mori for being opened with the Commission and its Office performances. We appreciate very much your word of encouragement for the improvement of elections in the State. Most especially with funding that any Budget proposal by the Commission be submitted along with the Executive Branch without redaction or amendment by the BRC.

FINDING 1: Election Commission can realize big amount of savings when conducting overseas voting:

We appreciate the suggestion of using the FSM embassies and consulates worldwide to assist during elections of the State and voter’s registration for off island electors. In the recent Gubernatorial State Election in March 2021 and voting by mail was instituted because of the pandemic of COVID-19, such request for assistance just to help voter to “notarize” voting documents was met with resistance as additional burdens to few employees of the FSM embassies and consulates Offices. Further, the Chuuk State Legislature members seem to favor or trust working of election if conducted by personnel of the Election Commission Office for at least to oversee the polling places overseas.

The recommendation that the Director of the Chuuk State Election Commission should train and deputize the embassy/consulate staff to conduct the overseas voting is really not possible.

Chuuk State gubernatorial election is coincide with FSM National election which holds on the
same date. State is without authority to use employees and staff of the FSM embassy or consulate for such purposes.

We would like to note the Chuuk State Election Commission current members on page 1 of the Draft Report as follow:

<table>
<thead>
<tr>
<th>Region</th>
<th>Member</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Northern</td>
<td>Etop Sos, Vice</td>
</tr>
<tr>
<td>Region</td>
<td>Chairman</td>
</tr>
<tr>
<td>2. Southern</td>
<td>Serious Papier,</td>
</tr>
<tr>
<td>Region</td>
<td>Member</td>
</tr>
<tr>
<td>3. Faichuk Region</td>
<td>Andereas Victus,</td>
</tr>
<tr>
<td></td>
<td>Chairman</td>
</tr>
<tr>
<td>4. Mortlock</td>
<td>Anthony Bualau,</td>
</tr>
<tr>
<td>Region</td>
<td>Member</td>
</tr>
<tr>
<td>5. Northwest</td>
<td>Angelino Rosokow,</td>
</tr>
<tr>
<td>Region</td>
<td>Member</td>
</tr>
</tbody>
</table>

With respect to Recommendation under Finding 1: we also noted that even if we utilize what is recommended by your office still POL will not be reduced on two reasons. 1) At present, the current price per gallon of gasoline is at least $5.95 or more. 2) POL is used by the Supervisors to use for the drop off of ballot boxes to the precincts and pick up the same and by monitoring the election activities on election.

FINDING 2: Election Commission was not in compliance with relevant provisions of the State Financial Management Regulation and Appropriation Law Procedures for spending of funds

We trust that aside from sufficient explanation during EXIT CONFERENCE with respect to matters pointed out on pages 10, 11, and 12 in the Audit Report, the Office admits that I.O.U forms were not regularly use but past practice using of check stubs was also utilized.

We, however, acknowledge recommendation on pages 12, 14, and 15 even if they may relate to different Office Administration.

FINDING 3: Election Commission did not have Strategic Plan to provide clarity, direction, and focus toward protecting voters rights and safeguarding fair election.

1. One minor correction with respect to relevant information on bottom of page 16, as follows: Per Law $25 and Manual/Regulations $200
2. Please note that it is mandated that registration is conducted throughout the year even during election. So, to cite the office of being negligent is out of place.

3. Inadequate training for staff to handle the actual election is correct due to inadequate of funding to conduct training in the 40 municipalities in the State and the polling places outside of the Federated States Micronesia.

4. We will formulate a new procedure base upon the experiences during March 02, 2021 voting by mail overseas.

5. The main problem facing the monitoring and reporting of the results of the conduct of election could not be made. For example, counting and tabulation of election results was time consuming which ran through the nights for few days.

6. The Election Commission and the Office are looking forward to establish a “STRATEGIC PLAN” for elections 2023 and 2025 in order to provide clarity, direction and focus toward protecting voters rights and safeguarding fair election in and outside the State of Chuuk.

Respectfully,

[Signature]

Andreas Victus
Chairman
Chuuk State Election Commission

Cc: Office File
CHUUK STATE ELECTION COMMISSION: INADEQUATE COMPLIANCE WITH THE FINANCIAL MANAGEMENT REGULATIONS AND NEEDING IMPROVEMENT IN THE CONDUCT OF ELECTION

OCPA’s EVALUATION OF MANAGEMENT RESPONSES

The Chuuk State Election Commission generally agreed with the audit recommendations. However, it disagreed on some recommendations and the following were our evaluation of the response.

a. The commission can save money when conducting overseas voting.

Recommendation
To save the big amount of money that has been spent on travel related expenditure for overseas voting, we recommend that the Director of the Chuuk State Election Commission should train and deputize the embassy/consulate staff or citizens abroad for the conduct of overseas voting.

Management Response
The Chuuk State Election Commission management responded that the FSM Embassies and Consulate Offices with only few employees might be resisting with the additional work. The Election Commission said that this observation was based on the experience during the March 2021 General Election wherein their request to the embassy to help the voters to notarize the voting documents was met with resistance and the state has no authority to use FSM Embassy/Consulate staff for election purposes.

In addition, the management responded that the Chuuk State Legislature seems to prefer the Election Commission to oversee the polling places overseas. Lastly, the Chuuk State national election (gubernatorial) coincides with the FSM National Election

Auditor’s Evaluation of Management Response
We recommend that the Chuuk Election Commission to study the process of conducting overseas voting as practiced by other countries because there is a big opportunity for savings if the embassy employee or the citizens overseas could be deputized for overseas voting. The savings could be used for other strategic activities of the commission
CHUUK STATE ELECTION COMMISSION: INADEQUATE COMPLIANCE WITH THE FINANCIAL MANAGEMENT REGULATIONS AND NEEDING IMPROVEMENT IN THE CONDUCT OF ELECTION

OCPA’s EVALUATION OF MANAGEMENT RESPONSES

b. The commission can save money when conducting voting in outer islands

Recommendation

We recommend that the Election Commission to deputize local public school principal/teacher or local poll worker in the outer islands to conduct the election for the commission.

Management Response:

The Chuuk State Election Commission management responded that the POL would not be reduced because of the increase in fuel and that the Supervisors would still be used to drop off ballot boxes to the precincts and pick up the same. Further, the Election Supervisors would still be used to monitor the election activities.

Auditor’s Evaluation of Management Response

The citizens at the Chuuk Islands should ultimately given responsibility to manage and be responsible for the election in their area.
CHUUK STATE ELECTION COMMISSION: INADEQUATE COMPLIANCE WITH THE FINANCIAL MANAGEMENT REGULATIONS AND NEEDING IMPROVEMENT IN THE CONDUCT OF ELECTION

OCPA CONTACT AND STAFF ACKNOWLEDGMENT

OCPA CONTACT:
Manuel L San Jose Jr. CPA
Public Auditor
Telephone: (691) 330-8832/5

ACKNOWLEDGEMENTS

In addition to the contact named above, the following staff made key contributions to this report:
Rosalinda Mori, Auditor-In-Charge

OCPA MISSION

We conduct audits and investigations to promote good governance, accountability and transparency and to prevent fraud, waste and abuse in the use of public funds

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