OFFICE OF THE NATIONAL PUBLIC AUDITOR

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ONPA Releases Inspection Report on the $9.5 million initially booked by the Department of Finance & Administration as the Government’s Liability in a Lawsuit Involving a Contractor for Road Projects in Chuuk State

We have completed our Inspection on the $9.5 million based on a request from the FSM Congress per Congressional Resolution No. 22-194: To request the Office of the National Public Auditor to audit the accounts, books, and other financial records of the Department of Finance and Administration in regards to the $9,500,454 reserved by the Department of Finance and Administration in Fiscal Year 2019 to cover the potential National Government liability in FSM v. Pacific International, Inc., Civil Case No. 2014-46, Appeal Case No. P12-2021. We conducted this Inspection in accordance with the Council of the Inspectors General on Integrity and Efficiency Quality Standards for Inspection and Evaluation (QSIE) and also included reviews of journal entries and their supporting documents and interviews of key officials to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions

Based on our objective, we concluded that the $9.5 million initially booked in 2019 to cover the potential National Government liability in Civil Case No. 2014-46, Appeal Case No. P12-2021 was an adjusting journal entry to reduce the Fund Balance and to set up a related liability based on the legal representation from the Department of Justice. The arbitration was completed and the final award was reduced to $6 million, thus another adjusting journal entry was posted to increase Fund Balance and reduce liability by $3.5 million. The National Government’s debt of $6 million remained unpaid as of the date we issued this final Inspection Report. No cash was reserved as a result of such transactions.

A digital copy of our report is available on our official website (fsmopa.fm) or you can read the report by clicking Here

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Article XII, Section 3 of the F.S.M Constitution and Title 55, Chapter 5 of the FSM Code authorized the Public Auditor to direct a broad, comprehensive program of auditing within the National Government.