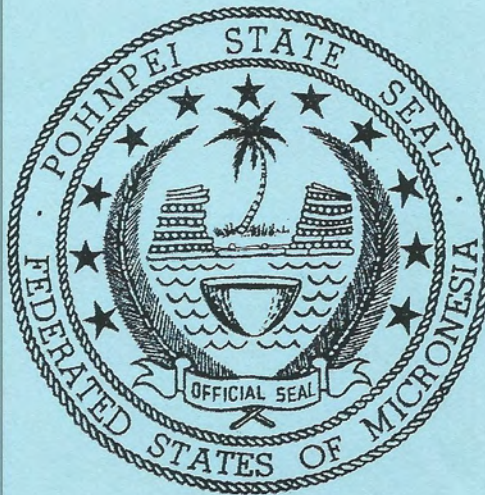


**POHNPEI VISITORS BUREAU
ATTESTATION ENGAGEMENT - AGREED UPON PROCEDURES**

ATTESTATION REPORT NO. 006 - 13

FISCAL YEARS ENDED SEPTEMBER 30, 2011 AND SEPTEMBER 30, 2012



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

State Public Auditor
P.O. Box 370
Kolonias, Pohnpei
Federated States of Micronesia

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ATTESTATION REPORT NO. 006 - 13

FISCAL YEARS ENDED SEPTEMBER 30, 2011 AND SEPTEMBER 30, 2012

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June 10, 2013

The Honorable John Ehsa, Governor, State of Pohnpei
The Honorable Peter M. Lohn, Speaker, Pohnpei State Legislature
The Honorable Members of the Pohnpei State Legislature
The Board of Directors, Pohnpei Visitors Bureau
Ms. Kukulynn Gallen, Acting General Manager, Pohnpei Visitors Bureau

EXECUTIVE SUMMARY

We are pleased to submit the Attestation Engagement – Agreed Upon Procedures Report on the Pohnpei Visitors Bureau (PVB) per Pohnpei Legislature SCR No. 101 – 12 duly adopted on December 17, 2012 to verify the use of the Pohnpei Visitors Bureau's appropriations for the FY 2011 and FY 2012. The attestation was conducted in accordance with the Government Auditing Standards on attestation engagement issued by the Comptroller General of the United States. The attestation was also performed pursuant to Article 11, Section 8 (2) of the Pohnpei State Constitution.

The objectives of our attestation were to determine whether PVB disbursements made were:

1. For official purposes and represents valid claims;
2. Adequately supported with documents; and
3. Properly charged to proper fund account and budget.

The scope of our audit covered fiscal years ending September 30, 2011 and September 30, 2012. We performed such test of records, transactions and other attestation procedures that we considered necessary to achieve our attestation objectives.

As a result of our engagement, we conclude that:

The Pohnpei Visitors Bureau's disbursements made were:

1. For official purposes and represents valid claims. The review of the disbursement documents revealed that the activities undertaken were for official purposes. The expenditures were properly authorized and signed by authorized signatories.

POHNPEI VISITORS BUREAU
Attestation Engagement - Agreed Upon Procedures Report
Fiscal Years Ended September 30, 2011 and September 30, 2012

INTRODUCTION

Pohnpei is one of FSM States that lies in the middle of the Eastern Caroline Islands. It has been tagged as “The Garden Island” of Micronesia. The island abounds in tropical forests, cascading mountain streams, spectacular waterfalls, hidden pools and exquisite flora. Pohnpei is home to fascinating tourist destinations such as the ruins of Nan Madol, Kepirohi Falls, Enipein Marine Park, Sokehs Rock, Liduduhniap Twin Falls and is also rich in monumental ruins. Pohnpei also has one of the most varied marine environment in Micronesia. It has several dive sites which features corals, reef fish and other sea creatures which makes Pohnpei an enjoyable place for tourist.

Having the goal of promoting Pohnpei as a favored tourism destination in the region and in order to generate economic activity, the Pohnpei Visitors Bureau (PVB) is faced with the challenge of how to operate efficiently given the budgetary constraints. Some issues arose regarding the use of the PVB’s budget which is the reason why this attestation engagement was conducted on PVB for the fiscal years 2011 and 2012.

AUTHORITY

Pursuant to Article 11, Section 8 (2) of the Pohnpei State Constitution and Pohnpei State Law Nos. 1L-10-79 and subsequent amendments, the Office of the Public Auditor (OPA) conducted an attestation engagement, agreed upon procedures on the Pohnpei Visitors Bureau per Pohnpei Legislature SCR No. 101-12 duly adopted on December 17, 2012 and verified the use of the Pohnpei Visitors Bureau’s appropriations for the FY 2011 and FY 2012.

BACKGROUND

Organization

The Pohnpei Visitors Bureau has been constituted as a non-profit corporation on February 12, 1996 by virtue of the authority vested in the President of the Federated States of Micronesia, Title 36 Chapter 1, section 101, 102, 103 and 104 of the Code of the FSM authorizing issuance of corporate charter to an association of persons for any lawful purposes other than pecuniary profit. The non-profit corporate charter has been granted to Pohnpei Visitors Bureau, Inc. in the State of Pohnpei provided, however, that this charter, the Articles of Incorporation and the By laws of the corporation shall be subject to amendment, suspension, or revocation by any future law, proclamation, regulation or special order of the President of the FSM applicable thereto having the force of law.

A Board of Directors composed of nine Directors oversees the affairs of PVB. An Acting General Manager, employed on a contract basis manages the day to day operations of the PVB.

As part of our engagement, we considered the PVB's internal control and assess control risk, as required by the Government Auditing Standards for Attestation Engagements, for the purpose of establishing a basis for determining the nature, timing, and extent of procedures necessary to achieve our objectives and issue a report thereon.

Scope

The scope of our attestation engagement covered fiscal years ending September 30, 2011 and September 30, 2012.

Prior Audit Coverage

This is the first attestation engagement that OPA conducted on the PVB. The accounts of the PVB are also included in the annual single audit of Pohnpei State which is performed by the Independent Auditor Deloitte and Touche.

Methodology

To accomplish our objectives, we performed the following agreed upon procedures:

1. Examined and tested documentary evidence supporting the transactions recorded in the accounts;
2. Conducted interviews of the Acting General Manager of PVB; Chief of Staff of the Pohnpei State Government; Chairman of the Pohnpei Visitors Bureau; Chairman of the World Park Program and other key officials;
3. Reviewed the budget and conducted examination of records; and
4. Performed other procedures as applicable.

Conclusions

As a result of our attestation engagement, we conclude that:

The Pohnpei Visitors Bureaus disbursements made were:

1. For official purposes and represents valid claims. The review of the disbursement documents revealed that the activities undertaken were for official purposes. The expenditures were properly authorized and signed by authorized signatories.
2. Adequately supported with documents. The disbursements were properly supported with invoices, travel authorizations and other requirements for disbursements were properly complied with.
3. Properly charged to proper fund account and budget. The World Park Program account has zero balance as of September 30, 2012. During FY 2012, the amount of \$9,506.39 Private Sector Grant of the Pohnpei Visitors Bureau was used to defray the expenses in the World Park Program.

POHNPEI VISITORS BUREAU
Schedule of Findings and Recommendations
Fiscal Years Ended September 30, 2011 and September 30, 2012

Finding No. 12-001 Status of PVB's Disbursements

Criteria:

The objectives of this attestation engagement were to determine whether PVB disbursements made were:

1. For official purposes and represents valid claims;
2. Adequately supported with documents; and
3. Properly charged to proper fund account and budget.

Condition:

Examination of the disbursements revealed the following conditions:

1. The FY 2012 Approved Budget for PVB was \$107,000 from the Compact Private Sector Grants. During the year, the amount of \$9,506.39 was used to pay for the following activities for World Park Program because the budget for World Park has already been exhausted.

Description	Amount	Remarks
Attendance for World Park Workshop in Pohnpei by the World Park Coordinator From Michigan State University USA	\$3,764.05	TA No. T120104 and travel supporting documents were attached to the voucher
Attendance for World Park Workshop in Pohnpei by the World Park Coordinator From Michigan State University USA	\$3,764.05	TA No. T120103 and travel supporting documents were attached to the voucher
Reimbursement for POL	\$ 134	Supporting documents were attached to the voucher
Reimbursement for Printing & Production	\$ 156	Supporting documents were Attached to the voucher
Reimbursement for Food	\$603.04	Supporting documents were Attached to the voucher
Reimbursement for Supplies & Materials	\$1,085.25	Supporting documents were Attached to the voucher
Total	\$9,606.39	

2. There were some Tourism promotional trips that PVB planned to attend during the FY 2012 that were not undertaken because the travel budget was already used to defray the activities in the table above.

POHNPEI VISITORS BUREAU
Schedule of Findings and Recommendations
Fiscal Years Ended September 30, 2011 and September 30, 2012

Finding No. 12 – 002 Program Project Activities needs to be updated

Criteria:

Program effectiveness can be assessed by measuring the extent to which a program is achieving its goals and objectives. Current status or conditions of programs needs to be updated in order to determine whether program produced intended results or produced results that were not consistent with the program's objectives.

Condition:

A review of the programs as reflected in the Performance Based Budget of the PVB for FY 2012 revealed the following:

Mission: To encourage the controlled development of Tourism that is compatible with Pohnpei overall development growth and to enable that the infrastructure, facilities, communication and price of services meet the expectation of tourists.

Strategic Goal: To promote Pohnpei as a favored tourism destination in the region to Generate economic activity.

Activity A1.1 Promote inter sectorial linkage

Output A1.1.1.1 # 6 Workshops for fisherman and farmers with hoteliers and restaurants, #3 Workshops to handicraft artisans

Activity A.1.2 Travel trade shows participation

Output A.1.2.1.1 #7 Travel shows and regional conferences

- 1) JATA; 2) PATA Micronesia Chapter Meeting for 4 quarters;
- 2) Marine Diving Fair; 4) DEMA; 5) KOTFA; 6) Guam Micronesia Island Fair; and 7) Road Show.

With the implementation of the World Park planning process by mandate of the National Strategic Development Plan (SDP), a support resolution/appropriation from the Pohnpei Legislature and a resolution from the FSM Chief Executive Council, a World Park Pre-Planning Task Force was appointed. There was an 18 – months planning process schedule which started in July 2010. This has brought emphasis on the responsibilities and additional activities of the Pohnpei Visitors Bureau which includes:

POHNPEI VISITORS BUREAU
Schedule of Findings and Recommendations
Fiscal Years Ended September 30, 2011 and September 30, 2012

Finding No. 12 – 003 Organizational Disagreement and Conflict

Criteria:

An organizational structure is the formal system of task and reporting relationships that controls, coordinates and motivates employees to cooperate and achieve the organization's goals. An efficient organizational structure has a clear layout of operating policies and procedures that provide guidelines and clear direction for everyone to follow.

Condition:

The Plan for the Pohnpei Visitors Bureau is to be the umbrella of Tourism with PVB as the promotional arm of the World Park Program and the Tourism Office as the administrative agency of the World Park Program.

The World Park Planning Process started on September 15, 2009 with the appointment of a World Park Pre Planning Task Force with representatives from College of Micronesia- FSM and Michigan State University.

In the development of the World Park Plan, additional responsibility has been assigned to Pohnpei Visitors Bureau to be the facilitator and Coordinator in the World Park Planning Committee.

Meetings and interviews conducted by the audit team revealed that at the start of the World Park Program Plan, PVB had fully supported the World Park Plan. However, during the development of the Plan, conflicts started between the management of PVB and the World Park Program.

Cause:

The causes of the conflicts are as follows:

- There were differences in perspectives and differences in setting priorities in promoting Tourism for Pohnpei State;
- The needs of the program were plenty but the resources were few. The World Park Program already exhausted their budget but there were expenses that need to be paid which resulted to using the to Pohnpei Visitors Bureau's budget; and
- Some off island trips of PVB did not materialize because travel funds were already used to pay the World Park Consultants who came to Pohnpei for the Workshop.

POHNPEI VISITORS BUREAU
Schedule of Findings and Recommendations
Fiscal Years Ended September 30, 2011 and September 30, 2012

Finding No. 12 – 004 Deteriorating Condition of the PVB Building and Office

Criteria:

With the goal of promoting tourism in Pohnpei, it is necessary for Pohnpei Visitor's Bureau to have a good and presentable office and a secure building.

Condition:

Several visits by the audit team to the PVB building resulted to the following observations made:

- The building structure is in a deteriorating condition. The roof already has plants growing on it, the ceiling and walls are falling apart from the termites and there is a possibility that the structure can collapse.
- The present condition of the building makes it unhealthy for staffs and employees to stay and is very unrepresentable for tourist to see.

Cause:

The PVB is dependent on the State government for office space and there are no plans yet to secure funds to improve the building or request for a new office space.

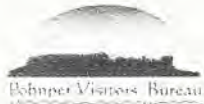
Effect:

The deteriorating condition of the building and office increase the risk of unhealthy and unsafe working environment. It can also bring negative impression to tourists and guests visiting Pohnpei.

Recommendation:

We recommend that PVB's management and BOD to work together and prepare plans for the improvement of the building and office. This can be done by:

- Requesting funds to fix the present building or look for other office alternatives;
- Explore other avenues for funding source like foreign grants, local revenue sources and request for Congress funds; and
- Using project proposals and grants.



Pohnpei Visitors Bureau

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Website: visitpohnpei.com

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Office of the Public Auditor
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Date: 6/12/13
By: [Signature]

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June 12, 2013

Ihlen K. Joseph
Public Auditor
Public Auditors Office
Pohnpei State Government
FM 96941

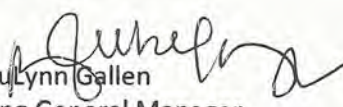
RE: Agreed Upon Procedures Report for Pohnpei Visitors Bureau Fiscal Ended September 30, 2011 and September 30, 2012

Kaselehlie Maing Isohko;

On behalf of the Pohnpei Visitors Bureau, I would like to extend my outmost gratitude to your office and your staff for the outcome of the draft report that was discussed on May 31, 2013 during the exit conference meeting. During the conference Ms. Analin went through all the findings, objectives and the recommendations that were stated in the report. As I stated before during one of my interview by your staff that the World Park is been a part of the PVB since the first introduction was made to all the States within the FSM, it's just a matter of miscommunication, but I do now believe that the outcome of this report will not delay the activities of the PVB and World Park.

In conclusion, I would like to express again my gratitude to your office and staff for all the recommendations.

Kalahngan ni wahu,


Kukulynn Gallen
Acting General Manager
Pohnpei Visitors Bureau



57 Pohnpei Visitors Bureau – Office Building Roof with weeds growing



58 Pohnpei Visitors Bureau -Entrance area is dilapidated



59 Pohnpei Visitors Bureau- Receiving Area- Ceiling almost collapse



60 Pohnpei Visitors Bureau – Receiving Area- Ceiling full of termites



61 Pohnpei Visitors Bureau Computer Room



62 Pohnpei Visitors Bureau Computer Room – Ceiling and wall with termites



69 Building with termites is unhealthy for staffs.



70 Pohnpei Visitors Bureau - Ceiling almost fall apart.



71 Pohnpei Visitors Bureaus - weeds grows wildly on top of the office building



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 a concern of everyone in Pohnpei. You can report allegation of fraud and abuse by contacting us at:

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Fax: (691) 320-2059
E-Mail: opsa_psa@mail.fm

Mehn Kapehseh Kesempwal

Pwukoa en tetehek, apwalih oh doadahngki mwohni de dipwisou oh awahn doadoahnk en wei pokon (kopwoment) en Wein Pohnpei sapwelimatail koaros (Ohpis en Public Auditor, tohn doadoahk karos en kopwoment oh mehn Pohnpei Karos). Ohpis en Public Auditor nan Pohnpei kin kasikasik ni ahsou karos pakair pen iren kapwunod kan me pid sou itar en apwalih de doadoahngki dipwisou de mwohni oh awahn doadoahk en kopwoment. Komw kak en repwohtki omwi iren kapwunod kan ong:

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