



## OFFICE OF THE NATIONAL PUBLIC AUDITOR

### Media Release No. 2023-02

April 12, 2023

#### **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., Civ. 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](https://fsmopa.fm)) or you can read the report by clicking [Here](#)

**For more information contact:** Email: [info@fsmopa.fm](mailto:info@fsmopa.fm); Phone: (691)320-2862/3; Facebook: <https://www.facebook.com/fsmpublicauditor>

*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.*