

Department of Youth and Civic Affairs

Compliance Audit

**Fiscal Year Ended
September 30, 2008**



**Office of the Public Auditor
State of Yap
Federated States of Micronesia**



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

Federated States of Micronesia

P.O. Box 927

Colonia, Yap FM 96943

Phone: (691) 350-3416 Fax: (691) 350-4987 Email: auditsap@mail.fm

EXECUTIVE SUMMARY

This report presents the results of our compliance audit of the Department of Youth and Civic Affairs (DYCA) as of September 30, 2008. The audit was conducted at the request of the Director of DYCA.

The purpose of our audit was to determine DYCA's compliance with applicable laws, regulations, and policies and to identify opportunities for strengthening internal control and improving operating efficiency. The audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

As a result of our audit, we noted a lack of adherence to policies, laws, and regulations in connection with the failure to establish an advisory board, as recommended by Yap State law, to file annual reports required by law, to maintain vehicle log books according to Yap State vehicle regulations, and apply the Yap State law competitive bidding procedures. Additionally, we noted other conditions in connection with internal controls and compliance with policies requiring attention. This includes lack of price schedules, inventory listings, proper tagging of fixed assets, filing of travel vouchers, and inspection of the quality of contractual services performed, and inadequate documentation of time and attendance records and personnel action forms:

We would like to thank the Director, management, and staff of DYCA for their assistance and cooperation during the course of this audit.

Ronald C. Yow
Acting Yap State Public Auditor
May 31, 2011

DEPARTMENT OF YOUTH & CIVIC AFFAIRS
Compliance Audit
September 30, 2008

TABLE OF CONTENTS

INTRODUCTION

 Background..... 1

 Objective, Scope, And Methodology..... 2

 Prior Audit Coverage..... 3

CONCLUSION..... 3

FINDINGS AND RECOMMENDATIONS

 Finding 1: An advisory board to assist in developing and selecting radio and television program content is not in place..... 3

 Finding 2: There is no comprehensive fee or price schedule for the sale of goods and services and promotional time..... 4

 Finding 3: Inventories not maintained for items for resale 4

 Finding 4: Annual reports are not submitted as required by law 4

 Finding 5: Travel logs are not maintained for vehicles 5

 Finding 6: The tagging of property and equipment is not consistently performed 5

 Finding 7: State property improperly used by employees 6

 Finding 8: Travel vouchers not filed and/or not timely filed 6

 Finding 9: There is no evidence of inspections for maintenance and repair contracts 7

 Finding 10: Personnel action forms were not on file for some employees 7

 Finding 11: Performance of competitive bidding procedures is lacking 7

 Finding 12: Time and attendance records for some personnel were lacking supporting documentation and approvals 8

MANAGEMENT RESPONSE..... 10

DEPARTMENT OF YOUTH & CIVIC AFFAIRS
Compliance Audit
September 30, 2008

INTRODUCTION

Background

This audit was initiated at the request of the Director of the Department of Youth and Civic Affairs (DYCA), whose primary interest was to highlight areas of the department's operations that might need attention. He also wished to determine if the department was in compliance with the Financial Management Act and whether DYCA was meeting its goals and objectives.

DYCA was created pursuant to Yap State Law 2-38, signed into law by the Governor on September 19, 1988, and codified as Yap State Code Title 3, Section 126. The mission of the department is to enhance domestic and international government communications, keep the general public informed, empower the youth and women, and protect and preserve Yap's culture. Other functions of the department include historic preservation, youth initiatives, media, and administration of general elections. DYCA is comprised of two divisions, Media and Youth Services, and three independent programs which perform activities designated as Civil Affairs. The Civil Affairs programs are Historical Preservation, Women's Interest Office, and Election Commission.

Media Division

The division's principal activities include providing news, information, educational programs, entertainment, and communications links between government offices, agencies, and the general public.

Youth Services

The activities of the division include providing youth initiative and recreation, developing youth programs, and projects that create meaningful skills, knowledge, and experience for the youth population in Yap.

Historic Preservation

This is funded largely by two grants from the United States National Park Service, one from the Historic Preservation Fund and another directly from the park service for operations and professional services. The program also receives funding from the state legislature and Compact Environmental Sector grants. The mission of the Historic Preservation Office (HPO) is to promote, preserve, restore, and document the cultural and traditional heritage of Yap society. The activities of HPO are to register historical sites, restore historical sites, collect historical information, and work toward the completion of the Yap State Museum. The museum is expected to provide, among other things, an educational forum for informing communities in and visitors to Yap of Yap's unique history and culture, and appropriate long term preservation of objects, publications, photographs, and videos.

DEPARTMENT OF YOUTH & CIVIC AFFAIRS
Compliance Audit
September 30, 2008

Women's Interest Office

The office is funded both under local revenue and by a variety of governmental and third party non-governmental grants. The Women's Interest Office (WIO) is closely aligned to and works with the non-profit Yap Women's Association.

Election Commission

The function of the Election Commission (EC) is to register voters and conduct elections. During elections, EC hires additional personnel to count votes and perform other administrative duties.

Objective

The audit was conducted at the request of the Director of DYCA. The purpose of this audit was to determine DYCA's compliance with applicable laws, regulations, and policies and to identify opportunities for strengthening internal control and improving operating efficiency.

Scope and Methodology

In conducting our audit, we interviewed DYCA officials and employees, and reviewed accounting records and other documentation. We tested and analyzed detailed revenue and expense transactions and reviewed procedures to ensure compliance with policies, laws, and regulations. The disbursements selected for review were limited to those made under local revenue and Compact funds in fiscal 2008. In addition, we did not review policies and procedures that were not directly related to disbursement of funds under local revenue and Compact funds. Our audit was conducted in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and pursuant to the authority vested in the Public Auditor as codified under Title 13, Chapter 7, Section 703 of the Yap State Code, which states in part:

"The Public Auditor shall inspect and audit all accounts, books, and other financial records of the State Government, to include but not limited to, every branch, department, office, political subdivision, board, commission and agency, and other public legal entities or non-profit organizations receiving public funds from the State Government, and to prepare written reports of such inspections and audits for presentation to the Governor and the Legislature;"

DEPARTMENT OF YOUTH & CIVIC AFFAIRS
Compliance Audit
September 30, 2008

Prior Audit Coverage

This is the first engagement of its kind in connection with DYCA conducted by the Yap State Public Auditor.

CONCLUSION

Our audit disclosed opportunities for strengthening internal controls and improving operating efficiency. Additionally, we noted certain conditions in connection with adherence to policies, laws, and regulations requiring attention. The audit findings, along with our recommendations are discussed in the accompanying pages.

FINDINGS AND RECOMMENDATIONS

Finding No. 1: Advisory board

An advisory board to assist in developing and selecting radio and television programming content is not in place. Section 7.1 of the Yap State Government Regulations for Radio and Television Stations provides that an advisory board to periodically review and recommend improvements to program contents may be created.

Recommendation: Consider establishing an advisory board to assist the Director and station management in improving radio and television program content. An advisory board, acting in close collaboration with management will help ensure that the content of all programming, including public service and promotional announcements:

- Are in good taste, informative or educational in nature, and entertaining in approach.
- Respect culturally and socially sensitive matters and issues.
- Recognize language and other cultural differences between residents of Yap proper and neighboring islands.
- Allow adequate coverage of local events, in keeping with the objectives stated in the first five year development plan.

DEPARTMENT OF YOUTH & CIVIC AFFAIRS
Compliance Audit
September 30, 2008

Finding No. 2: Comprehensive price schedule

There is no comprehensive fee or price schedule for the sale of goods and services and promotional time.

Comprehensive pricing creates uniformity in the charges for products and services. It also promotes internal controls over authorization in terms of determining and establishing prices and procedures for applying discounts and other allowances. A lack of consistency in pricing could result in lost revenue from the sale of goods and services at less than market or reasonable rates and improper credits given to customers. Additionally, standardization reduces the likelihood of the misappropriation of assets.

Recommendation: To ensure uniformity in pricing, develop a comprehensive price schedule and ensure it is properly adhered to.

Finding No. 3: Inventories not maintained

We noted during our review of documentation on items for resale that inventory listings were not maintained.

Recommendation: Implement inventory control procedures that facilitate the creation and maintenance of appropriate records of items maintained in storage that is available for sale. Inventories not only provide accountability and custodial control, but also assist in determining, among other things, reorder points and quantities and slow moving items.

Finding No. 4: Annual reports

Annual reports are not submitted by DYCA as required by law. Section 175 of Title 3 of the Yap State Code provides for the submission by departments and offices of annual reports to the legislature.

Recommendation: To ensure compliance with public law, implement procedures to facilitate the submission of reports annually to the legislature. The annual report should include the transactions, projects, programs, and operations of the department for the preceding year.

DEPARTMENT OF YOUTH & CIVIC AFFAIRS
Compliance Audit
September 30, 2008

Finding No. 5: Vehicle regulations

Travel logs for the Division of Media and Protocol are not maintained for vehicles. Section 6 of Yap State Government Vehicle Regulation 1993-01 requires the keeping of a log book on all uses of regular vehicles. In lieu of a log book a file using a form provided/approved by the Director of Administrative Services may be used.

Recommendation: To ensure and document the proper and authorized use of government vehicles, and comply with government vehicle regulations, furnish all vehicles with a trip log book. This should, at a minimum, contain the following information for each trip:

- Name of operator
- Purpose and destination
- Initial and completion time
- Approximate number of miles covered

In addition, logs should be periodically reviewed for completeness and should be reconciled to odometer readings. Vehicle logs not only strengthen control over the use of official vehicles, but can also be of value in determining vehicle maintenance schedules and monitor fuel consumption to prevent fuel pilferage.

Finding No. 6: Property and equipment

Property tagging of the Division of Media and Protocol equipment is not consistently performed. Our verification of property and equipment revealed several assets which were not tagged with the property number. Additionally, we noted inconsistencies in the recording property and equipment and the maintenance of property records. Items purchased in fiscal year 2008 could not be located on the fixed assets master list we obtained from Procurement and Management.

Recommendation: Reemphasize to personnel the importance of maintaining accountability for property and equipment and the significance of not properly controlling access to and custody of assets that might be easily converted to personal use. Accordingly, ensure that all assets are properly tagged with the property number and records of property and equipment are complete and accurate. Moreover, inspections of assets and periodic comparisons with property and equipment records should be performed and documented.

DEPARTMENT OF YOUTH & CIVIC AFFAIRS
Compliance Audit
September 30, 2008

Finding No. 7: Use of Yap State property

Written procedures for the use and safeguarding of assets have not been established. In applying procedures designed to verify the existence of certain equipment, we noted some assets were located at the residences of employees. Title 8, Section 308 of the Yap State Code prohibits the use of state property by employees for other than official use.

Recommendation

To ensure against unauthorized or improper use, theft or destruction, and improper care or excessive wear of equipment, establish written procedures for the administration, custody, and safeguarding of assets removed from and utilized off-site. These procedures should, at a minimum, include:

- Guidelines for authorizing the off-site removal of government owned equipment and its use outside of government practices.
- Adherence to software copy protection and licensing requirements.
- Prohibitions on off-site removal of government owned media, or required approvals for employees who have access to a personal computer or similar device and use it for processing government data.

Finding No. 8: Filing of travel vouchers

During our review of travel disbursements of one of the programs of the Division of Media and protocol we noted that travel vouchers for some personnel were either not timely filed or had not been filed at the time of our audit.

In addition, during our review of travel disbursements for the office of Historical Preservation advances made to several employees for trips that were subsequently cancelled were not refunded back to the state. Also one individual who still had an outstanding travel advance for which no travel voucher had been submitted was authorized and issued another travel advance.

Recommendation: Travel expense vouchers should be completed and submitted within 10 days after completion of the travel and should be approved by the same person who approved the travel authorization. Additionally, periodic reviews and analysis of outstanding travel advances should be performed.

DEPARTMENT OF YOUTH & CIVIC AFFAIRS
Compliance Audit
September 30, 2008

Finding No. 9: Contractual expenditures

During our review of contracted services for the Division of Media and Protocol we noted there was no evidence inspections had been performed for maintenance and repair contracts. Inspections help ensure that contract work is performed up to specifications and within building code requirements.

In addition, our review of contract disbursements for the office of Historic Preservation disclosed the payment in full of a contract that had not been completed. An inspection of a project revealed that additional work was needed to repair damage to a seawall. Notwithstanding this, payment was authorized and the work never performed.

Recommendation: To ensure payments for contracted projects are properly disbursed for actual work performed, a copy of the approved work order should accompany all payment information and should include a certification that the work was satisfactorily completed. Where a project involves multiple phases or stages, final payment should not be made before a walk through inspection is performed and documented.

Finding No. 10: Personnel action forms

A review of personnel disbursements for the Division of Media and Protocol revealed that valid personnel action forms were not on file for some employees and, for others, were not consistent with what employees were actually getting paid.

Recommendation: Notwithstanding the division has limited control in connection with the processing of the payroll, it still must assume responsibility for the accuracy of the pay of its own employees. Accordingly, to ensure no unauthorized changes have occurred, periodically match permanent records such as personnel action forms to rates and personnel data reflected on timesheets.

Finding No. 11: Competitive bidding procedures

Our review of disbursements for consumables for the office of Historic Preservation revealed a lack of performance of competitive bidding procedures. We noted purchases that were not supported by price comparisons and other instances in which the reasons for not obtaining price comparisons were not adequately documented. Yap State Law No. 6-53 requires, for non-construction procurement, price comparisons of at least three vendors.

DEPARTMENT OF YOUTH & CIVIC AFFAIRS
Compliance Audit
September 30, 2008

Competitive bidding of purchases helps ensure cost effective procurement of goods and services by, among other things, providing an incentive for suppliers to offer the best possible price, quality, terms, and service.

Recommendation: To ensure adherence to public law and conformity with sound business practice, establish formal procurement policies and procedures and communicate these to all staff. Written proposals received from vendors and suppliers should be maintained on file and information for oral bids recorded, including amounts and dates obtained. Exceptions to bidding requirements should be documented.

Finding No. 12: Time and Attendance

A review of personnel expenditures for the office of Historic Preservation revealed that some of these were not supported by timesheets or other time and attendance documentation to substantiate actual hours they worked and are being paid for.

We also noticed several instances where employees were paid for leave time, but there were no approved leave forms to support the authorization to take leave.

Recommendation: Re-emphasize to personnel the importance of maintaining proper documentation to support time and attendance. All timesheets should be signed by the individual employee or contractor and contain evidence of supervisory review. Additionally, all personnel actions and activities, such as taking leave, should contain evidence of approval and be on file.

DEPARTMENT OF YOUTH & CIVIC AFFAIRS
Compliance Audit
September 30, 2008

MANAGEMENT RESPONSE



OFFICE OF THE DIRECTOR
Department of Youth & Civics Affairs

received
6/9/11 - OPA

P.O. Box 430
Tel: (691) 350-2168 or 2169

State of Yap
Federated States of Micronesia
Western Caroline Island, 96943

Email:
Fax: (691) 350-3898

June 08, 2011

Mr. Patrick J. Zachinni
Yap State Public Auditor's Office
Yap State Government
Colonia, Yap FM 96943

Mr. Zacchini,

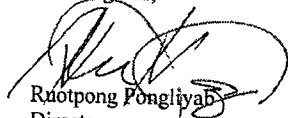
The Department of Youth & Civic Affairs (DYCA) acknowledges the receipt of your draft audit report, along with its findings and recommendations. The report cited twelve findings, DYCA agrees with the assessment and practices recommended to resolve them.

With respect to the recommended actions suggested by the audit, the Director, Administrative Officer, Division Chiefs and other heads of office will undertake the task of working out plans to address the findings and implement the recommendations so as to improve current operations, encourage better practices and comply with the audit.

It is our hope to implement these practices as soon as practical, and to hopefully see quantifiable improvements by next fiscal year.

On behalf of the Department of Youth & Civic Affairs, I wish to thank you, your staff and your office for the hard work and countless hours of dedication that brought this report to completion. We will endeavor to be diligent in improving the areas cited in your report.

Best Regards,


Ruotpong Pongliyab
Director

Divisions & Offices

Civic Affairs Division Media Division Youth Services Division Historic Preservation Office