

STANDING COMMITTEE REPORT NO. 17-54

RE: C.R. NO. 17-29/W&M

SUBJECT: NOMINATION OF PUBLIC AUDITOR

OCTOBER 03, 2011

The Honorable Isaac V. Figir
Speaker, Seventeenth Congress
Federated States of Micronesia
Second Regular Session, 2011

Dear Mr. Speaker:

Your Committee on Ways and Means, to which was referred C.R. No. 17-29 entitled:

"A RESOLUTION TO CONFIRM THE APPOINTMENT OF MR. HASER HAINRICK TO THE POSITION OF PUBLIC AUDITOR OF THE FEDERATED STATES OF MICRONESIA.",

begs leave to report as follows:

The intent and purpose of the resolution are expressed in its title.

Mr. Haser Hainrick has been nominated by the President of the Federated States of Micronesia to be the Public Auditor. Article X, section 2(d), of the FSM Constitution and title 2, section 207, of the Code of the Federated States of Micronesia state this nomination is subject to the advice and consent of Congress.

The nomination was transmitted to Congress as Presidential Communication No. 17-33. The nominee has served as the Public Auditor for the past nine years. In the letter accompanying the nomination the President cites Mr. Hainrick's long tenure spanning many administrations and satisfactory past performance as indicative of his qualification for this position. The nominee's history and experience prove he has the qualifications needed to fulfill the position of Public Auditor.

PUBLIC HEARING

Your committee held a public hearing with the nominee on September 17, 2011. Chairman Halbert welcomed the nominee to the hearing and thanked him for appearing and participating. The Chairman congratulated the nominee on being nominated and turned the floor to

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the nominee to give an opening statement.

The nominee greeted the Chairman and members and thanked them for giving him the opportunity to appear before the Committee in support of his nomination. The nominee expressed hope that his appearance would enable the Committee to make an informed decision on the nomination. The nominee showed his gratitude to the President for nominating him and expressed his desire to continue as Public Auditor.

Chairman Halbert then turned to the President's Special Assistant for a statement. The President's Assistant informed the Committee the President fully supports the nominee and hopes the Congress will act expeditiously to confirm.

Your Committee focused on the nominee's long tenure in the position. The nominee was asked if he has noticed any trends during his long tenure. The nominee stated he has noticed improvement in certain areas over the years. He cited improvement in performing required audits. Years ago both the National and State governments were often delinquent on recurring, required audits, but have improved compliance recently. The nominee also cited the performance of the governments as revealed by the audits. He cited the decreased incidence of questionable expenditures and repeated faults found audit after audit as examples of improvement.

The hearing then turned to the subject of overruns. Your Committee asked the nominee about the incidence of overruns over the years. The nominee stated that early in his tenure overruns were seldom and not in the large amounts seen recently. The nominee agreed with your Committee that the recent overruns should not be allowed to become the norm in our government's operations.

The hearing then moved on to a long discussion of recent overruns at the Executive Branch. The nominee was asked whether it was a violation of law to generate an overrun such as the Department of Justice generated. The Public Auditor expressed his reservations and reluctance to answer such a question, regarding it as a legal issue. The nominee did state that expenditures are not to exceed appropriations, and that in this case the expenditures did exceed appropriations.

Your Committee then inquired of the process used when suspected violations or wrongdoing are discovered. The nominee described the

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process by which certain findings are sent to the Investigations Division of the Public Auditor's Office. The Investigations Division decides whether the findings warrant submission to the Department of Justice. The nominee stated that submissions have been made to the Department of Justice in the past.

The nominee was then asked about the ethical requirements placed on auditors. The nominee responded there was a strict code of confidentiality applicable to auditors. The nominee went on to explain that this duty does not cease when your position ceases, but remains with you. This was in response to a question of the nominee's political ambitions and the sensitivity of the information he has had access to. The nominee ensured your Committee he takes confidentiality of information very seriously.

The nominee was then asked to explain how the balance is made between confidentiality and his work as a public auditor. The nominee explained that audit reports themselves are public information by law, but that underlying information and anything not included in the audit report, remains confidential.

The nominee was asked what he thought of the role of whistleblowing in public accountability. The nominee replied that the role of whistleblowers is important and should be protected. The nominee expressed a need for whistleblower protection in the law. In the nominee's opinion this protection and the actions it protects are supportive of good governance, transparency, and accountability.

The nominee pointed out areas he plans to improve if confirmed. The nominee stated the Office has often struggled to perform the necessary follow up to its audits. Systematic and rigorous follow up is necessary to ensure that errors identified and recommendations made in the initial audit are corrected and followed. The nominee stated limited resources available to the Office have been the main hindrance. The nominee pledged that if confirmed he would work to improve this aspect of the National Public Auditor's Office.

The nominee used a question regarding an audit of Caroline Islands Air to illustrate his previous point. Caroline Islands Air (CIA) is subject to annual financial audits just as offices like MiCare and Coconut Development Authority are. Therefore the basic financial statement audit is performed annually. However, the Public Auditor's Office was able to perform a performance audit of CIA, involving a

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closer look at its organization. As a result a number of weaknesses were identified and recommendations made, however the Office has not been able to follow on compliance with the remedial measures recommended.

Your Committee thanked the nominee for his honest assessment of the Office's performance. Some members expressed their hope that the National Public Auditor's Office could take a more active role in determining areas of potential cost savings for the Government. This was iterated in the hope of cost savings to fund the Trust Fund as well as a way to adjust for the Compact decrement of the Federated States of Micronesia.

The hearing ended with the nominee restating his commitment to the position if confirmed and his resolve to improve the quality of services provided by the National Public Auditor.

Your Committee on Ways and Means would like to offer the following technical amendment to C.R. No. 17-29.

1. Page 1, line 12 delete "First Special" and insert "Second Regular" in lieu thereof.

CONCLUSION

Your Committee is satisfied with the qualifications and dedication of the nominee and recommends him with confidence for the position of Public Auditor. Your Committee on Ways and Means is in accord with the intent and purpose of C.R. No. 17-29 and recommends its adoption.

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Respectfully submitted,

/s/ Dohsis Halbert
Dohsis Halbert, chairman

/s/ Peter M. Christian
Peter M. Christian, member

/s/ Roger S. Mori
Roger S. Mori, member

/s/ Tony H. Otto
Tony H. Otto, member

/s/ David W. Panuelo
David W. Panuelo, member

/s/ Joseph J. Urusemal
Joseph J. Urusemal, member

/s/ Paliknoa K. Welly
Paliknoa K. Welly, member