

**OFFICE OF THE NATIONAL PUBLIC AUDITOR**  
**FEDERATED STATES OF MICRONESIA**

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**Improvements Are Needed at Personnel Office to Effectively  
Administer the Housing Program**

**Audit Report No. 2019-02**



**Haser H. Hainrick**  
**National Public Auditor**



# FEDERATED STATES OF MICRONESIA

## Office of The National Public Auditor

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February 28, 2019

Excellency Peter M. Christian, President  
Honorable Members of the FSM Congress

RE: Improvements Are Needed at Personnel Office to Effectively Administer the Housing Program.

We have completed the audit on the FSM Housing Program. The focus of the audit is on the compliance and the effectiveness of the applicable laws and regulations used to administer the FSM Housing Program covering fiscal years 2016-2018.

The audit objectives were to determine whether Personnel Office: (a) Complied with the PSSR requirements in administering the Housing Program; (b) Had a proper monitoring system to ensure that the Housing Program was operating effectively in accordance with its applicable regulations; and (c) Had sufficient guidelines to effectively administer the Housing Program.

Based on our findings, we concluded that the Personnel Office's administration and management of the Housing Program was greatly challenged and faced institution issues which includes understaffing, insufficient budgeting, policies and guidelines that needed to be updated, and duties and responsibilities that needed to be established, aligned and clearly included in Key Staff's Job Description. In addition, the legal mandates and legal framework for the office should be carefully reviewed and improved in order to give the Office the efficiency and effectiveness in administering the Housing Program.

The results of the audit are as follows:

- i. Possible non-compliances and lack of documentation to support determination of eligibility;
- ii. Monitoring of the housing program could be improved; and
- iii. Inadequacy of regulations for the housing Program;

In addition, we came across a number of transactions which we have referred to our Compliance Investigation Division for further review and evaluation.

We discussed the findings and recommendations with the Administrator of Personnel Office and other concerned Officials and requested for formal management response, which is included in this final report.

Respectfully submitted,



Haser H. Hainrick  
National Public Auditor

Xc: Vice President  
Administrator, Personnel Office  
Secretary, Dept. of Finance & Administration  
Secretary, Department of TC&I  
Secretary, Department of Foreign Affairs  
Director, FSM Congress  
Director, FSM Supreme Court

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## **INTRODUCTION**

The Vice President of the National Government of the Federated States of Micronesia (FSM) had conveyed to the National Public Auditor his request for audits on the functions and activities under the FSM Personnel Office. We have not done any audits on Personnel Office in the past. Therefore, we agreed to do this audit on the FSM Housing Program and then later perform another audit to focus on his other concerns.

## **BACKGROUND OF HOUSING PROGRAM**

The FSM Housing Program was established as part of the National Public Service System (NPSS) Act, under the Personnel Office, and codified as Chapter 1, Title 52 of the FSM Code. Currently, the Personnel Office is under the Office of the President pursuant to various amendments to Executive Order No. 1 signed by different Presidents of the FSM exercising the powers vested in them at Title 2, FSM Code, Section 206 which read,

“The respective duties, responsibilities, and functions of each department and office within the organization of the executive branch of the Government of the Federated States of Micronesia shall be as established by, and in accordance with, administrative directive of the President until amended or superseded by law. The President shall also provide for subdivisions of departments and offices and shall set forth the duties, responsibilities, and functions thereof by administrative directive.”

Specifically, the amendment to Executive Order 1, signed by President Mori in November 2010, transferred Personnel Office from the Department of Finance and Administration to the Office of the President. Then in January 2017, President Christian further amended Executive Order 1, among others, to affirm that Personnel Office will continue to be maintained under the Office of the President.

The purpose of the Housing Program is to provide allowable housing, furnishing and appliances to eligible employees of the National Government of the FSM. Further, the Housing Program is to encourage qualified FSM citizens within country and abroad to apply for employment with the National Government particularly those who would otherwise not apply due to lack of housing where the positions are located. The Housing Program is also extended to eligible non-FSM citizens seeking employment from the FSM National Government.

Chapter 12 of the PSSR provides the requirements for eligibility, furnishings, and schedule (amount) of allowances for positions located within FSM and overseas. These requirements apply to all eligible, regular, and exempt employees except government officials namely the President, Vice President, Speaker, and Chief Justice.

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The heads of the branches of government are instead provided with suitable housing that will:

- Accommodate their official functions;
- Ensure safety for them and their families; and,
- Cost no more than \$1,200 per month.

On the other hand, if the head of branch of Government chooses not to utilize government housing, he or she is automatically entitled to receive \$2,000 monthly in housing allowance plus furnishing and fixtures. This was allowed per amendment to the Housing Program regulations passed in November 2017.

All eligible employees are responsible to negotiate and execute lease agreements with their landlords with terms not exceeding their entitlements. Table 1 below shows the schedule (amount) of allowance based on the employee's number of dependents.

**Table 1 - Schedule of Housing Allowance**

<b>No. of Dependents</b>	<b>Amount of Housing Allowance Per Month</b>
1	One bedroom- \$500.00
2	Two bedroom- \$700.00
3 to 4	Three Bedroom- \$1,000.00

The budget for the Housing Program administered by Personnel Office was \$500,000 for the fiscal year ended September 30, 2018. In addition, Congress, Supreme Court, Department of Foreign Affairs, Department of Transportation, Communication and Infrastructure, and Project Management Unit administered their own housing allowance budget for their own employees. Table 2 shows the total housing allowance expenditures for each of these entities for fiscal years 2016, 2017 and 2018.

**Table 2- Expenditure Report**

<b>Entities</b>	<b>2016</b>	<b>2017</b>	<b>As of June, 2018</b>
Personnel Office	\$404,161.16	\$487,776.63	\$347,876.01
Overseas Offices/Embassies	\$348,356.56	\$401,246.83	\$181,327.46
Dept of TC&I	\$ 10,500.00	\$ 20,000.00	\$24,500.00
Project Management Unit	\$ 25,845.00	0	\$11,930.00
Congress	\$ 91,523.12	\$ 98,750.00	\$108,150.09
Supreme Court	\$ 28,692.50	\$ 40,475.50	\$25,200.00
<b>Total</b>	<b>\$909, 078.34</b>	<b>\$1,048,248.96</b>	<b>\$698,983.56</b>

**Table 3 - Total Number of Housing Allowance Recipients for each entity**

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For Years 2016, 2017 & 2018

<b>Departments</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Personnel Office	71	73	70
Overseas Offices/Embassies	13	14	18
Dept of TC&I	4	6	5
Project Management Unit	0	0	2
FSM Congress	15	12	15
FSM Supreme Court	5	6	4
<b>Total</b>	<b>108</b>	<b>111</b>	<b>114</b>

Housing furnishing and home appliances are also part of the Housing Program. They are provided to eligible recipients upon request. The FSM Government may provide the necessary home furnishing and appliances such as beds, refrigerator, electric range, dining set and sofa set, if necessary.

## **OBJECTIVES, SCOPE AND METHODOLOGY**

### **Objectives**

The audit objectives were to determine whether the Personnel Office:

1. Complied with the PSSR requirements in administering the Housing Program.
2. Had a proper monitoring system to ensure that the Housing Program was operating effectively in accordance with its applicable regulations.
3. Had sufficient guidelines to effectively administer the Housing Program.

### **Scope**

The audit covered Personnel Office's administration of the National Government Housing Program for eligible and exempt employees during the fiscal years 2016, 2017 and 2018.

We conducted this audit pursuant to the authority vested in the National Public Auditor as codified under Chapter 5, Title 55 of the FSM Code which states that, *"The Public Auditor shall inspect and audit transactions, accounts, books and other financial records of every branch, department, office, agency, board, commission, bureau, and statutory authority of the National Government and of other public legal entities, including, but not limited to, States, subdivisions thereof, and nonprofit organizations receiving public funds from the National Government."*

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## **Methodology**

We conducted this audit in accordance with the standards for performance audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America. The standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence we obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The audit procedures included assessing the regulations pertaining to the Housing Program to determine whether the requirements were followed.

The team reviewed the lease agreements for all the recipients of the housing allowance. We inspected 56% of employees receiving housing allowance under the Executive Branch excluding those at the overseas mission offices. We also inspected 67% and 40% of the recipients from the Judiciary and Legislative, respectively. Among others, our inspections involved interviewing the occupants of the leased houses, the landlords and physical examination of the leased housing, furnishing and appliances.

The team reviewed the furnishing and appliances provided to the employees receiving the housing benefits under this program. The audit team obtained lists of furniture and appliances from Legislative, Judiciary and Executive Branches and cross-checked them with the fixed asset register at the Department of Finance & Administration and Personnel Office's own list.

The team also reviewed the expenditure reports and cross checked with the lease agreement approved rent amounts.

## **Emerging Issues**

The Personnel Office has already taken a number of actions to address some of the challenges or weaknesses encountered relating to the Housing Program. With the assistance of the in-house Special Consultant, they have issued several Policy Notes which includes proposed amendments to the PSSR and PSS (FSM Code Title 52) and reactivation of the Executive Branch's Manual of Administration (MOA).

## **Prior Audit Coverage**

This is the first performance audit on the FSM Housing Program.



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## **Conclusion**

Based on our audit, we conclude that the Personnel Office's administration and management of the Housing Program was greatly challenged and the institutional issues it faced were generally attributed to understaffing, insufficient budgeting, policies and guidelines that needed to be updated, and duties and responsibilities that needed to be established, aligned and clearly included in key staff's Position Description. The Personnel Office has been floated within the government initially as a Unit within the former Office of Administrative Services with reporting channel to the Director, then as Division of Personnel within the Department of Finance and Administration with reporting line directly to the Secretary, and then later it became Division of Personnel under the Office of the President until currently. Furthermore, the legal mandates and the legal framework for the Office should be carefully reviewed and improved in order to give the Office the efficiency and effectiveness in administering the Housing Program, which is just one of 38 mandates (refer to Appendix A on page 13) attached to the Personnel Office.

With respect to the audit objectives, we conclude that the Personnel Office did not adequately comply with the PSSR requirements in administering the Housing Program; did not have a proper monitoring system; and that sufficient guidelines to effectively administer the Housing Program need improvement.

The detail findings and recommendations appear in the following pages.

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## **FINDINGS AND RECOMMENDATIONS**

### **Finding No.1 - Possible non-compliances and lack of documentation to support determination of eligibility**

The Housing Program was established to provide housing allowance for eligible employees pursuant to the PSSR. The PSSR also provides the requirements for administering the housing program.

#### **A. Employees locally recruited and receiving housing allowance**

The PSSR defines a local hire *“as an employee who for personal and voluntary reason has left his permanent place of residence, subsequently seeks employment at the location where he happens to be, and become employed at that same location.”*

Section 12A.2(a)(2) of PSSR states that *“Local hires are not eligible to receiving housing allowance”*.

We identified four employees who were locally hired and given housing allowance based on the circumstances that brought them to their duty station, as discussed below.

Circumstance #1: An employee, who was a minor then, was listed as a dependent of her parent who was receiving allowance. In 2011, this employee was hired by the National Government and at that time was still a dependent of her parent. In 2015, the parent was transferred to another duty station and the employee started to then receive housing allowance. This was more than 3 years after the employee’s initial arrival at the location, which became her duty station after being hired by the government.

Circumstance #2: An employee was hired by the National Government in 2006 after being employed at a national component unit<sup>1</sup>. Based on the employment application, he was a local hire yet was given housing allowance. He is renting a house owned by his mother-in-law who is also staying in the same house.

Circumstance #3: An employee working for a state government was later hired by the National Government with duty station in the same state where he/she lived and applied from. Employee started receiving housing allowance after getting hired by the National Government.

Circumstance #4: An employee was first hired by the National Government from a location that was a non-commuting distance to his/her duty station and was receiving housing

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<sup>1</sup>National Component Units include COM-FSM, Telecom, Development Bank, NFC, Petro-Corp, etc.

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allowance. He/she was later laid off from work for more than a year and remained in the same location until rehired by the government and got reinstated back to his/her housing allowance benefit. The employee was a local hire the second time he/she was rehired by the National Government.

We could not determine the *eligibility of the above employees*, who were locally recruited and receiving housing allowance. Further, the auditors were not provided with any supporting documents to evaluate Personnel Office's determination of their eligibilities.

**B. Employees receiving housing allowance yet their spouses or parents' own houses within normal commuting distances**

Section 12A.2(f)(1) of the PSSR states that *"No employee shall be eligible for housing allowance if the employee or his or her parent, spouse, or child owns a home within normal commuting distance of the work location."*

We found three employees, who were receiving housing allowance and recruited from places beyond normal commuting distances, with parents or spouses owning houses within normal commuting distances to employees' duty stations.

- (i) One employee was recruited from a place beyond normal commuting distance, but the parent had a house at the employee's duty station (within commuting distances).
- (ii) The spouses of two recipient employees owned houses within normal commuting distances. Furthermore, the names of the employees' relatives were used in their lease agreements instead of the spouses, who were the actual owners of the houses.

**C. Employees receiving housing allowance without valid lease agreements**

PSSR Section 12A.2(i) states that *"An employee is eligible for a housing allowance only as long as a valid Lease Agreement containing beginning and ending date is on file..."*

We found that:

- (i) Of the seventy (70) current recipients under the program administered by Personnel Office, 14 employees had expired lease agreements and 4 did not have any lease agreements.
- (ii) Of the fifteen (15) current recipients under the Legislative Branch, five of them had expired lease agreements and three did not have any lease agreements.
- (iii) Of the four (4) current recipients under the Department of TC&I, one had an expired lease agreement.

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D. No inspection of house/apartment upon expiration of lease agreements or termination of occupancy

Section 12A.4 of the PSSR requires an inspection upon the expiration of lease agreements or termination of occupancy. The inspection is to be carried out by Personnel Office, landlord and the employee.

Our audit found that this required inspection was not implemented by Personnel Office.

E. Housing questionnaires not completed by beneficiaries at least once a year as required

Section no. 12A.2(c)(2) of the PSSR requires that, *beneficiaries of the housing program shall complete a housing questionnaire at least once each year regarding their eligibility to receive the housing allowance except for recipients of 'suitable housing'.*

We found that the annual questionnaire requirement was not implemented by Personnel Office as required.

F. Not all housing furnishing and appliances were tagged nor recorded

PSSR Section 12A.6 requires that, *the Director of OAS<sup>2</sup> shall purchase the necessary appliances, keep an inventory, maintain the appliances as long as they are serviceable, and shall dispose of them when the Director determines that they have outlived their usefulness.*

We found the following weaknesses:

- (i) Personnel Office does not keep a complete, accurate inventory of housing furniture and appliances.
- (ii) Personnel Office did not conduct physical inspection of housing furniture and appliances. It also did not conduct inspection before any assets were disposed or replaced.
- (iii) On comparing records, we identified \$33,889 assets on Personnel Office list which did not appear on Finance list.

These weaknesses occurred because the Personnel Office had personnel issues with only the Administrator and three staff to handle and administer at least 37 mandated programs and activities. Given the limited manpower resources, this office needs significant support, reform and strengthening initiatives.

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<sup>2</sup> Currently, this responsibility is under the Personnel Office.

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At least \$52,350 was paid to recipients with spouses, parents and children that owned houses within normal commuting distance between fiscal year 2016 through March 2018. At least \$38,000 worth of housing furnishing and appliances could not be accounted for. Consequently, there existed a high susceptibility for misuse and abuse of the public funds under the Housing Program.

We suggest that the President take action to strengthen the capacity of the Personnel Office in the areas of leadership and management, adequate staffing, sufficient budgeting and an effective system to monitor and evaluate performance.

**Finding No. 2 - Monitoring of the Housing Program Could be Improved**

Best practices require that an effective system of internal controls should generally be designed to assure that ongoing monitoring occurs in the course of normal operations. Monitoring is performed continually and is embedded in the institution's operations. At a minimum, it should include monitoring, evaluation and reporting on the management and supervisory activities, doing comparisons and reconciliations, and performing other activities to track operating results to evaluate against targets.

We found no effective processes in place for monitoring, evaluation and reporting for the housing program. To illustrate, we observed the following weaknesses.

- (i) Employees moved from one house/apartment to another that was either owned by the same or different owners without providing any new lease agreements to Personnel Office. Moreover, the employees continued to receive their housing allowances with amounts as per the old, previous lease agreements even though the rent for the new apartment was lesser.
- (ii) We found that some housing allowance recipients, whose spouses owned houses within normal commuting distances, used the names of their relatives as their landlords even though their spouses were the actual owners of the house. In other words, they paid themselves the housing allowance by circumventing the regulations.
- (iii) Some beneficiaries were paying their landlords less than what was agreed in their lease agreements, implying that they kept the rest of the money.
- (iv) Employees did not use their housing allowance to pay rent but instead used to renovate their houses even though not allowed by the terms of their lease agreements.
- (v) Not all of the housing furnishing and appliances were recorded in the fixed asset register at the Department of Finance & Administration.

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- (vi) The furnishing and appliances on the Personnel Office's list did not match those listed in the fixed assets register at the Department of Finance and Administration.
- (vii) Proper documentation was lacking for some recipients especially those under the Department of Foreign Affairs which administered its own housing allowance program for employees posted at the overseas missions.

These weaknesses occurred because of human resource management issues at the Personnel Office. These issues include understaffing and lack of job duties and responsibilities in the Position Description for key staff overseeing the Housing Program. In addition, policies, procedures and guidelines for effective implementation of the Program was either lacking or found inadequate.

As a result, management was unaware of the potential existence of abuse and misuse, complaints from other government employees who were similarly situated as the current recipients, and the overall goals and objectives of the program may be affected as well.

We suggest that the President should reform and strengthen the Personnel Office including, as it pertains to this finding, staffing and human resource capacity.

We further recommend that the Personnel Officer should:

1. Ensure that employee's Position Description should explicitly include appropriate job duties and responsibilities that are aligned with the key functional components and the mandates for the Office.
2. Review and revise the policies, procedures, guidelines and rules to effectively manage and administer the Housing Program.

### **Finding No. 3 - Adequacy of Regulations for the Housing Program**

Part 12 (a) and (f) of the PSSR requires the Personnel Officer to:

- (i) *Direct and supervise all of the administrative and technical activities of the Personnel Office.*
- (ii) *Formulate and recommend to the President and, as appropriate, to other officials, policies and regulations to carry out the provisions of Chapter I of Title 52 of the Code of the Federated States of Micronesia;*
- (iii) Other applicable best practices state that:

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*“...Requirements should be comprehensible for all interested parties and be free of any ambiguities (all the stakeholders should understand requirements in the same way).”*

We found that the Personnel Officer has not formulated necessary procedures, apart from those under Part 12 of PSSR, to effectively manage the housing program. For instance, Part 12 of the PSSR does not adequately address the following:

- (i) Verifying that all information in lease agreements were accurate. Based on our site inspections and interviews, the information in some lease agreements were inaccurate;
- (ii) Monitoring mechanisms to address operational risks associated with frauds and abuse of program benefits;
- (iii) Allowable uses and/or types of expenses which the housing allowance can be used for.

For example, some recipients use their housing allowance to pay for utilities and renovations. The regulations do not have any specific provisions to allow these types of uses. Furthermore, their lease agreements do not allow such purposes.

We noted that the regulations allow such uses for recipients living abroad (overseas missions), but not for those that living within FSM; and,

- (iv) How payments for housing allowance are made. Currently, check payments are made out in the name of the recipients only. They in turn endorse the checks and for some, they surrender the checks to their landlords, but for others, they cash the checks and pay their landlords in cash.

However, we found during our audit that some recipients paid their landlords less than what they received from the government, or less than the rent amount specified in their lease agreements.

These weaknesses occurred because the human resources and the operational capacity for Personnel Office are limited while the mandates for the office are many.

As a result, Program risks increased and misuse of housing benefits may had gone undetected. Consequently, the Program goals and objectives may not be effectively realized to ensure that suitable and qualified applicants were enticed to pursue employment opportunities in the FSM.

We suggest that the President launch an effort to strengthen and to improve the institutional capacity and the human resource management function at Personnel Office. These should

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include the legal and institutional framework, the mandates, appropriate staffing, duties and responsibilities, and the financial resources/budgets in order for Personnel Office to efficiently and effectively deal with the growing challenges for the FSM Government.

We further suggest the President to launch a study to determine whether it would be feasible and in the best interest of the government to give full autonomy to Personnel Office to be legally established as an independent civil service commission within the government.



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**Appendix A: Personnel Officer-Functional Duties**

<b>The Personnel Officer shall:</b>
(1) Be directly responsible to the President and serve as a principal adviser to the President and his staff on all matters concerning personnel administration and employee training;
(2) Administer the system of personnel administration for the central Government of the Federated States of Micronesia;
(3) Prepare proposed policies and regulations to carry out provisions of this chapter;
(4) Cooperate fully with and attend, or assign a qualified representative to attend, all meetings of the ad hoc committees organized under section 153 of this chapter, and provide the committee with such technical advice as it may require;
(5) Appoint other employees of the Office of Personnel, in accordance with all other applicable provisions of law;
(6) Establish and maintain a current roster of all officers and employees in the public services, indicating for each the class of position held, the salary, and any other appropriate data;
(7) Develop and maintain a system of performance evaluation for the purpose of appraising the productivity of employees in the public service;
(8) Develop and maintain a position classification plan and a pay plan in accordance with this chapter and other applicable laws;
(9) Develop and utilize recruitment and selection procedures and methods;
(10) Develop training programs for the improvement of employee skills and for the development of a systematic career program for employees who are citizens of the Federated States of Micronesia; and
(11) Perform any other lawful acts assigned to him by the President or otherwise required to carry out the provisions and purposes of this chapter.
(12) Conducting periodic and appropriate studies of rates of compensation and pay-related practices
(13) Disciplinary matters
(14) Encompassing Section 124 to 170
(15) Draft regulations for personnel administration in the central Government of the Federated States of
(16) Appointment and Promotion of Employees
(17) Position classification and qualifications
(18) Recruitment and placement.
(19) Employment related examinations: for General character and Promotional examinations.
(20) Filling of vacancies.
(21) Administration of employees on Provisional and short-term appointment.

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(22) Administration of employees on probationary service.
(23) Performance evaluations.
(24) Administration of Outside employment.
(25) Employee associations.
(26) Grievances.
(27) Leaves of absence.
(28) Resignation.
(29) Administration of Reductions-in-force.
(30) Disciplinary Action including: Suspension; Dismissal; Demotion; Appeals—Appeal panel; appeals—Right of appeal; Convening of panel; Hearing; Recommendations; Limitations on judicial review.
(31) Administration of employees' salaries
(32) Conducting periodic and appropriate studies of rates of compensation and pay-related practices
(33) Administration of Foreign service premium.
(34) Administration of all professional and market place premiums.
(35) Administration of employees' transfer including allowance.
(36) Administer Performance based salary increase.
(37) Home Leave Transportation
(38) Administration of personnel on contract.

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**MANAGEMENT RESPONSE**



Office of the President

**FSM Personnel Office**

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February 13, 2019

Hon. Haser H. Hainrick  
National Public Auditor  
Office of the Public Auditor  
FSM National Government  
Palikir, Pohnpei FM 96941

*Haser*  
2-13-2019



Dear Mr. Hainrick:

Re. Audit Report No. 2019-XX

I am acknowledging receipt of your letter of 8<sup>th</sup> February, 2019, where you submitted the final draft of the above subject report for my review and comment.

As I indicated in my first response letter to you and also what I have imparted and shared with you and your staff during the exit conference, I am still of the opinion that the report is a fair reflection and a good representation of the prevailing situation of the FSMNG Housing Program.

The refined final draft of the report carries new verbiage under the sub-heading, "Emerging Issues", where the new narratives speak to the new and on-going efforts and initiatives to respond to and address a good number of weaknesses and challenges faced by the Personnel Office in its pivotal role as administrator of the Housing program. I thank you for highlighting these and will assure you that I will continue to pursue and implement these in-house initiatives with all the recommendations and suggestions enumerated in the report, of course with the blessing and support of the President's Office.

The other more significant variation in the reissued report is the new Finding No. 4, which covers the DTC&I's Housing Program. My unsolicited comment has to do with the need to consolidate and centralize these six different Housing programs within the FSMNG as intended by FSMC Title 52 for the NPSS to be unified and centralized.

I am prepared to expound and substantiate on anything in this short note as well as my previous note that may still need further clarification, otherwise your acceptance of my comments and assurances will be appreciated.

Kalahngan,

  
Dwight Edward  
Personnel Administrator

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## **ONPA EVALUATION OF MANAGEMENT RESPONSE**

We requested for a management response from the Administrator of Personnel Office, Secretary of Finance and Administration, and Secretary of the Department of Transportation, Communication and Infrastructure (TC&I). Administrator of Personnel Office agreed with the findings and recommendations in the report. There was no management response from the Secretary of Department of Finance. However, there was response from the Department of TC&I which we evaluated and based on that, we removed what was included in the draft as Finding No. 4 relative to the department. Below is a summary of what was draft Finding No. 4.

**Original Finding:** We found that the Department of TC&I administered its own housing allowance to some of its employees, those within the Division of Marine. This was made outside of the PSSR and Personnel Office. DOJ recommended that they should establish their own housing policy since they did not follow the PSSR. The current Secretary for the Department provided a copy of the housing policy when we provided him with a draft of the audit report for his review and comment. During the course of the audit, those we inquired with were not aware of any such policy.

**Management response:** “To address the issue that the department failed to develop its own housing policy, I have attached herewith a department housing policy which was prepared by the former Secretary of TC&I, date March 26, 2010, for your information and reference. In addition, the approved Shipping Articles before going out at sea and such term shall not exceed a period of 1 year. Copy of the Shipping Article can be found in each file for our crew at the Division of marine Transportation. “

**ONPA Comment:** Based on the Secretary’s response, we deleted draft Finding No. 4 from the report. Those within the Division of Marine were unaware of such housing policy. They should.

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## **NATIONAL PUBLIC AUDITOR'S COMMENTS**

We would like to thank management and staff of the Personnel Office, Department of Finance & Administration, Department of Transportation, Communication & Infrastructure, Department of Foreign Affairs, the Project Management Unit within the Department of TC&I, the FSM Congress, and FSM Supreme Court.

We have provided copies of the final audit report to the President and Members of the FSM Congress. Furthermore, we will make copies available to other interested parties upon request.

If there any questions or concerns regarding this report, please do not hesitate to contact our office. Contact information for the office can be found on the last page of this report along with the National Public Auditor and staff that conducted this audit and prepared this report.



Haser H. Hainrick  
National Public Auditor

February 28, 2019

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## **ONPA CONTACT AND STAFF ACKNOWLEDGEMENT**

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