

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



**PERFORMANCE AUDIT ON THE IMPLEMENTATION OF RECOMMENDATIONS
OF AUDIT REPORT 2019-01:**

**MICARE Plan Challenged by Oversight and Management Issues; New Team Optimistic About
Future Prospects**

AUDIT REPORT No. 2020-04



**Haser H. Hainrick
National Public Auditor**



FEDERATED STATES OF MICRONESIA

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March 04, 2020

His Excellency David W. Panuelo, President
Honorable Members of the FSM Congress
Federated States of Micronesia

**RE: PERFORMANCE AUDIT ON IMPLEMENTATION OF RECOMMENDATIONS ISSUED
ON AUDIT REPORT NO. 2019-01**

We conducted a performance audit on the findings and recommendations of our prior audit on the MiCare Plan, which was Audit Report No. 2019-01: **MICARE PLAN CHALLENGED BY OVERSIGHT AND MANAGEMENT ISSUES; NEW TEAM OPTIMISTIC ABOUT FUTURE PROSPECTS.**

The objective of this performance audit was to determine whether the MiCare Plan Management has implemented corrective actions to address the audit findings and recommendations disclosed in Audit Report No. 2019-01.

Based on our audit, we found that the MiCare Plan Management did take appropriate corrective actions to address most of the findings and recommendations in Audit Report No. 2019-01. All the sixteen (16) audit recommendations are listed below:

- (i) Board of Directors should ensure that meetings aimed at reviewing the performance of the Plan are held after the end of every financial quarter and before the end of the following quarter;
- (ii) Board Meeting Minutes should be appropriately documented to ensure that their intended purposes are met, which include, but not limited to, decision making and corporate memory;
- (iii) The Management and Board should prepare and adopt a comprehensive 'annual operational plan and budget' based on the approved Strategic Plan to guide the management in utilizing the limited resources especially for priority areas. The operational plan should ensure that all activities are aligned with the overall vision of its current Strategic Plan (2014-2018) and clearly show anticipated performance results (both financial and non-financial) over the period of the Plan;

- (iv) Develop and adopt an appropriate formal risk management policy and framework and Procedures;
- (v) Conduct awareness through capacity building to members of the Board, Management and entire staff; and
- (vi) Ensure that the developed and adopted Risk Management Policy and Framework and Procedures are used for strategic and operational plan and implementation thereon
- (vii) The Board should develop an annual performance evaluation process for senior management (including the Administrator) to:
 - (a) Formally evaluate the senior management's performance against the established duties and objectives that were agreed to by the Board and the Administrator;
 - (b) Discuss and agree on performance measures for the subsequent year; and
 - (c) Communicate the results of the evaluation.
- (viii) Develop, test and implement business continuity and recovery plan including backup procedures for ICT systems; and
- (ix) Employ qualified ICT personnel to ensure management information system is adequately managed, supported and maintained.
- (x) The Plan's Management should establish appropriate performance indicators or targets, and implement adequate measurement, monitoring and reporting of the Plan's performance to ensure an effective service delivery through the achievement of goals and objectives.
- (xi) The Plan's Management should develop and establish internal policies and procedures and the related accountability requirements, as guidance to all Plan's key activities and processes.
- (xii) Develop a Code of Ethics to provide guidance on the ethical behavior required for Members of the Board of Directors; and
- (xiii) Develop a process to ensure that all new Board Members sign independence declaration forms to confirm their independence before commencement of board duty.
- (xiv) Assign and build the capacity of staff responsible for monitoring, reporting and collection of accounts receivables;
- (xv) Ensure Accounting Division submit accurate and timely accounts receivable information on weekly and monthly basis annually; and

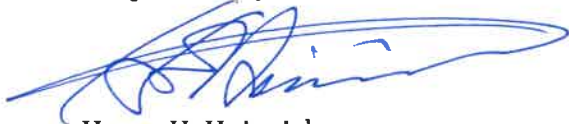
- (xvi) Develop and implement policies and procedures for credit and collection for all receivables.

Based on our review we concluded that the Board of Directors and Management of MiCare Plan have:

- (i) Implemented twelve audit recommendations and partially implemented four recommendations.
- (ii) Started to implement our audit recommendations as soon as the Audit Report no. 2019-01 was issued.

We discussed the contents of the report with the Board and Management and provided them with copies of this report for their response. Management provided their response, which appears on page 16 and they generally agreed with the findings and recommendations.

Respectfully yours,



Haser H. Hainrick
National Public Auditor

Xc: Vice President
Administrator, MiCare Plan
Board of Directors, MiCare Plan
Secretary, Department of Health & Social Affairs
Secretary, Department of Finance & Administration
Secretary, Department of Justice

Office of the National Public Auditor
Performance Audit Report on Implementation of Recommendations issued in Audit Report
2019-01: MiCare, FSM Health Insurance Plan
Audit Report No. 2020 - 04

Table of Contents

1.	INTRODUCTION	1
1.1.	BACKGROUND	1
2.	OBJECTIVE, SCOPE AND METHODOLOGY	2
2.1.	OBJECTIVE	2
2.2.	SCOPE	2
2.3.	METHODOLOGY	2
2.4.	PRIOR AUDIT COVERAGE	3
3.	CONCLUSION	3
4.	IMPLEMENTATION STATUS OF OUR RECOMMENDATIONS, AUDIT REPORT NO. 2019-01	4
5.	COMMENDATION	9
6.	NEW RECOMMENDATION	9
7.	APPENDIX A: IMPLEMENTATION STATUS MATRIX OF PRIOR AUDIT RECOMMENDATIONS	10
8.	MANAGEMENT RESPONSE	16
9.	ONPA EVALUATION OF MANAGEMENT RESPONSE	17
10.	NATIONAL PUBLIC AUDITOR COMMENTS	18
11.	ONPA CONTACT AND STAFF ACKNOWLEDGEMENT	19

1. INTRODUCTION

1.1. Background

On November 28, 2018, the Office of the National Public Auditor issued Audit Report No. 2019-01, as a result of a performance audit conducted on the MiCare Plan's administration, including oversight and monitoring arrangements, for the Health Insurance Plan. The objectives of the audit were to determine whether (a) the management and oversight systems provide adequate assurance that operational goals and objective are achieved, and (b) MiCare has implemented a proper system for monitoring, reviewing and reporting, including assessing priorities, consistent with the aims and objectives of the Health Insurance Plan.

Based on our audit findings, we concluded that the Board and Management exposed the Plan and took risks that had no corresponding internal controls to mitigate them to an acceptable level. The risks in various processes were not mitigated by systems in place (internal controls), that should have been expected to adequately identify, measure, monitor, and most importantly, control the risks to the acceptable level. As a result, the Board and Management did not adequately fulfil their responsibilities to ensure that the Plan operated in a safe and sound manner; the Plan's overall financial condition improved rather than declining and incurring substantial financial losses; and depletion of the Plan's capital leading to a need for a considerable capital infusion for the Plan to survive. Our audit had disclosed the following weaknesses:

- (i) There was inadequate Corporate Governance;
- (ii) Management had inadequate annual budget that failed to implement Strategic Plan of the organization in order to achieve goals and objectives promulgated therein;
- (iii) There was lack of risk management policy and framework;
- (iv) There was lack of performance evaluations for the Administrator and Senior Management;
- (v) There was absence of effective information and communication technology (ICT) controls resulted in breakdown of MiCare's operations and loss of critical data;
- (vi) There was absence of performance results/measures to implement monitoring and reporting controls;
- (vii) Management had not developed adequate internal policies to provide necessary direction and guidance in managing their day-to-day operations;
- (viii) There was absence of code of ethics and independence declaration for Senior Management and Board of Directors; and
- (ix) The Board and Management failed to provide effective oversight and guidance on management of the Plan's accounts receivable.

In the management response dated October 29, 2018, through e-mail, attached to Audit Report No. 2019-01, the Board of Directors and Management of the Plan had agreed with all the findings. The Board of Directors and Management of the Plan had noted and acknowledged that they had already acted on some of the recommendations and provided assurance that they will continue to work in addressing the rest of the audit recommendations.

2. OBJECTIVE, SCOPE AND METHODOLOGY

2.1. Objective

The objective of this performance audit was to determine whether the MiCare Plan Management has taken appropriate corrective actions to address the prior audit findings and recommendations disclosed in Audit Report No. 2019-01.

2.2. Scope

The scope of this performance audit focused on the status of the implementation of our recommendations and as agreed by the MiCare Plan Management. This performance audit was conducted at the MiCare Plan Management Office located in Kolonia, Pohnpei from June to November of 2019.

We conducted this performance audit pursuant to the authority vested in the National Public Auditor as codified under Chapter 5, Title 55 of the FSM Code which states in part:

"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."

2.3. Methodology

We conducted this performance audit in accordance with the generally accepted government auditing standards. Those 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 obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Under GAGAS, performance audit is inclusive of internal controls, compliance, prospective analysis audit objectives, as delineated in para 1.22, Government Audit Standards 2018 version.

To determine whether MiCare Management has taken appropriate corrective actions to address the audit findings and recommendations, the audit team developed an Audit Implementation Status Matrix of Recommendations for the MiCare Plan to complete as to the status of implementation pertaining to the previous audit recommendations reflected in the Audit Report No. 2019-01. *Refer to Appendix 'A' for more details regarding the Implementation Status Matrix.*

We also conducted an interview with the MiCare Management to clarify and request various documents which we reviewed in order to satisfy ourselves on the status provided by the Management and the Board.

2.4. Prior Audit Coverage

This is our second performance audit on MiCare Plan. The objective for this second performance audit was to follow-up on the findings and recommendations of the first audit per Audit Report No. 2019-01.

3. CONCLUSION

Based on our audit, we concluded that the Board of Directors and Management of MiCare Plan have:

- (i) Implemented twelve audit recommendations; and partially implemented four recommendations.
- (ii) Started to implement our audit recommendations as soon as the Audit Report no. 2019-01 was issued.

The results of this audit are discussed in detail in the following pages.

4. IMPLEMENTATION STATUS OF OUR RECOMMENDATIONS, AUDIT REPORT NO. 2019-01

Based on our audit, we found and noted that the auditee has made some progress in taking appropriate actions to address the prior audit recommendations given in Audit Report 2019-01. It should also be noted that MiCare Management and Board plan to fully implement all audit recommendations by next year, 2020.

The Implementation Status of the prior audit recommendations are detailed below and in the following pages.

4.1. On Finding 1 of Audit Report No. 2019-01: Inadequate Corporate Governance

(i) Audit Report No. 2019-01 Recommendation 1&2: We recommended that:

- (a) the Board of Directors should ensure that meetings aimed at reviewing the performance of the Plan are held after the end of every financial quarter and before the end of the following quarter; and
- (b) Board Meeting Minutes should be appropriately documented to ensure that their intended purposes are met, which include, but not limited to, decision making and corporate memory.

(ii) Prior Management Audit Response was: Management agrees with the finding. It should be noted that during a Board Meeting in March 2017, the Board directed the Management to change the format of the Minutes, in particular to indicate the discussion item conclusion, action item, if applicable, responsible party, timeline, etc.

(iii) Status of Implementation for Recommendation 1&2

The recommendation was implemented. Management has provided Minutes of the Board's quarterly meetings. Furthermore, it should be noted that meetings and discussions regarding the performance review of the Plan have taken place and at the same time, the minutes of their meetings are being documented and adopted by Management and its Board of Directors.

4.2. On Finding 2 of Audit Report No. 2019-01: Annual Operational Plan and Budget

- (i) Audit Report No. 2019-01 Recommendation 3:** The Management and Board should prepare and adopt a comprehensive 'annual operational plan and budget' based on the approved Strategic Plan to guide the management in utilizing the limited resources especially for priority areas. The operational plan should ensure that all activities are aligned with the overall vision of its current Strategic Plan (2014-2018) and clearly show anticipated performance results (both financial and non-financial) over the period of the Plan.

(ii) Prior Management Audit Response was: 'The Management agreed with the finding. It should be noted that MiCare's budget for medical claims was unique especially the referral program. The budget for administering the Plan was manageable as they could control over the expenditures. Whereas, medical claims were unknown in a given year until they were confirmed (i.e. reviewed and processed). Management utilized estimates based on past trends but even then, by Regulations, MiCare had little control over referral cases. Most importantly and critically was that domestic public health services were crying out loud for improvement in virtually all aspects of care'.

(i) Status of Implementation for Recommendation 3

The recommendation was implemented. An approved Operational Budget Plan based on the Strategic Plan was developed and formally adopted by MiCare Management and its Board of Directors. With the Budget Plan now in place, MiCare Management may now be able to effectively and efficiently carry out its primary functions including its other operational activities in ensuring that they are in line with the overall mission and vision of the MiCare health insurance plan.

4.3. On Finding 3 of Audit Report No. 2019-01: Risk Management Policy and Framework

(i) Audit Report No. 2019-01, Recommendation 4,5 & 6: The Board and Management should:

- (a) Develop and adopt an appropriate formal Risk Management Policy and Framework and Procedures;
- (b) Conduct awareness through capacity building to members of the Board, Management and entire staff; and
- (c) ensure that the developed and adopted Risk Management Policy and Framework and Procedures are used for strategic and operational plan and implementation thereon.

(ii) Prior Management Audit Response was: Management agreed with the finding and recommendations.

(iii) Status of Implementation for Recommendation 4, 5 & 6

The recommendation was partially implemented.

- (a) A Risk Management Policy Report has already been developed and adopted by MiCare;
- (b) MiCare has yet to conduct such awareness of the newly created policy but plans to do so by next year of 2020; and

- (c) The Management also noted that with the Risk Management Policy being developed and adopted, it will now be considered when developing their Strategic and Operational Plans.

4.4. On Finding 4 of Audit Report No. 2019-01: Performance Evaluations for Senior Management

(i) Audit Report No. 2019-01, Recommendation 7 : The Board should develop an annual performance evaluation process for senior management (including the Administrator) to formally evaluate the senior management's performance against the established duties and objectives that were agreed to by the Board and the Administrator; Discuss and agree on performance measures for the subsequent year; and Communicate the results of the evaluation.

(ii) Prior Management Audit Response was: Management agreed with the finding.

(iii) Status of Implementation for Recommendation 7

The recommendation was partially implemented. Although MiCare Management has noted that they do not do a formal senior management performance evaluation, it should be noted that the Board of Directors do discuss about the performance of senior management as well as communicating the results.

4.5. On Finding 5 of Audit Report No. 2019-01: Information Technology

(i) Audit Report No. 2019-01, Recommendation 8 & 9: Develop, test and implement business continuity and recovery plan including backup procedures for ICT system; and Employ qualified ICT personnel to ensure management information system was adequately managed, supported and maintained.

(ii) Prior Management Audit Response was: Management agreed with the finding. Attempts to have the contractor (vendor that procured the ABS for MiCare) provide assistance in reviving the ABS were unsuccessful. The plan was to recover the funds used to purchase the system including seeking legal recourse.

(iii) Status of Implementation for Recommendation 8 & 9

The recommendation was implemented. MiCare has:

- (a) acquired IT Servers with supporting ICT backup system and facilities; and

- (b) has hired an IT Specialist in maintaining its ICT systems as well as being responsible in ensuring that their Management Information System was adequately managed in terms of IT Support.

4.6. On Finding 6 of Audit Report No. 2019-01: Performance Monitoring and Reporting

- (i) **Audit Report No. 2019-01, Recommendation 10:** The plan's Management should establish appropriate performance indicators or targets, and implement adequate measurement, monitoring and reporting of the Plan's performance to ensure an effective service delivery through the achievement of goals and objectives.
- (ii) **Prior Management Audit Response was:** 'Management agreed with the finding. Management has already begun setting up mechanisms for performance measurement. The goal is to establish a comprehensive performance management system for MiCare that include planning, appraisal, feedback, rewarding, etc.'

(iii) Status of Implementation for Recommendation 10

The recommendation was implemented. Based on the Strategic Plan MiCare, a summary of goals, objectives and milestones were developed for the purpose of guiding and ensuring MiCare is effectively and efficiently providing its services and at the same, being fully aware of its performance.

4.7. On Finding 7 of Audit Report No. 2019-01: Internal Policies and Procedures Framework

- (i) **Audit Report No. 2019-01, Recommendation 11:** The plan's Management should develop and establish internal policies and procedures and the related accountability requirements, as guidance to all Plan's key activities and processes.
- (ii) **Prior Management Audit Response was:** 'Management agreed with the finding. Management recognizes the importance of written standard operating procedures for the various components of MiCare operations. We have begun the process, starting with the referral process, outlining step by step actions to be taken and by whom. Additionally, the Board has a very clear overarching policy guidance, that us, to ensure people's premium are safeguard, protected and to be used for covered expenses.'

(iii) Status of Implementation for Recommendation 11

The recommendation was implemented. Standard Operating Procedures Manual has already been developed and implemented by MiCare in ensuring that all their processes, policies and procedures are properly documented and more importantly, to provide guidance with respect to their operations and other key related activities.

4.8. On Finding 8 of Audit Report No. 2019-01: Code of Ethics and Independence Declarations

(i) Audit Report No. 2019-01, Recommendation 12 & 13: The Board should:

- (a) Develop a Code of Ethics to provide guidance on the ethical behavior required for Members of the Board of Directors; and
- (b) Develop a process to ensure that all new Board Members sign independence declaration forms to confirm their independence before commencement of board duty.

(ii) Prior Management Audit Response was: 'Management agreed with the finding. It would be helpful to provide areas in which the Board may have or is likely to contravene laws or regulations in regards to the absence of a code of ethics and independence declarations.'

(iii) Status of Implementation for Recommendation 12 & 13

The recommendation was partially implemented. MiCare has already developed and formally adopted a Code of Ethics and Principles of Conduct as part of their Strategic Plan (as delineated under Chapter 2: Plan Governance and Management) to provide guidance in helping MiCare to foster a culture of honesty and accountability for its Board of Directors including Management and its entire staff. However, in terms of developing a process for the Board of Directors in confirming their independence before taking up their board duties, the current serving board members have not put this practice entirely into effect.

4.9. On Finding 9 of Audit Report No. 2019-01: Collection of Accounts Receivable

(i) Audit Report No. 2019-01, Recommendation 14, 15 & 16: Assign and build the capacity of staff responsible for monitoring, reporting and collection of accounts receivables; Ensure Accounting Division submit accurate and timely accounts receivable information on weekly and monthly basis annually; Develop and implement policies and procedures for credit and collection for all receivables.

(ii) Prior Management Audit Response was: 'Management agreed with this finding. Since the beginning of FY2018, one of our accountants has been assigned solely to work on accounts receivables—to send out invoices on a timely basis and to follow up. Accounts receivables for patients' shares and payments made on each account are being updated and made available to Administrator. Department of Justice has provided guidelines for which to use to transmit delinquent accounts to DOJ for collection. The immediate goal is to collect on these delinquent accounts quicker than MiCare is issuing out notes. There is no decision yet for MiCare to do away completely with issuing notes.'

(iii) Status of Implementation for Recommendation 14, 15 & 16

The recommendation was partially implemented.

- (a) MiCare has assigned a finance staff to be solely responsible in monitoring, reporting and collection of accounts receivables and at the same time, having such reports submitted to the Administrator in a timely manner;
- (b) However, in terms of developing and implementing policies and procedures for credit and collection for all receivables, MiCare Management explained that most of its procedures involving the collection of accounts receivables are usually done through verbal communications and have not yet been properly documented; and
- (c) Furthermore, MiCare also noted that they expect to fully implement this particular recommendation by next year, 2020.

5. COMMENDATION

We observed that actions to implement our recommendations given in Audit Report No. 2019-01 were being addressed soon after the audit report was issued. We want to commend MiCare for the progress that they have made so far in terms of implementing the audit recommendations given in Audit No. 2019-01.

6. NEW RECOMMENDATION

We therefore recommend that MiCare's Board of Directors and Management should continue to put adequate efforts in ensuring that all recommendations that were partially or not implemented are fully implemented.

Office of the National Public Auditor

Performance Audit Report on Implementation of Recommendations issued in Audit Report 2019-01: MiCare, FSM Health Insurance Plan

Audit Report No. 2020 - 04

7. APPENDIX A: IMPLEMENTATION STATUS MATRIX OF AUDIT RECOMMENDATIONS GIVEN IN AUDIT REPORT NO. 2019-01

Audit Report: 2019-01: MiCare Plan Challenged by Oversight and Management Issues; New Team Optimistic About Future Prospects	
Date of Issue: November 28, 2019	
Name of Agency(s): MiCare, FSM Health Insurance Plan	

Serial No.	Finding	Recommendations	Action Taken (as per the detailed action plan/report submitted)	Status/ progress	Reasons for noncompletion of action on any recommendations	Updated inquiries during fieldwork	Impact (if any)
1.	Inadequate Corporate Governance	(i) The Board of Directors should ensure that meetings aimed at reviewing the performance of the Plan are held after the end of every financial quarter and before the end of the following quarter.	<ul style="list-style-type: none"> Last Board meeting was in February after 1st quarter Next meeting is scheduled June or July 2019 	Implemented; continuous activity	N/A	Management has provided Board meeting minutes of Feb 18, 2019	
		(ii) Board of Directors should be appropriately documented to ensure that their intended purposes are met, which include, but not limited to, decision making and corporate memory.	<ul style="list-style-type: none"> Meeting minutes are updated as of February 2017 Once adopted by Board of Directors, Minutes are filed electronically and available to all staff and public upon request 	Implemented; this is a continuous activity	N/A	Board Meeting minutes are being documented and adopted by the Board of Directors	
2.	Annual	The Management and Board should prepare	<ul style="list-style-type: none"> New strategic plan 	Strategic Plan	Need time	Strategic Plan and	

Office of the National Public Auditor

Performance Audit Report on Implementation of Recommendations issued in Audit Report 2019-01: MiCare, FSM Health Insurance Plan

Audit Report No. 2020 - 04

Operational Plan and Budget	and adopt a comprehensive 'annual operational plan and budget' based on the approved Strategic Plan to guide the management in utilizing the limited resources especially for priority areas. The operational plan should ensure that all activities are aligned with the overall vision of its current Strategic Plan (2014-2018) and clearly show anticipated performance results (both financial and non-financial) over the period of the Plan.	<p>2019-2023 completed</p> <ul style="list-style-type: none"> A comprehensive annual operational plan and budget to follow 	implemented and reviewed by the Board; to be formally adopted by Board in July 2019 Annual Operation Plan and Budget in progress; expected to be completed in September 2019	to establish new practice for MiCare; MiCare has only had to create annual operational plan & budget for the cost of administering the plan	Budget for year 2020 has been implemented and adopted by the Board of Directors
3. Risk Management Policy and Framework	The Board and Management should:				On-going
	<p>(i) Develop and adopt an appropriate formal risk management policy and framework and Procedures;</p> <p>(ii) Conduct awareness through capacity building to members of the Board, Management and entire staff; and</p> <p>(iii) Ensure that the developed and</p>	<p>(i) In the process of getting a consultant to assist with creating the risk management frame work and Procedures;</p> <p>(ii) awareness to be conducted after the risk management policy and framework is developed</p> <p>(iii) to be implemented on annually on annual plan and periodically on Strategic Plan</p>	<p>(i) management has identified consultant who possesses the capability to undertake the task; expected delivery date September 2019</p> <p>(ii) depend on item (i)</p> <p>(iii) depend on item (i)</p>	<ul style="list-style-type: none"> Need time to establish policy and framework, conduct awareness and ensure its usage in strategic and annual planning 	<p>Risk Management Policy Framework has been established and adopted by the Board of Directors.</p> <p>Comprehensive review of the Risk Management Policy Framework is planned for</p>

Office of the National Public Auditor

Performance Audit Report on Implementation of Recommendations issued in Audit Report 2019-01: MiCare, FSM Health Insurance Plan

Audit Report No. 2020 - 04

		adopted Risk Management Policy and Framework and Procedures are used for strategic and operational plan and implementation thereon.				January 2020.	
4.	Performance Evaluations for Senior Management	The Board should develop an annual performance evaluation process for senior management (including the Administrator) to:				On-going	
		(i) Formally evaluate the senior management's performance against the established duties and objectives that were agreed to by the Board and the Administrator; (ii) Discuss and agree on performance measures for the subsequent year; and (iii) Communicate the results of the evaluation.	Verbal evaluation of Administrator is done and documented in Meeting Minutes based on duties and responsibilities listed in Administrator's employment contract	Progressing	N/A	Documentation or records of performance evaluation are yet to be provided...there are no definite performance measures or criteria in place yet...	
5.	Information and analysis	Management should:					
		(i) Develop, test and implement business continuity and recovery plan including backup procedures for ICT system; and (ii) Employ qualified ICT personnel to ensure management information system is adequately managed,	<ul style="list-style-type: none"> In early 2017 after the data loss incident, Bonnice Mann Consulting (BMC) was contracted to reboot all computer 	continuous	N/A	In addition to the Actions taken, MiCare has acquired IT servers to go with their ICT backup system capabilities.	

Office of the National Public Auditor

Performance Audit Report on Implementation of Recommendations issued in Audit Report 2019-01: MiCare, FSM Health Insurance Plan

Audit Report No. 2020 - 04

		supported and maintained.	<ul style="list-style-type: none"> IT specialist replaced with a relatively experienced one who undertake backup procedures BMC continues to provide IT security through the provision of anti-virus, anti-malware 			
6.	Performance Monitoring and Reporting	The plan's Management should establish appropriate performance indicators or targets, and implement adequate measurement, monitoring and reporting of the Plan's performance to ensure an effective service delivery through the achievement of goals and objectives.	In the process of creating a performance management system which would include audit's recommendation	Progressing	Need time to establish PMR	Recommendation has implemented based on FY 2019-20 Strategic Plan of MiCare; a summary of goals and objectives were developed for the purpose of guiding and ensuring MiCare in effectively and efficiently providing its services and at the same time, being fully aware of its performance reviews.
7.	Internal Policies and	The plan's Management should develop and establish internal policies and procedures and	<ul style="list-style-type: none"> Organizational 	Progressing	Need time to establish SOPs for	Organizational Chart, medical

Office of the National Public Auditor

Performance Audit Report on Implementation of Recommendations issued in Audit Report 2019-01: MiCare, FSM Health Insurance Plan

Audit Report No. 2020 - 04

	Procedures Framework	the related accountability requirements, as guidance to all Plan's key activities and processes.	<ul style="list-style-type: none"> chart amended <ul style="list-style-type: none"> Medical referral process done Strategic plan recognizes the need for strategic operation procedures (SOPs) and it is one of the activities 		each of the major activities of the Plan (Collection, Payables, medical management, etc.)	referral flow chart and SOP had provided. Particular recommendation was fully implemented.	
8.	Code of Ethics and Independence Declarations	The Board should:					
		<p>(i) Develop a Code of Ethics to provide guidance on the ethical behaviour required for Members of the Board of Directors; and</p> <p>(ii) Develop a process to ensure that all new Board Members sign independence declaration forms to confirm to their independence before commencement of board duty.</p>	<ul style="list-style-type: none"> The Board has established the Code of Ethics and Principles of Conduct in March 2019 Members of the Board signed the declaration 	Done; continuous	N/A	Code of Ethics and Principles of Conduct has already developed and formally adopted as part of their FY 2019-2023 Strategic Plan. The Code of Ethics is treated as guidance in helping MiCare foster a culture of honesty and accountability for its Board of Directors including Management and	

Office of the National Public Auditor

Performance Audit Report on Implementation of Recommendations issued in Audit Report 2019-01: MiCare, FSM Health Insurance Plan

Audit Report No. 2020 - 04

							its entire staff.		
9.	Collection of Accounts Receivable	Management should:	<p>(i) Assign and build the capacity of staff responsible for monitoring, reporting and collection of accounts receivables;</p> <p>(ii) Ensure Accounting Division submit accurate and timely accounts receivable information on weekly and monthly basis annually; and</p> <p>(iii) Develop and implement policies and procedures for credit and collection for all receivables.</p>	<ul style="list-style-type: none"> ▪ A finance staff has been assigned to process all account receivables ▪ Policies and procedures for collection will be created as part of the SOPs 	Progressing	<p>At this time, a lot of "procedures" are conveyed verbally. Need time to formalize policies and procedures and identify appropriate training, if needed.</p>	<p>In addition to the two actions taken under these recommendations, MiCare noted that most of its procedures involving the collection of accounts receivables are usually done through verbal communication and have not yet been properly documented. Furthermore, MiCare noted that they expect to fully implement these recommendations by year 2020.</p>		

8. MANAGEMENT RESPONSE



MiCARE HEALTH INSURANCE PLAN

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January 23, 2020

T.H. Haser Hainrick
National Public Auditor
Office of the National Public Auditor
Government of the Federated States of Micronesia
Palikir, FSM 96941

**Re: Management's Response to Performance Audit on Implementation of
Recommendations of Audit Report 2019-01**

Dear Mr. Hainrick:

MiCare management wishes to convey its appreciation to the FSM Office of the National Public Auditor (ONPA) for its work on Implementation Status of Recommendations in Audit Report 2019-01. Management recognizes the importance of follow-ups on such audits and we thank ONPA for its contribution to MiCare's efforts to improve its operations in terms of governance at the highest level and internal processes of core operations.

Of the audit findings and 16 corresponding recommendations, we are happy to note that ONPA recognizes that actions have been taken to implement all 16 recommendations with only four (4) that remain to be fully implemented. At management level, we have scheduled workshop on the risk management policy for the entire management staff. Further, management continues to build on standard operating procedures (SOPs) and procedures for the collection of accounts receivable will be formally documented by the end of January 2020.

Please let us know if your office needs more information or clarification on the above or related.

Thank you.

Sincerely,

A handwritten signature in blue ink, appearing to read "Arlynn Chugen", is written over a light blue circular stamp.

Arlynn Chugen
Administrator

9. ONPA EVALUATION OF MANAGEMENT RESPONSE

We requested for a management response from MiCare Management which they provided and generally agreed with the findings and recommendations in the report.

10. NATIONAL PUBLIC AUDITOR COMMENTS

We would like to thank the MiCare Management and staff for their assistance and cooperation during the course of the performance audit.

We have provided copies of the final performance 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 made major contributions to this report.



Haser H. Hainrick
National Public Auditor

March 04, 2020

Office of the National Public Auditor
Performance Audit Report on Implementation of Recommendations issued in Audit Report
2019-01: MiCare, FSM Health Insurance Plan
Audit Report No. 2020 - 04

11. ONPA CONTACT AND STAFF ACKNOWLEDGEMENT

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ONPA MISSION We conduct audits and investigations to improve government operations, efficiency, and accountability for the public's benefit.

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