

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

---

**PERFORMANCE AUDIT ON IMPLEMENTATION OF RECOMMENDATIONS  
OF Audit Report No. 2018-01  
NORMA Should Improve Its Compliance with the Terms and Conditions  
of the PROP Project  
AUDIT REPORT No. 2020-03**



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



# FEDERATED STATES OF MICRONESIA

## Office of The National Public Auditor

P.O. Box PS-05, Palikir, Pohnpei FSM 96941

Tel: (691) 320-2862/2863; Fax: (691) 320-5482;

CID Hotline: (691) 320-6768; E-mail: hhainrick@fsmopa.fm

January 20, 2020

His Excellency David W. Panuelo, President  
Honorable Members of the 21<sup>st</sup> FSM Congress  
Federated States of Micronesia

**RE: Performance Audit on Implementation of Recommendations of Audit Report No. 2018-01: NORMA Should Improve its Compliance with the Terms and Conditions of the PROP Project**

We have completed a Performance Audit on the implementation of our Audit Findings and Recommendations given in our Audit Report No. 2018-01: NORMA Should Improve Its Compliance with the Terms and Conditions of the PROP Project.

The objective and scope of the Performance Audit were to review the implementation status as per our audit recommendations given in the Audit Report 2018-01 or any other alternative management actions to address the Audit Findings.

Based on our Performance Audit review and assessment of the PROP Project which is implemented by NORMA, we concluded that the managements of NORMA and Department of Finance and Administration were in the process of implementing the five (5) audit recommendations. Of the five audit recommendations, one has been substantially implemented; one was still at 'preparation stage for implementation'; two were at planning stage for implementation; and one is obsolete, thus no longer applicable. The summaries of recommendations with their status of implementation are as reflected below:

| Recommendation   | Status                         |
|--|--------------------------------|
| <b>On Finding No. 1:</b>   |                                |
| (i) NORMA Management should propose new DLI reporting deadlines and seek necessary amendments to the Financing Agreement accordingly.                                  | Substantially Implemented      |
| (ii) NORMA Management should comply fully with the approved terms and conditions of the financing agreement.   | Obsolete, no longer applicable |
| (iii) Management of the Department of Finance and Administration should ensure that records of transactions are clearly described and stated in the financial reports. | Planning to Implement          |

|  |                                |
|--|--------------------------------|
| <b>On Finding No. 2</b>  |                                |
| (i) NORMA Management should coordinate with Fisheries Forum Agency (FFA) to finalize and adopt the Project Operations Manual (POM) quickly.                            | Planning to Implement          |
| (ii) NORMA Management should comply fully with the approved terms and conditions of the Financing Agreement between FSM and World Bank, the donor of the PROP Project. | Preparation for Implementation |

NORMA Management is positive in fully implementing the rest of the recommendations after the restructuring of the PROP Project is completed based on the following:

- a) NORMA Management is working closely with Department of Finance and Administration to finalize the PROP Project restructuring request to World Bank. After World Bank's review of the restructuring request, it will provide a restructuring paper that NORMA will use in implementing the restructuring procedure.
- b) All necessary amendments to the Financing Agreement will take place after the approval from the World Bank and can only be done during the restructure period.
- c) The Project Operations Manual will also be developed after the PROP Project restructuring is completed.

Overall, full implementation of the remaining recommendations depends on the pending restructuring of the PROP Project.

Respectfully Submitted,

Haser H. Hainrick,  
National Public Auditor

Cc: Director, NORMA  
Secretary, Department of Finance and Administration  
Secretary, Department of Resources and Development

# Office of the National Public Auditor

## Performance Audit on Implementation of Recommendations of Audit Report No. 2018-01: NORMA Should Improve its Compliance with the Terms and Conditions of the PROP Project

### Audit Report 2020-03

---

#### Table of Contents

|      |   |    |
|------|---|----|
| 1.0  | INTRODUCTION .....  | 1  |
| 1.1  | Background .....  | 1  |
| 1.2  | OBJECTIVE.....  | 1  |
| 1.3  | SCOPE .....   | 1  |
| 1.4  | METHODOLOGY .....   | 2  |
| 1.5  | PRIOR AUDIT COVERAGE.....   | 2  |
| 1.6  | CONCLUSION .....  | 2  |
| 2.0  | STATUS OF IMPLEMENTATION OF AUDIT RECOMMENDATIONS .....   | 3  |
| 2.1  | On Finding No. 1 of Audit Report No. 2018-01: Component 1 was not in full compliance specifically with the DLI reporting requirements and the monitoring and surveillance activities..... | 3  |
| 2.2  | On Finding No. 2 of Audit Report No. 2018-01: Component 3 on National Program Management, monitoring and evaluation was not in full compliance in four specific areas. ....               | 5  |
| 3.0  | RECOMMENDATIONS.....  | 6  |
| 4.0  | APPENDIX A – Implementation status matrix of recommendations given under audit report no. 2018-01 .....   | 7  |
| 5.0  | APPENDIX B - Stages of Implementation.....  | 9  |
| 6.0  | APPENDIX C –DLI Tagged Expenditures .....   | 10 |
| 7.0  | APPENDIX D: Components of the PROP Project.....   | 11 |
| 8.0  | MANAGEMENT RESPONSE.....  | 12 |
| 9.0  | ONPA EVALUATION OF MANAGEMENT RESPONSE.....   | 13 |
| 10.0 | NATIONAL PUBLIC AUDITOR’S COMMENTS .....  | 14 |
| 11.0 | ONPA CONTACT AND STAFF ACKNOWLEDGEMENT.....   | 15 |

## OFFICE OF THE NATIONAL PUBLIC AUDITOR

### Performance Audit on Implementation of Recommendations of Audit Report No. 2018-01: NORMA Should Improve its Compliance with the Terms and Conditions of the PROP Project Audit Report No. 2020-03

---

## 1.0 INTRODUCTION

### 1.1 Background

The Office of the National Public Auditor conducted a performance audit on *the Federated States of Micronesia (FSM) Pacific Islands Regional Oceanscape Program (PROP)* which is financed by the World Bank (WB) and is implemented by FSM's National Oceanic Resources Management Authority (NORMA). The Audit Report, number 2018-01, concluded that Components 1 and 3 (see *Appendix D*) of the PROP were implemented not in full compliance with the terms and conditions of the Financing Agreement; and Component 2 (see *Appendix D*) was still under implementation and was expected to be completed by June 30, 2018.

Based on the Audit Report no. 2018-01, the following findings were reported:

- (i) Component 1 was not implemented in full compliance with regards to the DLI reporting requirements and the approved monitoring, control and surveillance activities.
- (ii) The FSM Department of R&D and NORMA had approximately 1 year and 2 months under the terms of the Project to fully implement Component 2 as defined in the Financing Agreement. Further, a contractor was hired to help develop a coastal fishery management planning process and had until June 30, 2018 to complete the Plan. Both the two implementing entities were confident that the activity would be achieved by the due date.
- (iii) Component 3 on National Program Management, Monitoring and Evaluation was not implemented in full compliance with the Financing Agreement.

In the Management Response dated June 11, 2018, and was attached to Audit Report 2018-01, the Director of NORMA noted and acknowledged the audit findings along with causes and recommendations except bullet 4 of Finding 1, and further stated that NORMA would continue to work with respective Departments and Agencies in order to address the Audit Findings and to implement the Audit Recommendations.

### 1.2 OBJECTIVE

The objective of the performance audit was to assess the extent to which management had implemented the recommendations given in the Audit Report 2018-01 by the end of 2019 Fiscal Year.

### 1.3 SCOPE

The scope of this Performance Audit covered NORMA and DOFA Management actions to implement the five recommendations given in the Audit Report 2018-01 during the period of July 01, 2018 to September 30, 2019. This Performance Audit was conducted at National

## OFFICE OF THE NATIONAL PUBLIC AUDITOR

### Performance Audit on Implementation of Recommendations of Audit Report No. 2018-01: NORMA Should Improve its Compliance with the Terms and Conditions of the PROP Project Audit Report No. 2020-03

---

Oceanic Resources Management Authority (NORMA) in Kolonia from July 8, 2019 to July 12, 2019.

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.”*

#### 1.4 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 paragraph 1.22, Government Audit Standards 2018.

The audit sought evidence on the degree of implementation of the recommendations included in the Audit Report No. 2018-01. This performance audit approach covered:

- (a) Interviewing auditee senior management and operational personnel to understand the process and clarity of issues;
- (b) Reviewing and analysing supporting documents demonstrating progress in implementing the recommendations and assessing the degree to which the proposed actions were implemented (see *Appendix A*); and
- (c) Debriefing auditee management personnel on the results of the performance audit.

#### 1.5 PRIOR AUDIT COVERAGE

This is the second performance audit on the FSM PROP Project. The objective of this second performance audit was to assess the extent to which management had implemented the recommendations given in the Audit Report 2018-01.

#### 1.6 CONCLUSION

Based on our audit, we concluded that the Management of NORMA has not yet fully implemented all audit recommendations but has taken appropriate steps toward full implementation of corrective actions to address the two findings and five (5) recommendations as per Audit Report No. 2018-0. The results of this performance audit are discussed in detail in the following pages.

**OFFICE OF THE NATIONAL PUBLIC AUDITOR**

Performance Audit on Implementation of Recommendations of Audit Report No. 2018-01:  
NORMA Should Improve its Compliance with the Terms and Conditions of the PROP Project  
**Audit Report No. 2020-03**

---

**2.0 STATUS OF IMPLEMENTATION OF AUDIT RECOMMENDATIONS**

**2.1 On Finding No. 1 of Audit Report No. 2018-01:** Component 1 was not in full compliance specifically with the DLI reporting requirements and the monitoring and surveillance activities.

Three recommendations were issued under Finding 1.

**2.1.1 Audit Report 2018-01: Recommendation No 1**

- (i) **We recommended** that NORMA Management should propose new DLI reporting deadlines and seek necessary amendments to the Financing Agreement accordingly.
- (ii) **Prior Management Response was:** ‘Management concurs with Finding 1 including cause and recommendation. NORMA has worked with PNA Office and determined that previous year’s VDS data is finalized by March 31<sup>st</sup> and so the PROP participating countries are proposing an April 15 deadline for submission of Country DLI Reports with a June 15 deadline for FFA to submit verification reports to World Bank. As the verification process is an FFA responsibility, Management is unable to guarantee timely submission of verification reports to World Bank’.
- (iii) **Current Implementation Status:** Based on our review and assessment, the implementation of the recommendation was *substantial* though not yet completed.
- (iv) **Effect of Non-Implementation:** The absence of necessary amendments to the Financing Agreement will have negative impact on NORMA Management which may lead to inability to fully implement the required activities under Component 1.
- (v) **Cause of Delay in Implementation:** FSM PROP Project was undergoing restructuring where, DoFA Central Implementation Unit will take up roles for project management that FFA was originally tasked to provide support in the financial management, procurement, safeguards, and monitoring and evaluation.

**2.1.2 Audit Report 2018-01: Recommendation no. 2**

- (i) **We recommended** that NORMA Management should comply fully with the approved terms and conditions of the financing agreement.
- (ii) **Prior Management Response was:** ‘Management disagrees with bullet 4 of Finding 1 as it verifies that all MCS activities funded by PROP Project have been carried out for the purpose of fisheries and also under the control of a NORMA fisheries officer. The fact that FSM Department of Justice (DOJ) is not utilizing the PROP funding for surveillance activities would mean NORMA has fewer activities to monitor to ensure they are within the requirements.

**OFFICE OF THE NATIONAL PUBLIC AUDITOR**

Performance Audit on Implementation of Recommendations of Audit Report No. 2018-01:  
NORMA Should Improve its Compliance with the Terms and Conditions of the PROP Project  
**Audit Report No. 2020-03**

---

- (iii) **Current Implementation Status:** Based on our review and assessment, it was concluded that the implementation by the Management of NORMA was at *Planning stage*.

Audit Report 2018-01: Recommendation No.2 is obsolete, where it is no longer applicable because the issue has become outdated as a result of having been superseded by something newer. As of December 6, 2019, during our exit meeting PROP Project Coordinator updated the Audit Team that the surveillance activities will no longer be funded under PROP Project. Only equipment and fishery related trainings will be funded by the PROP Project.

- (iv) **Effect of Delay in Implementation:** The process of finalizing the Terms of Reference between World Bank and NORMA and DOJ may lead to delay in releasing the required surveillance funds and thus affect negatively surveillance activities.
- (v) **Cause of Delay in Implementation:** Department of Justice (DOJ) recently expressed interest to engage in the surveillance activities under the project and will require Term of Reference (TOR). World Bank legal team was still working with DOJ and NORMA to clarify the requirements for the Terms of Reference.

**2.1.3 Audit Report 2018-01: Recommendation no. 3**

- (i) **We recommended** that the Management of the Department of Finance and Administration should ensure that records of transactions are clearly described and stated in the financial reports.
- (ii) **Prior Management Response was:** ‘Management further concurs with bullet 3 of Finding 1 and the corresponding cause and recommendation in that the expenses tagged are unclear when only viewing the transaction listings utilized in the tagging of DLI expenditures. However, details of the unclear expenses may be available from original documentation filed at FSM Finance’.

FSM PROP Project is following guidance from World Bank financial management advisors in providing required documentation for tagging DLI expenses.

- (iii) **Current Implementation Status:** Based on our review and assessment, it was concluded that the implementation by the Management of NORMA was at *planning stage*, where NORMA will coordinate with World Bank to set criteria for DLI tagging.
- (vi) **Effect of Non-Implementation:** Transactions were still not clearly described and stated in the financial reports. It was still difficult to identify whether tagged



**OFFICE OF THE NATIONAL PUBLIC AUDITOR**

Performance Audit on Implementation of Recommendations of Audit Report No. 2018-01:  
NORMA Should Improve its Compliance with the Terms and Conditions of the PROP Project  
**Audit Report No. 2020-03**

---

expenditures were eligible DLI expenditures and were for the purpose of sustainable management of shared tuna fisheries (see *Appendix C*).

Basic financial management requires that financial information should faithfully represent transactions and other events, reflect the underlying substance of events, and prudently represent estimates and uncertainties through proper disclosure. Such information/data should be convincing so that prudent, informed persons would be able to identify and classify transactions and reach the same conclusions. This may not be the case as asserted by NORMA Management (as highlighted in the cause for non-implementation) and may result in potential misrepresentation of funds expenditure provided by the World Bank to NORMA.

- (iv) **Cause of Non-Implementation:** Management asserted that, “there are no criteria set by World Bank relating to tagging DLI expenses and the DLI tagging is a flexible mechanism. This flexibility allows NORMA to tag any expenses relating to sustainable management of shared tuna fisheries, and submits the list to WB, who reviews the transaction listing and has since the start of the project approved all expenses tagged and submitted by NORMA”.

**2.2 On Finding No. 2 of Audit Report No. 2018-01:** Component 3 on National Program Management, monitoring and evaluation was not in full compliance in four specific areas.

Two recommendations were issued under Finding 2.

**2.2.1 Audit Report 2018-01: Recommendation no. 4**

- (i) **We recommended** that NORMA Management should coordinate with FFA to finalize and adopt the Project Operations Manual quickly.
- (ii) **Prior Management Response was:** Management concurs with finding 2 along with cause and recommendation.
- (iii) **Current Implementation Status:** Based on our review and assessment, it was concluded that implementation of the recommendation four (4) by Management of NORMA was at *planning stage*.
- (iv) **Effect of Non-Implementation:** Failure to finalize and adopt the project restructure may impact negatively the process of developing and operationalization of FSM National Government’s POM. This will potentially impact the operations and management of the PROP Project.
- (v) **Cause of Non-Implementation:** Project Operation Manual (POM) at the regional level, which was under the coordination of FFA, was never finalized and adopted.

**OFFICE OF THE NATIONAL PUBLIC AUDITOR**

Performance Audit on Implementation of Recommendations of Audit Report No. 2018-01:  
NORMA Should Improve its Compliance with the Terms and Conditions of the PROP Project  
**Audit Report No. 2020-03**

---

Now with the restructuring of FFA, the regional POM may no longer be applicable to FSM's implementation of PROP and thereby necessitating development of its own POM after the restructuring is finalized.

**2.2.2 Audit Report 2018-01: Recommendation no. 5**

- (i) **We recommended** that NORMA Management should comply fully with the approved terms and conditions of the Financing Agreement.
- (ii) **Prior Management Response was:** Management concurred with Finding 2 along with cause and this recommendation.
- (iii) **Current Implementation Status:** Based on our review we concluded that the implementation of this recommendation by Management of NORMA was still at **preparation for implementation stage.**
- (iv) **Effect of Delay in Implementation:** Delay in recruitment of key personnel may impact the implementation of the project negatively which may lead into inability to achieve the intended goals effectively and efficiently.
- (v) **Cause of Delay in Implementation:** Pending completion of the restructuring of the PROP Project, which started in May 27, 2019. Completion was expected by the end of 2019.

**3.0 RECOMMENDATIONS**

We recommend that:

- (i) Management of NORMA should fully address and implement all four (4) audit recommendations reflected in the Audit Report No. 2018-01; and
- (ii) Management of NORMA to coordinate with the World Bank to set criteria in order to have a better classification for expenses to be tagged as DLI eligible expenditure for the purpose of sustainable management of shared tuna fisheries.

**OFFICE OF THE NATIONAL PUBLIC AUDITOR**

Performance Audit on Implementation of Recommendations of Audit Report No. 2018-01: NORMA Should Improve its Compliance with the Terms and Conditions of the PROP Project  
**Audit Report No. 2020-03**

**4.0 APPENDIX A – Implementation status matrix of recommendations given under audit report no. 2018-01**

**Audit Report: 2018-01: NORMA SHOULD IMPROVE ITS COMPLIANCE WITH THE TERMS AND CONDITIONS OF THE PROP PROJECT**

Date of Issue: June 25, 2018

Name of Agency(s): NORMA

| No. | Finding   | Recommendations   | Action Taken  | Status   | Reasons for noncompletion of action on any recommendations   | Comments   |
|-----|---|---|---|--|--|--|
|     | Component 1 was not in Full Compliance Specifically with the DLI Reporting Requirements and the Monitoring, Control and Surveillance Activities | Propose new DLI reporting deadlines and seek necessary amendments to the Financing Agreement accordingly. | New Deadlines submitted to World Bank and approved during the DLI Workshop in Majuro in late 2017   | Implementation is <i>substantial</i>   | <ul style="list-style-type: none"> <li>o FSM PROP Project is undergoing restructure; where, DoFA Central Implementation Unit will take up roles for project management that FFA was originally tasked to provide support in financial management, procurement, safeguards, and monitoring and evaluation.</li> <li>o NORMA awaits for completion of restructuring of the project by World Bank.</li> <li>o Amendments to the Financing Agreement are part of the restructuring and can only be done during the project restructure.</li> </ul> | <ul style="list-style-type: none"> <li>o DLI Reporting Requirements were approved during the workshop held in Majuro, RMI from November 14 to 16, 2017.</li> <li>o Project restructure is expected to be completed by end of December 2019.</li> <li>o Amendments to the Financing Agreement is work in progress and can only be done during the project restructuring.</li> </ul>   |
|     | Comply fully with the approved terms and conditions of the financing agreement  |   | Department of Justice (DOJ) recently expressed interest to engage in the surveillance activities under the project and will require Terms of Reference (TOR). | Implementation is at <i>planning stage</i><br><br><i>As of 12/06/19, Obsolete - No longer applicable</i> | <ul style="list-style-type: none"> <li>o World Bank legal team is working with DOJ and NORMA to clarify the requirements for the Terms of Reference.</li> <li>o Surveillance activities will no longer be funded under PROP Project.</li> </ul>  | <ul style="list-style-type: none"> <li>o TOR is work in progress.</li> <li>o NORMA and DOJ are collaborating with World Bank legal team to clarify on the requirements.</li> <li>o Surveillance activities are pending with TOR being reviewed.</li> <li>o During exit conference, Project Coordinator updated team that surveillance activities will no longer be funded under the PROP Project.</li> <li>o Only equipment and fishery related trainings will be funded by the PROP Project.</li> </ul> |

**OFFICE OF THE NATIONAL PUBLIC AUDITOR**  
**Performance Audit on Implementation of Recommendations of Audit Report No. 2018-01: NORMA Should Improve its Compliance with the Terms and Conditions of the PROP Project**  
**Audit Report No. 2020-03**

| No.  | Finding   | Recommendations  | Action Taken   | Status   | Reasons for noncompletion of action on any recommendations   | Comments  |
|--|---|--|--|--|--|---|
|  |   | <p>Management of the Department of Finance and Administration should ensure that records of transactions are clearly described and stated in the financial reports.</p>  | <p>FSM PROP Project is following guidance from World Bank financial management advisors in providing required documentation for tagging DLI expenses</p> | <p>Implementation is at <i>planning stage</i></p>  | <ul style="list-style-type: none"> <li>○ There are two DLI requirements; where, NORMA achieve indicators and tag expenses relating to oceanic fisheries management given the flexibility of DLI.</li> <li>○ In addition, there are no criteria set by World Bank relating to tagging DLI expenses.</li> </ul>  | <ul style="list-style-type: none"> <li>○ Once DLI expenses are tagged, World Bank reviews and provides a letter of clearance. The information provided is acceptable to World Bank.</li> <li>○ Transactions are still not clearly described and stated in the financial reports.</li> <li>○ It is still difficult to identify whether expenditures that were tagged are considered eligible DLI.</li> </ul> |
| <p>Component 3 on National Program Management, Monitoring and Evaluation was not in Full Compliance in Four Specific Areas</p> | <p>Coordinate with FFA to finalize and adopt the Project Operations Manual quickly.</p> | <p>NORMA and DoFA Central Implementation Unit (CIU) are collaborating to develop and adopt their own POM upon completion of the project restructure by end of 2019.</p>  | <p>Implementation is at <i>planning stage</i></p>  | <p>Project Operations Manual (POM) at the regional level was never finalized and adopted. Now with the restructure in process, FSM will develop its own POM and adopt it</p> | <ul style="list-style-type: none"> <li>○ NORMA will work closely with DoFA to develop and adopt its POM upon completion of the restructuring which started in May 27, 2019 and it is expected to be completed by December 2019.</li> <li>○ Based on an interview with PROP Project Coordinator, he anticipates the development of the POM in three months.</li> </ul>  |   |
|  | <p>Comply fully with the approved terms and conditions of the Financing Agreement.</p>  | <p>As a collaborative effort in supporting management of the FSM PROP Project, NORMA hired Procurement Specialist; while CIU hired specialist in the following areas: Finance; Procurement; and Safeguards – Environment and Social Grievances</p> | <p>Implementation is at <i>'preparation for implementation stage'</i></p>  | <p>The restructure of the project changed the role for FFA</p>   | <ul style="list-style-type: none"> <li>○ DoFA Central Implementation Unit will take up roles for project management that FFA was originally tasked to provide support in the following: financial management, procurement, safeguards, and monitoring and evaluation.</li> <li>○ As collaborative support for management of the FSM PROP Project, NORMA hired: Procurement Specialist</li> <li>○ CIU hired the following areas: Finance Specialist; Procurement Advisor; and Safeguards – Environment and Social Grievances</li> <li>○ Monitoring and Evaluation is still vacant.</li> </ul> |   |

**OFFICE OF THE NATIONAL PUBLIC AUDITOR**

Performance Audit on Implementation of Recommendations of Audit Report No. 2018-01:  
NORMA Should Improve its Compliance with the Terms and Conditions of the PROP Project  
**Audit Report No. 2020-03**

---

## **5.0 APPENDIX B - Stages of Implementation**

### **5.1 Summary**

There are five stages used to assess the status of implementation of the recommendations. The stages are as listed below:

- (i) **Not yet implemented - No progress or insignificant progress**  
Actions such as having meetings and generating informal plans.
- (ii) **Planning stage**  
When formal plans for organizational changes have been created and approved by the appropriate level of management with appropriate resources and a reasonable timetable.
- (iii) **Preparation for implementation**  
If the entity made preparations for implementing a recommendation by hiring or training staff, or developing or acquiring the necessary resources to implement the recommendation.
- (iv) **Substantial implementation**  
If the structures or processes are in place and integrated within at least some parts of the organization, and some achieved results have been identified.
- (v) **Full implementation**  
If the structure and processes are operating as intended and are fully implemented.

#### **Obsolete**

The recommendation is obsolete if it is no longer applicable because the issue has become outdated as a result of having been superseded by something newer.

## OFFICE OF THE NATIONAL PUBLIC AUDITOR

### Performance Audit on Implementation of Recommendations of Audit Report No. 2018-01: NORMA Should Improve its Compliance with the Terms and Conditions of the PROP Project Audit Report No. 2020-03

## 6.0 APPENDIX C –DLI Tagged Expenditures

| Date                      | Type of Expenses               | Account            | Description  | Amount             |
|---------------------------|--------------------------------|--------------------|--|--------------------|
| 10/20/2016 –<br>9/29/2017 | Travel & Transportation        | NORMA's –<br>09810 | Attend meeting in Honirara (4) \$1,859.71<br>Organize logistic for deployment (4) \$1,630.47<br>Air fare/Matthew Chigiyaal (1) \$494.86<br>Attend "flow" in Honiara (1) \$20.00<br>Attend APIPA (3) \$3,470<br>Only Names (18) \$12,202.65 | \$20,151.29        |
| 6/29/2017                 | Training & Registration        | NORMA – 09810      | Registration/Moria Joseph APIPA 2017 Secretariat   | \$350              |
| 2/23/2017 –<br>8/1/2017   | Food                           | NORMA – 8160       | Catering-NORMA (2) \$540<br>Food-NORMA (2) \$778.50  | \$1,318.50         |
| 8/30/2017                 | Insurance fees/bank<br>charges | Various account    | Insurance (1) 691<br>Bank charge-NORMA NF (1) 473.60   | \$1,164.60         |
| <b>TOTAL</b>              |                                |                    |  | <b>\$22,510.79</b> |

### 6.1 Summary

The table above depicts summary of tagged expenditures as eligible DLI expenses for the period covering 10/20/2016 to 8/30/2017. Based on our review, it is still difficult to identify whether the tagged expenditures are considered as eligible DLI expenditures and are for the purpose of sustainable management of shared tuna fisheries as reflected below:

- (i) For the transactions relating to travel and transportation covering the period from 10/20/2016 to 9/29/2017, there were 31 transactions. Of the 31 transactions, the following descriptions were provided:
  - 4 transactions – attend meeting in Honiara;
  - 4 transactions – organize logistic for deployment;
  - 1 transaction – air fare (Matthew Chigiyaal);
  - 1 transaction – attend "Flow" in Honiara;
  - 3 transactions – attend APIPA; and
  - 18 transactions – only Names of travelers.
- (ii) For transactions relating to training and registration for 6/29/2017, there was only one transaction for registration for APIPA.
- (iii) For transactions relating to food covering the period from 2/23/2017 to 8/1/2017, there were two transactions with the following descriptions:
  - 2 transactions – catering; and
  - 2 transactions – food
- (iv) For transactions relating to Insurance and bank charges for 8/30/2017, there were two transactions with the following descriptions:
  - 1 transaction – Insurance; and
  - 1 transaction – bank charges – NORMA NF

**OFFICE OF THE NATIONAL PUBLIC AUDITOR**

Performance Audit on Implementation of Recommendations of Audit Report No. 2018-01:  
NORMA Should Improve its Compliance with the Terms and Conditions of the PROP Project  
**Audit Report No. 2020-03**

---

**7.0 APPENDIX D: Components of the PROP Project**

PROP Project has three Components which FSM Government has agreed to implement. FSM Government implementing agencies are NORMA and the Department of Resources and Development (R&D). The three Components of the PROP Project are as reflected below:

**Component 1: Sustainable management of oceanic fisheries**

Component 1 aims to help the participating Pacific Island countries to strengthen the management of the region’s purse seine and long line fisheries.

**Component 2: Sustainable management of coastal fisheries**

Component 2 aims to support Pacific Island member countries to sustainably manage defined coastal fisheries and the habitats that support them, focusing on those with the greatest potential for increased benefits.

**Component 3: National program management, monitoring and evaluation**

Component 3 aims to provide regional coordination, implementation support and project management to ensure a sound approach to program implementation and wide dissemination of results and lessons learned, as well as implementation support and training as needed for the program to achieve its objectives.

**OFFICE OF THE NATIONAL PUBLIC AUDITOR**

Performance Audit on Implementation of Recommendations of Audit Report No. 2018-01:  
NORMA Should Improve its Compliance with the Terms and Conditions of the PROP Project  
**Audit Report No. 2020-03**

---

**8.0 MANAGEMENT RESPONSE**



*National Oceanic Resource Management Authority*

FSM NATIONAL GOVERNMENT

P.O. BOX PS122

PALIKIR, POHNPEI, FEDERATED STATES OF MICRONESIA 96941

tel: (691) 320-5181/2700 Fax: (691) 320-2383 Email: [norma@mail.fm](mailto:norma@mail.fm) Website: [www.norma.fm](http://www.norma.fm)



January 17, 2020

Mr. Haser Hainrick  
National Public Auditor  
Office of the National Public Auditor  
FSM National Government  
Pohnpei, FSM 96941

**RE: Audit Follow-up Report: PROP Project**

Dear Mr. Hainrick:

I wish to first thank your office for your continued support in audits involving our office and projects. The follow-up meetings on the referenced audit has been very helpful in our work to implement the audit recommendations and am pleased to indicate that FSM NORMA fully agrees with the findings and recommendations of the FSM Office of the Public Auditor.

Furthermore, NORMA wishes to state that although the Disbursements-Linked Indicators (DLI) mechanism employed under the PROP Project is new and not well understood by many and thereby presenting challenges in implementation and audits of the Project, it is a mechanism that should be encouraged as it brings us closer to direct budget support by FSM donor partners

Should you need further to close out this follow-up exercise, please let us know.

Sincerely,

  
Eugene Pangclinan  
Executive Director

xc: Secretary, FSM Department of Finance & Administration  
Secretary, FSM Department of Resources & Development



**OFFICE OF THE NATIONAL PUBLIC AUDITOR**

Performance Audit on Implementation of Recommendations of Audit Report No. 2018-01:  
NORMA Should Improve its Compliance with the Terms and Conditions of the PROP Project  
**Audit Report No. 2020-03**

---

**9.0 ONPA EVALUATION OF MANAGEMENT RESPONSE**

We requested for a Management Response from National Oceanic Resource Management Authority. The Executive Director agreed with findings and recommendations in the report.

**OFFICE OF THE NATIONAL PUBLIC AUDITOR**

Performance Audit on Implementation of Recommendations of Audit Report No. 2018-01:  
NORMA Should Improve its Compliance with the Terms and Conditions of the PROP Project  
**Audit Report No. 2020-03**

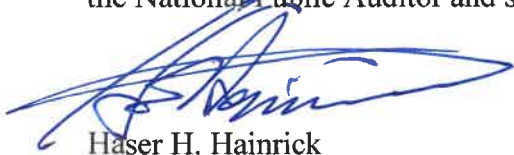
---

**10.0 NATIONAL PUBLIC AUDITOR’S COMMENTS**

We would like to thank the Management and Staff of National Oceanic Resource Management Authority (NORMA), Department of Finance and Administration (DoFA) Central Implementation Unit (CIU) and the Department of Resources & Development (R&D) 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 21<sup>st</sup> FSM Congress. Furthermore, we will make copies available to other interested parties upon request.

If there are 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 the audit and prepared this report.



Haser H. Hainrick  
National Public Auditor

January 20, 2020

**OFFICE OF THE NATIONAL PUBLIC AUDITOR**

Performance Audit on Implementation of Recommendations of Audit Report No. 2018-01:  
NORMA Should Improve its Compliance with the Terms and Conditions of the PROP Project  
**Audit Report No. 2020-03**

---

**11.0 ONPA CONTACT AND STAFF ACKNOWLEDGEMENT**

ONPA CONTACT:           Haser H. Hainrick, National Public Auditor  
                                  Email: [hhainrick@fsmopa.fm](mailto:hhainrick@fsmopa.fm)

---

ACKNOWLEDGEMENTS   In addition to the contact named above, the following staff made key contributions to this report:

Leonce Anthony, Audit Manager, MBA (Fin & Acct), FCPA, CIA & CFE  
Susana Saballe, Audit Supervisor, CPA  
Jane Gallen, Auditor-In-Charge  
Brenda Carl, Assisting Staff Auditor I  
Trifonovitch Jay Sound, Assisting Staff Auditor II

---

ONPA MISSION           We conduct audits and investigations to improve good governance and prevent fraud, waste and abuse for the public's benefit.

---

COPIES AVAILABLE AT: The fastest and easiest way to obtain copies of ONPA documents at no cost is through the ONPA website:  
<http://www.fsmopa.fm>

---

Copies by mail or phone:   Office of the National Public Auditor  
                                  P.O. Box PS-05  
                                  Palikir, Pohnpei FM 96941  
                                  Phone: (691) 320-2862/3

---

CONTACT                 Website:     [www.fsmopa.fm](http://www.fsmopa.fm)  
                                  Hotline:     (691) 320-6768

---