

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



**PERFORMANCE AUDIT ON THE IMPLEMENTATION OF RECOMMENDATIONS OF PRIOR AUDIT
(REPORT NO. 2020-05)**

**STRENGTHENING GOOD GOVERNANCE AND REINFORCING INTERNAL CONTROLS IN THE
FSM DEPARTMENT OF HEALTH AND SOCIAL AFFAIRS**

REPORT NO. 2024-07



FEDERATED STATES OF MICRONESIA

Office of The National Public Auditor

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September 30, 2024

His Excellency Wesley W. Simina, President

Honorable Members of the 23rd FSM Congress

Honorable Marcus Samo, Secretary - Department of Health and Social Affairs

Federated States of Micronesia

Re: Follow Up on the Implementation of Recommendations in our Prior Report No. 2020-05 On the Department of Health and Social Affairs

This report contains the results of the performance audit to verify the implementation of recommendations of our prior audit on the Department of Health and Social Affairs, which was our Audit Report No. 2020-05, issued on April 17, 2020. The prior audit was conducted in response to the request by the former Secretary.

The main objective of this current audit was to verify the extent of implementation of the prior recommendations issued in 2020 that are still relevant at the time of this follow-up in 2024.

Based on our follow-up audit, we found that there was progress towards the implementation of most of the 43 prior audit recommendations. The status of implementation as indicated in the table below is: fourteen (14) have been fully implemented, seventeen (17) recommendations were partially implemented while seven (7) recommendations were not implemented and five (5) assessed to be no longer applicable. The stages of implementation are either not implemented (NI), partially implemented (PI), fully implemented (FI), or no longer applicable (NLA), the definition is provided in [Section 8](#).

Findings No. & Title	No. of recommendations & Stages of implementation			
	NI	PI	FI	NLA
01. The Current Organization Structure has Deficiencies and is Not Aligned to the Establishment Act	1		2	
02. Inadequate Instrument of Delegation of Power to Secretary, DHSA	3			
03. DHSA Management did not Address High Risk on Food as Required by The National Food Safety Act	1		1	1
04. Deficiencies in the Implementation of the FSM Nursing Practice Act		1	1	

Findings No. & Title	No. of recommendations & Stages of implementation			
	NI	PI	FI	NLA
05. There are Deficiencies and Conflicts of Interest in the Implementation of the FSM Medical Licensing Act	1	1		
06. Deficiencies in the Implementation of Registration of Medical Practitioners and Nurses		1	1	
07. DHSA failed to Develop and Operationalize Strategic Plan, Annual Plans and Action Plans		2		
08. Weak Financial Management Practices within DHSA			1	1
09. DHSA did not Develop Prudent and Effective Inventory Management Policies and Procedures for Health-related Materials.			3	1
10. DHSA Failed to Meet Some Requirements of The Joint Economic Management Committee (JEMCO)			2	
11. DHSA Did Not Develop and Operationalize Appropriate and Adequate Mechanisms for Performance Monitoring and Reporting		4		
12. DHSA Failed to Conduct Periodic Performance Evaluation for Project Managers and Coordinators		1	2	
13. DHSA did not Conduct Periodic Performance Evaluation for DHSA Regular Employees		2		1
14. DHSA's Social Affairs Services were Marginalized.	1	1		
15. DHSA Did Not Develop and Operationalize a Contingency Plan for the Sustainability of the Health Program Currently Funded by Development Partners		1		1
16. DHSA's Internal Policies and Procedures should be Approved and Broader National Policies and Procedures Customized to its Working Environment		3		
Total no. of recommendations and its implementation status	7	17	14	5
% of Implementation status	16%	39%	33%	12%

Finally, we want to acknowledge the management of the Department of Health and Social Affairs for their request for the initial audit in 2020 and their efforts over the years to make some progress and implement the majority of the prior recommendations.

Sincerely,



Haser H. Hainrick
National Public Auditor

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Abbreviations

DHSA	Department of Health and Social Affairs
ONPA	Office of the National Public Auditors
FSM	Federated States of Micronesia
DOJ	Department of Justice
NI	Not Implemented
PI	Partially Implemented
FI	Fully Implemented
NLA	No Longer Applicable

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1.0 INTRODUCTION

1.1 Reason for the Follow-up Audit

This Follow-Up Audit was selected according to our ONPA Audit Strategic Plan which was developed based on the risk assessment and alignment to the ONPA Strategic Goal 1 “*to strengthen accountability and transparency in the Government through Impactful & Quality Services*”. Our goal is to generate more impactful and meaningful recommendations by conducting annual follow-up audits on recommendations issued during prior audits and support the auditees in the performance of their respective Agencies.

For the fiscal year 2024, it has been approved that a follow-up would be conducted on our prior Performance Audit Report No: 2020-05: Department of Health and Social Affairs.

The reasons for this audit are listed below:

- Following-up on the implementation of our recommendations is a measure on how ONPA adds value to the operations of our auditees;
- The audit was issued within the last four fiscal years, therefore the recommendations could still valid, provided there were minimal or no change to the administration and management of the Department of Health and Social Affairs (DHSA);
- Part of ONPA’s strategic and operational plan for FY2024 is to conduct some follow-up audits assignments in order to comply with our targeted outcomes.

1.2 Background

A performance audit was conducted with the Department of Health and Social Affairs (DHSA) with the report issued on April 17, 2020, focusing on the governance structure. With this focus, the objectives of the audit were to assess whether:

- A good governance structure was in place;
- Appropriate Internal controls Policies and Procedures were implemented and to manage DHSA effectively;
- DHSA had in place mechanisms to identify, monitor, report, and manage its inherent and emerging risks thanks to a Risk Management Framework; and
- DHSA had adequate funding for its division and strategic plans in place.

The prior Audit Report (No. 2020-05) titled “*Inadequate Governance, Internal Controls, And Risk Management Processes Impact the Administration And Pose Risks To The Sustainability Of Health And Social Affairs Services; New Management Keen For Improvement*” highlighted the need for DHSA to improve its management and administrative operations, good governance, internal controls processes, risk management framework, and overall, the operations of the Department.

We followed up on initially forty-three (43) recommendations generated from the sixteen (16) findings listed below:

1. The Current Organization Structure has Deficiencies and is not Aligned to the Establishment Act;
2. Inadequate Instrument of Delegation of Power to Secretary, DHSA;

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3. DHSA Management did not Address High Risks on Food as Required by The National Food Safety Act;
4. Deficiencies in the Implementation of The FSM Nursing Practice Act;
5. The are Deficiencies and Conflict of Interest in the Implementation of the FSM Medical Licensing Act;
6. Deficiencies in the Implementation of Registration of Medical Practitioners and Nurses;
7. DHSA Failed to Develop and Operationalize Strategic Plan, Annual Plans and Action Plans;
8. Weak Financial Management Practices within DHSA;
9. DHSA did not Develop Prudent and Effective Inventory Management Policies and Procedures for Health-Related Materials;
10. DHSA Failed to Meet Some Requirements of The Join Economic Management Committee (JEMCO);
11. DHSA Did Not Develop and Operationalize Appropriate and Adequate Mechanism for Performance Monitoring and Reporting;
12. DHSA Failed to Conduct Periodic Performance Evaluation for Project Managers and Coordinators;
13. DHSA did not Conduct Periodic Performance Evaluation for DHSA Regular Employees;
14. DHSA's Social Affairs Services were Marginalized;
15. DHSA Did Not Develop and Operationalize Contingency Plan for Sustainability of the Health Programs Currently Funded by Development Partners;
16. DHSA's Internal Policies and Procedures Should be Approved and Broader National Policies and Procedures Customized to Its Working Environment.

2.0 AUDIT MANDATE

We conducted this Follow-Up 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 as the following:
"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".

3.0 OBJECTIVE, SCOPE, AND METHODOLOGY

3.1 Objective

The objective of this follow-up audit is to verify the extent of implementation of the prior recommendations issued in 2020 that are still relevant at the time of this follow-up in 2024.

3.2 Scope

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The scope of this follow-up audit was focused on the current implementation of the relevant recommendations from the prior Audit Report No. 2020-05.

We performed this follow-up at the Department of Health and Social Affairs Office located in Palikir, Pohnpei.

We have not always been able to obtain all-sufficient and exhaustive information on time and sufficient evidence to assess with accuracy if some recommendations were fully or only partially implemented. Therefore, we assess the implementation status at the best of our audit knowledge according to the information provided.

3.3 Methodology

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards (GAGAS)*. 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 objective as identified in Section 3.1.

Our audit procedures included the review of responses and documents submitted by the Department of Health and Social Affairs, the review of relevant laws, relevant National Health Policies, Strategies, and Guidelines for the Federated States of Micronesia, which are the basis on which DHSA deploys its health programs.

We also conducted interviews to obtain sufficient and appropriate evidence to provide a reasonable basis for our conclusions based on our objective.

4.0 PRIOR AUDIT COVERAGE

The first Performance Audit report is the one that we performed this follow up audit on, that is, Report No. 2020-05 “Inadequate Governance, Internal Controls, and Risk Management Processes Impact the Administration and Pose Risks to the Sustainability of Health and Social Affairs Services; New Management Keen for Improvement”. It was the result of a request for an audit by the former Secretary of DHSA.

5.0 COMMENDATION

We commend the Department of Health and Social Affairs for their progress towards the implementation of majority of our prior recommendations. It is worth noting that the prior audit report no. 2020-05 is the result of the audit we conducted in response to the request by the former Secretary of the DHSA. The position of the DHSA to recognize the value of audits for the improvement of their operations is commendable and we promote this move to the rest of the departments, since ONPA is partner to achieving public accountability.

6.0 CONCLUSION

Based on the results of this follow-up audit, we conclude with reasonable assurance that the DHSA has not fully implemented all the audit recommendations from the prior audit report 2020-05. However, the department has made significant efforts to implement or start implementing most of the prior recommendations as discussed in detail in the following Section 7.0.

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7.0 IMPLEMENTATION STATUS OF OUR PRIOR RECOMMENDATIONS

The results of this follow-up audit are discussed in detail in the following Matrix: Section 7.1 shows the status of implementation for those recommendations we assessed to be Not Implemented and Partially Implemented, while Section 7.2 shows the recommendations and assessment on those that have been Fully Implemented and those that have been assessed to be No Longer Applicable.

7.1. Prior Recommendations Not Implemented and Partially Implemented

Legend: R – Recommendation (e.g., R2 means Recommendation 2 of the relevant Finding above it)

Prior Recommendations in 2020	Stage of Implementation in 2024	Cause if Partially Implemented or Not Implemented	Consequences if Partially Implemented or Not Implemented	DHSA's Current Response	ONPA's Evaluation of DHSA's Current Response
Prior Finding No. 1: The Current Organization Structure has Deficiencies and is not Aligned with the Establishment Act.					
<u>R2:</u> The establishment Act (coded in Title 41 of FSM Code) for the department of Health and Social Affairs is revised and accommodate Social Affairs and other supporting functions.	Not Implemented	The Secretary of DHSA has not communicated with the DOJ and the President's Office to take action to implement the recommendation to form a technical team to review Title 41 of the FSM Code and to update and revise the Act by changing the name of the Department.	Confusion for external stakeholders and the public as the organizational change in the structure is not reflected yet in the Law. It can impact the Governance of DHSA.	We will work with the Department of Justice (DOJ). A communication from DHSA to DOJ will be sent this week.	Status agreed by Management who will communicate with the DOJ to amend Title 41 of the FSM Code to Change the name of the Department name to accommodate Social Affairs and other supporting functions.
Prior Finding No. 2: Inadequate Instrument of Delegation of Power to Secretary, DHSA.					

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Prior Recommendations in 2020	Stage of Implementation in 2024	Cause if Partially Implemented or Not Implemented	Consequences if Partially Implemented or Not Implemented	DHSA's Current Response	ONPA's Evaluation of DHSA's Current Response
<p><u>R1:</u> Secretary, Department of Health and Social Affairs should form a team of experts to review and update Title 41 of FSM Code by capturing appropriately the roles and functions of DHSA and various agencies under its purview.</p>	<p>Not Implemented</p>	<p>Different priorities and agendas of the Secretary have delayed the process of forming the team of experts to review and amend Title 41 of the FSM Code by updating the roles and functions of various agencies under DHSA.</p>	<p>No clear directions on what to prioritize when executing the objectives and goals of the Department .</p>	<p>This will be part of the work that DOJ will assist with. DHSA will wait for DOJ's recommendations</p>	<p>Agreed by Management. DHSA will wait for the DOJ's recommendations on the request to amend Title 41 of the FSM Code by capturing the appropriate roles and functions of various agencies under its purview.</p>
<p><u>R2:</u> Liaise with the Department of Justice and Chief of staff on approval process for the recommended updates to Title 41 of FSM Code.</p>	<p>Not Implemented</p>	<p>The Secretary has not initiated any action or steps to work with the DOJ and the Chief of Staff to create an approved process for making the necessary updates to Title 41 of the FSM Code.</p>	<p>Lack of effective oversight may result in delays in making the necessary changes required by Title 41 of the FSM Code.</p>	<p>Same as above</p>	<p>Management has agreed to this status. DHSA will wait for the DOJ's and Chief of Staff's recommendations on the request to amend Title 41 of the FSM Code on the approval process for the</p>

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Prior Recommendations in 2020	Stage of Implementation in 2024	Cause if Partially Implemented or Not Implemented	Consequences if Partially Implemented or Not Implemented	DHSA's Current Response	ONPA's Evaluation of DHSA's Current Response
					recommended updates to the Act.
<p><u>R3</u>: Liaise with the Chief of Staff to ensure that a legally sufficient instrument of delegation of power is developed and operationalized for current and future use.</p>	<p>Not Implemented</p>	<p>The Secretary has not liaised with the Chief of Staff to develop an instrument of delegation of power and operationalize it for current and future use.</p>	<p>Failure to work with the Chief of Staff does not ensure that Title 41 is clear, appropriate, and adequately defines the roles and functions of appointees for various positions in the department to develop and implement goals and objectives on time.</p>	<p>This is established through Executive Order (need to find the exact Executive Order#). We need to check with current practice whereby President issues delegations for cabinet members.</p>	<p>Management has not agreed to this status; however, ONPA will only change the status of this finding if DHSA provides the Executive Order showing proof of the delegation from the FSM President to the Secretary.</p>
<p>Prior Finding No. 3: DHSA Management did not Address High Risk on Food as Required by The National Food Safety Act</p>					
<p><u>R1</u>: Secretary, Department of Health and Social Affairs should ensure</p>		<p>DHSA is yet to consult with the State and partners to act on this</p>	<p>If resources are limited, they cannot deploy impactful</p>	<p>This needs to be revived. Budget request will</p>	<p>Status agreed by Management</p>

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Prior Recommendations in 2020	Stage of Implementation in 2024	Cause if Partially Implemented or Not Implemented	Consequences if Partially Implemented or Not Implemented	DHSA's Current Response	ONPA's Evaluation of DHSA's Current Response
that the Food Working Group Functions and Duties are funded, operational, and updated where necessary.	Not Implemented	<p>recommendation.</p> <p>A new DHS Regulation, DHS No. 7: Food Safety Standards has been Endorsed that will address the National Food Safety Act implementation gaps including the ones highlighted in the recommendations.</p>	<p>programs such as on Healthy Diets, Food Safety, etc. It will impact the well-being of the population in the FSM, especially their health.</p>	<p>be submitted to EBRC.</p>	
Prior Finding No. 4: Deficiencies in the Implementation of The FSM Nursing Practice Act					
<p><u>R1</u>: Secretary, Department of Health and Social Affairs should review and recommend changes and deletions of</p>	Partially Implemented	<p>The Secretary has not taken any initiative action to form a technical panel to review and make recommended changes to the</p>	<p>Failure to implement the recommended changes to the Nursing Practice Act may result</p>	<p>The practice that the Secretaries have been doing so there is no issue of conflict of interest is</p>	<p>Management agreed with the status as by Law (Nursing Practice Act) the Secretary should be a part of the</p>

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sections of the FSM Nursing Practice Act that do not promote good governance		Nursing Practice Act.	in unclear roles, responsibilities, and power of the Board.	that they assign someone else to take their place on the board (proxy). The board is currently working on making changes to the Act.	Nursing Board. however, in practice the Secretary appointed someone on his behalf to represent him in the Board meetings. We confirmed this when verifying the Minutes of the Board meeting.
Prior Finding No. 5: There are Deficiencies and Conflicts of Interest in the Implementation of the FSM Medical Licensing Act.					
R1: Secretary of the Department of Health and Social Affairs should review and recommend changes and deletions of sections of the	Partially Implemented	Based on our review we found that no action or steps were taken by DHSA to work with DOJ to form a technical panel to review and make recommended	Lack of good governance at the top Lack of effective and efficient management	By Law, the Secretary is a member of the Board. In practice, the Secretary designates a Representative.	Management agreed with this finding because by law (Medical Licensing Act) he is a member of the Board, but he has designated

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FSM Medical Licensing Act that do not promote good governance.		changes to the FSM Medical Licensing Act.			someone to represent him on his behalf during Board meetings. ONPA therefore changed the status to partially implemented since the Secretary does not take part in those meetings.
<u>R2:</u> To review and recommend improvement to the Act by involving stakeholders to ensure that it captures all issues relating to Medical Practice Licensing.	Not implemented	The stakeholders were not involved in the preparation of policies and regulations for the Medical Practice Licensing. Management advised that the FSM Nursing Practice Act will be reviewed by	Ineffective governance at the top of DSHA Lack of effective and efficient Management as no clear responsibilities are defined which can cause a	The Board is currently working on making changes to the Act. It should be in their meeting minutes.	Management agreed with this status.

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		a technical panel to be assembled to also include DOJ.	potential conflict of interests.		
Prior Finding No. 6: Deficiencies in Implementation of Registration of Medical Practitioners and Nurses					
<p><u>R2</u>: The Medical Licensing Board and National Board of Nursing develop mechanisms for vetting all certificates and professional experiences of applicants for licensing for practicing medical health care in FSM.</p>	<p>Partially Implemented</p>	<p>The Board of Medical Licensing and the National Board of Nursing have not developed a mechanism for vetting all practitioner's certificates to prevent fraud and recruitment of unqualified medical practitioners working in the FSM. Management advised they will include a stricter vetting process that involves</p>	<p>Risk of recruiting inexperienced and unqualified practitioners who are handling patients with serious conditions and may not be able to diagnose or treat the patients with the best standard of care.</p>	<p>There is already a vetting mechanism in place. That is what the Licensing Coordinator and the Boards carry out.</p>	<p>Based on ONPA's evaluation the status could be changed if we were provided with a copy of the vetting checklist. In this case none was provided as evidence of the vetting mechanism which was discussed verbally with the audit team.</p>

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Prior Recommendations in 2020	Stage of Implementation in 2024	Cause if Partially Implemented or Not Implemented	Consequences if Partially Implemented or Not Implemented	DHSA's Current Response	ONPA's Evaluation of DHSA's Current Response
		verification of credentials from institutions.			
Prior Finding No. 7: DHSA Failed to Develop and Operationalize Strategic Plans, Annual Plans, and Action Plans					
<p><u>R1</u>: The Strategic Plan for DHSA is developed, operationalized and synchronized with the UN Sustainable Development Goals 2030 (especial Goal no. 3 and 5) and the FSM National's Strategic Development Plan 2014-2023.</p>	<p>Partially Implemented</p>	<p>The DHSA relies and uses the FSM Strategic Development Plan which includes a focus area on "Improved Education and Health status." The cost factor affects DHSA's ability to hire an expert to develop a Strategic Plan that only focuses on Health.</p> <p>There is however, a 2014 to 2024 strategic Framework for Health in place.</p>	<p>Inefficiency and lack of productivity of the staff as they do not get guidance from the Top Management for the specific goals to achieve.</p> <p>Lack of targeted health objectives for the various programs.</p> <p>Misuse of budget</p>	<p>The Department has developed the Framework for the next 10 years. Currently, we are developing our SDP for the Department.</p>	<p>Management agreed to the status as partially implemented because they recently developed their Strategic Development Plan (SDP) for the next 10 years.</p>

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			allocated to DHSA		
<p><u>R2:</u> Each DHSA's division prepares a divisional Annual Action Plan based on the overall DHSA Strategic Plan and cascaded down to individual employees.</p>	<p>Partially Implemented</p>	<p>There is a 2014 to 2024 strategic Framework for Health in place. The annual Performance Budget and individual program plans fall under it. The department uses the Annual Performance Budget as the Annual Action Plan. Action plans were implemented with varying degree of achievement</p>	<p>Lack of clear guidance at the Top of DHSA, to design solid annual actions plan, could impact the quality of the Health Programs delivered to the people of the FSM. There could be also a risk that the programs are not in line with the desired National Strategic Plan.</p>	<p>All programs have action plans.</p>	<p>The Strategic Framework that was provided showing all the program's action plans is not signed; therefore, status is on Partial Implementation.</p>
<p>Prior Finding No.11: DHSA Did not Develop and Operationalize Appropriate and Adequate Mechanism for Performance Monitoring and Reporting.</p>					

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Prior Recommendations in 2020	Stage of Implementation in 2024	Cause if Partially Implemented or Not Implemented	Consequences if Partially Implemented or Not Implemented	DHSA's Current Response	ONPA's Evaluation of DHSA's Current Response
<p><u>R1</u>: The Secretary of DHSA should develop and operationalize customized human resources policies and procedures for the Department that take into consideration rewards and disciplinary measures for employees' performance for use after receiving the approval from the Office of the Personnel.</p>	<p>Partially Implemented</p>	<p>Still no internal policies or procedures on human resources for DHSA.</p> <p>The FSM Office of Personnel in 2024 has re-enforced the PSSR requirements on the filing of annual performance evaluations.</p> <p>DHSA also performs performance evaluations for staff when renewing contracts; however, these are done using various forms of templates as there is no standard form put in place by the Department.</p>	<p>Risk of abuse and ineffective Health and Social Affairs programs due to ineffective monitoring and reporting of the performances internally; in addition to the requirements of the Office of Personnel.</p>	<p>We follow established policies, rules, and regulations of the National Government.</p>	<p>Management agreed with the implementation status since they don't have an internal policy on human resources and their following the PSSR requirements.</p>

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<p><u>R2</u>: The Secretary of DHSA should ensure that the registers for medical practitioners and nurses are maintained and updated consistently through the year.</p>	<p>Partially Implemented</p>	<p>Nurses Licensing Registry is not updated.</p> <p>Names of certain nurses no longer working for the Pohnpei state hospital was still listed in the register without any dates to confirm the validity of their licenses.</p>	<p>Lack of monitoring of nurses and doctor's contracts could pose issues to the health services to the people as well as affect the employees.</p>	<p>For Nursing, it is in place. It has been updated.</p>	<p>Management agreed with this finding. Based on DHSA response when a Nurse or health practitioner's left the island their names will be there in the registry for at least two years. Based on ONPA's evaluation the Registry should be more informative to serve its purpose similar to the Medical registry with license numbers, validity dates etc.</p>

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<p><u>R4:</u> The Secretary of DHSA should ensure that annual reports are prepared and submitted in a timely manner.</p>	<p>Partially Implemented</p>	<p>Only 1 annual report was provided to the audit team for the Program Communicable Disease Prevention. We could not ascertain whether all the other 6 programs had annual reports.</p>	<p>No oversight and assurance if the various health and social affairs programs are performing and effectively and efficiently meeting their intended objectives.</p>	<p>It is in practice.</p>	<p>Management disagreed with the finding because they said that they had all the annual reports for each department but not all were provided to ONPA.</p>
<p><u>R5:</u> The Secretary of DHSA should ensure that project managers and coordinators submit periodic reports required by the financial</p>	<p>Partially Implemented</p>	<p>Only 1 progress report was provided for the Health Disparity Program (2023-2024). There are a total of 12 sub-divisions in the Department of Health and Social Affairs.</p>	<p>Waste and abuse of resources due to lack of periodic reporting from the project managers and coordinators resulting in</p>	<p>It's happening, otherwise, grantors would not approve subsequent awards.</p>	<p>Management disagreed with the status stating that Coordinators are submitting their periodic reports as required by the grantors otherwise</p>

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Prior Recommendations in 2020	Stage of Implementation in 2024	Cause if Partially Implemented or Not Implemented	Consequences if Partially Implemented or Not Implemented	DHSA's Current Response	ONPA's Evaluation of DHSA's Current Response
manager of each project.			complacency as there is no one monitoring their work which will lead to targets not achieved as well.		they would have not gotten approval for their subsequent awards. ONPA received only one example therefore status remains until more evidence is provided.
Prior Finding No. 12: DHSA Failed to Conduct Periodic Performance Evaluation for Project Managers and Coordinators					
<u>R3</u> : DHSA should ensure that each Head of Divisions and Sections have SMART (SPECIFIC, Measurable, Attainable, Relevant and Timebound) annual action plan based on	Partially Implemented	There is no individual SMART Action Plan for Head of Divisions, section and individual employees. It works instead per health program with the objectives to be achieved by	Difficult to assess performances of at least the Management Teams (project managers or coordinators)	Currently happening.	Management disagreed with this finding because they mentioned that each Division Head has an action plan to execute required duties and

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the DHSA's annual fiscal plan and budget.		the Head of the Program			responsibilities. The issue is that there was no sufficient evidence to support implementation.
Prior Finding No. 13: DHSA Did Not Conduct Periodic Performance Evaluation for DHSA Regular Employees					
R4 - The Secretary of DHSA should ensure that comprehensive mechanisms exist to enable appropriate semi-annual and annual performance evaluation of all regular employees.	Partially Implemented	The performance evaluation procedure exists and is in place under the Public Service System Regulation. But under professional skepticism, the audit team cannot conclude it is fully implemented as not enough examples were provided.	Health Programs are not correctly implemented and targeted objectives are not met. Employees will be complacent without any drive for excellence.	Currently happening	The status of this finding will remain Partially Implemented until more evidence is provided (from all divisions) on performance evaluations of regular employees.

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<p><u>R5</u>: DHSA should ensure that all contracted employees perform their duties as per the requirements of each project by establishing comprehensive terms of employment and oversight mechanism.</p>	<p>Partially Implemented</p>	<p>The job description is mentioned in the contract the audit team got and supervision too, but the evidence provided by DHSA were neither sufficient nor exhaustive to conclude positively to a full implementation .</p>	<p>Performance cannot be measured to ensure effectiveness of plans and budget in place.</p> <p>Impact the objectives of the various health programs.</p>	<p>Contracted staff are required to submit reports for contract renewal.</p>	<p>Management disagreed with the “Partially Implemented” status; however, ONPA maintains this due to lack of evidence provided from a wide range of projects within the Divisions.</p>
<p>Prior Finding No. 14: DHSA's Social Affairs Services were marginalized.</p> <p>For Finding 14 in a general way, the division of SA has now expanded and has strengthened. More staff have been hired (according DHSA's Employees List 2024, 5 newly hired in 2022-2023 but then 2 resigned).</p>					
<p><u>R1</u>: DSHA should develop and operationalize national policies and procedures relating to Social Affairs</p>	<p>Partially Implemented</p>	<p>The Departments follows general guidelines but didn't design nor implement a specific policy relating to Occupational</p>	<p>FSM Citizens left unaware of and vulnerable to occupational hazards</p>	<p>We are encouraging annual medical check-ups, provide annual vaccinations, provide</p>	<p>Based on our evaluation we will retain the status of this finding (Partially Implemented)_ as there is limited</p>

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including Occupational Safety and Health.		Safety and Health.		department leagues, banning smoking and chewing tobacco at the workplace.	knowledge of Occupational Safety and Health while the Division of Social Affairs is building up its capacity and operations through various recruitment.
R2: DSHA liaised with the Department of Justice to seek legislative amendment to title 41 in the FSM Code to encompass Social Affairs functions, especially those relating to Occupational Safety and Health.	Not Implemented	It can be a very long process to amend the title	Inability to deliver results relating to the Division of Social Affairs'	We will but implementation may not be practical	Management agrees with this status, but it may not be practical for them since the DOJ is responsible for the safety of all employees working at the national compound.

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Prior Finding No. 15: DHSA Didn't Develop and Operationalize Contingency Plan for Sustainability of the Health Programs Currently Funded by Development Partners					
<p><u>R2</u>: DHSA should identify and document all health-related risks and risk management plan</p>	<p>Partially Implemented</p>	<p>The audit team is still waiting for the FSM Prospective notifiable/reportable disease's List, updated this year. It must be endorsed first by the Secretary of Health. This document elaborated by the Statistic and Epidemiologic Team is their Health Risks Plan.</p> <p>No Health and Safety Risk Register nor Risk Management Framework.</p>	<p>Impact to the daily operations of the Department itself in terms of Financial Risks, Legal and Compliance Risks, Reputational Risk, Operational Risks</p> <p>-It could then eventually impact delivery of health care services to the FSM.</p>	<p>When we accept grants, we accept the fact that these are not Permanent positions. Eligibility is key!</p>	<p>ONPA assessed that even though there are no formal risk framework or registers, the Department has set in place strategies and Workplans which are developed to address risks identified. Therefore, the status is updated as Partially Implemented.</p>
Prior Finding No. 16: DHSA's Internal Policies and Procedures Should be Approved and Broader National Policies and Procedures Customized to Its Working Environment					

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<p><u>R1</u>: DSHA should establish policies, procedures and performance measurements for externally and internally funded programs to enable the department to control its programs and operations and to improve where required</p>	<p>Partially Implemented</p>	<p>The Audit Team didn't get a signed and approved version for internal controls policies 1-6 (as discussed in our meeting with DHSA management on April 12, 2024).</p> <p>The Assistant secretary shared that</p>	<p>If Internal Policies and Procedures are not in place it could generate issues such as:</p> <ul style="list-style-type: none"> -lack of effectiveness and efficiency of operations as well as the health programs -lack of human resources 	<p>We will do it.</p>	<p>DHSA agrees with this finding, as partially implemented they will look into the matter and take action.</p>
<p><u>R2</u>: Review all regulations to ensure that they are compatible with current trend in specific regulated areas;</p>	<p>Partially Implemented</p>	<p>regulations are standard and signed by the president.</p> <p>In-House Policies and Procedures were never</p>	<p>management performances</p>	<p>We will do it.</p>	<p>DHSA agrees with this finding, as partially implemented they will look into the matter and act.</p>

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<p><u>R3</u>: Customize the broader national policies and regulations to the department's working environment in order to ensure that divisions, sections and individual employees are properly guided in carrying out their responsibilities</p>	<p style="text-align: center;">Partially Implemented</p>	<p>signed by the previous secretary as they kept on amending them. The manual we got is from 2014 with a last edit in September 2016. It is a draft of the version 1.0.</p>		<p>We will do it.</p>	<p>DHSA agrees with this finding, as partially implemented they will look into the matter and take appropriate action.</p>

7.2. Prior Recommendations Implemented and No longer applicable

We commend the DHSA for their efforts to implement our prior recommendations listed below. We have also assessed a few that we find to be no longer applicable:



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<u>Prior Finding 1: The Current Organizational Structure has Deficiencies and Is Not Aligned to the Establishment Act</u>		
<u>R1:</u> We recommended that the Secretary, Department of Health and Social Affairs should develop and approve a comprehensive organization structure	Fully Implemented	Organization structure developed and approved.
<u>R3:</u> There is a comprehensive delineation of roles and functions for each division and section.	Fully Implemented	Line of reporting is clear in both the organization chart and the employee master list which has the name of the immediate supervisor listed against each employee.
<u>Prior Finding 3: DHSA Management did not Address High Risk on Food as Required by The National Food</u>		
<u>R2:</u> Board of Directors for the Food Imported Licensing Board is established and Operationalized	No Longer applicable.	Status now put to NLA as the function of the Food Imported Licensing Board is served by the Food Working Group.
<u>R3:</u> Food Import Licensing register is established and maintained up to date throughout the fiscal year.	Fully Implemented	DHSA provided its regulation on Food Safety Standards and an updated Food Import Licensing register for each state.
<u>Prior Finding No. 4: Deficiencies in the Implementation of The FSM Nursing Practice Act</u>		
<u>R2:</u> Ensure that the Nursing Licensing Board is adequately funded and supervised in order to deliver its duties and responsibilities effectively and efficiently.	Fully Implemented	Recommendation is now Fully Implemented based on the response from Management regarding sufficient budget for the two Boards.
<u>Prior Finding 6: Deficiencies in Implementation of Registration of Medical Practitioners and Nurses</u>		

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<p><u>R1</u>: The Directors of the Medical Licensing Board and National Board of Nursing develop and operationalize policies and procedures that will guide the management in carrying out their duties and responsibilities</p>	<p>Fully Implemented</p>	<p>The medical licensing regulation contains requirements for thorough review of applicants before licenses are issued. This is sufficient to serve as the policy for this process.</p>
<p><u>Prior Finding 8: Weak Financial Management Practices within DHSA</u></p>		
<p><u>R1</u>: We recommended that the Secretary, Department of Health and Social Affairs should comply with the Financial Management Act and its regulations with respect to annual report and maintenance of appropriate accounting and financial records.</p>	<p>Fully Implemented</p>	<p>Latest 2024 semi-annual report was provided and verified.</p>
<p><u>R2</u>: Hire employees with the right qualifications and experience in each position in coordination with the Office of Personnel</p>	<p>Non-Longer Applicable</p>	<p>This is an area that is controlled by the Office of Personnel in collaboration with DHSA.</p>
<p><u>Prior Finding 9: DHSA Did Not Develop Prudent and Effective Inventory Management Policies and Procedures for Health-Related Materials</u></p>		
<p><u>R1</u>: We recommended that the Secretary of the Department of Health and Social Affairs should supervise the head of division and employees responsible for warehousing to ensure that the facilities are properly maintained, and drugs, vaccines and other health related materials are maintained in</p>	<p>Fully Implemented</p>	<p>From physical observation, the facilities are properly maintained, and drugs, vaccines and other health related materials are maintained in hygienic and safe conditions.</p>

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hygienic and safe conditions consistently.		
<u>R2:</u> Ensure that the department of Transport, Communication and Infrastructure outsource services from efficient and well-equipped contractors.	Non-Longer Applicable	The DHSA Warehouse has its own maintenance personnel with an improved labeling and arrangement.
<u>R3:</u> Employ inventory management professional	Fully Implemented 	The Strategic National Stockpile Coordinator oversees all inventory management for DHSA.
<u>R4:</u> Develop and operationalize prudent and effective inventory management policies and procedures	Fully Implemented	There are Standard Operating Procedures (SOPs) for inventory that was provided to the auditors for documentation such as the Immunization Cold Chain SOP.
<u>Prior Finding 10: DHSA Failed to Meet Some Requirements of the Joint Economic Committee (JEMCO)</u>		

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<p><u>R1</u>: We recommended the Secretary, Department of Health and Social Affairs should establish a team of experts or hire consultant to establish verifiable performance indicators in the Health Sector.</p>	<p>Fully Implemented</p>	<p>A consultant hired from the Pacific Island Health Officials Association (PIHOA) had revised the Key Performance Indicators (KPIs). From fourteen (14) health key performance indicators (KPIs), it has now increased to 27 KPIs.</p>
<p><u>R2</u>: Ensure that the department comply with all JEMCO's requirements with respect to Health Sector.</p>	<p>Fully Implemented</p>	<p>Management provided the performance reports relating to KPIs for Health Sector, which was JEMCO's resolution 2016-1 that gave ground for FSM to utilize up to \$500,000 to establish KPI's for the health sector.</p>
<p><u>Prior Finding 11: DHSA Did Not Develop and Operationalize Appropriate and Adequate Mechanism for Performance Monitoring and Reporting</u></p>		
<p><u>R3</u>: The Secretary of DHSA should ensure that the work of each project manager/coordinator is properly monitored by a specific supervisor of the respective Division under which the project's activities fall.</p>	<p>Fully implemented</p>	<p>The DHSA Employees Master list shows there are guidance that categorize team supervisors that monitors activities under their respective divisions. There is supervision from management to monitor managers and coordinators.</p>
<p><u>Prior Finding No. 12: DHSA Failed to Conduct Periodic Performance Evaluation for Project Managers and Coordinators</u></p>		
<p><u>R1</u>: DHSA should develop a comprehensive procedure to enable appropriate semi-annual and annual performance evaluation of all managers and coordinators.</p>	<p>Fully implemented</p>	<p>The FSM PSSR is followed as a procedure for annual performance evaluations. Managers and coordinators, most of whom are on contracts, normally have their</p>

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<p><u>R2:</u> All contracted employees should perform their duties as per the requirements of each project by establishing comprehensive terms of employment and oversight mechanism;</p>	<p>Fully Implemented</p>	<p>performances evaluated before renewal of contracts. Contracted DHSA employees have their scope of work attached to their contracts. Therefore, ONPA concluded that the status of this finding to be changed to fully implemented.</p>
<p><u>Prior Finding 13: DHSA Did Not Conduct Periodic Performance Evaluation for DHSA Regular Employees</u></p>		
<p><u>R6:</u> Each regular employees should have SMART (Specific, Measurable, Attainable, Relevant and Timebound) annual action plan based on the DHSA's annual fiscal plan and budget</p>	<p>No Longer Applicable</p>	<p>With a big department like DHSA, and a clear reporting structure in place, ONPA has assessed that this recommendation will no longer be applicable as it will not be practical with available resources. Each supervisor will set the workplan and monitor its implementation before reporting to their respective Assistant Secretaries.</p>
<p><u>Prior Finding 15: DHSA did not develop and operationalize contingency plan for sustainability of the health programs currently funded by development partners</u></p>		
<p><u>R1:</u> DSHA should form a team of experts to develop a contingency plan for all essential health services</p>	<p>No Longer Applicable</p>	<p>According to DHSA, outside fundings are for specific periods and not necessarily meant to be permanent. Even without the compact, DHSA would still be getting federal grants, because it does not fall under the compact. The ASH considers federal grants as a sustainable source of funding for the FSM (Entrance Meeting April, the 12th 2024).</p>

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8.0 STAGES OF IMPLEMENTATION OF AUDIT RECOMMENDATIONS

Summary

There are four stages used to assess the status of implementation of the recommendations which are listed below:

1- Not Implemented (NI)

No progress or insignificant progress.
Actions such as having meetings and generating informal plans.

2- Partially Implemented (PI)

When formal plans for organizational changes have been created and approved by the appropriate level of management with appropriate resources and a reasonable timeframe.

If the entity took action to implement a recommendation by hiring or training staff or developing or acquiring the necessary resources to implement the recommendation.

If the structure or processes are in place and integrated within at least some parts of the organization, and some achieved results have been identified.

3- Fully Implemented (FI)

If the structure or processes are operating as intended and are fully implemented.

4- No longer applicable (NLA)

If the recommendation that was issued no longer applies to the current processes or systems.

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9.0 MANAGEMENT RESPONSE

Below is the cover letter to the Management Response received from the Department of Health and Social Affairs. Due to the size of the document as it relates to the 43 prior recommendations, we have inputted the management responses together with the findings and implementation status on [Section 7](#) of this report:



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Office of the Secretary

September 06, 2024

Mr. Midson Tom
Acting National Public Auditor
Office of The National Public Auditor

SUBJECT: Response to Audit Findings

Per the exit conference on the performance audit for the FSM Department of Health & Social Affairs (DHSA), I am pleased to submit our official response as attached.

I want to thank your office for the due diligence in assessing our office performance and for the recommendations to improve our functions and services.

Please contact me should your office need more clarifications.

Thank you,


Marcus Samo, MPH
Secretary

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10.0 ONPA EVALUATION OF MANAGEMENT RESPONSE

Due to the many number of our prior recommendations (43 altogether) and to make this report user friendly, our evaluations of the management response are provided together with the Findings of our Follow-up which can be accessed on [Section 7 – Implementation Status of Prior Recommendations](#).

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11.0 NATIONAL PUBLIC AUDITOR'S COMMENTS

We would like to thank the Department of Health and Social Affairs for their facilitation and cooperation during the follow-up. We anticipate positive implementation results when we carry out another follow-up audit, at least six (6) months or 1 year from the date of issuing this report.

We have provided copies of the final report to the President and Members of the 23rd FSM Congress. Furthermore, the report is made available to the public through our official website and 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 contributed to this report.



Haser H. Hainrick
National Public Auditor

September 30, 2024

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12.0 ONPA CONTACTS AND STAFF ACKNOWLEDGEMENT

ONPA CONTACT: Haser H. Hainrick, National Public Auditor
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ACKNOWLEDGEMENTS: In addition to the contact named above, the following staff made key contributions to this report:

Miriama Naivalu, Audit Manager
Stephanie Letessier, former Audit Supervisor (05/14/24 -07/31/24)
Christopher Delcampo, Auditor-in-Charge
Reed Floyd, Assisting Auditor

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