

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



**National Treasury Division Found with Serious Internal Control
Issues Specifically in the Payments and Reconciliation Processes**

REPORT NO. 2024-06



FEDERATED STATES OF MICRONESIA

Office of The National Public Auditor

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September 12, 2024

His Excellency President Wesley W. Simina
Honorable Members of the 23rd Congress
Federated States of Micronesia

RE: Performance Audit on DoFA Internal Controls relating to Payments and Reconciliations

We have completed the performance audit on the Department of Finance and Administration (DoFA) internal controls relating specifically to payments and reconciliations processes within the Division of the National Treasury. This report presents the results of our audit, which was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS).

Our objective was to assess the sufficiency and effectiveness of internal controls for the payment and reconciliation processes at the Treasury Division for the period covering the fiscal years 2022 and 2023.

We concluded that the internal controls for payment and reconciliation process per our review scope was insufficient and ineffective based on the following findings:

- a) National Treasury operates without documented Standard Operating Procedures (SOPs)
- b) Insufficient and ineffective bank reconciliation process
- c) Ineffective internal control on checks
- d) Unclear duties and responsibilities for certain employees of the Treasury Division

The findings and recommendations were discussed with the management of the DoFA, and we requested a written management response, which has not been received after a month of follow-up. Nevertheless, we anticipate positive implementation of our recommendations based on management's feedback during the exit conference.

Sincerely,

A handwritten signature in cursive script, appearing to read "Kelly Samuel".

Kelly Samuel
Acting National Public Auditor

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1. INTRODUCTION

1.1. Reason for the Assignment

The Office of the National Public Auditor identified the need to audit the relevant internal controls for the payment process within the Treasury Division based on a fraud incident discovered in 2023 that led to financial loss for the FSM National Government. This audit aims to assess internal controls and provide recommendations to strengthen them.

1.2. Background

FSM Department of Finance and Administration is comprised of five divisions which includes:

1. Investment & International Finance
2. Custom & Tax
3. Treasury
4. Budget
5. Economic Recovery & Budget Relief Program

Each of the Division mentioned above are headed by an Assistant Secretary (AS) to perform their mandated functions.

Within the Department of Finance and Administration, The National Treasury of the Federated States of Micronesia (FSM) was established under the Financial Management Act of 1979 section 206, to comprise the offices' records, supplies, fixtures, materials, and such other facilities as may be necessary and as designated a place of deposit of public money.

1.2.1. Treasurer duties:

Section 207 of the FSM Code specified the Treasurer Duties as follows:

1. The Secretary of Finance has full responsibility and authority for the National Treasury and shall be legally responsible for the administration, collection, and safekeeping of all money due and paid into the Treasury.
2. He shall perform his duties in accordance with section 1, article XII of the Constitution and shall undertake such other duties that may be prescribed by law or through administrative directives issued by the President from time to time.
3. The secretary may delegate the authority conferred upon him by this section.

Per the FSM Department of Finance and Administration website, the Treasury Division is a core operation for the Department of Finance and Administration. The key responsibility of the Treasurer is delegated to the Treasury Division Staff. The Treasury division is legally responsible for the administration, collection, and

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safekeeping of all money due and paid. It is also responsible for disbursement of funds.¹

All public financial management activities for the FSM Government are centralized and processed out of the Treasury division.² There are also field offices of the Treasury division in the FSM States of Chuuk, Kosrae and Yap.

1.2.2. Core Activities of Treasury Division:

1. Process payment in line with the appropriation act and supplement amendments passed by Congress (including recurrent expenditure, capital expenditure, travel, payroll, etc.)
2. Collect and receipts funds due to the FSM Government
3. Manage and invest cash and cash equivalent as appropriate.
4. Manage the public finances of FSM Government foreign offices,
5. Manage the public finances of FSM Government located in the states.
6. Track and safeguard all assets of the FSM Government
7. Ensure internal controls operating over treasury operations, and
8. Provide financial information to the public auditor for annual inspection.
9. Financial reporting

1

<https://dofa.gov.fm/treasury/> Note: we have removed the word “appropriation” in this sentence as the common understanding that only Congress is responsible for appropriation of funds.

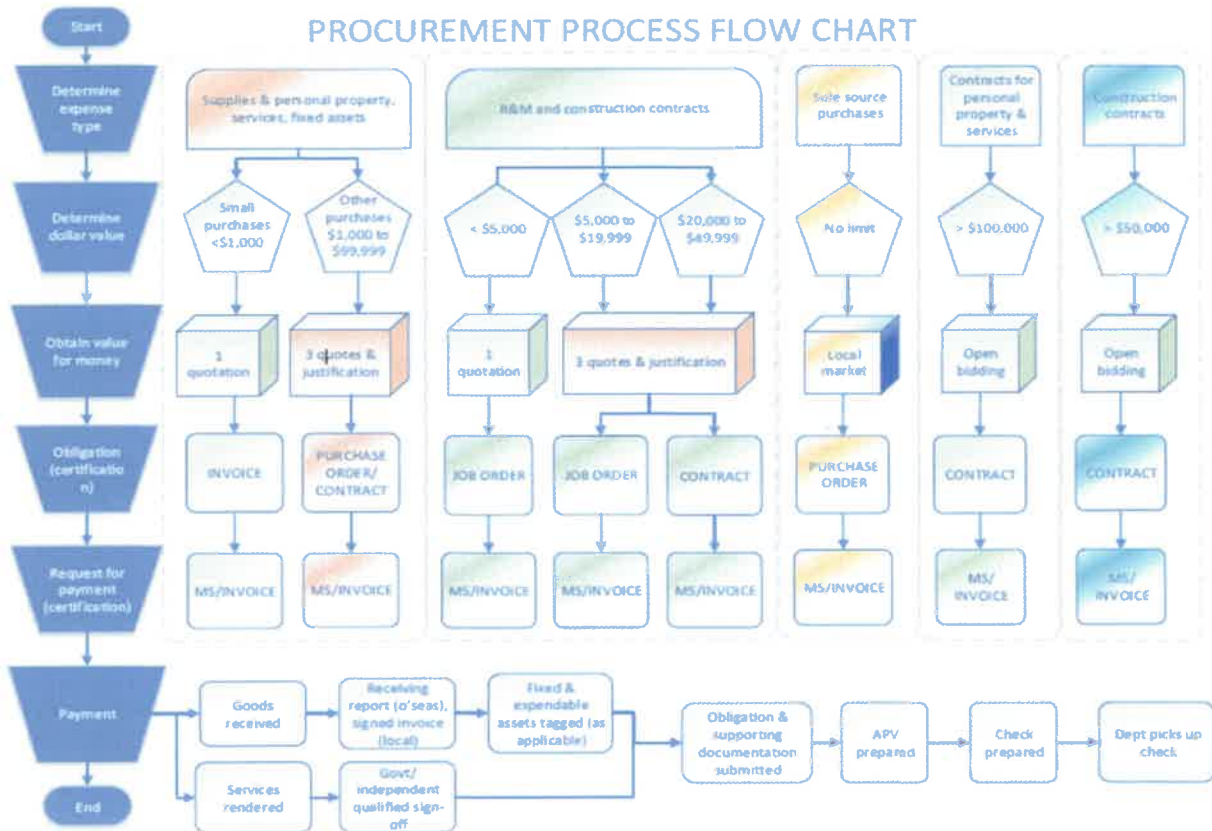
² <https://dofa.gov.fm/treasury/>

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1.2.3. Payment Process per the Financial Management Regulations:

Below diagram illustrates the process requirements for the types of procurements and values:

5.1.1. Types of procurement and value



Source: FSM Financial Management Regulation 2021

1.2.4. Units/Section involved in the Payment Process:

The units/sections within the Treasury division play significant role in the payment process from receiving of request payment to check disbursements: These units/sections are:

1. Front desk receptionist:
 - Receive and log payment requests from Departments.
2. Compliance Unit:
 - Review and ensure requirements of the FSM Financial Management Regulations are complied with.
3. Certification Unit:

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- Review and ensures there's available fundings for payment processing and updating their general ledgers.
- 4. Accounts Payable:
 - Process payment request.
- 5. Supply Unit:
 - The supply unit is involved in the payment process when processing of purchase requisitions to purchase order and tagging of goods received.
- 6. IT Unit:
 - The IT unit is responsible for printing checks.
- 7. Treasury unit:
 - Disburse checks at the treasury window.
 - Receipt payments.
 - Daily verification and logging of printed checks
- 8. Bank Reconciliation Unit
 - Perform monthly reconciliation for 51 bank accounts.

2. OBJECTIVE, SCOPE, METHODOLOGY

2.1. Objective

The objective of this audit was to assess the sufficiency and effectiveness of internal controls for the payment and reconciliation processes at the Treasury Division for the period covering the fiscal years 2022 and 2023.

2.2. Scope

The performance audit covered the key internal controls relating to payment processes including reconciliations within the Division of the National Treasury for FY2022 to FY2023.

The audit did not cover the payroll processing; however, may benchmark with the ledger reconciliation for the payroll account.

2.3. Methodology

We conducted this performance audit in accordance with *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 ensured that the evidence we obtained provided a reasonable basis for our findings and conclusions based on the audit objective.

The audit fieldwork was conducted at the Division of Treasury, Department of Finance and Administration main office in Palikir, Pohnpei. None of our work was carried out at

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the Field Offices in the FSM States and the overseas offices (embassies and consulate offices); however, we performed tests on selected accounts that are for the state offices (e.g., Chuuk Imprest fund etc.)

To achieve the objective, the audit team reviewed compliance to all applicable laws and regulations pertaining to the Treasury Division; reviewed and assessed internal policies and procedures; reviewed and assessed the internal controls for payments including reconciliation processes; and interview key personnels.

3. LEGAL MANDATES/STANDARDS

3.1. Audit Mandate

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 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.”

3.2. Regulatory Requirement under the Treasury Division:

FSM Code Title 55, Chapter 2, Section 202, it states it is declared policy of the Government of the Federated States of Micronesia that: (5) the emphasis shall be placed effectuating systematic and orderly improvements in financial management of the Federated States of Micronesia Government in order to formulate, adopt, and maintain simplified and more effective accounting systems, financial reporting procedures, budget processes, auditing requirements, and procedures and to safeguard against duplication and to eliminate systems and processes that do not serve a purpose commensurate with the costs involved.

FSM Code Title 55, Chapter 2, Section 205 states that the Secretary of Finance of the Federated States of Micronesia shall be the general accountant of the General Fund of the Federated States of Micronesia. He shall record and audit, or cause to be recorded and audited, every receipt and disbursement of money paid to, by, or through the National Treasury of the Federated States of Micronesia. He shall have full and complete supervision of all funds of the Federated States of Micronesia, including the power to withhold his approval when necessary to prevent misappropriation of public funds as well as the disbursement of public moneys in excess of specific appropriations.”

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Under the FSM Code Title 55, there are no other specific regulatory requirements that the Division is subject to other than the above.

4. PRIOR AUDIT COVERAGE

This is the first performance audit specifically on internal control for payment and reconciliation processes.

5. CONCLUSION

Based on our audit we concluded that the internal controls for payment and reconciliation process per our review scope was insufficient and ineffective based on the following findings:

1. The National Treasury operates without documented Standard Operating Procedures (SOPs).
2. Insufficient and ineffective bank reconciliation process
3. Ineffective internal control on checks.
4. Unclear duties and responsibilities for certain employees of the Treasury Division

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6. FINDINGS AND RECOMMENDATIONS

6.1 Finding No.1: National Treasury Operates Without Documented Standard Operating Procedures (SOPs)

- Financial Management Regulation (FMR) 1.5.9. Document of Policies and Procedures stated:
 1. *“In addition to these FMR, further instructions in the form of Financial Management Policies & Procedures will be issued and periodically updated to provide more detail of key systems and workflows operating within Treasury.*
 2. *All Allottees, Treasury staff, Administrative Officers and other relevant staff are required to familiarize themselves with the Financial Management Act, FMR.*
 3. *Treasury staff must also familiarize themselves with the relevant Financial Management Policies and Procedures relevant to the tasks and responsibilities related to their role.”*
- The FMR also requires the following processes to be performed in accordance with the FMR and policies and procedures:
 1. *FMR 8.3.6 (1) requires that all disbursements/expenditure must be in line with the requirements of the FMR, and policies and procedures as issued by the Secretary of Finance & Administration.*
 2. *FMR 8.3.6 (4) Travel Advances and Travel Voucher will be posted as per the separate policies and procedures issued for the Travel Expense and subpart 5.6 of the regulation.*
 3. *FMR 8.3.2(3) The core function of the Imprest Fund Custodian is to manage the Imprest Fund in accordance with Regulations and policies & procedures.*
- The Job Description of the Financial Advisor requires him/her to develop procedures and also provide training to the Treasury employees.

Based on the team’s inquiry and walk through of the payment and reconciliation processes, the team noted a serious issue of absence of documented standard operating procedures to guide the employees in all units or sections involved in the payment and reconciliation processes.

In addition, there were recent changes made to strengthen the controls in the payment processes in 2023; however, there were no documented communication of the changes, these changes were verbally communicated to staff involved in the payment processes prior to implementation. Such changes in the payment process include:

1. A new system called Clicked UP was recently installed and it is utilized by all staff within the treasury division for tracking and routing documents among the functions or roles

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involved in the payment processes. When a function or unit completes a task, the transaction is then transmitted or routed to the next function in the process.

2. Instead of the account managers, the IT staff is now involved in the reviewing of the Accounts Payable Vouchers for each transaction, marking them for printing, printing out the checks and transmitting them to the Treasury unit.
3. The Accounts Payable staff will go to the treasury room to sort and support the printed checks. Prior to March 2023, printed checks are submitted back to the AP unit for sorting and supporting.

Also, the team conducted an interview with the bank reconciliation team and noted as well that there were no documented procedures to guide the monthly reconciliation of the bank accounts which also includes the National and State Imprest Fund.

Effect(s): As a result of the notable absence of guidance, policies, and standard operating procedures:

1. Non-compliance with the financial management regulations which requires the establishment of policies and procedures;
2. Reconciliation of major accounts are not being performed by the respective account owners nor enforced by the supervisors e.g., for Payroll, Travel, Accounts Payable;
3. Delayed reconciliations resulting in delayed single audits; and
4. Possible undetected incidents of fraud, misuse, abuse, and financial losses for the National Government.

Cause(s):

1. No initiation plans from the former DoFA Secretaries to develop policies and procedures since the amendments of the financial management regulations.
2. Past Financial Advisors (who were mostly expatriates) did not perform their roles, which includes developing a manual and procedures and training the staff of the Treasury Division.

Recommendations: The Secretary of DoFA should:

Establish a work plan to document written policies and procedures to guide the whole operation of the National Treasury. References can be made to procedures of Treasury functions in other appropriate jurisdictions that may be publicly available. The recommended workplan should include:

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- a. Monitoring and evaluating the performance of the Financial Advisor to ensure that he/she performs his required role which includes developing procedures and training staff. It's important for any Treasury function to document and implement detailed standard operating procedures (SOPs) for internal controls to detect errors and fraud;
- b. Conducting periodic awareness of the established policies and procedures and ensure they are understood by the employees and implemented accordingly.

6.2 Finding No. 2: Insufficient and Ineffective Bank Reconciliation Process

- FMR 4.7. states the regulations associated with the bank reconciliation process:
 1. *"At the end of each month, a bank reconciliation must be prepared, reviewed, and retained."*
 2. *"The bank reconciliation shall be prepared for each bank account held by the FSM Government."*
 3. *"The reconciliations should be completed in a timely manner."*
- Also, FMR 8.2.4. states the regulations associated with the recordkeeping requirements.
 1. *"Check numbers must be in numerical order and voided checks must also be listed for completeness of recording. The following details must be recorded for voided check:
 - a. Date of check
 - b. Check number
 - c. Payee
 - d. Amount of check
 - e. Purpose of check
 - f. Reason for voiding check"*
- Leading practice for reconciliation procedures of the US Bureau of Fiscal Services states *"the purpose of the reconciliation is to ensure that accuracy and timeliness of deposits and disbursements data reflected in the fund balance with Treasury; and internal control system to ensure that all funds are recorded and accounted for correctly. You should always be suspicious of problems that won't go away. You are the "first alert" when indicators of fraud are presents."*

The Treasury Division includes a Bank Reconciliation team that is responsible for performing bank reconciliations of the 54 bank accounts of the National Government.

We noted the following issued based on our interview and verification of selected bank reconciliations for the period FY2022 to FY2023:

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1. Bank reconciliations were delayed and not consistently performed within a consistent cutoff date monthly to ensure timeliness and effectiveness.
2. Supervisory reviews were not consistent and timely. The information provided to the audit team included reconciliations that did not contain evidence of signatures of the reviewers.
3. There were instances of reconciling items that were recorded without sufficient support documentation such as:
 - a. Long outstanding checks from past months and years remained in the bank reconciliation forms without any support documents filed to explain the reasons but only a list of the checks and amounts.
 - b. Cleared amounts from the outstanding checks listing were recorded without support documents or explanations.
 - c. Voided checks were listed without any evidence of verification of the actual checks. Based on our inquiries, it was not clear which unit is responsible for filing the original voided checks.
 - d. Deposits in transits were listed without any support documents.
4. The responsible team performs the bank reconciliations based on their overall understanding and based on reports generated without any actual verification of the support documents. According to interviews, their process is based on past practice verbally shared by the experienced to the new team members.

We cannot provide reasonable assurance on the effectiveness of the bank reconciliations because of the issues above.

Effect(s): As result of absence of documented guidelines or standard operating procedures (SOPs) for performing bank reconciliations, we noted the following impacts:

1. Delayed Single Audit for FY2022 due to major issues in outstanding reconciliations for the FSM Government.
2. The team was provided with documentation for General Ledgers bank reconciliations for September 2023. There were significant banking errors and voided checks identified.
3. The documents on the reconciliation for December 2023 associated with the listed accounts did not include the descriptions of the recorded checks. The voided checks added up to a total of \$415,287.54 and \$1,135.00 for General Ledger accounts 99/1030 and 99/1034 respectively; for December 2023.
4. There are also unidentified checks from the prior year's months of March and September 2023 that totaled \$8,967.35.

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Cause(s):

1. Absence of documented standard operating procedures (SOPs) for bank reconciliations including for the following:
 - a. Timelines include cut-off dates for performing and reviewing bank reconciliations monthly.
 - b. Preparations, review and approval of bank reconciliations including the responsibilities of team members, the bank reconciliation manager, the Accounting Advisor and the Assistant Secretary, Treasury Division to ensure:
 - i. Clearance of reconciling items such as long outstanding checks from past fiscal years, voided checks, and stale checks.
 - ii. Verification and filing of support documents.
 - c. Monitoring of the effectiveness of the bank reconciliations by the Assistant Secretary, Treasury and monthly reporting to the Secretary, DoFA.
2. Limited training provided to the bank reconciliation team members including the recently appointed manager for bank reconciliations. Most of the practices were communicated verbally to the new manager as there are no documented procedures.
3. Vacant positions at some points during the scope of the audit for the usual reviewers of the bank reconciliations which include the Assistant Secretary, Treasury and the Accounting Advisor, Treasury Division. The role of the Accounting Advisor includes the following:
 - a. reviews, develops, and implements and improved accounting manual for the FSM-National Government; outlining all accounting transactions;
 - b. performs a comprehensive step-by-step procedure; prepares and train relevant accounting staff;

Recommendation(s): We recommended Secretary of DoFA, or a designee should:

1. Immediately develop and implement effective regulations and standard operating procedures (SOPs) addressing bank reconciliation processes, with clarity especially on the following key aspects:
 - i. Timeliness of preparations, review and approval.
 - ii. Clear responsibilities on preparations, review and approval.
 - iii. Clear monitoring and reporting processes by the Assistant Secretary, Treasury to the Secretary DoFA;

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2. Ensure the appointed Accounting Advisor provides training on bank reconciliations and performance evaluation for this position should be effective to ensure this key internal control is performed and effective.
3. Ensure at all times possible that the key technical positions of the Assistant Secretary, Treasury and the Accounting Advisor are filled at the soonest possible to ensure timely and effective supervision, monitoring and reporting of Treasury processes.

6.3 Finding No. 3: Ineffective Internal Controls on Checks

- Financial Management Regulation (FMR) 1.5.9. Document of Policies and Procedures stated:
 1. *“In addition to these FMR, further instructions in the form of Financial Management Policies & Procedures will be issued and periodically updated to provide more detail of key systems and workflows operating within Treasury.*
 2. *All Allottees, Treasury staff, Administrative Officers and other relevant staff are required to familiarize themselves with the Financial Management Act, FMR.*
 3. *Treasury staff must also familiarize themselves with the relevant Financial Management Policies and Procedures relevant to the tasks and responsibilities related to their role.”*
- Leading practices require that “established policies, procedures, and job descriptions provide guidance and training to ensure consistent performance at a required level of quality.
- Additionally, the Job Description of the Financial Advisor requires him/her to develop procedures and also provide training to the Treasury employees.

From our audit we found a number of issues in regard to internal controls surrounding checks

1. There is an undocumented practice of logging checks daily. This is usually performed by the Treasury unit within the Division of Treasury. During the audit walkthrough we identified this as a form of detective control to verify and identify missing sequences of printed checks daily to ensure that all printed checks are accounted for and disbursed only by the Treasury team. While we acknowledge this to be an important internal control, we find that it is not effective due to the following observations:
 - a. Daily logging of checks is only performed for the General Fund account 1040 and not for the Travel and Payroll accounts (1030 & 1034 respectively) which are high-risk accounts that can be subject to errors and fraud.

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- b. The treasurer did not provide the log when requested by the auditors, claiming that it's her own records.
 - c. From interviews the Treasurer (team leader for the Treasury team within the Division of Treasury) stated that it would be difficult to log checks for all 3 accounts as there are only 2 staff in the Treasury team that are taking care of receipting as well as disbursement of checks.
 - d. Voided checks are processed and filed separately by the Bank Reconciliation team; however, they are not independently verified by the Treasury team as only the printed checks are used for daily logging.
2. We also found issues with the check disbursement controls. Currently the check register is usually signed by the recipient of each check issued; however, we found issues with some checks not being signed out or without any note of how they were released. For account 1040 alone (General Fund) for the fiscal year 2023, our random verification revealed 539 checks worth about \$29.8 million (46% of total verified) were neither signed out nor with a note to explain how they were released.
 3. Additionally, we find it risky that the blank checks are stored in an unlocked area inside the Treasury room (where 2 staff responsible for receipting and disbursement of checks) that is accessed only by Authorized personnel. The I.T personnel will normally walk in and take out the relevant checks as and when required at the printer.

Effect(s):

1. Undetected missing checks.
2. High amount of voided checks:
 - a. 159 voided checks for the 1034 Travel Account alone totaling \$1,180,691.27 for FY2023.
 - b. 236 voided checks for the 1040 General Account alone for FY 2023 amounting to \$4,846,050.13.

Cause(s):

1. Absence of documented standard operating procedures (SOPs) to achieve timely and effective logging of check records for the purpose of detecting missing checks sequences and possible unauthorized disbursement.
2. Position description of the Treasurer did not specify daily logging of checks as an assigned activity for the position.

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Recommendation(s): As part of the oversight and supervision role of the Secretary of DoFA, he/she should:

1. Monitor and evaluate the performance of the Financial Advisor to ensure that he/she performs his required role which includes developing procedures and training staff. It's important for any Treasury function to document and implement detailed standard operating procedures (SOPs) for internal controls to detect errors and fraud through identification of items like missing check sequences (including voided checks);
2. Review the function, resources and workload of the Treasury team (responsible for receipting and disbursement of checks) before considering whether to:
 - a. Revise and update the job descriptions of the employees of the Treasury unit to include the logging of checks of all the accounts (currently being done for the General Fund account; but not for Travel and Payroll); or
 - b. Identify and place enough human resources in the Treasury unit (in addition to the current 2 staff) to perform all the required monitoring activities in addition to the receipting and disbursement procedures they are currently performing.
3. Ensure that an effective training and capacity development program is developed and implemented for all the staff of the Treasury Division in order to increase their knowledge and understanding of the necessary internal controls and for the proper accounting treatment as well as the handling of the disbursement checks covering the various processing cycles such as the physical controls for blank checks; after they are printed, signed and awaiting their distribution; when the checks are still floating and not cleared at the bank; when checks are voided; and when checks are expired or stale-dated, etc.

6.4 Finding No. 4: Unclear Duties and Responsibilities for Certain Employees of Treasury

- FMR Section 1.5 (Guidelines) Sub Section 1.5.6. Financial Responsibilities of all Finance Officers:
 - a) *To complete all work assigned diligently and efficiently.*
- FSM Public service System Regulations (PSSR) Part 6. Position Classification (6.2) Defines Position Description as a formal, Official written statement by management documenting the assignment or rearrangement of the duties and responsibilities of a position.
- In addition, the PSSR (6.4). Management Officials and Supervisors are responsible for the following:

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c) Ensuring that assigned duties and responsibilities do not duplicate or overlap those of other positions.

d) Ensuring that the current duties and responsibilities assigned to accurately described in Position Descriptions in sufficient detail classification and all related purposes.

e) Ensuring the development, preparation, maintenance, and submission of factual and up-to-date functions statements and organizational position charts which clearly depict assigned organizational and supervisory responsibility, organizational segment positions to which assigned, titles and pay levels of vacant positions which are funded and approved, and other similar essential details.

Based on our inquiry and review of the Position/Job Descriptions (JDs) for 14 employees involved in the payment process. We noted inconsistencies of 6 employees Job Descriptions and Personnel Actions. The following are examples of inconsistencies noted:

1. Duties and Responsibilities are not clearly described or documented in any job descriptions for certain position(s).
2. Personnel action and JDs are not aligned in terms of job position tile and work pay level.
4. Employees move from one section/unit to another performing other duties not in their JDs.
5. Employees are promoted to higher positions with higher pay level without any updated JDs that aligned to their current positions.
6. Employees in the Payroll, Travel, and Accounts Payable units were told to perform reconciliation on their respective ledger accounts during the previous administration. However, this has never been carried out due to lack of training, excessive workloads, and it has never been part of their duties and responsibilities.
7. Duties and Responsibilities for an employee have never been performed nor staff made aware.
8. Lack of proper training and guidance to perform other duties as requested by management.
9. The audit team could not identify the roles and responsibility of certain staff as there were no JDs filed either at the Finance or Personnel Office.

Refer to Table 1 below that illustrates the inconsistencies discussed above.

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Table 1. Personnel Action vs. Job Descriptions

Employee	Position Title in the Personnel Action (Current)	Position Title in the Job Description (JD)	ONPA Comment
1	Compliance Officer	National Treasury/Compliance Officer	Aligned
2	Payable and Customer Service Manager	Account II	Not aligned. No updated JD for employee's current position filed.
3	Supply & Inventory Specialist	Account Technician III	Not aligned. The position holder was relocated to a different section/unit performing other duties not in the employee's JD.
4	Manager, US Federal Grants & Compact Fundings	Manager, US Federal Grants and Compact Fundings	Aligned; However, there are duties listed in the JD that are not performed or the employee is not aware they are part of his duties and responsibilities.
5	Local & Compact Fund	Financial Management Specialist	Not aligned. In addition, JD not updated with the current employees' roles and responsibilities.
6	Acting Travel & Customer Service Manager	Financial Management Specialist	Not aligned. Job description not updated with employee's current roles and responsibilities.
7	Financial Management Specialist	Financial Manager Specialist	Aligned. However, the staff was relocated to a different section/unit performing other duties not in the employee's job description.
8	National Treasury (Title as indicated in the personnel Action)	Administrative Specialist II	Not aligned. JD was not updated with employee's current roles and responsibilities as the National Treasury Manager.
9	Technology System Administrator	Technology System Administrator	Aligned. However, there were added responsibilities being performed currently but not reflected in the JD.
10	Manager, Procurement Supply	No JD filed either at Finance or Personnel Office.	Audit team could not assess.
11	Deputy Assistance Secretary, HQ Account Operation	No JD filed either at Finance or Personnel Office.	Audit team could not assess.
12	Vacant	Financial Advisor	Not applicable for assessment as position is currently vacant.
13	Bank Reconciliation Manager	Bank Reconciliation Manager	Aligned
14	Administrative Officer	Administrative Officer	Aligned

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Effect(s):

1. Non-compliance with the Financial Management Regulation as well as the FSM Public Service System Regulations.
2. Misalignment between employees' actual duties and job description can cause confusion over responsibilities, missed deadlines, decreased productivity and overlapping of responsibilities.
3. Required job duties and responsibilities not performed.
4. Risks of undetected errors and fraud in the Treasury functions due to lack of clear duties and responsibilities.

Cause(s):

1. No clear responsibilities as to who should ensure job descriptions are updated and reflect current activities and responsibilities for each position.
2. Supervisors and management are not performing their responsibility as required by the FSM PSSR.

Recommendation(s): The Secretary of DoFA should ensure compliance with the PSSR Section 6.4 and:

1. Designate relevant officials in DoFA to conduct a review (generally known as a job audit³) for the Division of Treasury to ensure that the Position Descriptions correctly reflect the employees' actual duties and responsibilities. This is vital especially considering that there have been organizational changes where employees have moved to senior positions over the years or have had their positions renamed with new duties; and
2. Instruct for the same review (job audit) to be performed for the rest of the divisions within the DoFA.

³ [How To Conduct a Job Audit in 6 Steps | Indeed.com](#)

7. MANAGEMENT RESPONSE

The audit team held the exit meeting with management on August 8, 2024 to discuss the report findings and recommendations, and agreed on a timeline for the management response.

Unfortunately, no response was received after various follow up in a period of one month after the exit meeting.


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8. NATIONAL PUBLIC AUDITOR COMMENTS

We would like to thank the management, and staff of the FSM Department of Finance and Administration specifically the Division of Treasury for their assistance and cooperation during the audit. We anticipate positive implementation results when we carry out a follow-up of this audit.

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 and the contact information can be found on the last page of this report along with the National Public Auditor and the staff that conducted the audit and prepared this report.


Kelly Samuel
Acting National Public Auditor

September 12, 2024

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9. ONPA CONTACT AND STAFF ACKNOWLEDGEMENTS

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

Makereta Dyer Audit Manager (10/02/2023 – 11/14/2023)
Miriam Naivalu, Audit Manager (12/07/2023 to-date)
Rosadelima Alfons, Auditor in Charge
Shelolyn Neth, Staff Auditor
Ariel C. Perman, Staff Auditor (02/29/2024 to-date)

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

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