

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



**PERFORMANCE AUDIT ON IMPLEMENTATION OF RECOMMENDATIONS  
FOR PRIOR AUDIT (REPORT NO. 2021-03)**

**FSM National Postal Services Initiates Corrective Actions on  
Improving Overall Operations**

**Report No. 2026-08**





# FEDERATED STATES OF MICRONESIA

## Office of The National Public Auditor

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April 20, 2026

His Excellency President Wesley W. Simina, President  
Honorable Members of the 24<sup>th</sup> FSM Congress  
Postmaster General, FSM National Postal Services  
Federated States of Micronesia

### **Re: Performance Audit on Implementation of Recommendations for Prior Audit (Report No. 2021-03)**

This report contains the results of our follow-up performance audit on the implementation of findings and recommendations from our prior Audit Report No. 2021-03 issued on February 11, 2021, for FSM National Postal Services. The main objective of this performance audit is to determine whether the management of FSM National Postal Services has taken appropriate actions to address the audit findings and recommendations disclosed in our prior Report No. 2021-03.

Based on our follow-up audit, we found varying levels of progress in implementing the prior audit report's findings and recommendations.

A review of the prior findings from Audit Report No. 2021-03 shows the following levels of implementation across the ten recommendations previously issued. For findings 1 and 2, noncompliance with FMR reporting requirements and the absence of an oversight function, both were deemed **not applicable** for follow-up reviews because they fell outside the review's scope. These items were issued only as formal suggestions, not actionable recommendations. Additionally, the first recommendation for finding 7 was assessed as not applicable because circumstances have changed and the issues no longer apply.

Finding 3, concerning the absence of strategic and operational plans, remains **not implemented**, with all four related recommendations still outstanding. Similarly, finding 4, addressing weak internal controls and the lack of policies and procedures, remains **unimplemented**, with three recommendations awaiting action.

For Finding 5, which addresses segregation of duties in managing philatelic stamp inventory, one recommendation has been partially **implemented**. Finding 6, weak internal controls over receipting customer payment shows progress, with three recommendations **fully implemented**.

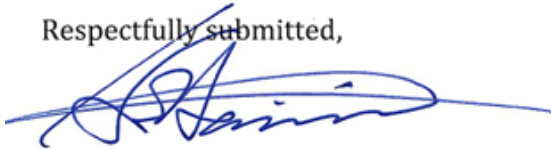
Finding 7, regarding box rental fee collections, shows mixed results: two recommendations are **partially implemented**, while one is **fully implemented**. Finding 8, which addresses inadequate controls over customer complaint handling, remains **not implemented**, with all three recommendations still pending. Likewise, finding 9, relating to the lack of a risk management framework, remains **not implemented**, with all three recommendations open.

Finally, for Finding 10, failure to implement the recommendations from Audit Report No. 2013-03 resulted in five findings, collectively assessed as **partially implemented**.

Overall, of the total 25 recommendations assessed, **28% remain not implemented, 40% are in progress and partially implemented, 12% are fully implemented, and 20% were determined to be not applicable.**

We would also like to acknowledge the management of FSM National Postal Services for their combined efforts to make progress toward implementing the prior audit recommendations.

Respectfully submitted,



Haser H. Hainrick  
National Public Auditor

Xc: FSM Vice President

## **Table of Contents**

<b>1. INTRODUCTION</b>	<b>5</b>
1.1. Reason for the Audit	5
1.2. Background	5
<b>2. AUDIT MANDATE</b>	<b>5</b>
<b>3. OBJECTIVE, SCOPE, AND METHODOLOGY</b>	<b>5</b>
<b>4. PRIOR AUDIT COVERAGE</b>	<b>7</b>
<b>5. COMMENDATION</b>	<b>7</b>
<b>6. CONCLUSION</b>	<b>7</b>
<b>7. IMPLEMENTATION STATUS OF OUR RECOMMENDATIONS</b>	<b>9</b>
<b>8. MANAGEMENT RESPONSE</b>	<b>21</b>
<b>9. ONPA EVALUATION OF MANAGEMENT RESPONSE</b>	<b>24</b>
<b>10. NATIONAL PUBLIC AUDITOR'S COMMENTS</b>	<b>25</b>
<b>11. ONPA CONTACTS AND STAFF ACKNOWLEDGEMENT</b>	<b>26</b>

**Office of the National Public Auditor**  
PERFORMANCE AUDIT ON IMPLEMENTATION OF RECOMMENDATIONS FOR PRIOR  
AUDIT (REPORT NO. 2021-03): FSM National Postal Services Initiates Corrective Actions  
on Improving Overall Operations  
Report No: 2026-08

---

## **1. INTRODUCTION**

### **1.1. Reason for the Audit**

On an annual basis, the Office of the National Public Auditor (ONPA) identifies and plans audits or engagements to be conducted during the fiscal year based on risk assessment of its audit universe.

In accordance with the ONPA Annual Operational Plan for Fiscal Year 2025, this follow-up performance audit was conducted to assess corrective actions taken in response to prior recommendations.

### **1.2. Background**

A performance audit of the National Postal Services (NPS) was conducted for fiscal years 2017 to 2019. The prior audit identified control weaknesses affecting governance, accountability, and operational effectiveness within the National Postal Services. The audit objectives were to assess and determine:

1. The effectiveness of the governance structure for the NPS.
2. Whether there are policies and procedures in place to guide the daily operation and safeguarding of assets.
3. The existence of a risk management framework to provide assurance in meeting the goals and objectives of the NPS.
4. The effectiveness of the operation to carry out the function of the NPS to serve the needs of its customers.

This follow-up audit assesses the extent to which corrective actions have been implemented and institutionalized.

## **2. AUDIT MANDATE**

We will conduct 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 in part 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. OBJECTIVE, SCOPE, AND METHODOLOGY**

### **Objective**

The objective of this audit is to determine the extent to which management implemented recommendations from prior audit report No. 2021-03 and whether the actions taken addressed the underlying control weaknesses and improved operational practices.

**Office of the National Public Auditor**

**PERFORMANCE AUDIT ON IMPLEMENTATION OF RECOMMENDATIONS FOR PRIOR  
AUDIT (REPORT NO. 2021-03): FSM National Postal Services Initiates Corrective Actions  
on Improving Overall Operations  
Report No: 2026-08**

---

**Scope**

The scope of this audit focused on the responses and documents received from NPS on the extent of the implementation of the recommendations highlighted in the prior audit report no. 2021-03.

Our audit uses four implementation status classifications to assess the status of implementation of the recommendation below:

**i. Not Implemented (NI)**

No progress or insignificant progress

Actions such as having meetings and generating informal plans.

**ii. Partial Implementation (PI)**

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

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 across at least some parts of the organization, and some achieved results have been identified.

**iii. Full Implementation (FI)**

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

**iv. Not Applicable (NA)**

If the recommendation issued no longer applies to current processes or systems. Additionally, auditors do not review or follow up on suggestions, as they are advisory in nature and not formal recommendations requiring corrective action.

**Office of the National Public Auditor**

**PERFORMANCE AUDIT ON IMPLEMENTATION OF RECOMMENDATIONS FOR PRIOR  
AUDIT (REPORT NO. 2021-03): FSM National Postal Services Initiates Corrective Actions  
on Improving Overall Operations  
Report No: 2026-08**

---

**Methodology**

We conducted this audit in accordance with the Generally Accepted Government Auditing Standards (GAGAS). Those standards required that we plan and perform the audit to obtain sufficient appropriate evidence to provide a reasonable basis for our findings and conclusions:

Our procedures included:

- Reviewing supporting documentation
- Examining policies, standards operating procedures, and supporting documents provided by NPS
- Conducting interviews with management and key personnel
- Validating implementation status through document inspections and walkthroughs.

We assessed implementation statuses using defined criteria: full implementation, partial implementation, no implementation, and not applicable. Our work is limited to verifying actions taken in response to prior recommendations and does not include a full assessment of program performance.

We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

**4. PRIOR AUDIT COVERAGE**

The first Performance Audit report we used for this follow-up audit is Report No. 2021-03, “Effective Management and Internal Controls Will Greatly Assist the FSM National Postal Services Improve Its Service Delivery.”

**5. COMMENDATION**

We commend the NPS for the overall progress made in fully implementing and partially implementing our prior recommendations. The audit team noted that, with the new PMG, corrective actions have been taken to implement our prior recommendations. Although there are recommendations that remain unimplemented, the NPS’s commitment to taking corrective action on the prior recommendations is commendable.

**6. CONCLUSION**

Based on the audit work performed, we conclude that NPS has not fully implemented all recommendations from the prior audit report no. 2021-03. We recommend that the PMG and Management ensure the recommendations are fully addressed, particularly those currently classified as partially and not implemented. These recommendations will remain open and will be reassessed until all are fully implemented. The formal adopting of policies and procedures is essential to ensure consistency in staff roles and

**Office of the National Public Auditor**

**PERFORMANCE AUDIT ON IMPLEMENTATION OF RECOMMENDATIONS FOR PRIOR  
AUDIT (REPORT NO. 2021-03): FSM National Postal Services Initiates Corrective Actions  
on Improving Overall Operations  
Report No: 2026-08**

---

responsibilities, strengthen accountability, and enhance compliance and monitoring processes, and promote staff awareness of NPS operations.

## **7. IMPLEMENTATION STATUS OF OUR RECOMMENDATIONS**

### **7.1. Implementation of Recommendation on prior Finding 1: National Postal Services did not comply with the reporting requirements of the FMR.**

We issued two recommendations under Prior Finding 1:

#### **We recommended that the PMG should:**

1. Comply with the reporting requirements of the FMR.
2. Initiate actions for review of the establishing Act (FSM Code Title 39) to ensure that the governance structure reflects the FMR reporting requirements, preparation of Annual Reports, and other leading practices for improved performance that the governance structure reflects the FMR reporting requirements and other leading practices for improved performance that lead to and sustains excellent customer service.

**Prior Management Response:** Management concurs with the finding. The Postmaster General shall ensure compliance with the Financial Management Reporting requirement and submit quarterly reports to the President and Congress starting the second quarter of fiscal year 2021.

#### **Current Implementation Status: Not Applicable**

The audit team assessed the NPS reporting requirements for the first recommendation and found that FSMC Title 39 is silent on the preparation of annual reports to the President and Congress, specifically regarding NPS operations.

The NPS has reporting requirements relating to the National Postal Service Revolving Fund. Public Law 18-39 requires the Postmaster General to submit an annual status report of the National Postal Service Revolving Fund by January 30 to the FSM President and FSM Congress.

Additionally, FSM Public Law 3-13 establishes the NPS as an independent agency of the FSM National Government with no defined reporting requirements.

The audit team revisited the second recommendation and reviewed applicable statutes and the FMR. FSMC, Title 39, does not require NPS to report to the FSM President and FSM Congress. While NPS is not statutorily required to produce annual reports, the newly installed PMG has confirmed that he intends to incorporate into the NPS reporting process an annual report to the FSM leadership.

### **7.2. Implementation of Recommendation on Prior Finding 2: No oversight function over the operations of the NPS**

We issued two recommendations under Prior Finding 2:

#### **We suggested that the President should:**

1. Take necessary actions to recommend changes to the establishment Act of the NPS so that the law itself requires the appointment of an oversight body.

**Office of the National Public Auditor**  
PERFORMANCE AUDIT ON IMPLEMENTATION OF RECOMMENDATIONS FOR PRIOR  
AUDIT (REPORT NO. 2021-03): FSM National Postal Services Initiates Corrective Actions  
on Improving Overall Operations  
Report No: 2026-08

---

2. Identify and appoint suitable individuals to be members of an oversight body and to carry out the role of monitoring and advising on all key aspects of the NPS, including, among others, governance, risk management, compliance, internal controls, management, and performance.

**Prior Management Response:** The Postmaster General will consult with the president and the Department of Justice for a review of Title 39 of the FSM Code to reflect the new reporting requirements set forth in the amended financial management regulations of February 2019, as well as explore a proposal to amend Title 39 to include an oversight function.

**Current Implementation Status: Not Applicable**

The first recommendation is advisory and outside the scope of formal audit follow-ups; therefore, no formal implementation assessment applies. Suggestions are not formal recommendations and therefore fall outside the required scope of follow-up.

Similarly, the second recommendation is advisory and not subject to formal audit follow-up. No implementation action is required.

**7.3. Implementation of Recommendation on Prior Finding 3: Absence of a Strategic Plan and operational plan to guide the NPS in setting and achieving its goals and objectives**

We issued four recommendations under prior Finding 3:

**We recommended that the PMG should:**

1. Develop and operationalize a policy for the annual documentation and revision of the organization's strategic and annual operational plans.
2. Develop and operationalize strategic and operational plans to guide the management, staff, and operations of the NPS.
3. Conduct awareness through capacity building to all employees and management on the above-mentioned plans to ensure that everyone in the organization understands and takes ownership of their implementation.
4. Ensure that all plans are continually monitored for implementation and that the strategic planning process is sustained for the future.

**Prior Management Response:** Management concurs with the findings and will work to establish a three-year strategic plan covering fiscal year 2021 to 2023. A draft plan will be ready for review by July 31, 2021, and finalized by September 30, 2021.

**Current Implementation Status: Not Implemented**

NPS currently lacks a finalized policy governing annual strategic and operational planning. As a result of unclear direction for achieving organizational goals,

**Office of the National Public Auditor**

**PERFORMANCE AUDIT ON IMPLEMENTATION OF RECOMMENDATIONS FOR PRIOR  
AUDIT (REPORT NO. 2021-03): FSM National Postal Services Initiates Corrective Actions  
on Improving Overall Operations  
Report No: 2026-08**

---

inconsistent assignment of staff responsibilities, and limited accountability as called for under the first recommendation. A finalized strategic and operational plan has yet to be developed and formally adopted. This significantly limits management’s ability to effectively direct operations effectively, monitor performances, and ensure staff responsibilities are aligned with the organization’s mission and objectives.

The audit team noted that a legislative change is not required for NPS to develop and implement a strategic and operational plan. Such plans are internal management tools and remain essential for guiding operations and strengthening governance for the second recommendation.

Prior report No. 2021-03 emphasized the importance of formal strategic planning citing that the US Postal Service maintains a multi-year plan including its Five-Year Strategic Plan for FY2020-2024 its current plan for FY2025-2029.

Since no strategic or operational plan exists for the third recommendation, staff have not received awareness briefings or training relating to such plan. The absence of formal communication and training increases the risk of inconsistent decision-making and misalignment with NPS objectives.

NPS plans to hold two-year cycle meetings in October to review the strategic and operational plans, disseminate them to all management and staff and consolidate SOPs under the fourth recommendation. However, since no strategic or operational plans have been finalized and no activities of meetings taken place the implementation status remains Not Implemented.

**Effect(s):**

- Absence of a clear future direction regarding the organization’s long-term vision, mission, goals, and allocations of resources to achieve key objectives.
- Lack of clarity and consistency of staff’s responsibilities and applications of policies and procedures.
- Lack of accountability to ensure that each staff member takes responsibility for their work and assigned tasks.

**Cause(s):**

- Absence of a comprehensive strategic and operational plan to guide management and staff in aligning with the vision, mission, goals, and objectives across all NPS operations.

**7.4. Implementation of Recommendation on Prior Finding 4: Poor Internal Controls, including a lack of policies and procedures, pose a threat to efficient postal services.**

We issued three recommendations under prior Finding 4:

**We recommended that the PMG should:**

**Office of the National Public Auditor**  
PERFORMANCE AUDIT ON IMPLEMENTATION OF RECOMMENDATIONS FOR PRIOR  
AUDIT (REPORT NO. 2021-03): FSM National Postal Services Initiates Corrective Actions  
on Improving Overall Operations  
Report No: 2026-08

---

1. Finalize, approve, and operationalize appropriate policies and procedures to guide the overall operations of the postal services.
2. Conduct awareness through capacity building to all employees and management on the policies and procedures that have been approved; and
3. Ensure such policies and procedures are followed and maintained.

**Prior Management Response:** Management concurs with the findings and will assess and identify areas within the post office that require policies and procedures, and establish written procedures as needed. Management will review the draft policies and procedures submitted and finalize them for implementation no later than the end of fiscal year 2021.

**Current Implementation Status: Partial Implementation**

Two SOPs have been finalized and formally approved; seven remain in draft form, and one is pending submission for the first recommendation. Full implementation of this recommendation requires formal adoption of all SOPs to ensure consistency and standardization of operations for the first recommendation. The approved SOPs include Daily Postal Collections and Reconciliation Procedures for incoming mail. Draft SOPs include FSM Postal Services SOPs Inbound Mail, National Postal Service SOP Outbound, SOP Mail Screening, SOP PO Box, SOP stamp request, Procedure for Disposal of Commemorative Stamp, and Procedure for Disposal of Definitive Stamp. Pending SOPs for submission include the NPS Stamp Examination Procedure. The follow-up team received only the memorandum regarding this procedure dated February 27, 2006, and is still waiting for NPS to provide the actual procedure stated in the memo.

Although Postmasters distribute approved policies to staff, formal awareness sessions have not yet been conducted. Implementation of the second recommendation remains partial until all staff receive structured training and attendance is formally documented.

SOPs are in use but have not been formally approved. Hence, for the third recommendation, full compliance cannot be confirmed until SOPs are finalized, and staff adherence is verified.

**Effect(s):**

- Without formal approval, there is a risk that procedures currently in use may not fully align with management's intent or updated regulatory requirements.
- Lack of standardized guidance may cause confusion among staff, increasing the likelihood of errors, delays, or noncompliance with established postal policies.

**Cause(s):**

**Office of the National Public Auditor**

PERFORMANCE AUDIT ON IMPLEMENTATION OF RECOMMENDATIONS FOR PRIOR  
AUDIT (REPORT NO. 2021-03): FSM National Postal Services Initiates Corrective Actions  
on Improving Overall Operations  
Report No: 2026-08

---

- During the period when the Finance Officer was acting PMG, there were multiple customer complaints regarding postal packages, prompting the former Acting PMG to temporarily set aside SOP finalization to address those issues.
- The draft SOPs have been submitted to the PMG and are now due for annual review. The Finance Officer proposed that all postmasters review the SOPs together, as some procedures are no longer applicable.
- Finalization of SOPs has been delayed pending collective review by postmasters and formal approval by the PMG.

**7.5. Implementation of Recommendation on prior Finding 5: No segregation of duties exists for managing the stockroom for philatelic stamps and products.**

We issued one recommendation under prior Finding 5:

**We recommended that:**

Management should implement proper segregation of duties to avoid the possibility or reduce the likelihood of errors and possible fraud occurring.

**Prior Management Response:** Management concurs with the finding and will establish guidelines and procedures to ensure segregation of duties exists for the management of the stockroom and philatelic products.

**Current Implementation Status: Partial Implementation**

The audit team was provided with SOPs for stamp requests, stamp transfers, and stamp stock management; however, they were not officially signed by PMG. The overall process requires that all stamp requests be entered into the FSMPS.NET system. In addition, NPS performs independent audits of stamp stock held in the stockroom.

The philatelic manager reviews the submitted request form to ensure the amount matches the amount requested in the FSMPS.NET system.

The audit team was also provided with the job descriptions and responsibilities for the Philatelic Manager, Philatelic Clerk, and Postmaster regarding the stockroom for philatelic stamps and products. The responsibilities of the philatelic clerk include:

- Collecting funds from sales of postage stamps and philatelic products when stamp collectors and customers visit the FSM philatelic bureau, assists in receiving and processing stamps and philatelic products orders from mail order and standing order customers, and assists in processing and filling the Post Office's initial stock requirements.

The responsibilities of the Philatelic Manager include:

- Maintains and controls bureau stamp stocks including the replenishment of stocks, preparation of stamp sets, packs, etc., maintaining full proper control and

**Office of the National Public Auditor**

**PERFORMANCE AUDIT ON IMPLEMENTATION OF RECOMMENDATIONS FOR PRIOR  
AUDIT (REPORT NO. 2021-03): FSM National Postal Services Initiates Corrective Actions  
on Improving Overall Operations  
Report No: 2026-08**

---

accounting of FSM stamps and revenue generated by the bureau, distributes stocks of new stamp issues to all post offices and maintains on-going dissemination of philatelic stock information to these offices for future use, and processes and fills overseas agent's stock requirements and maintains full and accurate records of stocks overseas agents from FSM.

The responsibilities of the Postmasters include:

- Maintaining and replenishing state stamp stocks for efficient operations of post offices within their region, undertake periodic audits of postal clerks under his responsibilities, and submits reports to the Postmaster General, collects from employees any shortages of cash or stamp accountabilities found during audits, and assists in overall financial and service audits done by Postal Inspectors.

SOPs and documented job responsibilities provide a structural framework for segregation of duties within the philatelic stock management process. However, a formal approval of the SOP is pending; the full effectiveness of segregation cannot be confirmed until SOPs are formally adopted.

**Effect(s):**

- NPS has operationalized all policies and procedures; however, out of the ten, only two have been formally adopted. The recently appointed PMG is currently reviewing the NPS policies and procedures and is subject to changes and approval of the current PMG. Policies and procedures are in place to ensure consistent, uniform application of processes. Furthermore, it provides continuity and smooth, uninterrupted process transitions.

**Cause(s):**

- All NPS policies and procedures are currently under review by the newly installed PMG and are still waiting to be formalized and approved.

**7.6. Implementation of Recommendation on prior Finding 6: Weak Internal controls in the process of receipting customer payments**

We issued three recommendations under prior Finding 6:

**We recommended that management should:**

1. Develop and implement proper policies and procedures (that contain adequate internal controls) to ensure that all transactions are completely and accurately recorded and accounted for, and that documentation provides evidence of the underlying transactions. Start issuing cash receipts to customers that reflect the amounts they paid.
2. Ensure that all four (4) Post Offices located in the FSM States use the same financial system for proper recording of financial transactions, including cash receipting.

**Office of the National Public Auditor**  
PERFORMANCE AUDIT ON IMPLEMENTATION OF RECOMMENDATIONS FOR PRIOR  
AUDIT (REPORT NO. 2021-03): FSM National Postal Services Initiates Corrective Actions  
on Improving Overall Operations  
Report No: 2026-08

---

3. Standardize documentation procedures that could effectively seal any loophole for fraud to occur, especially in the area of receipting of customer payments.

**Prior Management Response:** Management concurs with the finding. NPS recently procured a financial system to support accounting for revenue collections from the various services it provides to the nation. Management will continue working with the system administrator to complete the system's full implementation; however, clerks are resisting due to limited training time caused by COVID-19. Once travel is possible, management will schedule training for Kosrae, Chuuk, and Yap, and will continue training for the Pohnpei Post Office and philatelic division.

**Current Implementation Status: Full Implementation**

All recommendations under this finding are fully implemented. The FSMPS.NET is used across all FSM State post offices. The audit team confirmed that cash receipts are issued to customers by revenue fee segment and payment type. Standardized documentation procedures are also in place to provide adequate controls to prevent errors and ensure accountability.

The team was given temporary access to the system and observed that the FSMPS.NET system generates reports under Clerks' Daily Transactions, which include the following information:

- Cashier who generated the receipt, the amount that was issued, the date, payment type, and the state in which the receipt was issued.

**7.7. Implementation of Recommendation on prior Finding 7: There is no assurance that all fees for box rental were collected.**

We issued three recommendations under prior Finding 7:

**We recommended that management should:**

1. Revisit the establishing Act to identify the needed amendments to ensure that the law reflects current and leading practices and processes that also address the current needs of the NPS.
2. Carefully study the existing processes on box rental and identify areas of improvement.
3. Develop and implement proper policies and procedures (with adequate controls) to ensure that all fees for box rentals are collected and correctly recorded on a timely basis.

**Management's response to the prior audit was that** Management concurs with this finding.

**Current Implementation Status: Not Applicable & Partial Implementation**

**Office of the National Public Auditor**  
PERFORMANCE AUDIT ON IMPLEMENTATION OF RECOMMENDATIONS FOR PRIOR  
AUDIT (REPORT NO. 2021-03): FSM National Postal Services Initiates Corrective Actions  
on Improving Overall Operations  
Report No: 2026-08

---

No action is required at the management level for the first recommendation, as it involves a statutory amendment outside the NPS's authority, resulting in the status of Not Applicable.

NPS's current P.O box procedures are under review, resulting in partial implementation for the second recommendation, and opportunities for improvement will be identified during the SOP update process.

Under the third recommendation, the FSMPS.NET records all box rental fees in real time and reconciles daily with the fee register (Form 1091), providing controls to ensure accurate collection. However, the current procedures on P.O. Box Management are in draft form, resulting in partial implementation. NPS plans to review and update SOPs once the PMG finalizes them. Upon finalization, all SOPs will be consolidated into a comprehensive operations manual for NPS.

**Effect(s):**

- NPS has operationalized all policies and procedures; however, out of the ten, only two have been formally adopted. The recently appointed PMG is currently reviewing the NPS policies and procedures and is subject to changes and approval of the current PMG. Policies and procedures are in place to ensure consistent, uniform application of processes. Furthermore, it provides continuity and smooth, uninterrupted process transitions.

**Cause(s):**

- All NPS policies and procedures are currently under review by the newly installed PMG and are still waiting to be officially formalized and approved.

**7.8. Implementation of Recommendation on prior Finding 8: Inadequate internal control mechanisms in place to handle customer complaints**

We issued three recommendations under prior Finding 8:

**We recommended that management should:**

1. Establish and operationalize appropriate policies and procedures (including finalizing the draft "customer complaint form") to address all customer complaints received.
2. Carry out internal awareness sessions for employees to help them understand and value customer feedback and complaints.
3. Create awareness using various methods, including online platforms (website, social media, etc.), to ensure that customers understand what to do when faced with issues regarding mail services.

**Prior Management Response:** Management concurs with the finding. Since the commencement of the audit, NPS has finalized the complaint form and distributed it to post offices across the states for use. The Postal Inspector shall prepare and submit

**Office of the National Public Auditor**

**PERFORMANCE AUDIT ON IMPLEMENTATION OF RECOMMENDATIONS FOR PRIOR  
AUDIT (REPORT NO. 2021-03): FSM National Postal Services Initiates Corrective Actions  
on Improving Overall Operations  
Report No: 2026-08**

---

to the Postmaster General a draft procedure on handling complaints for review and finalization no later than the end of February 2021. Once procedures are finalized, the postal inspector shall conduct a workshop on the complaint process to ensure all postmasters and clerks are aware of the procedures. Additionally, the postal inspector shall explore and recommend to the Postmaster General other avenues (e.g., Facebook) to promote public access to NPS for filing complaints.

**Current Implementation Status: Partial Implementation & Not Implemented**

The customer complaint form is finalized, but policies and procedures on resolving customer complaints remain pending. As a result, the first recommendation is considered Partially Implemented. Full operationalization of the process is required to ensure consistent and standardized handling of customer complaints across all FSM States.

There are currently no policies or procedures specifically addressing customer complaints. In addition, there is no evidence of internal awareness or guidance provided to staff on how to address customer complaints. As a result, the second recommendation is considered Not Implemented.

The audit team noted that the postmaster is responsible for collecting completed forms at the end of each week, and the forms are reviewed during the management meeting that is held every Friday.

The Finance Officer confirmed that each state postmaster is responsible for disseminating information to their staff once approved. SOPs are currently under review by the newly appointed PMG; once approved, they will be distributed to the states, and staff will be informed. Since internal awareness sessions on customer complaints have not been conducted, implementation remains pending until SOPs are approved and training is provided.

The PowerPoint presentation provided outlines the operations of FSM Postal Services, covering the following information:

- Operation hours, Services provided, Special service notifications by email, Box rental fees (annual), Inbound mail processing and pick-up information, Outbound mail schedule, Mail Services (with tracking numbers), First-class mail rates, Mailing postcards, Priority mail rates, Extra services and fees, First-class mail guidelines, Reminders, Assistance available, and Customer suggestion box.

The team also noted that the presentation highlighted the use of suggestion boxes, through which customers can submit suggestions and complaints. Management reviews the submissions every Friday, carefully considering the feedback/complaint to improve services.

**Office of the National Public Auditor**  
PERFORMANCE AUDIT ON IMPLEMENTATION OF RECOMMENDATIONS FOR PRIOR  
AUDIT (REPORT NO. 2021-03): FSM National Postal Services Initiates Corrective Actions  
on Improving Overall Operations  
Report No: 2026-08

---

According to the Finance Officer, the PowerPoint presentation was shared with all stations, allowing them to either print it for public use or run it as a slideshow in the post offices. Additionally, the follow-up team also received a job order request from the Finance Officer proposing an update and redesign of the FSM Postal Service website. The proposal includes integrating FSMPS social media platforms into the website.

Customer outreach via presentation and proposed website updates has been partially implemented for the third recommendation. Full implementation of this recommendation requires approved SOPs and formally established complaint-handling procedures.

**Effect(s):**

- Without developed SOPs specifically addressing customer complaints, there is a risk that current procedures in use may not fully align with management’s intent or updated regulatory requirements.
- Lack of standardized guidance may cause confusion among staff, increasing the likelihood of errors, delays, or noncompliance with established postal policies.

**Cause(s):**

- During that period when the Finance Officer was acting PMG, there were multiple customer complaints regarding postal packages, prompting the former Acting PMG to temporarily set aside SOP finalization to address those issues.
- The draft SOPs have been submitted to the PMG and are now due for annual review.

**7.9. Implementation of Recommendation on prior Finding 9: Lack of Risk Management Framework to provide reasonable assurance that there is a process of managing risk to manage uncertain events that may affect or disrupt postal services.**

We issued three recommendations under Prior Finding 9:

**We recommended that management should:**

1. Develop and operationalize appropriate and sufficient risk management policy and procedures and risk register (to identify, monitor, and mitigate key risks)
2. Carry out awareness on the value of risk management policies and procedures.
3. Sustain the risk management processes for the future to help the organization stay abreast with emerging issues, leading practices, and continuous improvement.

**Prior Management Response:** Management concurs with the findings and will look at the existing risk management framework of other FSM National Government agencies, as well as explore the possibility of working with an independent consultant

**Office of the National Public Auditor**  
PERFORMANCE AUDIT ON IMPLEMENTATION OF RECOMMENDATIONS FOR PRIOR  
AUDIT (REPORT NO. 2021-03): FSM National Postal Services Initiates Corrective Actions  
on Improving Overall Operations  
Report No: 2026-08

---

in assessing, identifying, and managing areas of risk within the national postal service by putting in place a written risk management framework or plan to mitigate risk.

**Current Implementation Status: Not Implemented**

NPS has not established a formal risk management framework, including policies, procedures, and a risk register to systematically identify, assess, and manage risks that may affect postal operations. As a result, the recommendations under Prior finding 9 remain not implemented. The audit team requested NPS's risk management policy or framework; however, none has been developed. No policies, procedures, or risk register were provided to demonstrate the establishment and implementation of a formal risk management framework.

Although NPS conducts operational controls, such as inspecting and scanning mail, these activities do not constitute a formal risk management framework. Management indicated plans to develop risk management policies and tools; however, no formal framework has been developed to date. As a result, the implementation status for this recommendation remains not implemented.

**Effect(s):**

- Unable to identify, manage, and reduce potential risks that can negatively impact the organization.
- Unexpected financial losses.

**Cause(s):**

- Lack of awareness and knowledge of the value of having risk management tools in the organization.

**7.10. Implementation of Recommendation on Prior Finding 10: The NPS has not implemented all Audit Recommendations Issued in the prior Audit Report No. 2013-03**

We issued one recommendation under Prior Finding 10:

**We recommended that the Postmaster General and Philatelic Manager should:** Implement all audit recommendations identified in our prior Audit Report No. 2013-03, which was issued back in 2013, and where it is impossible, alternative methods should be used to correct the identified internal control weaknesses.

**Prior Management response:**

Management concurs with the findings and will revisit the implementation recommendations.

**Current Implementation Status: Partial Implementation**

The FSM Postal Service has developed policies, procedures, and systems to strengthen stamp stock management, inventory control, disposal processes, and segregation of duties. However, these documents **remain** in draft form and have not

**Office of the National Public Auditor**

**PERFORMANCE AUDIT ON IMPLEMENTATION OF RECOMMENDATIONS FOR PRIOR  
AUDIT (REPORT NO. 2021-03): FSM National Postal Services Initiates Corrective Actions  
on Improving Overall Operations  
Report No: 2026-08**

---

been formally approved by the Postmaster General, which limits full implementation. Although staff are using draft policies and systems in practice; the absence of formal approval prevents full institutionalization and accountability and full implementation.

**Effect(s):**

- Without formal approval, there is a risk that procedures currently in use may not fully align with management's intent or updated regulatory requirements.
- Lack of standardized guidance may cause confusion among staff, increasing the likelihood of errors, delays, or noncompliance with established postal policies.

**Cause(s):**

- During that period when the Finance Officer was acting PMG, there were multiple customer complaints regarding postal packages, prompting the former Acting PMG to temporarily set aside SOP finalization to address those issues.
- The draft SOPs have been submitted to the PMG and are now due for annual review. The Finance Officer proposed that all postmasters review the SOPs together, as some procedures are no longer applicable.
- Finalization of SOPs has been delayed pending collective review by postmasters and formal approval by the PMG.

**Office of the National Public Auditor**  
PERFORMANCE AUDIT ON IMPLEMENTATION OF RECOMMENDATIONS FOR PRIOR  
AUDIT (REPORT NO. 2021-03): FSM National Postal Services Initiates Corrective Actions  
on Improving Overall Operations  
Report No: 2026-08

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**8. MANAGEMENT RESPONSE**



**Postal Service**  
FEDERATED STATES OF MICRONESIA  
P.O. Box 1376  
POHNPEI, FM 96941-1376  
TEL: (691) 320-2614/5614 FAX: (691) 320-2612

EPHEL K. ILON  
POSTMASTER GENERAL

April 13, 2026

Mr. Haser Hainrick  
National Public Auditor  
Office of the National Public Auditor  
Palikir, Pohnpei FM 96941



Re: Exit Conference – Performance Audit on Implementation of Recommendation for Prior Audit (Report No. 2021-03): FSM National Postal Services Initiates Corrective Actions on Improving Overall Operations.

Dear Mr. Hainrick:

Thank you for the opportunity to submit National Postal Services (NPS) response and plan of action to the recommendations in Audit Report No. 2021-03 and as discussed during the Exit Conference held at the NPS conference room, on March 05, 2026. Following are our responses:

**7.3. Implementation of Recommendation on Prior Finding No. 3: Absence of a Strategic Plan and Operational Plan to guide the NPS in setting and achieving its goals and objectives.**

Management Response:

NPS will develop strategic and annual operational plans for the organization. It will develop documented policies to ensure periodic reviews, or as needed, of those strategic and operational plans and ensure training is conducted once these plans are developed and ready for implementation.

As discussed during the exit conference, in order to ensure effective strategic and operational plans, a review of the current laws and legislations for NPS will need to be undertaken to ensure they follow the intent of the laws and regulations. The need for this review has been raised with the FSM Department of Justice and NPS is awaiting their response.

**7.4. Implementation of Recommendation on Prior Finding 4: Poor Internal Controls, including a lack of policies and procedures, pose a threat to efficient postal services.**

Management Response:

It should be clear that the NPS does have policies and procedures that it has been following since the establishment of the NPS and even before that as an entity that emerged from the old Trust Territory system operations and remain connected to the US Postal Service through the Compact of Free Association relationship with the United States. Since the start of the current NPS Administration, the NPS has started updating its existing SOPs and aims to produce new ones as needed. This is why the request to the FSM Department of Justice is essential.

**Office of the National Public Auditor**  
PERFORMANCE AUDIT ON IMPLEMENTATION OF RECOMMENDATIONS FOR PRIOR  
AUDIT (REPORT NO. 2021-03): FSM National Postal Services Initiates Corrective Actions  
on Improving Overall Operations  
Report No: 2026-08

---

So far, nine (9) SOPs have been identified and are put into written formats that would be clear and easy to follow. They are as follows:

1. Daily Collection and Reconciliation
2. Mail Screening
3. Inbound Mail
4. Outbound Mail
5. Audit Shortage/Overage
6. PO Box
7. Stamp Request
8. Stamp Stock Management
9. Inter-Island and State Mail Service

**7.5. Implementation of Recommendation of Prior Finding 5: No segregation of duties exists for managing the stockroom for philatelic stamps and products.**

Management Response:

There is already procedure established for the management of the stock room that has been shared with the p and used by the Philatelic Manager; however, the SOP will need to be formalized. The SOP will be formally transmitted through a memo to all management and staff no later than the end of this month, April 30, 2026.

**7.6. Implementation of Recommendation on Prior Finding 6: Weak Internal Controls in the process of receipting customer payments.**

Management Response:

NPS implemented a financial system (FSMPS.net) for receipting of customer payments and other purposes and developed a procedure in the daily collection of all sales which have been formally transmitted to all management to be shared with clerks responsible for daily collections.

**7.7. Implementation of Recommendation of Prior Finding 7: There is no assurance that all fees for box rental were collected.**

Management Response:

SOP for PO Box has been developed and will be formally transmitted to all management staff to be shared with all post office staff no later than the end of April 2026.

The current policy on PO Box is that the annual fee is paid in advance, every December, for the use of the PO Box in the subsequent calendar year. The PO Box is closed by the end of December and customers are not allowed access to any mail until payment is made. If no payment is made by January 15, the PO Box is closed and then advertised as available for rent.

**7.8. Implementation of Recommendation of Prior Finding 8: Inadequate internal control mechanisms in place to handle customer complaints.**

Management Response:

**Office of the National Public Auditor**  
**PERFORMANCE AUDIT ON IMPLEMENTATION OF RECOMMENDATIONS FOR PRIOR**  
**AUDIT (REPORT NO. 2021-03): FSM National Postal Services Initiates Corrective Actions**  
**on Improving Overall Operations**  
Report No: 2026-08

---

NPS has developed a complaint form that is currently being used by all postal stations for customer complaints. Suggestion boxes have also been placed at each postal station and is monitored by the postmasters and reported on any case in their monthly reports. NPS is also updating its website to become accessible to the public for information on the NPS and its services, this month.

**7.9. Implementation of Recommendation of Prior Finding 9: Lack of Risk Management Framework to provide reasonable assurance that there is a process of managing risk to manage uncertain events that may affect or disrupt postal service.**

Management Response:

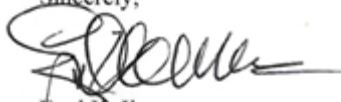
NPS will identify a contractor to assist in developing a risk management plan; however, given the lack of funding, it will take time to comply with this recommendation.

**7.10. Implementation of Recommendation of Prior Finding 10: The NPS has not implemented all Audit Recommendations Issued in the Prior Audit Report No. 2013-03.**

Management Response:

NPS will re-visit and review the report and recommendations to ensure compliance. We stand ready to answer any questions that you may have regarding our responses and we look forward to continuing our excellent working relationship to improve the services of the NPS, as needed.

Sincerely,

  
Epel K. Ilon  
FSM Postmaster General

**9. ONPA EVALUATION OF MANAGEMENT RESPONSE**

The team requested an official Management Response from the FSM National Postal Services. In its response (provided in the above [Section 8](#) of this report), FSM National Postal Services generally concurred with the findings and outlined ongoing initiatives to implement the remaining prior recommendations. This demonstrates management’s strong commitment to completing and formally adopting the remaining of their Standard Operating Procedures and ensuring that all NPS employees are informed and aware of updated policies and procedures to support the implementation of strong internal controls.

**Office of the National Public Auditor**  
PERFORMANCE AUDIT ON IMPLEMENTATION OF RECOMMENDATIONS FOR PRIOR  
AUDIT (REPORT NO. 2021-03): FSM National Postal Services Initiates Corrective  
Actions on Improving Overall Operations  
Report No: 2026-08

---

**NATIONAL PUBLIC AUDITOR'S COMMENTS**

We would like to thank the staff and management of FSM National Postal Services (NPS) for their assistance and cooperation during the performance audit on the prior audit report 2021-03.

We have provided copies of the final audit report to the President and Members of the 24<sup>th</sup> FSM Congress, as well as to the NPS Management. 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 National Public Auditor's office and the staff who conducted the performance audit and prepared this report is on the last page of this report.



Haser H. Hainrick  
National Public Auditor

April 20, 2026

**Office of the National Public Auditor**  
PERFORMANCE AUDIT ON IMPLEMENTATION OF RECOMMENDATIONS FOR PRIOR  
AUDIT (REPORT NO. 2021-03): FSM National Postal Services Initiates Corrective  
Actions on Improving Overall Operations  
Report No: 2026-08

---

**10. ONPA CONTACTS AND STAFF ACKNOWLEDGEMENT**

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

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

Brandon Rodriguez, Audit Manager  
Gillian Doone, Audit Supervisor  
Ariel C. Perman, Auditor-In-Charge  
Brenda Carl, Staff Auditor

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