



Territorial Audit Office Audit Report

Department: ASG Department of Health

Type of Audit: Performance audit of CARES Act federal awards

Audit Period: March 01, 2020 through to December 31, 2021



TERRITORIAL AUDIT OFFICE

Tofa Sualauvi H. Su'a, Acting Territorial Auditor

Report Number: 22-08

March 16, 2023



**AMERICAN SAMOA GOVERNMENT
TERRITORIAL AUDIT OFFICE
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Talofa Governor Lemanu,

SUBJECT: ACTING TERRITORIAL AUDITOR'S REPORT - Department of Health Performance Audit

This report presents the results of our performance audit of COVID-19 related financial assistance awards for the Department of Health. This audit seeks to determine that the Department of Health and the American Samoa Government according to their roles and responsibilities ensured that Covid-19 CARES Act funds were spent in an economic and efficient manner and in accordance with conditions and requirements of related grants. The examination covered the time frame of March 01, 2020 through to December 31, 2021.

The COVID-19 pandemic has led to unprecedented actions by the federal and the American Samoa Government in responding to the public health emergency and the economic effects of the coronavirus. Federal legislation enacted a significant amount of CARES Act funds to support the healthcare needs impacted by social distancing and other intended measures.

Millions of federal pandemic relief dollars flowed into American Samoa as we worked to create our own pandemic mitigation strategy. Differing views on how to control the pandemic and protect the community sparked many discussions and questions.

The Territorial Audit Office began an initial audit as members of the Compliance Review Committee (CRC) in the beginning of 2020 and worked cooperatively with the committee throughout the audit. However due to the inability and other constraints, only a portion of requested information was made available by the Department. This is the most difficult period and the information was not sufficient to allow the auditors to identify and determine reasonableness of some disbursements.

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While we understand the impact of the Covid-19 pandemic, the American Samoa Government did offer flexibilities and exemptions from standard requirements for grants to recipients on the understanding COVID related federal financial assistance awards had to be disbursed quickly. Due to the uncertainty surrounding the pandemic, the local community has seen drastic changes in public health and the economy occur just in hours, long term planning therefore proves difficult. Comparing to other disasters is difficult to respond because we do not know when it will end, we do not know how large it will be and we cannot see where the hotspots are that will most need the support.

Despite these exemptions, several federal and ASG requirements and the department's own policies still applied and we examined the department's compliance with those requirements. These matters are discussed in detail under the "Findings and Recommendations" and "Other Matters" sections of the report.

The Territorial Audit Office experienced difficulties in obtaining full and unlimited access to information. This causes a lot of unnecessary delay in the audit process. As auditors we always insist on information that we believe is the key in the completion of our work and we are not obliged to explain why we need such information. Coordinating departments and other offices shall proactively provide information to the auditors.

Our work reveals that the department has a poor filing system which makes the audit process a difficult one. Regrettably, this audit was significantly delayed and prolonged discussions with the Department around accessing information necessary to complete the audit. The audit engagement was agreed to commence in June 2022 and was expected to finalize in August, however it took three months later to complete the audit.

While audit tests reveal discrepancies, opportunities to improve and methods to correct these deficiencies certainly exist. To their credit, the department's Director adapts timely internal communications with his management and team leaders. This adaptation progressed because of his commitment and with a focused on fixing operational shortcomings.

Discussion of Audit Results

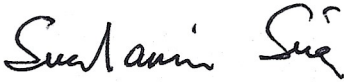
The matters in this report were discussed with the department's management team during and the conclusion of the audit via an exit conference where we requested for comments and written responses were received on January 23, 2023. In their responses, the department agreed with the findings. The full text of their responses is included as an addendum to the report.

Bottom Line: I am pleased that the Director and his team are taken steps to improve operational issues while also working proactively to implement recommendations made in our audit.

I hope the department continues to use this audit and our recommendations to improve and for future pandemics. As American Samoa has emphasized throughout the pandemic, we were all in this together. That remains true today as we hold each other accountable and help the Government serve the people of American Samoa more effectively and transparency.

Finally, we would like to thank the Department's staff as well as the medical professionals and the front line workers who have worked tirelessly to keep American Samoa safe and the courtesies and cooperation of Director Motusa L. Nua and his staff during this audit.

Ma le fa'aaloalo lava,



Tofa Sualauvi H. Su'a
ACTING TERRITORIAL AUDITOR

March 16, 2023

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EXECUTIVE SUMMARY

The discussion and analysis is a narrative overview of the Department of Health. We encourage the department’s management team to consider the information presented herein in conjunction with the more detailed information contained within the accompanying report.

The **Coronavirus Aid, Relief and Economic Security Act** also known as the **CARES Act** was signed into law on March 27, 2020 by Congress and the then President Donald J Trump to address the economic health impact of the COVID-19 pandemic and American Samoa was included in the legislation. The Department of Health Covid-19 funding was provided by the US Department of Health and Human Services via the Department of Treasury.

Timeline of key events related Covid-19 from January to April 2020

January 30: World Health Organization declared the new coronavirus a public health emergency of international concern.

March 3: World Health Organization announced a global of personal protective equipment (PPE) and medical devices.

March 11: World Health Organization declared the global outbreak of Covid-19 to be a pandemic.

March 27: Coronavirus Aid Relief and Economic Security (CARES) Act was passed by Congress and signed into law by President Donald Trump.

Condensed Information

The audit was focused on Covid-19 grants disbursed under the CARES Act financial assistance awards to respond to the Covid-19 pandemic. As at December 31, 2021, the Department of Health was allocated \$14.70 million for fourteen (14) granting programs.

The following table reflects a summary of CARES Act financial awards from March 01, 2020 through to December 31, 2021.

Table 1 - Summary by Fiscal Periods

No of awards	Details	Federal Authorized Awards
4	<i>Awards for FY2020</i> Short Term and expired within Dec 31,2021	980,697
6	Expired after December 31, 2021	8,881,118
10	Sub-total	\$9,861,815
1	<i>Awards for FY2021</i> Short Term and expired within Dec 31, 2021	1,670,450
3	Expired after December 31, 2021	3,164,625
4	Sub-total	\$4,835,075
14	Grand Total	\$14,696,890

SOURCE: Department of Health based on data in the department’s accounting system

Why Did We Audit?

The audit was conducted as part of the Territorial Audit Office (TAO) annual audit plan. The Territorial Audit Office last audit (a *Compliance Audit* at the time) with the Department was conducted several years back. Yet the concept of performance auditing and the benefits to be derived are yet to determine and appreciate.

The current audit focus on funds allocated and received from the Coronavirus Aid, Relief and Economic Security (CARES) Act stimulus bill passed by the U.S. Congress. Under the CARES Act, American Samoa which is a territory of the United States was entitled and appropriated to the awards for 2019, 2020 and 2021FYs.

What Did We Audit?

The Territorial Audit office has completed a performance audit of the Department of Health general compliance efforts in the areas of CARES Act federal financial awards. The period under examination is from March 01, 2020 through to December 31, 2021.

Key Principles of Performance Auditing

Performance auditing is explained as an independent and objective examination of government undertakings, systems, programs or organizations, with regard to one or more of the three aspects of economy, efficiency and effectiveness, aiming to lead to improvements.

Performance auditing requires auditors to go beyond to examine how the Department of Health uses its resources and the impact of its activities. Division Managers and Supervisors are important in performance audits but most of them are not aware that it is supposed to bring them insight into the operations. They therefore assign most responsibilities to accountants and non-management staff and auditors therefore are unable to access data and information on time to complete and support the findings. This lacks of collaboration causes delays and prolonged the audit process.

RESULTS

What Did We Find?

The audit examination reveals the following:

1. Retention and availability requirements and adequate maintenance of supporting documentation is very poor. One of CARES Act federal awards conditions relating to Covid-19 funded activities is to retain records of all Covid-19 related relief fund payments such as payroll records and purchase orders, invoices and receiving reports for procurements.
2. After the fact purchases were noted where the proper approval was obtained after the department committed to purchases. The approval shall be made and obtained **before** not **after**.
3. The concept of the Payment Voucher (AP) system requires a review to address issues that derived during the Covid-19 activities.

4. A high number of vendors were paid in advance exempting vendors from the Procurement rules for prepayment of goods and services.
5. Payroll approval and authorization of work hours; incorrect employee pay-rates and manual recording of hours.
6. There were no vehicle rental agreements prepared for rental vehicles used during the covid-19 pandemic.
7. Not all Journal entries raised and posted into the accounting system have complete and proper supporting documents.
8. The file physical copies of Federal Financial Reports (FFR) maintained shows Forms are not completely filled out as required.

In addition to the main findings discussed under the "Findings and Recommendations" section and elsewhere in the report. The "Other Matters" section of the report contains additional information on detailed findings.

Challenges

Territorial Audit Office (TAO) experienced significant audit delays by not receiving require accounting information

The department has a duty to justify the establishment of internal controls over federal awards and provide reasonable assurance that funds were managed in agreement with regulations and the provisions of grant awards. These checks seek to confirm that the department has complied with all policies that govern each federal award and it is the duty of the department to make adequate preparations before the inspection by informing concerned staff, appointing the lead person and team and availing the required resources and provide access to the audit information.

During the course of the examination, the audit team encountered a number of limitations where the information that was requested was not readily available in a timely manner. It was our understanding that access to information begins once the Department of Health was notified of the commencement of the performance audit. Nevertheless, the Department of Health should entreat the information to make available as they would for any other important business of the department. Significant delays and sometimes uncooperative is frustrating and hurt the audit process. It waste valuable time and limits the audit process.

We highly recommend that the department shall have measurable goals and timeframes to mark their efforts to perform better. In addition, an action plan shall be in place laying-out clear objectives. Effective communication is an essential tool in achieving productivity and helps the audit process go smoothly. Management should understand that audits lower the regulatory risk. Audits are supposed to be preventive actions to help find nonconformities and areas for improvement. Thus, re-emphasizing the importance of higher and middle management's personnel role in the audit process.

QUESTION COSTS

Table 2

Award Agreement Nos.	ASG Org. Key	Project Period	Cumulative Funding	12-31-21 Actual Exps.	Question Costs
6 U3REP190562-01-03	V00938	7/1/19 - 6/30/21	\$150,000	\$150,000	
6 U3REP190562-01-01	F90938C	7/1/19 - 6/30/21	\$26,567	\$26,567	
1 9NU50CK000537C3	F90935C	4/21/20 - 7/31/24	\$411,385	\$361,748	
6 NU50CK000537-01-03	F90935D	4/21/20 - 7/31/24	\$3,909,524	\$1,806,191	\$10,640.60
1 H8CCS3485-01-00	F00931	3/15/20 - 3/14/21	\$58,550	\$56,722	
1 NU90TP922099-01-00	F00934	3/16/20 - 3/15/22	\$1,110,741	\$1,097,941	
1 HDCS36539-01-00	F00939	4/1/20 - 3/31/21	\$745,580	\$745,580	
1 H8ECS38906-01-00	F00936	5/1/20 - 4/30/22	\$2,843,384	\$169,861	
6 NH231P922591-02-01	V00902	7/1/20 - 6/30/24	\$140,000	\$122,304	\$2,800.00
6NU50CK000537-01-04	V00935	8/1/19 - 7/31/24	\$10,000	0	
6 NU50CK000537-02-02	V00936	8/1/20 - 7/31/24	\$406,084	\$188,357	\$10,837.00
D21AX10030-00 ***	V10979	2/10/21- 9/30/21	\$1,670,450	\$1,186,855	
6 X11MC41922-01-01	V00925	4/1/21 - 3/31/23	\$3,064,625	\$138,756	
1 H8FCS40304-01-00	A10933	5/1/21 - 9/30/23	\$100,000	\$203	

SOURCE: Department of Health based on data in the department’s accounting system
 *** unspent funds of \$165,335.24 were returned back to the grantor in 2022

With the current gaps in controls resulting from working remotely and social distance requirements, fraud risk might result. The breakdown in internal controls presents an opportunity for a potential fraud. With such an urgency and significant amount to spent, emerging risks that may encounter during the pandemic includes vendor and procurement fraud and the audit of payroll.

With the uncertainty caused by the Covid-19 creates problems in the audit process. This is because of the high level of uncertainty regarding the performance and economic situations influencing assumptions and estimates are difficult to determine. Additionally, this bears more risks because of significant complications and judgements required.

Internal controls are the policies and procedures management establishes to govern how the department conducts its work and fulfills its responsibilities. A well-managed department has strong controls across all of its internal operations. If effectively designed and implemented, controls help ensure that the information system is protected, conditions and rules are complied with and authorized personnel properly document and process financial transactions.

The audit approach looked at controls as a key indicator of whether the department is well managed. We focused on whether the department had adequate controls to ensure that it administered grants in compliance with federal and ASG requirements and guidelines and the department’s internal policies and procedures.

CONFLICTS OF INTEREST MANAGEMENT

The pandemic creates many financial, operational and personal difficulties. In other words, Covid-19 has affected the whole order of life. The audit reveals that an assessment of inherent and residual risks for various types of conflict of interest that could have occurred within the department has not been conducted.

We viewed a lack of adequate documentation of some key decisions or how the department identified and managed potential conflicts of interest. For procurements, there was no competition and no associated risk assessment was carried out. From an audit perspective, should the need to procure significant volumes of supplies and services with extreme urgency arises, the department and or government should identified and manage potential conflicts of interest and bias earlier in the procurement process.

Non-compliance with conflict of interest leaves the government and the department to potential fraud and waste. Without completed conflict of interest disclosure, we could not determine whether all conflicts of interest were properly identified and properly mitigated. It is best practice to declare conflict of interest certification on a regular basis. The department should identify, document and mitigate conflicts of interest and retain disclosures and resolutions for the record.

ACCESS and REPORTING OF ACCOUNTING TRANSACTIONS

Timeliness is an important qualitative attribute of financial reporting which require the information to be made available as rapidly as possible. The increase in the reporting lag reduces the information content and relevancy of the documents. The greater concern about the timeliness of information motivated several determinants of significant audit delays.

The department has a crucial role during the period of audit findings and the subsequent period. In addition to presenting any requested documents, the department should cooperate for an efficient audit. The findings in this audit and observations from other audit related work indicate that processes generally needs improvement. The management shall consider it as a priority otherwise issues will continue and escalated to become a greater concern in the future.

RETENTION and AVAILABILITY OF ACCOUNTING RECORDS

The filing system poses a high risk for the department. The unorganized record keeping which makes it difficult to submit accounting records in a timely fashion shows the absence of a central paper archive and that there are no rules or guidelines in how paper documents are managed. Instead employees are left to decide of how or even whether to file information. Our observations reveal bad record management as records were scattered in different locations and wasting time looking for lost records lose out efficiency and money (since time is money)

Management shall create a record management plan using a simple system and to update the record keeping processes which will minimize issues and improves the overall efficiency.

CONCLUSION

The audit reveals some internal control deficiencies which are discussed in the body of the report together with recommendations for improvement. In order to derive the intended benefit, audit recommendations should be effectively implemented in a timely manner. Further the department's current system is not well organized to tracking progress in implementation.

As a result of inconsistencies, the audit concludes that the management control framework was not operating effectively over the period under examination.

It is the Department's responsibility to manage the implementation of audit recommendations to which it has agreed including determining an appropriate strategy to help achieve timely and effective implementation. The successful implementation of audit recommendations requires senior management oversight, implementation approaches that set clear actions and timeframes and effective monitoring. Effective monitoring requires a system that accurately tracks progress and records the action of division heads and managers responsible for progressing action against timeframes.

The recommendations in the report will remain open until we received evidence that all recommendations have been implemented.

Summary of the Department's responses to the report

The Department of Health concurred to the findings and audit recommendations to improve internal controls and procedures. We considered the recommendations open pending completion of the planned action plan(s) and no time frame has been established nor confirmed by the department. We consider this as immediate and will follow up in our routine audit cycle plan.

FINDINGS and RECOMMENDATIONS

Areas of Increased Vulnerability

Finding No.1: QUESTION COSTS

a) ISSUE: Organization Cost Center V00925, American Rescue Plan

Voucher Ref.	Invoice Ref.	Check nos.	Amounts paid	Payment Description
Q284173	IN02053264	321710	\$2,800.00	Charter for transporting of human remains
Q287295	0013829	324620	\$8,037.00	Actual payment charge to Federal Funds ***
		Total	\$10,837.00	

***subscriptions for comprehensive medical literature for unpaid 2020 and 2021 outstanding fees. This is considered not a Covid-19 related activity.

The above award expires on March 31, 2023 and the audit reveals that the check payment on August 24, 2021 of \$2,800 was not clearly defined and considered in conflict with the authorized criteria of the grant. The Notice of Award Authorization specifies that the purpose provided is to prepare, promote, distribute, administer and track Covid-19 vaccine and carry out other vaccine-related activities.

Although the narrative budget includes medical evacuation under "Other Requests", there is no eligible outline for human remains delivery and the approval of costs is limited to what is reasonable and necessary. The audit views that "evacuation" in the context of approval relates to sheltering operations, emergency supplies and commodities and risk communication best practices for the public and officials in confronting hazards and disasters.

Department's Management Response

The question costs mentioned above are approved costs under this COVID-19 award. The Community Health Centers in Manu'a requires medical evacuation of a patient in critical condition or deceased because Manu'a Islands has temporary morgue facilities that can sustain for no more than 72 hours storage capacity. All these costs and actions are budgeted and allowable under this award.

Agreed to the statement in finding "the check payment on August 24, 2021 was not clearly defined". We admit that we misstated the payment description and failed to provide a thorough explanation to justify the cost.

Although there were no deaths caused or related to COVID-19, there were deaths that occurred in the Manu'a islands within this timeframe, which required immediate transport because the Community Health Centers in Manu'a operate without *special medical equipment and a morgue*.

As stated in the finding:

Although the narrative budget includes medical evacuation under "Other Requests," there is no eligible outline for human remains delivery...

However, in our case of “human remains,” exposing the human remains to the people, *if not* put in a morgue, could potentially expose healthy people to some illnesses or diseases. Therefore, it would qualify “transporting of human humans- Voucher Ref. Q284173” as an emergency medical evacuation reported under “Other Requests.”

Voucher Ref.Q284173 is an expense qualified as a “Polynesian Airline Manu’a Evacuation fee” as stated under the Other Requests” budget narrative.

As per recommendation, we plan to improve to comply with federal financial assistance's terms and conditions. In Addition, we are determined to improve on adequately recording and reporting all expenditures and financial transactions with supporting documents to justify the expenses to ensure that it is allowable for grant awards.

b) ISSUE: Organization Cost Center V00936, Expanding Capacity for Coronavirus Testing (ECT)

Purchase Order Ref.	Purchase Order ref.	Check Nos.	Amount paid	Payment description
P2110667 P2110668	211067 & 211068	327655	\$3,839.00	Conference table, envy chairs, chrome sled base and other pieces.

The above award expires on March 14, 2021 and the Notice of Award Authorization provides specifics mainly to administer and expand capacity for testing of Covid-19. The purpose of why furniture(s) was acquired cannot be determined as information was not adequately explained on payment supporting documents.

We are unable to verify the physical location of these items as the department does not maintain a complete listing or register of fixed assets.

Department’s Management Response

The award above is for the administering and expanding of testing for COVID-19 but also all the supports, supplies, personnel, and equipment for the expansion for ELC COVID-19 testing.

Oct 1, 2020, The Ninth Amended Declaration of Continued Public Health Emergency and State of Emergency for COVID-19 as stated.... “American Samoa’s four district health clinic with its operating capacity already being exceeded” and “Our only acute care hospital Lyndon Baines Johnson Tropical Medical Health Center lacks the physical ability to appropriately respond to epidemics and pandemics and must now divert operating resources to address this emergency need, thus causing the potential for health medication and health supply shortages and expanding the risk for a health catastrophe;” it would henceforth necessitate the funding of ECT to expand our territory health facilities in order to protect our people.

Thus, costs correlated to the core purpose of the funding Expanding Capacity-Coronavirus Test (ECT) includes any expenses solely for effectively and efficiently operating the facilities used for ELC COVID- 19 testing, all while under social distancing regulations.

Purchase Order Reference Number 211067 and 211068 reported as "Conference table, envy chairs, chrome sled base and other pieces" are supplies that have been constructively utilized to seat patients undergoing COVID-19 testing and conference tables to hold DOH personnel supplies in testing facilities of the Department of Health.

For improvement on efficient inventory monitoring, the Department of Health's Division management staff and Administrative Services Division will be strongly advised to emphasize training and reinforcement of specific routine duties as stated in the ASG DOH Administrative Policies and Procedures Section E.2-3

- Division management staff must reconcile and maintain an inventory record of all purchased item(s).
- Administrative staff is responsible for signing of all receiving reports for the department purchase under Purchase Order documents. An original copy of the Receiving Report must be filed with the purchase order copy in the account file with the Finance unit and Grants Accounting unit.
- Administrative staff must also keep an inventory record when fixed assets are involved.

c) ISSUE: Organization Cost Center F90935D, ELC Infectious Disease Covid-19

This award expires on July 31, 2024 and the Notice of Award Authorization provides specifics including overtime costs. The audit identified excess overtime hours and that we did not find a pre-approval documentation. Overtime is required to be pre-approved in writing prior to having incurred the overtime, by the appropriate delegate and to be approved by an individual with the delegated authority. As a result, one employee with a permanent status timesheet may have received excess overtime payment (*equivalent of a working double shift*). The hours do not seem realistic and a concern over his safety; people get tired physically and mentally and that is when mistakes can happen.

We view that the department did not fully comply with its own procedures governing the approval and payment of overtime. Such inconsistencies along with other disclosed control weaknesses inhibit the department's effectiveness in managing and controlling overtime costs.

Employee ID	Pay Period	Total Hours	Total Value \$
100751	PP12	85.00	\$2,660.15
	PP13	101.50	\$3,176.53
	PP14	117.00	\$3,661.62
	PP15	36.50	\$1,142.30
Total		<u>340.00</u>	<u>\$10,640.60</u>

SOURCE: Payroll Labor Distribution Report and Timesheets

Recommendation

It is recommended for the Department of Health to comply with terms and conditions of federal financial assistance. All expenditures and financial transactions must be properly supported by documentation that supports why the transaction is allowable for grant awards. Accounting records must be traced to source documentation and as such must demonstrate that costs are reasonable and allowable, within grant requirements and limits and consistently treated.

Department's Management Response

The pay periods listed above are the hours worked by the only Territorial Epidemiologist of American Samoa during the multiple ongoing operations, COVID-19 Border closures, Repatriation Efforts, COVID Vaccination, Testing and Limited weekly HA commercial flights. With the limited medical professional personnel, DOH staff has to perform different duties during the COVID-19 pandemic to ensure the safety of American Samoa, hence, American Samoa being COVID-19 free for two years.

"Excess overtime hours' were incurred because of the numerous amounts of work that needed to be performed to follow quarantine protocols that an individual could only perform with a particular skill set, experience, and certification. Unfortunately, in that instance, DOH had only one certified Epidemiologist. As a result, DOH used its limited resources to provide the best protection for our people.

Employee with ID 110751 was the *only* Territorial Epidemiologist of American Samoa at the time. Due to the lack of epidemiologists in American Samoa, the only epidemiologist had to be present at various testing sites such as COVID- 19 BORDER Closures, Repatriation Efforts, COVID Vaccination, Testing and Limited weekly HA commercial flights.

For future improvement, DOH is actively seeking a plan to enhance the collaboration between Division Managers and the Finance Division to store and monitor employee hours efficiently. In addition, our biometric clocks are currently in the process of being installed in all main division facilities, and our long-term goal is to monitor DOH employee hours daily on our automated system consistently. ***The Department of Health is in the process of hiring more medical physicians and or professions to eliminate the excessive overtime hours, and to abide by the Federal Labor Laws & Regulations.***

Finding No.2: AFTER THE FACT PURCHASES

ISSUE: Proper approval is sought after commitment and Purchase Orders are created after receipt of invoice and not in accordance with the ASG Procurement rules

Despite the emergency and the require need during the pandemic, the review of disbursements indicate that a number of payments process did not follow the procurement process and purchase requisitions and purchase orders were created after soliciting to vendors for purchasing supplies and performed services.

Failure to do so circumvents the approval process, promise payment to a vendor for funds that have not yet been encumbered for that purpose and increase the likelihood of fraud or waste through unauthorized expenses. The span in dates and missing documents is an audit concern.

Examples of Purchase Orders Created after Receipt of Invoice

ASG Org. Key	Suppliers Invoice dates	Purchase Orders issued dates	Dates paid	Check numbers	Payment amount	Comments
V00902	2/9/2021	2/23/2021	4/30/21	317309	\$3,455	The Purchase Order was issued after the invoice as indicated by dates.
V00902	2/2/2021	NO RECORD ON FILE	3/18/21	315844	\$5,625	Incomplete documentation; missing Purchase Order copy in file.
V00902	1/8/2021	3/3/2021	4/22/21	316927	\$6,750	Purchase Order was issued after the invoice as indicated by dates.
V00902	1/19/2021	2/11/2021	3/11/21	315680	\$3,750	Purchase Order was issued after the invoice as indicated by dates.
F90935D	6/2/2020	7/20/2020	8/20/20	308240	\$34,265	Purchase Order was issued after the invoice as indicated by dates.
V00936	8/4/2021	8/17/2021	1/27/22	327658	\$2,450	Purchase Order was issued after the invoice as indicated by dates.

Recommendation

It is important to adhere and reinforce requirements to have the complete process in place and approve prior to placing orders with vendors. This will make sure that the integrity of procurement rules and regulations are strictly maintained. After the fact purchases can create significant problems and in many ways:

- Result in duplicate payments
- Result in higher costs that have might been paid through standard purchasing methods
- Result in suppliers with unfavorable terms
- By pass Procurement and Purchasing policies

Department's Management Response

The normal routing process for one purchase usually takes 1 week to 2 months to complete. As DOH is at the forefront of medical emergencies, pandemics, epidemics and more, time is essential to accomplish DOH's mission and protect American Samoa. This requires swift and immediate action by DOH staff and local vendors leading to ATF. To avoid and completely eliminate this finding, DOH has been working closely with Procurement to creatively find ways to expedite the process to stay within regulations.

March 18, 2020; AMERICAN SAMOA DECLARATION OF PUBLIC HEALTH EMERGENCY AND STATE OR EMERGENCY COVID-19, "The public is advised that the current threat level is CODE BLUE. ASG departments are to stagger staffing coverage and use a four (day) work week for employees (10 hours/day) to ensure sufficient coverage but limited interpersonal exposure." Due to the restrictions, it definitely delayed the process more than the normal 1 week to 2 months. More so, the Ongoing Declaration of Public Health Emergency and State or Emergency COVID 19 reached the point where the threat was flagged at CODE RED, closing down most of the ASG normal operations that greatly affected the procurement process.

Now that American Samoa is out of the red code zone, DOH will assure that we follow the set Procurement procedures and regulations as stated in the *DOH SOP guidelines*:

- Initiates a purchase requisition with a quote or invoice through One-Solution by the DOH programs.
- DOH Director reviews and approves or rejects (once rejects, the PR requester shall seek Director for what's needed to clear the rejection cause and then re-submit a new PR#).

- Treasury Grant Analyst pending approval for review upon the DOH Director's approval
- Budget Analyst and Budget Key Leaders pending approval upon Treasury Grant Analyst approval
- Procurement Purchasing pending his/her approval is followed by their Supervisor and their CPO's approval.
- Goods purchased by this time shall generate a PO number to process receiving once the vendor signs the Acceptance copy of the PO.
- Receiving the goods from the vendors and tagging the equipment completes the Procurement process and then transmitting over the Accounts Payable Treasury for payout.

Finding No.3: VENDOR'S ADVANCE PAYMENTS

ISSUE: Procurement Process and Required Procedures

The department should have create a written justification that details the specific need for advance payments which then must be approved by the appropriate person in the department's financial management area and maintained in each grant file(s).

The department found it critical that funds must be issued as quickly as possible in order to respond effectively and efficiently to minimize the spread of covid-19. From the selected sample of twenty (20) approved advance payments totaling to approximately \$342k were tested to supporting documentation that shows missing Receiving Reports.

The audit review identified that one advance payment of \$112,939.23; check no.325413 (*inclusive handling fees of \$1,341.23*) has neither a Receiving Report prepared and filed nor any subsequent confirmation that supplies were received in full with a signature and date. This was for acquiring of Express COV2/RSV 10-Test Kits and Certified pre-owned GX Module 6 COL MB2.

Not properly documenting receipt of ordered supplies increases the risk of paying for items that were not received.

Why this finding matters

When something is paid in advance, it takes on greater risk and fewer recourse actions if something happens. It also undertakes additional administrative burden.

We understand that the decision to exempt some vendors from the Procurement pre-payment vendor's requirement was due to vendor's classification where ASG is set up as a "Cash-in Advance Customer".

Recommendation

We recommend as a prudent business practice to consider and assess risks associated with paying goods and services before it has received them and how any excess advance payment would be identified and how it would be recovered in cases advance payment exceeds the value of goods and services received.

The bottom line is even if exempt, uniform procurement rules should be followed to ensure transparency, competition and what was paid for goods and services was made at a fair price.

Department's Management Response

An increasing number of vendors have experienced delayed payments from ASG after providing a good or service. Further, during the COVID-19 outbreak, many vendors required payment in advance as it was an unpromising time. DOH's advanced payment customers did provide all goods and services as promised. However, we will take heed of the advice and seek vendors/suppliers who are willing to accept payment after the goods/services have been received, or negotiate for progress payment, if necessary. Moreover, during the COVID-19 outbreak and pandemic, vendors had backorders and shortage of medical supplies and medical equipment but advance payments allowed the American Samoa Department of Health to receive those items in a timely manner.

DOH complies with the recommendations as the ASG Accounts Payable Policies & Procedures Manual Section 2.4.1 *Advance Payments to Vendors - General Provisions* stated;

- Advance payments or prepayments shall be avoided whenever possible
 - Prudent business practice vendors no payment for goods or services until received
 - Government may suffer loss of interest on funds used to make advance payments
- Exceptions to the policy may include:
 - Foreign orders
 - High-cost equipment manufactured to meet functional specifications
 - Books, periodicals and newspapers, including trade and professional publications
 - Caterers for food and beverage service for large official functions where the caterer requires a deposit
 - Charges for research expeditions including transportation and expenses
 - Maintenance dues
 - Seminary/conference registrations

Finding 4: PAYMENT VOUCHER SYSTEM

ISSUE: Direct Payment Voucher threshold limit (or the Quick Purchase Order)

The use of the Direct Payment Voucher (DPV) baseline guide issued by Department of Treasury Finance Division 2014 manual states that "*the method is for smaller purchases and certain activities such as School Lunch Program (SLP) from local farmers*". While the objective brings convenience, we view a disadvantage from an audit perspective during the pandemic in that some payments revealed problems with documentation and some expenses were processed and paid despite being outside the recommended threshold amount. We also view that there was a lack of balance as expediency was prioritized over essential payment functions.

Furthermore, the ASG Department of Treasury Finance Division 2014 guidance manual provides the following guideline that "*The threshold for Direct Payment Voucher is \$500, without prior approval and the use of the Direct Payment Voucher above the threshold must be pre-approved by the Treasurer*". The authority for this flexibility was limited and our audit testing did not locate any documentation from the ASG Treasurer on prior-approval allowing purchases and services above the threshold to process and paid out. That documentation shall be maintained and submitted for audit review. We also have not seen an

executive approval to waive or specify alternative requirements for changes in connection with payments above the threshold limit.

Examples of payments processed through the Direct Payment Voucher

Account Number	Quick Voucher Ref.	Check Nos.	Payment Amounts	Nature of payment
F00939	Q267598		\$22,549.00	Medical equipment for CHC clinics/quarantine sites
F00939	Q267603		\$28,749.55	Computers and laptops
F90938C	Q267605	306504	\$26,567.00	Communication equipment
F00939	Q267606		\$33,500.00	Medical supplies; face masks, gloves/hand sanitizer
F00934	Q267612	306504	\$93,683.14	Communication radio activity
	Q287909	324381	\$681.25	Nurses rotation for immunization
	Q285871	324610	\$1,233.55	Toilet dispensers and floor mats
	Q287925	324620	\$8,037.00	Dues for medical literature for clinical practice
V00925	Q285564	326305	\$960.59	Service for two vehicles - DOH44 and DOH45

We are concerned that given the nature of emergency situations, the Department must include a risk planning that would identify measures to facilitate the creation of steps and procedures similar to the ones created in response to the covid-19 pandemic. The risk planning shall include steps and procedures which continue to function during emergency situations to prevent any improper payments before they occur.

Recommendation

Despite the urgency to prioritize expediency (rapid issuance of funds to meet crucial needs) and bypassing of some procurement processes and requirements, the processing of payments above the threshold should have follow the ASG Department of Treasury finance guidance manual. The guidance manual is the foundation of governance and policies and procedures were prepare and written for a specific purpose.

In addition, the Department shall document all procurement actions and maintain appropriate documents and records to support expenses charge against federal awards.

Department's Management Response

As stated, DOH's operation is time sensitive and requires quick turnaround time that normal payment voucher processes cannot provide. We concur to create an emergency situation and risk plan to share to Procurement and other parties involved. We will also work closely with the Department of Treasury to educate on their SOP of Direct/Quick Payment Vouchers and the type of pre-approval required processing QV's over \$500.

DOH will abide by the ASG Accounts Payable Policies & Procedures Manual Section 2.3 Direct Payments to Vendors;

- To expedite certain payments a direct payment voucher or quick order (QPO) can be utilized at the discretion of the Department Director or Agency Head.
- The direct or quick payment voucher may be used under specific conditions but never to avoid Procurement or Property Management policies or the Federal Common Rule for purchases under grants or federal award.
- The direct or quick payment vouchers will not be accepted for equipment or payroll type payments but generally only made from Materials & Supplies account or from "Other Expenses."

❖ **Issue No.2: The Accounts Payable Voucher (APV) Form is not properly completed**

The review of selected APV shows that not all information required on the forms are properly filled out and completed. It is expected that the form shall be authorized by a responsible person and this is done by endorsing a designated section on the payment voucher. AP Vouchers are prepared by the AP team, reviewed by the AP Manager and approved/authorized by Treasury management.

Examples of payable vouchers not completely filled out

ASG Org. Center	Check ref.	Amount \$	Details
F90935C	308770	\$29,250.00	"Approved By" line is not signed & dated
V90935C	312870	\$38,925.19	"Approved By" line is not signed & dated
F90935D	312875	\$12,450.00	"Approved By" line is not signed & dated
V00925	324616	\$3,920.00	"Approved By" line is not signed & dated

Why this finding matters

Although payments were effected, the issue is that an important feature of accounting is the control mechanism. Vouchers are particularly important in that it creates a paper trail which documents all of the people involved with a particular transaction, as well as their tasks associated with that transaction. In such a way, it is easier to assess who is responsible for what.

If those lines are not relevant and or required, the AP Voucher Form shall be revised and or amend.

Recommendation

We recommend that Accounts Payable Voucher (APV) Forms shall be properly filled out and signed off by responsible personnel. Failure to do so casts doubt on the authenticity of the payment. It also tells the approver (who shall reviews everything) to make sure that the information is accurate and then the payment is approved.

Department's Management Response

It is the Treasury's requirement that all signatures be present before any payment is processed. Complete and final vouchers are stored at the Department of Treasury's Disbursement Office. Files presented to the audit team are copies. It is the Treasury's responsibility to hold the originals with all required signatures.

Any vouchers passed on to the Budget office (the first routing of processing APV) will never be accepted unless it is signed by the approved authority. This applies to the Treasury's Accounts Payable office.

- The Department of Public Health will make note and practice making copies of the signed and authorized Accounts Payable Voucher to verify and to confirm that the APV is completely filled out for future reference.

❖ **Issue No.3: Not All Payments have Complete Supporting Documentation**

A clear trail of key documents to support procurement decisions was sometime missing. The initial vouching of disbursements was performed at the ASG Department of Treasury Disbursement Section as the Department of Health was unable to provide those at the time. The audit review reveals that not all payments have adequate supporting documentation. Documents such as copies of Purchase Orders and Receiving Reports were missing and could not be found.

The ASG Department of Treasury Finance Division 2014 guidance policy section 1.17 "Overview of Payment Process", subtitle Paperless Purchasing and Purchase Order states "When the goods are delivered, the Procurement Office completes a receiving report (RR) in the paperless webform, once completed and verified by a representative from the originating department examines the goods and authorizes receipt ... Once Accounts Payable (AP) has all of the necessary financial documents (PR, PO, Invoice, RR), they prepare a payment voucher which is reviewed and signed off by the AP Manager. Completed payment vouchers are then forwarded to the Finance Division for review".

For instance, the following documents were not located at the Department of Treasury, Disbursement Division storage room and also could not be made available by the Department of Health. We confirmed from the physical documentation that Receiving Reports "Pink Copies" were not filed and documents provided were re-printed copies and some are not readable. This is an audit concern.

Examples of payments with incomplete supporting documentation

ASG Organ. Key	No. of check payments	Total payments \$	Missing Documents
V00925	4	\$3,779.14	Receiving Reports copies not attached to AP Vouchers
V00938	3	\$16,445.00	Receiving Reports copies not attached to AP Vouchers
V90935C	1	\$2,001.23	Receiving Report copy not attached to AP Voucher
V90935C	2	\$80,625.19	No Inspection Reports attached to AP Vouchers

We are also unable to confirm that inspections were carried out for project jobs before partial and final payments were issued to contractors. There were no inspection reports nor other necessary documentation filed to confirm jobs were performed to the satisfaction of the Department.

We found the department's filing system as very unorganized.

Why this finding matters

Retention and Availability is an important condition of grant disbursements, and thus complete records must be retained for the entire retention period as indicated in the Notice of Awards.

Recommendation

The department should ensure that all payments supporting documentation shall be maintained on file after all the require checks have been performed and authorized by designated personnel in accordance with the ASG requirements and best business practices.

It is very important that the senior management team shall ensure that record keeping requirements are enforced and in-place. Timely spot checks shall be performed to ensure that responsible personnel are performing their duties accordingly.

Department's Management Response

It is also the Treasury's requirement that all reports be present before any payment is processed. The completed package for payment is stored and can be found at the Department of Treasury's Disbursement Office as they are responsible for all payouts. Files presented to the audit team are copies. It is the Treasury's responsibility to hold the originals with all required documentation.

A plan is now being implemented to improve and upgrade our file storing system to a cloud-based system for high-level protection, accessibility, and efficiency of all our supporting documentation: Purchase Requisition, Purchase Order, Invoice, and Receiving Report for our future reference. In addition, as per recommendation, DOH Finance Team shall regularly perform a timely spot check to endure that files are efficiently organized and securely stored.

In Section 3.1 Payment Processes of the ASG Accounts Payable Policies & Procedures Manual;

- “Proper supporting documentation: proper invoice, proper obligating document (purchase order or contract/lease), proper receiving report or special certification on contracts. Except for purchase orders, all documents must be original.”
- The Department of Public Health has been filing these supporting documents in completion as of the beginning of this Fiscal Year 2023.

Finding No.5: PAYROLL

Attestation, Verification and Approval

The audit defines attestations, verifications and approvals and discusses how these are achieved in the manual and automated system within the department’s environment:

- ✓ **Attestation** refers to an employee affirming the payroll data to be true, correct and accurate.
- ✓ **Verification** is a confirmation usually by the timekeeper or supervisor, that the recorded information is true, correct and accurate to the best of his/her knowledge.
- ✓ **Approval** is the division manager or other equivalent or higher level’s manager agreement, ratification or concurrence to the payroll data. Such approval represent that the actual time recorded by the employee or timekeeper is the best of the approving official’s knowledge true, correct and accurate and in accordance with applicable laws, regulations and legal decisions.

The evidence of attestations, verifications and approvals will of necessity differ between manual and automated systems. In the manual system, attestation, verification and approval is usually shown by a signature or initial of the individual on the time card/sheet document. The automated system has many types of electronic features offering different degrees of confidence, control and security. However, we identified from the system generated time reports that approval is done manually.

❖ Issue No.1: Authorization and Approval of Regular and Overtime Hours

The payroll process starts with employees or time administrators (Time Keeper) preparing and completing time sheets bi-weekly using manually recorded or automated clock hours. Most often, the review is performed by the Supervisor (Payroll Team under the Finance Section) and approve by the Deputy Director, Director or his designated. After timesheets are completed and approved, these are released to the Treasury Department Payroll Unit for processing.

However, we identified a number of control weaknesses in the Department’s timekeeping and payroll practices. These include written approval reflecting level of authority as there is no documentation as to who changes timesheets and payroll records, supervisory review of timesheets needs improvement and improvements needed to eliminate timesheet errors (*frequent missing employee punch hours*). We were unable to locate any documentation as to why employees continue to have missing punch hours.

The primary responsibility for authorizing and approval of timesheets rests with the Deputy Director, Director or his designee. Immediate supervisors and division managers must be aware of the worktime and absence of employees who they are responsible to ensure the reliability of the data. To the extent practical, changes to an employee normal schedule should be generally approved prior to the change actually occurring. Anticipated changes should be reviewed for approval or disapproval as soon as reasonable possible.

Failure to document time approval increases the risk of inaccurate time being approved and waste or loss. In addition, the department's reliance on incomplete timesheets as the source for proper approval increases the risk of unauthorized overtime earned.

Why this finding matters

The nature and extent of approval is such that management is accountable for the approval of an employee works. Without prior verification, the department cannot provide assurance for such changes or prevent inaccurate time recording. This helps to ensure that accurate payroll information is recorded and reported for the purposes of computing pay and related benefits.

Exceptions to the general prohibition of employees approving their own payroll data are intended to apply in certain situations or if the employee is a high level individual. In these situations, an official authorized by the department must grant advance authority in writing and the department must ensure that effective controls are in place to ensure the proper reporting of the payroll data.

Recommendation

By not following proper policies and procedures to support the approval process, there is no assurance mechanism to verify the accuracy and validity of timesheets or to prevent inaccurate time recording. An authorization affirms that a transaction is valid and typically takes the form of an approval by a higher level of management authority. Furthermore any incorrect timesheets and incorrect recording may result in the under or overpayment of wages.

Department's Management Response

IT Division is working diligently to install a biometric timeclock terminal at all DOH facilities/division to eliminate this finding and validate time in/out of employees.

At the Department of Health, not all the employees are able to use the biometric time clock to clock in and out daily due to the scope of work and the limited biometric timeclock terminals. However, some divisions have access to it, while others have to manually sign in and out daily to capture the working hours.

Our IT division diligently works to install all DOH divisions with a biometric time clock terminal. Operating and Monitoring employee hours using an automated system grants the DOH Finance team accessibility to many electronic features that enable "different degrees of confidence, control, and security".

In addition, the DOH is working to reinforce the duties of each Division Manager as stated in ASG *Department of Health Administration Policies and Procedures as stated under Payroll Section 2.*: "It is the responsibility of each Division Manager that every employee must time-in and time-out on each and every working day".

Division Managers have been strongly advised to comply with the *Payroll Verification and Approval Processes* involving keeping track of employee time and ensuring the time provided in employee time sheets are “true, accurate and validated to the best of their knowledge,” as per recommendations”.

❖ **Issue No.2: Retention and Availability of Payroll Records**

Our enquiries reveal that payroll records for the 2020 fiscal year were not properly filed. What we found is that payroll records were scattered in other locations instead of centralizing in a secured selected location. Again, this is an audit concern on the department’s inadequate filing system.

The maintenance of payroll records such as time cards/reports showing hours worked, overtime hours and so on are required by statute for instances the Inland Revenue Service (IRS) and the Department of Labor to be kept for a set amount of time and failure to do so could result in serious penalties and fines.

Moreover, the CARES Act requires grant disbursements including payroll records to be retained for five (5) as from the last payment made.

Recommendation

We recommend for the department to design a payroll management system which is efficient and is able to secure important documents. The department needs a good filing system to keep track of documents and consideration shall be made for the method of filing as there are lots of payroll records to manage. Security can also be an issue as such filing methods and or systems are often easily accessible by unauthorized personnel.

Department’s Management Response

DOH concurs to this recommendation and is formulating a plan to secure, organize and store all payroll files. The payroll management system is mainly handled by the Department of Treasury, Payroll Division. What we can establish on our side as the Department of Health is the payroll filing system to safe keep and maintained payroll records and files.

Finding No.6: VEHICLE RENTAL AGREEMENTS

❖ **Issue: Absence of Vehicles Rental Agreements supporting expenditures**

There were no agreements submitted by rental vendors to support payments for rental vehicles during the Covid-19 pandemic. The expenditure nature was necessary and needed due to the public health emergency crisis; however there was a lack in documentation and formality process.

The payment for agreed upon services from outside individuals and vendors should be supported by an agreement that specifies the agreed payment amount. In addition, the use of these rental vendors on the recommendation or guidance of a committee(s) was followed other than the department itself should be retained as the documented business justification.

Failure to have an agreement may result in a higher likelihood of paying an improper amount.

Examples of rental vehicle payments with different rates

ASG Cost Center	Reference Nos.	Monthly charge	Total Payment	Payment Description
F90935D	892433	\$2,700	\$5,400	Rental of Ford Ranger, 2 units
F90935D	892437	\$2,700	\$5,400	Rental of Ford Ranger, 2 units
F90935D	100592	\$2,400	\$2,400	Rental of Hyundai Tucson, 1 unit
F90935D	100578	\$3,600	\$3,600	Rental of Chevy 4DR Truck, 1 unit
F90935D	100599	\$2,480	\$2,480	Rental of Hyundai Tucson, 1 unit
F90935D	P2110121	\$2,550	\$5,185	Rental of Ford Escape, 1 unit

Why this finding matters

Having an executed (prepared and signed) rental vehicle agreement can potentially limit the department's liability exposure in the event of an accident.

Recommendation

The department shall execute proper agreements that adequately support payment of rental services. The agreements shall include but not limited to details such as vendor names and location, date of when services should be rendered, an agreed upon amount and other attributes deemed necessary. In addition, agreements should be included as part of supporting documentation when processing for payment.

Also, the department should maintain adequate supporting documentation with proper business justifications and approvals.

We therefore recommend that in future, lease agreements are extremely essential and shall be prepared and executed in the proper process.

Department's Management Response

Being time sensitive to react and respond to an emergency, DOH needs vehicles immediately for outreaches and more. However, as recommended, DOH will work closely with Procurement counterparts as well as formulate an emergency plan and risk assessment to avoid delays while adhering to the regulations. Furthermore, we concur and as of date, our finance team is informing our programs and divisions to assure that all leased vehicle rentals have contracts and agreements in place. This effort will be a continuous reminder as we move forward.

In our efforts to proactively perform our duties in various work sites, the Department of Health had to make a difficult decision to expedite the process of renting vehicles to meet this need.

The primary purpose of the rented vehicles is to transport travelers from commercial aircraft to quarantine sites and DOH personnel to:

- *Testing sites* conducted for parties entering American Samoa by commercial aircraft or vessels.
- *Regular In-home care* for the elderly population due to their serious vulnerability to COVID.
- *Quarantine sites* where groups of travelers regularly rotate to be quarantined for 14 days.

Finding No.7: JOURNAL ENTRIES

❖ **Issue: Documentation Not Retained for Journal (specifically for journal entries)**

Transactions that record, correct or adjust financial transactions are made directly to the general ledger and are called journal entries. For entries selected for review, we found out that not all journal entries have complete supporting documentation are filed. The amounts of adjusting entries were substantial and source documentation and/or other items necessary to substantiate the accuracy and appropriateness of journal entries were not attached and presumably were misfiled or lost.

The below shows that out of sixty five (65) journal entries selected for verification only eleven (11) or seventeen percent (17%) of journal entries have complete supporting documentation. Again, this was an audit concern and the department’s filing system needs improvement.

Account Number	No. of transactions selected	No of transactions with supporting docs.	No of transactions with missing documentation & total value
F00934	16	1	15 / \$244,678
F90935C	8	0	8 / \$85,072
V00902	8	0	8 / \$15,411
F90935D	19	0	19 / \$49,037
V10979	8	8	0 / \$Nil
F90938C	1	0	1 / \$26,567
V00936	3	0	3 / \$12,772
V00938	1	1	0 / \$Nil
V00925	1	1	0 / \$Nil

Recommendation

Providing appropriate supporting materials for financial transaction is an essential element of internal control. Proper documentation gives the approver adequate details to ensure transactions are reasonable and accurate and helps satisfy audit requirements. Such adequate documentation shall be securely filed or sufficient reference information to easily locate the adequacy of supporting documentation and must be retained by the Finance Department at all times.

Department’s Management Response

Completed journal entry packages with all supporting documentations are filed at the Department of Treasury’s main finance division due to their responsibility of keying in and posting. The journal entries received are initial drafts or copies. When a journal entry with all proper supporting documentation is needed, we contact our treasury analyst. To avoid an immense amount of paperwork, the finance team is working on finding a cloud-based system to store electronic copies of completed journal entries to settle this finding.

The Department of Treasury, Main Finance Division is most often responsible to secure and file the journal entries as it is another core scope of their daily tasks. The Department of Health may prepare journals or adjusting entries or entries especially when urgent corrections or adjustments are needed to be in effect as soon as possible, thus the filing stays with the Department of Treasury since they keyed in the entry or entries as well as posting it onto the accounting system, the One-Solution. For those instances, those are

the only entries that we could have filed, the journal entries that we submitted from our end. The journal entries for utilities and communications billings (ASPA, ASTCA) and the Indirect Cost (IDC) are prepared, keyed in and posted at the Department of Treasury, Main Finance Office.

Auditors Comments

For transparency and best practices, the Department of Health shall ask Treasury for complete copies of all journal entries passed for the record. Keeping complete supporting is an essential element of good internal control.

Finding No.8: FEDERAL FINANCIAL REPORT FORMS (FFR)

❖ **Issue: Remarks and Certification**

The audit review reveals that FFR forms required for grants reporting are not completed to the satisfaction in accordance with completion instructions. FFR physical copies made available for review were either not signed by the authorized certifying official and/or have no submission dates. The “Instructions for Completion the Federal Financial Report” states that Section 12 - 13, Remarks and Authorization requires the name and title of the authorized certifying official and that the authorized certifying official must sign.

The following observations were noted:

Recipient Account Nos.	Report Type	Exceptions noted
F90935C ELC Cares	Annual	Filed copy has no signature of Certifying Authorized Official and no submission date
F90935D	Annual	Filed copy has no signature of Certifying Authorized Official and no submission date
F00931	Final	Filed copy has no signature of Certifying Authorized Official
F00936	Annual	Filed copy has no signature of Certifying Authorized Official
F00939	Final	Filed copy has no signature of Certifying Authorized Official
V10979 Samoa Repatriation	Annual	Filed copy has no submission date

Recommendation

We recommend that required reports shall be properly completed in accordance with completion instructions as per (OMB # 4040-0014 which expires 02/28/2022) with completed copies to be filed. Reasons and/or explanations shall be provided and documented in file of why incomplete copies are filed.

Department’s Management Response

Completed FFR’s are filed by DOH’s treasury analyst at Department of Treasury main finance division. DOH’s files are first draft or copies prior to the submission. As mentioned, finance will be working on finding an electronic based system to file completed documentations of FFR’s to respond to this finding.

Moreover, a plan of reinforcement to abide with completion instructions of the Federal Financial Report Forms are in order to eliminate the finding of “missing signature of the Certifying Authorized official” and “Date of Submission”. The Department of Health concurred with the recommended action from onward.

OTHER MATTERS

❖ **Issue: Procuring Supplies - Vendors Management**

During the pandemic, the Department launched bulk purchasing process by placing large orders for medical supplies such as face masks to two (2) vendors whose line of businesses are not in the merchandising and purchasing area. The audit identified that the first vendor was paid \$52,500 and is an operator of a health fitness gym and the second vendor was paid \$13,200 and operates a fast food outlet.

Challenges to compliance

Nothing came to our attention to indicate self-interest unduly influenced the procurement we reviewed, however we view that policies and procedures in procuring the services were not fully follow and found it difficult for them to demonstrate that their procurement decisions were fair and impartial, obtained value for money and were transparent.

The department still need to upheld the basic principles of probity, integrity, impartiality and transparent in the procurement process.

Why this finding matters

The department remains accountable for the management of medical supplies it procures to help meet the needs even when using of third party service providers.

Recommendation

There are challenges that an organization can face in case of improper implementation of vendor management. By having a proper management system for vendors in place, the organization can benefit as a result of better prices and more options.

Department's Management response

The Department of Health concurs with the recommendation and will also derive a proper management system for vendors. DOH will abide by the process and policies in place by the American Samoa Government Office of Procurement with submitting the scope of work and the procurement request forms for any services or items needed. The ASG Procurement process will ensure competitive bidding and the fair pricing for services and items received by different agencies and departments.

❖ **Issue: Payroll - Timesheet and Attendance Records are Manually Recorded**

Employee time and attendance monitoring is a necessity for every business and organization. The manual and attendance practice is a traditional system that requires filling in attendance on manual timesheets. That being said, the manual time and attendance system has some benefits such as;

- a. It is cheaper (cost effective) and it does not require any hardware or software making it initial saving but can be easily manipulated as data is recorded manually.
- b. It is simple to use and;
- c. Resistant to power cuts (in rare instance of power outage).

However, the manual system is very time consuming and does not benefit the department in the long term. We have identified from audit testing that not all employees were using the automated time and attendance system, the biometric time clock. This practice assumes a huge degree of trust between the time administrators (Time Keeper) and the employee and requires employees to fill out their time accurately and honestly and not carry out time theft or buddy punching.

Furthermore, there is also a challenge by the Payroll team when collecting details about employees working hours and payroll processing without any errors. The audit identified ten (10) employees did not use the time clock to punch in and a missing time clock punch in form was used to fill out their hours. Two of these forms have no reasonable explanation as to why employees did not use the time clock.

The department at the time already has in place an automated time and attendance system. Although the government has been and was expected the understanding as covid-19 put employee health and well-being at the forefront of human resource management. This is not a time that human resource and payroll management missteps shall be forgiven and the need for good internal controls continues to exist.

Recommendation

As the department evolves toward increasingly automated methods of recording and reporting of employee work times, it is important to implement and maintain a well-defined system including a review of the current attendance system that provides management with confidence that controls are working as designed.

In addition, the department shall look at possible options (a risk and or a disaster plan) to have an employee time and attendance reporting system in place during unforeseen circumstances. Such plans shall include an infrastructure to work remotely or to make changes that are necessary during a crisis.

Department's Management Response

DOH is working diligently to install biometric timeclock terminals to avoid manipulation and time consumption. The Department of Health concurs with the recommended action.

❖ Issue: Payroll - Maintaining of Complete and Accurate Employee Pays and their Rates

Changing pay rates is typically not performed by the department payroll unit and is not compatible with their primary responsibility of processing employee pays. The Human Resource Department can access to change rates and only allowing the Treasury Payroll team to access payroll process. The department's related on occasions, the Human Resource may identify erroneous data for an employee and Human Resource will contact the Payroll/Finance for verification.

The audit review identified:

- Three (3) employees with incorrect pay amounts resulting in underpayments of \$394.
- One employee overtime rate was incorrectly computed (hourly rate was \$11.33) and overtime should be \$17, instead the overtime was paid at \$17.11
- One employee who worked on a holiday (whose hourly rate was \$5.21) was paid at \$11.07 when it should have been paid at \$10.42 (\$5.21 x 2).

Furthermore, the audit reveals inconsistencies in payroll calculations. Although reasonable explanations may exist for the inconsistencies, we were unable to locate complete payroll reconciliations or reconcile back to payroll reports within the time frame of the audit.

The audit identified that payroll reconciliations are not prepared and in place. Payroll reconciliation is one way to check that employees are being paid correctly and that any last minutes changes are accounted for.

In an expanded review outside of the sample, the audit identified seventeen (17) additional employees with the same issue resulting in \$3,696 in underpayments. Overpayments were noted but considered immaterial.

Why this finding matters

The earning and charge for leave entitlements are based on complete and accurate records of each employee hours worked. Therefore an accurate record of employee works shall be retained and provide as the basis for pay, leave and other benefits. In an automated environment, system edits and other tests can assist the department in the review and verification that time is accurate and allowable.

Employees shall be paid according to human resource policies and regulations. Incorrect calculation can cause problems and concerns with employees. The only way the department can determine that it is completely salary compliant is to carry out a regular or detailed payroll review.

Recommendation

We recommend updating current processes and procedures to include more robust compensating controls to timely detect and correct any instances of incorrect employee pay rates. The department should reviewed payroll procedures to ensure regulations and pay practices are consistent and compliant.

Department's Management Response

DOH has no control over the listed finding above as payroll is calculated by the Department of Treasury's payroll division. It is best to address the Department of Treasury payroll division as well as the Department of Human Resources with these inconsistencies. Salary adjustments and the rollback of salaries from the change of administration must be a factor but DOH has no control over the listed finding. DOH Payroll is only responsible for submitting timesheets of hours worked by the employees.

The American Samoa Government and all its payroll control is being monitored by the Department of Treasury Payroll division, while the salary adjustment is handled by the Department of Human Resources.

Auditors Comments

Timely follow up shall be made by the Personnel Section to both the Human Resources and Treasury Departments to ensure DOH have the current and accurate payroll information for each employee.

❖ *Issue: Contents of Employee Personnel Files - documentation is not always completed*

Storing and maintaining of employee records is a necessary aspect in any business or organization. The employee personnel files contain the history of employment relationship from employment applications through to exit interview and employment separation documentation and this is the role of the human

resource unit, maintaining of accurate and up to date records. Poor maintenance resulting from missing or not updated records can allow for or constitute violations of record keeping or retention requirements which could be swiftly resolved.

In this audit, we conducted a review of forty six (46) personnel files covering contracts and career service recruitments which show that around ninety percent of personnel files have the following; (a) some documents are not updated and (b) some documents are not in file, meaning records are missing. These documents include Employee Applications required as a pre-requisite at hiring, Forms 303 to reflect current salaries and wages, Exit Forms when separated from employment (*terminated or resigned*) and Employee Non-Disclosure Certifications.

We were informed during the audit process of the quality of personnel records prior to the relocation. Improvements have been made recently in this process and we observed that the personnel section took necessary steps to update all files (*Audit Checklists are attached to some files but not all*).

We encourage continuing with the update so that a significant number or ALL files are scrutinized and also observed that the current filing is maintained in locked cabinets, alphabetically organized.

Recommendation

The contents of employee personnel files are very important. Complete documentation and good filing provides guidance when hiring, training and promotion and so on. Adequate maintenance of information provides reliable business decisions with a record of how the employee began, where they are today and where they can be in the future. Maintaining a complete, accurate and current for each employee is a recommended best practice in any organization and business. It also supports human resources objectives and is the backbone of a human resources department.

Department's Management Response

As stated, the Department of Health's Human Resource Division is currently working on updating of all employees files and that the filing system is a working progress, securing their records and files in cabinets. Moving forward, the Human Resource Division is working ardently to make sure all the employees records are on file (updating if needed), all active and in active workers.

❖ Issue: Strengthen Internal Controls over Payroll Processing

A prerequisite to a good system of internal controls is maintaining adequate segregation of duties between employees so that no one employee or small group of employees have complete control over a particular financial transaction from beginning to end. Good internal controls over the payroll processing function ensure that one employee is not in a position to initiate and approve transactions. Our review of internal controls over the payroll process indicated a lack of segregation of adequate duties, which results in an internal control weakness.

We identified that a number of time sheets were reviewed and approved by the supervisor (as indicated by signatures on time sheet documents). This indicates that one person has performed two roles which are incompatible functions that results in the lack of segregation of duties and internal control weakness. When there is a lack of adequate segregation of duties with any process, compensating internal controls should be implemented to mitigate the risks related to the existing control weakness.

Recommendation

The Finance head shall ensure that adequate segregation of duties is in place and he should reviewed timesheets and related payroll documents as a compensating control for insufficient segregation of duties.

Department's Management Response

The Department of Health concurs and will remind our finance/payroll team to thoroughly check the timesheets as well as all other tasks to make sure segregation of duties' principle is in compliance with. Our CFO will be reviewing the payroll process before the final approval by the Director.

- ❖ **Issue: Administration Policies and Procedures Manual does not indicate that it was approved**

There is no evident that the department's current "Administration Policies and Procedures Manual" was **approved** before coming into effect. The hard copy that was given to the Audit Team was not signed.

Recommendation

It is the standard practice that Policies and Procedures Manual shall be approved by an Executive Committee or the Executive Director prior to coming into effect. The Manual shall be developed in accordance with all superseding policies and in accordance with applicable laws of the American Samoa Government and federal laws.

Department's Management Response

We concur and the Department of Health will look to make revisions if needed before the Manual is signed.

Finding No.9: FIXED ASSETS

Control Objective: To ensure all fixed assets are identified, recorded and regularly verified

- ❖ **ISSUE: Maintenance of a Fixed Asset Register and Physical Existence**

The review included a number of fixed assets acquired from CARES Act awards during the audited period. A spot check was carried out on December 01, 2022 by two audit staff with a member of the department. The audit inspection identified that the department does not maintain a fixed asset register and had not performed a department-wide physical inventory of fixed assets. Although some fixed assets are already inventoried, such assets were not fully reconciled.

Based on our review, we found the department's controls relating to fixed assets are insufficient and are functioning at marginal level. There is an indication that there may be a potential for loss as assets could go undetected. The audit identified that:

- fixed assets records were not reconciled
- details of fixed assets on payment vouchers do not matched details of fixed assets received nor located (for instance; hospital bedside cabinets - order not complete and different specs were given instead)

The audit identified a supply of air condition units valued at close to \$47k were installed at the Fatuoaiga quarantine site and could not determine whether the ownership is still under the Department of Health. We have not seen an agreement to that effect.

The department should have request the Property Management Office for a complete listing of the department's fixed assets and carried out a verification to ensure all fixed assets or some are still existed and in good condition.

Why this finding matters

Without a fixed asset register or a well-organized listing, the department can lose sight of its tangible assets. Physical verification is the primary responsibility of the management.

Some improvements are necessary and if weaknesses continue without attention, these will escalate to an unacceptable status.

Recommendation

We strongly recommend that a fixed asset register be maintained either in an excel spreadsheet, Word document or both.

A physical verification is essential to ensure the accuracy of fixed assets maintained. In addition, if fixed assets are not adequately tracked and inventoried, loss or misappropriations may go undetected. The department shall ensure that physical inventory is reconciled to fixed asset records, investigate all inventory variances and correct inventory records to accurately reflect the current on-hand quantities.

Department's Management Response

The Department of Health concurs to the finding and the recommendation. The Logistics Division will work closely with the Office of Property Management on consolidating all inoperable fixed assets and update the register for current and new fixed assets.

The DOH Personnel Office will be conducting a quarterly audit of personnel files to ensure all records are completed and updated accordingly. Also, Division Mangers are authorized to review their division's personnel files in the presence of the personnel file custodian and sign the control log accordingly.

Control Objective: To ensure Capital Expenditure is Justified and Approved

We found no significant weaknesses in relation to this control objective.

Capital expenditure is authorized depending on the nature of the addition and subject to standard procurement processes where expenditure is approved before it is made and in-line with governance procedures.

Control Objective: Depreciation is appropriate and in accordance with prevailing regulations

Associated risk is not achieving the control objective. Fixed assets may be incorrectly recorded in the financial records. The department does not keep a fixed asset register and had not undergone a physical verification process and it is highly likely that the number of assets is inaccurate.

Control Objective: Fixed asset disposals and write-offs are valid, authorized correctly and reflected in the financial records

The department does not maintain a fixed asset register and we are unable to confirm that fixed assets disposals are adequately processed.

Other Comments

▪ **EMPLOYEES ADDITIONAL PAYS and INCENTIVES DURING THE Covid-19 PANDEMIC**

During audit review, we came across employee additional pays and incentives which were part of the payroll processes. These extra payments were sourced from the general fund (local). We understand the department's employees have worked hard during the pandemic to provide essential services to the community; in some cases at considerable risk to their health and safety. And the department rewards those employees with incentives applied after the fact.

We view that payment of such additional reward has significance since the employee has already being paid for the work performed and therefore improper to use public funds to pay that employee a second time in the form of an additional after the fact payment.

We are of the view that incentives and bonuses should be provided only for meetings established performance standards or goals that exceeded normal employment requirements. Such incentives and bonuses also should be structured as a component of the compensation in return for which employees provide their services in such a way that employees have an expectation of earning the incentives or bonuses when they are performing their work.

▪ **IMPORTANCE OF EFFECTIVE EMPLOYEE TRAINING**

Our audit examination indicates that the department needs to align with changes in the knowledge and skills and one of the best ways to enhance knowledge and skills is through training. Training is very important because it represents a good opportunity to grow their knowledge base and improve their job skills to become more effective in the workplace. Despite the cost of training employees, the return on investment is immense if it is consistent.

The aforementioned weaknesses such as poor record filing, adequate maintenance and complete documentation are fundamental issues that highlight the need for effective employee training.

Recommendation

There are several benefits that derived from adequate organizing of employee trainings such as:

- Increased productivity and performance
- Uniformity of work processes
- Reduced wastage and supervision
- Improved organizational structure
- Boosted morale
- Improved knowledge of policies and goals
- Better workplace environment

Department's Management Response

The Department of Health concurs to the finding and the recommendation.

▪ **2021 COVID-19 TASK FORCE OPERATIONS REPORT - brief review**

During the Covid-19 pandemic, the ASG Government established the Covid-19 Task Force to manage activities undertaken by the government in which the appointed Lieutenant Governor was the Chairman. The mentioned report was made available to the Territorial Audit Office which covers Covid-19 travel operations and related costs from January to December 2021.

The following is an extract from the above report which shows the Covid-19 operations cost summary. Funding sources include various donors and the Department of Health:

Table 3: Total Covid-19 Operations Cost Summary

Hawaii/US repatriation flight operations	\$20,476,300
Hawaii/US commercial flight operations	\$8,256,454
Pacific/Inter-island flight operations	\$623,622
Vaccination outreach and incentives	\$6,058,383
Personnel including overtime	\$5,451,250
Grand Total	\$40,866,007

SOURCE: 2021 Covid-19 Task Force Operations Report

The Department of Health was one of the frontline departments in the Covid-19 operations and has incurred many hours in addition to and beyond regular work shifts. The Department of Health utilized a significant amount of funds for the following:

- ❖ medical supplies and equipment
- ❖ rental for vehicles, tents, tables and chairs
- ❖ personnel and repatriation costs

As at December 31, 2021 the Samoa Repatriation which is the Department's approved award under the CARES Act shows the following:

Award Agreement No.	ASG Org. Key	Authorized Award	12-31-21 Actual Expenditures
D21AX10030-00	V10979	\$1,670,450	\$1,186,855

The Department of Health also incurred capital improvement disbursements to a number of contractors which were contracted to construct facilities such as the Laboratory Project at Tafuna Health Clinic and installation and connection for electrical services for the Fagaalu Building generators.

Overall, we observed matters of interest that came to our attention such as;

- a. to how the Conflict of Interest of the Task Force members were declared and managed and what implications are for the advice that they offer to the Government. This becomes more significant during this pandemic in which the Covid-19 raised some ethical concerns.
- b. The figures contained in the Covid-19 Task Force Report, *pages 11 and 12* do not match with totals as claimed and paid out to the food vendor. Below are details;

Date of event	No of days	Invoice nos.	Repat. flight no.	No of passengers per the Report	Confirmed Head Count per invoice	Diff. over	* Sub-total amount	Value of difference (average)
4/28 to 05/13	15	042821-1	4	273	300	17	\$139,996	\$7,933
05/17 to 05/28	12	050721-1	5	212	300	88	\$110,400	\$32,384

Source: 2021 COVID-19 Task Force Operations Report

*excludes sales tax of 4.712%. The payment was made via a wire transfer on 06/03/2021.

Note: The vendor invoice does not identify how many are passengers, how many are support staff and others that forms part of the head count.

APPENDIX A: Background, Audit objectives, Scope, Methodology and Criteria

BACKGROUND

The Department of Health was established under the American Samoa Public Health Act contained in the American Samoa Annotated Code (A.S.A.C); Title 13, Chapter 2 and is responsible for protecting and promoting to the greatest extent possible through the public health system while respecting individual rights to dignity, health information privacy, nondiscrimination, due process and other legally protected interests.

The Department of Health is headed by a Director nominated by the Governor and confirmed by the House of Representatives and Senators. The authorized powers of the Director and the department is guided by principles contained in the American Samoa Annotated Code (A.S.A.C); Title 13, Chapter 2, "*guiding principles for director and department*". The appointee is on a contract basis of four (4) years tenure.

AUDIT OBJECTIVES

Our audit objectives were to determine if the American Samoa Government and the Department of Health administered the CARES Act provided funds in accordance with Federal regulations and guidelines and the American Samoa Government procedures and policies.

To accomplish our audit objectives, we obtained an understanding of grants objectives by reviewing grant agreements, solicitations for grant applications, progress and monitoring reports, financial reports and other correspondences and related documents. Evidence to support our conclusions was gathered from inquiries of management and staff as well as observations and review of documentation and tests of internal controls.

SCOPE

The audit encompassed fourteen (14) awards as of the end of December 2021 in response to the COVID-19 pandemic totaling to \$14.70 million. The cover period is from March 01, 2020 to December 31, 2021.

METHODOLOGY

We conducted this audit in accordance with standards applicable to performance audits contained in *Generally Accepted Government Auditing Standards* (GAGAS) issued by the Auditing Standards Board (United States), except for the peer review. We are scheduling a peer review for 2024. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We reviewed regulations, policies, procedures and inspection processes through interviews and document reviews. We judgmentally selected samples of disbursements and payroll transactions to determine if the Department complies with requirements of federal awards and the ASG procurement processes.

Internal Controls

In performing the audit, we evaluated internal controls used by the Department of Health for reasonable assurance that Covid-19 grants were administered in accordance with federal and ASG guidelines and requirements.

Our consideration of internal controls for administering the Department of Health grants would not necessarily disclose all matters that might be reportable conditions. Because of inherent limitations in internal controls, misstatements or noncompliance may nevertheless occur and not be detected.

Because this was a performance audit, our audit was not designed to provide an opinion on internal controls or to provide an opinion on the fair presentation of expenditures. Accordingly we provided no such opinions.

CRITERIA

The criteria used in conducting this audit included:

- American Samoa Annotated Code (A.S.C.A), Title 13 Chapter 2
- Department of Health Administration Policy and Procedures Manual
- Covid-19 financial awards, CARES Act Funding Notice of Awards
- Government Auditing Standards defines generally *accepted government auditing standards* (GAGAS), 2018 edition

Compliance

In conducting the audit, we performed tests to determine whether procedures and practices were consistent with applicable requirements. While generally compliant, with respect to the items tested, the Department of Health was not in complete compliance as described in the Findings and Recommendation Section of the report.

**REPORT FRAUD, WASTE and ABUSE
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Governor
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American Samoa Government
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Public Health
Prevent. Promote. Protect.
American Samoa
Department of Health

MOTUSA T. NUA
Director
FARAITOAFI M. UTU
Deputy Director
VESI FAUTANU TALALELEI JR.
Deputy Director

The mission of the Department of Health is to prevent, promote and protect the people of American Samoa against outbreaks or diseases. Throughout the past five years, DOH confronted and successfully overcome many mission-based challenges such as:

1. Effectively keeping coronavirus away from American Samoa's shores for two years while there was an outbreak globally. (2020 - 2022)
2. Controlling the outbreak of measles whereas our neighboring island of Samoa was not so fortunate with numerous children killed. (2019)
3. American Samoa Territorial Mass Drug Administration for Lymphatic Filariasis (2018 - 2019)
4. Preparedness and Recovery from the aftermath of Hurricane Gita (2017)
5. Controlling and prevention of Zika, Dengue Fever, Chikungunya and Ebola. (2013 - 2018)

All these efforts took quick action requiring the department to expedite and overrule procurement processes and move rapidly daily. The outbreak of coronavirus on the island required an even faster response and action resulting in inventive ways to receive much needed products and services to accomplish the mission.

During these operations, the Department of Health also changed many management level leaders and centralized its administrative management housing Director, Deputy Directors, finance, payroll, personnel, and other involved parties under one roof. These internal changes resulted in easier communication and immediate action across the board but also shifted physical documentations several times.

In any effort, it is important to reflect to identify improvements needed in order for the operation to function effectively and within regulations to further progress in all aspects of the department. DOH concurs with the recommendations from the audit office and will take the following actions as a corrective action plan:

1. Finding a cloud or electronic based system that can store digital files instead of physical documentation for easy accessibility and to save space.
2. Securing and sorting all physical files via locked cabinets or an available locked storage room.
3. Formulating an emergency plan and risk assessment for departmental accountability.
4. Installation of an electronic time-clock and register all DOH staff for timekeeping purposes
5. Working with Procurement and Treasury to creatively find ways to expedite the process while staying within regulations to avoid after the fact (ATF) purchases, over the limit quick voucher payments, uncontracted lease vehicles and others.

ASDOH RESPONSES TO: FINDINGS & RECOMMENDATIONS

Question Cost;

- a. Organization Cost Center V00925, American Rescue Plan

Voucher Ref.	Invoice Ref.	Check nos.	Amounts paid	Payment Description
Q284173	IN02053264	321710	\$2,800.00	Charter for transporting of human remains
Q287295	0013829	324620	\$8,037.00	Actual payment charge to Federal Funds *
		Total	\$10,837.00	

- *subscriptions for comprehensive medical literature for unpaid 2020 and 2021 outstanding fees. This is considered not a Covid-19 related activity.

RESPONSE: The question costs mentioned above are approved costs under this COVID-19 award. The Community Health Centers in Manu’a requires medical evacuation of a patient in critical condition or deceased because Manu’a Islands has temporary morgue facilities that can sustain for no more than 72 hours storage capacity. All these costs and actions are budgeted and allowable under this award.

Agreed to the statement in finding: “The Check Payment on August 24, 2021 was not clearly defined”. We admit that we misstated the payment description and failed to provide a thorough explanation to justify this cost.

Although there were no deaths caused or related to COVID-19, there were deaths that occurred in the Manu’a islands within this timeframe, which required immediate transport because the Community Health Centers in Manu’a operate without *special medical equipment and a morgue*.

As stated in the finding:

Although the narrative budget includes medical evacuation under “Other Requests,” there is no eligible outline for human remains delivery...

However, in our case of “human remains,” exposing the human remains to the people, *if not* put in a morgue, could potentially expose healthy people to some illnesses or diseases. Therefore, it would qualify “transporting of human humans- Voucher Ref. Q284173” as an emergency medical evacuation reported under “Other Requests.”

> Voucher Ref. Q284173 is an expense qualified as a “Polynesian Airline Manu’a Evacuation fee,” as stated under the “Other Requests” budget narrative.

As per recommendation, we plan to improve to comply with federal financial assistance's terms and conditions. In Addition, we are determined to improve on adequately recording and

reporting all expenditures and financial transactions with supporting documents to justify the expenses to ensure that it is allowable for grant awards.

b. Organization Cost Center V00936, Expanding Capacity for Coronavirus Testing (ECT)

Purchase Order Ref.	Purchase Order ref.	Check Nos.	Amount paid	Payment description
P2110667 P2110668	211067 & 211068	327655	\$3,839.00	Conference table, envy chairs, chrome sled base and other pieces.

- o Unrelated cost to the Core Purpose of the Funding (Expanding Capacity – Coronavirus Testing (ECT))

RESPONSE: The award above is for the administering and expanding of testing for COVID-19 but also all the supports, supplies, personnel, and equipment for the expansion for ELC COVID-19 testing.

· *Oct 1, 2020, The Ninth Amended Declaration of Continued Public Health Emergency and State of Emergency for COVID –19 as stated....“American Samoa’s four district health clinic with its operating capacity already being exceeded” and “ Our only acute care hospital Lyndon Baines Johnson Tropical Medical Health Center lacks the physical ability to appropriately respond to epidemics and pandemics and must now divert operating resources to address this emergency need, thus causing the potential for health medication and health supply shortages and expanding the risk for a health catastrophe;”* it would henceforth necessitate the funding of ECT to expand our territory health facilities in order to protect our people.

· Thus, costs correlated to the core purpose of the funding Expanding Capacity-Coronavirus Testing (ECT) includes any expenses solely for effectively and efficiently operating the facilities used for ELC COVID- 19 testing, all while under social distancing regulations.

> Purchase Order Reference Number 211067 and 211068 reported as **“Conference table, envy chairs, chrome sled base and other pieces, ”** are supplies that have been constructively utilized to seat patients undergoing COVID- 19 testing and conference tables to hold DOH personnel supplies in testing facilities of the Department of Health.

During the site visit and physical counts or audit of the fixed assets, the physical locations of these equipment were in the laboratory and ELC main office.

For improvement on efficient inventory monitoring, the Department of Health’s Division Management staff and Administrative Services Division will be strongly advised to emphasize training and reinforcement of specific routine duties as stated in **ASG DOH Administrative Policies and Procedures Section E. 2-3.**

- >Division Management Staff must reconcile and maintain an inventory record of all purchased items(s.)
- >Administrative staff is responsible for signing all receiving reports for the department purchases under Purchase Order documents. An original copy of the Receiving Report must be filed with the purchase order copy in the account file with the Finance Unit/ Grants Accounting Unit.
- >Administrative staff must also keep an inventory record when fixed assets are involved.

Employee ID	Pay Period	Total Hours	Total Value \$
100751	PP12	85.00	\$2,660.15
	PP13	101.50	\$3,176.53
	PP14	117.00	\$3,661.62
	PP15	36.50	\$1,142.30
Total		<u>340.00</u>	<u>\$10,640.60</u>

> **SOURCE:** Payroll Labor Distribution Report and Timesheets

Recommendation

It is recommended for the Department of Health to comply with terms and conditions of federal financial assistance. All expenditures and financial transactions must be properly supported by documentation that supports why the transaction is allowable for grant awards. Accounting records must be traced to source documentation and as such must demonstrate that costs are reasonable and allowable, within grant requirements and limits and consistently treated.

- Excess Overtime hours w/out pre-approved documentation



RESPONSE: The pay periods listed above are the hours worked by the only Territorial Epidemiologist of American Samoa during the multiple ongoing operations, COVID-19 Border closures, Repatriation Efforts, COVID Vaccination, Testing and Limited weekly HA commercial flights. With the limited medical professional personnel, DOH staff has to perform different duties during the COVID-19 pandemic to ensure the safety of American Samoa, hence, American Samoa being COVID-19 free for two years.

“Excess overtime hours’ were incurred because of the numerous amounts of work that needed to be performed to follow quarantine protocols that an individual could only perform with a particular skill set, experience, and certification. Unfortunately, in that instance, DOH had only one certified Epidemiologist. As a result, DOH used its limited resources to provide the best protection for our people.

> Employee with ID 100751 was the *only* Territorial Epidemiologist of American Samoa at the time. Due to the lack of epidemiologists in American Samoa, the only epidemiologist had to be present at various testing sites such as COVID- 19 BORDER Closures, Repatriation Efforts, COVID Vaccination, Testing and Limited weekly HA commercial flights.

For future improvement, DOH is actively seeking a plan to enhance the collaboration between Division Managers and the Finance Division to store and monitor employee hours efficiently. In addition, our biometric clocks are currently in the process of being installed in all main division facilities, and our long-term goal is to monitor DOH employee hours daily on our automated system consistently. *The Department of Health is in process of hiring more medical physicians and or professions to eliminate the excessive overtime hours, and to abide by the Federal Labor Laws & Regulations.*

After The Fact Purchases;

- Proper approval after commitment when it shall be before, bypassing the proper Procurement procedures

Recommendation

It is important to adhere to instructions and requirements regarding purchases which can include that Purchase Requisitions and Purchase Orders shall be executed before purchases are committed. This will make sure that the integrity of procurement rules and regulations are strictly maintained. After the fact purchases can create significant problems and in many ways:

- Result in duplicate payments
- Result in higher costs that have might been paid through standard purchasing methods
- Result in suppliers with unfavorable terms
- ▪ By pass Procurement and Purchasing policies

RESPONSE: The normal routing process for one purchase usually takes 1 week to 2 months to complete. As DOH is at the forefront of medical emergencies, pandemics, epidemics and more, time is essential to accomplish DOH's mission and protect American Samoa. This requires swift and immediate action by DOH staff and local vendors leading to ATF. To avoid and completely eliminate this finding, DOH has been working closely with Procurement to creatively find ways to expedite the process to stay within regulations.

***March 18, 2020; AMERICAN SAMOA DECLARATION OF PUBLIC HEALTH EMERGENCY AND STATE OF EMERGENCY COVID-19...** *"The public is advised that the current threat level is CODE BLUE. ASG departments are to stagger staffing coverage and use a four (day) work week for employees (10 hours/day) to ensure sufficient coverage but limited interpersonal exposure."* Due to the restrictions, it definitely delayed the process more than the normal 1 week to 2 months. Moreso, the Ongoing Declaration of Public Health Emergency and State of Emergency COVID 19 reached the point where the threat was flagged at CODE RED, closing down most of the ASG normal operations that greatly affected the procurement process.

Now that American Samoa is out of the red code zone, DOH will assure that we follow the set Procurement procedures and regulations as stated in the **DOH SOP guidelines**:

- Initiates a purchase requisition with a quote or invoice through OneSolution by the DOH programs.
- DOH Director reviews and approves or rejects (once rejects, the PR requester shall seek Director for what's needed to clear the rejection cause and then re-submit a new PR#).
- Treasury Grant Analyst pending approval for review upon the DOH Director's approval
- Budget Analyst and Budget Key Leaders pending approval upon Treasury Grant Analyst approval
- Procurement Purchasing pending his/her approval is followed by their Supervisor and their CPO's approval.

- Goods purchased by this time shall generate a PO number to process receiving once the vendor signs the Acceptance copy of the PO.
- Receiving the goods from the vendors and tagging the equipment completes the Procurement process and then transmitting over to Accounts Payable Treasury for payout.

Vendor's Advance Payments;

- Too many advance payments (20), yet there should be written justification detailing the specific need for advance payment and must be approved by management authority.
- This is noted as a high risk; goods could not be received completely and there are fewer recourse actions available once something happens.

Exceptional Circumstances

Exceptionally circumstances indicate advance payment is the least preferred method of payment. The standard approach is to issue payment after the receipt of goods and services. Before agreeing to advance payments, ASG should explore other possibilities.

For example: seek out other suppliers that will accept payment after they have delivered the goods or services or negotiate for progress payments.

Recommendation

We understand that the decision to exempt some vendors from the Procurement pre-payment vendor's requirement was due to vendor's classification where ASG is set up as a "Cash-in Advance Customer". However, we recommend as a prudent business practice to consider and assess risks associated with paying goods and services before it has received them and how any excess advance payment would be identified and how it would be recovered in cases advance payment exceeds the value of goods and services received.

- The bottom line is even if exempt, uniform procurement rules should be followed to ensure transparency, competition and what was paid for goods and services was made at a fair price.

RESPONSE: An increasing number of vendors have experienced delayed payments from ASG after providing a good or service. Further, during the COVID-19 outbreak, many vendors required payment in advance as it was an unpromising time. DOH's advanced payment customers did provide all goods and services as promised. However, we will take heed of the advice and seek vendors/suppliers who are willing to accept payment after the goods/services have been received, or negotiate for progress payment, if necessary. Moreover, during the COVID-19 outbreak and pandemic, vendors had backorders and shortage of medical supplies and medical equipment but advance payments allowed the American Samoa Department of Health to receive those items in a timely manner.

DOH complies with the recommendations as the ASG Accounts Payable Policies & Procedures Manual Section 2.4.1 Advance Payments to Vendors - General Provisions stated;

- Advance payments or prepayments shall be avoided whenever possible
 - Prudent business practice renders no payment for goods or services until received
 - Government may suffer loss of interest on funds used to make advance payments
- Exceptions to the policy may include:
 - Foreign orders
 - High-cost equipment manufactured to meet functional specifications
 - Books, periodicals and newspapers, including trade and professional publications
 - Caterers for food and beverage service for large official functions where the caterer requires a deposit
 - Charges for research expeditions including transportation and expenses
 - Maintenance dues
 - Seminary/conference registrations

Payment Voucher System;

- Direct/Quick Payment Vouchers was made for minor purchases of \$500 (Threshold) and for minor purchases such as the School Lunch Program (SLP) from local farmers.
- The threshold for Direct Payment Voucher is \$500, without prior approval of the Treasurer. There are no documentations of prior approval of purchases more than the threshold.

Recommendation

Despite the urgency to prioritize expediency (rapid issuance of funds to meet crucial needs) and bypassing of some procurement processes and requirements, the processing of payments above the threshold should have follow the ASG Department of Treasury finance guidance manual. The guidance manual is the foundation of governance and policies and procedures were prepare and written for a specific purpose.

In addition, the Department shall document all procurement actions and maintain appropriate documents and records to support expenses charge against federal awards.

We are concerned that given the nature of emergency situations, the Department must include a risk planning that would identify measures to facilitate the creation of steps and procedures similar to the ones created in response to the covid-19 pandemic. The risk planning shall include steps and procedures which continue to function during emergency situations to prevent any improper payments before they occur.



RESPONSE: As stated, DOH’s operation is time sensitive and requires quick turn around time that normal payment voucher processes cannot provide. We concur to create an emergency situation and risk plan to share to Procurement and other parties involved. We will also work closely with the Department of Treasury to educate on their SOP of Direct/Quick Payment Vouchers and the type of pre-approval required to process QV’s over \$500.

DOH will abide by the *ASG Accounts Payable Policies & Procedures Manual Section 2.3 Direct Payments to Vendors;*

- To expedite certain payments a direct payment voucher or quick order (QPO) can be utilized at the discretion of the Department Director or Agency Head.
- The direct or quick payment voucher may be used under specific conditions but never to avoid Procurement or Property Management policies or the Federal Common Rule for purchases under grants or federal award.
- The direct or quick payment vouchers will not be accepted for equipment or payroll type payments but generally only made from Materials & Supplies account or from “Other Expenses.”

➤ *Accounts Payable Vouchers (APV) Form is not properly completed;*

With examples

ASG Org. Center	Check ref.	Amount \$	Details
F90935C	308770	\$29,250.00	"Approved By" line is not signed & dated
V90935C	312870	\$38,925.19	"Approved By" line is not signed & dated
F90935D	312875	\$12,450.00	"Approved By" line is not signed & dated
V00925	324616	\$3,920.00	"Approved By" line is not signed & dated

➤

Recommendation

We recommend that Accounts Payable Voucher (APV) Forms shall be properly filled out and signed off by responsible personnel. Failure to do so casts doubt on the authenticity of the payment. It also tells the approver (who shall reviews everything) to make sure that the information is accurate and then the payment is approved.

➤

RESPONSE: It is the Treasury's requirement that all signatures be present before any payment is processed. Complete and final vouchers are stored at the Department of Treasury's Disbursement Office. Files presented to the audit team are copies. It is the Treasury's responsibility to hold the originals with all required signatures.

Any vouchers passed on to the Budget office (the first routing of processing APV) will never be accepted unless it is signed by the approved authority. This applies to the Treasury's Accounts Payable office.

- The Department of Public Health will make note and practice making copies of the signed and authorized Accounts Payable Voucher to verify and to confirm that the APV is completely filled out for future reference.
- *Not all payments have completed supporting documentation*
 - Complete supporting documentation includes – Purchase Requisition, Purchase Order, Invoice, and Receiving Report, if one is missing, documentation is incomplete.

With examples

ASG Organ. Key	No. of check payments	Total payments \$	Missing Documents
V00925	4	\$3,779.14	<i>Receiving Reports copies</i> not attached to AP Vouchers
V00938	3	\$16,445.00	<i>Receiving Reports copies</i> not attached to AP Vouchers
V90935C	1	\$2,001.23	<i>Receiving Report copy</i> not attached to AP Voucher
V90935C	2	\$80,625.19	No <i>Inspection Reports</i> attached to AP Vouchers

➤

Why this finding matters

Retention and Availability is an important condition of grant disbursements, and thus complete records must be retained for the entire retention period as indicated in the Notice of Awards.

Recommendation

We strongly recommend that all payments supporting documentation shall be securely filed after all the require checks have been performed and authorized by designated personnel in accordance with recommended business practices. Since funds were federally authorized awards, conditions and requirements must be strictly observed and complied with.

- It is very important that the senior management team shall ensure in future that record keeping requirements are enforced and in-place. Timely spot checks shall be performed to ensure that
- responsible personnel are performing their duties accordingly.

RESPONSE: It is also the Treasury's requirement that all reports be present before any payment is processed. The completed package for payment is stored and can be found at the Department of Treasury's Disbursement Office as they are responsible for all payouts. Files presented to the audit team are copies. It is the Treasury's responsibility to hold the originals with all required documentation.

A plan is now being implemented to improve and upgrade our file storing system to a cloud-based system for high-level protection, accessibility, and efficiency of all our supporting documentation: Purchase Requisition, Purchase Order, Invoice, and Receiving Report for our future reference. In addition, as per recommendation, DOH Finance Team shall regularly perform a timely spot check to ensure that files are efficiently organized and securely stored.

In Section 3.1 Payment Process of the ASG Accounts Payable Policies & Procedures Manual:

- “Proper supporting documentation: proper invoice, proper obligating document (purchase order or contract/lease), proper receiving report or special certification on contracts. Except for purchase orders, all documents must be original.”
 - The Department of Public Health has been filing these supporting documents in completion as of the beginning of this Fiscal Year 2023.

Payroll;

- Authorization and Approval of Regular and Overtime hours reveals that the “Frequent Missing Employee Punch Hour” is a repetitive issue that needs corrective action (This refers to the form used for manual timesheets/sign-ins).

Recommendation

- By not following proper policies and procedures to support the approval process, there is no assurance mechanism to verify the accuracy and validity of timesheets or to prevent inaccurate time recording. An authorization affirms that a transaction is valid and typically takes the form of an approval by a higher level of management authority. Furthermore any incorrect timesheets and incorrect recording may result in the under or overpayment of wages.
-

RESPONSE: IT Division is working diligently to install a biometric timeclock terminal at all DOH facilities/division to eliminate this finding and validate time in/out of employees.

At the Department of Health, not all the employees are able to use the biometric time clock to clock in and out daily due to the scope of work and the limited biometric timeclock terminals. However, some divisions have access to it, while others have to manually sign in and out daily to capture the working hours.

Our IT division diligently works to install all DOH divisions with a biometric time clock terminal.

> Operating and Monitoring employee hours using an automated system grants the DOH finance team accessibility to many electronic features that enable “different degrees of confidence, control, and security.”

In addition, DOH is working to reinforce the duties of each Division Manager as stated in ASG Department of Health Administration Policies and Procedures as stated under Payroll Section 2.1: **“It is the responsibility of each Division Manager that every employee must time- in and time -out on each and every working day”**.

>Division Managers have been strongly advised to comply with the *Payroll Verification and Approval Processes* involving keeping track of employee time and ensuring the time provided in employee time sheets are **“true, accurate and validated to the best of their knowledge,”** as per recommendations.

Retention & Availability (Payroll);

- Retention and Availability of Payroll Records shows that the files were not being filed properly, not centralizing into a selected area

- Retaining these payroll files with all the grant disbursements related to CARES Act is required to for up to 5 years from last payment made

➤ **Recommendation**

We strongly recommend for the department to design a payroll management system which is efficient and is able to secure important documents. The department needs a good filing system to keep track of documents and consideration shall be made for the method of filing as there are lots of payroll records to manage. Security can also be an issue as such filing methods and or systems are often easily accessible by unauthorized personnel.

RESPONSE: DOH concurs to this recommendation and is formulating a plan to secure, organize and store all payroll files.

The payroll management system is mainly handled by the Department of Treasury, Payroll Division. What we can establish on our side as the Department of Health is the payroll filing system to safekeep and maintain the payroll records and files.

Vehicle Rentals Agreement;

- Vehicles that were used during the Covid-19 pandemic does not have rental agreements, and vendors should've been reached out by the department for quoted to compare reasonable rates

With examples

ASG Cost Center	Reference Nos.	Monthly charge	Total Payment	Payment Description
F90935D	892433	\$2,700	\$5,400	Rental of Ford Ranger, 2 units
F90935D	892437	\$2,700	\$5,400	Rental of Ford Ranger, 2 units
F90935D	100592	\$2,400	\$2,400	Rental of Hyundai Tucson, 1 unit
F90935D	100578	\$3,600	\$3,600	Rental of Chevy 4DR Truck, 1 unit
F90935D	100599	\$2,480	\$2,480	Rental of Hyundai Tucson, 1 unit
F90935D	P2110121	\$2,550	\$5,185	Rental of Ford Escape, 1 unit

Why this finding matters

- Having an executed (prepared and signed) rental vehicle agreement can potentially limit the department's liability exposure in the event of an accident.

Recommendation

Preparation of vehicles rental agreements are very important as this outlines all costs involved to the lessee (Department of Health) and all responsibilities of the lessee from the start of rental until it ends. In simple terms, it protects the Department from any financial burden that may occur.

- We therefore recommend that in future, lease agreements are extremely essential and shall be prepared and executed in the proper process.

RESPONSE: Being time sensitive to react and respond to an emergency, DOH needs vehicles immediately for outreaches and more. However, as recommended, DOH will work closely with Procurement counterparts as well as formulate an emergency plan and risk assessment to avoid delays while adhering to regulations. Furthermore, we concur and as of date, our finance team is informing our programs and divisions to assure that all leased vehicle rentals have contracts and agreements in place. This effort will be a continuous reminder as we move forward.

In our efforts to proactively perform our duties in various work sites, the Department of Health had to make a difficult decision to expedite the process of renting vehicles to meet this need.

The primary purpose of the rented vehicles is to transport travelers from commercial aircraft to quarantine sites and DOH personnel to:

- > **Testing sites** conducted for parties entering American Samoa by commercial aircraft or vessels.
- > **Regular In-home care** for the elderly population due to their serious vulnerability to COVID.
- > **Quarantine sites** where groups of travelers regularly rotate to be quarantined for 14 days.

Journal Entries;

- Almost all journal entries are missing supporting docs (these entries are mainly the Treasury's responsibilities since they create and post the entries when adjustments are needed accordingly).

Recommendation

- Providing appropriate supporting materials for financial transaction is an essential element of internal control. Proper documentation gives the approver adequate details to ensure transactions are reasonable and accurate and helps satisfy audit requirements. Such adequate documentation shall be securely filed or sufficient reference information to easily locate the adequacy of supporting documentation and must be retained by the Finance Department at all times.
-

RESPONSE: Completed journal entry packages with all supporting documentations are filed at the Department of Treasury’s main finance division due to their responsibility of keying in and posting. The journal entries received are initial drafts or copies. When a journal entry with all proper supporting documentation is needed, we contact our treasury analyst. To avoid an immense amount of paperwork, the finance team is working on finding a cloud-based system to store electronic copies of completed journal entries to settle this finding.

The Department of Treasury, Main Finance Division are most often responsible to secure and file the journal entries as it is another core scope of their daily tasks. The Department of Health may prepare journals or adjusting entries or entries especially when urgent corrections or adjustments are needed to be in effect as soon as possible, thus the filing stays with the Department of Treasury since they keyed in the entry or entries as well as posting it onto the accounting system, the OneSolution. For those instances, those are the only entries that we could have filed, the journal entries that we submitted from our end. The journal entries for utilities and communications billings (ASPA, ASTCA) and the Indirect Cost (IDC) are prepared, keyed in and posted at the Department of Treasury, Main Finance Office.

Federal Financial Report Forms;

- FFRs are not completely filled out; some reports (FFRs) are missing the signature of the Certifying Authorized Official and no date of Submission shown. Instruction for Completion of Federal Financial Report requires for Sections 12-13; Remarks and Authorization, stating the name and the title of the authorized certifying official, with his/her signature.

Recommendation

- We recommend that required reports shall be properly completed in accordance with completion instructions as per (OMB # 4040-0014 which expires 02/28/2022) with completed copies to be filed. Reasons and/or explanations shall be provided and documented in file of why incomplete copies are filed.
-

RESPONSE: Completed FFR's are filed by DOH's treasury analyst at Department of Treasury main finance division. DOH's files are first draft or copies prior to the submission. As mentioned, finance will be working on finding an electronic based system to file completed documentations of FFR's to respond to this finding.

Moreover, a plan of reinforcement to abide with completion instructions of the Federal Financial Report Forms are in order to eliminate the finding of "missing signature of the Certifying Authorized official" and "Date of Submission".

The Department of Health concurred with the recommended action from onward.

OTHER MATTERS' – FINDINGS

Procuring Supplies – Vendors Management;

- During the pandemic, there were 2 vendors that DOH purchased from that are both non-related to merchandise and purchasing area; one is of a health fitness gym operator while the other operated a fast-food outlet
- Policies and procedures in procuring the services were not fully followed and were difficult to demonstrate the procurement decisions were fair and impartial, obtained value for money and were transparent
- Principles of probity, integrity, impartiality and transparent in the procurement process need to be upheld by the department

Recommendation

- There are challenges that an organization can face in case of improper implementation of vendor management. By having a proper management system for vendors in place, the organization can
- benefit as a result of better prices and more options.

RESPONSE: The Department of Health concurs on the recommended action, and will also derive a proper management system for vendors.

DOH will abide by the process and policies in place by the American Samoa Government Office of Procurement with submitting the scope of work and the procurement request forms for any services or items needed. The ASG Procurement process will ensure competitive bidding and the fair pricing for services and items received by different agencies and departments.

Payroll – Timesheet and Attendance records are Manually recorded;

- Despite the following benefits of using manual timesheet and monitoring attendance;
 - Cheaper (cost-effective)
 - Simple to use
 - Resistant to power-outage cuts
 - Manual system can be easily manipulated, and it is very time consuming

Recommendation

As the department evolves toward increasingly automated methods of recording and reporting of employee work times, it is important to implement and maintain a well-defined system including a review of the current attendance system that provides management with confidence that controls are working as designed.

In addition, the department shall look at possible options (a risk and or a disaster plan) to have an employee time and attendance reporting system in place during unforeseen circumstances. Such plans shall include an infrastructure to work remotely or to make changes that are necessary during a crisis.

-

RESPONSE: As stated above, DOH is working diligently to install biometric timeclock terminals to avoid manipulation and time consumption. The Department of Health concurs with the recommended action.

Payroll – Maintaining of Complete and Accurate Employee Pays and their Rates;

- Incorrect pay rates resulting to employee underpayments (3) of \$394
- One of employees’ overtime rate had an error with
- An employee who worked on a holiday got overpaid rate from his/her regular rate
- Inconsistencies in payroll calculations
- Unable to locate complete payroll reconciliations or reconcile back to payroll reports

Recommendation

We recommend updating current processes and procedures to include more robust compensating controls to timely detect and correct any instances of incorrect employee pay rates. The department should reviewed payroll procedures to ensure regulations and pay practices are consistent and compliant.

-

RESPONSE: DOH has no control over the listed finding above as payroll is calculated by the Department of Treasury’s payroll division. It is best to address the Department of Treasury payroll division as well as the Department of Human Resources with these inconsistencies. Salary adjustments and the rollback of salaries from the change of administration must be a factor but DOH has no control over the listed finding. DOH Payroll is only responsible for submitting timesheets of hours worked by the employees.

The American Samoa Government and all its payroll control is being monitored by the Department of Treasury Payroll division, while the salary adjustment is handled by the Department of Human Resources.

Contents of Employee Personnel Files – documentation is not always completed;

- Some employee files (contracts and career services) are either;
 - Not updated, or
 - Not in file (missing)
- Such documents include (1) Employee Application, (2) Form 303, (3) Exit Forms, and (4) Employee Non-Disclosure Certifications

Recommendation

The contents of employee personnel files are very important. Complete documentation and good filing provides guidance when hiring, training and promotion and so on. Adequate maintenance of information provides reliable business decisions with a record of how the employee began, where they are today and where they can be in the future. Maintaining a complete, accurate and current for each employee is a recommended best practice in any organization and business. It also supports human resources objectives and is the backbone of a human resources department.

➤

RESPONSE: As stated, the Department of Health’s Human Resource Division is currently working on updating all the Employees’ files and their filing system is a working progress, securing their records and files in the cabinet. Moving forward, the Human Resource Division is working ardently to make sure all the Employees records are on file (updating if needed), all active and in active workers.

Strengthen Internal Controls over Payroll Processing;

- Segregation of duties between employees so that no employee should be doing two or more duties and take control over the job task.
- Payroll processing for some timesheets detected that the supervisor reviewed and approved the timesheet
 - If the Supervisor reviews, the higher-up, a Manager or related hierarchy shall be the timesheet approval

Recommendation

The Finance head shall ensure that adequate segregation of duties is in place and he should reviewed timesheets and related payroll documents as a compensating control for insufficient

- segregation of duties.

RESPONSE: The Department of Health concurs and will remind our finance/payroll team to thoroughly check the timesheets as well as all other tasks to make sure segregation of duties' principle is in compliance with. Our CFO will be reviewing the payroll process before the final approval by the Director.

Administration Policies and Procedures Manual does not indicate that it was approved;

- The DOH Policies and Procedures Manual given to the audit team was not signed, indicating that it has not been approved yet.

Recommendation

It is the standard practice that Policies and Procedures Manual shall be approved by an Executive Committee or the Executive Director prior to coming into effect. The Manual shall be developed in accordance with all superseding policies and in accordance with applicable laws of the

- American Samoa Government and federal laws.

RESPONSE: The Department of Health will look to make revisions if needed before the Manual is signed. We concur.

Maintenance of a Fixed Asset Register and Physical Existence;

- There is no Fixed Asset Register and there are no department-wide physical inventory fixed assets
 - Some fixed assets were inventoried, but were not fully reconciled

- Details of Fixed Asset on payment vouchers do not matched details of fixed assets received nor located

Recommendation

We strongly recommend that a fixed asset register be maintained either in an excel spreadsheet, Word document or both.

- A physical verification is essential to ensure the accuracy of fixed assets maintained. In addition, if fixed assets are not adequately tracked and inventoried, loss or misappropriations may go undetected. The department shall ensure that physical inventory is reconciled to fixed asset records, investigate all inventory variances and correct inventory records to accurately reflect the current on-hand quantities.

RESPONSE: The Department of Health concurs to the finding and the recommendation. The Logistics Division will work closely with the Office of Property Management on consolidating all inoperable fixed assets and update the register for current and new fixed assets.

The DOH Personnel Office will be conducting a quarterly audit of personnel files to ensure all records are completed and updated accordingly. Also, Division Managers are authorized to review their division's personnel files in the presence of the personnel file custodian and sign the control log accordingly.

Importance of Effective Employee Training;

- The aforementioned weaknesses analysis of poor record filing, adequate maintenance and complete documentation are fundamental issues that calls for effective employee training

Recommendation

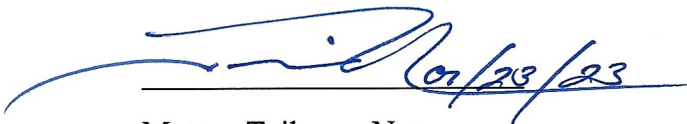
There are several benefits that derived from adequate organizing of employee trainings such as:

- Increased productivity and performance
- Uniformity of work processes
- Reduced wastage and supervision
- Improved organizational structure
- Boosted morale
- ▪ Improved knowledge of policies and goals
- ▪ Better workplace environment

RESPONSE: The Department of Health concurs to the finding and the recommendation.

DOH concurs to all the findings mentioned in this audit report and are actively training employees to strengthen their understanding of the importance of being organized, properly stating documentation for great productivity and future growth for the Department of Health.

NOTE: The Department of Health is currently making revision and amendments of the Standard Operating Procedures (as known as SOP) in accordance as a set benchmark that we shall follow, aligning with the American Samoa Government's SOP. Moving forward, the Department of Health plans on conducting a monthly departmental review to ensure we align with all ASG policies and procedures.



A handwritten signature in blue ink, appearing to read 'Motusa Tuileama Nua', with the date '01/23/23' written below it.

Motusa Tuileama Nua
Director
Department of Health