

Management Letter

Chuuk State Government

Year ended September 30, 2022



July 29, 2024

Mr. Jonas Paul
Director
Department of Administrative Services
Chuuk State Government

In planning and performing our audit of the financial statements of Chuuk State Government (hereinafter referred to as the State) as of and for the year ended September 30, 2022, in accordance with auditing standards generally accepted in the United States (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

During our audit, we noted the following deficiency in internal control as described above:

Physical Verification Counts for Capital Assets

The State should conduct physical verification of capital assets preferably close to the September 30th fiscal year end. Any discrepancies should be resolved in a timely manner.

Should there be a need to record deletions/additions to capital assets, then a written approval from a department head should be obtained.

Mr. Jonas Paul
Chuuk State Government

July 29, 2024

This communication is intended solely for the information and use of the management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

At this time, we would like to extend our appreciation to the management, and the rest of the accounting staff for the excellent cooperation extended to us during our audit.

We would be pleased to discuss the above matters or to respond to any questions, at your convenience.

Sincerely,

Ernst + Young LLP