

Management Letter

College of Micronesia-FSM

(A Component Unit of the Federated States of Micronesia
National Government)

Year Ended September 30, 2023



June 16, 2025

Management and the Board of Regents
College of Micronesia-FSM

In planning and performing our audit of the financial statements of College of Micronesia-FSM (the College) as of and for the year ended September 30, 2023, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the College's internal control over financial reporting (internal control) as a basis for designing our audit 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 College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College'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 deficiencies in internal control (as described above):

Invalid Bank Reconciling Items

Observation

The College improperly included \$1,200,000 interbank transfer transacted after year-end in the September 2023 bank reconciliation.

Recommendation

Management should revisit its process of identifying reconciling items during the closing process to ensure that accurate balances are being reported.

Inventory Count

Observation

The College is unable to reconcile the audit inventory count differences in Kosrae Campus which potentially understated inventories by approximately \$139,000.

Based on observation, the College's counts were performed by persons who are normally responsible for the physical custody of the inventory.

Recommendation

We recommend that management perform and document the roll forward or backward of the total counted inventory value from the count date to the statement of financial position date and material differences should be timely investigated and corrected.

We recommend that management appoint different persons in performing the counts to ensure proper segregation of custody, authorization and recordkeeping duties.

Long-outstanding Liabilities

Observation

The College has liabilities of approximately \$262,000 and \$131,000 that are aging beyond one year and relating to stale checks, respectively.

Recommendation

We recommend management to periodically monitor the status of the liability accounts and record adjusting entries on a timely manner.

Internal Control for Cash Management and Reporting

Observation

The College is unable to follow their established procedures for compliance with cash management and reporting requirements. The Comptroller prepares and submits requests for drawdown and reports without prior review and approval from the President.

Recommendation

We recommend the management to appoint different persons in preparing the request for drawdowns and reports to ensure that proper segregation of duties is observed.

Management and the Board of Regents
College of Micronesia-FSM

We have separately reported in our letter dated June 16, 2025 addressed to the Board of Regents certain matters involving internal control and its operation that we consider to be significant deficiencies and/or material weaknesses under standards established by the American Institute of Certified Public Accountants.

This communication is intended solely for the information and use of management and Board of Regents of the College and is not intended to be and should not be used by anyone other than these specified parties.

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

Ernst + Young LLP