



# FEDERATED STATES OF MICRONESIA

## Office of The National Public Auditor

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Monday, January 8, 2024

Excellency Wesley W. Simina  
President  
Office of the President  
Federated States of Micronesia  
Palikir, Pohnpei FM 96941

Excellency President Simina:

This is our status report for the FY2022 single audits as of December 31, 2023. This report is based on information received from our contracted auditors, Ernst & Young LLP and Burger Comer Magliari, CPAs, and covers the progress of the audits for the FSM National Government, States of Chuuk, Kosrae, Pohnpei, Yap, and their respective component units.

The audits for FY2022, with the original due date of June 30, 2023, are still ongoing and a request for an extension was communicated to the Office of Insular Affairs (OIA) last month. The communicate was to request for an extension to March 31, 2024, and a formal approval communication has been provided by OIA on December 26, 2023.

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be Provided by Entities
FSM National Government and Component Units			
1	FSM National Government	Planning  <i>Note: A final SEFA has been provided as of 11/13/2023 and planning procedures are ongoing. EY is currently awaiting the final TB and financial statements to verify the reconciliation of the SEFA to the FS and for sampling purposes.</i>  <i>According to the</i>	<ul style="list-style-type: none"><li>• Reconciliation of misstatements in cash in bank accounts with overseas missions.</li><li>• Compact sector receivables/payables to sub-recipients (state governments) have yet to be reconciled.</li><li>• US federal grants payable/receivable pass-thru to the state governments have yet to be reconciled.</li><li>• Lease agreements payable and receivable were not included.</li></ul>

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be Provided by Entities
		<i>Acting Assistant Secretary, final TB, and revised supporting schedules are to be provided after 12/31/2023.</i>	<ul style="list-style-type: none"> <li>• Reconciliation of deferred revenue accounts in all funds types have yet to be reconciled with supporting ledgers.</li> </ul>
2	Caroline Islands Air, Inc	Planning	<ul style="list-style-type: none"> <li>• Supporting schedules</li> </ul>
3	College of Micronesia, FSM	Planning	<ul style="list-style-type: none"> <li>• Pending CAJE(s) to reconcile inter-fund receivables/payables and other current liabilities.</li> <li>• Inventory count in Kosrae for completeness checking (i.e., GL listing reconciliation and inventory listing as of October 5, 2023).</li> </ul>
4	FSM Development Bank		<b>The audit was completed and issued on October 31, 2023</b>
5	MiCare Plan	Planning- 90%  <i>Note: No progress during December as the CFO has been on leave. EY has sent follow-up inquiries to the CFO and accountant to assist the CFO. The accountant noted that she would be working on submitting requests but has not provided any additional documents to date.</i>	<ul style="list-style-type: none"> <li>• Supporting documents for medical claims, revenues, payroll, and accounts payable, signed confirmation templates for deposits and payables, alternative documents for confirmation procedures, and walkthrough documentation.</li> </ul>
6	National Fisheries Corporation	Planning – 80%  <i>Note: The pending items are significant and needed for the</i>	<ul style="list-style-type: none"> <li>• List of inquiries of schedules</li> <li>• journal entries from the North Star branch that are needed in the planning.</li> </ul>

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be Provided by Entities
		<p><i>execution of the audit to progress.</i></p> <p><i>The EY team sent two follow-up emails in December 2023 and to date, EY only received one schedule from the list of requests. EY will continue to follow up with the client for the pending items.</i></p>	
7	FSM Petroleum Corporation (FSMPC) & Vital (VEI)	<p>Fieldwork – 90%</p> <p><i>Note: Detail and sample testing is in progress. EY is aiming to complete the audit end of January depending on the timely submission of the remaining schedules and samples.</i></p>	<ul style="list-style-type: none"> <li>• Copies of all significant contracts,</li> <li>• FSMPC COGS Rollforward Variance (FSMPC),</li> <li>• E GON Confirmation letter,</li> <li>• Cash TCD inquiry and customer credit support (VEI),</li> <li>• Copies of new or revised inventory calibration tables (VEI &amp; FSMTC) Movement inquiries,</li> <li>• Over Recovery Calculation inquiry and expenses allocation (Vital Opcost Audit).</li> </ul>
8	FSM Social Security Administration	<p>Fieldwork – 85%</p> <p><i>Note: Supporting documents are being communicated to the administration's person in charge.</i></p>	<ul style="list-style-type: none"> <li>• Additional supporting documents.</li> </ul>
9	Telecommunication Cable Corporation	<p>Planning</p> <p><i>Note FSMTCC provided a revised trial balance on 11/25/23 and again submitted an updated trial</i></p>	<p><i>Note: Bank Confirmation from BOG has been received and several Issues were found:</i></p> <ul style="list-style-type: none"> <li>• <i>Four transactions paid in 2023 should have been recorded as payable in 2022 but were not.</i></li> </ul>

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be Provided by Entities
		<p><i>balance on 12/15/23, and the revised journal entries were given on 1/4/24. EY is currently verifying the completeness of the transactions and determining whether the issues have been addressed based on the provided balances.</i></p>	<ul style="list-style-type: none"> <li>• <i>Receivables were received and collected and 2022 but are still outstanding.</i></li> <li>• <i>Expenses were recorded in 2022 for 2021 but appears that no accruals were made in 2021. All are subject to client verification.</i></li> <li>• <i>Assessing the implementation of GASB No. 87, Leases.</i></li> </ul>
10	FSM Telecommunication Corporation	<p>Fieldwork – 90%</p> <p><i>Note: EY communicated and discussed to client issues noted in Allowance for doubtful account, reclass of investment to cash and cash equivalents, and unrecorded payable. Other issues/inquiries related to differences in net access basic revenue and overseas toll; FSMTCC AR and AP balances; inquiries related to AR- other and allowance; EY is ongoing on GASB 87 assessment and is in the process of finalizing substantive procedures. EY is ongoing with</i></p>	<ul style="list-style-type: none"> <li>• <i>Minimal supporting document of trade payable requests (2)</i></li> <li>• <i>RUS form 479 requests and other inquiries related to analytical procedures.</i></li> </ul>

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be Provided by Entities
		<i>the finalization of the working paper and is to start drafting the financial statements.</i>	
<b>11</b>	<b>Telecommunication Regulation Authority</b>		<b>The audit was completed and issued on November 10, 2023.</b>
<b>Chuuk State Government and Component Units</b>			
1	Chuuk State Government	Planning & Fieldwork-98%  <i>Note: EY has commenced planning and fieldwork for the UG audit and is approximately 80% complete.</i>	<ul style="list-style-type: none"> <li>• Compact sector receivables and deferred revenue accounts have yet to be reconciled with FSM National Government records.</li> <li>• Lease agreement payable and receivable were not included in the final Trial Balance</li> <li>• U.S. Federal grants receivable and deferred revenue accounts have yet to be reconciled with FSM National Government records.</li> <li>• Chuuk State Finance has yet to evaluate all receivable balances for collectability and validity.</li> </ul>
2	Chuuk Public Utilities Corporation		<b>The audit was completed and issued on September 29, 2023.</b>
3	Chuuk State Health Care Plan		<b>The audit was completed and issued on December 28, 2023.</b>
4	Chuuk State Housing	Planning -98%  <i>Note: EY has received the FY2022 trial balance and has commenced year-end substantive testing.</i>	
<b>Kosrae State Government and Component Units</b>			

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be Provided by Entities
1	Kosrae State Government	Planning & Fieldwork- 98%  <i>Note: Ey has commenced audit planning and fieldwork for the UG audit is approximately 80% complete.</i>	<ul style="list-style-type: none"> <li>• Compact sector receivables and deferred revenue accounts have yet to be reconciled with FSM National Government records.</li> <li>• U.S. Federal grants receivable and deferred revenue accounts have yet to be reconciled with FSM National Government records.</li> <li>• CFSM grants receivable and deferred revenue accounts have yet to be reconciled with FSM National Government records.</li> </ul>
2	Kosrae Port Authority		<b>The audit was completed and issued on November 01, 2023.</b>
3	Kosrae State Housing Authority	Planning 90%  <i>Note: Follow-ups have been sent to the client on 01/02/24.</i>	<ul style="list-style-type: none"> <li>• Documents for alternative testing for loan receivables and interest income.</li> </ul>
4	Kosrae Utilities Authority		<b>The audit was completed and issued on October 5, 2023</b>
<b>Pohnpei State Government and Component Units</b>			
1.	Pohnpei State Government	Fieldwork	<ul style="list-style-type: none"> <li>• Response to Information Technology and Risk Assessment Questionnaire for risk assessment</li> <li>• Information Technology and Risk Assessment Questionnaire for risk assessment.</li> <li>• Receipt of various adjusting journal entries for bank reconciliations.</li> </ul>
2	Pohnpei State Housing Authority	Reporting	<ul style="list-style-type: none"> <li>• Draft audit report is undergoing internal</li> </ul>

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be Provided by Entities
			review <ul style="list-style-type: none"> <li>• Updated MD&amp;A</li> <li>• Completed Compliance report is being reviewed.</li> <li>• SAS 114 letter issuance of the final report</li> <li>• Pending management representation letter</li> </ul>
3	Pohnpei State Port Authority	Reporting	<ul style="list-style-type: none"> <li>• Draft audit report is undergoing internal review</li> <li>• Updated MD&amp;A</li> <li>• Compliance report pending PPA responses</li> <li>• Pending SAS 114 letter</li> <li>• Pending Management representation letter</li> </ul>
4	Pohnpei Utilities Corporation	Planning  <i>Note: The final trial balance is yet to be provided due to ongoing reconciling account balances.</i>	<ul style="list-style-type: none"> <li>• Pending receipt of the final revised trial balance.</li> <li>• Information Technology and risk assessment questionnaire for risk assessment.</li> <li>• Accounts receivable schedule</li> <li>• Final fixed asset lapsing schedule.</li> <li>• Accounts payable aging schedule</li> <li>• review of subsequent cash disbursement and cash receipts journals</li> <li>• Review lease agreements for lessees and lessors for GASB 87 adjustment.</li> <li>• Conducting follow-up on prior audit findings</li> <li>• Preliminary and planning procedures pending receipt of the 2022 schedule of federal expenditures and awards.</li> </ul>
<b>Yap State Government and Component Units</b>			
1	Yap State Government	<i>Note: BCM had a virtual meeting with Gertrude,</i>	

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be Provided by Entities
		<p><i>Joseph, and a couple of other YSG staff. To clarify what information BCM is seeking and the format it should be in to facilitate testing.</i></p> <p><i>Sample items have been selected and communicated to YSG for General Funds, Governmental Funds, and other Governmental Funds.</i></p>	
<b>2</b>	<b>Yap Diving Seagull, Inc.</b>		<b>The audit was completed and issued on November 30, 2023</b>
3	Yap State Public Service Corporation	<p><i>Note: There are three (3) loans with a combined principal balance of \$8,551,046 as shown in the draft financial statements that were provided last month.</i></p>	<ul style="list-style-type: none"> <li>• Confirmation of loans payable to the FSM National Government.</li> </ul>
4	Yap Visitors Bureau	<p><i>Note: The lead auditor has been following up with YVB to obtain all requested items.</i></p>	<ul style="list-style-type: none"> <li>• Schedules and documents list requested either uploaded or made available in hard copy for physical inspection.</li> </ul>



A copy of this status report will be uploaded to the FSM Public Auditor's website at [www.fsmopa.fm](http://www.fsmopa.fm).

Let me know if you have questions about this report.

Respectfully submitted,



Haser H. Hainrick  
National Public Auditor

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cc: FSM Vice President  
Speaker, FSM Congress  
All State Governors  
Heads of all FSM & States Audit Entities  
State Public Auditors