



# FEDERATED STATES OF MICRONESIA

## Office of The National Public Auditor

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Thursday, November 9, 2023

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 October 31, 2023.

This report is based on information received from our contracted auditors, Ernst & Young LLP (EY) and Burger Comer Magliari, CPAs, (BCM) and covers the progress of the audits for the FSM National Government, States of Chuuk, Kosrae, Pohnpei, Yap and their respective component units.

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
FSM National Government and Component Units			
1	FSM National Government	Planning	<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>• The investment accounts in the Fundware accounting system have yet to be reconciled with</li></ul>

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
			subsidiary ledgers. <ul style="list-style-type: none"> <li>• Lease agreements payable and receivable were not included.</li> <li>• Reconciliation of deferred revenue account in all fund type have yet to be reconciled with supporting ledgers.</li> <li>• Balances for some programs with funds passed through to the States and COMFSM, as well as some programs with direct expenditures for FSMNG.</li> <li>• Complete final SEFA and supporting schedules from the entity.</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>• Revised composition of all receivables from FSMNG (i.e., \$1.6 million per books) as basis for new confirmation letter.</li> <li>• Pending CAJE(s) to reconcile interfund receivables/payables and other current liabilities.</li> <li>• Inventory count in Kosrae for four samples (two sheet to floor and two floor to sheet).</li> <li>• Ongoing assessment and computation of adoption of GASB No. 87, Leases.</li> </ul>
4	FSM Development Bank		<b>Audit completed and issued on October 31, 2023</b>
5	MiCare Plan	Planning- 90%	<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</li> </ul>

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
			confirmation procedures and walkthrough documentation.
6	National Fisheries Corporation	Planning – 80% Fieldwork – 25%	<ul style="list-style-type: none"> <li>• List of inquiries of schedules</li> <li>• journal entries for Chuuk branch</li> <li>• Confirmation letter for related parties.</li> </ul>
7	FSM Petroleum Corporation (FSMPC) & Vital (VEI)	Fieldwork – 80%  <i>Note: EY aims to complete the audit mid to late November depending on the timely submission of the remaining schedules and samples.</i>	<ul style="list-style-type: none"> <li>• Account movement inquiries</li> <li>• Confirmation templates</li> <li>• Copies of FY22 Tax Returns</li> <li>• Copies of new significant contracts or renewals during the year</li> <li>• OPEX samples</li> <li>• AR subsequent collections support</li> <li>• Rehab &amp; Thruput completed projects.</li> <li>• Revenue Nauru Sales Report vs. GL Variance inquiry</li> <li>• Revenue NUC Confirmation vs. GL Variance Inquiry</li> <li>• Final BOG Bank Confirmation Response</li> <li>• Schedule of long-term payables</li> <li>• Over recovery calculation inquiry</li> <li>• Movement inquiries</li> </ul>
8	FSM Social Security Administration	Planning – 95% Fieldwork – 75%	<ul style="list-style-type: none"> <li>• Inquiries in regards of the samples.</li> </ul>
9	Telecommunication Cable Corporation	<i>Planning</i>	<p><i>Note: Bank Confirmation from BOG has been received and number of 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</i></li> </ul>

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
			<p><i>were not.</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>An updated trial balance to reflect the adjustments based on the issues noted.</i></li> </ul>
10	FSM Telecommunication Corporation	Fieldwork – 80%	<ul style="list-style-type: none"> <li>• RUS loan confirmation reply</li> <li>• Expenses supporting documents (1 open)</li> <li>• Revenue supporting documents (4 open)</li> <li>• Other assets supporting documents (10 open) <ul style="list-style-type: none"> <li>○ Prepaid orders- receipts and invoices were received and further requesting for the related actual delivery receipt.</li> </ul> </li> </ul>
11	Telecommunication Regulation Authority	<p><i>Note: Audit has been substantially completed and draft FS is currently with client for review/comments. Once completed the draft will be submitted to the NOPA office for review and approval to proceed with finalization. Target</i></p>	

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
		<i>is in the week of 11/6/2023.</i>	
<b>Chuuk State Government and Component Units</b>			
1	Chuuk State Government	Planning & Fieldwork-70%  <i>Note: EY has commenced planning and fieldwork for the UG audit and is approximately 50% complete.</i>	<ul style="list-style-type: none"> <li>• Compact sector receivables and deferred revenue accounts</li> <li>• Lease agreement payable and receivable</li> <li>• U.S. Federal grants receivable and deferred revenue costs</li> <li>• Chuuk State Finance has yet to evaluate all receivable balances for collectability and validity.</li> </ul>
2	<b>Chuuk Public Utilities Corporation</b>		<b>Audit completed and issued on September 29, 2023.</b>
3	Chuuk State Health Care Plan	Planning- 100% Fieldwork- 70%	<ul style="list-style-type: none"> <li>• Legal confirmaiton letter response.</li> <li>• Signed mintues of meetings</li> <li>• Premiums testing revenue and receivables supporting documents</li> </ul>
4	Chuuk State Housing	Planning  <i>Note: EY has commenced year-end substantive testing.</i>	
<b>Kosrae State Government and Component Units</b>			
1	Kosrae State Government	Planning & Fieldwork- 70%  <i>Note: EY has commenced audit planning and fieldwork for the UG audit and is approximately 40% complete. Fieldwork is schedule for the first two weeks of November 2023.</i>	<ul style="list-style-type: none"> <li>• Compact sector receivables and deferred revenue accounts</li> <li>• U.S. Federal grants receivable and deferred revenue costs</li> <li>• CFSM grants receivable and deferred revenue accounts</li> </ul>

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
2	Kosrae Port Authority		<b><i>Audit report issued subsequent to October 31, 2023</i></b>
3	Kosrae State Housing Authority	Planning 80%	<ul style="list-style-type: none"> <li>Documents for alternative testing for loan receivables, follow-up inquiries for payroll, journal entry testing support</li> </ul>
4	Kosrae Utilities Authority		<b>Audit completed and issued on October 05, 2023</b>
<b>Pohnpei State Government and Component Units</b>			
1.	Pohnpei State Government	Planning	<ul style="list-style-type: none"> <li>Listing of lease agreements for lessee and lessor</li> <li>Response to information Technology and Risk Assessment Questionnaire for risk assessment</li> </ul>
2	Pohnpei State Housing Authority	Reporting <i>Note: Draft audit report issued. MD&amp;A, compliance report and SAS 114 letter is being reviewed.</i>	<ul style="list-style-type: none"> <li>Management representation letter</li> </ul>
3	Pohnpei State Port Authority	Reporting <i>Note: Draft audit report issued. Compliance report and SAS 114 letter are being reviewed.</i>	<ul style="list-style-type: none"> <li>Receipt of MD&amp;A</li> <li>Management representation letter</li> </ul>
4	Pohnpei Utilities Corporation	Planning	<ul style="list-style-type: none"> <li>Listing of lease agreements for lessee and lessors for GASB 87</li> <li>2022 Schedule Expenditures of Federal Awards</li> <li>Response to Information Technology and Risk assessment</li> <li>Requested various audit schedules, documentation</li> </ul>

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
			<p>and items selected for detailed test of transactions.</p> <ul style="list-style-type: none"> <li>• Receipt of sample selections for cash receipts, disbursements, and revenue testing</li> <li>• Requested grant documentation and detailing of expenditures and funds received.</li> <li>• Various schedules along with the final trial balance and the SEFA</li> </ul>
<b>Yap State Government and Component Units</b>			
1	Yap State Government	Planning	
2	Yap Diving Seagull, Inc.	Reporting <i>Note: Draft financial statements were provided to DSI at the end of October. BCM is waiting for DSI to review the draft and provide comments or questions.</i>	
3	Yap State Public Service Corporation	Reporting <i>Note: beginning cash and beginning retained earnings figures did not roll forward cleanly from fiscal year 2020 audit. Draft financial statements were provided for review.</i>	<ul style="list-style-type: none"> <li>• 34 pending items on the documentation request list.</li> </ul>
4	Yap Visitors Bureau	Planning	<ul style="list-style-type: none"> <li>• 32 pending items on the documentation request list.</li> </ul>

BCM is planning another visit to Yap State to work on the YSG and YVB.

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.

Sincerely,



Haser H. Hainrick  
National Public Auditor

cc: FSM Vice President  
Speaker, FSM Congress  
All State Governors  
Heads of all FSM Audit Entities  
Secretary & Directors, National and State Finance Departments  
State Public Auditors