



FEDERATED STATES OF MICRONESIA

Office of The National Public Auditor

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Thursday, May 16, 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 April 30, 2024. 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 on June 30, 2023, are still ongoing and a request for extension had been communicated to the Office of Insular Affairs (OIA) to request for an extension from March 31, 2024 to June 30, 2024 and a formal approval has not been provided yet.

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
FSM National Government and Component Units			
1	FSM National Government	Fieldwork 70%	<ul style="list-style-type: none"> Reconciliation of misstatements in cash in bank accounts with overseas missions and bank confirmation with UNFCU, ANZ Ranch, Mizhuo Bank, and Bank of China. Compact sector receivables/payables to sub-recipients (states governments) have yet to be reconciled US federal grants payable/receivable pass-thru to the state governments have yet to

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
			<p>be reconciled.</p> <ul style="list-style-type: none"> • Lease agreements payable and receivable were not included. • Reconciliation of deferred revenue account in all fund type have yet to be reconciled with supporting ledgers. • Pending broker statement to support approximately \$43 million Wilshire fund investment. • Procedures to determine reasonableness of Fair market of investing is ongoing • Pending confirmations from UMDA and ADB to support shares and receivables, respectively • Testing of travel advances • GASB 87 leases • Attorney letter • Testing of fixed assets additions and deletions. • Testing of non payroll • Testing of new JV's • Testing of advance to suppliers • Testing of revenue <p>• UG Audit- pending schedules and details necessary for initiating remaining testing relayed on 2/29/2024 and on 3/22/2024. A final SEFA was received on 5/1/2024 and various pending schedules received up to 4/40/2024 in which continued performing assessments and related audit procedures.</p>

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
2	Caroline Islands Air, Inc	Planning <i>Note: preliminary trial balance contains obvious error (such as negative accounts payable balance) EY is unable to determine adjustments needed without further audit procedures.</i>	<ul style="list-style-type: none"> Supporting schedules and reconciliations.
3	College of Micronesia, FSM		Audit completed and subsequently issued on May 10, 2024.
4	FSM Development Bank		Audit completed and issued on October 31, 2023
5	MiCare Plan	Fieldwork <i>Note: EY has sent follow-up inquiries to the CFO. Walkthrough documents have been provided on 4/2/2024.</i> <i>A draft report was provided to management on 4/3/2024 for MD&A preparation and no progress during April with EY's follow ups.</i> <i>On 4/30/2024, CFO informed EY that all pending items will try to be submitted in a week.</i>	<ul style="list-style-type: none"> Supporting documents for medical claims, revenues, payroll, and accounts payable, signed confirmation templates for deposits and payables, alternative documents for confirmation procedures.
6	National Fisheries Corporation	Planning - & Fieldwork <i>Note: EY received</i>	

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
		<p><i>preliminary audit information request as of 3/18/2024 in order for EY to commence with the rest of audit planning and proceed with the remaining audit procedures.</i></p> <p><i>EY is scheduled to recommence the audit week of May 6 with the incoming onsite Senior, who has been scheduled for the engagement full time.</i></p>	
7	FSM Petroleum Corporation (FSMPC) & Vital (VEI)	<p>Fieldwork – 90%</p> <p><i>Note: draft has been completed and circulated for review on 5/1/2024. Currently wrapping up on final procedures, including updated subsequent events and closing out some open inquiries pending with management, which process to target to wrap up and issue final by 5/10/2024.</i></p>	
8	FSM Social Security Administration		Audit completed and issued on April 15, 2024.
9	Telecommunication Cable Corporation	<p>Reporting</p> <p><i>Note The full draft with MD&A has gone through</i></p>	<ul style="list-style-type: none"> •Support for tax exemption •Minutes of meeting up to date

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
		<i>internal reviews. Audit is substantially completed with the following open questions/items pending with the entity.</i>	
10	FSM Telecommunication Corporation		Audit completed and issued on March 13, 2024.
11	Telecommunication Regulation Authority		Audit completed and issued on November 10, 2023.
Chuuk State Government and Component Units			
1	Chuuk State Government	Planning & Fieldwork-99% <i>Note: Draft audit report was provided to Director Jonas Paul on January 12, 2024.</i> <i>UG audit- EY is approximately 90% complete with the compliance audit and is in the process of completing the draft compliance report for transmittal 5/15/2024.</i>	
2	Chuuk Public Utilities Corporation		Audit completed and issued on September 29, 2023.
3	Chuuk State Health Care Plan		Audit completed and issued on December 28, 2023.
4	Chuuk State Housing	Planning -98% <i>Note: EY has received the FY2022 trial balance and have commenced</i>	

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
		<i>year-end substantive testing.</i>	
Kosrae State Government and Component Units			
1	Kosrae State Government	<i>Note: Kosrae State Government is the first Primary Government inclusive of its component units to issue its single audit report.</i>	Audit completed and subsequently issued on May 03, 2024.
2	Kosrae Port Authority		Audit completed and issued on November 01, 2023.
3	Kosrae State Housing Authority		Audit completed and issued on April 18, 2024.
4	Kosrae Utilities Authority		Audit completed and issued on October 5, 2023
Pohnpei State Government and Component Units			
1.	Pohnpei State Government	<i>Financial statement preparation- 65%</i> <i>Financial Audit- 90%</i> <i>UG audit- 80%</i> <i>Performance compliance testing for major programs and waiting on requested documentation.</i>	<ul style="list-style-type: none"> • Documentation of subsequent cash disbursements • Confirmation from FSM National for drawdowns • Documentation of variances in the Due to And Due From accounts • Information Technology and Risk Assessment Questionnaire • Fraud risk inquiries for various individuals.
2	Pohnpei State Housing Authority	Fieldwork- 100% <i>Note: final reports will be issued upon receipt of the management representation letter.</i>	<ul style="list-style-type: none"> • Management representation letter
3	Pohnpei State Port Authority	Fieldwork – 100%	<ul style="list-style-type: none"> • Updated MD&A • SAS 114 letter

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
		<i>Note: The final reports will be issued upon receipt of the management representation letter.</i>	<ul style="list-style-type: none"> Management representation letter
4	Pohnpei Utilities Corporation	Financial statement preparation- 75% Fieldwork – 85% <i>Note: UG audit (75%)- testing of compliance over major programs and still waiting on receipt documentation requests.</i> <i>Conducting follow up on prior audit findings and corrective action plan.</i>	<ul style="list-style-type: none"> Payroll- unreleased checks adjustment for PP#20 Responses to WIP worksheet Contracts and contractual payments for VCS (steel building) DELCO (tank foundation) Documentation for unearned revenues Copies of PUC's insurance policies effective for FY2022 PUC's 2022 aging schedule for account 143-00-00 A/R other Documentation evidencing PUC's 2022 appropriations Fraud risk inquiries Pending FY2022 appropriation documentation Reconciliation of fixed asset schedule to qualify potential adjustment.
Yap State Government and Component Units			
1	Yap State Government	<i>Note: Draft report is under review.</i>	<ul style="list-style-type: none"> Necessary information from the National Government level to be able to complete the investment footnote.
2	Yap Diving Seagull, Inc.		Audit completed and issued on November 30, 2023
3	Yap State Public Service Corporation		Audit completed and issued on March 15, 2024
4	Yap Visitors Bureau	<i>Note: BCM is waiting for the MD&A</i>	<ul style="list-style-type: none"> MD&A

A copy of this status report will be uploaded to the FSM Public Auditor's website at www.fsmopa.fm.

Let me know if you have questions about this report.

Sincerely,



Haser Hainrick
National Public Auditor

JP/IV

Attachment – Copy of letter to Kosrae State officials

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



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Thursday, May 16, 2024

The Honorable Lipar L. George
Director
Department of Administration & Finance
Kosrae State Government
Tofol, Kosrae FM 96944

Greetings Mr. George:

I would like to take this opportunity to congratulate you and your team for your achievement on the fiscal year 2022 audits. It is understood that there were challenges as the audits were transitioned from one CPA firm to another, the delay caused by changes in administration, and mostly the effect of the pandemic. However, you and your team collaborated with the auditors and managed to achieve the FY2022 audits. Kosrae State Government is the first Primary Government, inclusive of its Component Units, to issue its single audit report for FY2022 and once again we congratulate your team for your hard work and dedication.

I request for your continuing support, prioritization, and collaboration for the next audits for FY2023.

Sincerely

A handwritten signature in blue ink, appearing to read "Haser H. Hainrick", written over a large, stylized blue scribble.

Haser H. Hainrick
National Public Auditor

JP/IV

cc: Governor, Kosrae State Government
Lt. Governor, Kosrae State Government
Speaker, 13th Kosrae State Legislature
Vice Speaker, 13th Kosrae State Legislature
Floor Leader, 13th Kosrae State Legislature
Chairman, Committee on Ways & Means, 13th Kosrae State Legislature
Kosrae State Public Auditor
Accounting Advisor, Department of Administration & Finance
CEO, Kosrae Utilities Authority
CFO, Kosrae Utilities Authority
GM, Kosrae Port Authority
CFO, Kosrae Port Authority
Executive Director, Kosrae Housing Authority

