



FEDERATED STATES OF MICRONESIA

Office of The National Public Auditor

P.O. Box PS-05, Palikir, Pohnpei FSM 96941

Tel: (691) 320-2862/2863 Fax: (691) 320-5482

CID Hotline: (691) 320-6768; Website: www.fsmopa.fm

Facebook: FSM Office of the National Public Auditor; E-mail: info@fsmopa.fm

Tuesday, April 30, 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 March 31, 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	Planning 40% <i>Note: A final trial balance was provided to EY on January 4, 2024 and such has yet to be reconciled with detailed and subsidiary financial records and ledgers.</i>	<ul style="list-style-type: none"> • Reconciliation of misstatements in cash in bank accounts with overseas missions. • 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 be reconciled. • Lease agreements payable and receivable were not

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
			<p>included.</p> <ul style="list-style-type: none"> • 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. • UG Audit- pending schedules and details necessary for initiating remaining testing relayed on 2/29/2024 and on 3/22/2024 are: <ul style="list-style-type: none"> ○ 3 major programs are pending complete GL details that include disbursement to subrecipients that are necessary for sampling for compliance. ○ Listing of Pos and contracts transacted/approved in FY2022 ○ Capital asset listing of

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			<p>federally funded equipment and real property as of 9/30/2022</p> <ul style="list-style-type: none"> ○ Matching, level of effort, and earmaking requirements for applicable major programs ○ Various financial and programmatic reports ○ List of subrecipients in FY2022 and corresponding amounts passed through in FY22 for the applicable major programs ○ Various special tests and provisions for applicable major programs.
2	Caroline Islands Air, Inc	<p>Planning</p> <p><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></p>	<ul style="list-style-type: none"> ● Supporting schedules and reconciliations.
3	College of Micronesia, FSM	<p>Planning &Fieldwork</p> <p><i>Note: Awaiting confirmation from client that EY's</i></p>	

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
		<p><i>working trial balance shared last 2/29/2024 matches the client's records to ensure all CAJEs posted by client were all taken. Ongoing preparation of MD&A by College's person-in-charge.</i></p> <p><i>For the UG audit, EY commenced planning procedures in February and received an updated SEFA on 2/20/2024 and 3/18/2024.</i></p> <p><i>EY is the process of completing fieldwork with draft to follow up completion for commitment issuance date of 4/15/2024.</i></p>	
4	FSM Development Bank		Audit completed and issued on October 31, 2023
5	MiCare Plan	<p>Fieldwork</p> <p><i>Note: Walkthrough documents have been provided on 4/2/2024. EY has since followed up and copied the Plan Administrator. Last follow up was dated 4/5/2024. A draft report was provided on 4/3/2024 for MD&A.</i></p>	<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.

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6	National Fisheries Corporation	<p>Planning - & Fieldwork</p> <p><i>Note: EY received 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. EY is in the process of identifying additional resources to continue the audit.</i></p>	
7	FSM Petroleum Corporation (FSMPC) & Vital (VEI)	<p>Fieldwork - 90%</p> <p><i>Note: EY has provide the FS draft for VEI and FSMPC on 1/30/2024 to begin preparation of MD&A.</i></p> <p><i>The MD&A was provided back to EY on 3/15/2024 and is currently under review. Some of the schedules were provide mid to late March 2024. Sample requests are raised as EY receive the required schedules throughout the audit. detail and sample testing in progress.</i></p>	<ul style="list-style-type: none"> • Accounts payable Mobil confirmation response vs. general ledger variance reconciliation (FSMPC) • Cost of goods sold roll forward reconciliation (FSMPC) • Subsequent disbursement register from 2/5/2023 - 4/5/2024(FSMPC) • Subsequent disbursement register from 1/30/2024 - 4/5/2024 (VEI)

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		Last follow up was made on 4/4/2024.	
8	FSM Social Security Administration	Reporting <i>Note: The full draft with MD&A has gone through internal reviews and EY is in the process of completing finalization/wrap up procedures with the target of release by 4/15/2024.</i>	
9	Telecommunication Cable Corporation	Reporting <i>Note The full draft with MD&A has gone through internal reviews. Audit is substantially completed with the following open questions/items and last followed up was on 4/2/2024.</i>	<ul style="list-style-type: none"> • Agreement of extension for the line of credit • Support for tax exemption • Support for JV22-0093 and inquiry on JV22-086 regarding collection date • Minutes of meeting up to date (records contain only minutes of meeting held on year 2022 up to March 29, 2023) kindly confirm if there are no meetings held from that period up to date.
10	FSM Telecommunication Corporation		Audit completed and issued subsequent to February 29, 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,</i>	

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		<p>2024.</p> <p><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 4/12/2024.</i></p>	
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	<p>Planning -98%</p> <p><i>Note: EY has received the FY2022 trial balance and have commenced year-end substantive testing.</i></p>	
Kosrae State Government and Component Units			
1	Kosrae State Government	<p>Planning & Fieldwork- 99%</p> <p><i>Note: Draft audit report was provided to Director Lipar George on January 12, 2024.</i></p> <p><i>UG audit- EY has commenced audit planning and fieldwork and is approximately 98% complete. A draft compliance report</i></p>	

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		<i>was transmitted on 2/6/2024 and 3/25/2024, EY is currently in the process of communications with KSG on the report and related responses.</i>	
2	Kosrae Port Authority		Audit completed and issued on November 01, 2023.
3	Kosrae State Housing Authority	Reporting <i>Note: Audit is substantially completed and an updated draft is going through internal review with some questions on the MD&A that the entity is addressing.</i> <i>EY targets to issue the week of 4/15/2024.</i>	
4	Kosrae Utilities Authority		Audit completed and issued on October 5, 2023
Pohnpei State Government and Component Units			
1.	Pohnpei State Government	Financial statement preparation- 65% Fieldwork – 80% <i>Note: UG audit (80%) – performing compliance testing for major programs and waiting on</i>	<ul style="list-style-type: none"> • Documentation for subsequent cash disbursements • Documentation of variances in the Due to and due from accounts • Information technology and risk assessment questionnaire • Fraud risk inquiries for various individuals.

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
		<i>requested documentation.</i>	
2	Pohnpei State Housing Authority	Fieldwork- 100% <i>Note: The final reports will be issued during the first week of May 2024.</i>	<ul style="list-style-type: none"> • SAS letter issuance of final report • Management representation letter
3	Pohnpei State Port Authority	Fieldwork – 100% <i>Note: Revised the financial statements, MD&A and noted based on PPA documentation received to clear audit findings.</i> <i>The final reports will be issued during the first week of May 2024.</i>	<ul style="list-style-type: none"> • Pending SAS 114 letter • 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

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
Yap State Government and Component Units			
1	Yap State Government	<i>Note: BCM had a great deal of time in the last two months doing the compliance testing. A draft has not been provided, BCM plan to issue the draft this week.</i>	• MD&A
2	Yap Diving Seagull, Inc.		Audit completed and issued on November 30, 2023
3	Yap State Public Service Corporation	<i>Note: Draft audit report has been issued in February 2024.</i>	
4	Yap Visitors Bureau	<i>Note: BCM has complete testing and has provided a draft report.</i>	• 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

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