



# FEDERATED STATES OF MICRONESIA

## Office of The National Public Auditor

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Thursday, March 14, 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 February 29, 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 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
<b>FSM National Government and Component Units</b>			
1	FSM National Government	Planning  <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"> <li>• Reconciliation of misstatements in cash in bank accounts with overseas missions.</li> <li>• Compact sector receivables/payables to sub-recipients (states 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</li> </ul>

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
			<p>were not included.</p> <ul style="list-style-type: none"> <li>• Reconciliation of deferred revenue account in all fund type have yet to be reconciled with supporting ledgers.</li> <li>• FSMNG has yet to provide to EY aging schedule of material receivable accounts.</li> <li>• FSMNG has yet to provide to EY detailed schedule of material payable accounts.</li> <li>• FSMNG has yet to provide to EY fixed assets register.</li> <li>• UG Audit- pending schedules and details necessary for initiating remaining testing relayed on 2/29/2024.</li> </ul>
2	Caroline Islands Air, Inc	Planning  <i>Note: EY has received an updated trial balance on 10/23/2023. EY has yet to received supporting schedules from the entity.</i>	<ul style="list-style-type: none"> <li>• Supporting schedules</li> </ul>
3	College of Micronesia, FSM	Planning & Fieldwork  <i>Note: Awaiting confirmation from client that EY's 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</i>	

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
		<p><i>MD&amp;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.</i></p> <p><i>EY is the process of completing fieldwork with draft to follow up completion.</i></p>	
4	FSM Development Bank		<b>Audit completed and issued on October 31, 2023</b>
5	MiCare Plan	<p>Fieldwork</p> <p><i>Note: No progress during February 2024. EY has sent follow-up inquiries to the CFO and accountant assisting the CFO. The accountant noted that she would be working on submitting requests but has not provided any additional documents to date.</i></p> <p><i>Two follow-ups have been sent during February 2024, with the latest follow-up on 2/23/2024.</i></p>	<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	<p>Planning - 80% &amp; Fieldwork</p> <p><i>Note: planning is still 80% complete</i></p>	<ul style="list-style-type: none"> <li>Journal entries of North Star branch.</li> <li>List of inquiries</li> </ul>

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
		<p><i>and mainly due pending journal entries of North Star branch that is needed in the planning.</i></p> <p><i>EY has regularly sent follow up emails in December 2023 and January 2024 and February 2024 and to date, no additional documents received for the audit to progress.</i></p> <p><i>The pending items are significant and needed in order for the execution of the audit to progress.</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&amp;A.</i></p> <p><i>Some of the required schedules were provided mid to late February 2024.</i></p> <p>Detail and sample testing is in progress.</p>	<ul style="list-style-type: none"> <li>• MD&amp;A</li> <li>• Copies of all significant contracts,</li> <li>• Board minutes as of date,</li> <li>• short term borrowings (letter of credit requests),</li> <li>• Bank of Guam compliance request response</li> <li>• Payroll variance inquiry,</li> <li>• Accrued liabilities additional support,</li> <li>• PUC revenue confirmation response,</li> <li>• Mobil purchases confirmation response,</li> <li>•</li> </ul>
8	FSM Social Security Administration	<p>Fieldwork – 95%</p> <p><i>Note: FSMSSA is in the financial statement draft and</i></p>	

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
		<p><i>wrap-up stage.</i></p> <p><i>Clarifications, inquiries and additional supporting documents are being communicated to the administrator's person-in-charge. Final balances have been communicated with the administration's person in-charge and will proceed with drafting of the financial statements.</i></p>	
9	Telecommunication Cable Corporation	<p><i>Fieldwork</i></p> <p><i>Note FSMTCC provided a revised trial balance on 11/25/23 and again submitted an updated trial balance on 12/15/23, and the revised journal entries were given on 1/4/24.</i></p> <p><i>EY is in the process of updating draft financials. EY continues to await the client's feedback on the ongoing inquiries on payable, expenses and revenues that may lead into adjustments.</i></p> <p><i>The most recent</i></p>	<ul style="list-style-type: none"> <li>• Samples of expenses and revenues.</li> </ul>

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
		<i>follow-up by EY was on 2/28/2024.</i>	
<b>10</b>	<b>FSM Telecommunication Corporation</b>		<b>Audit completed and issued subsequent to February 29, 2024.</b>
<b>11</b>	<b>Telecommunication Regulation Authority</b>		<b>Audit 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 is approximately 95% complete with the compliance audit and EY is the process of completing the draft compliance report.</i>	<ul style="list-style-type: none"> <li>• Compact sector receivables and deferred revenue accounts have yet to be reconciles with FSM National Governments 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 reconciles with FSM National Governments records.</li> <li>• Chuuk State Finance has yet to evaluate all receivable balances for collectability and validity.</li> </ul>
<b>2</b>	<b>Chuuk Public Utilities Corporation</b>		<b>Audit completed and issued on September 29, 2023.</b>
<b>3</b>	<b>Chuuk State Health Care Plan</b>		<b>Audit completed and issued on December 28, 2023.</b>
4	Chuuk State Housing	Planning -98%  <i>Note: EY has received the FY2022 trial balance and have commenced year-end substantive testing.</i>	
<b>Kosrae State Government and Component Units</b>			
1	Kosrae State Government	Planning & Fieldwork- 98%	<ul style="list-style-type: none"> <li>• Compact sector receivables and deferred revenue accounts have</li> </ul>

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
		<p><i>Note: EY has commenced audit planning and fieldwork for the UG audit is approximately 90% complete.</i></p> <p><i>A draft compliance report compliance report was transmitted on 2/6/2024 and EY is currently in the process of communications with KSG on the report and related responses.</i></p>	<p>yet to be reconciled with FSM National Governments records.</p> <ul style="list-style-type: none"> <li>• U.S. Federal grants receivable and deferred revenue accounts have yet to be reconciled with FSM National Governments records.</li> <li>• CFSM grants receivable and deferred revenue accounts have yet to be reconciled with FSM National Governments records.</li> </ul>
2	Kosrae Port Authority		<b>Audit completed and issued on November 01, 2023.</b>
3	Kosrae State Housing Authority	Planning 95% <i>Note: Follow-ups have been sent to the client on 02/27/24.</i>	<ul style="list-style-type: none"> <li>• Inquiries for loan receivables and interest income.</li> </ul>
4	Kosrae Utilities Authority		<b>Audit completed and issued on October 5, 2023</b>
<b>Pohnpei State Government and Component Units</b>			
1.	Pohnpei State Government	Fieldwork – 80%  <i>Note: UG audit (60%) – performing compliance testing for major programs. Pending responses and corrective action plan on prior year audit findings and questioned costs.</i>	<ul style="list-style-type: none"> <li>• Items selected for testing for significant accounts and transactions</li> <li>• Responses to revenue analysis</li> <li>• Documentation for subsequent cash receipts and disbursement</li> <li>• Journal entries selected for testing</li> <li>• Documentation of variances in the Due to and Due from</li> </ul>

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
			accounts <ul style="list-style-type: none"> <li>• Information technology and risk assessment questionnaire</li> <li>• Fraud risk inquiries for various individuals.</li> </ul>
2	Pohnpei State Housing Authority	Fieldwork- 100%  <i>Note: Responses to compliance findings were just received yesterday and the compliance report is being revised and finalized</i>	<ul style="list-style-type: none"> <li>• SAS letter issuance of final report</li> <li>• Management representation letter</li> </ul>
3	Pohnpei State Port Authority	Fieldwork – 100%  <i>Note: Initial draft was issued and subsequently revised the financial statements, MD&amp;A and notes based on corrective PPA adjustments and documentation received to clear audit findings.</i>  <i>The report will be completed by 3/16/2024.</i>	<ul style="list-style-type: none"> <li>• Pending SAS 114 letter</li> <li>• Management representation letter</li> </ul>
4	Pohnpei Utilities Corporation	Fieldwork – 85%  <i>Note: UG audit (75%)- testing of compliance over major programs and still waiting on receipt documentation requests. Conducting follow up on prior audit</i>	<ul style="list-style-type: none"> <li>• Client adjusting entries for certain cash accounts</li> <li>• Client responses for analytical review inquires</li> <li>• Fraud risk inquiries for various individuals</li> <li>• Various other requested schedules</li> <li>• Various audit schedules for account balances</li> <li>• Documentation for subsequent cash receipts</li> </ul>



No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
		<i>findings and corrective action plan.</i>	and disbursements
<b>Yap State Government and Component Units</b>			
1	Yap State Government	<i>Note: BCM has selected all items for substantive testing from all funds. BCM's samples include items for compliance testing as well.</i>  <i>The lead auditor has already started working on the draft financial statements and footnotes.</i>	<ul style="list-style-type: none"> <li>List of subsequent disbursements for unrecorded liabilities.</li> </ul>
<b>2</b>	<b>Yap Diving Seagull, Inc.</b>		<b>Audit completed and issued on November 30, 2023</b>
3	Yap State Public Service Corporation	<i>Note: Draft audit report has been issued.</i>	<ul style="list-style-type: none"> <li>MD&amp;A to be completed by YSPSC.</li> </ul>
4	Yap Visitors Bureau	<i>Note: Items for substantive testing have been selected.</i>  <i>BCM plan to issue the final audited financial statements on or before March 31, 2024.</i>	<ul style="list-style-type: none"> <li>Requested items.</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.

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