



# FEDERATED STATES OF MICRONESIA

## Office of The National Public Auditor

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January 11, 2011

His Excellency Manny Mori, FSM President  
His Honorable John Ehsa, Governor of Pohnpei State  
His Honorable Wesley Simina, Governor of Chuuk State  
His Honorable Sebastian Anefal, Governor of Yap State  
His Honorable Lyndon H. Jackson, Governor of Kosrae State

Dear Mr. President and Mr. Governors:

The following is the report on the status of the 2010 Single Audit for FSM as of December 31, 2010 based on information received from Deloitte & Touche (DT) and Fortenberry & Ballard (FB).

### FSM NATIONAL GOVERNMENT AND COMPONENT UNITS:

#### 1. FSM National Government:

Deloitte & Touche already received the preliminary Trial Balance (TB), SEFA and other related reports. Based on the preliminary TB and SEFA, they have determined the preliminary major programs which are Compact Sector, AIP, Special Education and CDC Prepared Emergency Response (CFDA 93.069). The initial sample selections for AIP were sent to FSM Finance on December 2, 2010. Additional requests will be sent in the next few days for the other major programs and for the financial section.

The cut-off documents from Chuuk field office are still pending. This has been requested since October 2010 and was also included in Request 2010-01.

DT understands the National Government's year end procedures are still ongoing and the final TB will be available by the end of December. Once the final TB is available, they will revisit the major program determination and additional requests will be sent as the audit progresses.

2. College of Micronesia-FSM: DT is scheduled to commence fieldwork during the first week of February, 2011.
3. FSM Telecommunications Corporation - Final reports have been provided to FSMTC on December 9, 2010 and soft copies available at [www.fsmopa.fm](http://www.fsmopa.fm).

4. FSM Petroleum Corporation - For the interim audit, DT is about 100% completed with fieldwork. Year end procedures are slated to commence mid-January.
5. National Fisheries Corporation: Audit request for financial statements and detailed schedules was provided to the auditee on November 4, 2010. DT will commence year-end balance testing upon receipt of financial statements.
6. MiCare Plan, Inc.: Fieldwork is scheduled to commence on January 25, 2011.
7. FSM Coconut Development Authority: Fieldwork has been substantially completed. DT is in the process of drafting reports.
8. FSM Development Bank: Since this is a December 31 year end, significant audit procedures have yet to commence. (Note: FSMDB's fiscal year is December 31)
9. FSM Social Security Administration: Fieldwork is scheduled to commence in February, 2011.
10. Caroline Islands Air 2010 (CIA)

The audit of Caroline Islands Airline is 40% complete. The audit is past the planning and risk assessment stage. Five days of on-site field work have been accomplished. However the trial balance and the general ledger are not closed.

#### CHUUK STATE GOVERNMENT AND COMPONENT UNITS:

1. Chuuk State Government: DT commenced compliance testing and is approximately 50% completed with such and will commence year-end balance testing after January 31, 2011.
2. Chuuk Public Utility Corporation: DT commenced fieldwork and is 90% completed with such. No changes yet on percentage of completion as DT is still waiting for certain documents such as attorney letter, confirmation on ADB loans, and attorney's opinion on liability accounts written off during the year.
3. Chuuk State Health Care Plan: DT received a trial balance as of September 30, 2010 and related schedules. Audit work to date consists of planning.
4. Chuuk Housing Authority: Commencement of fieldwork is pending the receipt of the September 30, 2010 financial statements and supporting schedules.

#### POHNPEI STATE GOVERNMENT AND COMPONENT UNITS:

1. Pohnpei State Government: DT commenced compliance testing and is approximately 40% completed with such and will commence year-end balance testing after January 31, 2011.

2. Pohnpei Housing Authority: Fieldwork has been substantially completed.
3. Pohnpei Utilities Corporation: DT began preparation work and off site procedures the beginning of December, with on-site audit procedures during weeks of December 13 and 20. DT is approximately 75% completed, with the target to clear pending items and questions by end of January, with the target release by the end of February.
4. Pohnpei Port Authority: DT is still waiting for us to let them know when they can commence the audit of PPA.

#### KOSRAE STATE GOVERNMENT AND COMPONENT UNITS:

1. Kosrae State Government: DT commenced compliance testing and is approximately 60% completed with such and will commence year-end balance testing.
2. Kosrae Utilities Authority: DT received the trial balance and related schedules and is scheduled to commence fieldwork during the second week of January, 2011.
3. Kosrae Port Authority: DT requested a trial balance as of September 30, 2010 and related schedules. Commencement of fieldwork is pending the receipt of the requested documents.

#### YAP STATE GOVERNMENT AND COMPONENT UNITS:

1. Yap State 2010

The Audit of Yap State is 10% complete. The audit is in the planning and risk assessment stage while Yap State is progressing on their SEFA and bank reconciliations.

2. Yap State Public Service Corporation 2010 (YSPSC)

The audit of Yap State Public Service Corporation is 100% complete.

3. Yap Visitors Bureau 2010 (YVB)

The audit of Yap Visitors Bureau is 10% complete. The audit is in the planning and risk assessment stage. The YVB engagement will be performed partially in conjunction with the audit of Yap State as the Legislature has charged Yap State with the accounting functions of that entity.

4. The Diving Seagull 2010

The audit of The Diving Seagull is 10% complete. The entrance conference has been held and the audit is in the planning and risk assessment stage. The Diving Seagull is reconciling the bank statements in order to close out the books.

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 Hainrick  
National Public Auditor

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cc: FSM Vice President  
Speaker of FSM Congress  
Speaker of Pohnpei State Legislature  
Speaker and President of Chuuk Senate & House of Representatives  
Speaker of Yap State Legislature  
Speaker of Kosrae State Legislature  
Director, SBOC  
All Finance Secretary/Directors (R.Nakanaga – Acting, T.Pablo, M.Laaw, J.Mori, S.Sigrah)  
All State Auditors (R.Yow, A.Leben, S.Taulung)