



FEDERATED STATES OF MICRONESIA

Office of The National Public Auditor

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Tuesday, January 17, 2012

Excellency Manny Mori, FSM President
Honorable John Ehsa, Governor of Pohnpei
Honorable Johnson Elimo, Governor of Chuuk
Honorable Sebastian Anefal, Governor of Yap
Honorable Lyndon H. Jackson, Governor of Kosrae

Dear President and Governors:

This is the first status report for the FY-2011 Single Audits and it is as of December 31, 2011. We will continue to send you the status reports every month until all the required single audits are completed. The official completion deadline is June 30, 2012.

The 2011 audits are the last ones under the current contracts which were awarded to two CPA firms. All entities for the FSM National, Pohnpei, Chuuk and Kosrae are included in the contract with Deloitte & Touché (DT). All entities for Yap State plus the Caroline Island Air, Inc. are included in the contract with Fortenberry & Ballard (FB). The current audit contracts covered the fiscal years 2009, 2010 and 2011.

The objective is to complete all the required audits by the June 30th deadline. If the required financial data are timely made available to the CPA firms, there is high likelihood that the audits would be done on time. Each of the entities is responsible to prepare the required financial information.

The monthly status updates are based on information that we received from the two contracted CPA firms.

FSM National Government & Component Units

1. FSM National Government: The preliminary trial balance has been provided to DT. They are in the process of selecting samples and the preliminary determination of the major programs. This will be updated once the final trial balance is received by DT. Staffs from our office are performing the year-end audit procedures on revenue sharing since DT has no access to tax records for the private businesses at the FSM Revenue & Tax Office.

2. College of Micronesia-FSM: DT is scheduled to commence fieldwork during the first week of February 2012.
3. Telecommunications Corporation: The 2011 audit for Telecom is already done and copy of the final reports is posted at the Public Auditor's website at www.fsmopa.fm.
4. Petroleum Corporation: Interim fieldwork (cut off September 30, 2011) has been completed with minor open items for completion at year-end audit fieldwork (January 23 to February 2, 2012).
5. National Fisheries Corporation: NFC is still performing the year-end closing procedures. Fieldwork is yet to be scheduled.
6. MiCare Health Insurance Plan: Fieldwork will start in March 2012.
7. Coconut Development Authority: DT is approximately 90% complete with fieldwork.
8. Development Bank: DT has received interim trial balances and investor trial balances. Final trial balances are yet to be provided.
9. Social Security Administration: Since this entity's fiscal year ends on December 31, significant audit procedures have yet to commence.
10. Caroline Islands Airline: Engagement correspondence, risk assessment, audit program, and grant documentation are all completed. The trial balance is about 80% complete and the testing of controls and compliance is about 90% complete as well. Once the final trial balance is available, then all the remaining work should continue.

Chuuk State Government and Component Units

1. State Government: DT has commenced the planning procedures. They will commence compliance and year-end balance testing upon receipt of the final trial balances and related schedules.
2. Chuuk Public Utility Corporation: DT will commence fieldwork upon receipt of the final trial balance and related schedules.
3. Chuuk State Health Care Plan: DT will commence fieldwork upon the receipt of the final trial balance and related schedules.

4. Chuuk Housing Authority: DT will commence fieldwork upon the receipt of the final trial balance and related schedules.

Pohnpei State Government and Component Units

1. State Government: DT has commenced compliance testing and is approximately 40% completed with such. DT will commence year-end balance testing upon receipt of the final trial balances and related schedules.
2. Pohnpei Housing Authority: DT is approximately 80% complete with fieldwork.
3. Pohnpei Utilities Corporation: DT has received the trial balance and is in the planning stage.
4. Pohnpei Port Authority: The 2011 audit for PPA cannot start until the entity pays for its audit fee. Numerous follow-up communications by the Public Auditor's Office have been made. If the audit fee is not clear, the audit cannot start. If there is no audit, this can potentially affect Pohnpei State's audit opinion for 2011.

Kosrae State Government and Component Units

1. State Government: DT has commenced compliance testing and is approximately 60% complete. DT will commence year-end balance testing during the third week of January 2012.
2. Kosrae Utilities Authority: DT has received the trial balance and related schedules. They are scheduled to commence fieldwork during the third week of January 2012.
3. Kosrae Port Authority: DT has received a preliminary trial balance. They are scheduled to commence fieldwork during the third week of January 2012.


Yap State Government and Component Units

1. Yap State Government: FB has completed the risk assessment and the audit program. All other audit requirements have not been provided to FB.
2. Yap Visitor's Bureau: The risk assessment, grant documentation and audit program were reported as 100% complete. All other audit requirements are still outstanding and the audit cannot continue without such. Client has committed to providing the Trial Balance on January 6, 2012.
3. Yap State Public Service Corporation 2010 (YSPSC): The 2011 audit for YSPSC is done and a copy of the final audit report is posted at www.fsmopa.fm.

4. Diving Seagull, Inc.: The risk assessment, audit program, and grant documentation have been reported at 100% completion. All other audit requirements are still pending. DSI has agreed to provide the trial balance on February 21, 2012.

A copy of this status report and all completed audit reports are on the FSM Public Auditor's website at www.fsmopa.fm. Let me know if you have questions.

Respectfully submitted,



Haser Hainrick
National Public Auditor

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cc: FSM Vice President
Speaker of FSM Congress
Director, SBOC
All Finance Secretary/Directors (R.Nakanaga – Acting, T.Pablo, M.Laaw, J.Mori,
T.Reynold)
All State Auditors (A. Leben, S. Taulung, R.You)