



FEDERATED STATES OF MICRONESIA

Office of The National Public Auditor

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February 9, 2011

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

Dear Mr. President and Mr. Governors:

The following is the report on the status of the 2011 Single Audit for FSM as of January 31, 2011 based on information received from Deloitte & Touche (DT) and Fortenberry & Ballard (FB).

FSM NATIONAL GOVERNMENT AND COMPONENT UNITS:

1. FSM National Government:

DT received the Final Trial Balance (TB), SEFA and related revenue and expenditure reports. The initial sample selections for AIP, SPED and Compact Sector were sent to FSM Finance. DT will commence testing of AIP expenditures the first week of February and continue with the other programs upon availability of documents.

DT is currently revisiting the final major programs based on the Final TB and SEFA provided and also waiting from FSM Finance the final determination if CFDA 93.959 and 93.958 would be audited as major programs. These two programs are Type B federal programs, however, were requested by the Grantor Agency to be audited as major programs.

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.

The preliminary year end request (2010-07) was sent on January 12, 2010. DT received a portion of this request, additional schedules are still forthcoming from FSM Finance.

2. College of Micronesia-FSM - DT received trial balances and some related schedules and is working on audit planning and preparing for compliance testing. DT is scheduled to commence fieldwork during the first week of February, 2011.

3. National Fisheries Corporation – Preliminary trial balances were provided on January 31, 2011. Fieldwork will commence on February 7, 2011.
4. MiCare Plan, Inc. - Fieldwork is currently under progress. Estimated completion of fieldwork is within first week of February 2011.
5. FSM Coconut Development Authority - Fieldwork has been substantially completed. DT is in the process of drafting reports.
6. FSM Development Bank - Since this is a December 31 year end, significant audit procedures have yet to commence.
7. FSM Social Security Administration - Preliminary trial balances were provided on January 27, 2011. Fieldwork is scheduled to commence in February, 2011.
8. Caroline Islands Air 2010 (CIA) - The audit of Caroline Islands Airline is 50% 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 60% completed with such. DT was scheduled to commence year-end balance testing after January 31, 2011.
2. Chuuk Public Utility Corporation: DT provided the initial draft to CPUC and is awaiting their MD&A and responses, etc.
3. Chuuk State Health Care Plan: DT is about 60% completed with fieldwork.
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. DT was scheduled to commence year-end balance testing after January 31, 2011.
2. Pohnpei Housing Authority - Fieldwork has been substantially completed. DT is in the process of drafting reports.
3. Pohnpei Utilities Corporation – DT is 95% completed with fieldwork. Once information on the one last adjustment is received, updated trial balances will be

provided to PUC to begin drafting the MD&A. Target to submit file and financials for Partner review by end of this week. Issuance by end of February should still be on target.

4. Pohnpei Port Authority: The trial balance has been provided on 01/19/2011. DT commenced the fieldwork on 01/25/2011. Audit request has been sent and 70% of the requested items have been provided. As of 01/31/2011, 50% of the on-site audit procedure has been performed. DT expects the most detail fieldwork can be completed by mid-week ending 02/12/11.

KOSRAE STATE GOVERNMENT AND COMPONENT UNITS:

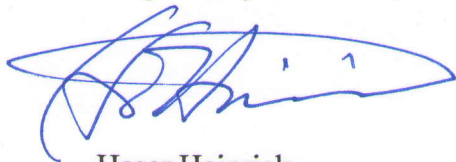
1. Kosrae State Government - DT commenced compliance testing and is approximately 60% completed with such and was scheduled to commence year-end balance testing after December 31, 2010.
2. Kosrae Utilities Authority - Fieldwork has been substantially completed. DT is in the process of drafting reports
3. Kosrae Port Authority - DT received a trial balance as January 28 and is waiting for other audit requests.

YAP STATE GOVERNMENT AND COMPONENT UNITS:

1. Yap State 2010 - The Audit of Yap State is 20% complete. The audit is awaiting field work stage while Yap State is progressing on their final SEFA and closing of the financial books. Yap State has set a goal of closing the books and SEFA by the end of February.
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 20% complete. The audit is awaiting field work 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 therefore the timetable of the YVB audit will follow the timetable of Yap State to a great extent.
4. The Diving Seagull 2010 - The audit of The Diving Seagull is 20% complete. The audit is awaiting field work stage. The Diving Seagull is reconciling the bank statements in order to close out the books.

A copy of this status report and all completed audit reports will be uploaded to the FSM Public Auditor's website at 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 - Acting)
All State Auditors (R.Yow, A.Leben, S.Taulung)