



# FEDERATED STATES OF MICRONESIA

## Office of The National Public Auditor

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October 5, 2015

MTEC Ministers

Micronesian Trade and Economic Community Interim Secretariat

P. O. Box PS-12, Palikir, Pohnpei FM 96941

Dear MTEC Ministers:

We have performed an audit of the financial statement of Micronesian Trade and Economic Community (MTEC), a nonprofit organization of the Government of Federated States of Micronesia, Republic of Marshall Island and Republic of Palau, for the year ended September 30, 2014, in accordance with auditing standards generally accepted in the United States of America (“generally accepted auditing standards”) and have issued our report thereon dated October 5, 2015.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the Organization is responsible.

### **OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS AND GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS**

Our responsibility under generally accepted auditing standards and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, have been described in our engagement letter dated August 21, 2015. As described in that letter, the objective of the financial statement audit conducted in accordance with the aforementioned standard is:

- To express an opinion on the fairness of the presentation of the Organization’s financial statement for the year September 30, 2014 in conformity with the basis of cash receipts and disbursements, in all material respects, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (“generally accepted accounting principles”);
- To report on MTEC’s internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended September 30, 2014 based on an audit of financial statement performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.

Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statement that has been prepared with the oversight of management and the MTEC Ministers is presented fairly, in all material respects, in conformity with the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles. The audit of the financial statement does not relieve management or the MTEC Ministers of their responsibilities.

We considered the Organization's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

### **ACCOUNTING ESTIMATES**

Accounting estimates are an integral part of the financial statement prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and on assumptions about future events. During the year ended September 30, 2014, we are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates.

### **AUDIT ADJUSTMENTS AND UNCORRECTED MISSTATEMENTS**

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatements, whether caused by error or fraud. As the result of our audit work, we identified no matters that resulted in audit adjustments that we believe either individually or in the aggregate with others have had a significant effect on the Organization's financial reporting process.

### **SIGNIFICANT ACCOUNTING POLICIES**

MTEC significant accounting policies are set for in Note 1 B to MTEC's financial statement. During the year ended September 30, 2014, there were no significant changes to their accounting policies or their application.

### **OTHER INFORMATION IN THE ANNUAL REPORTS**

The 2014 audited financial statement was not included in documents containing other information such as the Organization's Annual Report.

### **DISAGREEMENTS WITH MANAGEMENT**

We have not had any disagreements with management related to matters that are material to the Organization's 2014 financial statement.

## **CONSULTATION WITH OTHER ACCOUNTANTS**

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2014.

## **MANAGEMENT'S REPRESENTATION**

We have made specific inquiries of the Organization's management about the representation embodied in the financial report. Additionally, we have requested that management provide to us the written representations the Organization is required to provide to its independent auditors under generally accepted auditing standards. We have attached to this letter as Attachment I, a copy of the representation letter we obtain from management.

## **MAJOR ISSUES DISCUSSED WITH MANAGEMENT PRIOR TO OUR INITIAL ENGAGEMENT**

Throughout the year, routine discussions regarding the application of accounting principles or auditing standards were held with management in connection with transactions that have occurred, transactions that are contemplated, or reassessment of current circumstances. In our judgment, such discussions were not held in connection with our retention as auditors.

## **SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT**

In our judgment, we received the full cooperation of the Organization's management and staff and had unrestricted access to the Organization's senior management in the performance of our audit.

## **CONTROL-RELATED MATTERS**

We have issued a separate report to you, dated October 5, 2015, on the Organization's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, which was based on the audit performed in accordance with *Government Auditing Standards*.

We have communicated to the Organization's management in a separate letter also dated October 5, 2015, certain deficiencies and other matters related to the Organization's internal control over financial reporting that we identified during our audit.

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This report is intended solely for the information and use of management, the Ministers and others within the Organization and is not intended to be and should not be used by anyone other than those than these specified parties.

Sincerely,



Haser Hainrick  
National Public Auditor



**Micronesian Trade and Economic Community  
Interim Secretariat**

Kaselehlie Building, 1<sup>st</sup> Floor, P.O.Box PS-12, Palikir, Pohnpei FM 96941

October 5, 2015

**Mr. Haser Hainrick  
National Public Auditor  
FSM National Government**



**Re: *Representation Letter regarding the audit of the Micronesian Trade and Economic Community's (MTEC) financial statement***

**Dear Mr. Hainrick:**

We are providing this letter in connection with your audit of the Micronesian Trade and Economic Community's (MTEC) financial statement which represents the schedule of sources and uses of funds for the year ended September 30, 2014 and the related notes to the financial statement, for the purpose of expressing an opinion to whether the financial statement presents fairly, in all material respects, results of operations of MTEC in conformity with the cash basis of accounting as described in Note 1 B to the financial statement. We confirm that we are responsible for the fair presentation in financial statement of activities as described above.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of October 5, 2015, the following representations made to you during your audit.

1. The financial statement referred to above is presented in conformity with the cash basis of accounting as described in Note 1 B to the financial statement.
2. We have made available to you all:
  - a. Financial records and relevant information and access as agreed in the terms of the audit engagement.
  - b. Minutes of the meetings of MTEC Ministers and MTEC Working Groups, or summaries of actions of recent meetings for which minutes have not yet been prepared.

3. There have been no communications from regulatory agencies concerning on compliance with or deficiencies in financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statement.
5. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
6. We have no knowledge of any fraud or suspected fraud affecting the entity involving:
  - a. Management
  - b. Employees who have significant roles in internal control, or
  - c. Others where the fraud could have a material effect on the financial statement.
7. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, short sellers, or others.
8. The Organization has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
9. The following have been properly recorded or disclosed in the financial statement:
  - a. Sources and uses of funds are properly classified in the schedule.
  - b. Guarantees, whether written or oral, under which the company is contingently liable.
  - c. Significant estimates and material concentrations known to management that is required to be disclosed in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 275, Risks and Uncertainties. [Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.]
10. We are not aware of any estimates at September 30, 2014 that may change and that the effect of the change in would be material to the financial statement
11. Risk associated with concentrations, based on information known to management, have been disclosed in the financial statement:



12. There are no:
  - a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statement or as a basis for recording a loss contingency.
  - b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with FASB ASC 450, Contingencies
  - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB ASC 450.
13. The company has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
14. The company has complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance.
15. No events have occurred after September 30, 2014, but before October 05, 2015, the date the financial statement was available to be issued that require consideration as adjustments to or disclosures in the financial statement.

If you have any questions regarding any of the above, please let us know.

Sincerely,



Marie Henry  
Secretary, FSM Department of Resources and Development

Attachments: (1)