

**REQUEST FOR PROPOSAL
FOR QUALIFIED AUDITORS TO PERFORM ANNUAL SINGLE AUDITS
OF THE FREELY ASSOCIATED STATES OF MICRONESIA FOR
FISCAL YEARS ENDING SEPTEMBER 30, 2025 & 2026**

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Table of Contents

I.	DESCRIPTION OF THE ENTITY	1
II.	SYSTEMS AND RECORDS.....	2
III.	SCOPE OF SERVICES.....	3
IV.	TERM OF THE ENGAGEMENT	4
V.	PROJECT SCHEDULE.....	4
VI.	SUBMISSION OF PROPOSALS.....	5
VII.	SELECTION PROCESS.....	6
VIII.	MANDATORY CRITERIA.....	6
IX.	CONTRACT REQUIREMENTS.....	7
X.	PROPOSAL CRITERIA.....	8
XI.	CONTACT PERSON	10

I. DESCRIPTION OF THE ENTITY

The Freely Associated States of the Federated States of Micronesia (FSM) is a democratic, constitutional federation comprised of the national, state, and local governments as established by the constitution of the Federated States of Micronesia. It is a nation comprised of 607 islands that are spread across more than 1 million square miles of the Western Pacific Ocean within a chain of islands known collectively as the Caroline archipelago. While FSM is large in size, the total land area is small, 270 square miles. The climate is tropical, with temperatures ranging from the low 70's to the high 90's; mean humidity is 80 percent.

The most striking and pervasive physical characteristic of the FSM is the smallness and wide dispersion of the land area. The FSM consists of four island states including Kosrae (population 6,767), Pohnpei (population 37,025), Chuuk (population 49,768) and Yap (population 11,637).¹ The cultures of these islands are quite diverse and at least seven major languages are spoken by the different ethnic groups. English is the official language.

Politically, the FSM has been under foreign domination since the 1500's when the islands were first sighted by the Spanish. The Spanish remained as the dominant political power until the 1890's when the islands were sold to Germany following the Spanish-American War. Germany occupied the islands until after the First World War when the administration of the islands was transferred to Japan under the mandate of the League of Nations. Following Japan's defeat in World War II, the United Nations declared the area a UN Trusteeship and placed it under the administration of the United States Government. The mission of the United States, as the administering authority, was to prepare the islands for self-government.

After more than three decades, the islanders opted for a democratic constitutional federation of the four states. FSM leaders renegotiated a Compact of Free Association with the United States which was implemented in 2023. Under the amended Compact, the FSM is a sovereign nation with full control over its own affairs. The amended Compact contains economic assistance, programs and services, and tax and trade benefits, in order to assist the FSM toward increased economic self-sufficiency.

Certain provisions of the last amended Compact, particularly the financial provisions, expired with the fiscal year 2023. The expired financial provisions were renegotiated by the United States and the FSM; and beginning with the fiscal year 2024, the revised financial provisions of the new amended Compact following the renegotiation of the two governments came into effect.

¹ Population obtained from FSM Department of Resources and Development.

The amended Compact provides that the Government of the United States shall provide for annual audits of the Federated States of Micronesia with the cost of annual audits to be paid for by the Federated States of Micronesia. The revised fiscal procedures agreement provides, among other things that audit reports will conform to the standards of the Governmental Accounting Standards Board, that the FSM Governments will pay for audits conducted in conformance with the Single Audit Act of 1984, as amended and, notably the United States government has the final say as to if it will conduct the audits directly or by using the services of independent certified public accountants. The services of independent certified public accountants have been used annually since 1984.

Any contract entered into under this request for proposal shall be contingent upon the availability of funds and of the continued acquiescence of the US Secretary of the Interior to the procedures and contracts the FSM has implemented and entered into to provide for audits.

The entity to be audited includes the national and the four state governments which constitute the Federated States of Micronesia and any sub-recipient expending more than \$1,00,000.00 in Federal or Compact financial assistance. The individual single audits of the national and the state governments are to include reporting on financial statements prepared in accordance with generally accepted accounting principles including the requirements of the Government Accounting Standards Board. These audits shall be made in accordance with generally accepted government auditing standards covering financial and compliance audits. The audits shall cover the entire operations of the National and State governments to enable the auditor to report on the financial statements, internal controls, and compliance with laws and regulations on each major Federal assistance program and a schedule of findings and questioned costs.

The audits of sub-recipients that expend more than \$1,000,000.00 in Compact or federal financial assistance will include either single or program-specific audit conducted under Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), the State Single Audit Implementation Act; and all other applicable laws and regulations. Other sub-recipients including enterprise fund types and other component units of the national and state governments may be subject to the audit requirements of 2 CFR 200 as well. For the fiscal years 2025 and 2026, the audits of sub-recipients will be conducted under the 2 CFR part 200, Subpart F.

II. SYSTEMS AND RECORDS

The FMIS for all 5 governments are Fundware. Pohnpei was the first to implement the Fundware in the fiscal year 2006, then Yap, Kosrae, Chuuk, and lastly the National Government in the fiscal year 2008. There is a new FMIS for all five (5) governments

that will be run parallel with the old FMIS (Fundware) starting October 1, 2025. The name of the new FMIS is FREE BALANCE.

The National and State Governments have been audited annually by independent CPAs since the fiscal year 1984. All annual audit reports up to the fiscal year 2022 are available online on the FSM Office of the National Public Auditor's website at www.fsmopa.fm. The audits for the fiscal year 2023 and 2024 are still ongoing at the moment. Once completed, they will be uploaded to the same website.

Included within the various governments reporting entities are some semi-autonomous entities or enterprise funds that independently account for their transactions.

For the National Government, entities included under the scope of the audit as component units are: Social Security Administration, FSM Telecommunications Corporation, FSM Development Bank, National Fisheries Corporation, College of Micronesia-FSM, MiCare Plan, FSM Petroleum Corporation, the Caroline Islands Air, Inc, Telecommunication Cable Corporation, and Telecommunication Regulation Authority.

For the state of Chuuk, three enterprise funds are independently accounted for and should be included within the scope of the Chuuk State Audit. These entities include the Chuuk Public Utilities Corporation, Chuuk Housing Authority, and Chuuk State Health Care Plan.

For the state of Pohnpei, three enterprise funds are independently accounted for and should be included within the scope of the Pohnpei State Audit. These entities include Pohnpei Utilities Corporation, Pohnpei State Housing Authority, and Pohnpei Port Authority.

For the state of Kosrae, three enterprise funds are independently accounted for and should be included within the scope of the Kosrae State Audit. These entities include Kosrae Utilities Authority, Kosrae Housing Authority, and Kosrae Port Authority.

For the state of Yap, there are three entities that are independently accounted for and should be included within the scope of the reporting entity. These entities include the Yap State Public Services Corporation, Diving Seagull, Inc., and Yap Visitor's Bureau.

Some of the above entities may fall below the revised threshold of \$1,000,000.00 and may not require audits in accordance with the Single Audit Act of 1984, as amended.

III. SCOPE OF SERVICES

The audits will include financial and compliance audits of the Federated States of Micronesia pursuant to the Single Audit Act of 1984, as amended, 2 CFR 200, and the Compact of Free Association between the Federated States of Micronesia and the United

States of America, for the years ending September 30, 2025 & 2026. The audits will encompass the separate reporting entities of the FSM National Government, the State of Kosrae, the State of Pohnpei, the State of Chuuk, and the State of Yap.

The audits will cover each of the reporting entities of the Government of the Federated States of Micronesia as defined by U.S. Public Law 99-239 TITLE FOUR, Article VI, Section 461 (d). The audits will be performed in accordance with auditing standards generally accepted in the United States of America, provisions of the Compact of Free Association between the Federated States of Micronesia and the United States of America, and its related agreement for Implementation of Economic Assistance Programs and Services, and Federal auditing standards in the United States, including:

1. *Government Auditing Standards*, issued by the U.S. Government Accountability Office (GAO)
2. The Single Audit Act of 1984 (P.L. 98-502), as amended
3. Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), the State Single Audit Implementation Act, and all other applicable laws and regulations.

In addition, the auditor will be expected to follow the recommendations of the AICPA State and Local Government Committee as set forth in the accounting guide, *Audits of State and Local Governmental Units*, Revised Edition.

The Government of the Federated States of Micronesia may accept proposals from interested bidders to conduct the audits **for all or some of the entities** for the FSM National and State Governments.

IV. TERM OF THE ENGAGEMENT

The term of the contract period will be for fiscal years 2025 & 2026. Future contracts may be led to cover more fiscal years on the financial operations of the governments of the Federated States of Micronesia.

V. PROJECT SCHEDULE

September 10, 2025

Extended Request for Proposal Issued

October 15, 2025	Extended deadline for submission of audit proposals by hand delivery or via email no later than October 15, 2025 at 5pm Pohnpei time.
October 16-31, 2025	Proposal evaluation and selection of the winning responsible bidder(s) and contract negotiation
November 4-15, 2025	Signing of Contract and Notice to Proceed
November 25, 2025 & July 1, 2026	Commencement of audit work
December 31, 2025 & 2026	Receipt by the National Public Auditor of all unaudited Financial Statements for all Governments
May 15, 2026 & 2027	Delivery of draft reports and completion of exit conferences for all Governments
June 30, 2026 & 2027	Delivery of final reports to the National Public Auditor for distribution and upload of Data Collection Form to the US Audit Clearinghouse

VI. SUBMISSION OF PROPOSALS

Proposals must be submitted by hand-delivery or via email no later than October 15, 2025 at 5pm Pohnpei time. Any proposals submitted after the above deadline will not be accepted.

Proposals must be delivered with original and six copies. The fee proposal should not be disclosed in the main proposal but should be submitted in a separate sealed envelope. Proposals must respond to all structured criteria as contained in part XI of this RFP.

Proposals shall not be any longer than 30 pages, exclusive of resumes, references, and work examples.

Proposals must show the breakdown of the audit cost of the entities and/or component units.

The Government of the Federated States of Micronesia reserves the right to:

- a. Reject all proposals and reissue an amended RFP.
- b. Request additional information from any firm submitting a proposal.
- c. Negotiate a contract with the firm(s) selected for the engagements.
- d. Waive any non-material violations of rules set up in this RFP.

- e. Select one or more firms for the engagement(s).

The Government of the Federated States of Micronesia will not reimburse or pay for any costs incurred in preparing and submitting a proposal in response to this RFP.

VII. SELECTION PROCESS

Proposals will be evaluated by the National Public Auditor, his key staff, and the reviewing committee. Proposals will be opened only by the reviewing committee and information contained in a proposal is confidential and will not be disclosed to the public.

Each response to one of the criteria contained in Section XI will be scored from 0 to 5, and then multiplied by the weight factor. The National Public Auditor, the reviewing committee, and his key staff will then evaluate the scores and may conduct phone interviews of the leading scores and check their references before selecting a firm(s) to negotiate a contract(s) with.

Criteria	Points	Weight	Score
Qualifications of Audit Firm	0-5	3	0-15
Qualifications of Individuals	0-5	3	0-15
Scope of Services	0-5	2	0-10
Plan for work and references	0-5	2	0-10
Fee Proposal	0-5	3	0-15

The results of the evaluation will be documented and used as guidance in the selection of the firm(s). The National Public Auditor will make the final determination of which proposal is the most advantageous to the Government of the Federated States of Micronesia.

All entities submitting proposals will be promptly notified of the determination of the National Public Auditor. Proposals will become the property of the Government of the Federated States of Micronesia and will not be returned.

VIII. MANDATORY CRITERIA

All respondents must include the following positive affirmations in their proposals:

- a. An affirmation that the proposer is properly licensed for the public practice as a certified public accountant or public accountant in accordance with the latest version of the Generally Accepted Government Auditing Standards (GAGAS), published by the U.S. Government Accountability Office.

- b. An affirmation that the proposer meets the independence requirements of the GAGAS.
- c. An affirmation that the proposer does not have a record of substandard audit work. This should be accomplished by submitting a written report communicating the results of an external quality control review conducted within three years preceding September 30, 2024.
- d. An affirmation that the proposer submits a copy of the latest letter of comment for the latest external quality control review conducted.

IX. CONTRACT REQUIREMENTS

The auditor(s) shall:

- a. Perform the services as described in the auditor's proposal for a Financial and Compliance Audit of the governments, which will be incorporated as an attachment to the resulting contract, to the satisfaction of the National Public Auditor.
- b. Provide sufficient copies of final reports to the Cognizant Audit Agency, and Federal Audit Clearinghouse.
- c. Provide five copies of the draft reports and 25 copies of each final report of the national and state governments to the National Public Auditor. In addition, one electronic copy (in pdf format) will be submitted to the National Public Auditor for publication of the report on www.fsmopa.fm.
- d. Provide five copies of the draft reports for the exit conference and 25 copies of the final reports for each Component Unit.
- e. Provide five copies of the draft reports and 25 copies of each final report for each sub-recipient that expends more than \$1,000,000.00 (FY 2025 & FY2026) in Compact or federal financial assistance and for each enterprise fund type or component unit covered under the scope of the audit.
- f. Provide five copies of the engagement letter along with a listing of required reports and documents for each Government for the entrance conference.
- g. Be responsible for all interfacing with the cognizant Audit Agency.
- h. Comply with the U.S. Executive Order 11246, entitled, "Equal Employment Opportunity" as amended by Executive Order 11375, and as supplemented in Department of Labor regulations (41 CFR Part 60).

- i. Retain audit work papers and reports for a minimum of three years from the date of the audit report, unless the auditor is notified in writing by the Cognizant Agency to extend the retention period. Audit work papers shall be made available upon request of the National Public Auditor or his designee or cognizant Agency or its designee or the Government Accountability Office.
- j. Provide the National Public Auditor or his designee with a copy of the Audit Plan, Materiality and Risk Assessment, and sampling Plan for all the financial and compliance audit of the national and state governments.
- k. Provide the National Public Auditor or his designee with access to the audit working papers for review along with the preliminary audit reports prior to conducting the exit conference for the national and state governments.
- l. Obtain all necessary licenses and permits to conduct business while auditing within the Federated States of Micronesia. The Office of the National Public Auditor may provide assistance in obtaining a foreign investment permit, if necessary.
- m. Report on the 'Key Audit Matters' in the Auditors Reports for all financial audits of the national and state governments and their component units.
- n. If, during the course of the audits, the auditor uncovers indications of possible fraud or other situations that need to be brought to the attention of the government, the auditor shall immediately notify the National Public Auditor in writing. The auditor shall perform sufficient fieldwork to be able to clearly describe and document the situation.

X. PROPOSAL CRITERIA

1. Qualifications of the firm:

- a. Describe the organization and size of the firm and whether it is local, regional, national, or international in operations.
- b. Describe the office from which the work is to be staffed including the number of professional staff by staff level employed at that location.
- c. Describe the range of activities performed by the local office such as auditing, accounting, tax service, and management service.
- d. Discuss your staff's capability to audit computerized systems, including the number and classifications of personnel skilled in computer science who will

work on the audit and their experience in auditing computerized systems. A list of the type of systems and the hardware and software audited would be helpful.

- e. Include positive affirmations as discussed in the section on mandatory criteria.
- f. Describe your experience in performing governmental audits in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200. Give names, addresses, and telephone numbers of client officials responsible for three of the audits described.

2. Qualifications of Individuals:

- a. Identify the audit managers and field supervisors and other staff who will work on the audit, including staff from other than your local office. Resumes including relevant experience and the number and nature of Continue Professional Education hours for all auditors, including supervisors, managers, and the individual with final responsibility for the engagement, should be included.

3. Scope of Services:

- a. Opinion reports on financial statements and the supplementary schedules of federal financial assistance.
- b. Reports on the internal control over financial reporting and compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters on the audit of the financial statements performed in accordance with standards contained in *Government Auditing Standards*.
- c. Reports on compliance with the requirements applicable to the federal program and on internal control over compliance in accordance with the *Uniform Guidance*.

Give an affirmation that you will be able to complete the audits in accordance with the project schedule in section V.

Describe the type and estimated amount of support you expect from the employees of the government of the Federated States of Micronesia. List the types of documents that will be required to be produced before your staff arrives here, and while they are here.

Emphasize any special or extraordinary services your firm can provide that would distinguish it from its competitors.

4. Plan for work and references:

- a. Provide a listing of other contracts under which services similar in scope, size, and discipline for the required services were performed or undertaken in the past five years;
- b. Include a plan, giving as much detail as is practical, explaining how the services will be provided and when the work will be done.
- c. Provide clientele references, not to exceed five customers. These customers should have received a similar type and scope of work as described in this RFP. Include contact name, title, complete address, phone number, email address, and facsimile number. Contact name should be capable of providing an appropriate reference for the work performed.

5. Fee Proposal

- a. The fee proposal should be submitted in a separate sealed envelope and the fee amount should not be disclosed anywhere else in the proposal.
- b. The auditor will be expected to provide transportation, temporary housing, and meals while performing the audits. State the fee proposal and reimbursable costs and give a not-to-exceed amount to complete all work required for the entities you bid for. Give your best estimate of all reimbursable costs to be included and give a not-to-exceed figure for all reimbursable costs.

XI. CONTACT PERSON

The contact person is:

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