



FEDERATED STATES OF MICRONESIA

Office of The National Public Auditor

P.O. Box PS-05, Palikir, Pohnpei FSM 96941

Tel: (691) 320-2862/2863 Fax: (691) 320-5482

CID Hotline: (691) 320-6768; Website: www.fsmopa.fm

Facebook: FSM Office of the National Public Auditor; E-mail: info@fsmopa.fm

Friday, January 17, 2025

Excellency Wesley W. Simina
President
Office of the President
Federated States of Micronesia
Palikir, Pohnpei FM 96941

Excellency President Simina:

This is our status report for the FY2022 & 2023 single audits as of the 3 months ending October 31, 2024, November 30, 2024, and December 31, 2024 respectively. This report is based on information received from our contracted auditors, Ernst & Young LLP and Burger Comer Magliari (BCM) and covers the progress of the audits for the FSM National Government, States of Chuuk, Kosrae, Pohnpei, and Yap and their respective component units.

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
FSM National Government and Component Units			
1	FSM National Government	FY2023: Oct., Nov., & Dec. 2024: <ul style="list-style-type: none"><i>Audit commencement date to be determined upon provision of finalized TB and SEFA for FY2023 by client.</i><i>EY is in the early stages of planning and progress is approximately 10-15%.</i>	<ul style="list-style-type: none">Trial Balance and SEFA
2	Caroline Islands Air, Inc	Oct., Nov., & Dec. 2024: <ul style="list-style-type: none"><i>Entity is working with its financial consultant and indicated that they need until end of September 2024 to close out FY2023 transactions.</i><i>Closing is still ongoing, and CIA has revised its target to</i>	<ul style="list-style-type: none">Trial Balance

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
		<p><i>provide trial balance by the end of December 2024.</i></p>	
3	College of Micronesia, FSM	<p>Oct. & Nov. 2024:</p> <ul style="list-style-type: none"> • <i>Revised completion date of November 8, 2024. However, based on the results of the review of working papers, the target date is not feasible.</i> • <i>The audit team and management will discuss it in the next meeting on November 6, 2024.</i> • <i>Audit is 90% complete.</i> • <i>Draft FS is shared with COM-FSM management on Sept. 30, 2024, and feedback received on November 6, 2024.</i> • <i>UG audit is assessed at 70% completion.</i> • <i>The senior finished his audit fieldwork in pohnpei on November 1, 2024.</i> <p>Dec. 2024:</p> <ul style="list-style-type: none"> • <i>Target release date is not yet determined considering the major open items.</i> • <i>Financial statement audit is assessed at 92% completion.</i> • <i>Draft FS is shared with COM-FSM management on sept. 30, 2024.</i> • <i>Draft management letter and material weaknesses in internal control over financial reporting are shared with COM-FSM on December 20, 2024.</i> • <i>UG audit is assessed at 72% completion.</i> 	<ul style="list-style-type: none"> • Revised management discussion and analysis • Indirect cost reversal in accordance with GAAP • Updated schedule of expenditures of federal awards after FS adjusting entries • Education stabilization fund allowable and cash management samples • education stabilization fund procurement, suspension and debarment and reporting procedures • ongoing review of audit working papers and clearing of review notes over student financial aid and 15.875 grants. • Confirmation if the salary expense reimbursement from COM land grant amounting to approximately \$1 million is a pass-through grant and subject to single audit. • Additional responses to inquiries and additional samples over other revenues, operating expenses and capital asset.
4	FSM Development Bank		<p>Audit completed and issued on May 13, 2024.</p>
5	MiCare Plan	<p>Oct. 2024:</p>	<ul style="list-style-type: none"> • Legal confirmation, minutes of the meetings

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
		<ul style="list-style-type: none"> • <i>The entity's preliminary trial balance and general ledger report have been received on July 29, 2024.</i> • <i>Audit planning commenced on week ending July 26, 2024.</i> • <i>Target completion date is at the end of October 2024, which is contingent upon the timely provisions of documents and schedules.</i> • <i>Target completion date is at the end of November 2024.</i> <p>Nov. 2024: <i>Target completion date with draft issuance is December 2024, which is contingent upon the timely provisions of pending items.</i></p> <p>Dec. 2024: <i>The target completion date with draft issuance is January 2025, which is contingent upon the timely provisions of pending items.</i></p>	<p>and going concern assessment.</p>
6	National Fisheries Corporation	<p>Oct. 2024:</p> <ul style="list-style-type: none"> • <i>Request for preliminary audit information has been communicated to the entity on July 19, 2024.</i> • <i>Updated trial balances for the Chuuk books provided on August 30, 2024.</i> • <i>EY met with clients on October 01, 2024, to get commitment dates on pending initial requests and for a weekly update on status of the audit.</i> • <i>A Status meeting was held morning of November 5, 2024 where entity noted that due to a number of adjustments posted, they will provide an updated trial balance.</i> 	<ul style="list-style-type: none"> • <i>Initial schedules to facilitate the planning and sample selection process.</i> • <i>Accounts receivables and PPE</i> • <i>October 2022 to September 2023 general ledger/ journal entries schedule and subsequent disbursements that will be used for further sample selection.</i>

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
		<p>Nov. 2024:</p> <ul style="list-style-type: none"> Received updated trial balances and schedules Client will aim to ready all audit required support within December 2024. <p>Dec. 2024:</p> <ul style="list-style-type: none"> No response received from client until December 26, 2024, in regard to the pending items. 	
7	FSM Petroleum Corporation (FSMPC) & Vital (VEI)	<p>Oct. 2024:</p> <ul style="list-style-type: none"> Portion of substantive testing has significantly completed. The estimated draft report is by the end of November 2024. <p>Nov. 2024: The estimated draft report is by the end of December 2024.</p> <p>Dec. 2024:</p> <ul style="list-style-type: none"> The estimated draft report is by the end of January 2025. 	<ul style="list-style-type: none"> GASB 87 working, payroll data pending, GASB 96 data, legal confirmation reply, Fuel purchase confirmation reply. Legal confirmation reply Government of Nauru confirmation letter SATO agreement Inventory reconciliation GON confirmation reconciliation NUC revenue confirmation reconciliation Queries related to accrued liabilities
8	FSM Social Security Administration		Audit completed and issued on September 30, 2024.
9	Telecommunication Cable Corporation	<p>Oct. & Nov. & Dec. 2024:</p> <ul style="list-style-type: none"> Preliminary trial balance was received on July 25, 2024, initial audit request was sent on July 31, 2024. Audit fieldwork commenced the week of August 9, 2024 The final trial balance was provided on September 16, 2024. Target completion is the end of November 2024 which is 	<ul style="list-style-type: none"> Updated loan agreements for FSMDB loan no. D3B5906L1 and FSMDB Loan no. D3B9843LI Inquiry on payables and expenses Contracts/billings for expense samples MD&A

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
		<p><i>contingent upon the timely provisions of pending items.</i></p> <ul style="list-style-type: none"> <i>The pending items were communicated to and acknowledged by the client on December 30, 2024.</i> 	
10	FSM Telecommunication Corporation		Audit completed and issued on July 29, 2024
11	Telecommunication Regulation Authority		Audit completed and issued on October 31, 2024
Chuuk State Government and Component Units			
1	Chuuk State Government	<p>FY2023:</p> <p>Oct. 2024:</p> <ul style="list-style-type: none"> <i>Preliminary trial balance and general ledger were received on August 6, 2024</i> <i>Revised trial balance was provided on September 9, 2024</i> <p>Nov. 2024:</p> <ul style="list-style-type: none"> <i>80% completed with audit planning</i> <i>Fieldwork is scheduled to commence on December 9, 2024</i> <p>Dec. 2024:</p> <ul style="list-style-type: none"> <i>90% completed audit planning procedures over CSG's financial statements and compliance.</i> <i>Scheduled to make another trip to Chuuk in the coming week starting 13th of January to complete testing.</i> 	<ul style="list-style-type: none"> Pending reconciliations with FSM National Government: <ul style="list-style-type: none"> Receivables from National Government for compact and federal grants Unearned revenue GASB 84 and GASB 96 Awaiting FSM national government to provide the state with their allocated share of the Investment " Trust Fund for the People of the FSM". Testing data to supporting documents remaining to be provide in AR/AP/Revenue and expenditures. UG pending items for fieldwork.
2	Chuuk Public Utilities Corporation		Audit completed and issued on October 18, 2024
3	Chuuk State Health Care Plan	<p>Oct. 2024:</p> <ul style="list-style-type: none"> <i>Preliminary trial balance has been received on June 7, 2024. Audit commenced on July 18, 2024</i> <i>Audit schedules were all provided and samples for</i> 	<ul style="list-style-type: none"> Completion of management's dicussion and analysis for financial statements purposes.

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
		<p><i>testing substantially provided through EY portal.</i></p> <ul style="list-style-type: none"> <i>Audit procedures are currently in progress.</i> <i>The estimated date of audit completion is at the end of November 2024.</i> <p>Nov. 2024:</p> <ul style="list-style-type: none"> <i>Audit completion date is at the end of December 2024.</i> <p>Dec. 2024:</p> <ul style="list-style-type: none"> <i>Estimated audit completion date is on the third week of January 2025, contingent upon the receipt of remaining pending items.</i> 	
4	Chuuk State Housing	<p>Oct. 2024:</p> <ul style="list-style-type: none"> <i>Audit starts to be determined.</i> <p>Nov. & Dec. 2024:</p> <ul style="list-style-type: none"> <i>80% completed with planning.</i> <i>Fieldwork will commence December 9, 2024.</i> 	<ul style="list-style-type: none"> • Loan receivables control ledger
Kosrae State Government and Component Units			
1	Kosrae State Government	<p>FY2023:</p> <p>Oct., Nov., & Dec. 2024:</p> <ul style="list-style-type: none"> <i>Audit commencement date to be determined.</i> <i>EY in the early stages of planning and progress is approximately 10-15%.</i> 	<ul style="list-style-type: none"> • None
2	Kosrae Port Authority	<p>Oct. & Nov. 2024:</p> <ul style="list-style-type: none"> <i>Preliminary trial balance was received June 18, 2024.</i> <i>Audit commenced July 1, 2024.</i> <i>Significant schedules were substantially provided.</i> <i>The client is in the progress of providing the pending schedules.</i> <i>Audit procedures are currently in progress.</i> <i>On November 26, 2024, the Company provide a new set of trial balance and GL</i> 	<ul style="list-style-type: none"> • Pending schedules • General ledger differences, • Beginning net position reconciliation and others for the execution phase

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
		<p><i>details and EY is in the process of checking if it would resolve their roll forward reconciliation issue.</i></p> <p>Dec. 2024:</p> <ul style="list-style-type: none"> <i>The planning phase is 100% completed.</i> <i>Audit procedures are still in progress.</i> 	
3	Kosrae State Housing Authority	<p>Oct. & Nov. 2024:</p> <ul style="list-style-type: none"> <i>Preliminary trial balance has been received June 17, 2024.</i> <i>Audit commenced on July 18, 2024, and preliminary audit request were submitted to the client on the same date.</i> <i>Significant financial statement schedules were partially provided by client on July 31, 2024.</i> <i>EY continuously provides updated list of audit requests.</i> <i>Audit fieldwork has yet to commence, however, audit procedures are currently in progress.</i> <p>Dec. 2024:</p> <ul style="list-style-type: none"> <i>The planning phase is 100% complete.</i> <i>The execution phases are still in progress with schedules and supporting documents pending.</i> 	<ul style="list-style-type: none"> Updated list of audit requests including schedules. Support documents such as all revenue samples.
4	Kosrae Utilities Authority		Audit completed and issued on July 17, 2024
Pohnpei State Government and Component Units			
1.	Pohnpei State Government	<ul style="list-style-type: none"> FY2022: Oct.2024: <i>Draft audit report on the financial statements and uniform guidance on internal and compliance were submitted to PSG on 10/26/2024.</i> 	<ul style="list-style-type: none"> Trial Balance Financial Statements

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
		<ul style="list-style-type: none"> • <i>The reports are going through internal review and quality control</i> • <i>The final reports are scheduled to be issued no later than 11/7/2024.</i> • FY2023: Oct. & Nov. 2024: <ul style="list-style-type: none"> • <i>2023 SEFA has been received, and major programs have been determined.</i> • <i>BCM has certain initial information including the investments for the primary government and compact trust fund.</i> Dec. 2024: <ul style="list-style-type: none"> • <i>On November 22, 2024, BCM submitted an initial request to PSG and was advised that such information would be provided within a week.</i> • <i>As of Jan 3, 2025, BCM has not received the information requested.</i> 	
2	Pohnpei State Housing Authority	<p>FY2023:</p> <p>Oct. 2024:</p> <ul style="list-style-type: none"> • <i>Fieldwork is 70%</i> • <i>Preliminary draft audit report is being prepared.</i> <p>Nov. 2024:</p> <ul style="list-style-type: none"> • <i>Fieldwork is 85% completed.</i> • <i>Proposed audit adjustments are being prepared to correct the allowance for loan loss provisioning, cash, loan receivable, accrued interest.</i> • <i>Management letter comments are being drafted for presentation to management.</i> <p>Dec. 2024:</p> <ul style="list-style-type: none"> • <i>Fieldwork is 95% complete.</i> 	<ul style="list-style-type: none"> • <i>Support documents for fixed assets additions</i> • <i>Two responses to fraud risk inquiry</i>

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
		<ul style="list-style-type: none"> • <i>Financial statements have been drafted</i> • <i>Concluded final analysis of management's loan provisions</i> • <i>Proposed audit adjustments have been submitted for management's review and response</i> • <i>Management letter comments have been completed and submitted for management's review.</i> 	
3	Pohnpei State Port Authority	<p>FY2023:</p> <p>Oct. 2024:</p> <ul style="list-style-type: none"> • <i>Fieldwork is about 55% complete.</i> • <i>Ongoing substantive testing of revenues, payroll disbursement, review of general journal entries, fixed asset additions and disposals, subsequent disbursements and collections.</i> • <i>BCM is analyzing PPA's adjustments for leases per GASB 87, documentation grant revenue and concession contracts.</i> <p>Nov. 2024:</p> <ul style="list-style-type: none"> • <i>Fieldwork testing is 85% completed.</i> • <i>Ongoing fixed asset additions and donated assets accrued compensated absences, evaluation of PPA's year-end GASB 87 leases adjustments and final analytical review procedures.</i> • <i>Management letter comments are being drafted for presentation to PPA management along with proposed audit adjustments.</i> <p>Dec. 2024:</p>	<ul style="list-style-type: none"> • GASB 87 on lease agreements: <ul style="list-style-type: none"> ○ Detailed listing of lease payments (cash payments) by lessee for FY 2023. Based on our review of the G/L, certain payments were batched, and we were not able to specifically identify monthly lease payments by lessee. ○ Copies of all amendments to lease agreements, particularly KTI Company Ltd 1. ○ A revised and most updated listing of lease agreements from the Marketing Department as of 9/30/2023; and ○ A listing of all lease agreements subject to FAA regulation. These lease agreements may be potentially excluded from GASB Statement No. 87. Hen

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
		<ul style="list-style-type: none"> • <i>Wrap up of 2023 PPA audit.</i> • <i>Financial statements and related notes are 85% complete and pending the finalization of proposed GASB 87 lease audit adjustments.</i> 	
4	Pohnpei Utilities Corporation	<p>Oct. & Nov. 2024:</p> <p>FY2023:</p> <ul style="list-style-type: none"> • <i>No trial balance or SEFA has been received.</i> • <i>Planning has already started including initial management inquiries walk-through procedures to facilitate planning.</i> • <i>The preliminary documentation is being compiled based on prior year known information.</i> <p>Dec. 2024:</p> <ul style="list-style-type: none"> • <i>PUC's management stated they will try submitting the final trial balance and financial statements before the 15th of January 2025.</i> 	<ul style="list-style-type: none"> • Trial balance • Financial Statements
Yap State Government and Component Units			
1	Yap State Government	<p>FY2023:</p> <p>Oct. 2024:</p> <ul style="list-style-type: none"> • <i>No work has begun on the FY2023 audit, as BCM is right now waiting for any final comments and questions on the FY2022 report.</i> • <i>BCM is ready to release the FY2022 report at any time.</i> <p>Nov. 2024:</p> <ul style="list-style-type: none"> • <i>YSG will input the adjustments and produce a trial balance for FY2023 possibly this month.</i> <p>Dec. 2024:</p> <ul style="list-style-type: none"> • <i>BCM is currently awaiting the trial balance.</i> 	<ul style="list-style-type: none"> • Trial balance
2	Yap Diving Seagull, Inc.	<p>Oct. 2024:</p>	<ul style="list-style-type: none"> • None

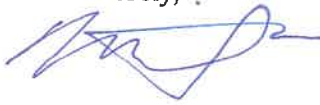
No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
		<ul style="list-style-type: none"> • BCM start receiving a trial balance. • Selection of transactions for testing. • Currently doing the testing of transactions. <p>Nov. 2024:</p> <ul style="list-style-type: none"> • Fieldwork and testing of all the sample items have been completed. • Draft financial statements by November 30, • As of Nov. 30, BCM just need to obtain the MD&A form DSI team. • The draft report will be in the first week or two of December 2024. <p>Dec. 2024: Audit completed and issued on December 10, 2024.</p>	
3	Yap State Public Service Corporation	<p>Oct. 2024:</p> <ul style="list-style-type: none"> • BCM has received the trial balance and requested schedules. • BCM has received supporting transactions and will proceed with testing. <p>Nov. 2024:</p> <ul style="list-style-type: none"> • Testing of sample items on cash and cash equivalents, investments, other assets, inventory on property and equipment, accounts receivable, accounts payable, etc. <p>Dec. 2024:</p> <ul style="list-style-type: none"> • Two staff were sent to Yap to observe physical inventory. • The vast majority of the testing have been completed. • Currently drafting the financial statements and expect to provide the draft 	<ul style="list-style-type: none"> • None

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
		<i>YSPSC at the end of January 2025.</i>	
4	Yap Visitors Bureau	Oct., Nov., & Dec. 2024: <ul style="list-style-type: none"> <i>BCM is yet to receive a trial balance.</i> 	<ul style="list-style-type: none"> Trial balance

A copy of this status report will be uploaded to the FSM Public Auditor's website at www.fsmopa.fm.

Let me know if you have questions about this report.

Sincerely,



Midson Tom
Acting National Public Auditor

JP/MN

cc: FSM Vice President
Speaker, FSM Congress
All State Governors
Heads of all FSM & States Audit Entities
State Public Auditors