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Wednesday, November 4, 2026

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

Excellency President Simina:

This is the initial monthly status report for the FY2025 audits. The report is based on information provided by our contracted auditors, Ernst & Young LLP and Shinoda CPA. It details the progress of audits for the FSM National Government and the States of Chuuk, Kosrae, Pohnpei, and Yap, along with their respective component units. The FY2025 audits are scheduled to be completed by December 31, 2026.

FSM NATIONAL GOVERNMENT AND COMPONENT UNITS:

Entity Name:	Audit Phase:	Percentage completed:	Pending items:
FSM National Government-FS	Finalization of planning phase; Execution phase	10%	Priority items: - Final Trial Balance (Resolution on the material variances identified in the TB particularly those related to fund balance) - Final CSLedger - Signed bank confirmation for ANZ - Contact information of the recipient of UNFCU bank confirmation - Loans receivable confirmations - Confirmation reply for 3 banks - Legal confirmation reply - Inquiry on compact receivable/payable schedule While the majority of the requested schedules have been provided, EY's review of their completeness and accuracy remains pending until the issues in TB have been resolved.
FSM National Government-UG	Planning Phase	5%	Priority Items: - Final Schedule of Expenditures of Federal Awards (SEFA).

Entity Name:	Audit Phase:	Percentage completed:	Pending items:
			- Updated schedule of expenditures for each major program – 15.875, 20.106, 21.029 and 93.323. - Grant Awards for all major programs – 15.875, 20.106, 21.029 and 93.323. - Copies of financial reports required to be submitted for all major programs – 15.875, 20.106, 21.029 and 93.323. - Schedule of Prior Audit Findings While the majority of the requested schedules have been provided, EY's review of their completeness and accuracy remains pending until the final SEFA is provided and the issues in the TB have been resolved.
Caroline Island Air (CIA)	Planning phase	5%	<u>Priority items:</u> - Final Trial Balance - Final General Ledger Report - Reconciled audit schedules (Bank reconciliations, Inventories, Prepayments, Fixed Asset register, Accrued expense, Payroll registers) - Signed Bank confirmations <u>Other Pending items:</u> - Lease agreement/s - Insurance agreement/s EY will send samples for testing and request supporting documents upon receipt of the schedules.
MiCare Health Insurance Plan (MHIP)	Finalization of planning phase; Execution phase	40%	<u>Priority items:</u> - Reconciliation of IBNR schedule to TB - Inquiry on negative balances in AR Aging Schedule <u>Other pending items:</u> - Walkthrough samples for all processes - IT Questionnaire - Board minutes - Legal confirmation reply

Entity Name:	Audit Phase:	Percentage completed:	Pending items:
			- Bank confirmation reply (1 out of 4) - Supports on payable cut-off samples (8 out of 20 samples) - Supports on subsequent disbursement samples (17 out of 20 samples) - Supports on prepaid medical claims samples (4 out of 4 samples) - Invoices on 25 premium revenue samples - Supports on medical claims samples (101 out of 174 samples)
FSM National Fisheries Corporation (NFC)	Planning phase	15%	Priority items: - Reconciled Receivables schedules - Reconciliation of beginning net position variance - Leave accrual schedule and employee leave balance report - Signed Legal confirmation Other pending items: - Supporting documents for samples on revenue, expense, journal entry testing, cutoff and subsequent transactions testing - Employee listing - List of new hires and terminations - Minutes of meetings - Audited FS of joint ventures EY met with NFC's CEO and CFO on October 8, 2026 for audit kick off meeting and provided status of audit including discussion of pending audit requests.
FSM Petroleum Corporation (FSMPC)	Finalization of planning phase; Execution phase	30%	Priority items: - CIP schedules - Fixed Asset Registers - Receivable Aging schedule ($269k variance vs. TB) - Prepayments schedule - Inventory valuation report - PetroX inventory report - Voyage report - Customer credit balances schedule - Employee listing

Entity Name:	Audit Phase:	Percentage completed:	Pending items:
			Other pending items: - Receivable confirmation replies - LOC confirmation reply - Investment confirmation reply - Supporting documents for Japan grant - New lease contract(s) - GRT returns - Inventory schedules (1376-20 and 1378-00 accounts) - Inventory gauging sheets at YE for NPP location - PetroX tank dip snips - Supports for walkthrough update samples This list excludes pending items for Vital Energy, Inc. (VEI), a subsidiary consolidated with FSMPC. The 2025 audit for VEI is currently estimated to be 30% complete.
FSM Social Security Administration (SSA)	Finalization and conclusion phase	90%	Priority items: - Investments fair value classification disclosure information from Raymond James - Management Discussion and Analysis (MD&A) - Minutes of Meetings (June 2026 to date) Draft financial statements were issued to the Administration for review and for preparation of MD&A on October 30, 2026. Target to finalize within the week of November 16, 2026.
FSM Telecommunications Cable Corporation (FSMTCC)	Finalization of execution phase and conclusion	75%	Priority items: - Supports to finalize testing on accruals (receivables, payables and revenue) - Supports to finalize testing on capitalized CIP - Management's Discussion and Analysis EY will draft reports once proposed audit adjustments are finalized.
FSM Telecommunication Regulation Authority (FSMTRA)	Completed	100%	None. Audit report issued on October 30, 2026.

Entity Name:	Audit Phase:	Percentage completed:	Pending items:
FSM Telecommunications Corporation (FSMTC)	Completed	100%	None. Audit report issued on January 31, 2026.
FSM Development Bank (FSMDB)	Completed	100%	None. Audit report issued on April 17, 2026.
College of Micronesia-FSM (COM-FSM)	Completed	100%	None. Audit report issued on June 30, 2026.

CHUUK STATE GOVERNMENT:

Entity Name:	Audit Phase:	Percentage completed:	Pending items:
Chuuk State Government-FS	Finalization of planning phase; Execution phase	20%	Priority items: - Federal grants receivable schedule - Allowance for doubtful accounts schedule - Reconciliation of compact grants receivable - Travel advance receivable aging - Other AP schedule (Account 3250 and 3245) - GASB 87 schedule - CSHA Schedules - Subsequent bank statements - Subsequent CSLedger - Updated employee listing - Other assets schedule Other pending items: - Supporting documents for the initial samples selected - *which are expected to be provided in the targeted fieldwork from November 8 to November 21. EY may select additional samples upon receipt and review of the pending schedules noted above.*

Entity Name:	Audit Phase:	Percentage completed:	Pending items:
Chuuk State Government-UG	Finalization of planning phase; Execution phase	15%	Priority Items: - Updated Schedule of Expenditures of Federal Awards (SEFA) as variances were noted. - Pending grant awards along with advice of allotment. - Fraud Inquiries - List of purchase orders and contracts transacted/awarded to vendors in FY25. - SF-425 reports submitted in FY25. Other pending items: - Supporting documents for the initial samples selected - *which are expected to be provided in the targeted fieldwork from November 8 to November 21. EY may select additional samples upon receipt and review of the pending schedules noted above.*

KOSRAE STATE GOVERNMENT AND COMPONENT UNITS:

Entity Name:	Audit Phase:	Percentage completed:	Pending items:
Kosrae State Government-FS	Finalization of planning phase; Execution phase	40%	Priority items: - FY24 Audited FS, TB, CSLEDGER and List of Adjustments - Response to EY comments on the Compensated Absences schedule - Schedule of pooled investments managed by FSM National - Bank statements - Subsequent CSLEDGER - Subsequent bank statements Other pending items: - Supporting documents for walkthrough samples (Payroll) - Supporting documents for the selected samples –*vouching is ongoing based on the documents provided during fieldwork*
Kosrae State Government-UG	Finalization of Planning phase; Execution phase	40%	Priority Items: - Schedule of Prior Audit Findings - Schedule of list of purchase orders/contracts of $25K and above.

Entity Name:	Audit Phase:	Percentage completed:	Pending items:
			Other pending items: - Supporting documents for samples selected in the following requirements: Allowable Cost/Cost Principles Nonpayroll & Payroll, Equipment, Procurement, Period of Performance and Special Test & Provisions.
Kosrae Utilities Authority (KUA)	Finalization of planning phase; Execution phase	30%	Priority Items: - Remaining invoices for the High Energy Cost (HEC) Project - GASB 101 Calculation Other pending items: Supporting documents for the selected samples – *vouching is ongoing based on the documents provided during fieldwork*. Auditor performing fieldwork on-site from October 27 to November 4, 2026.
Kosrae Port Authority (KPA)	Finalization of planning phase; Execution phase	10%	Priority Items: - Final FY2024 report - Final FY2025 trial balance and journal entries - Fixed asset schedules (including additions, disposals, and depreciation expense) - GASB 101 Calculation - Lease revenue calculation - Subsequent disbursements Other pending items: - IT Questionnaire - Legal confirmation reply - Supporting documents for the selected revenue and expense samples – *vouching is ongoing based on the documents provided during fieldwork*. Auditor performing fieldwork on site from November 2 – 5, 2026.

Entity Name:	Audit Phase:	Percentage completed:	Pending items:
Kosrae Housing and Rural Development Authority (KHRDA)	Finalization of planning phase; Execution phase	5%	Priority items: - FY24 Audited FS, TB, CSLEDGER and List of Adjustments - Bank reconciliation reports - Reconciled audit schedules (list of interbank transfers, loans receivable, allowance for loans losses schedule, time deposit, capital asset long-term debt, accounts payable aging, and accrued liabilities) - Employee listing - Bank Confirmation, *including reconciliation of variance noted* - Bank Statements - Subsequent Disbursement Register - Subsequent General Ledger / Journal Entries - Subsequent bank statement Other pending items: - General Inquiries Form - Supports for walkthrough samples - Supports for selected samples

POHNPEI STATE GOVERNMENT AND COMPONENT UNITS:

Entity Name:	Audit Phase:	Percentage completed:	Pending items:
Pohnpei State Government-FS	Planning phase	5%	Priority items: - Final Trial Balance (Resolution on the material variances identified in the TB particularly those related to FY24 balances) - Final CSLedger - Reconciled audit schedules (accounts receivable, revenue share, advances, accounts payable, ADB loans, fixed assets register, compact sector cash drawdown, unearned revenues, other liabilities & accrual schedule, equity investments, GASB 87, and pooled investments managed by FSM National Government) - Bank reconciliation

Entity Name:	Audit Phase:	Percentage completed:	Pending items:
			- Compensated Absences schedule - Employee listing - Investment Confirmations (Caroline Fisheries Corporation) - Bank statements - Subsequent CSLEDER - Subsequent bank statement Other pending items: - IT questionnaire - General Inquiries Form - Supports for walkthrough samples (FSCP & Capital Asset Management) EY sent the entity a detailed list of initial audit requests and milestones on September 16, 2026. Client Planning Meeting was held on October 14, 2026. Audit will commence upon receipt of the updated trial balance, requested schedules and verification that they are reconciled/suitable for audit purposes.
Pohnpei State Government-UG	Planning phase	10%	Priority Items: - Updated Schedule of Expenditures of Federal Awards (SEFA) as variances were noted. - Updated Schedule of Expenditures for each major program – 15.875, 84.027 and 93.224. - Schedule of Prior Audit Findings. - Fraud Inquiries - Listing of all contracts awarded in FY25. - SF-425 and other financial reports submitted in FY25. - While the majority of the requested schedules have been provided, EY's review of their completeness and accuracy remains pending until the final SEFA is provided and the issues in the TB have been resolved. Other pending items: - Supporting documents for the initial samples selected. EY may select additional samples upon receipt and review of the pending schedules noted above.

Entity Name:	Audit Phase:	Percentage completed:	Pending items:
Pohnpei Utilities Corporation (PUC)	Planning phase	0%	Priority items: - Trial Balance - Journal entries (GL transaction listing) - SEFA - Grant agreements - Confirmation letters (bank, debt and legal) - IT questionnaire - Significant contracts entered into during FY25 - BOD meeting minutes - Retirement plan report - Reconciled audit schedules (TCD and LT deposits, Receivable Aging, Allowance for bad debts, Prepayments, Materials and fuel inventory, CIP, Payable Aging, Accrued taxes and other liabilities, Other liabilities – compensated absences, Notes payable and LT debt, Unearned revenue, Advances from FSMNG and Advances from PSG) - Fixed Asset Register - Employee listing - Bank reconciliations and bank statements Other pending items: - Supports for walkthrough samples EY sent the entity a detailed list of initial audit requests and milestones on September 21, 2026. In-person Client Planning Meeting was held on October 9, 2026. CFO noted that she expected to provide trial balance the week of October 12; however, none has been received to date. Audit will commence upon receipt of the trial balance, requested schedules and verification that they are reconciled/suitable for audit purposes.
Pohnpei Port Authority (PPA)	Finalization of planning phase; Execution phase	40%	Priority items: - Listing of short-term and long-term agreements (including all contracts) - Responses on EY comments in compensated absences schedule - Responses on the credit balances query in AR aging schedule - Procedures on opening balances (pending response from predecessor auditor)

Entity Name:	Audit Phase:	Percentage completed:	Pending items:
			Other pending items: - Accomplished walkthrough questionnaires - Payroll process walkthrough sample - IT questionnaire - General inquiries form - Grants receivable schedule - Supports on one other income sample - Confirmation reply on one AR sample
Pohnpei State Housing Authority (PSHA)	Finalization of planning phase; Execution phase	20%	Priority items: - Reconciled audit schedules (list of interbank transfers, loans receivable, interest receivable, due from primary government, due to states and primary government, and capital assets) - Subsequent Disbursement Register – to be requested until report date - Subsequent General Ledger / Journal Entries – to be requested until report date - Subsequent bank statement – to be requested until report date Other pending items: - IT questionnaire - General Inquiries Form - Supports for walkthrough samples (FSCP & Payroll)

YAP STATE GOVERNMENT AND COMPONENT UNITS:

Entity Name:	Audit Phase:	Percentage completed:	Pending items:
Yap State Government-FS	Finalization of planning phase; Execution phase	30%	Priority Items: - Procedures on opening balances (pending response from predecessor auditor) - Walkthrough of significant classes of transactions - Accounting of YSG's repairs/refurbishment of YSPSC's existing capital assets - Further evaluation of the GASB Statement 101 impact on September 30, 2025 financial statements and the beginning net position

Entity Name:	Audit Phase:	Percentage completed:	Pending items:
			- Legal inquiries (due from the legal counsel) - Loan confirmation (due from FSMNG) - Adjusting entries impacting investments - Management Discussion and Analysis The seniors and staff are in Yap for audit fieldwork from November 2 to 13. The selected samples are available on-site for the team's examination.
Yap State Government-UG	Finalization of planning phase; Execution phase	30%	Priority Items: - Walkthrough of internal controls over compliance - Controls and/or compliance samples for Cash Management, Procurement, and Special Tests and Provisions - Inventory count sheets for Equipment and Real Property Management - Schedule of obligations for Suspension and Debarment The seniors and staff are in Yap for audit fieldwork from November 2 to 11. The rest of selected samples are available on-site for the team's examination.
Yap State Public Services Corporation (YSPSC)	Planning phase	**2%**	Priority items: - Completion of 2024 audited financial statements by BCA audit firm - Updated 2025 trial balance and journal entries - 2025 supporting schedules (fixed assets, receivables, inventory, prepayments, lease, accounts payable, grants, accrued expenses, and employee listing) - Confirmation letters (Cash, investment, debt) - Grants agreements - Processes manual Other pending items: - Loan documents - Subsequent Disbursements listing (from October 2025 to date) - Meeting minutes (October 2024 to date) Client Planning Meeting was held on November 2, 2026. Audit will commence upon receipt of the requested schedules and verification that they are reconciled/suitable for audit

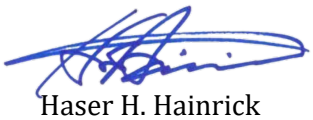
Entity Name:	Audit Phase:	Percentage completed:	Pending items:
			purposes. The 2024 audit is still ongoing by BCA audit firm, with the financial statements targeted for release by the end of December 2026. Planned fieldwork on week of November 16, 2026 for the understanding and walkthrough of the business and its processes.
Yap Visitors Bureau (YVB)	Planning phase	**0%**	Priority items: - 2025 Trial balance - 2025 Journal entries - Chart of accounts - Bank reconciliations - Bank confirmation letter - Subsequent Disbursements listing (from October 2025 to date) Other pending items: - Organizational chart - Meeting minutes (October 2024 - October 2026) - Bank Statements for all bank accounts (September and October 2025) Audit will commence upon receipt of the trial balance, schedules and verification that they are reconciled/suitable for audit purposes.
Diving Seagull, Inc. (DSI)	Planning phase	**0%**	Priority Items: - Signed engagement letter - 2025 and 2024 Trial balance - 2025 and 2024 Journal entries - Chart of accounts Audit will commence upon receipt of the signed engagement letter, trial balance, schedules and verification that they are reconciled/suitable for audit purposes. EY initially requested the 2024 and 2025 trial balances and journal entries. The client committed in providing the requested information once the engagement letter is signed.

Entity Name	Audit Phase	Percentage completed	Pending items
Chuuk Public Utility Corporation (CPUC)	Substantive fieldwork. Planning and risk assessment have been completed. Completion and reporting have not yet commenced.	Approximately 85% overall (planning and risk assessment 100%; substantive fieldwork approximately 95%)	The wrap-up meeting with CPUC management was held on October 28, 2026, and most of the items discussed have since been resolved. On November 3, 2026, we provided CPUC with an updated list of 24 remaining open items. We expect to complete substantive testing in next two weeks and to move into the reporting phase.
Chuuk State Health Care Plan (CSHCP)	Planning and risk assessment / substantive fieldwork.	Approximately 20% overall (planning and risk assessment approximately 50%; substantive fieldwork approximately 10%)	A progress meeting with CSHCP management was held on October 29, 2026. On November 3, 2026, we provided CSHCP with an updated list of 64 pending items, and we are following up with CSHCP so that fieldwork can proceed without further delay.

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,



Haser H. Hainrick
National Public Auditor

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