

*Management letter comments and  
recommendations*

**Chuuk Public Utility Corporation (CPUC)**

*Year Ended September 30, 2022*





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September 29, 2023

Mr. Kasio Kembo Mida, Jr.  
Chief Executive Officer  
Chuuk Public Utility Corporation  
Weno, Chuuk 96942

Dear Mr. Mida:

In planning and performing our audit of the financial statements of the Chuuk Public Utility Corporation (CPUC) as of and for the year ended September 30, 2022 (on which we have issued our report dated September 29, 2023), in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered CPUC'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 CPUC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of CPUC's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies and other matters that we wish to bring to your attention.

#### Customer Deposit Subsidiary Ledger

##### Condition:

CPUC does not maintain a subsidiary ledger for the customer deposit liability account of \$125,412 as of September 30, 2022.

##### Recommendation:

Management should maintain a subsidiary ledger and perform regular review and reconciliation with the general ledger.

### Active Meter Listing

Condition:

The water and power customer active meter listings could not be reconciled with the system generated customers with billings during fiscal year 2022.

Recommendation:

Management should timely update the active customer meter listing to ascertain completeness and accuracy of billing.

### State Service Tax Payable

Condition:

Adjustments to the state service tax payable account were not made in a timely manner.

Recommendation:

Management should perform regular review and reconciliation of the state service tax payable to ascertain accuracy and completeness of the liability.

### Water Revenue

Condition:

Of the four (4) items tested in water revenues, one customer was billed with incorrect multiplier because the multiplier was not timely inputted in the system.

Recommendation:

Management should timely update the customer information in the system to ensure accuracy of billing.

### Inventory

Condition:

Of the ten (10) inventory items tested, one item was incorrectly categorized resulting in incorrect quantity stated in the inventory listing.

Recommendation:

Management should perform regular review of the inventory listing to ensure completeness and accuracy of the items noted.

### Fixed Assets

Condition:

Of the seven (7) fixed asset additions tested, two items were recorded in the incorrect period resulting in incorrect depreciation. One asset was also depreciated using an incorrect useful life.

Recommendation:

Management should perform regular review of the fixed asset register to ascertain completeness and accuracy of the items recorded.

Board Meeting

Condition:

A required quarterly board meeting in April 2023 was not held due to the lack of a quorum of three members present to hold the meeting. The meeting was not rescheduled for the quarter.

Recommendation:

We recommend board meeting conducted in a timely manner as required by the policy on a quarterly basis.

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This communication is intended solely for the information and use of management and the Board of Directors of CPUC, the office of the FSM National Public Auditor and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We would be pleased to discuss the above matters or to respond to any questions, at your convenience.

*Ernst + Young LLP*