

YAP STATE GOVERNMENT

SINGLE AUDIT REPORTS

YEAR ENDED SEPTEMBER 30, 1988

TABLE OF CONTENTS

Page

Independent Auditor's Report on Supplementary Schedules of Federal Financial Assistance and on Compliance	1
Independent Auditor's Report on Internal (Accounting and Administrative) Controls	3
Independent Auditor's Report on Compliance Based on an Audit of the General Purpose Financial Statements Performed in Accordance with the Standards for Audit Issued By the GAO	6
Introduction to Compact of Free Association Funding, Federal and Other Assistance Funds	7
Introduction to Special Revenue and Capital Projects Funds	9
Statements of Expenditures by Function:	
TTPI Federal Grants Fund	10
Other U.S. Grants Fund	13
Non U.S. Grants Fund	15
TTPI Capital Projects Fund	16
CFSM Grants Fund	17
Compact 211A Capital Projects Funds	18
Compact Program Account Expenditures	19
Schedule of Programs Selected for Audit in Accordance with OMB Circular A-128	20
Schedule of Identified Non-Compliance Findings	21
Resolution of Prior Year's Questioned Costs and Questioned Costs Arising from Local Projects	23

Independent Auditor's Report on Supplementary Schedules
of Federal Financial Assistance
and on Compliance

Honorable Petrus Tun
Governor
State of Yap

We have audited the general purpose financial statements of the State of Yap, as of September 30, 1988, and have issued our report thereon dated March 15, 1989. These general purpose financial statements are the responsibility of the State of Yap's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We have conducted our audit in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, issued by the U.S. General Accounting Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements and whether management has complied with laws and regulations and has established and maintained a system of internal controls. An audit in accordance with these standards includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements and compliance with laws and regulations. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements of the State of Yap, taken as a whole. The accompanying statements of expenditures of financial assistance are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. The information in those schedules has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

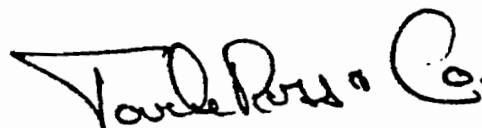
The management of the State of Yap, is also responsible for the State's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records from each major federal financial assistance program and certain nonmajor federal assistance programs. The purpose of our testing of transactions and records from those federal financial assistance programs was to obtain reasonable assurance that the State of Yap, had, in all material respects, administered its major programs, and executed the tested nonmajor program transactions, in compliance with laws and regulations, including those pertaining to financial reports and claims for advances and reimbursements, noncompliance with which we believe could have a material effect on the allowability of program expenditures.

Our testing of transactions and records selected from major federal financial assistance programs disclosed instances of noncompliance with those laws and regulations. All instance of noncompliance that we found and the programs to which they relate are identified in the accompanying schedules of findings and questioned costs, the ultimate resolution of which cannot presently be determined. Accordingly, no provision for any liability that may result upon resolution has been made to the federal financial assistance programs to which they relate.

In our opinion, for the year ended September 30, 1988, the State of Yap, administered each of its major federal financial assistance programs in compliance, in all material respects, with laws and regulations including those pertaining to financial reports and claims for advances and reimbursements noncompliance with which we believe could have a material effect on the allowability of program expenditures.

The results of our testing of transactions and records selected from nonmajor federal financial assistance programs indicate that for the transactions and records tested the State of Yap complied with those laws and regulations referred to above, except as noted in the accompanying schedules of findings and questioned costs. Our testing was more limited than would be necessary to express an opinion on whether the State of Yap, administered those programs in compliance in all material respects with those laws and regulations noncompliance with which we believe could have a material effect on the allowability of program expenditures; however, with respect to the transactions and records that were not tested by us, nothing came to our attention to indicate that the State of Yap, had not complied with laws and regulations other than those laws and regulations for which we noted violations in our testing referred to above.

March 15, 1989



Certified Public Accountants

Independent Auditor's Report on Internal
(Accounting and Administrative) Controls

Honorable Petrus Tun
Governor
State of Yap

We have audited the general purpose financial statements of the State of Yap, as of and for the year ended September 30, 1988, and have issued our report thereon dated March 15, 1989. These general purpose financial statements are the responsibility of the State of Yap's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, issued by the U.S. General Accounting Office; the Single Audit Act of 1984; and the provisions of OMB Circular A-128, Audits of State and Local Governments. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements and whether management has complied with laws and regulations and has established and maintained a system of internal controls. An audit in accordance with these standards includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements and compliance with laws and regulations. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

For the purpose of this report, we have classified the significant internal accounting and administrative controls used in administering the major federal financial assistance programs into the following categories:

A. Accounting Controls - Cycles of Activities

- . Treasury/Cash Management
- . Revenues/Receipts
- . Purchases/Disbursements
- . Payroll
- . External Financial Reporting

B. Administrative Controls

General Requirements:

- . Cash Management
- . Federal Financial Reports

Specific Requirements:

- . Types of Services
- . Monitoring of Subrecipients
- . Reporting

The management of the State of Yap, is responsible for establishing and maintaining internal control systems used in administering federal financial assistance programs. In fulfilling that responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control systems used in administering federal financial assistance programs are to provide management with reasonable, but not absolute, assurance that, with respect to federal financial assistance programs, resource use is consistent with laws, regulations, and policies; resources are safeguarded against waste, loss, and misuse; and reliable data are obtained, maintained, and fairly disclosed in reports.

Because of inherent limitations in any system of internal accounting and administrative controls used in administering federal financial assistance programs, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study included all of the applicable control categories listed above. During the year ended September 30, 1988, the State of Yap, expended 85% of its total federal financial assistance under major federal financial assistance programs. With respect to internal control systems used in administering major federal financial assistance programs, our study and evaluation included considering the type of errors and irregularities that could occur, determining the internal control procedures that should prevent or detect such errors and irregularities, determining whether the necessary procedures are prescribed and are being followed satisfactorily, and evaluating any weaknesses.

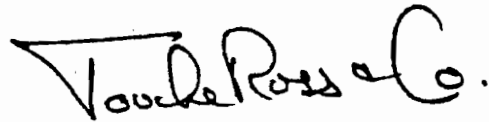
With respect to the internal control systems used solely in administering the nonmajor federal financial assistance programs of the State of Yap, our study and evaluation was limited to a preliminary review of the systems to obtain an understanding of the control environment and the flow of transactions through the accounting system. Our study and evaluation of the internal control systems used solely in administering the nonmajor federal financial assistance programs of the State of Yap, did not extend beyond this preliminary review phase.

Our study and evaluation was more limited than would be necessary to express an opinion on the internal control systems used in administering the federal financial assistance programs of the State of Yap. Accordingly, we do not express an opinion on the internal control systems used in administering the major and nonmajor federal financial assistance programs of the State of Yap. Further, we do not express an opinion on the internal control systems used in administering the major federal financial assistance programs of the State of Yap.

Also, our audit, made in accordance with the standards mentioned above, would not necessarily disclose material weaknesses in the internal control systems used solely in administering nonmajor federal financial assistance programs. However, our study and evaluation and our audit disclosed no condition that we believe to be a material weakness in relation to a federal financial assistance program of the State of Yap.

This report is intended solely for the use of the State of Yap, the National Government of the Federated States of Micronesia, and the cognizant audit and other federal agencies and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the State of Yap is a matter of public record.

March 15, 1989



Certified Public Accountants

Independent Auditor's Report on Compliance Based
on an Audit of the General Purpose
Financial Statements Performed
In Accordance with the Standards for Audit Issued by the GAO

Honorable Petrus Tun
Governor
State of Yap

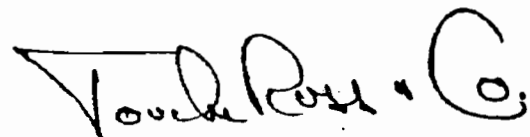
We have audited the general purpose financial statements of the State of Yap, as of September 30, 1988, and have issued our report thereon dated March 15, 1989. These general purpose financial statements are the responsibility of Yap State's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions issued by the U.S. General Accounting Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements and whether management has complied with laws and regulations and has established and maintained a system of internal controls. An audit in accordance with these standards includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements and compliance with laws and regulations. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The management of the State of Yap, is also responsible for the State's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the State of Yap's compliance with laws and regulations noncompliance with which could have a material effect on the general purpose financial statements of the State of Yap.

The results of our tests indicate that for the transactions tested, the State of Yap, complied with those laws and regulations referred to above, except as described in the attached schedule. Those instances of noncompliance were considered by us in evaluating whether the general purpose financial statements are presented fairly in conformity with generally accepted accounting principles. With respect to the transactions not tested, nothing came to our attention to indicate that the State of Yap, had not complied with laws and regulations in our testing referred to above.

March 15, 1989



Certified Public Accountants

STATE OF YAP
FEDERATED STATES OF MICRONESIA

Introduction to Compact of Free Association
Funding, Federal and other Assistance Funds

Year Ended September 30, 1988

Compact Funds

The FSM National Government and the Government of the United States implemented the Compact of Free Association during fiscal year 1987. The Compact funding replaced the Department of the Interior funding for general operations received through the TTPI Government in previous fiscal years. Based on the terms of the Compact agreement, the FSM National Government will receive funding in five year increments over a fifteen year period. The Compact funding is to be received in four different account classifications; current operations, capital projects, block grants, and inflation adjustments. A mutually agreed upon financial institution was selected as the trustee of the Compact funding to facilitate the FSM National Governments' and its four State entities' drawdown requirements. During fiscal year 1988, the State of Yap Government submitted quarterly allocation requests to the FSM National Government for the current account. The current operation funds were transferred to the State of Yap's designated banking institution based on the quarterly allocation requests. The capital project funds, which must comprise at least 40 percent of the total annual allocation, remain with the trustee institution and are drawdown upon request by the State of Yap. Capital account funds are transferred in their annual base amounts on the first day of the fiscal year. Block grant funding was transferred with the initial quarterly current account allocation request and these funds were then appropriated by the Yap State Legislature in accordance with the guidelines of the Compact. The United States Government will annually adjust Compact account funding for inflation.

Pursuant to section 233 of the Compact of Free Association and paragraph 1(d), Article IV of the Agreement Concerning Procedures for the Implementation of U.S. Economic Assistance, Programs, and Services provided in the Compact of Free Association between the Government of the U.S. and the Government of the FSM, audits of Compact funding shall be performed in compliance with Standards for Audits of Governmental Organizations, Programs, Activities and Functions, published by the Comptroller General of the U.S., and the Single Audit Act of 1984. The above states that audits shall be performed in accordance with Circular A-128, but compliance testing of Compact funding shall not include specific federal guidelines applicable to federal program assistance grants, but rather shall be in conformance with local laws and regulations and the program intent as provided in the Compact of Free Association.

Funding Transition Period

With the implementation of the Compact funding during fiscal year 1987, and the discontinuation of the TTPI government as the primary federal grant recipient, a transition period occurred between January 1, 1987 and June 30, 1987. During this transition period, federal grant funds were not available to the State of Yap while the role of primary grant recipient was transferred from the TTPI government to the FSM National Government. Due to the lack of federal funding for grant programs during this period, the Yap State Legislature appropriated portions of the Compact Block Grant funds to cover grant program expenditures which would have normally been made. Subsequent to June 30, 1987, the federal grantor agencies made available the balance of fiscal year 1987 federal grant funds. Portions of the balance of these funds were designated as 'GAP Funds' to be used to reimburse the State of Yap for expenditures made against the appropriated Compact Block Grant funds used during the transition period.

Federal Funds

The State of Yap Government remained the subrecipient of several federal grant programs from U.S. agencies, but with the implementation of the successor in interest agreements, the role of the primary recipient transferred from the TTPI government to the FSM National Government. The State of Yap Government applies to the FSM National Government for grant funds, or receives an allocation of funds awarded to the FSM National Government. The award of the subrecipient grant typically comes in the form of an allotment advice, rather than a formal notice. The allotment advice will specify any imposed expenditure limitations. However, the limitations are normally represented solely by object code authorization totals and not by detailed budgets.

Revenues are recorded and recognized on the basis of expenditures. Drawdowns, typically occurring after expenditures are recorded, are made upon request by the State of Yap Government to the FSM National Government.

Although program guidelines may not be specifically referenced in the allotment advice, subgrantees of federal programs other than Compact funding must adhere to the same cost principles as the grantee, as stated under the Office of Budget and Management Circular A-87. Additionally, beneficiaries and program objectives may not typically depart from the federal purpose, as may be determined by an Act of Congress, and in accordance with such program regulations which may be promulgated in the Code of Federal Regulations.

Introduction To Special Revenue and Capital Projects Funds

Receipt and use of monetary assistance from sources outside the general fund are accounted for in the following funds:

- Federal Grants Fund
- Other U.S. Grants Fund
- Non U.S. Grants Fund
- TTPI Capital Projects Fund
- CFSM Grants Fund
- Compact 211A Capital Projects Funds

As mentioned above, the Compact Block Grant and Compact Capital Project Funds are administered under the guidelines of the Compact of Free Association. With the exception of a few of the grants in the Other Federal and Direct Assistance Fund and the CFSM Capital Project Fund, the revenue of the remaining Special Revenue and Capital Projects Funds is derived through allotments from the TTPI or the FSM National Government for specific purposes. All TTPI allotments are originally derived from U.S. Congressional appropriations. As the subrecipient, the State of Yap now reports to the FSM National Government and does not report directly to any other agency. The CFSM Capital Projects Fund is funded by appropriations from the Congress of the Federated States of Micronesia, while the special assistance grants are comprised of grants from various U.S. departments and other international organizations. The State of Yap, through the Federated States of Micronesia, reports directly to the applicable grantor concerning special assistance grants.

YAP STATE GOVERNMENT
FEDERAL GRANTS FUND

Statement of Expenditures by Function
Year Ended September 30, 1988

<u>State ORG. #</u>	<u>Grant/ID #</u>	<u>Expenditures</u>
	<u>Education</u>	
3001	Yap Chapter I and II Gap 9/8	\$ 279,513
3017	Yap 87 Vocational Rehabilitation	643
3023	87 Handicap Children EEU 6/8	36,765
3033	Education Chapter I 6121 9/7	19,434
3035	Community Involvement 6137 9/7	1,900
3056	Teacher Training 6133 9/8	79
3062	Education Chapter II 6135 9/8	28,233
3072	Teacher Training Program 9/8	43,336
3081	FY88 Vocational Rehabilitation Administration 9/8	24,286
3082	FY88 Vocational Rehabilitation Cases 9/8	44,184
3100	Education Trans. Chapter I 9/9	51,594
	<u>Total Education</u>	<u>529,967</u>
	<u>Housing and Urban Development</u>	
3165	CDBG Marina Project Yap Cap 9/8	<u>325,000</u>
	<u>Labor</u>	
3201	87 JTPA Administration and Training 6/9	73,694
3207	Yap Title V Aging 6/8	36,548
3213	Title V SCSEP 6132 6/7	20
3219	JTPA Administration and Training 6417/86/7	241
3224	FY87 Summer Youth JTPA 6/8	2,366
	<u>Total Labor</u>	<u>112,869</u>
	<u>Agriculture</u>	
3301	Forestry Project USDA 6/9	2,240
3312	Yap Food Services 9/8	43,309
3318	Food Service 6138 3/8	51,374
	<u>Total Agriculture</u>	<u>96,923</u>
	Balance forwarded	<u>1,064,759</u>

YAP STATE GOVERNMENT
FEDERAL GRANTS FUND

Statement of Expenditures by Function
Year Ended September 30, 1988

<u>State</u> <u>ORG. #</u>	<u>Grant/ID #</u>	<u>Expenditures</u>
	Balance forwarded	<u>\$1,064,759</u>
	<u>Commerce</u>	
3479	Tropical Horticulture SPCN/E	<u>22,100</u>
	<u>Interior</u>	
3451	86 Historic Preservation 9/8	8,600
3458	87 Historic Preservation 9/8	26,350
3508	Computer Technology/Training	3,815
3517	Spare Parts Procurement	7,444
3518	Alco Power Plant Modification N/E	11,308
3519	Power System Improvement 7509 N/E	652
3521	PU & C General Maintenance Materials and Tools N/E	15,412
3522	PU & C Water Plant Spare Parts N/E	8,352
3523	PU & C Heavy Equipment Spare Parts N/E	10,209
3524	HS Hospital Spare Parts N/E	47,739
3525	PU & C Power Plant Spare Parts N/E	7
3526	PU & C Equipment N/E	42,930
3527	PU & C Maintenance Engineer N/E	662
3528	PU & C Facility Maintenance N/E	15,681
3547	FY83 Special O & M N/E	143,239
3548	Maintenance of Facilities	27,698
3549	Procurement of Equipment	7,648
3551	Technical Training of Maintenance Personnel	950
3552	PU & C Maintenance Engineer N/E	24,224
3553	PU & C Computer System	3,500
3554	OPB Yap Power Plant Alco	33,407
3555	PU & C Lathe Equipment	<u>545</u>
	Total Interior	<u>440,372</u>
	<u>EPA</u>	
3561	FY87 EPA Consolidated 9/7	1,821
3567	FY88 EPA Consolidated 9/8	35,352
3582	YHSCP Phase II EPA 3/1	<u>176,763</u>
	Total EPA	<u>213,936</u>
	Balance forwarded	<u>1,741,167</u>

YAP STATE GOVERNMENT
FEDERAL GRANTS FUND

Statement of Expenditures by Function
Year Ended September 30, 1988

<u>State ORG. #</u>	<u>Grant/ID #</u>	<u>Expenditures</u>
	Balance forwarded	<u>\$1,741,167</u>
	<u>Health</u>	
3668	FY88 Family Planning 6/8	8,394
3708	Geriatric Health Program 9/8	26,695
3715	87 Maternal Child Health 9/8	42,575
3722	Preventive and Public Health 9/8	18,357
3728	86 Yap MCH 9/7	974
3735	FY88 Continuing Education for Nurses 4/9	852
3766	Yap Cap FY88 CSBG Program 9/9	46,804
3786	FY89 Family Planning 6/9	<u>1,558</u>
	Total Health	<u>146,209</u>
	Total Federal Grants Fund	<u>\$1,887,376</u> =====

Note:

The above grants are received in a sub-grant capacity through the FSM National Government.

YAP STATE GOVERNMENT
OTHER U.S. GRANTS FUND

Statement of Expenditures
Year Ended September 30, 1988

<u>State ORG. #</u>	<u>Grant/ID #</u>	<u>Expenditures</u>
	<u>AX7070 Orchid Category B</u>	
0923	Food/Fuel/Freight Fais/UI	\$ <u>12,554</u>
	<u>AX7030 Orchid Category E</u>	
0501	Fais Women's Cook Houses	1,352
0504	Falalop OIHS Cafeteria	18,361
0505	Falalop OIHS Carpenter	22,822
0506	Falalop Teachers' Quarters	35,280
0508	Falalop OIHS SM Eng. Rep.	5,910
0510	Falalop 5 PU & C Buildings	5,813
0514	Falalop Elementary School	3,395
0516	Falalop Village School	468
0518	Falalop Outpatient	390
0519	Falalop PU & C Stock	11,596
0520	Falalop Books & Equipment	5,914
0522	Falalop Disp Cook House	465
0523	Falalop Two Men's Houses	20,135
0525	Falalop Community Center	7,682
0528	Falalop Community Warehouse	343
0533	Falalop Women's House	1,585
0535	Mogmog Women's House	1,566
0537	Falalop OIHS Boat House	2,112
0543	Fassarai Men's House	13,551
0544	Falalop 15 OIHS Buildings	18,613
0545	Fassarai Dispensary	41
0546	Fassarai Elementary School	2,238
0548	Fais Elementary School	25,698
0549	Fais 2 Men's & Boat Houses	4,023
	Total AX7030 Orchid Category E	<u>209,353</u>
	Balance forwarded	<u>221,907</u>

YAP STATE GOVERNMENT
OTHER U.S. GRANTS FUND

Statement of Expenditures
Year Ended September 30, 1988

<u>State ORG. #</u>	<u>Grant/ID #</u>	<u>Expenditures</u>
	Balance forwarded	<u>\$221,907</u>
	<u>AX7070 Orchid Category F</u>	
0524	Falalop Power Plant and Electricity	15,443
0531	Mogmog Elem Water Catchment	5,868
0534	Mogmog Water Catchment Piping	179
0538	Falalop 2 Water Catchments	1,454
0542	Assorted Water Catchments	1,085
0551	Fais 3 Water Catchments	<u>4,225</u>
	Total AX7070 Orchid Category F	<u>28,254</u>
	<u>AX7080 Orchid Category I</u>	
0529	Falalop PU & C Float	<u>657</u>
	Total Other U.S. Grants Fund	<u>\$250,818</u> =====

Note:

The above grant is received in a sub-grantee capacity through the FSM National Government from the Federal Emergency Management Authority (FEMA) for typhoon relief aid.

YAP STATE GOVERNMENT
NON U.S. GRANTS FUND

Statement of Expenditures
Year Ended September 30, 1988

<u>State ORG. #</u>	<u>Grant/ID #</u>	<u>Expenditures</u>
	<u>SPEC. Grants</u>	
3923	Egg Incubator 7203 N/E	\$ 20
3925	Youth Coord Training YCap 9/8	<u>278</u>
	Total SPEC. Grants	<u>298</u>
	<u>UNDP Grant</u>	
3991	Population Education N/E	<u>6,786</u>
	Total Non U.S. Grants Fund	<u>\$7,084</u> =====

YAP STATE
TTPI CAPITAL PROJECTS FUND

Statement of Expenditures
Year Ended September 30, 1988

<u>State</u> <u>ORG. #</u>	<u>TTPI Grant/ID #</u>	<u>Expenditures</u>
	<u>Public Works and Utilities</u>	
6381	T367 Yap Airport Terminal	\$ 583,895
6382	Rural Sanitation Yap Cap	112,393
6383	Col. Power Upgrade N/E	1,930
6384	T308/1A Water PLT Upgrade	35,242
6385	T208/1B Well Development Administration	789
6386	T308/2 Additional Water Sources	2,442
6387	T308/3 Village Water Yap Administration	7,616
6390	T362/2 Airfield - Yap	22,937
6391	T362/3 Hanger - Yap	3,612
6392	T362/4 Marina - Yap	1,496
6393	Roads Construction - Phase V	7,000
6394	6502 - S. Yap Water System Administration	418,009
6396	House Sewer Connection - Phase I	20,957
6397	T369 Hospital Maintenance Building	<u>4,635</u>
	Total TTPI Capital Projects Fund	<u>\$1,222,953</u> =====

Note:

The above amounts are received in a sub-grant capacity through the Trust Territory Government.

YAP STATE GOVERNMENT
CFSM GRANTS FUND

Statement of Expenditures
Year Ended September 30, 1988

<u>State ORG. #</u>	<u>CFSM Grant/ID #</u>	<u>Expenditures</u>
5816	A35503/7413 Community Center N/E	\$ 2,671
5802	A35507/7412 Eauripik M N/E	266
5803	A35508/7413 Woleai N/E	5,321
5813	7417 O/I Ag. Projects N/E	1,680
5831	6801 Yap State Court 9/6	111
5860	FSM Cong Delegation 7043 9/8	4,365
5841	6851 Renovate DELG. Office 9/8	17,318
5804	6854 Medical Referral/Supplies N/E	3,196
5807	6857 Welay Off Repair N/E	20
5837	O/I Agriculture Projects PL4-91 N/E	32,485
5844	6805 Medical Supplies N/E	124
5819	6876 Natural Resources 9/7	13,445
5862	Yap State Census 7044 9/7	7,107
5845	6881 Medical/Dental Supplies 9/7	980
5810	6885 O/I Agriculture PL4-23 N/E	1,364
5838	6887 Gillnet Fishing N/E	4,300
5839	6888 Bottom Fish Development N/E	2,118
5855	6895 HS Medical Supplies 9/8	5,138
5856	6896 Copra Subsidy 9/9	46,283
5834	6810 Joint Law Enforcement 9/7	584
5814	A35511/7416 Lamotrek N/E	790
5812	6862 Gilman Elementary School N/E	1,762
5811	6861 Kanifay Elementary School N/E	2,409
5805	6855 Madrich Village N/E	999
5853	6856 Road Improvements 7518 N/E	45,861
5846	6871 Gagil Elementary School N/E	3,716
5847	6872 Elato Elementary School N/E	1,586
5822	O.I. H.S. Girls Dorm N/E	28,230
5842	Rull Municipal Building N/E	1,475
5850	7521 Madrich Sanitary N/E	10,944
5851	7520 O.I. High School Center N/E	12,000
5852	7519 Power Extension N/E	200
5857	7057 Teb and Meerur Ch Rec N/E	4,640
5858	7058 Youth Services N/E	5,285
5865	O/I High School Reconstruction N/E	37,798
5866	Yap Supreme Court 9/8	27,325
5867	Joint Law Enforcement 9/8	55,346
5868	2137 Vocational Education 9/8	2,045
5869	Gachpar Community Center N/E	17,135
5999	2139 Youth Affairs 9/8	2,623
	Total CFSM Grants Fund	\$411,045 =====

Note:

The above funds are received based on appropriations made by the Congress of the Federated States of Micronesia.

YAP STATE GOVERNMENT
 COMPACT 211A CAPITAL PROJECTS AND CURRENT
 ACCOUNT (GENERAL FUND) FUNDS

Statement of Expenditures
 Year Ended September 30, 1988

Capital Projects Funds (Capital Account)

<u>State ORG. #</u>	<u>Grant/ID #</u>	<u>Expenditures</u>
6241	Pig Slaughter House	\$ 2,708
6242	Roads Development	326,864
6243	Coconut Fiber Extraction	28,407
6245	Land Acquisition	105,626
6246	Medium Scale Fish Development	55,000
6247	Soap Production	2,167
6248	Agricultural W/H and Lab Extension	10,706
6249	Project Feasibility Studies	18,000
6251	West Harbor Development	37,500
6252	Giant Clam Reseeding	283
6253	Ceramics Production	2,133
6254	Yap Sport Diving Survey	537
6256	Power Extension	44,535
6259	Brackish Water Marine Crops	3,547
6261	Swine Development	5,342
6262	Manpower Training	9,500
6263	Marina Project - Yap Cap	60,245
6299	Tourism Development	5,000
	Total Capital Account	\$ 718,100 =====

General Fund (Current Account)

Base Amount	\$5,764,800
Inflation Adjustment (Section 2:7)	<u>1,383,552</u>
	\$7,148,352 =====

Note:

The above funds are received through the Compact of Free Association. The U.S. Department of the Interior (CFDA # 15.875) is the administering authority for these amounts.

YAP STATE GOVERNMENT

Compact Program Account Expenditures
Year Ended September 30, 1988

<u>State ORG. #</u>	<u>TPI Grant/ID #</u>	<u>Expenditures</u>
I.	<u>Block Grant 221 (B)</u>	
2114	Education Administration	\$ 163,978
2115	Instruction and Curriculum	180,293
2116	Yap Elementary Schools	126,355
2117	Outer Island Elementary Schools	215,907
2118	Yap High School	208,797
2119	Outer Island High School	181,217
2120	Vocational Rehabilitation Services	16,499
2121	Teacher Certification	42,364
2130	Family Health Planning	2,106
2131	MCH Public Health	1,712
2132	Primary Health Care	408
2133	Preventative Health Care	21,187
2134	Sanitation Program	33,771
2135	Nursing Continuing Education	2,877
2136	Alcohol/Drug Abuse	6,388
2137	Medical Referral	200,000
2138	Medical Supply and Equipment	19,827
	Total 221 (B) Expenditures	<u>1,423,686</u>
II.	<u>Health and Medical Programs</u>	
2448	Health Medical Programs	<u>203,261</u>
III.	<u>Post Secondary Education</u>	
	Scholarships and Grants	<u>318,000</u>
IV.	<u>Compact Energy Programs</u>	
2853	POL Acquisitions	<u>651,465</u>
	Total Compact Program Account Expenditures	<u>\$2,596,412</u> =====

Note:

The above funds are received through the Compact of Free Association. The U.S. Department of the Interior (CFDA # 15.875) is the administering authority for these amounts.

YAP STATE GOVERNMENT

SCHEDULE OF PROGRAMS SELECTED FOR
AUDIT IN ACCORDANCE WITH OMB CIRCULAR A-128
YEAR ENDED SEPTEMBER 30, 1988

<u>Grantor</u>	<u>CFDA #</u>	<u>Description</u>	<u>Amount of 1988 Expenditures</u>
U.S. Department of the Interior:	15.875		
Compact of Free Association:			
Capital Account Related			\$ 718,100
Current Account Related			7,148,352
Program Account Related:			
221-B Block Grant			1,423,686
Health and Medical			203,261
Post Secondary Education			318,000
Energy Programs			651,465
Federal Grants Fund			<u>405,422</u>
	Total CFDA #15.875		10,868,286
Trust Territory Government:			
Capital Projects Fund	N/A	Airport Terminal Southern Yap Water System	583,895
			<u>418,009</u>
	Total programs selected		<u>\$11,870,190</u>
	Total U.S. Federal program expenditures		<u>\$13,824,011</u>
	% of Total U.S. federal expenditures covered by major programs		85% ===

YAP STATE GOVERNMENT

SCHEDULE OF NON-COMPLIANCE FINDINGS
YEAR ENDED SEPTEMBER 30, 1988

I. Prior Year Non-Compliance Findings - Status

a. Procurement rules and regulations - We selected transactions in fiscal year 1988 for compliance with State procurement rules and noted no exceptions. We are unable to determine, however, specific State action taken concerning the two instances identified in the 1987 compliance report (\$6861.12 and \$25,000 per page 18).

b. Yap State Legislative Official Expense Allowance Reports - We tested fiscal year 1988 compliance with the identified filing requirement and discovered no exceptions. As a result, corrective action appears to have been taken.

c. Monitoring of Subrecipients - It appears that the State has commenced enforcing stricter standards on its subrecipient. The Yap Community Action Program (YapCap) has yet to contract for an audit of its 1988 accounts. Therefore, the subrecipient, YapCap, appears in non-compliance with State and Federal requirements. The State is aware of this non-compliance matter and is requesting that YapCap undertake its audit to be in compliance with established criteria.

d. CFDA Numbers - The State of Yap has yet to obtain CFDA numbers from the FSM National Government. Therefore, Yap State remains in non-compliance in fiscal year 1988 and accordingly, CFDA numbers are substantially not presented in the schedules of program expenditures.

II. Current Year Matters of Non-Compliance

1. Compact of Free Association - Post Secondary Education

Criteria - The State of Yap receives funding through the FSM National Government to provide scholarships to Yap citizens. A condition of the grant is that students must attend either U.S. or Micronesian colleges or universities.

Condition - We reviewed the schedule of scholarships granted during the fiscal year 1988 and found two instances where awards were given to students attending non-U.S. or Micronesian educational institutions.

Cause - Unknown

Effect - Questioned costs could have been incurred. However, no distributions against these two grants were made until FY89 at which time, such were charged to local funds.

Recommendation - No awards should be made from Compact funds which are not to U.S. or Micronesian educational institutions.

2. Compact of Free Association - Post Secondary Education

Criteria - All scholarships awarded should evidence Board approval.

Condition - Out of ten awards tested, seven award letters were not signed by an authorized board member nor was there evidence provided to us evidencing Board approval.

Cause - Unknown

Effect - Scholarships may have been improperly granted.

Recommendation - All scholarships should evidence proper Board approval.

3. Compact of Free Association - Post Secondary Education

Criteria - Scholarship guidelines require that all recipients be full time students.

Conditions - Out of ten awards tested, one was found to be given to a part-time student.

Cause - Unknown

Effect - Non-compliance with Board regulations occurs.

Recommendation - All scholarships should be given to full time students or the current regulations should be changed.

STATE OF YAP
FEDERATED STATES OF MICRONESIA

RESOLUTION OF PRIOR YEARS' QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 1988

The following questioned costs, per the September 30, 1984, audit report have been resolved as follows:

Questioned costs resolved by the grantor agencies:

<u>Yap Org. No.</u>	<u>Program Title</u>	<u>Amount</u>
F3A01A500	Chapter I	\$ 4,500
F3V15A100	Title III C Congregate Meals	<u>4,983</u>
Questioned costs resolved per the above		9,483
Total 1984 questioned costs at September 30, 1987		<u>38,387</u>
Unresolved 1984 questioned costs at September 30, 1988		28,904
Other unresolved questioned costs for years ended September 30, 1985, 1986 and 1987		<u>200,096</u>
Total unresolved prior year Federal questioned costs		\$229,000 =====

QUESTIONED COSTS ARISING FROM LOCAL PROJECTS
AS OF SEPTEMBER 30, 1988

Questioned costs per the FSM Public Auditor report dated November 30, 1988, for the period up to September 30, 1988, for expenditures against Congress of the Federated States of Micronesia appropriations aggregated \$67,400.