

STATE OF YAP

**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE WITH LAWS AND REGULATIONS**

SEPTEMBER 30, 1989

STATE OF YAP
FEDERATED STATES OF MICRONESIA

INDEPENDENT AUDITOR'S REPORT ON
SUPPLEMENTARY SCHEDULE OF FEDERAL AND LOCAL
FINANCIAL ASSISTANCE

REPORTS ON COMPLIANCE WITH LAWS
AND REGULATIONS

AND

REPORT ON INTERNAL (ACCOUNTING AND
ADMINISTRATIVE) CONTROLS

YEAR ENDED SEPTEMBER 30, 1989

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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, 1989, and have issued our report thereon dated May 11, 1990. 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 Government Auditing Standards, issued by the Comptroller General of the United States, the Single Audit Act of 1984; and the provisions of OMB Circular A-128, Audits of State and Local Government. 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 by function 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 schedule of findings of noncompliance, 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, 1989, 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 schedule of findings of noncompliance. 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.

May 11, 1990

Touche Ross + Co.

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, 1989, and have issued our report thereon dated May 11, 1990. 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 Government Auditing Standards, issued by the Comptroller General of the United States; 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, 1989, the State of Yap, expended 89% 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.

May 11, 1990

Touche Ross + Co.

Certified Public Accountants

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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, 1989, and have issued our report thereon dated May 11, 1990. 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 Government Auditing Standards, issued by the Comptroller General of the United States. 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.

May 11, 1990

Touche Ross & Co.

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, 1989

Compact Funds

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. Rather, audits shall be in conformance with local laws and regulations and the program intent as provided in the Compact of Free Association.

Federal Funds

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 to the State typically comes in the form of an allotment advice rather than a formal notice. The allotment advice specifies any imposed expenditure limitations. 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 by request from 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, or 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:

Special Revenue Funds:

- Federal Grants Fund
- Other U.S. Grants Fund
- Non U.S. Grants Fund
- CFSM Grants Fund
- Compact Programs

Capital Projects Fund:

- TTPI Capital Projects Fund
- CFSM Capital Projects 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 U.S. Grants Fund and the CFSM Grants 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 reports to the FSM National Government and does not generally report directly to any other agency. The CFSM Grants Fund is funded by appropriations from the Congress of the Federated States of Micronesia.

YAP STATE GOVERNMENT
FEDERAL GRANTS FUND

Statement of Expenditures by Function
Year Ended September 30, 1989

<u>State</u> <u>ORG. #</u>	<u>Grant/ID #</u>	<u>\$ Expenditures</u>
<u>Education</u>		
3001	Yap Chapter I & II Gap 9/8	\$ 3,978
3027	FY88 client assistance 9/8	100
3056	Teacher Training	21,367
3062	Education Chapter II 6135 9/8	1,755
3072	Teacher Training Program 9/8	224
3081	FY88 Voc Rehab - Admin 9/8	(200)
3082	FY88 Voc Rehab - Cases 9/8	1,044
3100	Educ. Trans Chapter I 9/9	190,177
3101	Educ. Trans Chapter II 9/9	250,595
3102	Chapter II/HCeep	18,985
3109	Edu Transition/Biling 9/9	8,567
3112	FY88 Edu Chapter I 9/0	51,710
3113	FY88 Edu Chapter II 9/0	85,525
3135	FY88 Teacher Training 9/9	<u>18,707</u>
	Total Education	<u>652,534</u>
<u>Housing And Urban Development</u>		
<u>Labor</u>		
3201	87 JTPA Admin & Trng 6/0	33,383
3207	Yap Title V Aging 6/8	50
3224	FY87 Summer Youth/JTPA 6/0	422
3229	FY88 Title V SCSEP 6/9	30,870
3235	FY88 JTPA Admin	2,878
3236	FY88 JTPA Training 6/0	<u>60,056</u>
	Total Labor	<u>127,659</u>
<u>Agriculture</u>		
3301	Forestry Project/USDA 6/9	3,786
3312	Yap Food Services 9/8	6,147
3318	Food Service 6138 3/8	4,224
3328	Food Services 12/9	<u>40,730</u>
	Total Agriculture	<u>54,887</u>
	Balance Forwarded	<u>835,080</u>

YAP STATE GOVERNMENT
FEDERAL GRANTS FUND

Statement of Expenditures by Function
Year Ended September 30, 1989

<u>State</u> <u>ORG. #</u>	<u>Grant/ID #</u>	<u>\$ Expenditures</u>
	Balance Brought Forward	\$ 835,080
	<u>Commerce</u>	
3479	Tropical Horticulture SPCN/E	<u>2,900</u>
	<u>Interior</u>	
3508	Computer Training/TCE N/E	1,771
3511	88 Historic Presentation 9/9	20,866
3517	Spare parts procurement	5,533
3518	Alco Power Plant Mod N/E	30
3521	PU & C/ Gen Main Mat/Tool N/E	36,964
3522	PU & C Water Plant spare parts N/E	10,913
3524	Hospital spare part N/E	311
3525	PU & C Power Plant spare parts N/E	3,984
3527	PU & C Maintenance engineer N/E	23,621
3528	PU & C Facility maintenance N/E	6,338
3547	FY83 Special O & M N/E	44,359
3548	Maintenance of facilities	4,584
3549	Procurement of equipment	26,792
3551	Technical Training of maintenance personnel	2,970
3552	PU & C maintenance engineer N/E	1,673
3554	OPB/Yap Power Plant/Alco	2,326
3555	PU & C Lathe equipment	<u>4,293</u>
	Total Interior	<u>197,328</u>
	<u>EPA</u>	
3567	FY88 EPA Consolidation 9/8	(259)
3582	YHSCP Phase II EPA 3/1	108,854
3595	FY89 EPA	<u>16,454</u>
	Total EPA	<u>125,049</u>
	Balance Forwarded	<u>1,160,357</u>

YAP STATE GOVERNMENT
FEDERAL GRANTS FUND

Statement of Expenditures by Function
Year Ended September 30, 1989

<u>State</u> <u>ORG. #</u>	<u>Grant/ID #</u>	<u>\$ Expenditures</u>
	Balance Brought Forward	\$ 1,160,357
	<u>Health</u>	
3694	B/feed & infant growth 9/0	126
3708	Geriatric Health Prog 9/8	10,825
3715	87 Maternal Child Health 9/8	1,611
3722	Preventative and Public Health 9/8	944
3735	FY88 C.E. for nurses 4/9	7,328
3744	88 Maternal Child Health 9/9	38,534
3772	FY88 Geriatric Health 12/9	22,702
3786	FY89 Family Planning	8,977
3789	FY89 Aids Program 12/9	3,934
3797	89 Nurses C Educ 7563 4/0	245
3798	FY88 Preventative & Public Health 9/9	<u>4,514</u>
	Total Health	<u>99,740</u>
	Total Federal Grants Fund	<u>\$ 1,260,097</u>

Note:

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

YAP STATE GOVERNMENT
OTHER U.S. GRANTS

Statement of Expenditures by Function
Year Ended September 30, 1989

<u>State</u> <u>ORG. #</u>	<u>Grant/ID #</u>	<u>\$ Expenditures</u>
	<u>AX 7030 Orchid Category E</u>	
0501	Fais Womens & Cook Houses G	\$ 8,264
0504	Falalop OHIS Cafeteria	1,964
0505	Falalop OHIS Carpenter	24,467
0508	Falalop OHIS SM Eng. Rep.	1,634
0509	Falalop Staff Housing	255
0510	Falalop 5 PU & C Buildings	350
0525	Falalop Community Centre	600
0527	Mogmog Dispensary	1,312
0532	Mogmog Elementary School	40
0533	Falalop Womens House	225
0535	Mogmog Womens House	495
0539	Falalop Community Building Equipment	567
0541	Aoor Mens House	400
0543	Fassarai Mens House	5,208
0544	Falalop 15 OHIS Buildings	1,726
0545	Fassarai Dispensary	1,469
0546	Fassarai Elementary School	1,746
0547	Fassarai Boat House	3,027
0548	Fais Elementary School	18,696
0549	Fais 2 Mens & Boat Houses	<u>2,714</u>
	Total AX 7030 Orchid Category E	<u>75,159</u>
	Balance Forwarded	<u>75,159</u>

YAP STATE GOVERNMENT
OTHER U.S. GRANTS

Statement of Expenditures by Function
Year Ended September 30, 1989

<u>State</u> <u>ORG. #</u>	<u>Grant/ID #</u>	<u>\$ Expenditures</u>
	Balance Brought Forward	\$ 75,159
	<u>Orchid Category F</u>	
0524	Falalop Power Plant & Electricity	(422)
0531	Mogmog Elementary Water Catch	1,769
0534	Mogmog Water Catch Piping	40
0538	Falalop 2 Water Catchment	45
0542	Axr Water Catchments	225
0551	Fais 3 Water Catchments	<u>674</u>
	Total Orchid Category F	<u>\$ 2,331</u>
	Total Other U.S. Grants Funds	<u><u>\$ 77,490</u></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 by Function
Year Ended September 30, 1989

<u>State</u> <u>ORG. #</u>	<u>Grant/ID #</u>	<u>\$ Expenditures</u>
	<u>WHO Grants</u>	
3917	Family Health	\$ 1,805
	<u>SPEC Grants</u>	
3925	Youth 6-ad Training YCap 9/8	1,051
	<u>UNDP</u>	
3991	Population Education N/E	<u>4,388</u>
	Total non - U.S. grants	<u>\$ 7,244</u>

YAP STATE GOVERNMENT
TTPI CAPITAL PROJECTS FUND

Statement of Expenditures by Function
Year Ended September 30, 1989

<u>State</u> <u>ORG. #</u>	<u>TTPI Grant/ID #</u>	<u>\$ Expenditures</u>
	<u>Public Works and Utilities</u>	
6381	Yap Airport Terminal	\$ 487,399 (A)
6382	Rural Sanitation Yap Cap	74,687
6383	Colonia Power Upgrade	414
6384	Water Plant Upgrade	2,481
6385	Well development T308/1B	2,581
6386	Additional water sources T308/2	1,377
6387	Village water system 308/3	35
6390	Three O/I airfield 362/2	38,941
6391	Yap aircraft hanger	9
6392	Yap boat marina	42
6393	Road construction Phase V	589,197
6394	Southern Yap Water T312	33,535
6397	Hospital maintenance building T369	<u>50,025</u>
	Total TTPI Capital Projects Fund	<u>\$ 1,280,723</u>

(A) Management of Yap State believes that certain of these funds will be reimbursed to the State by the Federal Aviation Administration (FAA) thru the National Government of the Federated States of Micronesia. If this becomes the case, appropriate adjustment will be made in fiscal year 1990.

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 by Function
Year Ended September 30, 1989

<u>State</u> <u>ORG. #</u>	<u>CSFM Grant/ID #</u>	<u>\$ Expenditures</u>
5803	Woleai Jr. High School N/E	\$ 1,185
5804	Medical referral supply N/E	483
5807	Weloy Office repair N/E	636
5808	Yap Proper Youth Program N/E	48
5810	O/I Agri Program PL4-23 N/E	4,087
5811	Kanifay Elementary School N/E	582
5813	O/I Agriculture Projects N/E	1,404
5816	Colonia Community Centre N/E	(17)
5819	Natural Resource Match 9/7	15,000
5822	O/I H/S Girls Dorm N/E	6,160
5837	Agri Projects PL4-91 N/E	5,100
5838	Gellnet Fishing	507
5839	Bottom Fish Development	1,317
5841	Rep & Ren Cong Delg Off N/E	913
5842	Rull Municipal Building	43,103
5844	Medical Supplies	(28)
5847	State Elementary School N/E	3,550
5849	Womens association building 75229/0	41,416
5851	O/I High School Centre 7520 N/E	22,164
5852	Power extension 7519 N/E	48,508
5853	Road improvement 7518 N/E	3,444
5855	HS Medical Supply 7055 N/E	194
5856	Copra subsidy 7056 N/E	13,802
5857	TEB & Meerur Ch Rec 7057 N/E	2,360
5858	Youth services 7058 N/E	3,277
5865	O/I High School Reconstruction N/E	60,124
5866	Yap Supreme Court 9/9	26,463
5867	Joint Law Enforcement 9/8	5,254
5868	Vocational Education 2137 N/E	3,934
5869	Gachpar Community Centre N/E	2,864
5870	Hospital Warehouse N/E	60,000
5872	Yap Public Library	3,895
5874	O/I Transportation & Communication 9/0	50,283
5875	Rull Water Extension	2,281
5877	O/I Agriculture Improvement Program 9/0	259
5879	Asor Elementary School 9/0	29,286
5880	Sorol Elementary School	28,614
5881	Tagailap Community Centre 9/0	27,442
5882	Joint Law Enforcement 9/9	75,000
5884	Medical Supplies 5-1169/0	2,696
5889	Roads development & Maintenance 9/0	<u>25,469</u>
	Total CFSM Grants Fund	<u>\$ 623,059</u>

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 Funds

Statement of Expenditures by Function
Year Ended September 30, 1989

State ORG. #	<u>Capital Project Funds (Capital Account)</u>	<u>\$ Expenditures</u>
6241	Pig Slaughterhouse	\$ 53,428
6242	Roads Development	851,546
6243	Coconut Fibre Extract	12,822
6245	Land Acquisition	128,480
6246	Med Scale Fisheries Boat	335,000
6247	Soap Production	15,314
6248	Agri W/H & Lab Extension	5,639
6249	Proj feasibility study	40,000
6250	Longline fishing	50,000
6255	Dev investment loan fund	200,000
6256	Power extension	457
6257	Fisheries data collect.	1,849
6258	Bottom Fish Project	850
6259	Brackish Water Macrop	98
6261	Swine Development	16,457
6262	Manpower training	31,924
6268	O/I Copra & Storage	22,718
6269	Fruit and Orchard Development	4,227
6270	Vegetable and Root	2,515
6271	Nursery Development/Forestry	6,825
6272	Nursery & Research Development	3,568
6273	O/I Agriculture Improvement	41,034
6274	Poultry Development	8,433
6277	O/I Fisheries Development	9,500
6279	PTS Bus Purchase	222,896
6281	O/I Elementary School Repair PU & C	23,994
6282	Elementary School Repair PU & C	87,614
6283	CTRL/Col Power Upgrade PU & C	63,637
6284	Dump Truck Purchase PU & C	60,000
6285	Northwest Power Extension PU & C	27,270
6286	Dabech Power Line	49,654
6290	Col Com Centre B/B ext.	27
6291	Farmers Market	1,495
6298	Outer Island Airfields PU & C	<u>59</u>
	Total Compact Capital	<u>\$ 2,379,330</u>

YAP STATE GOVERNMENT
COMPACT CURRENT ACCOUNT

Statement of Expenditures by Function
Year Ended September 30, 1989

<u>State</u> <u>ORG. #</u>	<u>Compact Program Account Expenditures</u>	<u>\$ Expenditures</u>
	<u>General Fund - Current Account</u>	
	Base Amount	\$ 5,764,800
	Inflation Adjustment (Section 217)	<u>1,556,496</u>
	Total Compact Current Account	<u>\$ 7,321,296</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
COMPACT PROGRAM ACCOUNTS

Statement of Expenditures by Function
Year Ended September 30, 1989

<u>State</u> <u>ORG. #</u>	<u>TTPI Grant/ID #</u>	<u>\$ Expenditures</u>
	<u>Block Grant 221(B)</u>	
2113	DOE Budget Supply/maintenance	\$ 45,920
2114	Education Administration	14,132
2115	Instruction and Curriculum	192,383
2116	Yap Elementary Schools	206,508
2117	O/I Elementary Schools	251,631
2118	Yap High School	60,831
2119	Outer Islands High School	52,308
2122	Post Secondary Student Serv	15,597
2123	DOE Staff Development	50,627
2124	Headstart Program	9,882
2125	Summer Education Program	4,600
2130	Family Health Planning	7,399
2132	Primary Health Care	21,584
2133	Preventive Health Care	18,520
2134	Sanitation Program	858
2136	Alcohol/Drug Abuse & M/H	13,373
2137	Medical Referral	200,000
2138	Medical Supply and Equipment	16,183
2139	EPA Administration	47,675
	Total 221 (B) Expenditures	<u>1,230,011</u>
	<u>Compact Special Development Programs</u>	
2201	COTIOIPC Building	14,725
2202	YHS Class Room Building Renovation	32,579
2203	EPA Building Renovation	9,346
	Total	<u>56,650</u>
	<u>Compact Health and Medical Programs</u>	
2448	Medical Referral Program	<u>101,850</u>
	<u>Compact Post Secondary Education</u>	
2641	Scholarships and Grants	<u>231,800</u>
	<u>Compact Energy Programs</u>	
2853	POL/Power Generation	<u>765,440</u>
	Total Compact Program Account Expenditures	<u>\$ 2,385,751</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, 1989

<u>Grantor</u>	<u>CFDA #</u>	<u>Description</u>	<u>Amount of 1989 Expenditures</u>
U.S. Department of the Interior	15.875		
Compact of Free Association:			
Capital Account Related			\$ 2,379,330
Program Account Related:			
221-B Block Grant			1,230,011
Health and Medical			101,850
Post Secondary Education			231,800
Energy Programs			765,440
Special Development Programs			56,650
Federal Grants Fund			<u>176,462</u>
	Total CFDA # 15.875		4,941,543
Federal grants fund			
Chapter 1 and 2			
ORGS 3001,3062,3100,3101,3112 and 3113			583,740
TTPI Capital Projects Fund			
6381 - Yap Airport Terminal			487,399
6393 - Road Construction Phase V			<u>589,197</u>
	Total Programs Selected		\$ 6,601,879 =====
	Total U.S. Federal Program Expenditures		\$ 7,383,391 =====
	% of Total U.S. Federal Expenditures Covered by Major Programs		<u>89%</u> =====

STATE OF YAP
FINDINGS OF NONCOMPLIANCE
YEAR ENDED SEPTEMBER 30, 1989

Non-compliance findings:

1. Compact administrative expense criteria

Criteria

The FSM National Government, working in concert with the State of Yap, should establish guidelines governing those expenditures which represent administrative expenses as defined by the Compact of Free Association requirements with respect to capital account expenditures.

Condition

While Yap State appears to have formulated a policy with respect to defining "administrative expenses", this policy has not been presented to and agreed by the FSM National Government. Therefore, the policy may not be valid.

Cause

The National Government and the State have yet to adopt a joint definition of what constitutes administrative expenses.

Effect

Until this issue is resolved, possible noncompliance with the Compact of Free Association could occur.

2. Obtaining CFDA #'s and terms and conditions of grant awards

Criteria

The State receives federal program grants in a subgrantee capacity from the FSM National Government. In this capacity, the State should receive applicable CFDA #'s and applicable terms and conditions to enable the State to carry out the intent of the grant.

Condition

The State has only commenced receiving CFDA #'s from the National Government in FY 1990 and is still not receiving excerpts from terms and conditions.

Cause

Unknown

Effect

Potential noncompliance could occur with federal program requirements.

Recommendation

The State should ensure that it receives CFDA #'s and grant terms and conditions from the National Government.

3. Accounting for general fixed assets.

Criteria

Federal regulations require that the State account for assets which it acquires with federal funds.

Condition

The State has yet to be able to adequately account for its fixed assets and has yet to segregate funding sources for these assets to distinguish those assets acquired with federal funds.

Cause

Unknown

Effect

Noncompliance with federal rules occurs.

Recommendation

The State should determine how best to commence full accounting for fixed assets and should segregate the fund balance by funding source.

STATE OF YAP

Resolution of Prior Years' Questioned Costs
Year Ended September 30, 1989

Unresolved federal questioned costs at September 30, 1989 and 1988	\$ 229,000 =====
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Unresolved local projects (FSM) questioned costs at September 30, 1989 and 1988	\$ 67,400 =====
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