



# FEDERATED STATES OF MICRONESIA

## Office of The National Public Auditor

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Wednesday, December 13, 2023

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

Excellency President Simina:

This is our status report for the FY2022 single audits as of November 30, 2023. This report is based on information received from our contracted auditors, Ernst & Young LLP and Burger Comer Magliari, CPAs, and covers the progress of the audits for the FSM National Government, States of Chuuk, Kosrae, Pohnpei, Yap and their respective component units.

The audits for FY2022, with the original due date at June 30, 2023, are still ongoing and a request for extension had been communicated to the Office of Insular Affairs (OIA) last month. The communicate was to request for an extension to March 31, 2024, and a formal approval communication has not been provided by OIA.

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
FSM National Government and Component Units			
1	FSM National Government	Planning <i>Note: A final SEFA has been provided as of 11/13/2023 and planning procedures are ongoing.</i>	<ul style="list-style-type: none"><li>• Reconciliation of misstatements in cash in bank accounts with overseas missions.</li><li>• Compact sector receivables/payables to sub-recipients (state governments) have yet to be reconciled.</li><li>• US federal grants payable/receivable pass-thru to the state governments have yet to be reconciled.</li><li>• The investment accounts in the Fundware accounting system have</li></ul>

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			<p>yet to be reconciled with subsidiary ledgers.</p> <ul style="list-style-type: none"> <li>• Lease agreements payable and receivable were not included.</li> <li>• Reconciliation of deferred revenue account in all fund type have yet to be reconciled with supporting ledgers.</li> </ul>
2	Caroline Islands Air, Inc	Planning	<ul style="list-style-type: none"> <li>• Supporting schedules</li> </ul>
3	College of Micronesia, FSM	Planning	<ul style="list-style-type: none"> <li>• Pending CAJE(s) to reconcile interfund receivables/payables and other current liabilities.</li> <li>• Inventory count in Kosrae for completeness checking (i.e., GL listing reconciliation and inventory listing as of October 5, 2023).</li> </ul>
<b>4</b>	<b>FSM Development Bank</b>		<b>Audit completed and issued on October 31, 2023</b>
5	MiCare Plan	Planning- 90%  <i>Note: No progress during November as CFO has been on leave. EY has sent follow-up inquiries to the CFO and accountant for assisting the CFO. The accountant noted that she would be working on submitting requests but has not provided any additional documents to date.</i>	<ul style="list-style-type: none"> <li>• Supporting documents for medical claims, revenues, payroll, and accounts payable, signed confirmation templates for deposits and payables, alternative documents for confirmation procedures and walkthrough documentation.</li> </ul>
6	National Fisheries Corporation	Planning – 80%  <i>Note: An updated</i>	<ul style="list-style-type: none"> <li>• List of inquiries of schedules</li> <li>• journal entries from North</li> </ul>

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		<i>pending item list is to sent 12/4/2023.</i>	Star branch that is need in the planning.
7	FSM Petroleum Corporation (FSMPC) & Vital (VEI)	Fieldwork – 85%  <i>Note: EY aims to complete the audit mid to late December depending on the timely submission of the remaining schedules and samples.</i>	<ul style="list-style-type: none"> <li>• Copies of all significant contracts (FSMPC)</li> <li>• COGS Rollforward variance inquiry (VEI), Cash TCD inquiry (VEI)</li> <li>• Copies of new or revised inventory calibration tables (VEI &amp; FSMPC) movement inquiries (Vital Opcost Audit),</li> <li>• Over Recovery Calculation Inquiry (Vital Opcost Audit).</li> </ul>
8	FSM Social Security Administration	Fieldwork – 85%  <i>Note: Supporting documents are being communicated to the administration's person in charge and should be able to discuss potential adjusting entries within December 2023.</i>	<ul style="list-style-type: none"> <li>• Additional supporting documents.</li> </ul>
9	Telecommunication Cable Corporation	Planning  <i>Note: FSMTCC noted that they will provide an updated trial balance to reflect the adjustments based on the issues noted. FSMTCC provided the revised trial balance on 11/25/203.</i>	<p><i>Note: Bank Confirmation from BOG has been received and number of Issues were found:</i></p> <ul style="list-style-type: none"> <li>• Four transactions paid in 2023 should have been recorded as payable in 2022 but were not.</li> <li>• Receivables were received and collected and 2022 but are still outstanding.</li> <li>• Expenses were recorded in 2022 for 2021 but appears that no accruals were made in 2021. All are</li> </ul>

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
			<p style="text-align: center;"><i>subject to client verification.</i></p> <ul style="list-style-type: none"> <li>• <i>Assessing the implementation of GASB No. 87, Leases.</i></li> </ul>
10	FSM Telecommunication Corporation	Fieldwork – 85%  <i>Note: EY communicated and discussed to client issues noted in Allowance for doubtful account, reclass of investment to cash and cash equivalents and unrecorded payable. Other issues/inquires related with differences in net access basic revenue and overseas toll; FSMTCC AR and AP balances; inquiries related with AR-other and allowance; EY is ongoing on GASB 87 assessment and is in progress of finalizing substantive procedures.</i>	<ul style="list-style-type: none"> <li>• Minimal supporting document of trade payable requests (2)</li> <li>• RUS form 479 requests and other inquiries related with analytical procedures.</li> </ul>
<b>11</b>	<b>Telecommunication Regulation Authority</b>		<b>Audit completed and issued on November 10, 2023.</b>
<b>Chuuk State Government and Component Units</b>			
1	Chuuk State Government	Planning & Fieldwork-90%  Note: EY has commenced	<ul style="list-style-type: none"> <li>• Compact sector receivables and deferred revenue accounts</li> <li>• Lease agreement payable and receivable</li> </ul>

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
		planning and fieldwork for the UG audit and is approximately 80% complete.	<ul style="list-style-type: none"> <li>U.S. Federal grants receivable and deferred revenue costs</li> <li>Chuuk State Finance has yet to evaluate all receivable balances for collectability and validity.</li> </ul>
2	<b>Chuuk Public Utilities Corporation</b>		<b>Audit completed and issued on September 29, 2023.</b>
3	Chuuk State Health Care Plan	Note: Audit in final wrap-up phase.	<ul style="list-style-type: none"> <li>MD&amp;A in order to proceed with final review process.</li> </ul>
4	Chuuk State Housing	Planning -80%	
<b>Kosrae State Government and Component Units</b>			
1	Kosrae State Government	Planning & Fieldwork- 90%  <i>Note: Ey has commenced audit planning and fieldwork for the UG audit is approximately 80% complete.</i>	<ul style="list-style-type: none"> <li>Compact sector receivables and deferred revenue accounts</li> <li>U.S. Federal grants receivable and deferred revenue costs</li> <li>CFSM grants receivable and deferred revenue accounts</li> </ul>
2	<b>Kosrae Port Authority</b>		<b>Audit completed and issued on November 01, 2023.</b>
3	Kosrae State Housing Authority	Planning 90%	<ul style="list-style-type: none"> <li>Documents for alternative testing for loan receivables and interest income.</li> </ul>
4	<b>Kosrae Utilities Authority</b>		<b>Audit completed and issued on October 5, 2023</b>
<b>Pohnpei State Government and Component Units</b>			
1.	Pohnpei State Government	Fieldwork	<ul style="list-style-type: none"> <li>Response to information Technology and Risk Assessment Questionnaire for risk assessment</li> </ul>
2	Pohnpei State Housing Authority	Reporting  <i>Note: Draft audit</i>	<ul style="list-style-type: none"> <li>Management representation letter</li> </ul>

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
		<i>report revised for GASB 87 adjustments. Revised MD&amp;A to format tables.</i>	
3	Pohnpei State Port Authority	Reporting  <i>Note: Draft audit report revised for GASB 87 adjustments. Revised MD&amp;A and tables insert and make corrections.</i>	<ul style="list-style-type: none"> <li>• Compliance report pending PPA responses.</li> <li>• SAS 114 letter</li> <li>• Management representation letter</li> </ul>
4	Pohnpei Utilities Corporation	Planning  <i>Note: final trial balance is yet to be provided due to ongoing reconciling account balances.</i>	<ul style="list-style-type: none"> <li>• Final trial balance</li> <li>• 2022 Schedule Expenditures of Federal Awards</li> <li>• Response to Information Technology and Risk assessment questionnaire</li> <li>• Requested various audit schedules, documentation and items selected for detailed test of transactions.</li> <li>• Receipt of sample selections for cash receipts, disbursements, and revenue testing</li> <li>• Requested grant documentation and detailing of expenditures and funds received.</li> <li>• Various schedules along with the final trial balance and the SEFA</li> </ul>
<b>Yap State Government and Component Units</b>			
1	Yap State Government	<i>Note: most of the requested schedules have been received and have selected individual items for substantive testing.</i>  <i>There was a</i>	

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		<p><i>separate virtual meeting after ONPA, YSG, and BCM's virtual meeting.</i></p> <p><i>All sample items have now been selected, and YSG staff will be locating the supporting documents and either uploading to the ShareFile or making them available in hard copy for the next Yap visit. It is expected to occur in January.</i></p>	
<b>2</b>	<b>Yap Diving Seagull, Inc.</b>		<b>Audit completed and issued on November 30, 2023</b>
3	Yap State Public Service Corporation	<p><i>Note: There are three (3) loans with a combined principal balance of \$8,551,046 as shown in the draft financial statements that were provided last month.</i></p>	<ul style="list-style-type: none"> <li>• Confirmation from the National Government as to the balance of the loans recorded by the YSPSC.</li> </ul>
4	Yap Visitors Bureau	<p><i>Note: BCM is expected to travel to Yap in January for a physical inspection of the requested schedules, items on the list.</i></p>	<ul style="list-style-type: none"> <li>• Schedules and documents list requested.</li> </ul>

A copy of this status report will be uploaded to the FSM Public Auditor's website at [www.fsmopa.fm](http://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