



# FEDERATED STATES OF MICRONESIA

## Office of The National Public Auditor

P.O. Box PS-05, Palikir, Pohnpei FSM 96941

Tel: (691) 320-2862/2863 Fax: (691) 320-5482

CID Hotline: (691) 320-6768; Website: [www.fsmopa.fm](http://www.fsmopa.fm)

Facebook: FSM Office of the National Public Auditor; E-mail: [info@fsmopa.fm](mailto:info@fsmopa.fm)

Monday, October 16, 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 September 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 Kosrae and Chuuk, Pohnpei and their respective component units. A separate status report will be prepared on the progress of the audits for the State Yap, when it is received from the contracted CPA firm.

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
FSM National Government and Component Units			
1	FSM National Government	Planning	<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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No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
			<ul style="list-style-type: none"> <li>yet to be reconciled with subsidiary ledgers.</li> <li>Lease agreements payable and receivable were not included.</li> </ul>
2	Caroline Islands Air, Inc	Planning	Reconciled FY2022 trial balance
3	College of Micronesia, FSM	Planning  <i>Note: EY is targeting to achieve completion by 9/30/2023.</i>	<ul style="list-style-type: none"> <li>Revised analysis on allowance for doubtful account on tuition receivables.</li> <li>Pending CAJE(s) to reconcile interfund receivables/payables and other current liabilities.</li> <li>Inventory count in Kosrae for four samples (two sheet to floor and two floor to sheet).</li> <li>Ongoing assessment and computation of adoption of GASB No. 87, Leases.</li> </ul>
4	FSM Development Bank	Fieldwork - 90%  <i>Note: EY is targeting to issue the draft report to FSMDB for MD&amp;A purposes by early in the week of 10/9/2023.</i>	<ul style="list-style-type: none"> <li>Responses for loan inquiries.</li> </ul>
5	MiCare Plan	Planning- 90%	<ul style="list-style-type: none"> <li>Supporting documents for medical claims.</li> </ul>
6	National Fisheries Corporation	Planning - 80% Fieldwork - 10%  <i>Note: NFC provided several important preliminary schedules on 9/27/2023 and EY is reviewing the documents and will request further samples and schedules after the review.</i>	

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
7	FSM Petroleum Corporation (FSMPC) & Vital (VEI)	Fieldwork – 70%  <i>Note: Fieldwork completion date is mid to late October depending on the timely submission of the remaining schedules and samples.</i>	<ul style="list-style-type: none"> <li>• Account movement inquiries</li> <li>• Confirmation templates</li> <li>• Copies of FY22 Tax Returns</li> <li>• Copies of new significant contracts or renewals during the year</li> <li>• OPEX samples</li> <li>• AR subsequent collections support</li> <li>• Rehab &amp; Thruput completed projects.</li> <li>• Inventory gauging count sheets</li> <li>• Inventory unit cost samples</li> <li>• Accrued liabilities samples.</li> <li>• COGS landed costs samples.</li> <li>• COGS purchases cut-off samples</li> <li>• Movement inquiries</li> <li>• Shared services agreement % of allocation inquiry</li> <li>• CIPs samples</li> <li>• Accrued liabilities samples</li> <li>• AR confirmation vs. GL variance inquiry</li> </ul>
8	FSM Social Security Administration	Planning – 90% Fieldwork – 60%  <i>Note: EY is following up on FSMSSA responses.</i>	<ul style="list-style-type: none"> <li>• Confirmation requests (legal, investments, accounts receivable, etc.)</li> </ul>
9	Telecommunication Cable Corporation	<i>Planning</i>	<ul style="list-style-type: none"> <li>• Bank confirmation from BOG</li> <li>• Receivable confirmation</li> <li>• Loan confirmation</li> </ul> <p><i>Note: Number of Issues were found:</i></p> <ul style="list-style-type: none"> <li>• <i>Four transactions were paid in 2023 that</i></li> </ul>

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
			<p><i>should have been recorded as payable in 2022 but were not.</i></p> <ul style="list-style-type: none"> <li>• <i>There were receivables received and collected in 2022, but according to records, the receivables are still outstanding.</i></li> <li>• <i>There were expenses recorded in 2022 for 2021 but appears that no accruals were made in 2021.</i></li> </ul>
10	FSM Telecommunication Corporation	Fieldwork – 70%	<ul style="list-style-type: none"> <li>• Reconciliation of inventory rollback</li> <li>• Initial Lease (GASB 87) assessment</li> <li>• RUS loan confirmation reply</li> <li>• Expenses supporting documents (19 open)</li> <li>• Revenue supporting documents (10 open)</li> <li>• Other assets supporting documents (12 open)</li> </ul>
11	Telecommunication Regulation Authority	Fieldwork- 80%	<ul style="list-style-type: none"> <li>• Supporting documents for revenue</li> </ul>
<b>Chuuk State Government and Component Units</b>			
1	Chuuk State Government	Planning & Fieldwork-60%	<ul style="list-style-type: none"> <li>• Compact sector receivables and deferred revenue accounts</li> <li>• Lease agreement payable and receivable</li> <li>• U.S. Federal grants receivable and deferred revenue costs</li> <li>• Evaluate on all receivable balances for collectibility and validity.</li> </ul>
2	Chuuk Public Utilities Corporation		<b>Audit completed and issued on September 29, 2023.</b>
3	Chuuk State Health	Planning- 100%	<ul style="list-style-type: none"> <li>• Confirmation responses</li> </ul>

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
	Care Plan	Fieldwork- 70%	<ul style="list-style-type: none"> <li>from BOG FSM – Chuuk branch</li> <li>• Legal confirmation letter response</li> <li>• Supporting documents for premiums testing</li> <li>•</li> </ul>
4	Chuuk State Housing	Planning	FY2022 Trial Balance
Kosrae State Government and Component Units			
1	Kosrae State Government	Planning & Fieldwork- 61%	<ul style="list-style-type: none"> <li>• Compact sector receivables and deferred revenue accounts</li> <li>• Lease agreement payable and receivable</li> <li>• U.S. Federal grants receivable and deferred revenue costs</li> <li>• CFSM grants receivable and deferred revenue accounts</li> </ul>
		<i>Note: On-site fieldwork is scheduled for 10/2-14/2023.</i>	
2	Kosrae Port Authority	Fieldwork – 95%	<ul style="list-style-type: none"> <li>• FSMNG advice of allotment for the donated ARFF Trucks</li> <li>• Management discussion and analysis (MD&amp;A)</li> </ul>
		<i>Note: Initial draft FS and final balance sent to client.</i>	
3	Kosrae State Housing Authority	Planning 35%	<ul style="list-style-type: none"> <li>• Loan portfolios</li> <li>• Accounts movement inquiry</li> <li>• Subsequent disbursement register.</li> </ul>
4	Kosrae Utilities Authority		<b>Audit report issued subsequent to September 30, 2023.</b>
Pohnpei State Government and Component Units			
1	Pohnpei State Government	Planning	
2	Pohnpei State Housing Authority	Reporting	<ul style="list-style-type: none"> <li>• Response to fraud inquiry from staff and board members</li> <li>• Attorney letter response</li> <li>• MD&amp;A</li> </ul>

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
			<ul style="list-style-type: none"> <li>• Management representation letter</li> </ul>
3	Pohnpei State Port Authority	Reporting	<ul style="list-style-type: none"> <li>• Implementation of GASB 87, as lease agreements are still being provided.</li> <li>• Response to fraud inquiry from staff and board members</li> <li>• Attorney letter response</li> <li>• MD&amp;A</li> <li>• Management representation letter</li> </ul>
4	Pohnpei Utilities Corporation	Planning	<ul style="list-style-type: none"> <li>• Pending receipt of 2022 schedule of federal expenditures and awards</li> <li>• Requested grant documentation and detailing of expenditures and monies received</li> <li>• Various schedules along with final trial balance and the SEFA</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 Hainrick  
National Public Auditor

cc: FSM Vice President  
Speaker, FSM Congress  
All State Governors  
Heads of all FSM Audit Entities  
Secretary & Directors, National and State Finance Departments  
State Public Auditors