



FEDERATED STATES OF MICRONESIA

Office of The National Public Auditor

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Monday, February 19, 2024

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 January 31, 2024. 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 on June 30, 2023, are still ongoing and a request for extension had been communicated to the Office of Insular Affairs (OIA) to request for an extension to March 31, 2024, and a formal approval communication has been provided by OIA on December 26, 2023.

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 trial balance was provided to EY on January 4, 2024 and such has yet to be reconciled with detailed and subsidiary financial records and ledgers.</i>	<ul style="list-style-type: none"> Reconciliation of misstatements in cash in bank accounts with overseas missions. Compact sector receivables/payables to sub-recipients (states governments) have yet to be reconciled US federal grants payable/receivable pass-thru to the state governments have yet to be reconciled. Lease agreements payable and receivable were not included.

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
			<ul style="list-style-type: none"> • Reconciliation of deferred revenue account in all fund type have yet to be reconciled with supporting ledgers. • UG audit- A final SEFA has been provided on 1/25/2024 and planning procedures have commenced. • FSMNG has yet to provide to EY aging schedule of material receivable accounts. • FSMNG has yet to provide to EY detailed schedule of material payable accounts. • FSMNG has yet to provide to EY fixed assets register.
2	Caroline Islands Air, Inc	Planning <i>Note: EY has received an updated trial balance on 10/23/2023. EY has yet to received supporting schedules from the entity.</i>	<ul style="list-style-type: none"> • Supporting schedules
3	College of Micronesia, FSM	Planning & Fieldwork <i>Note: Ongoing review of EY on the reconciliation provided by client last 01/010/2024 for the financial statement audit. EY aims to finalize and wrap up the procedures within February.</i>	

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
		<i>For the UG audit, EY has commenced planning procedures and fieldwork and review to occur in February.</i>	
4	FSM Development Bank		Audit completed and issued on October 31, 2023
5	MiCare Plan	<p>Fieldwork</p> <p><i>Note: No progress during December 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></p> <p><i>Three follow-ups have been sent during January 2024, with the latest follow-up on 1/26/2024 and an additional follow-up on 2/1/2024.</i></p>	<ul style="list-style-type: none"> • 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.
6	National Fisheries Corporation	<p>Planning – 80% & Fieldwork</p> <p><i>Note: planning is still 80% complete and mainly due pending journal entries of North Star branch that is needed in the planning.</i></p>	<ul style="list-style-type: none"> • Journal entries of North Star branch. • List of inquiries

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
		<p><i>EY has regularly sent follow up emails in December 2023 and January 2024 and to date, no additional documents received for the audit to progress.</i></p>	
7	<p>FSM Petroleum Corporation (FSMPC) & Vital (VEI)</p>	<p>Fieldwork – 90%</p> <p><i>Note: EY has provide the FS draft for VEI and FSMPC on 1/30/2024 to begin preparation of MD&A.</i></p> <p><i>Detail and sample testing is in progress.</i></p>	<ul style="list-style-type: none"> • Copies of all significant contracts, • Board minutes as of date, • short term borrowings (letter of credit requests), • GASB 87 update inquiry, • Investment plan request, • Bank of Guam compliance request, • GON confirmation letter reply • The over recovery calculation inquiry and expenses allocation.
8	<p>FSM Social Security Administration</p>	<p>Fieldwork – 95%</p> <p><i>Note: FSMSSA is in the financial statement draft and wrap-up stage.</i></p>	
9	<p>Telecommunication Cable Corporation</p>	<p>Fieldwork</p> <p><i>Note FSMTCC provided a revised trial balance on 11/25/23 and again submitted an updated trial balance on 12/15/23, and the revised journal entries were given on 1/4/24.</i></p>	<ul style="list-style-type: none"> • Samples of expenses and revenues.

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
		<p><i>EY is currently verifying the completeness of the transactions and determining whether the issues have been addressed based on the provided balances.</i></p> <p><i>EY is in the process of preparing the financials</i></p>	
10	FSM Telecommunication Corporation	<p>Fieldwork – 95%</p> <p><i>Note: EY has drafted the financial statements and is under executive review. Updated financial statements have been provided to entity to prepare the MD&A.</i></p> <p><i>EY is in the progress of performing audit wrap up procedures.</i></p>	
11	Telecommunication Regulation Authority		Audit completed and issued on November 10, 2023.
Chuuk State Government and Component Units			
1	Chuuk State Government	<p>Planning & Fieldwork-98%</p> <p><i>Note: EY has commenced planning and fieldwork for the UG audit and is approximately 90% complete.</i></p>	<ul style="list-style-type: none"> • Compact sector receivables and deferred revenue accounts have yet to be reconciles with FSM National Governments records. • Lease agreement payable and receivable were not included in the final Trial Balance • U.S. Federal grants

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
			<p>receivable and deferred revenue accounts have yet to be reconciles with FSM National Governments records.</p> <ul style="list-style-type: none"> • Chuuk State Finance has yet to evaluate all receivable balances for collectability and validity.
2	Chuuk Public Utilities Corporation		Audit completed and issued on September 29, 2023.
3	Chuuk State Health Care Plan		Audit completed and issued on December 28, 2023.
4	Chuuk State Housing	Planning -98% <i>Note: EY has received the FY2022 trial balance and have commenced year-end substantive testing.</i>	
Kosrae State Government and Component Units			
1	Kosrae State Government	Planning & Fieldwork- 98% <i>Note: Ey has commenced audit planning and fieldwork for the UG audit is approximately 90% complete.</i>	<ul style="list-style-type: none"> • Compact sector receivables and deferred revenue accounts have yet to be reconciled with FSM National Governments records. • U.S. Federal grants receivable and deferred revenue accounts have yet to be reconciled with FSM National Governments records. • CFSM grants receivable and deferred revenue accounts have yet to be reconciled with FSM National Governments records.
2	Kosrae Port Authority		Audit completed and issued on November 01, 2023.
3	Kosrae State Housing	Planning 90%	<ul style="list-style-type: none"> • Documents for alternative

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
	Authority	<i>Note: Follow-ups have been sent to the client on 02/01/24.</i>	testing for loan receivables and interest income.
4	Kosrae Utilities Authority		Audit completed and issued on October 5, 2023
Pohnpei State Government and Component Units			
1.	Pohnpei State Government	Fieldwork – 80% UG audit – Planning & Fieldwork- 50%: Planning tests of internal controls and compliance for major programs. Fraud risk inquiries for various individuals.	<ul style="list-style-type: none"> • Various items selected for testing for significant accounts and transactions. • Information Technology and Risk assessment questionnaire. • Fraud risk inquiries for various individuals.
2	Pohnpei State Housing Authority	Fieldwork- 99%	<ul style="list-style-type: none"> • Compliance response to compliance findings • SAS 114 letter issuance of final report • Management representation letter
3	Pohnpei State Port Authority	Fieldwork – 99%	<ul style="list-style-type: none"> • Compliance report pending PPA responses • Management representation letter
4	Pohnpei Utilities Corporation	Fieldwork – 80% <i>Note: UG audit- Planning & Fieldwork – 50%: Planning tests of internal controls and compliance over major programs. Conducting follow up on prior audit findings and corrective action plan.</i>	<ul style="list-style-type: none"> • Client adjusting entries for certain cash accounts. • Client responses for analytical review inquiries. • Fraud risk inquiries for various individuals. • Various other requested schedules. • Various audit schedules for account balances.
Yap State Government and Component Units			
1	Yap State	<i>Note: BCM selected</i>	<ul style="list-style-type: none"> • List of subsequent

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
	Government	<p><i>sample items for the Foreign Assistance Funds. BCM is currently selecting the sample for testing compliance with the federal grants.</i></p> <p><i>The unrecorded liabilities search will be done during the March trip.</i></p>	disbursements for unrecorded liabilities.
2	Yap Diving Seagull, Inc.		Audit completed and issued on November 30, 2023
3	Yap State Public Service Corporation	<p><i>Note: The proper amount for the loan balance have been received.</i></p> <p><i>Draft audit report will be issuing by next week.</i></p>	<ul style="list-style-type: none"> • MD&A to be completed by YSPSC.
4	Yap Visitors Bureau	<p><i>Note: BCM is planning to send many people to Yap on March 5 to do all the remaining testing that is necessary.</i></p> <p><i>If the YVB supporting documents are not made available during the trip, BCM will have to refrain from issuing an opinion on YVB.</i></p> <p><i>This may also cause a modification of BCM's report on YSG.</i></p>	<ul style="list-style-type: none"> • Requested items.

A copy of this status report will be uploaded to the FSM Public Auditor's website at www.fsmopa.fm.

Let me know if you have questions about this report.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Midson Tom', written in a cursive style.

Midson Tom
Acting 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