



FEDERATED STATES OF MICRONESIA

Office of The National Public Auditor

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Monday, July 14, 2025

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 2023 single audits as of June 30, 2025, respectively. This report is based on information received from our contracted auditors, Ernst & Young LLP and Burger Comer Magliari CPAs (BCM). It covers the progress of audits for the FSM National Government, States of Chuuk, Kosrae, Pohnpei, and Yap, including their respective component units.

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
FSM National Government and Component Units			
1	FSM National Government	<ul style="list-style-type: none"> • <i>Early stages of planning and progress are approximately 50%.</i> • <i>Revised SEFA was submitted on July 3, 2025.</i> 	<ul style="list-style-type: none"> • Remaining differences: corporate tax receivable 1813, A/P not on subledger, sector drawdowns payable to states have no changes. • Unaudited financial statements • General ledger transaction details- CSLEDGR FY2023, provided 5/26, further needs JV to correct passthrough to states. • Detailed reconciliation of Due from States • Detailed reconciliation of Due to FSM States

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
			<ul style="list-style-type: none"> • Schedule and reconciliation of deferred revenue • Aged receivable and payable schedules for accounts • Corrected GASB-87 template • Uniform guidance compliance procedures have commenced the planning phase and requested walkthrough samples. A revised SEFA was submitted on July 3, 2025. • ADB contact information for Manila • Pending Bank confirmations: ANZ House Ranch Bank, Bank of America, Bank of China, Bank of Hawaii, Mizuho Bank, UNFCU. • Aged advances receivable listing for accounts • Pending confirmation \$5.7 million investment in Bank of the FSM • Pending testing net asset value of \$1.5 million interest in UMDA • Pending confirmation \$6.9 million in ABD • Pending confirmation Wilshie investments to test net asset value
2	Caroline Islands Air, Inc	<ul style="list-style-type: none"> • <i>Entity re-engaged its advisor on April 30, 2025, and started providing audit requests first week of May.</i> • <i>EY has completed 90% of audit planning procedures (remaining 10% relates to</i> 	<ul style="list-style-type: none"> • Inventory count sheet • Grant revenue • Accrued liabilities insurance expense/liabilities supporting documents

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
		<i>pending walkthrough inquiries and samples).</i>	and related potential adjustments.
3	College of Micronesia, FSM		Audit completed and issued on June 16, 2025
4	FSM Development Bank		Audit completed and issued on May 13, 2024.
5	MiCare Plan		Audit completed and issued on April 28, 2025.
6	National Fisheries Corporation	<ul style="list-style-type: none"> • Pending confirmation replies are received on July 1, 2025. • Target to have draft financials around July 18, 2025. 	
7	FSM Petroleum Corporation (FSMPC) & Vital (VEI)	<ul style="list-style-type: none"> • Preliminary MD&A was received on June 26, 2025. However, MD&A is not complete, and it is missing the required financial highlights section. • Target to finalize MD&A is around July 15, 2025, contingent upon timely receipt of the revised MD&A by July 7, 2025. 	
8	FSM Social Security Administration		Audit completed and issued on September 30, 2024.
9	Telecommunication Cable Corporation		Audit completed and issued on April 16, 2025.
10	FSM Telecommunication Corporation		Audit completed and issued on July 29, 2024
11	Telecommunication Regulation Authority		Audit completed and issued on October 31, 2024
Chuuk State Government and Component Units			
1	Chuuk State Government	<ul style="list-style-type: none"> • EY communicated a July 15 cut off date for the 158 samples to be provided to EY • Samples not provided by July 15th, will result in findings and may result in a modified opinion. 	<ul style="list-style-type: none"> • MD&A • 158 of samples are yet to be provided to EY for UG compliance audit.
2	Chuuk Public Utilities Corporation		Audit completed and issued on October 18, 2024

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
3	Chuuk State Health Care Plan		Audit completed and issued on October 18, 2024
4	Chuuk State Housing	<ul style="list-style-type: none"> Audit procedures are completed, and draft was issued May 19, 2025 	
Kosrae State Government and Component Units			
1	Kosrae State Government	<ul style="list-style-type: none"> Draft FS was provided to KSG on June 10th, 2025, to KSG. 	<ul style="list-style-type: none"> Draft compliance report was provided on June 20th, however waiting for the supporting documents for Fund 19 SF 425 and the accreditation report for all the schools in Kosrae.
2	Kosrae Port Authority		Audit completed and issued on April 30, 2025.
3	Kosrae State Housing Authority	<ul style="list-style-type: none"> EY received the loans portfolio and other documents on March 26, 2025 The last follow up was made on June 30th, 2025 with a more detailed summary of pending items. 	<ul style="list-style-type: none"> Explanation and supporting calculation on additional entries related to grant revenue Explanation on the decrease in interest income despite the overall increase in loans receivable HRDA and EDA RLF loans roll forward and interest income variance New loan requests for all 10 samples Existing loan requests for 15 samples
4	Kosrae Utilities Authority		Audit completed and issued on July 17, 2024
Pohnpei State Government and Component Units			
1.	Pohnpei State Government	<ul style="list-style-type: none"> During the substantive testing of transactions, BCM identified duplicate check entries recorded in the general ledger. Upon further inquiry, Management explained that in May 2023, the Fundware accounting 	<ul style="list-style-type: none"> Supporting documentation for general journal entries totaling \$803, 024 Responses from financial institutions regarding closed time certificates of deposit

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
		<p><i>system experienced a critical failure over an approximate two-week period, resulting in a system crash.</i></p> <ul style="list-style-type: none"> • <i>PSG engaged external IT consultants to assess the cause of the failure, recover the affected data, and reconstruct the general ledger. Based on BCM's understanding and subject to further discussion with management, manual data entry errors may have occurred during the restoration process.</i> • <i>BCM has not been able to determine the full impact of the system crash or the pervasiveness of duplicate or missing transactions within the general ledger.</i> • <i>BCM has expanded the audit procedures over cash reimbursements to assess completeness, accuracy, and the proper recording and classification of transactions.</i> • <i>Process of reviewing the accuracy of bank reconciliations for all significant accounts and reassessing the impact on audit procedures previously performed and completed.</i> • <i>Testing of general fund and non-major disbursements (excluding payroll)</i> • <i>Examination of general fund and non-fund major fund revenues, including revenue sharing receipts requiring audit adjustments</i> • <i>Review of compact II drawdown activity</i> 	<ul style="list-style-type: none"> • Documentation for six subsequent disbursements • Reconciliation support for salary adjustments related to special education • PSG responses to analytical review inquiries for Funds 20 & 21 • Responses regarding lease agreement inquiries • Supporting documentation for single audit payroll and non-payroll related to disbursements • Documentation for single audit sample selection for compliance and internal control testing.

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
		<ul style="list-style-type: none"> • <i>Evaluation of FSMNG long-term debt schedule and related amortization</i> • <i>Review of FY2023 FSMNG block grant drawdown reconciliation schedule; and internal control and compliance testing for major federal programs.</i> 	
2	Pohnpei State Housing Authority		Audit completed and issued on March 17, 2025
3	Pohnpei State Port Authority		Audit completed and issued on March 04, 2025
4	Pohnpei Utilities Corporation	<ul style="list-style-type: none"> • <i>Reviewing client-prepared adjusting journal entries (CAJEs) for adequacy and completeness. Further adjustments are anticipated, particularly for cash, capital assets, receivables, and revenues</i> • <i>Performing detailed testing of power and water disbursements for both pre-paid and post-paid accounts, nearing completion</i> • <i>Evaluating provided payroll data for completeness and accuracy.</i> 	<ul style="list-style-type: none"> • Additional loan agreements and supporting documentation • Reconciliation of beginning loan balances with the Asian Development Bank • Bank confirmation from the Bank of Guam • Confirmation of deposit and accounts payable balances with FSM Petro • Customer accounts receivable confirmation replies • Updated schedules for unearned revenues, capital assets, prepaid expenses, and accounts payable aging
Yap State Government and Component Units			
1	Yap State Government	<ul style="list-style-type: none"> • <i>BCM expects to complete compliance testing and submit all potential findings by July 15.</i> • <i>BCM also selected samples of revenues and expenditures for substantive testing.</i> 	
2	Yap Diving Seagull, Inc.		Audit completed and issued on December 10, 2024.

No.	Entity	Audit Phase & Percentage Completed	Outstanding Items to be provided by Entities
3	Yap State Public Service Corporation		Audit completed and issued on May 2, 2025.
4	Yap Visitors Bureau	<ul style="list-style-type: none"> BCM was delayed in working on the audit, but one of the team members going to Yap will complete the YVB audit during the trip. 	

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,



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

