

May 28, 2008

Board of Trustees
FSM Social Security Administration:

In planning and performing our audit of the financial statements of the FSM Social Security Administration (FSMSSA) for the year ended December 31, 2007, on which we have issued our report dated May 28, 2008, we developed the following recommendations concerning matters related to the FSMSSA's internal control. Our recommendations are summarized below:

Journal Vouchers

Approved Journal Entries

Comment: JV03-103 relating to the reversal of 2006 accruals could not be located.

Recommendation: Management should ensure that all posted journal entries are kept on file.

Cash and Cash Equivalents

Cash Receipts

Comment: No cash receipts were issued for two items collected in December 2007.

Recommendation: Management should ensure that official cash receipts are issued in support of all collections.

Reconciling Items

Comment: Per a December 2007 bank reconciliation, one reconciling item (R#408336) was not resolved in a timely manner.

Recommendation: Management should ensure timely resolution of all reconciling items.

Timeliness of Deposits

Comment: All daily collections should be deposited on the day received or on the following work day. For 1 of 22 (5%) transactions tested, cash collections were not timely deposited.

<u>Branch</u>	<u>Receipt #</u>	<u>Receipt Date</u>	<u>Deposit Date</u>	<u>Days Elapsed</u>
Pohnpei	409221	01/15/08	01/17/08	2

Recommendation: Management should strengthen internal control over the timely deposit of cash collections.

Board of Trustees
FSM Social Security Administration
May 28, 2008

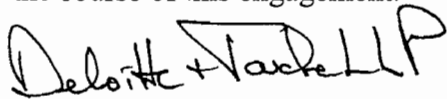
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This report is intended solely for the information and use of the FSMSSA's Board of Trustees and management.

We will be pleased to discuss the above comments with you and, if desired, to assist you in implementing the suggestions.

We wish to thank the staff and management of the FSMSSA for their cooperation and assistance during the course of this engagement.

A handwritten signature in black ink that reads "Deloitte + Tatchell LLP". The signature is written in a cursive, flowing style.

Very truly yours,