

June 29, 2012

To the Board of Regents of  
College of Micronesia-FSM:

We have performed an audit of the financial statements of the College of Micronesia-FSM (the College), a component unit of the FSM National Government as of and for the year ended September 30, 2011, in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and have issued our report thereon dated June 29, 2012.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the College is responsible.

## **OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS AND GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS**

Our responsibility under generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, have been described in our engagement letter dated September 13, 2011, a copy of which has been provided to you. As described in that letter, the objective of a financial statement audit conducted in accordance with the aforementioned standards is:

- To express an opinion on the fairness of the College's financial statements and to disclaim an opinion on the required supplementary information for the year ended September 30, 2011 in conformity with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"), in all material respects;
- To express an opinion on whether the supplementary information that accompanies the basic financial statements is presented fairly, in all material respects, in relation to the basic financial statements taken as a whole;
- To report on the College's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended September 30, 2011 based on an audit of financial statements performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*; and
- To issue an independent auditors' management letter.

Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared with the oversight of management and the Board of Regents are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audit of the financial statements does not relieve management or the Board of Regents of their responsibilities.

We considered the College's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

## **ACCOUNTING ESTIMATES**

Accounting estimates are an integral part of the financial statements prepared with the oversight of management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in the College's 2011 financial statements include management's estimate of the allowance for uncollectible accounts, which is determined based upon past collection experience and aging of the accounts; management's estimate of the allowance for inventory obsolescence, which is determined based upon expected inventory turnover and inventory aging; and management's estimate of depreciation expense, which is based on estimated useful lives of the respective capital assets. During the year ended September 30, 2011, we are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates.

## **AUDIT ADJUSTMENTS AND UNCORRECTED MISSTATEMENTS**

As the result of our audit work, we identified no matters that resulted in audit adjustments that we believe, either individually or in the aggregate, would have a significant effect on the College's financial reporting process.

In addition, we have attached to this letter, as Appendix A to Attachment I, a summary of uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

## **SIGNIFICANT ACCOUNTING POLICIES**

The College's significant accounting policies are set forth in Note 3 to College's 2011 financial statements. During the year ended September 30, 2011, there were no significant changes in previously adopted accounting policies or their application, except for the following pronouncements adopted by the College:

- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.
- GASB Statement No. 59, *Financial Instruments Omnibus*, which updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools.

The implementation of these pronouncements did not have a material effect on the financial statements.

In December 2009, GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, which amends Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans. The provisions of Statement 57 related to the use and reporting of the alternative measurement method are effective immediately. The provisions related to the frequency and timing of measurements are effective for actuarial valuations first used to report funded status information in

OPEB plan financial statements for periods beginning after June 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the College.

In December 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership. The provisions of this statement are effective for periods beginning after December 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the College.

In December 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*, which is designed to improve financial reporting for governmental entities by amending the requirements of Statements No. 14, *The Financial Reporting Entity*, and No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, to better meet user needs and address reporting entity issues that have come to light since those Statements were issued in 1991 and 1999, respectively. The provisions of this statement are effective for periods beginning after June 15, 2012. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the College.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements. The provisions of this statement are effective for periods beginning after December 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the College.

In July 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The provisions of this statement are effective for periods beginning after December 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the College.

In July 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions (an amendment of GASB Statement No. 53)*, which will improve financial reporting by state and local governments by clarifying the circumstances in which hedge accounting continues to be applied when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The provisions of this statement are effective for periods beginning after June 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the College.

## **OTHER INFORMATION IN THE ANNUAL REPORTS**

When audited financial statements are included in documents containing other information such as the College's 2011 Annual Report, we will read such other information and consider whether it, or the manner of its presentation, is materially inconsistent with the information, or the manner of its presentation, in the financial statements audited by us. We will read the other information in the College's 2011 Annual Report and will inquire as to the methods of measurement and presentation of such information. If we note a material inconsistency or if we obtain any knowledge of a material misstatement of fact in the other information, we will discuss this matter with management and, if appropriate, with the Board.

The audited financial statements for the year ended September 30, 2011 were not included in documents containing other information such as the College's Annual Report to the date of this letter.

## **DISAGREEMENTS WITH MANAGEMENT**

We have not had any disagreements with management related to matters that are material to the College's 2011 financial statements.

## **CONSULTATION WITH OTHER ACCOUNTANTS**

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2011.

## **MANAGEMENT'S REPRESENTATIONS**

We have made specific inquiries of the College's management about the representations embodied in the financial statements. Additionally, we have requested that management provide to us the written representations the College is required to provide to its independent auditors under generally accepted auditing standards. We have attached to this letter, as Attachment I, a copy of the representation letter we obtained from management.

## **MAJOR ISSUES DISCUSSED WITH MANAGEMENT PRIOR TO OUR RETENTION**

Throughout the year, routine discussions regarding the application of accounting principles or auditing standards were held with management in connection with transactions that have occurred, transactions that are contemplated, or reassessment of current circumstances. In our judgment, such discussions were not held in connection with our retention as auditors.

## **SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT**

In our judgment, we received the full cooperation of the College's management and staff and had unrestricted access to the College's senior management in the performance of our audit.

## **CONTROL-RELATED MATTERS**

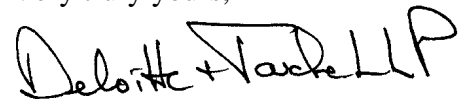
We have issued a separate report to you, dated June 29, 2012, wherein matters involving the College's internal control over financial reporting that were considered to be no material weaknesses under standards established by the American Institute of Certified Public Accountants, and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters were reported. We have also issued a separate report to you, also dated June 29, 2012, on the College's compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133.

\* \* \* \* \*

This report is intended solely for the information and use of the Board of Regents, management, and others within the College and is not intended to be and should not be used by anyone other than these specified parties.

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

Very truly yours,

A handwritten signature in black ink that reads "Deloitte + Tack LLP". The signature is written in a cursive, stylized font.

**COLLEGE OF MICRONESIA –FSM**

P.O. Box 159, Kolonia, Pohnpei  
Federated States of Micronesia 96941

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Office of the President

June 29, 2012

Deloitte & Touche LLP  
361 S Marine Corps Dr  
Tamuning GU 96913-3911

We are providing this letter in connection with your audits of the statements of net assets of the College of Micronesia - FSM (COM-FSM), a component unit of Federated States of Micronesia (FSM) National Government, as of September 30, 2011 and 2010 and the related statements of revenues, expenses and changes in net assets and of cash flows for the years then ended, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of COM-FSM in conformity with accounting principles generally accepted in the United States of America (GAAP). We confirm that we are responsible for the following:

- a. The fair presentation in the basic financial statements of financial position, results of operations, and cash flows in conformity with GAAP;
- b. The fair presentation of the required supplementary information, including Management's Discussion and Analysis, accompanying the basic financial statements;
- c. The design, implementation, and maintenance of programs and controls to prevent and detect fraud;
- d. Establishing and maintaining effective internal control over financial reporting; and
- e. The review and approval of the financial statements and related notes and acknowledge your role in the preparation of this information. Specifically, we acknowledge that your role in the preparation of financial statements was a matter of convenience rather than necessity. We have reviewed the financial statement preparation assistance provided by you and acknowledge that the financial statements are prepared in accordance with GAAP. Our review was based on the use of the financial statement disclosure checklist for stand-alone business-type activities obtained from the Government Finance Officers Association. In addition, we concur with the adjusting entries included in Appendix B.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.



## ATTACHMENT I, CONTINUED

We confirm, to the best of our knowledge and belief, the following representations made to you during your audits.

1. The basic financial statements referred to above are fairly presented in conformity with GAAP. In addition:
  - a. Net assets components (invested in capital assets, net of related debt; restricted and unrestricted) are properly classified and, if applicable, approved;
  - b. Expenses have been appropriately classified in or allocated to functions and programs in the statements of activities, and allocations have been made on a reasonable basis;
  - c. Revenues are appropriately classified in the statement of activities;
  - d. Deposits and investment securities are properly classified in category of custodial credit risk;
  - e. Capital assets, including infrastructure assets, are properly capitalized and reported, and, if applicable, depreciated;
  - f. Required supplementary information is measured and presented in prescribed guidelines; and
  - g. Applicable laws and regulation are followed in adopting, approving and amending budgets.
2. COM-FSM has provided to you all relevant information and access as agreed in the terms of the audit engagement letter, including:
  - a. Contracts and grant agreements (including amendments, if any);
  - b. Financial records and related data for all financial transaction of COM-FSM. The records, books and accounts, as provided to you, record the financial and fiscal operations of COM-FSM and provide the audit trail to be used in a review of accountability. Information presented in financial reports is supported by the books and records from which the financial statements have been prepared; and
  - c. Resolutions and minutes of the meetings of the Board of Regents or summaries of actions of recent meetings for which minutes have been prepared. Board meetings were held on the following dates:
    - December 8 to 9, 2010
    - March 14 to 15, 2011
    - May 18 to 19, 2011
    - September 7 to 9, 2011
3. There have been no:
  - a. Actions taken by COM-FSM's management that contravenes the provisions of federal laws and FSM laws and regulations; and
  - b. Communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices or other matters that could have a material effect on the financial statements.

4. We believe the effects of any uncorrected financial statement misstatements aggregated by you during the current audit engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix A.
5. COM-FSM has not performed a risk assessment, including the assessment of the risk of fraud that the financial statements may be materially misstated as a result of fraud. However, management has made available to you their understanding about the risks of fraud in COM-FSM and do not believe that the financial statements are materially misstated as a result of fraud.
6. We have no knowledge of any fraud or suspected fraud affecting COM-FSM involving:
  - a. Management
  - b. Employees who have significant roles in COM-FSM's internal control over financial reporting
  - c. Others, if the fraud could have a material effect on the financial statements.
7. We have no knowledge of any allegations of fraud or suspected fraud affecting COM-FSM received in communications from employees, former employees, regulators, or others.
8. There are no unasserted claims or assessments that legal counsel has advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 450, *Contingencies* (formerly FASB Statement No. 5, *Accounting for Contingencies*).
9. Significant assumptions used by us in making accounting estimates are reasonable.
10. During the year 2011, COM-FSM implemented the following pronouncements:
  - GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.
  - GASB Statement No. 59, Financial Instruments Omnibus, which updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools.
11. In December 2009, GASB issued Statement No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, which amends Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, and Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, and addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans. The provisions of Statement 57 related to the use and reporting of the alternative measurement method are effective immediately. The provisions related to the frequency and timing of measurements are effective for actuarial valuations first used to report funded status information in OPEB plan financial statements for periods beginning after June 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of COM-FSM.



12. In December 2010, GASB issued Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, which addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. The provisions of this statement are effective for periods beginning after December 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of COM-FSM.
13. In December 2010, GASB issued Statement No. 61, The Financial Reporting Entity: Omnibus, which is designed to improve financial reporting for governmental entities by amending the requirements of Statements No. 14, The Financial Reporting Entity, and No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, to better meet user needs and address reporting entity issues that have come to light since those Statements were issued in 1991 and 1999, respectively. The provisions of this statement are effective for periods beginning after June 15, 2012. Management does not believe that the implementation of this statement will have a material effect on the financial statements of COM-FSM.
14. In December 2010, GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements. The provisions of this statement are effective for periods beginning after December 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of COM-FSM.
15. In July 2011, GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, which establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The provisions of this statement are effective for periods beginning after December 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of COM-FSM.
16. In July 2011, GASB issued Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions (an amendment of GASB Statement No. 53), which will improve financial reporting by state and local governments by clarifying the circumstances in which hedge accounting continues to be applied when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The provisions of this statement are effective for periods beginning after June 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of COM-FSM.
17. There are no reportable conditions including significant deficiencies and material weaknesses, in the design or operation of internal control that could adversely affect COM-FSM's ability to initiate, record, process, and report financial information.
18. There are no control deficiencies in the design or operation of internal control over financial reporting that could adversely affect COM-FSM's ability to initiate, record, process, and report financial information.
19. We are aware of our requirements to disclose to you any change in COM-FSM's internal control over financial reporting that occurred during COM-FSM's most recent fiscal year that has materially affected, or is reasonably likely to materially affect, COM-FSM's internal control over financial reporting and we advise you that no such changes have occurred.



20. Management has identified and disclosed to you all laws and regulations that have direct and material effect on the determination of financial statement amounts.

Except where otherwise stated below, immaterial matters less than \$90,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to, or disclosure in, the financial statements.

21. Except as listed in Appendix A, there are no transactions that have not been properly recorded in the accounting records underlying the financial statements.
22. COM-FSM has no plans or intentions that may affect the carrying value or classification of assets and liabilities.
23. The following, to the extent applicable, have been appropriately identified, properly recorded, and disclosed in the financial statements:
- a. Related-party transactions and associated amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral); and
  - b. Guarantees, whether written or oral, under which COM-FSM is contingently liable.
  - c. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements.
  - d. Financial instruments with significant or group concentration of credit risk.
24. In preparing the financial statements in conformity with GAAP, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:
- a. It is at least reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events.
  - b. The effect of the change would be material to the financial statements.
25. Risks associated with concentrations, based on information known to management, that meet all of the following criteria have been disclosed in the financial statements:
- a. The concentration exists at the date of the financial statements.
  - b. The concentration makes the enterprise vulnerable to the risk of a near-term severe impact.
  - c. It is at least reasonably possible that the events that could cause the severe impact will occur in the near term.
26. There are no:

## ATTACHMENT I, CONTINUED

- a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency; and
  - b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB ASC 450, *Contingencies* (formerly FASB Statement No. 5, *Accounting for Contingencies*).
27. COM-FSM has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral except as disclosed in the notes to the financial statements.
28. Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the balance-sheet date and have been appropriately reduced to their estimated net realizable value.
29. Provision has been made to reduce excess or obsolete inventories to their estimated net realizable value.
30. We believe that all expenditures that have been deferred to future periods are recoverable.
31. With regard to the fair value measurements and disclosures of certain assets, liabilities, and specific components of equity, such as:
- a. The measurement methods, including the related assumptions, used in determining fair value were appropriate, consistent with market participant assumptions where available without undue cost and effort, and were consistently applied in accordance with GAAP.
  - b. The completeness and adequacy of the disclosures related to fair values are in conformity with accounting principles generally accepted in the United States of America.
  - c. No events have occurred after September 30, 2011, but before June 29, 2012, the date the financial statements were available to be issued that require adjustment to the fair value measurements and disclosures included in the financial statements.
32. The College is accredited by the Accrediting Commission for Community and Junior Colleges (ACCJC) of the Western Association of Schools and Colleges (WASC). On June 30, 2011, the College was placed on "probation" for four recommendations, and as a consequence was required to submit a follow-up report on March, 15, 2012 succeeded by an ACCJC team visit April 23-25, 2012. The College has further submitted a Supplemental report and will appear before the Commission at their June 6-9, 2012 hearings. The College will receive an action letter from the Commission following the June hearing as to future status. Even with the current probation status, the college remains accredited and continues to receive and administer U.S. Federal Student Aid programs for eligible students."
33. COM-FSM has complied with all aspects of contractual agreements that may have an effect on the financial statements in the event of noncompliance.
34. No department or agency of COM-FSM has reported a material instance of noncompliance to us.
35. We are also responsible for the representations in the Schedule of Federal Awards, which is prepared in accordance with the requirements of OMB Circular A-133, "Audits of State and Local Governments and Non-Profit Organizations." We have identified in the schedule all awards provided to COM-FSM in 2011 by federal agencies in the form of grants, contracts,



## ATTACHMENT I, CONTINUED

loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance or direct appropriations. In addition, we have accurately completed the appropriate sections of the data collection form.

36. We are responsible for compliance with local, state and federal laws, rules and regulations, including compliance with the requirements of OMB Circular A-133, and the provisions of grants and contracts relating to COM-FSM's operations. We are responsible for establishing and maintaining the components of internal control relating to our activities in order to achieve the objectives of providing reliable financial reports, effective and efficient operations, and compliance with laws and regulations. COM-FSM is responsible for maintaining accounting and administrative control over revenues, obligations, expenditures, assets and liabilities.
37. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing federal awards in compliance with laws, regulations and provisions of contracts or grant agreements that could have a material effect on its federal programs.

38. We have:

- a. Identified the requirements of laws, regulations and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each federal program.
- b. Complied, in all material respects, with the requirements identified above in connection with federal awards except as disclosed in the report on compliance and internal control.
- c. Made available all information related to federal financial reports and claims for advances and reimbursements. Federal financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared and are prepared on a basis consistent with that presented in the Schedule of Expenditure and Federal Awards.
- d. Identified and disclosed all amounts questioned and any know noncompliance with the requirements of federal awards, including the result of other audits or program reviews related to the objectives of the audit.
- e. Provided to you our views on the reported findings, conclusions, and recommendations for your report.

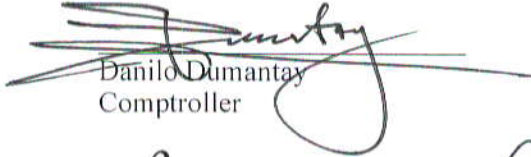
39. We are not aware of any:

- a. Actions taken by management which contravene the provisions of Federal and Local laws or regulations or of contracts applicable to COM-FSM.
- b. Fraud involving management or employees who have significant roles in the internal control.
- c. Communications arising from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices or other matters that could have a material effect on the financial statements.

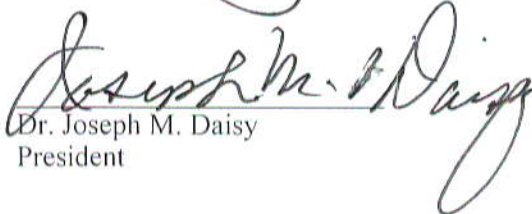


## ATTACHMENT I, CONTINUED

40. No events have occurred after September 30, 2011, but before June 29, 2012, the date the financial statements were available to be issued that require consideration as adjustments to, or disclosures in, the financial statements.



Danilo Dumantay  
Comptroller



Dr. Joseph M. Daisy  
President

# ATTACHMENT 1, CONTINUED

College of Micronesia - FSM  
Fiscal Year 2011

Description of Misstatement	Indicate if Known or Likely	Account Balance	Assets	Liabilities	Equity	Income	Appendix A TOTAL
<b>Current-Period Uncorrected Misstatements</b>							
PAJE <1> To adjust undelivered checks							
Known (DR) Cash in banks		83,090					83,090
Known (DR) Accounts payable				83,090			(83,090)
PAJE <2> To adjust deferred revenue							
Known (DR) Deferred revenue				47,060			47,060
Known (CR) Tuition and fee revenue						47,060	(47,060)
<b>Total Misstatements</b>			83,090	-	47,060	83,090	-
							0

  
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Danny Dumantay  
Comptroller