



GOVERNMENT OF KOSRAE

OFFICE OF THE PUBLIC AUDITOR

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September 4, 2025

The Honorable Governor, Tulensa W. Palik
The Honorable Speaker, Semeon J. Philip
The Honorable Members, 13th Kosrae State Legislature
Director of Department of Administration & Finance, Dir. Lipar George
Kosrae State Government
Tofol, Kosrae FM, 96944

Management Report

I respectfully submit this Management Report NAS 001-25 reporting of an inspection of the collection, recording, custody and the control environment of the Department of Administration & Finance cash management system. The Office of the Public Auditor (OPA) conducts random inspections of points of cash collection authorized under Title 10, Section 10.205 of the Kosrae State Code. OPA conducts these inspections (cash counts) in line with the mandates granted under Title 10, Chapter 4 (Section 10.406) of the Kosrae State Code state follows, an excerpt of which states:

"inspect and audit personally, or by his duly authorized assistants, all accounts, books, and other financial records of the state of government, to include but not be limited to every branch, department, office, political subdivision, board, commission, agency, other public legal entity (owned, or partially owned, by the State), whether they receive public funds or not, and nonprofit organizations that receive public funds from the State Government."

On August 22, 2025, the Kosrae Office of the Public Auditor completed a random, unannounced inspection of cash or payments collected for services and in the custody of the Department of Administration & Finance (Department). The objective of the inspection was to determine whether adequate and proper controls were in place and working effectively to provide reasonable assurance that government funds are safeguarded from loss, abuse or other irregularities.

The result of the inspection and corresponding recommendations, where applicable, are as follows.

1. Local Revenue Fund and Recycling Revenue Fund

- (a) August 22, 2025. Change Fund, Cash and receipts were consistent with the result of the physical cash count (\$150.00)
- (b) August 20, 2025. The total cash on hand was consistent with the result of the physical cash count (\$817.00).

- (c) Recycling Revenue Fund. The cash on hand and receipts were consistent with the result of the physical cash count (\$8.00).

2. Internal Control

- (a) In observing the cash control environment, it is noted that the Department allowed, at the department cash collection point, the cashing of checks payable to department employees.
- (b) It was noted that, the time of cash count, cash collections are kept in unsecured cash register, security boxes, and desk drawer without locks.

Recommendations

Based on these findings, we recommend that the Department take appropriate action on the following.

- (a) We recommend that the Department Management take appropriate action regarding the weaknesses in internal control over the Department of Finance's collections to ensure proper accountability of public funds.
- (b) To comply with the State FMR 2023, Section 4.5.6, "a person must not under any circumstances cash any check using public money".
- (c) The department should ensure that the cash register utilized by the Tax Administrator's secured with a lock and safe from loss, theft and misuse.

Sincerely,



Palikkun N. Kilafwasru
Public Auditor