



GOVERNMENT OF KOSRAE

OFFICE OF THE PUBLIC AUDITOR

POST OFFICE BOX 847

KOSRAE, FEDERATED STATES OF MICRONESIA 96944

WEBSITE: www.ksaopa.fm | EMAIL: pali.ksauditor@gmail.com

TELEPHONE: 370-3766 | FRAUD HOTLINE: (691) 370-3767

September 4, 2025

The Honorable Governor, Tulensa W. Palik
The Honorable Speaker, Semeon J. Philip
The Honorable Members, 13th Kosrae State Legislature
General Manager – Kosrae Port Authority, Alokoa J. Sighrah
Kosrae State Government
Tofol, Kosrae FM 96944

Management Report

I respectfully submit this Management Report NAS 002-25 reporting on an inspection of the collection, recording, custody and the control environment of the Kosrae Port Authority 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 26, 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 Kosrae Port Authority. 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.

Departure Fee Collection

- a. The physical cash count performed on August 26, 2025 reconciles with the total value of receipts both amounting to \$320.00.

Wharfage Fee Collection

- a. A discrepancy of \$73.54 was identified for the period starting from August 15, 2025 through August 26, 2025, a period of ten (10) business days. The discrepancy stems from a shortage in the total of cash on hand (\$1,086.69) versus payment receipts amounting to a total of \$1,160.23.
- b. Fees and fines were receipted on unofficial, generic receipts instead of official, pre-numbered receipts.
- c. Cash collections were deposited late ranging 11 days from the date of collection.
- d. Multiple staff members collect or receive cash or check payments from clients without adequate procedural controls.
- e. Transactions log or sub ledgers of cash collections are not maintained or updated on a timely manner. It was observed that there is a lack of consistency among collections staff members pertaining to when transactions are logged or recorded.
- f. Fees collected from clients are not recorded in the accounting system in a timely manner. Collections from August 15- 25, 2025 experienced a lag of over ten business days between receipt and system entry.
- g. It was observed that controls over cash collections are insufficient. Collected cash and checks are stored overnight and over weekends in unlocked desk drawers and filing cabinets in open office areas, accessible to unauthorized personnel.

We recommend the Port Authority management to take action on the following.

- a. Review cash control procedures and implement strengthened controls with focus on the use of official pre-numbered receipts;
- b. Perform timely reconciliations and timely system recording;
- c. Implement measures to strengthen controls applicable for cash storage, with emphasis on secured cash storage and limited access to cash storage areas by unauthorized personnel; and,
- d. Provide continued training and supervision for new collections staff, including clarifying the roles of personnel involved in cash management and control.

Sincerely,



Palikkun N. Kilafwasru
Public Auditor