



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
The Honorable Chief Justice – Kosrae State Court, Edmond Salik
Kosrae State Government
Tofol, Kosrae FM 96944

Management Report

I respectfully submit this Management Report NAS 003-25 reporting on an inspection of the collection, recording, custody and the control environment of the Kosrae State Judiciary cash management system, inclusive of the State Court and Land Court. 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 State Judiciary. 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.

Traffic Citations and Legal Offenses

- a. The result of physical cash count reconciles supported by the receipt total (\$ 2,085.00).
- b. Collections for various fees and fines were documented on store-bought or generic blank receipts, rather than official, pre-numbered receipts issued by the organization.
- c. Collections are remitted to the Department of Administration & Finance on a weekly basis, contrary to the daily requirement established by State Law 13-17.
- d. It was noted that staff responsible for the cash storage allowed cashing of personal checks using State Court collection contrary to Financial Management Regulation Section 4.5.6.

Recommendation: Implement a controlled inventory process for official, pre-numbered receipts, including secured storage and regular reconciliation of receipt sequences to cash collections; Review applicable procedures and implement measures to ensure compliance with daily remittance requirement of State Law 13-17; Review procedures and implement measures to ensure compliance with FMR Section 4.5.6 pertaining to cashing of checks.

Fees for Probation, Transcripts, and Other Services

- a. Summary of receipts from Tuesday, August 19, 2025, the first collection of the week to the time of cash count, Tuesday, August 22, 2025, shows \$49.75 total receipts and actual cash counted was \$49.25 shortage by .50 cent. The custodian provides explanation to justify the shortage as over change. Though the shortage amount is insignificant, the controls are not effectively in place.
- b. Our cash count revealed that a single employee is responsible for the entire fee collection and deposit process. This includes collecting cash, issuing receipts, preparing the bank deposit slip, physically transporting the deposit to the bank and recording the receipt in the accounting system. There is no independent verification of the amounts collected against the amounts deposited prior to the deposit being made.
- c. During our cash count of the petty cash fund (\$50.00), we noted that there is no standardized process for reporting and reconciling petty cash expenditures. Disbursements are being made from the fund without a formal, consistent report that details the purpose, amount, recipient, and general ledger (GL).

GOVERNMENT OF KOSRAE
OFFICE OF THE PUBLIC AUDITOR

Recommendation: We recommend implementing a pre-deposit cash count report before preparing bank deposit. This simple process creates accountability, catches errors before the money leaves the premises, and provides a clear paper trail from collection to deposit. Also we strongly recommend the immediate implementation of a standardized Petty Cash Expenditure Report (also known as a Petty Cash Voucher or Log).

Sincerely,



Palikkun N. Kilafwasru
Public Auditor

Management Report

Management Report NAK 003-25 pertains to the question of the adequacy and the control environment of the Kosrae State Treasury and the independent system, inclusive of the State Court and Land Court. The Office of the Public Auditor (OPA) conducts random inspections of all of the collecting agencies under Title 16, Section 16.101 of the Kosrae State Code. OPA conducts these inspections (cash counts) in line with the mandate granted under Title 10, Chapter 4 (Section 10.401) of the Kosrae State Code that follows as excerpt of which states:

"Report and audit properly, on the day, authorized officers, of accounts, funds, and other financial accounts of the state of Kosrae, and include the audit in every branch, department, office, bureau, subdivision, board, commission, agency, and other legal or a person, or persons, created by the State, whether such person, persons, or not, and regardless of organization that receive public funds from the State Government."

On August 24, 2025, the Kosrae Office of the Public Auditor conducted a random, unannounced inspection of cash or payments collected by services and in the custody of the Kosrae State Treasury. The objective of the inspection was to determine whether procedures and proper controls were in place and working effectively to provide adequate 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: