



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
Executive Director, KHRDA – Steven L. George
Kosrae State Government
Tofol, Kosrae FM 96944

Management Report

I respectfully submit this Management Report NAS 004-25 reporting on an inspection of the collection, recording, custody and the control environment of the Kosrae Housing & Rural Development Authority (HRDA) 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 HRDA. 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.

Housing Revolving Loan Fund

- a. At the time cash count, cash on hand collected on August 20, 2025 is consistent with the receipts (\$100.00);

- b. 2 business days delayed in recording and depositing cash collected on August 20, 2025
 - c. Prior collection and deposit documentation were not recorded in a timely manner and not verified by Finance officer
2. Economic Development Administration Revolving Loan Fund
- a. No cash collected and receipted at the time of cash count
 - b. Incomplete Daily Collection Report prepared by loan program manager
3. Internal control
- a. Weak control in recording and managing collections. Monies received were not posted to clients' ledgers on the same day the transaction occurs. Cash count form and daily collection report were not timely prepared and remitted to the Finance for verification and deposit.
 - b. Lacking proper procedure for safekeeping of delayed deposits
 - c. Lacking proper verification of collections and supporting documentations

Recommendation

- a. We recommend the Executive Director to take appropriate actions regarding the weaknesses in internal control over the Authority's collections and deposits to ensure proper accountability of public funds. The Authority should make sure both collections are preparing complete and adequate supporting documentations before remitting to the Finance for deposit.

Sincerely,



Palikkun N. Kilafwasru
Public Auditor