



## 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, 13<sup>th</sup> Kosrae State Legislature  
Director of Department of Health & Services, Dr. Tholman Alik  
Kosrae State Government  
Tofol, Kosrae FM, 96944

### Management Report

I respectfully submit this Management Letter NAS 005-25 reporting of an inspection of the collection, recording, custody and the control environment of the Department of Health Services 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 25, 2025, the Kosrae Office of the Public Auditor completed random, unannounced inspection of cash or payments collected for services and in the custody of Kosrae State Department of Health and Services. The purpose 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.

As a result, we found the following:

#### 1. Cash Count

- (a) The total receipts collected from Friday, August 8th, through the cash count on August 25, 2025, were consistent with result of the physical cash count which amount to a total of **\$1,429.00**.
- (b) However, the DHS daily logbook for the same period indicated a discrepancy of **\$242.50**, less than the actual cash count of 1(a).

## 2. Deposit

- (a) Collectors maintained weekly remittances to the Department of Administration & Finance.

## 3. Internal Control

- (a) The Department of Health and Services (DHS) was out of official cash receipts and had no pending orders, so generic receipts were still being used.
- (b) Receipts were not sequenced by collection date, and some were missing
- (c) The DHS logbook was not kept up to date or used as intended.
- (d) Cash on hand was being kept outside secured area.

## Recommendations

Based on these findings, we recommend that the management of the Department of Health and Services (DHS) take appropriate action on the weak internal controls related to handling receipts and collections to ensure the proper accountability of public funds.

- (a) Management should prioritize discontinuing the use of generic receipts to minimize the risk associated with handling collections.
- (b) It is DHS policy that cashiers' record books and logbooks be kept current and available for inspection by authorized officers at any time. The daily transaction or collection logbook must be kept up to date.
- (c) Management should ensure that designated personnel are trained on how to properly open and close the safe box. This will prevent staff from leaving funds outside the secure area.

Sincerely,

