



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. Phillip
The Honorable Members, 13th Kosrae State Legislature
Director, Department of Resources and Economic Affairs: Rolner L. Joe
Kosrae State Government, FSM 96944

Management Report

I respectfully submit this Management Report NAS 007-25 reporting of an inspection of the collection, recording, custody and the control environment of the Department of Resources & Economic Affairs 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, and 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 Office of the Public Auditor conducted an unannounced cash count and inspection of the government funds collected and in the custody of Kosrae State Department of Resources and Economic Affairs. The purpose of the review was to find out whether adequate and proper controls were in place and working effectively to provide reasonable assurance that the government funds are safeguarded from loss, abuse and other irregularities.



Department of Resources and Economic Affairs have 3 types of fund in which they collect and remit to Kosrae State Finance. These funds include the Farmer's Exchange, Fisheries Revolving, and the Foreign Investment Funds. All these collections were collected and remitted to Kosrae State Finance under one account as the Production Development Fund (PDF).

The cash count demonstrate that the Department of Resources and Economic Affairs system of collection is basically sound however they need improvement on the internal control system on cash collection and handling.

As a result of the cash count, the auditors found the following:

Farmer's Exchange, Fisheries Revolving, and Foreign Investment Fund

Cash Count:

- (a) Total cash on hand (\$1,470.50) is equal to the total receipt issued at the time of cash count.

Internal Control:

- (a) Delay in the deposit or remittance of collections from DREA to the Department of Finance & Administration from June 27, 2025 up to August 26, 2025.
- (b) Delay on remittal of collections from each collection points within the department to Administrative Officer for deposit.
- (c) It was observed that the collection points within the department did not use official receipts upon receiving of payments from customers.
- (d) Also observed that the collection points within the Department did not use daily log book.

Recommendations

Based on these findings, we recommend that the management of the Department of Resources & Economic Affairs to take action on the following.

- (a) To adhere to Kosrae State Financial Management Regulations pertaining to the period and regularity of remittance of collections to the Department of Finance and Administration (weekly).
- (b) To review or revisit appropriate policy or guidelines for all 3 collection points (Farmer's Exchange, Fisheries Revolving and Foreign Investment Fund) to remit to Administrative Officer strengthen internal control, including the period and regularity of remittance to the DREA Administrative Officer, to minimize the possible risks associated with handling of cash/collections.
- (c) All 3 points of collections (Farmer's Exchange, Fisheries Revolving and Foreign Investment Fund) to use Official Cash Receipt with numbers properly sequenced and the Department's logo/seal to ensure that every single collection is received, logged, recorded and safeguarded.



- (d) Use daily log book to keep record of all collections collected as part of the collection system for check and balance and to ensure these collections are recorded and safeguarded.

Sincerely,

Palikkun N. Kilafwasru
Public Auditor

Management Report

I respectfully submit this Management Report NAS 007-25, reporting of an inspection of the collection, recording, custody and the cash management of the Department of Resources & Economic Affairs cash management system. The Office of the Public Auditor (OPA) conducts random inspections of points of cash collection and cash entry. Title 18, Section 17-202 of the Kansas State Code, OPA conducts these inspections based on the law that the regulations passed under Title 18, Chapter 17, Section 17-202 of the Kansas State Code and follows, and reports of which states:

"Report and audit, separately or by one duly authorized agent, all accounts, funds, and other financial records of the state or government to include but not be limited to every branch, department, office, political subdivision, board, commission, agency, other public legal entity, and all other entities, whether they receive public funds or not, and nonprofit organizations that receive public funds from the State Government."

On August 25, 2025, the Kansas Office of the Public Auditor conducted an unannounced cash count and verification of government funds collected and in the custody of Kansas State Department of Resources & Economic Affairs. The purpose of the review was to find out whether adequate and proper controls were in place and working effectively to provide reasonable assurance that government funds are safeguarded from loss, abuse, and other irregularities.

On August 26, 2025, the Office of the Public Auditor conducted an unannounced cash count and verification of the government funds collected and in the custody of Kansas State Department of Resources & Economic Affairs. The purpose of the review was to find out whether adequate and proper controls were in place and working effectively to provide reasonable assurance that the government funds are safeguarded from loss, abuse, and other irregularities.