

Audit on Utwe Municipal Government

A Report to the
Governor
and the
Legislature of
the State of Kosrae



Stoney S. Taulung
PUBLIC AUDITOR



GOVERNMENT OF KOSRAE

OFFICE OF THE PUBLIC AUDITOR

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October 12, 2020

The Honorable Governor, Carson K. Sigrah

The Honorable Speaker, Tulensa W. Palik

The Honorable Members, 12th Kosrae State Legislature

Kosrae State Government

Kosrae State, Federated States of Micronesia 96944

Re: Financial and Compliance Audit on Utwe Municipal Government

EXECUTIVE SUMMARY

We respectfully submit this Financial and Compliance Audit FCA 03-2020 as a result for our review of Utwe Municipal Government covering the period of Calendar Year 2018 and 2019.

The objectives of the audit were to determine whether (1) UMG cash receipt and disbursement were recorded, accounted for, and authorized in accordance with laws and regulations; and (2) UMG has adequate controls in place to safeguard its assets against loss, waste, and misuse.

The audit was performed in accordance with auditing standards generally acceptable in the United States of America and the standards applicable to performance audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The audit was also conducted pursuant to Title 10 Chapter 4 of the Kosrae State Code. Furthermore, Utwe Financial Management Act, State Financial Management Regulation (FMR) and UMG Manual of Administration (MOA) were used as the criteria for compliance.

Based on the audit objectives, we concluded that;

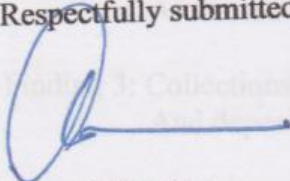
1. Weakness in Internal Control did not provide assurance on the accuracy and completeness of cash balances

2. UMG disbursements were not adequately documented to ensure proper administration and authorization of expenses.
3. Cash collections activities were not fully complied with applicable laws, regulations and prudent practices which also resulted to high risk of cash mishandling.
4. UMG has inadequate controls in place to safeguard resources against loss, waste and misuse.

Details of our examination are discussed in the findings and recommendations section of this report.

The Office of the Public Auditor provided draft copies of this report to the Mayor of Utwe Municipal Government. Attached with the report, as annex 1, is the UMG's management response on the audit findings dated 1 October 5, 2020.

Respectfully submitted,



Alice S. George
Acting Public Auditor

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INTRODUCTION

The Kosrae State Office of the Public Auditor (KOPA) accepted a request from Utwa Municipal Council, as Resolution No. 20-02, to conduct an audit on Utwe Municipal Government (UMG) in compliance with laws, regulations, and policies on the operational and financial activities. A management letter issued by the Public Auditor dated February 12, 2020 informed the termination for UMG audit. Afterwards, on June 15, 2020 the audit team continues the audit for the calendar year 2018 and 2019.

BACKGROUND

Utwa is one of the four municipalities of Kosrae. The municipal governments are provided for in Title 8 of the Kosrae State Code. The Utwa Municipality Government has a charter, which provides for the structure and operation of a democratic government and other matters within its jurisdiction in a manner consistent with the law. The charter of a municipality remains in effect until amended or repealed. If a charter provision is inconsistent with a higher provision of law, the higher provision substitute for the charter provision. An affirmative referendum vote shall amend, repeals, or adopts a new charter. If not, ordinance may establish a procedure.

Like the other municipalities, Utwa Municipal Government has three branches of government and they are the Executive, Legislative, and Judiciary.

1. The Executive authority of Utwa Municipal Government shall be vested in the Mayor. The Mayor shall be elected by majority of the qualified voters of the municipality at a general election. Mayor serves a term of four years and is responsible for the execution of ordinance and other functions established under the Utwa Constitution. It is the responsibility of the Mayor to ensure that the operation of UMG is running effectively and efficiently based on the approved budget and in accordance with all applicable laws, regulations, policies and procedures. The branch is composed of the Secretary, Treasury, Public Works, Police, and Security.
2. The Legislative authority of Utwa Municipal Government is vested in the Municipal Council. The Council shall be composed of 5 members, who shall be elected every four years at the general election by the qualified voters of Utwa Municipal Government. It is the responsibility of the Council to set policies through and provide policy and guidelines to the office of the Mayor.

The Utwa Municipal Government has its own Manual of Administration. Unfortunately, the Auditors did not use UMG manual in our review because it was updated recently in August. The Manual is designed to provide policy and guidelines for the operation of Utwa Municipal

Government. It contains policies for employment, personnel management, and related administrative functions. This manual is subject for changes by the office of the Mayor but must have prior approval by the Utwa Municipal Council. Instead, the auditors use the Financial Management Regulation (FMR) for their controls and operation overall.

AUDIT OBJECTIVE

The objectives of the audit are the following;

1. To determine whether Utwa Municipal Government cash receipts and disbursements are properly recorded, accounted for and authorized in accordance with applicable laws and regulations.
2. To determine whether Utwa Municipal Government has adequate controls in place to safeguard its assets against loss, waste, and misuse.

AUDIT SCOPE

The audit covered calendar years 2018 and 2019. We have summarized all the disbursements for the period and noted incompleteness of documents submitted for review and evaluation. However, we examined available receipts and disbursements for the period covered. We gathered information from the office of Utwa Municipal Government and the Department of Administration and Finance. We conducted the inspections pursuant to Kosrae State Code Title 10, Section 4 which stated in part:

- (a) “The Public Auditor shall inspect and audit personally, or by his duly authorized assistants, all account, books, and other financial records of the State 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 received public funds from the State Government;
- (b) Inspect and audit personally, or by his duly authorized assistants, the fiscal books, records and accounts of all allottees and other custodians of public funds, making independent verification of all assets, liabilities, revenues, expenditures and obligations of the State Government, entities owned in whole or part by the State Government, and agencies of the State Government;
- (c) Inspect and audit personally, or by his duly authorized assistant, the fiscal books, records, and other financial records associated with any project, program and activity receiving funding in whole or in

part from public funds of the State Government, including the records of any contractor performing public work on a cost-reimbursement-type contract in order to verify the cost charged to the public contractor;

- (d) Inspect and audit personally, or by his duly authorized assistants, the books, records, accounts, and other financial records associated with business sales that may be used for sales assessment for tax collection purposes.”

AUDIT METHODOLOGY

The audit was conducted in accordance with Generally Accepted Government Auditing Standard (GAGAS). Those standards requires that we plan and perform the audit to obtain, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In planning our examination, we obtained sufficient understanding of the internal controls that is material to the audit objectives to plan the engagement and design the audit procedures. Based on this assessment, we reviewed documents and records relevant to the project.

We considered compliance to the state laws and regulations to be able to render an opinion to our audit objectives. Our procedures were also designed to identify weaknesses on internal controls that are material to the expression of an opinion to our audit objectives.

Audit procedures included, but were not limited to, interviews of Utwa Municipal Government employees. We also review the transaction process and documentation. In addition, we performed assessment on the implementation of previous audit. The audit criteria used to develop the required audit tests were based on the (1) State Financial Management Regulation (2) Utwa Financial Management Act and (3) Utwa Municipal Government Manual of Operation.

PRIOR YEAR AUDITS/REVIEWS

This is the second time that a separate audit / examination was conducted with the Utwa Municipal Government.

CONCLUSION

Based on the audit objectives, we concluded that;

1. Weakness in Internal Control did not provide assurance on the accuracy and completeness of cash balances
2. UMG disbursements were not adequately documented to ensure proper administration and authorization of expenses.
3. Cash collections activities were not fully complied with applicable laws, regulations and prudent practices which also resulted to high risk of cash mishandling.
4. UMG has inadequate controls in place to safeguard resources against loss, waste and misuse.

FINDINGS AND RECOMMENDATIONS

Finding No. 1 – UMG did not maintain Books of Accounts¹ as required in its Manual of Administration (MOA)² and Financial Management Regulation (FMR)³.

Condition:

Utwe Municipal Government did not maintain cash disbursement journal⁴ to record payments made on various expenditures incurred and cash receipts journal⁵ to record collections arising from local revenues including funds received from revenue sharing. In addition, there were no ledgers for creditors and suppliers. The Municipality did not maintain individual general ledgers to accommodate transactions involving its assets, liabilities, fund balances, revenues and different types of expenses. We noted also that some expenses were not properly classified to its nature.

Criteria:

Utwe Municipal Government (UMG) Manual of Administration (MOA) Part II 13.1 States that *UMG Treasurer should carry a Chart of Accounts to account for all funding and it's uses. Treasurer shall structure the accounts with numeric codes to include Assets⁶,*

¹ **Books of Accounts** – original records and books used in recording business transactions such as journal, ledger and supporting vouchers included in a system of accounts.

² **MOA** - provide policy and guidelines for the operation of Utwa Municipal Government.

³ **FMR** - provide policy and guidelines for the operation of Kosrae State

⁴ **Disbursement Journal** - referred to as the cash payments journal, is a special journal used to record the payment of cash by a business. The journal is simply a chronological listing of all payments including both cash and checks.

⁵ **Cash Receipt Journal** - special journal used to record the receipt of cash by a business. The journal is simply a chronological listing of all receipts including both cash and checks.

⁶ **Assets** - resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity. It is the result of a past event or transaction.

Liabilities⁷, Equity⁸, Revenue⁹ and Expenses¹⁰. New accounts may be added if determined necessary.

A government accounting system must make it possible to present the financial position and results of financial operations including funds and account groups of the governmental unit, in conformity with Generally Accepted Accounting Principles¹¹. Therefore, a complete self-balancing group of accounts should be established, which should include but not limited to: general ledger, subsidiary ledgers, cash receipts journal, cash disbursements journal, payroll journal, encumbrance¹² journal, and general journal.

Cause:

The cause of the above condition is the failure of the Mayor and the Treasurer/or personnel responsible to maintain individual ledgers to accommodate transactions involving the financial position and results of operations of the Municipality for the period under examination.

Effect:

Utwe Municipal Government's receipts and disbursements could not be completely accounted for especially the correct ending cash balance for the period under examination. In addition, the Municipality was not able to prepare the government's financial statements particularly Balance Sheet¹³ or Statement of Assets, Liabilities and Fund Balances to show its financial position and changes in its fund balances.

Recommendation:

We recommend that Utwe Municipal Government to exert effort to set up and maintain its books of accounts. Individual ledgers must be prepared to accommodate transactions on each type of assets, liabilities, revenues and expenditures especially with its classes to permit the preparation of its financial statements. Subsidiary ledgers must be maintained necessary in keeping track of individual vendors/contractors. By doing so, relevant and reliable financial information can be easily obtained which is useful for management's decision making.

Cause:

The Treasurer/responsible officer did not require supporting documents before disbursement of funds. In addition, the treasurer did not practice systematic and organized filing of

⁷ **Liabilities** - legally binding obligations that are payable to another person or entity.

⁸ **Equity** - residual equity that remains after deducting liabilities from the assets of a business.

⁹ **Revenue** - Fees earned from providing services and the amounts of merchandise sold.

¹⁰ **Expenses** - cost of an asset used by a company in its operations to produce revenues.

¹¹ **Generally Accepted Accounting Principles** - refer to conventions, rules, and procedures that define approved accounting practices at a particular time. These principles are issued by the Financial Accounting Standards Board for use by accountants in preparing financial statements.

¹² **Encumbrance** - contingent liability, contract, purchase order, payroll commitment, tax payable or legal penalty that is chargeable to an account. Refer as accrued expense.

¹³ **Balance Sheet** provides a look at the company's net worth and financial position in terms of its assets. Balance sheet in terms of this equation: Assets = Liabilities + Equity.

Finding No. 2 – Disbursements Not in Compliance with Established Policies and Procedures attributed in weak internal control¹⁴.

Condition:

Our examination was applied to all disbursements made by the Municipality for the period covered and we noted the following findings:

1. Eighty Percent (80%) of the total amount of disbursements aggregating to \$ 34,897.51 were completely unsupported by the required disbursement documents.
2. Disbursements amounting to \$43,431.01 for period CY 2018-2019 were not recorded;
3. All disbursements were not supported by purchase orders, purchase requisitions and miscellaneous requests.
4. Funds were not being certified as available for items disbursed.
5. UMG was not using disbursement voucher thus, approval and authorization of disbursements process were not properly documented

Criteria:

Section 12.6 Paragraph 2 of the UMG MOA requires that, *disbursement of funds must first have a document of authorizing the expense and expenses receipts must be kept to justify the release of funds. Treasurer shall not release any UMG funds without supporting documents.*

Therefore all expenses should be supported by a completed disbursement voucher, adequate and valid documents, which were but should not be limited to original invoices, receipts, purchase orders, miscellaneous requests, and job orders.

Cause:

The Treasurer/responsible officer did not require supporting documents before disbursement of funds. In addition, the treasurer did not practice systematic and organized filing of supporting documents.

Effect:

The above condition resulted to payment of unsupported or unauthorized transactions; thereby the risk of potential loss of government funds was increased.

¹⁴ **Internal Control** - procedure or policy put in place by management to safeguard assets, promote accountability, increase efficiency, and stop fraudulent behavior.

Recommendation:

We recommend that the Municipality should ensure that all supporting documents covering disbursements are verified, checked and approved prior to payment. A disbursement voucher must be used in every check disbursed indicating the nature and purpose of disbursement duly approved by the Treasurer and/or Mayor and/or a representative of the council.

Aside from official receipts and invoices from the vendors or any third party, purchase orders for purchases being made and miscellaneous requests, to pin point the person/employee requesting incurrence of expenditures must be prepared to support validity of the disbursement. It is highly recommended to the officer responsible for disbursement function not to issue disbursements check until the substantial completion of the required documents mentioned. Ideal internal control practices dictates that the person responsible for the preparation of checks and check vouchers must be segregated from the approving officer.

Please see below for recommended form of voucher.

UTWE MUNICIPAL GOVERNMENT Disbursement Voucher		Date: _____	Voucher No. _____
Requesting Department	<input type="checkbox"/> Executive <input type="checkbox"/> Council <input type="checkbox"/> Other	Check No: _____	
Payee Name and Address		Accounts/Expense Code	Amount
Particulars/Purpose of Payment (attached supporting documents)			
Prepared by	Approved by	Amount in words:	
Treasurer	Mayor		
Date:	Date		
Receive the amount of \$ _____ from UMG		Print Name/Signature/Date	

All disbursements should be certified by the Treasurer or his designee as to availability of funds. Certification made by the Treasurer is a control procedure to ensure that budgets were not overspent.

Finding No. 3 - Collections and other funds received were not properly documented and deposited which increases risk in mishandling of revenue.

Condition:

During our review of the internal controls over cash receipts, we noted that the Treasurer was responsible for the collection and deposit of funds. These collections were from ordinances imposing taxes and all other revenues or reimbursements collected based on licenses, rents or government services. We noted in most cases that these collections are being **paid in cash which is vulnerable to misappropriation**. In addition, the following were observed:

1. Schedule of deposits showing the receipts used to match with the validated deposit slip amount was not being prepared. Further, there were no review procedures to check if funds collected were properly deposited.
2. We noted that thirty-seven (37%) percent of cash collections were late deposit in the average of 2- 5 weeks.
3. Auditors observed lack of complete details in issuance of cash collection receipt. Thirteen Percent of (13%) or \$ 2,843.00 of issued receipts did not show the name and signature of the collector/cashier. Also, number of erasures and corrections was noted without proper counter sign on verification and approval of cancelled transactions.
4. Likewise, cash collections were used to directly pay operating expenses in the total of \$ 8,533.50 or 40 % of collection.
5. Weak internal control in cash collection. It was noted that there was no clear segregation of duties in the handling of cash.

Criteria:

Section 12.6 paragraph 1 of the Manual of Administration states *that Cash receipts voucher is prepared upon receipt of cash from any source. Such receipts must be posted on daily basis by the treasurer. Copies of all cash receipts must be stored in safekeeping location. Treasurer must prepared summary report on all cash receipts on a monthly basis.*

Best practice dictates that proper receipting shall include complete details of collection particularly the name and signature of the collecting officer for accountability

Cause:

This is attributed to the management's failure to design effective internal control policies and procedures over cash receipts and deposits.

Effect:

Funds that were not logged and receipted are more vulnerable to misappropriation. This resulted also to inability to prepare a fair financial report.

Recommendation:

As a means of avoiding the possibility of funds being misappropriated, we recommend that an independent individual prepare a listing of all cash received. Such a listing could be used to compare the actual cash received and the actual cash deposited. To further strengthen internal control on collections, a report of deposit showing the receipt numbers of the receipts used must be prepared to match with the amount in the validated deposit slip. This schedule will be used for review of an independent individual doing the deposit function to ensure that all funds collected were properly and timely deposited. Also, preparation of this schedule helps in the reconciliation of bank balances.

Implementation of such procedures will provide assurance that all cash received is deposited on a timely basis and minimizes the potential misappropriation of funds.

We strongly recommend discontinuation of using cash collection for payment of expense. All revenues must be collected and deposited in the bank and all expenses should be disbursed in accordance with the rules provided in laws and regulations governing the municipality.

Finding No. 4 - Did not maintain sufficient timekeeping and payroll documentation.

Condition:

Based on CY 2018-2019 spending and documents provided, approximately twelve percent (12%) of the spending of UMG represents salaries and wages of employees. During our examination of payroll checks and timesheet used we noted the following:

- a. No file for timecards to monitor and record hours of duty.
- b. SS and compensation Tax were not deducted from the employee salaries.
- c. Payroll Sheet was not prepared and payment of payroll was based on fixed amount which is not aligned with the signed contract.
- d. Review of SS and Compensation tax paid by UMG for employees did not coincide with the salaries paid during the period.
- e. Late payment of SS and Compensation tax resulted in payment of penalties and interests.

Criteria:

UMG Manual of Administration, Part II section 12.6 requires that *“For Payroll expense, timesheet must be submitted and approved prior to disbursements”*.

Best practice requires that *payroll sheet shall be prepared to shows details of earning and deductions*.

Cause:

The management of UMG was not able to consider implementing provisions of Manual of Administration. They were not able to consider the importance of approved timesheet to ensure that payroll disbursements are correct and authorized.

Effect:

These conditions resulted to loss of government funds. Funds were lost arising from improper payroll computations and processing.

Recommendation:

We recommend that the Utwe Municipal Council pass a resolution directing the Mayor to establish and implement adequate payroll control objectives and techniques, and to comply with the Manual of Administration and State Financial Management Regulation.

Management Response:

Timekeeping and Payroll documentation is stored in UMG laptops and the original copy was sent to National Treasury – Kosrae office to verify each contract. (See: Annex 1)

Auditor Response:

UMG did not submit copy of the said timekeeping and payroll documents or report at the time of the audit nor was it presented during and after exit conference.

Finding No. 5 – Utwe Municipal Government did not account for its Fixed Assets.¹⁵

Condition:

The Municipality did not account for its fixed assets nor was a physical inventory¹⁶ conducted. No schedule of fixed assets was prepared by the Municipality as of the date of this report. Likewise, there was no recording of fixed assets as to its amount and depreciation.

¹⁵ **Fixed Assets** - A fixed asset is a long-term tangible asset that a firm owns and uses to produce income and is not expected to be used or sold within a year.

¹⁶ **Physical Inventory** - An actual count of the goods owned by the business.

Criteria:

Section 12.7 of UMG MOA provides that following: *Treasurer must carry an inventory of all fixed assets of UMG on yearly basis. Each asset worth \$500 and above must be in the fixed assets tracking system. Depreciation is figured monthly using a flat 60 month life for all movable assets and 10-50 years on immovable assets.*

Generally Accepted Accounting Principles require that all other fixed assets of a governmental unit should be accounted for through the General Fixed Assets Account Group (GFAAG), at cost or if the cost is not practically determinable, at estimated cost.

Cause:

The cause of the above condition is the failure of the Mayor to establish specific policies in accordance with the Municipal Charter for these fixed assets.

Effect:

Proper monitoring of these assets cannot be easily performed due to lack of records. Thus, high risk of loss and misused of fixed assets is prevalent. In addition, financial statement such as balance sheet cannot be prepared.

Recommendation:

We recommend that the Municipality conduct physical inventory count of all its fixed assets including semi-expendable ones enabling them to account, assign custody and responsibilities to employees using these assets. For fixed assets items which costs cannot be determined due to lack of records, we recommend that the Municipality to form a committee to agree on the reasonable estimated values of these assets.

We also recommend the establishment of a policy on fixed assets, which would deal with matters like depreciation, capitalization threshold, approval authority, inventory and disposal. We also recommend that the Municipality should maintain a fixed asset register¹⁷.

Finding No. 6 - Absence of Bank Reconciliation¹⁸ Schedules

Condition:

Our audit revealed that the Municipality is not preparing its bank reconciliation schedules.

Criteria:

¹⁷ **Fixed Asset Register** - accounting method used to keep track of the fixed assets of a firm. The register shows the value of assets, date of acquisition and other details necessary

¹⁸ **Bank Reconciliation** - process of matching the balances in an entity's accounting records for a cash account to the corresponding information on a bank statement. The goal of this process is to ascertain the differences between the two, and to book changes to the accounting records as appropriate.

Monthly bank reconciliations are a strong internal control feature over cash and could indicate any potential misapplications of cash. Bank reconciliation should be performed properly and timely to reflect the true and updated balance of the cash account.

Cause:

The Municipality failed to recognize the importance of proper and timely bank reconciliation, or the bank reconciliation may have been intentionally ignored to cover up for the missing funds, if any. It could also be attributed to capacity of the assigned person to conduct and prepare bank reconciliation.

Effect:

This may resulted to inefficient reporting of Cash balance as of December 31, 2018 & 2019 that could affect management planning and financial decisions.

Recommendation:

We recommend that management must ensure that sufficient training be given to the personnel assigned to handle cash transaction so that proper and timely bank reconciliation is performed. At minimum, the same must be prepared on a monthly basis. Differences identified during the process should be investigated and resolved immediately. Bank reconciliation is a vital tool to detect errors or irregularities involving cash.

Finding No. 7 – Inefficient process on payment for FSM Treasury and SS Office resulting to additional cost.

Condition:

Auditors noted that the correct amount of taxes and social security contributions were not being used. It was observed that salaries payment as declared for SS and Compensation tax did not matched with the actual salary paid. In addition, upon examination of current disbursements and payroll, we found out that the Municipality is paying these amounts without corresponding deductions from employees' salaries.

It was also noticed late remittance of SS and Taxes that incurred additional expenses for penalty and interest.

Criteria:

Employee tax remittances and social security contributions must be deducted from employees' compensation every pay period based on the rates authorized and approved by the National and the State Government.

Cause:

There has been a failure on the part of the Treasurer and/or other employees responsible to deduct these under-remittances from the salary of the employee.

ANNEX B: MANAGEMENT RESPONSE

Effect:

The Municipal Government Funds were used as payment for this under-collection made during the prior years. Unnecessary incurred expenses due to payment for penalties and for amount not collected which should be paid by the employees from their salaries.

Recommendation:

We recommend that Utwe Municipal Government follow the best practice in the preparation of payroll. This will also ensure adherence to the policy on disbursement. Similarly, management should exert additional effort to identify responsible employees for the proper and timely remittance of SS and Taxes to avoid incurring additional cost.

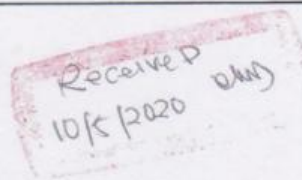
ANNEX 1: MANAGEMENT RESPONSE



UTWE MUNICIPAL GOVERNMENT
KOSRAE STATE
FEDERATED STATES OF MICRONESIA 96944
Phone: (691) 370-3207

October 4, 2020
10/4/2020

To : Audit Officer, Kosrae
From : Mayor Canston Segal (UMG)
Subject : Audit Finding (UMG)



Nga lungse oralla pusren kaksak luk nu sin Leum God ke kolyuk wowd lal kut pulakin in moul lasr nu ke kut sun len misenge u. Kulo ke pal saok lowos in eis ke koanon leta se inge. A finsrak leta u in sun kom/wos ke ku in mano lowos an.

Sripen leta se inge pa ngan oralla respond luk nuke visit lowos nu yorosr ke kutu pal fototo somla in oru ma kunowos ke ip lun office lowos an. Nga tufa srike in topuk kewa ma oasr yuruk ke office u wi kusen siyuk soko ku lukoa in fasrot pa nu suwos in ku in use top nu ka.

Wangin lain luk nu ke oralla lowos u tusruk tu in topuk ke kalem ma oasr yuruk u. Siyuk se luk meet u pa, Efu kowos orekmakin draft copy se, a pia page 1 to 7?

Top nuke Finding No. 1:

1. Set to provide 'Books of Account' for each account disbursement. Supposed to be in filed - like it stated in your findings.
*Could there be any sample forms to start up with

Finding No. 2:

1. It is recommended for supporting documents to verify disbursements of funds and other financial status.
 - Ofcourse it have been done so, all vendors needed complete documement before issueing products and the activities taken place.
 - Need voucher copy for duplication.

Finding No. 3:

1. Collections and other Funds were misappropriated therefore, daily/weekly report rather than monthly report will be developed and executed.
 - Reciepts need to be duplicated for 2 or 3 office workers.
 - * Daily logging

Finding No. 4:

1. Timekeeping and Payroll documentation is store in UMG Laptops and the original copy sent to Kosrae National Treasury to verify each contract.
 - Need time card, Leave application and time sheet forms
 - Need to be filed biweekly basis.

PUBLIC AUDITOR'S COMMENTS

We would like to extend our appreciation to the Utwe Municipal Government for their cooperation and assistance throughout the course of the audit.

Finding N. 5:

1. A list of Maintain Fixed Assets will prepared and filed.
 - Fixed Assets are all products that cost \$1,000.00 and more.
 - Some purchased before the current Administration and some Purchased from Interest Group w/ National Delegation.
 - Followups Documents/ Paperworks

Findings No. 6:

1. Bank Schedule is prepared for only UMG Officials.
 - Monthly for Depositing/ History(Statement)
 - Every other month for followups/ Reconciliation

Finding No. 7:

1. Tax Deduction (FSM/SS) – UMG Legislative resolution need to amend
 - Biweekly salary deduction need to adjust
 - Records could be checked with FSM Treasury and SS Departments

The above responses indicates some of the findings. It is urged that we reviewed the rest and comply with immediate actions as recommended. I appreciate any effort and assistance in supporting our community as well as our Sleeping Lady of Kosrae State. Should there be any inquiries concerning this matter, please contact no. 370-3207. God blessed us all.

Respetfully submitted by;



Canston Segal
UMG Mayor

xc: Chairman CM, Bolly Andrew
filed

PUBLIC AUDITOR'S COMMENTS

We would like to extend our appreciation to the Utwe Municipal Government for their cooperation and assistance throughout the course of the audit.

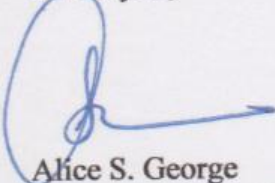
In compliance with government auditing standards, a copy of this draft report was shared with the Mayor and Chairman of the Utwe Council to provide response to the findings.

In addition, we also transmit copies to the following officials:

1. Governor, Kosrae State
2. Speaker, 12th Kosrae State Legislature
3. Members of the 12th KSL
4. Chief Clerk, Kosrae State Court
5. V6AJ Radio
6. Attorney General, Kosrae State

If there are any questions and concerns regarding this report, please contact the Office of the Public Auditor.

Thank you,



Alice S. George
Acting Public Auditor

ACKNOWLEDGEMENT AND OPA CONTACT

Audit on Utwe Municipal Government

Report No. FCA 03-2020

OPA Contact Stoney S. Taulung, Public Auditor
ksauditor@mail.fm

ACKNOWLEDGEMENT Emma P. Balagot, Audit Manager, CPA
The audit staff that make key contributions to Alice S. George, Auditor III
the report Elizabeth Jonah, Auditor II
 Reed J. Floyd, Auditor I

OPA MISSION Conduct effective and efficient audits and
 investigation to ensure that government
 resources are properly managed

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