

Audit on Tafunsak 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
POST OFFICE BOX 847
KOSRAE, FEDERATED STATES OF MICRONESIA 96944
TELEPHONE: (691) 370-3766, FACSIMILE(691) 370-3443

June 4, 2020

The Honorable Governor, Carson K. Sigrah
The Honorable Speaker, Tulensa W. Palik
The Honorable Members, 12th Kosrae State Legislature
The Honorable Mayor of TMG, Jackson Albert
The Honorable Chairman of TMG 9th Council, Alerson Alik

Re: Financial and Compliance Audit on Tafunsak Municipal Government

EXECUTIVE SUMMARY

We respectfully submit this Financial and Compliance Audit FCA 01-2020 on Tafunsak Municipal Government covering the period of FY 2016-2019.

The objectives of the audit are to determine whether (1) Tafunsak Municipal Government cash balances are accurate and complete (2) Tafunsak Municipal Government disbursements made during the covered period are accurate, complete, and authorized and (3) Tafunsak Municipal Government receipts are complete, accurate, properly recorded, and timely deposited.

The audit was performed in accordance with auditing standards generally acceptable in the United States of America and the standards applicable to financial and compliance 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, Kosrae State Financial Management Regulation (FMR), Tafunsak Municipal Government Manual of Administration (MOA) and Constitution (Charter) were used as the criteria for compliance.

With reference to the specific objectives, we noted the following:

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

2. TMG Disbursements were not adequately documented to ensure proper administration and authorization of expenses. This resulted to unauthorized employee benefits based on the TMG MOA;
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. TMG has inadequate controls in place to safeguard resources against loss, waste, and misuse.

Based on the foregoing findings, we recommend (1) that the Executive and Councils of TMG reorganize the existing procedure on the cash handling with the consideration of the internal control on the segregation of duties and reporting (2) that TMG develop and put in place requirements for adequate review of disbursements before payments are issued to ensure that policies and procedures are duly complied with (3) that collections be receipted using an official receipt and recorded in the log book (4) that TMG comply with its own Manual of Administration on Salaries and Allowances, and also in compliance with Kosrae State Public Service System 5) that TMG establish and implement detailed policy on benefits of employees according to the Public Service System (PSS) 6) that TMG set up and maintain its books of accounts and 7) that TMG account and conduct physical inventory of all its fixed assets.

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 with the Mayor of Tafunsak Municipal Government and the Chairman of Tafunsak Municipal Council for review and comment on May 19, 2020. Attached with the report as *annex 1* is the Tafunsak Municipal Government management response dated June 1, 2020.

Respectfully submitted,



Stoney Taulung
Public Auditor, Kosrae State

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INTRODUCTION

This audit was conducted by the Kosrae State Office of the Public Auditor (KOPA) pursuant to Title 10, Chapter 4 of the Kosrae State Code. As part of the Kosrae Office of the Public Auditor (KOPA) work plan for the fiscal year 2020, we conducted a financial and compliance audit on Tafunsak Municipal Government (TMG) on cash receipt and cash disbursement activities for the fiscal years 2016 to 2019. This is to assess the; 1) accuracy, completeness and authorization of cash receipts and disbursements, 2) internal control and 3) compliance of the operations of the Municipal.

BACKGROUND

Tafunsak is one of the four municipalities of Kosrae. The municipal governments are provided in Title 8 of the Kosrae State Code. The Tafunsak Municipality Government has a charter, which provides 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 substitutes for the charter provision. An affirmative referendum vote shall amend, repeal, or adopt a new charter. If not, ordinance may establish a procedure.

Like other municipalities, Tafunsak Municipal Government has three branches of the government and they are the Executive, Legislative, and Judiciary. (annex 2)

1. The Executive authority of Tafunsak 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 4 years and is responsible for the execution of ordinance and other functions established under the Tafunsak Constitution. It is the responsibility of the Mayor to ensure that the operation of TMG 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 Secretary¹, Treasury², Public Works, Police, and Security.
2. The Legislative authority of Tafunsak Municipal Government is vested in the Municipal Council. The council shall be composed of 8 members; two from each hamlet within Tafunsak Municipality who shall be elected every four years at the general election by the qualified voters of Tafunsak Municipal Government. It is the responsibility of the Council to set policies and provide policy guidelines to the office of the Mayor.

¹ Secretary- The Secretary is responsible to the Mayor for maintaining detailed and accurate accounts and records of all revenue recorded by TMG and preparing reports on revenue accounts as may be required by law.

² Treasurer- The Treasurer is responsible to the Mayor for maintaining accounts and records of all expenditures of funds allotted to the office of the Mayor and preparing reports on such expenditures as may be required by law.

3. The Judicial Branch has its power vested in the Municipal Court of Tafunsak Municipal Government, in which to be called Tafunsak Municipal Court. The Tafunsak Municipal Court shall consist of a presiding judge, and other judges as may be prescribed by ordinances, who shall be appointed by the Mayor with the advice and consent of 2/3 membership of the council. The term of the Municipal Judge shall be established by ordinance. This article does not become effective until state law authorizes the creation of municipal courts.

SOURCES OF FUNDS

The Tafunsak Municipal Government receives programs and operations funds from the following sources:

1. Local Revenue which contains all monies received by the TMG from business licensing fees, revenue sharing from Kosrae State Government State operation subsidies, and other miscellaneous income such as rental payments, lease payments, water and garbage collections fees, etc;
2. Development/Subsidy fund which contains all monies received from Kosrae State Government and FSM National Government or grants and contributions from foreign countries and/or institutions designated to fund specific development projects and program in Tafunsak;
3. Foreign Assistance fund which contains all monies received from DoAF, other governments and donor organizations within the region and throughout the world for programs and operations within TMG.

For the audited period, TMG received and managed more than \$ 985,865.57 as summarized in the table below;

Sources	2016	2017	2018	2019	Total
Revenue Sharing ³	\$240,354.32	\$161,467.97	\$203,980.07	\$109,568.90	\$715,371.26
Fuel Taxes	10,666.68	18,666.72	16,264.64	8,000.00	53,598.04
Locally Imposes Fee	45,093.47	55,215.39	60,220.26	45,387.15	211,896.27
Other Subsidies				5,000.00	5,000.00
TOTAL	\$296,114.47	\$235,350.08	\$280,464.97	\$167,956.05	\$985.865.57

Sources: TMG logbook and DoAF⁴ record

ADMINISTRATION OF FUNDS

³ Revenue Sharing – see annex 3(a&b) Local Government Revenue Sharing Act.

⁴ DoAF- Department of Administration and Finance

The Tafunsak Municipal Government Manual of Administration was updated and became effective in July 2016. The Manual is designed to provide policy guidelines for the operation of Tafunsak Municipal Government. It contains policies for employment and office administration, and accounting policies and procedures. This manual is subject for change by the office of the Mayor but must have prior approval by the Tafunsak Municipal Council. The office of the Mayor is responsible to monitor this Manual on an annual basis and to issue copies which shall include amendments approved thereto by the Council. Amendments may include new policies and procedures created by new ordinance.

AUDIT OBJECTIVES AND SCOPE

OBJECTIVES

Our audit of Tafunsak Municipality Government was conducted pursuant to Title 10, Chapter 4 of the Kosrae State Code and such other laws promulgated thereafter.

The objectives of our audit are as follow:

1. Whether cash balances are accurate and complete;
2. Whether disbursements made during the covered period are accurate, complete, and authorized;
3. Whether receipts are complete, accurate, properly recorded, and timely deposited.

Our responsibility is the expression of an opinion on the objectives of our audit. The financial transactions and compliance to laws and regulations are the responsibility of the management of TMG.

As part of our audit, we reviewed TMG's internal control over cash receipts and cash disbursements, and assessed its adequacy and effectiveness in safeguarding the Municipality's funds.

SCOPE

The Financial and Compliance Audit on Tafunsak Municipality Government Fund transaction covers the period of fiscal years 2016 to 2019. However, the gathering, reviewing and testing of relevant information and documentations included previous and subsequent periods for analytical purposes. 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) issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain and assess 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, to achieve our audit objectives, we performed the methods indicated below:

- 1) We conducted preliminary survey of the TMG financial and accounting records for availability and completeness in order to determine the nature, timing, and extent of auditing procedures to be performed;
- 2) We obtained and reviewed cash receipts and cash disbursements policies and procedures;
- 3) We interviewed TMG personnel responsible for cash receipts and cash disbursements processes;

- 4) We reviewed and analyze documents and records relevant to the cash receipts and disbursements.

We considered compliance to state laws and Tafunsak Municipal Government(TMG) Manual of Administration (MOA) 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. Details of our findings and recommendations are explained in the Findings and Recommendation of this report.

PRIOR AUDIT/EXAMINATION

This is the second time that a separate audit/examination was conducted on cash handling of Tafunsak Municipality Government (TMG). Our KOPA conducted a Financial and Compliance Audit covering FY 2005-2008, and issued report number FC001-10 on March 25, 2010. Our review disclosed certain internal control weaknesses in the disbursements and collection procedures. However, there was no follow up review on the findings conducted.

CONCLUSION

Based on the audit objectives, we concluded that;

1. Weaknesses in Internal Control did not provide assurance on the accuracy and completeness of cash balances;
2. TMG disbursements were not adequately documented to ensure proper administration and authorization of expenses. This resulted to unauthorized employee benefits based on the TMG MOA;
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. TMG has inadequate controls in place to safeguard resources against loss, waste and misuse.

FINDINGS AND RECOMMENDATIONS

Finding No. 1: Weaknesses in Internal Control⁵ did not provide assurance on the accuracy and completeness of cash balances.

Condition: 1.1 No Segregation of Duties⁶

⁵ internal control- policies and procedures put in place to ensure the continued reliability of accounting systems.

⁶ Segregation of duties- is the concept of having more than one person required to complete a task.

During our review of the internal controls over cash receipts, we noted that the municipality has no formal control procedures over collection. Treasurer is responsible for the collection, deposit of funds, and subsequently updating the cash logbook. We noted in most cases that these collections are being paid in cash, which is vulnerable to misappropriation.

It is also observed and verified that the collection process is basically conducted by the Treasurer. The Treasurer receives collection and prepares/issues receipts, keeps the money (custody), does the deposit, keeps the check stubs and deposit slips. All the documents for cash transactions were kept and logged by the Treasurer. Also, the Treasurer is allowed to disburse cash payments to suppliers without documentation on the approval of purchases.

Tafunsak Municipal Government does not have procedures to ensure that collections and disbursements are accurately and promptly recorded. No periodic checking and reviewing being made for cash transactions.

Condition: 1.2 Non-compliance with Policies, Procedures and Regulations

In addition, review of Tafunsak Municipal Government (TMG) cash receipts and disbursement documents, the auditors found certain control deficiencies and deviations from TMG's established policies and procedures in regards to the handling and accounting of cash receipts.

- a. TMG uses different types of collection receipts which are not pre-numbered. This practice did not give assurance on the completeness of collection.
- b. While TMG uses logbook to record collections however, it was not recorded on the books of accounts as required in the Manual of Administration (MOA)⁷.
- c. It was noted that collections were not deposited in a regular and timely manner. Interview with the treasurer reveals that TMG MOA does not provide policy on regular deposit of collection. (*annex 4*)
- d. No report is being prepared for the Summary of collection against actual deposit showing itemized report whether all collections have been deposited.
- e. No bank reconciliation has been prepared. The goal of this process is to ascertain and verify the integrity of data between bank records and TMG's financial records.

Criteria: Suitable internal control system over cash activities should be in place and functioning properly to provide reasonable assurance that all collections are accounted for, safeguarded and deposited timely in the TMG account at the designated bank. Tafunsak Municipal Government's policy on cash receipts (collections) and disbursement in general

⁷ Manual of Administration(MOA)- design to provide policy guidelines for the operation of the Tafunsak Municipal Government, It contains policies for employment, personnel management and related administrative functions.

requires proper receipting, authorized disbursement, and regular reporting of all financial transactions by the Municipal's Treasury. Whereas, best practice⁸ and Kosrae Financial Management Regulation (KFMR)⁹ provide policy on deposit of collections.

Cause: The above condition happened and persisted because control policies and procedures were not consistently followed and enforced. The condition is also due to the absence of proper supervisory monitoring and oversight review to ensure adequacy and proper application of policies and procedures to safeguard TMG's collections from irregularities.

Effect: The conditions reflect unsafe handling of collections which exposed the Municipality error and risk to fraud¹⁰. Weak internal control on Municipality's cash collections and management raises doubt on the fairness of cash balances as reflected in the financial reports. It also creates uncertainty as on the accuracy and fairness of the account balances. In addition, the condition increases the risk of irregularities happening or continuing if not corrected immediately.

Recommendation: That the Executive and Councils of TMG reorganize the existing procedure on the cash handling with the consideration of the internal control on the segregation of duties and reporting such as:

1. Schedule of deposits showing the cash receipts used must be prepared and filed in every deposit transaction along with the validated deposit slip. We also recommend that a person not connected with the collection and depositing process inspect on a regular basis to ensure that all collections have been properly and timely deposited.
2. Use of pre-numbered Cash Receipt form (voucher) to ensure completeness of collection.
3. Use of pre-numbered Cash Disbursement Form (voucher) to document approval/authorization of payments.
4. Perform timely Bank Reconciliations¹¹ (monthly) to ensure:
 - a. Comparison of checks in appropriate detail with disbursement records.
 - b. Accounting for numerical sequence of cashed checks.
 - c. Examination of signatures and endorsements on a test basis.
 - d. Comparison of book balances used in reconciliations with the general ledger.
 - e. Comparison of deposit amounts and dates with cash receipt entries.
 - f. Investigation of outstanding items.

⁸ Best Practice- commercial or professional procedures that are accepted or prescribed as being correct or most effective.

⁹ Kosrae Financial Management Regulation(KFMR)- policies and regulations for the guidelines on Fiscal Management.

¹⁰ Fraud- wrongful or criminal deception intended to result in financial or personal gain.

¹¹ 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.

g. Footing of cash books.

5. Physical inventories of blank check stock periodically conducted by persons independent of the cash disbursement function, and reconciled to department records.

We also recommend that the Council review the TMG financial affairs to ensure controls continue to function and safeguard the TMG's resources.

Finding No. 2: Disbursements Not in Compliance with Established Policies and Procedures (annex 5)

Condition: During our examination, we applied all disbursements made by the Municipality for the period covered and noted the following:

- a. Forty-six percent (46%) of the total amount of disbursements aggregating to \$474,267.41 were completely unsupported by the required disbursement documents.
- b. Total operating expenses \$ 23,738.73 or 11% were paid in cash.
- c. 68% of cash payments were not documented.
- d. Some of the expenditure (contracts) does not follow best practice, regulations and law.
- e. 3% original copies of void checks are not on file.

In addition, based on the available document provided, we further noted that liquidation of \$27,756.33 or 4% of advances such as travel allowances and duty allowances were not supported by required documents as stated in the KFMR and MOA.

Criteria: The Kosrae Financial Management Regulations (KFMR) and Tafunsak Municipal Government Manual of Administration (TMG MOA) prescribes policies and procedures governing, among others, disbursements of government funds. Kosrae State and Tafunsak Municipal Government regulations and suitable system of internal control require that disbursement should be properly supported by original vendor's invoice, billing, receipt, requisition form, purchase order, receiving report and other applicable documents. Additionally, disbursements should be properly reviewed, approved and fund certified prior to payment.

Cause: The above condition exists because there is inadequate control consciousness and appropriate review within the TMG to ensure policies and procedures are enforced and applied consistently.

Effect: The above condition exposes the Municipality to potential errors and /or even deliberate wrongdoings that would not be detected timely. The condition does not provide reasonable assurance that disbursements made were all authorized and valid obligations of the TMG.

Recommendation: We recommend the TMG to: a) develop, put in place and require adequate review of disbursements before payments are issued to ensure that policies and procedures are duly complied with, and b) periodically monitor and review the disbursement and payment

processes to ensure they continue to function effectively in accordance with established policies and rules.

Finding No. 3: Collections and other funds received were not properly documented, recorded and completely deposited showing cash collection mishandling is prevalent.

Condition 1: Examination of submitted collection and deposit documents reveals that deposit includes bank checks which are not recorded in the cash collection logbook. The full amounts of such deposits were reflected as deduction from the cash on hand. Thus, auditors noted indication of mishandling of cash collection. This condition shows possibility of encashment of personal and salary check which is not in accordance with best practice. (*annex 6*)

Condition 2: Review of collection logbook as against the available documents to support the record, we noted the following:

- a. Average of Eighty-two Percent (82%) of Collections are not receipted;

Year	Amount	No. of transaction
2019	\$ 34,184.15	528
2018	24,980.73	494
2017	39,448.03	381
2016	32,024.62	323
	<hr/> \$130,637.53	<hr/> 1,726
	=====	=====

- b. Number of erasures and corrections were observed without proper counter signs. (verification or approval)
- c. Cash collections were used to directly pay operating expenses in the total of \$ 23,788.73 or 11%.
- d. Inspection of collection logbook demonstrates daily cash on hand balances are not accurately recorded/reported because of wrong footings and extension. It also shows negative balances.

Criteria: All funds received by the municipality should be receipted using the municipality's official receipt and/or recorded in their books of accounts as per TMG MOA.

Cause: Management did not consider documenting collections received through the use of official receipts and recording of funds received from the State and National governments.

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

Recommendations: We highly recommend collections to be receipted using an official receipt and recorded in the cash receipts logbook. Funds collected for operation and received from State and National government appropriations should be recorded in the TMG's books of accounts.

Finding Number 4: Inadequate documentation of payroll disbursements

Condition: Based on FY 2016-2019 spendings and documents provided, approximately fifty two percent (52%) of the spendings of TMG represents salaries and wages of employees. During our examination of payroll checks and timesheet used, we noted the following:

- a. Incomplete file for timecards used to monitor and record hours of duty. (2016)
- b. Cash advances were not recorded (2017-2019) and hence the collection logbook shows payment without proper documentation and described as salaries.
- c. SS and compensation Tax was not deducted from the employee salaries and hence no document was presented that both are part of employee benefits. (2017-2019)
- d. Review of Payroll Sheet reveals wrong extensions and footings that indicate prudent review of payroll computation was not done.

Criteria: TMG Manual of Administration, Part II requires that "For Payroll expense, timesheet must be submitted and approved prior to disbursements".

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

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

Recommendations: We recommend TMG to comply with its own Manual of Administration on Salaries and Allowances and also in compliance with the Kosrae State Public Service System to ensure safety of public funds.

Finding Number 5: Payment of Unauthorized Benefits amounting to \$26,170.70 (annex 7)

Condition: During our review of Tafunsak Municipal Government (TMG) disbursement and payroll sheet, we found instances of undue benefits given to the employees. The cash disbursement logged of full payment SS and Taxes due. However, review of the payroll sheet for the covered period displays that SS employee share¹² as well as individual compensation taxes¹³

¹² SS Employee Share- workers and employers pay for Social Security. Workers pay 7.5% of their earnings.

¹³ Compensation Tax- tax deduction for the salary, wages, commissions, bonuses, and other compensation it pays to its employees. FSM compensation tax is at 7.5% of gross income.

were not deducted from the salaries. Also, auditors did not find any documents that such expenses were allowed as part of employment benefits.

Cause: The condition is due to the absence of proper supervisory monitoring and oversight review to ensure proper and authorized disbursement of cash collection.

Effect: The condition, if not corrected, will result to undue expenses and misuse of funds.

Recommendation: We recommend that TMG establish and implement detailed policy on benefits of employees according to the Public Service System (PSS)¹⁴

Management Response: *The TMG MOA under Personnel Management Section regarding Vacancy Procedures, bullet no. 4 Salary & Benefits. That Benefit includes SS and Tax which is paid by the employer, the TMG office. (annex 1)*

Auditor's Response: Section of the Manual of Administration as referred by the management (annex 8) mention the salaries and benefits as part of vacancy announcement as required by the Public Service System. There is no mention of SS employees share and Compensation tax as part of benefits of individual employees. In addition, review of official employee contracts form (annex 9) shows as provision VII Deduction: includes deduction for personal income taxes, social security and insurance premium due from the contractor to the State or the National Government will be made by the government.

Finding Number 6: Did not maintain Books of Accounts¹⁵ as required in TMG Manual of Administration

Condition: Tafunsak Municipal Government (TMG) only maintains cash logbook and check book as disbursement journal to record payments made on various expenditures incurred. Cash receipts journals to record collections arising from local revenues including funds received from revenue sharing were recorded in a separate logbook as a cash receipt journal. In addition, a subsidiary ledger for employee cash advances is not being maintained, no ledgers being used for creditors and suppliers. The Municipality does not maintain individual general ledgers to accommodate transactions involving its assets, liabilities, fund balances, revenues and expenditure. Although, TMG provides Monthly financial report to account General Account¹⁶ Trust Fund Account¹⁷ and Expenditure, the Treasurer was not able to submit financial reports as

¹⁴ Public Service System- Kosrae State Government system of personnel administration based on merit principles and accepted personnel methods governing the classification of positions and the employment, conduct, movement and separation of public officers and employees. This system of personnel administration shall be referred to as the "State Public Service System".

¹⁵ Book of Accounts- bookkeeping is the recording of financial transactions and is part of the process of accounting in business, The bookkeeper brings the books to the trial balance stage: an accountant may prepare the income statement and balance sheet using the trial balance and ledgers prepared by the bookkeeper.

¹⁶ General Account- cash account(bank) use for general operation of TMG.

¹⁷ Trust Fund Account- cash account(bank) wherein 7% of income sharing was deposited for future operation.

required by the MOA such as Balance Sheet¹⁸, Income Statement¹⁹ and Property Inventory Sheet (fixed asset register)²⁰

Likewise, TMG treasurer failed to establish a Chart of Accounts²¹ in numeric codes for the accounting of fund sources.

Criteria: 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 Principles. 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, encumbrance journal, and general journal.

Cause: The cause of the above condition is the failure of the Mayor and the Treasurer/or personnel responsible to set up and maintain basic Books of Accounts to accommodate financial transactions of the municipality.

Effect: Arising from this condition, the auditors were unable to determine the completeness and accuracy of cash transaction. The municipality was not able to prepare accurate financial reports such as statement of assets and fund balance, and statement of operations. Some disbursements were made in excess of the budgeted amount.

Recommendation: We recommend that the Tafunsak Municipal Government 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.

Similarly, we recommend that chart of account should be established in accordance with the accounting policies and procedures indicated in TMG Manual of Administration.

Finding Number 7: Tafunsak Municipal Government did not maintain ledger for its Fixed Assets²²

¹⁸ Balance Sheet- statement of the assets, liabilities, and capital of a business or other organization at a particular point in time, detailing the balance of income and expenditure over the preceding period,

¹⁹ Income Statement- reports the revenues, gains, expenses, losses, net income and other totals for the period of time shown in the heading of the statement,

²⁰ Property Inventory Sheet- a spreadsheet that you can use to monitor fixed asset list and book value.

²¹ Chart of Accounts- a listing of the names of the accounts that a company has identified and made available for recording transactions in its general ledger.

²² Fixed Assets- a long-term tangible piece of property or equipment that a company owns and uses in its operations to generate income.

Condition: Review of TMG disbursement reveals that the Treasurer was not aware of the capitalization of expenses related to purchases of fixed assets. Hence, she is not sure if those recorded in the Monthly Financial Statement (Report) are considered as fixed assets in accordance with the TMG MOA and KFMR.

Also, Depreciation²³ is not reflected in the monthly financial reports submitted to the auditors. Fixed assets list was prepared however it does not reflect book value²⁴ of equipment (aging of fixed assets) hence no fixed assets valuation was conducted.

Criteria: Manual of Administration states that “Fixed Assets Inventory: Treasurer must carry an inventory of all fixed assets of TMG on a yearly basis. Each asset worth \$500 and above must be in the fixed asset tracking system. Depreciation is figured monthly using a flat 60 month life for all movable assets and 10-50 years on immovable assets.

Cause: There has been a minimal effort on the part of the management to impose the requirements in the mentioned criteria.

Effect: Proper monitoring of these assets cannot be easily performed. Financial reports such as balance sheet or statement of assets and fund balance to include fixed assets cannot be prepared.

Recommendation: We recommend that the Municipality account and conduct physical inventory of all its fixed assets. For fixed assets items which costs cannot be determined due to lack of records, we recommend that the Municipality form a committee to agree on the reasonable estimated values of these assets.

Management Response: *The TMG office is now aware of all the rules and procedures covering fixed assets therefore, compliance of this office will surely be administered. (annex 1)*

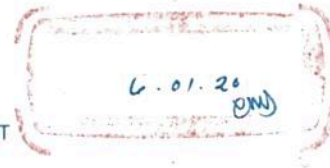
²³ Depreciation- a reduction in the value of an asset over time, due in particular to wear and tear.

²⁴ Book Value- the value of a security or asset as entered in a company's books.

Annex 1: TMG Management Response



OFFICE OF THE MAYOR
TAFUNSAK MUNICIPAL GOVERNMENT
P.O.BOX 227
Tafunsak, Kosrae State
Federated States of Micronesia 96944
Tel. No. (691)370-3211



June 01, 2020

To: Office of the Public Auditor
Kosrae state Government

From: Jackson Albert
Tafunsak Municipal Government

Dear Mr. Taulung

I hope that this letter finds you well and caliber spirit and may almighty God be on our sides in every tasks we're about to accomplish.

And recognition to you and your staff for the devotion, immeasurable managerial contributions to our office (TMG) which is indeed a great advantageous to Tafunsak Municipal Government. So, thanks to you Mr. Taulung and your staffs for the awesome tasks accomplished.

In regard to the Audit Finding submitted to TMG, the Office would response to few and herein are, with the responses.

1. Finding Number 3.

Sec. 3 (No payroll deduction for SS and tax. (2017 – 2019)

Management Response: Yes, there have been and it was done in the previous administration to present. In the TMG MOA under Personal Management section regarding Vacancy Procedures, bullet no. 4, Salary & Benefits. That Benefit includes SS and tax which is paid by the employer, the TMG Office.

2. Finding Number 3.

Sec. 5 (Observation of the auditor during fieldwork) All employees were being paid full 64 hours bi-weekly however in all instance for follow up visit or call. Nobody is in the LTG office.

Management Response:

Be frankly this is TMG office not LTG office, it may be true because most of the office staffs are field workers, the mayor, secretary, treasurer and the chief clerk are the only staffs that spend most but hardly half of their times in the TMG office. Other than that we work from 8:00 O clock to 2:30. So, you may be calling us on an inconvenient time.

3. Fixed Asset:


The TMG MOA did not policy on expense capitalization for fixed asset; however as per interview the treasure is not aware of the policy. Also, Treasurer reveals that she's not sure if those recorded in the Monthly Financial Statement.

Management Respond:

The TMG office is now aware of all the rules and procedures covered fixed therefor, compliance of this office will surely be administered.

Once again Kulo ma lulap for your contributions to TMG Office most especially to this administration.

Kulo


Jackson Albert
Mayor, TMG

Annex 2: TMG Constitution (Charter)

ARTICLE I

SUPREMACY

Section 1. This Constitution is the supreme law of the Tafunsak Municipality. An act of Government in conflict with this Constitution is invalid to the extent of conflict.

ARTICLE II

SUBMISSION FOR APPROVAL

Section 1. Having been adopted by a majority of the Council, this Constitution shall be submitted for approval by referendum to the people of Tafunsak. Final approval of this Constitution required a 2/3 majority of ballots cast in the election.

(Amended by 2007 Con. Con.)

ARTICLE III

SUFFRAGE

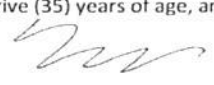
Section 1. A citizen of the Federated States of Micronesia who is a domiciliary of Kosrae state, who resides in Tafunsak Municipality of not less than one (1) year, has registered to vote in the Municipality of Tafunsak, has attained the age of eighteen (18), is entitled to vote in secret in all Municipal Government elections subject only to residence requirement, and disqualifications of mental incompetence and conviction of a major crime.

Section 2. The Municipal Council shall establish rules and procedures which are deemed necessary to govern registration of new voters in all four electoral Otta or hamlets.

ARTICLE IV

EXECUTIVE BRANCH

Section 1. Mayor. The executive authority of Tafunsak Municipal Government shall be vested in the Mayor. To be eligible for candidacy for Mayor a person must be a citizen of FSM (Kosrae State) for at least 10 years, have been registered as a resident of Tafunsak Municipality at least three (3) years preceding the general election, be at least thirty five (35) years of age, and must have



been fully restored to all civil rights if ever convicted of a felony. The Mayor shall be elected by a simple majority of the total votes cast if the election is between two candidates, or by a plurality of the total votes cast if the election involves more than two candidates. He shall have the power and authority to discharge the following;

- (a) The Mayor has the responsibility of requesting financial assistance funds for community projects, contracts, and other public purposes; provided that such proposals are initiated and authorized through municipal ordinance.
- (b) Prepare and submit an annual budget to the Council at a time prescribed by ordinance. The budget shall contain a plan of proposed expenditures, anticipated revenues, and other money available to the local government for the next fiscal year, together with other information the Council may require. The Council has the power to further regulate this provision through municipal ordinance.
- (c) The Mayor has the power to borrow money on the municipal credit. The Municipal Council authorizes all requests. The Council shall enact ordinances to further regulate and control all municipal borrowings.
- (d) Recommend legislations to the municipal Council when deemed necessary.
- (e) The veto power is vested with the Mayor.
- (f) Enforce and execute the ordinances of Tafunsak Municipality and perform such other duties as may be required by law.
- (g) Comply with the laws of the Federated States of Micronesia and Kosrae State in the performance of his duties.

Section 2. Secretary. (a) Be responsible to the Mayor for maintaining detailed and accurate accounts and records of all revenue collected by Tafunsak Municipality, and prepare reports on such revenue accounts as may be required by law;

Section 3. Treasurer. (a) Be responsible to the Mayor for maintaining accounts and records of all expenditures of funds allotted to the office of Mayor and prepare reports on such expenditures as may be required by law.

(b) Collect taxes as required by ordinance;

(c) Administer the Tafunsak Municipal treasury and disburse public funds as may be required by law.

Section 4. The Secretary, Treasurer and other appointed or hired staff members of the Executive Branch shall serve at the pleasure of the Mayor any such appointed or hired staff member shall serve until the appointment and qualification of their successor, unless he or she is terminated earlier by the Mayor, Rules and procedures governing hiring shall be further regulated by ordinance.

(Amended by 2007 Con. Con.)

ARTICLE V

LEGISLATIVE BRANCH

Section 1. Municipal Council. The legislative Authority of the Tafunsak Municipal Government is vested in the Municipal Council. The Council shall be composed of 8 members; two from each hamlet or Otta within Tafunsak Municipality who shall be elected every four years at the general Election. The Municipal Council shall exercise the following legislative power;

(a) Enact tax ordinance on local activities within Tafunsak Municipality, provided that no tax ordinance may be in conflict with State or FSM laws;

(b) The Council has the sole power to appropriate and authorized the expenditures of public funds. The Council shall review and adopt the municipal budget as proposed by the Mayor; making such amendments as are deemed necessary by the majority of the members to be in the public interest. The Council shall designate a time for submission of the proposed budget by the Mayor, so as to enable the Council to adopt a final budget before the

beginning of the fiscal year. Once adopted by the Council the budget shall be final and funds may be reallocated or reprogrammed only pursuant to municipal ordinance. All, outstanding funds not obligated at the end of the fiscal year, or when the authority to extend such funds expires according to law; shall revert to the Tafunsak Municipal fund. The Council may order an audit at any time;

- (c) The Council shall elect its own officers;
- (d) There shall be four regular sessions of the Council in each calendar year commencing on each second Monday of January, April, July and October. Regular session of the council shall be further regulated by ordinance;
- (e) Special session of the Council may be convened by the Mayor.
Then Chairman of the Council shall also convene the Council upon a petition receiving the signatures of two thirds of the Councilmen. The Council shall deliberate only on the subjects contained in the call of the special session.
- (f) The session of the Council shall be transacted publicly. The Council can transact business only when the membership of the councilman present is two-third (2/3) majority.
- (g) To become an ordinance, an act of the Council shall pass two reading on two separate days.
- (h) Every act passed by the Council must be signed by the chairman and attested to by the chief clerk before presented to the Mayor. The Mayor shall sign it, if he approves it and it becomes an ordinance. If he does not approve it, he will return it with the written objections to the Council.
- (i) Upon receipt of a veto message from the Mayor, the Council may reconsider the veto act and again vote on it. If approved by a two-thirds majority of members, the over-ridden act shall become an ordinance. Once an over-ride fails to pass, it shall not be in order for the

Council to reconsider.

- (j) The Mayor has thirty calendar days after the act of the Council is presented to him for consideration. An act neither signed nor returned on or before the time specified shall become an ordinance in like manner as if the Mayor has approved it.
- (k) A resolution of the council shall be adopted by two-thirds (2/3) majority vote of membership.
- (l) The Council shall be the sole judge of its election, and qualification of its membership and may discipline, suspend and expel a member by two-thirds (2/3) votes of the total membership.
- (m) As incidence of its authority, the council and its duly authorized committees may conduct investigations, hold public hearings, subpoena witnesses and documents. The rules of procedures of the Council shall provide for the documents. The rules of procedures of the Council shall provide for the enforcement of the contempt power and other incidents of the Council's authority.
- (n) The Council may by ordinances establish such boards, commissions, or authorities as may be necessary and proper.

CANDIDATE FOR MUNICIPAL COUNCIL

Section 2. Each candidate for a seat on the Municipal Council in each Otta shall be a registered member of that Otta at least one year preceding the election.

Section 3. One of the two members of the council representing each Otta shall be elected by registered voters of Tafunsak Municipality, while the other one will be elected by registered voters in the hamlet he or she represents, except for councilmen elected or appointed to fill vacancies, whose terms shall commence immediately upon certification of the election or appointment.

ARTICLE VI

JUDICIARY BRANCH

Section 1. There shall be a court in Tafunsak Municipality to be called Tafunsak Municipal Court. Such court shall have jurisdiction on all cases and matters prescribed by state law.

Section 2. The Tafunsak Municipal Court shall consist of a presiding judge, and other judges as may be prescribed by ordinances who shall be appointed by the Mayor with the advice and consent of 2/3 membership of the Council.


Section 3. The salaries and other compensation of the judges may be established by ordinance.

Section 4. The presiding judge shall serve as administrative head of the court. The organization of the court shall be established by ordinance.

Section 5. A person convicted of a felony is ineligible to serve as a municipal judge. No person is eligible to serve as a municipal judge unless he is at least 35 years of age, has been a citizen of FSM (Kosrae) for at least 10 years, has legally resided in Tafunsak Municipality for at least one year preceding his appointment.

Section 6. The term of the municipal judge shall be established by ordinance.

Section 7. A judge may be removed from his office for neglect of duty in office or of serious misconduct as a public official.

 Section 8. This article does not become effective until state law authorizes the creation of municipal courts.

ARTICLE VII

FINANCE & TAXATION

Section 1. Public money raised, collected or received by the Municipal Government shall be deposited in a general fund account established within the treasury of the Tafunsak Municipal Government.

Section 2. The Mayor shall submit to the Council the estimated revenues and other money available to

Annex 3a: Kosrae State Constitution Article 9, Section 2

Article IX

Taxation and Revenue Sharing

Section 1. The power to tax is a State Government power, except that municipal governments may impose taxes subject to law. Taxes shall be imposed uniformly.

Section 2. Not less than fifty percent of the revenues from State taxes shall be paid into the treasury of the municipality where collected.

Annex 3b: Kosrae State Law 4-88

16 “Section 9.1101. Meaning of ‘State taxes’. For purposes of computing a
17 municipal revenue share ‘State taxes’ means taxes collected by the Governor pursuant to
18 Part I of this title.”

19 Section 3. Effective Date. This act shall take effect on August 1, 1989 following
20 approval by the Governor or its becoming law without signature.

21

22 PASSED BY THE FOURTH KOSRAE STATE LEGISLATURE ON THE 29th DAY OF
23 JUNE, 1989.

Financial and Compliance Audit
Tafunsak Municipal Government
FY2016-2019

ANNEX 4:

**TAFUNSAK MUNICIPAL GOVERNMENT
SUMMARY OF COLLECTION AND DEPOSIT
CALENDAR YEAR 2018-2019**

Date	Beginning Balance	Sales Period	Total Sales	Expenses	Net Collection	Deposit Date	Amount Deposit	no. of days
							1,449.00	
1/4/2018	130.50	1/04-10/2018	1,647.00	21.00	1,756.50	1/10/2018	1,769.00	
1/10/2018	(12.50)	1/10-2/7/2018	3,020.00	38.08	2,969.42	2/6/2018	2,976.64	28
2/7/2018	(7.22)	2/12-16/2018	1,186.00	61.00	1,117.78	2/16/2018	1,001.50	
	116.28	2/19-3/19/2018	1,397.97	46.55	1,467.70	3/9/2018	1,468.69	28
	(0.99)	3/12/23/2018	1,799.04	43.15	1,754.90	3/23/2018	1,796.90	
	(42.00)							
		3/23-4/9/2018	1,783.00	45.05	1,737.95	4/9/2018	1,728.31	16
4/8/2018	9.64	4/9-23/2018	7,049.17	55.35	7,003.46	4/23/2018	1,454.92	13
4/23/2018	5,548.54	4/24-5/4/2018	847.00	37.29	6,358.25	5/4/2018	5,945.96	11
	412.29					5/4/2018	380.18	trust fund
5/4/2018	32.11	5/4-24/2018	1,584.00	250.15	1,365.96	5/24/2018	1,439.69	20
5/24/2018	(73.73)	5/24-6/11/2018	2,391.75	78.90	2,239.12	6/11/2018	1,666.49	18
6/11/2018	572.63	6/15-18/2018	274.00		846.63	6/18/2018	771.44	3
6/18/2018	75.19	6/17-7/13/2018	2,575.00	37.45	2,612.74	7/13/2018	2,510.07	26
7/13/2018	102.67	7/13-26/2018	5,216.98	29.45	5,290.20	7/26/2018	5,257.37	13 5256.37
	32.83	7/26-8/13/2018	14,378.59	186.45	14,224.97	8/13/2018	1,332.30	18
	12,892.67					8/13/2018	13,000.59	trust fund
8/13/2018	(107.92)	8/13-9/14/2018	4,838.02	112.65	4,617.45	9/14/2018	4,250.55	30
9/17/2018	366.90	9/17-21/2018	2,487.00		2,853.90	9/21/2018	2,650.00	4
9/21/2018	203.90	9/21-10/4/2018	1,074.00	54.15	1,223.75	10/4/2018	1,031.54	13
10/4/2018	192.21	10/5-11/2/2018	4,387.00	87.95	4,491.26	11/1/2018	4,178.75	28
11/2/2018	312.51	11/2-13/2018	4,175.00	17.30	4,470.21	11/13/2018	4,161.35	12
11/13/2018	308.86	11/14-15/2018	1,032.69		1,341.55	11/15/2018	1,064.69	1
11/15/2018	276.86	11/15-12/13/2018	1,936.75	102.84	2,110.77	12/13/2018	1,682.88	28
	427.89	12/15-1/08/2019	1,535.21	334.40	1,628.70	1/8/2019	1,607.70	24
1/8/2019	21.00	1/09-24/2019	1,946.00	152.50	1,814.50	1/25/2019	1,788.00	13
1/25/2019	26.50	1/25-2/06/2019	1,927.50	154.95	1,799.05	2/6/2019	1,621.00	12
2/6/2019	178.05	2/06-24/2019	1,180.60	100.00	1,258.65	2/25/2019	1,100.00	28
2/25/2019	158.65	02/25-03/07/2019	1,524.00	90.00	1,772.65	3/7/2019	1,762.13	10 deposit include salary check
3/7/2019	10.52	03/6-21/2019	2,714.00	98.00	2,626.52	3/21/2019	2,231.00	15 include check amt 1450 not included in the collection list
3/21/2019	395.52	03/22-4/10/2019	719.00	203.00	1,317.52	4/10/2019	646.30	10,000.00 19 include check 196.30 (12227) Lyndon Nena
4/10/2019	671.22	4/10-5/02/2019	600.87	240.00	1,032.09	5/2/2019	407.15	27 deposit include salary check of Shruel George
5/29/2019	624.94	5/03-29/2019	1,502.75	260.20	1,867.49	5/29/2019	919.03	26
5/29/2019	948.46	5/30-6/13/2019	1,715.24	250.30	4,413.40	6/13/2019	1,374.25	14
6/13/2019	1,039.15	6/13-17/2019	315.00	18.95	1,335.20	6/17/2019	430.00	7,929.66 4
6/17/2019	905.20	6/18-27/2019	457.50	94.95	1,267.75	6/27/2019	395.00	9
6/27/2019	872.75	6/27-7/15/2019	1,249.50	176.00	1,946.25	7/15/2019	1,252.52	6,020.08 18 include checks following
7/15/2019	691.71	7/16-08/02/2019	1,364.00	345.86	1,711.87	8/2/2019	845.30	17
8/2/2019	866.57	8/7-8/2019	235.00	6.95	1,094.62	8/8/2019	280.00	19,742.02 1
8/1/2019	814.62	8/9-23/2019	526.00	230.20	1,110.42	8/23/2019	510.00	14
8/23/2019	600.42	8/23-29/2019	1,264.87	65.00	1,800.29	8/29/2019	1,426.17	6
8/29/2019	374.12	08/29-9/04/2019	2,328.00	171.63	2,530.49	9/4/2019	1,400.00	7
9/4/2019	928.00	9/04-10/2019	5,500.00	155.98	6,272.02	9/10/2019	5,750.00	6
9/10/2019	522.02	9/10-9/11/2019	1,195.00	12.75	1,704.27	9/12/2019	1,000.00	1
9/12/2019	704.27	9/12-10/01/2019	1,295.26	265.00	1,734.53	10/4/2019	1,045.78	19
10/4/2019	688.75	10/07-14/2019	260.00	83.20	865.55	10/14/2019	434.23	7
10/14/2019	431.32	10/14-28/2019	2,697.00	52.50	3,075.82	10/28/2019	2,791.69	14
10/28/2019	284.13	10/29-11/14/2019	675.50	392.75	566.88	11/14/2019	430.00	16
11/15/2019	136.88	11/15-12/05/2019	5,635.87	229.00	5,543.75	12/5/2019	5,390.37	20
12/5/2019	153.38	12/05-06/2019	2,776.98		2,930.36	12/6/2019	2,561.98	1
12/6/2019	368.38	12/06-31/2019	1,109.00	753.90	723.48	12/31/2019	505.00	
12/31/2019	218.48							
			111,329.61	6,242.73			106,873.41	

Annex 5

**TAFUNSAK MUNICIPAL GOVERNMENT
SUMMARY OF BUDGET AND DISBURSEMENT
Covered period 2016-2019**

	2016	2017	2018	2019	TOTAL	
BUDGET	189,333.04	245,186.00	291,846.54	278,949.00	1,005,314.58	
Total Disbursement	195,915.94 1.03	266,866.62 1.09	282,051.33 0.97	284,770.53 1.02	1,029,604.42 102%	
Not Supported	80,935.29 41%	111,150.00 42%	142,737.22 51%	139,444.90 49%	474,267.41 46%	2.a
Insufficient Documentation	7,760.95 4%	13,147.70 5%	1,044.90 0%	5,802.78 2%	27,756.33 4%	2 paragraph 2
cash payment (logbook)	45,036.09	54,765.33	66,056.10	45,145.87	211,003.39	
transfer to checking account	32,836.11 12,199.98 27%	48,897.96 5,867.37 11%	64,968.14 1,087.96 2%	40,562.45 4,583.42 10%	23,738.73 11%	2.b
Undocument cash disbursement						
Total cash disbursement			23,738.73	100%		
total supplier invoice			7,532.59	32%		
Total undocumented			16,206.14	68%		2.c

Annex 6: Sample of Deposit Slip

DATE 3.21.19

	DOLLARS	CENTS
CURRENCY	615	00
COINS	0	00
TOTAL CASH	615	00
CHECKS		
1	140	00
2	106	00
3		
4		
5		
6		
7		
8		
9		
10		
11		
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26		
27		
28		
TOTAL FROM OTHER SIDE ON ATTACHED LIST		
PLEASE RE-ENTER TOTAL HERE	2,231	00

DEPOSIT
TICKET
TOTAL ITEMS

DEPOSITS MAY NOT
BE AVAILABLE FOR
IMMEDIATE WITHDRAWAL.

3/22/19
TJ

RE-ENTER CASH TOTAL
IN SCREENED BOXES

2281.00

1:12:30 2373:77107 009104 101

BFSM
FEDERAL BUREAU OF
INVESTIGATION
U.S. DEPARTMENT OF JUSTICE
WASHINGTON, D.C. 20535

TAFUNSAK MUNICIPAL GOVERNMENT
P.O. BOX 227
TAFUNSAK, KOSRAE P.W. 96944

Financial and Compliance Audit
Tafunsak Municipal Government
FY2016-2019

TAFUNSAK MUNICIPAL GOVERNMENT
P. O. BOX 227
TOFOU, KOSRAE FM 96944

★ ★ ★ ★ ★
BISIM
(Kosrae Branch)
BANK OF THE
FEDERATED STATES OF MICRONESIA
HONOLULU, HI 96813

\$

5453.48

DATE 5/2/19

	DOLLARS	CENTS
CURRENCY	1	00
COINS		55
TOTAL CASH	1	55
CHECKS		
1	5,046	33
2	140	75
3	140	60
4	55	00
5		
6		
7		
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26		
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28		
TOTAL FROM OTHER SIDE OR ATTACHED LIST		0
PLEASE RE-ENTER TOTAL HERE		5,453.48

RE-ENTER GRAND TOTAL IN SCREENED BOXES

DEPOSITS MAY NOT BE AVAILABLE FOR IMMEDIATE WITHDRAWAL.

59 721/1213 721

DEPOSIT
TICKET
TOTAL ITEMS

2019 FINANCIAL AND COMPLIANCE AUDIT REPORT

1121302373177107 009101

101

5046.33
5453.48
5453.48

Annex 8: TMG MOA: Salary & Benefit

• PERSONNEL MANAGEMENT

• **General:** This chapter deals with procedures relating to the recruitment and appointment of personnel to all approved and classified positions of Tafunsak Municipal Government.

• **Vacancy Procedures:** All vacancies must be announced and given wide publicity for a minimum period of 20 days prior to closing date for applications. Vacancy announcements are required to contain the following information:

- Position Title
- Description of Duties & Responsibilities
- Qualifications Requirements
- Salary & Benefits
- Duty Station
- Methods of obtaining application forms, including closing date for receipt of applications

All completed applications must be filed with the Office of the Mayor for positions classified in Table 1 under section 1.4. The Mayor shall review the applications and select a candidate for appointment in accordance with the guidelines set forth under section 2.3.

• **Interview & Selection:** The Mayor shall conduct the interview with special emphasis given to the following criteria:

- Education & Work Experience
- Criminal Records; and
- Moral Character

For all staff positions for the Municipal Council, the Chairman makes the final decision on selection of applicants. The Office of the Mayor may assist with the prerequisite paperwork for recruitment of new positions or filling of vacancies for the Council.

• **Criminal Records:** All Applicants for any positions within TMG shall furnish a clearance certificate from the State Police certifying that he/she has not been convicted

Annex 9: Sample of Employee Contract



OFFICE OF THE MAYOR
TAFUNSAK MUNICIPAL GOVERNMENT
P.O. BOX 227
TOFOL, KOSRAE STATE, FSM, 96944
TEL. NO. (691) 370-3211

PERSONAL SERVICE CONTRACT

The Municipal Government of Tafunsak ("Government") and _____, hereinafter referred to as "Contractor", mutually agree to the following terms and conditions:

- I. **CONTRACTOR'S DUTIES:** The Contractor shall:
 - a. Perform any and all duties and responsibilities of a Treasurer.
 - b. Perform all other duties and responsibilities as assigned by the Mayor.
- II. **GOVERNMENT DUTIES:** The Government shall:
 - a. Pay the contractor a gross biweekly salary of Two Hundred Seventy Two Dollars &00/100 (\$272.00).
 - b. To provide the necessary supervision and support to Contractor.
- III. **PLACE AND PERIOD OF PERFORMANCE:** The work set above is to be performed within the Municipality of Tafunsak. The Contractor's performance shall begin on January 2019 and end on September 2020.
- IV. **WORK PRODUCT:** All work product developed in the course of this Contract shall be the property of the Government.
- V. **LEAVE:** Contractor is entitled to any leave benefits as prescribed by Government's MOA.
- VI. **OVERTIME, HOLIDAY, AND HAZARDOUS PAY:** Contractor is entitled to these benefits as prescribed by Government's MOA.
- VII. **DEDUCTION:** Deduction for personal income taxes, social security and insurance premium due from the Contractor to the State or the National Government will be made by the Government.

PUBLIC AUDITOR'S COMMENTS

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

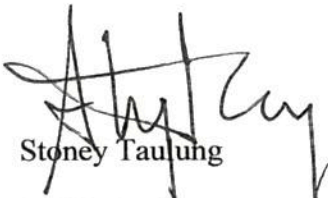
In compliance with government auditing standards, a copy of this draft report was shared with the Mayor and Chairman of the TMG 9th Council to provide response to the findings.

In addition, the Public Auditor Office also extends copies of this report to the following officials:

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

Should there be any questions and concerns regarding this report, please contact the office of the Public Auditor.

Respectfully,



Stoney Taulung
Public Auditor

ACKNOWLEDGEMENT AND OPA CONTACT

Audit on Tafunsak Municipal Government

Report No. FCA 01-2020

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

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OPA Mission Conduct effective and efficient audits and
investigation to ensure that Government
resources are properly managed

Office Contact Office of the Public Auditor
Post Office BOX 847
Tofol, Kosrae FM 96944

Website: www.ksaopa.fm
Tel #: (691) 370-3766
Fraud Hotline: (691) 370-3767