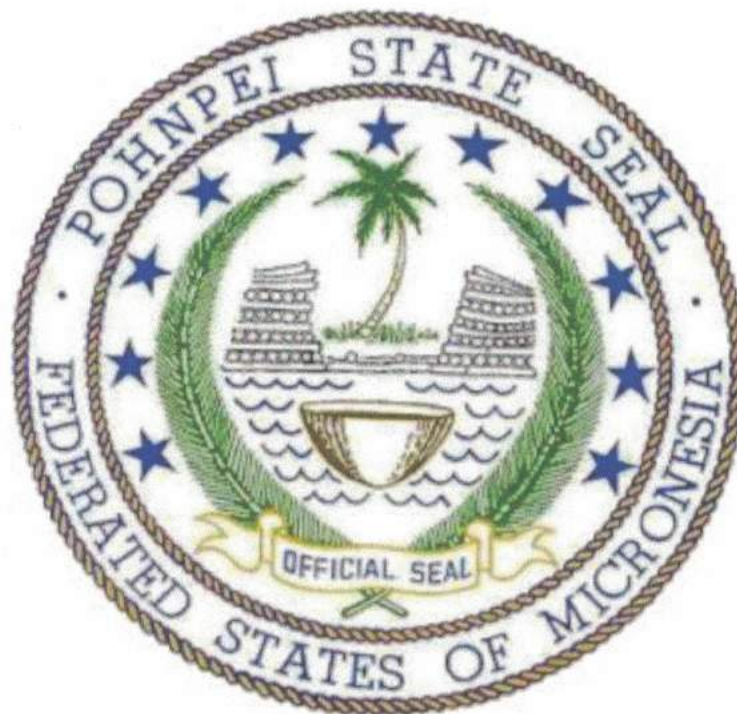


**SMALL BUSINESS GUARANTEE AND FINANCE CORPORATION  
FINANCIAL AUDIT  
FISCAL YEAR ENDED SEPTEMBER 30, 2020**

**AUDIT REPORT NO. 001-21**

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**Office of the Public Auditor  
State of Pohnpei**



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**SMALL BUSINESS GUARANTEE AND FINANCE CORPORATION  
AUDIT REPORT  
FISCAL YEAR ENDED SEPTEMBER 30, 2020**

**Table of Contents**

	<b><u>Page No.</u></b>
Executive Summary	i-ii
Independent Auditor's Report	1
Management Discussion and Analysis	2-4
Statement of Net Assets	5
Statement of Revenues, Expenses and Changes in Net Assets	6-7
Statement of Cash Flow	8
Notes to the Financial Statements	9-17
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting	19-20
Schedule of Findings and Recommendations	21-26
Exhibit I	27
Exhibit I - Auditee Response	28-29



**POHNPEI STATE GOVERNMENT  
OFFICE OF THE PUBLIC AUDITOR**

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June 28, 2021

The Honorable Oliver B. Reed, Governor, State of Pohnpei  
The Honorable Stevick Edwin, Acting Speaker, 10<sup>th</sup> Pohnpei Legislature  
Honorable Members of 10<sup>th</sup> Pohnpei Legislature  
Board of Directors, Small Business Guarantee & Finance Corporation  
Mr. Thomas Pablo Executive Director, Small Business Guarantee & Finance Corp.

**EXECUTIVE SUMMARY**

We are pleased to submit the financial audit report of the Small Business Guarantee and Finance Corporation (the Corporation), as of and for the fiscal year ended September 30, 2020. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and the *Government Auditing Standards*, issued by the Comptroller General of the United States. The audit was also performed pursuant to Article 11, Section 8 (2) of the Pohnpei State Constitution and Pohnpei State Law No. 1L-10-79, as amended.

The objectives of our audit were: (1) the expression of an opinion concerning whether the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of Small Business Guarantee and Finance Corporation, in conformity with accounting principles generally accepted in the United States of America, (2) reporting on the internal control relevant to an audit of the financial statements, and (3) reporting on the Corporation's compliance with laws and regulations, which could have a material effect on the financial statements. We also conducted a review of management controls to determine whether there is reasonable assurance that management's objectives were achieved efficiently and effectively.

The highlights of the report are as follows:

**Auditor's Opinion**

- The Corporation's financial statements present fairly, in all material respects, the financial position of the Corporation, as of September 30, 2020, and the results of its operations, and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.



## Financial Analysis

- The Corporation earned a total of \$68,456 in revenues during the fiscal year, a \$13,242 or 24% increase as compared to the \$55,214 earned in fiscal year 2019.
- At September 30, 2020, the Corporation's operating expenses totaled \$185,248. The amount is \$28,852 or 18% higher than last year's figure of \$156,396.
- The Corporation's net asset was increased by \$40,538.
- The Corporation's loan accounts increased from a net of \$572,086 in fiscal year 2019 to a total net of \$1,120,650 in the current year. One contributing factor is that several accounts were paid off but new loans were approved and due to Consumer Loan Program.

## Findings and Recommendations

- There are five (5) findings this fiscal year, regarding control deficiencies in the accounting system and their recovery plan and lapse in the review and SBG&FC's own policies and procedures. For the findings, we have provided our recommendations if implemented, could improve the Corporation's operation.

The findings are fully discussed in the Schedule of Findings and Recommendations shown on pages 21 to 26.


As is customary, we have discussed the draft report with management of the Corporation and have requested for their response to our findings and recommendations. The Corporation's response is shown on pages 28-29 of this report.

The Pohnpei State Law No. 5L-08-00, requires the auditee to prepare and submit monthly report to the Public Auditor indicating corrective measures already taken or will be shortly implemented to clear the audit deficiencies cited in the report until all findings are satisfactorily resolved, which period shall not exceed six months. Accordingly, the first progress report from the Corporation should be due around December 20, 2021.

In closing, we extend our sincere appreciation to the Corporation's Executive Director and members of the workforce for the support and assistance extended to us during the course of our audit.

With warm regards, I am.

Sincerely,



Ihlen K. Joseph  
State Auditor  
Pohnpei



**POHNPEI STATE GOVERNMENT**  
**OFFICE OF THE PUBLIC AUDITOR**

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**INDEPENDENT AUDITOR'S REPORT**

The Board of Directors  
Small Business Guarantee and Finance Corporation:

We have audited the accompanying financial statements of Small Business Guarantee and Finance Corporation (the Corporation), a component unit of the State of Pohnpei, as of September 30, 2020 and for the fiscal year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of the Small Business Guarantee and Finance Corporation, as of September 30, 2020, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2020 on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 2 to 4 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

  
Ihlen K. Joseph  
State Auditor  
25 May 2021



## **Small Business Guarantee and Finance Corporation**

Management's Discussion and Analysis  
Year Ended September 30, 2020

The Small Business Guarantee and Finance Corporation presents an overview of its financial performance as of and for the fiscal year ended September 30, 2020. This Management's Discussion and Analysis should be read in conjunction with the Corporation's financial statements, on pages 5 to 8 of this audit report.

### **Financial Highlights**

- For the fiscal year ended September 30, 2020, the Corporation's total operating revenues increased by \$13,242 or 24% over last year's figure.
- The net asset as of September 30, 2020 was \$1,870,482 which is higher than last year's amount of \$1,829,944.
- Net assets was increased by \$40,538.
- During the year, total operating expense increased by \$28,852 or 18%, as compared with prior year.
- The Corporation experienced an operating loss of \$116,792 in FY 2020 which is 15% higher than last year's operating loss of \$101,182.

### **Overview of the Financial Statements**

The financial statements presented herein include all activities of the Small Business Guarantee and Finance Corporation. Included in this report are the statement of net assets, the statement of revenues, expenses, and changes in net assets, and statement of cash flows. These financial statements present the complete financial picture of the Corporation from the economic measurement focus using the accrual basis of accounting. It can be read from these statements whether the cash inflow of the Corporation is sufficient to take care of its financial obligations and commitments. These financial statements help management to measure company performance and determine flaws in its financial policies and consequently to assist management in determining the appropriate remedial measures.

The Corporation's budget that is subsidized partly by Pohnpei State is prepared annually by the management and transmitted through the Board of Directors for approval of the Pohnpei State Legislature. The budget contains the projected revenues, expenses and capital expenditures.

**Small Business Guarantee and Finance Corporation**  
 Management's Discussion and Analysis  
 Year Ended September 30, 2020

**Financial Analysis of the Corporation as Whole**

**Changes in Net Assets**

The statement of net assets presents the financial position or condition of the Corporation and it shows the information on all of the Corporation's assets and liabilities, with the difference between the two reported as net assets or net liabilities. The passage of time and/or increases or decreases in net assets may serve as an indicator whether the financial position of the Corporation is improving or deteriorating.

The following table summarizes the changes in net assets of the Corporation for FY2020 and FY2019.

	<u>2020</u>	<u>2019</u>	<u>% Increase/ (Decrease)</u>
Current assets	729,845	\$1,271,044	(43%)
Capital assets, net	57,930	9,052	540%
Other non-current assets	<u>1,120,650</u>	<u>572,086</u>	<u>96%</u>
Total assets	<u>1,908,425</u>	<u>1,852,182</u>	<u>3%</u>
Current liabilities	<u>37,943</u>	<u>22,238</u>	<u>71%</u>
Net assets:			
Invested in capital assets	57,930	9,052	540%
Restricted	1,778,623	1,774,213	.25%
Unrestricted	<u>33,929</u>	<u>46,679</u>	<u>(27%)</u>
Total liabilities and net assets	<u>1,908,425</u>	<u>1,852,182</u>	<u>3%</u>

**Operating Activities**

The Corporation charges 1% guarantee fee per annum on the guaranteed outstanding loan based on the diminishing balance thereof and payable one (1) prepayment period in advance.

On the Micro Loan Program, the Corporation charges 9% interest per annum and 2% penalty fee for delinquent loans, based on the monthly amortization in the event an installment is made after the fifteenth (15<sup>th</sup>) day of the due date. Upon closing of the loan, the Corporation charges 0.5% processing fee and a 35% agent's commission on every credit life insurance premium the Corporation issues on each loan. The loan ceiling is \$25,000.

Personal/Consumer Loan Program was established in June 2020 for eligible Pohnpeian citizens. The loan program charges 13% interest per annum and 2% penalty fee for delinquent loans based on the monthly amortization. The Corporation charges \$25 upon closing of the loan. The loan ceiling is \$7,500 and the maximum repayment term is 3 years.

In fiscal year 2020, about 83% of the Corporation's operation was subsidized by the State Government, while the remaining 17% was provided through the Corporation's project income and other revenues. This year, the State Government provided an additional \$59,000 for the purchase of an updated version of the loan accounting system.

The result of the operation for the period as compared to last year is summarized below:

	<u>2020</u>	<u>2019</u>	<u>% Increase/ (Decrease)</u>
Operating revenues	\$ 68,456	\$ 55,214	24%
Operating expenses	<u>185,248</u>	<u>156,396</u>	18%
Operating income (loss)	(116,792)	(101,182)	15%
Non-operating revenues	157,330	98,408	60%
Capital Contribution from PSG	-	-	-
Net income (loss)	<u>\$ 40,538</u>	<u>(2,774)</u>	1561%

## **Capital Assets and Debt Administration**

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### **Capital assets**

As of September 30, 2020, the Corporation's investment in capital assets is \$57,930 (net of accumulated depreciation). The Corporation's capital assets include office furniture and equipment, software and vehicles.

## **Contacting the Corporation's Financial Management**

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This Management's Discussion and Analysis is designed to provide the customers, creditors, investors, board of directors and other interested parties, with a general overview of the Corporation's financial activities. Questions concerning any of the information provided in this discussion and analysis or requests for additional information should be addressed to the Executive Director, Small Business Guarantee and Finance Corporation at P.O. Box 1751 Kolonia, Pohnpei, FM 96941, or call (691) 320-2968 or (691) 320-3264.



## SMALL BUSINESS GUARANTEE AND FINANCE CORPORATION

### Statement of Net Assets

September 30, 2020

(With Comparative totals for September 30, 2019)

<b>ASSETS</b>	<b>2020</b>	<b>2019</b>
Current assets:		
Cash and equivalents – unrestricted (note 2)	\$ 800	\$ 800
Cash and equivalents – restricted (note 2)	657,973	1,202,127
Prepaid Insurance	208	379
Accounts receivable, net (note 3)	1,250	631
Employee loans receivable (4)	20,509	19,284
Advances, net (note 5)	2,082	800
Interest receivable (note 6)	47,023	47,023
Deferred Charges	-	-
Total current assets	729,845	1,271,044
Non-current assets:		
Property and equipment, net (note 7)	57,930	9,052
Notes receivable – restricted (note 8)	1,120,650	572,086
Total non-current assets	1,178,580	581,138
Total assets	\$ 1,908,425	\$ 1,852,182
 <b>LIABILITIES</b>		
Current liabilities:		
Social security payable	\$ 3,408	\$ 3,138
Withholding tax payable	1,328	1,075
Credit life insurance payable	765	765
Accrued expense	6,524	3,585
Accounts Payable	25,918	13,020
Total liabilities	\$ 37,943	\$ 22,238
 <b>NET ASSETS</b>		
Invested in capital assets, net of related debt	\$ 57,930	\$ 9,052
Restricted for capital stock and business development project	1,775,649	1,772,063
Restricted for employee loan program	2,974	2,150
Unrestricted net assets	33,929	46,679
Total liabilities and net assets	\$ 1,908,425	\$ 1,852,182

See accompanying notes to financial statements.

**SMALL BUSINESS GUARANTEE AND FINANCE CORPORATION**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**September 30, 2020**  
(With Comparative totals for September 30, 2019)

	<u>2020</u>		<u>2019</u>
<b>Operating revenues</b>			
Interest income (note 9)	\$ 56,877	\$	43,080
Loan processing fee	5,922		3,759
Loan restructuring fee	100		475
Recovery of loans PDLF	5,557		7,900
Total operating revenues	\$ 68,456	\$	55,214
 <b>Operating expenses</b>			
Salaries	77,363		75,333
Employee benefit program	2,469	\$	1,528
Retirement Plan Employer	1,705		2,772
Social security tax	5,847		5,541
Cost of living allowance	3,900		3,780
Travel	19,088		6,953
Depreciation	11,475		3,596
Office supplies	15,234		7,941
Telephone and communication	2,590		2,954
Utilities	2,815		3,774
Annual dues	0.00		2,990
Gasoline	3,845		2,577
Representation and entertainment	9,659		7,574
Repairs and maintenance	525		1,012
Janitorial and cleaning	1,940		1,860
Bank charges	1,083		1,917
Meeting allowance	2,380		2,500
Membership fee	352		967
Security service	4,320		17,280
Other Expense	0.00		195
Printing and Production	475		128
Legal and Professional fee	6,000		2,539
Insurance Expense	671		412
Miscellaneous	948		273
System Installation	10,564		
Total operating expenses	\$ 185,248	\$	156,396
Operating loss	\$ (116,792)	\$	(101,182)

<b>Non-operating revenues</b>		
Transfers in (note 10)	153,000	94,000
Interest Income (note 9)	1,541	2,273
Other income (note 12)	1,860	696
Interest income - employee loan	929	1,439
Total non-operating revenues	<u>157,330</u>	<u>98,408</u>
Contributed Capital	-	-
Increase (decrease) in net assets	40,538	(2,774)
<b>Net assets (liabilities) – beginning of year</b>	<u>1,829,944</u>	<u>1,832,718</u>
<b>Net assets (liabilities) – end of year</b>	<u>\$ 1,870,482</u>	<u>\$ 1,829,944</u>

See accompanying notes to financial statements.



**SMALL BUSINESS GUARANTEE AND FINANCE CORPORATION**

Statement of Cash Flows

September 30, 2020

<b>Cash flows from operating activities:</b>	
Receipts from customers	\$ 916,251
Payments to suppliers and employees	(1,557,382)
Net cash provided by operating activities	<u>(641,131)</u>
<b>Cash flows from non-capital financing activities:</b>	
Transfers in	153,000
Interest income	2,470
Other income	1,860
Net cash provided by non-capital financing activities	<u>157,330</u>
<b>Cash flows from capital and related financing activities:</b>	
Purchase of capital asset	<u>(60,352)</u>
Net cash provided by capital and related financing activities	<u>-</u>
Net cash and equivalents increase for the year	(544,154)
Cash and equivalents at beginning of year	<u>1,202,927</u>
Cash and equivalents at end of year	\$ <u>658,773</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating loss	\$ (116,792)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	11,475
(Increase) decrease in assets:	
Accounts receivable	(619)
Prepaid Insurance	171
Advances	(1,282)
Interest receivable	-
Employee loans receivable	(1,225)
Due from PSG	
Notes receivable	(548,564)
Increase (decrease) in liabilities:	
Accounts payable	12,000
Accrued expense	2,939
Credit life insurance payable	-
Social security tax payable	270
Cash Short/Over	243
Suspense Account	-
Withholding tax payable	<u>253</u>
Net cash used by operating activities	\$ <u>(641,131)</u>

See accompanying notes to financial statements.

SMALL BUSINESS GUARANTEE AND FINANCE CORPORATION  
Notes to Financial Statements  
September 30, 2020

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
A. Reporting Entity

The Corporation was established by Pohnpei State Law No. 3L-86-95 on February 14, 1995. However, it officially started its operation on October 1, 1999 when the accounting system was transferred from the Department of Treasury and Administration to the Corporation. The Corporation's mission is to provide, promote, develop and widen in both scope and service, reach various alternative modes of financing for small enterprises, including, but not limited to, direct and indirect project lending, venture capital, financial leasing, and secondary mortgage and/or rediscounting of loan papers to small businesses.

Pursuant to Pohnpei State Law No. 5L-14-00 (Executive Reorganization Act of 2000), the Corporation shall be attached to the Pohnpei State Government's Office of Economic Affairs, and shall be under the policy, program, and administrative supervision of the Small Enterprise Development (SED) Council. It shall exercise all the general powers conferred by law upon corporations as are incidental or conducive to the attainment of the Business Development Act of 1994, including the power to promulgate articles of incorporation, bylaws, rules and regulations, guiding programs and policies. Its main function is to guarantee loans to qualified small enterprises, local and/or regional associations' small enterprises and industries, private voluntary organizations and/or cooperatives. It may guarantee loans up to 85% and may also provide second guarantees on the credit and/or investment guarantees made by credit guarantee associations and other institutions in support of small enterprises.

The powers of the Corporation shall be vested upon a seven-member Board of Directors. The Administrator of the Office of Economic Affairs shall serve as Chairman, with the other six members appointed by the Governor upon recommendation of the SED Council with the advice and consent of the Legislature. Three members shall come from the private sector and the other three members are from the public sector. The Board consists of seven (7) members, including its Chairman. Effective March 17, 2019 a new State Law No. 9L-103-19, provides that "The members of the Board shall elect a chairman of the Board during the first meeting of the Board, following the most recent amendment to this section of the Code, who shall serve a term of chairman as set forth in the bylaws of the Corporation."

The Corporation is managed by an Executive Director, appointed by the Board of Directors and who reports directly to the Board. The Director is charged with the responsibility of ensuring smooth operation of the Corporation in line with the policies



(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

established by the Board of Directors. He is also in charge of the implementation of the guarantee program.

B. Financial Statements

The financial statements of Small Business Guarantee and Finance Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governmental entities, specifically proprietary funds. Governmental Accounting Standards Board (GASB) Statement No. 20, "Accounting and Financial

Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting," requires that proprietary activities apply all applicable GASB pronouncements as well as Statements and Interpretations issued by the Financial Accounting Standards Board (FASB), Accounting Principle Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989.

The Corporation has implemented the general provisions of GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", pursuant to paragraph 142 of the Statement. The financial statements in this report include the Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets; and Statement of Cash Flows.

C. Fund Structure, Measurement Focus, and Basis of Accounting

The accounts of the Corporation are organized as a proprietary fund-component unit of Pohnpei State Government. Proprietary funds are used by governmental units to account for operations that are financed and operated in a manner similar to private business enterprises. The purpose of a proprietary fund is to provide periodic determination of revenues, expenses and net income as well as the maintenance of capital.

Proprietary funds are accounted for on a flow of economic resources measurement focus, whereby all assets and liabilities associated with the operations of the funds are included in the statement of net assets. Net asset is segregated into three (3) components: invested in capital assets, restricted, and unrestricted. The operating statement for proprietary funds is the statement of revenues, expenses, and changes in fund net assets. Revenues are reported by major sources and distinguished between operating and non-operating revenues.

Basis of accounting refers to when revenues and expenses are recorded in the accounts and reported in the financial statements. The Corporation utilizes the accrual basis of



(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when cash is received or payment is made.

D. Budget

The Corporation operates on an annual budget determined and appropriated by the Pohnpei State Legislature (PSL). The Corporation, upon approval by the Board of Directors, may also use certain revenues generated by its activities to supplement its annual budget.

E. Cash and Equivalents

For the purpose of the statement of net assets and statement of cash flow, cash and equivalents are defined as cash on hand and cash in banks, including time certificates of deposit that mature within one year. Of these amounts, \$250,000 is insured through the FDIC, with the remaining balance exceeding insurable limits. The Corporation does not require collateralization of its deposits by its banks. Therefore, the amounts, which exceed the FDIC insurable limits, are characterized as uncollateralized.

F. Capital Assets

Assets with value of \$1,000 or more are capitalized and recorded at cost less accumulated depreciation. Depreciation is based on the straight-line method over the estimated useful lives of the respective assets.

G. Revenues

Annual operating subsidies to the Corporation, which finance either capital or current operations, are reported as non-operating revenues based on GASB Statement No. 33.

H. Compensated Absences

Vested or accumulated vacation leave is recorded as an expense and liability as the benefit accrues to employees. In accordance with the provisions of FASB Statement No. 43-Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. The related sick pay expense is recorded when the benefit is actually taken.

I. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual reports could differ from those estimates.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

J. Net Assets

The Corporation complied with the requirements of GASB Statement No. 34, regarding the presentation of net assets in the financial statements. The difference between the assets and liabilities is displayed as “net assets”, which is further segregated into three (3) components: “invested in capital assets”, “restricted”, and “unrestricted”. The restricted component of net assets includes cash, notes receivable and investment where the fund source has been restricted for capital stock and business development projects. The unrestricted component of net assets includes unrestricted cash, other current assets and liabilities that are not restricted for use by the Corporation.

K. New Accounting Standards

During the year, the Corporation implemented the following pronouncements:

- GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple- Employer Plans*, which amends Statement No. 43, *Financial Reporting for Postemployment Reporting by Employers for Postemployment Benefits Other Than Pensions*, and addresses issues related to the frequency and timing of measurements for actuarial valuations first used to report funded status information in OPEB plan financial statements. The implementation of this pronouncement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions* (an amendment to GASB Statement No. 53), which will improve financial reporting by state and local governments by clarifying the circumstances in which hedge accounting continues to be applied when a swap counterparty, or a swap counterparty’s credit support provider, is replaced. The implementation of this pronouncement did not have a material effect on the accompanying financial statements.

In December 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which addresses how to account for and report service concession arrangements (SCAs), type of public-private or public-public partnership that state and local governments are increasingly entering into. The provisions of this statement are effective for periods beginning after December 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of Small Business Guarantee and Finance Corporation.



(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

K. New Accounting Standards, Continued

In December 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*, which is designed to improve financial reporting for governmental entities by amending the requirements of Statements No. 14, *The Financial Reporting Entity*, and No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, to better meet user needs and address reporting entity issues that have come to light since those Statements were issued in 1991 and 1999, respectively. The provisions of this statement are effective for periods beginning after June 15, 2012. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Corporation.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements. The provisions of this statement are effective for periods beginning after December 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of Small Business Guarantee and Finance Corporation.

In July 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The provisions of this statement are effective for periods beginning after December 15, 2011. Management has not yet determined the effect of implementation of this statement on the financial statements of the Corporation.

In April 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The provisions of this statement are effective for periods beginning after December 15, 2012. Management has not yet determined the effect of implementation of this statement on the financial statements of Small Business Guarantee and Finance Corporation.

In April 2012, GASB issued Statement No. 66, *Technical Corrections - 2012*, which enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The provisions of this statement are effective for periods beginning after December 15, 2012. Management has not yet determined the effect of implementation of this statement on the financial statements of the Corporation.



(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

K. New Accounting Standards, Continued

In June 2012, GASB issued Statement No. 67, Financial Reporting for Pension Plans, which revises existing guidance for the financial reports of most pension plans, and Statement No. 68, Accounting and Financial Reporting for Pensions, which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The provisions in Statement 67 are effective for financial statements for periods beginning after June 15, 2013. The provisions in Statement 68 are effective for fiscal years beginning after June 15, 2014. Management has not yet determined the effect of implementation of these statements on the Corporation's financial statements.

(2) CASH AND EQUIVALENTS

The Corporation's cash and equivalents at September 30, 2020 is summarized below:

	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
Petty cash	\$	800	800
Cash in bank – Savings ITA	9,816		9,816
Cash in bank – BOG	205,038		205,038
Cash in bank - PDLF Savings	171,172		171,172
Cash in bank - Employee Loan Program	2,974		2,974
Cash in bank – Direct Loan Program	66,903		66,903
Cash in bank- TCD	202,070		202,070
Total cash and equivalents	\$ <b>657,973</b>	<b>800</b>	<b>658,773</b>

The restricted cash represents balances of cash in banks arising from the following:

- The Original capitalization of \$1,000,000;
- Business development projects fund of \$500,000 received by the Corporation in fiscal year 2000;
- A transfer of \$102,700 from the defunct Development Loan Fund. (See also Note 10); and,
- Initial employee loan fund of \$10,000.

(3) ACCOUNTS RECEIVABLE

The Corporation's accounts receivable at September 30, 2020 is **\$1,250**.

(4) EMPLOYEE LOANS RECEIVABLE

The total balance of employees' loans with the Corporation at September 30, 2020 is **\$20,509**.

(5) ADVANCES

The summary of the Corporation's advances at September 30, 2020 is as follows:

Total amount of advances	\$5,123
Allowance for doubtful accounts	<u>(3,041)</u>
Net	<u><b>2,082</b></u>

(6) INTEREST RECEIVABLE

The Corporation charges 9% on its direct loans and the loans from the defaulted guarantees. At September 30, 2020, the loans have accrued interests of **\$47,023**.

(7) CAPITAL ASSETS

The capital assets' activities as of and for the fiscal year ended September 30, 2020 are as follows:

<u>Description</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decrease)</u>	<u>Ending Balance</u>
Vehicles	\$ 14,532	0	0	\$ 14,532
Office equipment	18,644	1,353	0	19,997
Software	101,064	59,000	0	160,064
Total cost	<u>\$134,240</u>	<u>60,353</u>	<u>0</u>	<u>194,593</u>
(Less) accumulated depreciation for:				
Vehicles				\$ ( 9,030)
Office equipment				( 18,702)
Software				(108,931)
Total accumulated depreciation				<u>\$ (136,663)</u>
Capital assets, net				<u><b>57,930</b></u>

(8) NOTES RECEIVABLE

The account represents two (2) promissory notes arising from defaulted loan guarantees and one hundred (100) promissory notes ensuing from the Micro Loan Program.

A summary of the notes receivable at September 30, 2020 is as follows:

Description	Gross Amount	Allowance for Bad Debts	Net Amount
Micro Loan Program (100 accounts)	\$ 751,510	\$ (129,093)	\$ 622,417
Defaulted Loan Guarantees (2 accounts)	166,429	( 166,429)	0.00
PDLF	261,279	(261,279)	0.00
Consumer Loan Program	498,233	0.00	498,233
Total	\$ 1,677,451	\$ ( 556,801)	\$ 1,120,650

(9)

INTEREST INCOME

The amounts represent 9% interests earned on the direct loans under Micro Loan Program (MLP), the loans from the defaulted loan guarantees (DLG) and 13% interest earned on the Consumer Loan program for the year ended September 30, 2020.

(10) TRANSFERS-IN

The Pohnpei State Legislature appropriated \$94,000 to subsidize the Corporation's operation for the fiscal year 2020. The amount is recorded as non-operating revenue. State Legislature approved an additional \$59,000 for the purchase of an updated version of the loan accounting system.

(11) POHNPEI DEVELOPMENT LOAN FUND (PDLF)

In December 2013 the Governor signed into law S. L. No. 8L-36-13 authorizing the transfer of \$100,000 of the liquid capital of the defunct Development Loan Fund (the Fund) and all the outstanding loan portfolio of the Fund to the Corporation. The fund is contributed as capital for the Corporation for the purpose of providing government assistance to qualifying businesses. The capital including payments/interests in the total amount of \$102,700 was recorded in the Corporation's books in June 2014 and named as Pohnpei Development Loan Fund.

(12) OTHER INCOME

The amounts represent interest earned on operation bank accounts maintained by the Corporation and interest earned on employees' loans for the year ended September 30, 2020.



(13) CONTINGENCIES

Risk Management

The Corporation does not purchase commercial insurance covering its potential risks. Management is of the opinion that no material losses have been sustained as a result of this practice.

Claims

There is currently no outstanding lawsuit or claim filed or threatened to be filed against the Corporation.

Guarantees

Pursuant to the Corporation's enabling act [PSL No. 3L-86-95, Section 15 (3)], the Corporation shall become liable under its guarantees upon proof that the loan has become past due under such terms and guidelines adopted by its Board and printed on the contract of guarantee. The Corporation did not enter into new loan guarantees during the fiscal year 2020.

SMALL BUSINESS GUARANTEE & FINANCE CORPORATION

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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YEAR ENDED SEPTEMBER 30, 2020



## OFFICE OF THE PUBLIC AUDITOR POHNPEI STATE GOVERNMENT

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### **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE BASED UPON THE AUDIT IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Chairman  
Board of Directors  
Small Business Guarantee and Finance Corporation:

We have audited the accompanying financial statements of Small Business Guarantee and Finance Corporation (the Corporation), as of and for the year ended September 30, 2020, and have issued our report thereon dated May 25, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The result of our tests disclosed material instances of noncompliance, which are described in the accompanying Schedule of Findings and Recommendations (pages 23-26) as finding Numbers 2020-003 and 2020-005 that is required to be reported under Government Auditing Standards.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and do not provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Corporation's ability to record, process, summarize and report financial data consistent



with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Recommendations (page 21-26) as findings 2020-001 to 2020-002 and 2020-004

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the findings identified as reportable conditions described above are material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management of the Corporation, federal awarding agencies, pass-through entities, the cognizant audit and other federal agencies, and is not intended to be, and should not be, used by anyone other than these specified parties.



Ihlen K. Joseph  
State Auditor  
25 May 2021

**SMALL BUSINESS GUARANTEE AND FINANCE CORPORATION**  
**Schedule of Findings and Recommendations**  
**Fiscal Year Ended September 30, 2020**

**Finding No. 2020-001 Internal Control Weaknesses in the Accounting and Financial Reporting**

**Criteria:** A sound and well-designed system of internal controls over accounting encompass processes, mechanisms and strategies that management implement to ensure accurate and reliable financial reporting.

**Condition:** The Corporation was not able to provide accurate and reliable financial reports in a timely fashion. The first financial reports and records submitted to us contained numerous errors. We learned also that in February 2020, the Corporation purchased and implemented a new accounting software that combined all accounting functions in one software program. (The previous accounting system consisted of a MBV8 software used for accounting of its loan programs and a Peachtree Accounting software utilized for accounting of the general transactions). Our review revealed the following:

- 1) Balances in the General Ledger did not match the amounts in the Trial Balance and several accounts (with balances) were showing in the GL report but not reflected in the Trial Balance.
- 2) The beginning balances forwarded in February 2020 to the new accounting system could not be verified because the old accounting software the Corporation used crashed in January 2020. The Corporation did not make back up copy of the accounting records and reports, and the Accountant could not provide the supporting schedules that the balances were obtained from.
- 3) The GL shows a “Sundry” account with forwarded balance supposedly from the old accounting system. However, the Corporation did not use a “Sundry” account in its previous accounting system.
- 4) Several adjusting entries were made by the provider (the off island company that sold the accounting software to the Corporation) without the Corporation’s approval. The adjusting entries resulted in a debit balance for Net Assets of \$603,580. Prior year audited balance was \$57,598 (credit).
- 5) There was absolutely no bank reconciliation made of the Corporation’s bank accounts for the fiscal year under audit.
- 6) Unusual increase in Accounts Payable balance due to double recording of transactions.
- 7) Several loan payments amounting to \$3,953 were not recorded.

**Finding No. 2020-001 Internal Control Weaknesses in the Accounting and Financial Reporting continued**

- 8) Instances of double payments.

We also noted recurrence of other internal control related issues as follows:

- 1) Granting payrolls that included hours not yet earned; and, non-payment of payroll advances, and,
- 2) Tagging of assets is still incomplete.

**Cause:** The condition occurred because the Corporation still does not have qualified financial personnel and has not trained the Accountant well to efficiently carry out all the accounting and financial reporting functions. Yet, it installed and adopted a new accounting software that in our view reflects lack of proper planning. Accounting and financial reporting will not improve without implementing an all-encompassing and sound internal control system regardless of how good and new the accounting software program is.

**Effect:** As a result, the financial reports could not be relied on. The Corporation resorted to correct, manually record the transactions in spreadsheets, and prepare new sets of financial reports and schedules which greatly delayed audit work. There is still potential risk for misstatements in future financial reports if management does not take appropriate action to resolve the issues concerning its accounting system.

**Recommendation:**

We recommend that the Board and the Executive Director prioritize improving the Corporation's accounting and financial reporting. Management should recruit a qualified person to oversee the accounting and financial reporting of the Corporation and train the Accountant to eventually assume the responsibilities.

**Auditee Response:** Please refer to Exhibit I on pages 28-29 of this report for auditee's response.

**Finding No. 2020-002 Lapse in Review Resulted in Loss of Funds**

**Criteria:** Management must have policies and effective strategies in place to enable proper and timely assessment and review of significant matter and accounting records to reduce the risk of loss due to error or intentional act.

**Condition:** Our review disclosed the following:

- 1) A cash receipt 19924/19925/19928-19930 and 20023 for collection of \$175 were issued but the money was not deposited to the bank;
- 2) Total amount of \$183 for double payments and unaccounted petty cash fund not prevented or detected and;



### **Finding No. 2020-002 Lapse in Review Resulted in Loss of Funds continued**

3) Conference registration fee of \$693 not reimbursed due to late cancellation of ticket for one of the Board members.

**Cause:** The condition happened due to lapse of proper and timely review and reconciliation of accounting records and significant matters affecting the Corporation.

**Effect:** The condition resulted to non-sufficient fee (NSF) of \$140 and a permanent loss of \$1051 and may lead to more irregularities including loss of material amount if it is not corrected.

**Recommendation:** We recommend that management should diligently review properly and timely the accounting records and all significant matters affecting the Corporation to prevent or minimize the chance for duplicate payments, loss of money received not deposited and other irregularities. Management should attempt to recover the missing funds as appropriate.

**Auditee Response:** Please refer to Exhibit I on pages 28-29 of this report for auditee's response.

### **Finding No. 2020-003 Non Compliance with the Consumer Loan Policy**

**Criteria:** Section 10 of Consumer Loan policy requires that loan officers should endeavor to visit the home being improved/renovated to ensure compliance with loan purpose.

**Condition:** Our audit revealed that none of the homes improved/renovated through the consumer loan program was visited by the Corporation's loan officers. Our audit also found instances of incomplete documentation in the Consumer and Commercial loan files.

**Cause:** Management is not enforcing the policies and procedures of the loan programs.

**Effect:** This could result to lenient application or normalizing non-application of policies and procedures.

**Recommendation:** We recommend management should enforce the loan policies consistently to maintaining the relevancy of such policies and procedures.

Note: On April 29, 2021, the board passed a resolution amending Section 10 of the Consumer Loan Policy to not require the visit.

**Auditee Response:** Please refer to Exhibit I on pages 28-29 of this report for auditee's response.

### **Finding No. 2020-004-Inadequate Disaster Recovery Backup**

**Criteria:** Organizations that depend on technologies to conduct day-to-day operations must have Information Technology (IT) disaster recovery plan in place to ensure continuity of operation in the event of disaster involving IT infrastructure, such as the loss of access to virtual systems.

**Condition:** The Corporation lost significant financial data and information when its previous accounting software crashed in January 2020. The virtual information and data could not be

**Finding No. 2020-004-Inadequate Disaster Recovery Backup continued**

recovered. The Corporation did not maintain back up copy of its previous accounting system and information.

**Cause:** The Corporation did not have disaster recovery plan or guidance on securing its virtual financial and accounting information, and did not make back up copy of its IT system.

**Effect:** The condition resulted in operation inefficiency, inaccurate financial reporting and loss of virtual audit trail. As a consequence also, the audit was delayed until the Corporation manually prepared transactions and account schedules and financial reports to facilitate completion of audit.

**Recommendation:** We recommend that management should prioritize developing its IT recovery plan and implement it to secure its financial information system. The plan should include methodologies that provide guidance for making, maintaining and regularly backing up all important financial data and reports.

**Auditee Response:** Please refer to Exhibit I on pages 28-29 of this report for auditees reponse.

**Finding No. 2020-005 Unresolved Prior Years' Findings**

**Criteria:** Pursuant to Pohnpei State Law No. 5L-08-00, the Authority is required to submit to the Public Auditor a report on its progress in clearing the deficiencies cited in the audit report until such time that all the deficiencies have been cleared, which period shall not exceed six (6) months.

**Condition:**

The table that follows shows the status of the implementation of prior year's recommendations:

<b>Audit Findings</b>	<b>Status of Implementation of Recommendation</b>	<b>Auditor's Remarks</b>
<b>Finding No. 2018-001 Non-Compliance with payroll policy.</b> Executive Director should not allow advance payment of employee hours that have not been earned.	Still outstanding	This could be due to the timing of the FY 2019 Audit Report.
<b>Finding No. 2018-002 Deficiencies in the Documentation of Loans</b>  Make sure that all the required documents are complete.	Still outstanding	There was a an improvement compared to last year.  This could be due to the timing of the FY 2019 Audit Report.



<p><b>Finding No. 2018-004 Control Weaknesses in the Financial Reporting and Supporting Accounting Records</b></p> <p>Management should recruit a qualified person to account and report on the financial activities of the Corporation and train the current Accountant to eventually assume the duties and responsibilities.</p>	<p>Still Outstanding</p>	<p>Accountant still needs more training. A CPA was recruited from the Philippines but due to COVID-19, travel into Pohnpei was banned.</p>
<p><b>Finding No 2019-003 Payroll Related matters not in accord with Policies and Procedures</b></p> <p>Management should strictly implement the corporation's policies and procedures regarding payroll related administrative matters including advances of salaries.</p>	<p>Still Outstanding</p>	<p>Management should enforce strict compliance with the Corporation's policies and procedures.</p>
<p><b>Finding No 2019-004 Lapse in Reconciliation resulted in numerous adjusting entries proposal</b></p> <p>Management to explore and find the best way to resolve the Corporation's accounting and reporting deficiencies.</p>	<p>Still Outstanding</p>	<p>Accountant still needs more training. A CPA was recruited from the Philippines but due to COVID-19, travel into Pohnpei was banned.</p>
<p><b>Finding No. 2019-05 Control Deficiencies in Disbursement Process</b></p> <p>Executive Director should implement effective supervisory review and monitoring of disbursements to ensure observance of policies and procedures</p>	<p>Still Outstanding</p>	<p>Management should enforce strict compliance with the Corporation's policies and procedures.</p>
<p><b>Finding No. 2019-06 Lack of Proper Review and Documentation</b></p> <p>Executive Director and the Board to implement suitable internal control structure that enable improved review and documentation.</p>	<p>Still Outstanding</p>	<p>Management should enforce strict compliance with the Corporation's policies and procedures.</p>
<p><b>Finding No. 2019-007 Non-capital assets not properly maintained</b></p> <p>Executive Director should ensure that all responsible employee (s) regularly performed inventory count and inspection of corporation assets.</p>	<p>Still Outstanding</p>	<p>Accountant still needs more training. A CPA was recruited from the Philippines but due to COVID-19, travel into Pohnpei was banned.</p>

**Cause:**

Management did not develop and implement corrective measures to resolve all prior year audit findings. The condition reflects unconcerned attitude of management not taking action that would improve the operation as well as protect the Corporation's interest.

**Effect:**



**Finding No. 2020-005 Unresolved Prior Years' Findings continued**

The non-resolution of the prior years' audit findings will continue to hinder the effective maintenance of a suitable internal control system as well as Corporation's compliance with applicable laws and regulations.

**Recommendation:**

We recommend the Corporation to resolve all prior years' audit findings. The Board should ensure that the Executive Director develops and implements suitable corrective measures that would satisfactory resolve the audit findings to improve the internal control system and compliance issues of the Corporation.

**Auditee Response:** Please refer to Exhibit I on pages 28-29 of this report for auditees response.

**SMALL BUSINESS GUARANTEE AND FINANCE CORPORATION**

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**AUDITEE RESPONSE (EXHIBIT I)**

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**YEAR ENDED SEPTEMBER 30, 2020**

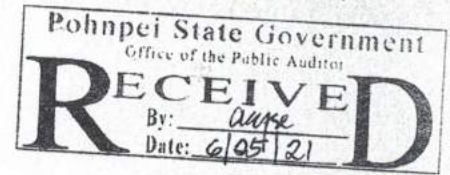


## SMALL BUSINESS GUARANTEE AND FINANCE CORPORATION

P.O. Box 1751 Kolonia, Pohnpei FM 96941  
 Telephone Numbers: (691) 320-2968/3264

June 25, 2021

Honorable Iso Ihlen K. Joseph  
 State Public Auditor  
 Office of the Public Auditor  
 Pohnpei State Government  
 Kolonia, Pohnpei FSM 96941



### REF: AUDITEE RESPONSE TO FY 2020 AUDIT FINDINGS OR CITATIONS

Maing Honorable Iso:

Provided below, please find our detailed response to your audit findings of SBGFC Financial Statements for period then ended September 30, 2020.

#### **Audit Finding No. 2020-001 - Internal Control weaknesses in the Accounting and Financial Reporting**

**Auditee Response:** We concur with the auditor's recommendation and wish to note that recruitment and hiring of a Senior Accountant is a top priority and is nearly complete.

**Corrective Action Plan** – To ensure for accurate of FY2021 beginning balances, FY2020 ending balances as reflected in the said audit shall be recorded or keyed into the system manually.

#### **Audit Finding No. 2020-0002 - Lapse in Review Resulted in Loss of Funds**

**Auditee Response:** Auditor's recommendation was well noted. However, further review of these transactions needs to be done to ensure that the said funds where not mistakenly deposited into MLF the loan funds rather than the Operations fund. **Corrective Action Plan** - Management will ensure for a periodic review of all collections as proposed by the auditors and add a third individual on to the daily- recap sheet to certifies for the actual deposits. Collections of these fund will automatically be done through payroll deduction from the person who did the cash count and the individual who did the verification once final determination is made.

#### **Audit Finding No. 2020-003 – Non-Compliance with the Consumer Loan Policy**



**Auditee Response:** Again, auditor's recommendation was well noted. Clearly, an oversight which has been addressed accordingly. **Corrective Action** - On April 29, 2021 the board of directors passed a resolution repealing Section 10 of the policy which require documentation of vehicle loan and home improvement.

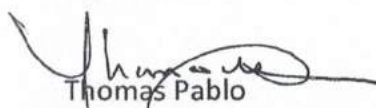
**Audit Finding No. 2020-004 – Inadequate Disaster Recovery Backup**

**Auditee Response:** While we agreed with the recommendation of the auditors, it should be noted that there is in place a disaster recovery plan on securing its virtual financial and accounting information. This is done on daily basis by our accountant by doing a software back up of the daily transaction. Plus, the software providers just recently added an automatic mid-day back-up of the system to again guarantee for none loss of transactions. What happened during the year was really unfortunate, the corporation just recently bought a new and upgraded software and during the Installation or migration process the whole world was hit by the deadly Corona virus. Hence, border all countries in the world were forced to close which causes the training for the use of the system was cut short. Unfortunately, our then accounting software was crashed which compounded the problem the corporation faces. **Corrective Action Plan** – We will continue to work with our software provider for further enhancement of our system on security functions and vigorous training of the staff on the use of the new software.

**Audit Finding No. 2020-005 – Unresolved Prior Years findings**

**Auditee Response:** We agreed that all prior years finding must be addressed and resolved accordingly. These are recurring findings that have been addressed on a yearly basis as evident from lesser findings by the auditors and their notes of improvement in some of the areas. The following payroll related findings will no longer be an issue since the ceased of such practice; Finding No. 2018-001 and Finding No. 2019-003. **Corrective Action Plan** - Any outstanding payroll advances shall be addressed through payroll deduction. Recruitment and Hiring of a Senior Accountant is nearly complete, pending the border to open. Once on board, the following findings will ultimately be resolved; Finding No. 2018-004, Finding No. 2019-004 and finding no. 209-007. It should be noted that in the past such professional services were usually provided by the Department of Treasury and Administration's Financial Advisor. We will approach the department for their continued assistance till the senior accountant is on board. Finding No. 2018-002, Finding no. 2019-005 and finding no. 2019-006 relate to documentation which we believe should be removed as evidence from the current year non findings on this specific area.

Ni Wahu,

  
Thomas Pablo  
Executive Director



### IMPORTANT MESSAGE

We actively solicit and welcome allegations of any insufficient and wasteful practices, fraud and abuse of Pohnpei State Government public resources. Fraud, waste and abuse in government should be concern of everyone in Pohnpei. You can report allegations of fraud and abuse by contacting us at address below:

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P.O. Box 370  
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Phone (691) 320-2638  
Hotline: (691) 320-8497 - (24/7)  
E-mail: [opsa\\_psa@mail.fm](mailto:opsa_psa@mail.fm)  
Website: [www.opapni.fm](http://www.opapni.fm)

### MEHN KAPESEH KESEMPWAL

Pwukoa en tetehk, apwapwalih oh doadoahki mwohni oh dipwisou en kopwerment en wein Pohnpei sapwelimatail karos (tohn doadoahk en kopworment, Ohpis en Public Auditor oh aramas karos en Pohnpei). Komw kak repwohtki omwi iren kapwunod kan me pid sou itar en apwalih mwohni, dipwsou de awahn doadoahk en kopworment en Pohnpei ni ahnsou karos ong ni:

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