

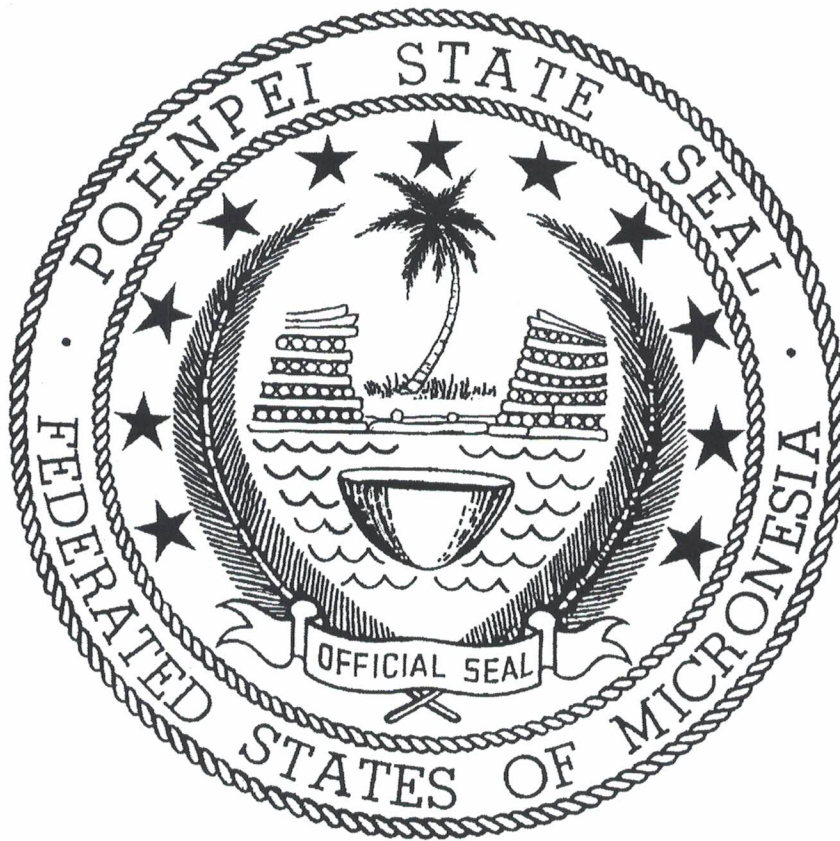
**POHNPEI TRANSPORTATION AUTHORITY  
FINANCIAL AUDIT  
FISCAL YEAR ENDED SEPTEMBER 30, 2022**

**AUDIT REPORT NO. 002-23**

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**Office of the Public Auditor**

**State of Pohnpei**



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POHNPEI TRANSPORTATION AUTHORITY  
AUDIT REPORT  
FISCAL YEAR ENDED SEPTEMBER 30, 2022

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

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September 27, 2023

The Honorable Oliver Reed, Governor, State of Pohnpei  
The Honorable Marvin Yamaguchi, Speaker, Pohnpei State Legislature  
The Honorable Members of the Pohnpei State Legislature  
The Board of Directors, Pohnpei Transportation Authority

EXECUTIVE SUMMARY

We are pleased to submit the financial audit report of Pohnpei Transportation Authority (PTA) as of and for the year ended September 30, 2022. The audit was conducted in accordance with auditing standards generally accepted in the United States of American 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, result of operations, and cash flows of Pohnpei Transportation Authority as of and for the year ended September 30, 2022.
2. Reporting on the internal control relevant to an audit of the financial statements; and,
3. Reporting on PTA's compliance with laws and regulations, which could have a material effect on the financial statements.

The highlights of the report are as follows:

- The Authority received an unqualified opinion on its financial statements for the fiscal year ended September 30, 2022.
- Operating revenues for the year was \$1,938,485, a decrease of \$207,009 or 9.6% compared to prior fiscal year of \$2,145,494.
- Operating expenses increased by 20% or \$413,992 from \$2,022,600 to \$2,436,592. Payroll related cost account for 57% of the total operating expense. Supplies and Materials increased by \$95,530 whereas POL increased by \$40,318 from \$241,943 to \$282,261 for the year.

- PTA's operation resulted in operating loss of \$498,107, a huge loss compared to net income last year of \$122,894.
- Net asset for the year is \$488,967, a decrease of \$498,107 or 50% from prior year.
- Due to primary government was increased by 9% or \$156,501 from \$1,674,860 to \$1,831,361. The amount represents what PTA owes the Pohnpei State General Fund.

The audit cited six (6) findings which are detailed on pages 18-26. Of the six (6) findings, we disclosed three (3) material weaknesses in internal control over financial reporting and three (3) material instance of non-compliance with laws and regulations as follows. Among the findings were:

1. Lack of proper records and documentation delayed compilation of Financial Statements;
2. Internal control weaknesses in the processing of cash disbursements or payments;
3. Noncompliance with PSSR relating to leaves
4. Noncompliance with PTA's payroll process
5. Noncompliance with PTA's policies and procedures of revenue collection resulted to loss of funds; and,
6. Unresolved prior year's audit findings. Management has not appropriately resolved all prior year audit findings. The non-resolution of the prior year audit findings is not in compliance with Pohnpei State Law No. 5L-08-00 and will continue to affect the effective maintenance of PTA's internal control system.

A draft of this report was provided to and discussed with the management of PTA and the auditee's response is included hereto as Exhibit I on pages 27-31.

In this report, we have offered our recommendations to the findings that we believe once implemented, PTA's operations could be improved. In this regard, we request management to promptly identify corrective measures to implement the audit recommendations to resolve the findings.

We commend PTA management for improving our roads in Pohnpei. Lastly, we extend our appreciation to the management and members of the PTA work force for the assistance they extended to us during the course of our audit.

Sincerely,



Iso, Ihlen Joseph  
State Public Auditor

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



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**INDEPENDENT AUDITOR'S REPORT**

Mr. Midion G. Neth  
Chairman  
Board of Directors  
Pohnpei Transportation Authority  
Kolonias, Pohnpei State, FM 96941


We have audited the accompanying statement of net assets of Pohnpei Transportation Authority (PTA), a component unit of the State of Pohnpei, as of September 30, 2022, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of PTA'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 the *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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PTA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 financial statements referred to above present fairly, in all material respects, the financial position of PTA, as of September 30, 2022, and the result 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.

The Management's Discussion and Analysis on pages 3 to 4 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the management of PTA. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurements and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2023 on our consideration of PTA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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.



Ihlen K. Joseph  
State Public Auditor  
August 16, 2023

# POHNPEI TRANSPORTATION AUTHORITY

## Management's Discussion and Analysis

Year Ended September 30, 2022

This section of the Pohnpei Transportation Authority's financial report presents our Management's Discussion and Analysis (MD&A) for the fiscal year ended September 30, 2022. This MD&A is prepared in compliance with the GASB 34 requirement. Readers are requested to read this MD&A in conjunction with the PTA's financial statements, which follows this section.

### Financial Highlights

- Operating revenues for the year is \$1,938,485, a decrease of \$207,009 or 9.6% compared to prior fiscal year of \$2,145,494.
- Operating expenses increased by 20% or \$413,992 from \$2,022,600 to \$2,436,592. Payroll related cost account for 57% of the total operating expense. Supplies and Materials increased by \$95,530 whereas POL increased by \$40,318 from \$ 241,943 to \$282,261 for the year.
- PTA's operation resulted in operating loss of \$498,107, a huge loss compared to net income last year of \$122,894.
- Net asset for the year is \$488,967 a decrease of \$498,107 or 50% from prior year.
- Due to primary government was increased by 9% or \$156,501, from \$1,674,860.

### Financial Statements Preparation

PTA is a component unit of Pohnpei State Government. PTA uses proprietary funds, financed and operated in a manner similar to private business enterprises to account for its operations. The financial statements are presented using the economic resources measurement focus and utilize the accrual basis of accounting.

### Financial Analysis

The Statement of Net Asset presents information on all of the PTA's assets and liabilities, with the difference between the two is reported as net assets if assets are higher than liabilities, otherwise it is reported as net liabilities. Presented below is the comparative change in net assets (liabilities) as of fiscal years ended September 30, 2022 and 2021.

	<u>2022</u>	<u>2021</u>	<u>Increase (decrease)</u>	<u>%tage Inc(dec)</u>
Current assets	\$ 362,901	\$ 311,898	\$ 51,002	16%
Non-current assets	<u>2,129,925</u>	<u>2,467,407</u>	<u>(337,483)</u>	(14%)
	<u>2,492,826</u>	<u>2,779,305</u>	<u>(444,881)</u>	(16%)
Other liabilities	172,498	117,371	55,127	47%
Due to primary government	<u>1,831,361</u>	<u>1,674,860</u>	<u>156,501</u>	9%
Total liabilities	<u>2,003,859</u>	<u>1,792,231</u>	<u>211,627</u>	12%
Net Asset (Deficit)	<u>\$ 488,967</u>	<u>\$ 987,074</u>	<u>\$ (498,107)</u>	(50%)

# POHNPEI TRANSPORTATION AUTHORITY

Management's Discussion and Analysis

Year Ended September 30, 2022

## Operating Activities

The fundamental responsibility of PTA is to plan, develop, construct and maintain public roads. During the year, it secured several road related projects from the municipalities, state and FSM Congress. The following table summarizes the comparative net income for fiscal years ended September 30, 2022 and 2021.

	<u>2022</u>	<u>2021</u>	<u>Inc (dec)</u>	<u>Inc (dec)</u>
Operating revenues	\$1,938,485	\$ 2,145,494	\$ (207,009)	(9.6%)
Operating expenses	<u>2,436,592</u>	<u>2,022,600</u>	<u>413,992</u>	20%
Net income (loss)	<u>\$ (498,107)</u>	<u>\$ 122,894</u>	<u>\$ (375,213)</u>	(305%)

## Budget

PTA operates on an annual budget from revenues generated on road construction projects, equipment rentals, and sale of coral and reinforced concrete pipes. Receipts and disbursements are accounted for by the Pohnpei State Department of Treasury and Administration. Appropriations require that funds be administered in accordance with the provisions of the State's Financial Management Act. The enabling legislation provides PTA the power to expend revenues generated from its projects.

## Financial Contact

This financial report is designed to provide all interested users with a general overview of the PTA's finances. If you have questions about this report or need additional information, please contact the Commissioner, Pohnpei Transportation Authority, P.O. Box 36 Kolonia, Pohnpei FM 96941 or call (691) 320-2377/2148.



## POHNPEI TRANSPORTATION AUTHORITY

### Statement of Net Assets

September 30, 2022

(With comparative totals for September 30, 2021)

<u>ASSETS</u>	2022	2021
Current assets:		
Accounts receivable, net (note 2)	\$ 289,458	\$ 152,757
Travel Advances	2,738	2,738
Inventory, at cost	70,705	155,017
Prepaid Expenses	-	1,386
Advances to Suppliers	-	-
Total Current Assets	<u>\$ 362,901</u>	<u>\$ 311,898</u>
Property and equipment, net (note 3)	<u>2,129,925</u>	<u>2,467,407</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,492,826</u></u>	<u><u>\$ 2,779,305</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 150,592	\$ 66,495
Accrued payroll	15,650	44,757
Accrued vacation leave	3,082	2,945
Deferred revenue	3,174	3,174
Total Current Liabilities	<u>\$ 172,498</u>	<u>\$ 117,371</u>
Non-current Liabilities:		
Due to primary government (note 4)	<u>\$ 1,831,361</u>	<u>\$ 1,674,860</u>
Total Non-Current Liabilities	<u>\$ 1,831,361</u>	<u>\$ 1,674,860</u>
Total Liabilities	<u>\$ 2,003,859</u>	<u>\$ 1,792,231</u>
Contingencies (note 5)	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
Net Assets:		
Invested in capital assets, net of related debt	\$ 2,129,925	\$ 2,467,407
Contributed Capital, Net of Capital Assets	554,049	216,567
Unrestricted	( 2,195,007)	( 1,696,900)
Total Net Assets (Liabilities)	<u>\$ 488,967</u>	<u>\$ 987,074</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 2,492,826</u></u>	<u><u>\$ 2,779,305</u></u>

See accompanying notes to financial statements.

**POHNPEI TRANSPORTATION AUTHORITY**

Statement of Revenues, Expenses, and Changes in Net Assets

September 30, 2022

(With comparative totals for September 30, 2021)

	2022	2021
<b>Operating Revenues:</b>		
Construction Services	\$ 1,697,448	\$ 1,771,287
Aggregates & Sand Sales	132,479	127,543
Equipment Rental	35,645	47,559
Other Revenues	<u>72,913</u>	<u>199,105</u>
Total Operating Revenues	<u>\$ 1,938,485</u>	<u>\$ 2,145,494</u>
 <b>Operating Expenses:</b>		
Salaries and wages	\$ 1,381,883	\$ 1,200,832
Supplies and materials	236,005	140,475
POL	282,261	241,943
Communications	6,504	11,979
Rental Services	74,628	329
Depreciation	348,924	343,883
Bad Debts	-0-	-0-
Utilities and water	18,235	11,712
Freight and Port Charges	8,226	26,299
Misc. Goods and Services	38,998	27,266
Travel	-0-	-0-
Repairs and Maintenance	1,400	6,450
Housing Allowances	7,200	7,720
Representation	-0-	-0-
Non-Cap Furniture and Fixtures	5,787	3,712
Non-Cap Equipment	-0-	-0-
Customs and Tax	6,341	-0-
General Contractual Services	20,000	-0-
Allowances	<u>200</u>	<u>-0-</u>
Total Operating Expenses	<u>\$ 2,436,592</u>	<u>\$ 2,022,600</u>
 <b>Operating Income (Loss)</b>	 \$ (498,107)	 \$ 122,894
Add: (Less) Adjustment that affect Net Loss		
Contributed Capital	<u>-0-</u>	<u>105,454</u>
 <b>Net Increase (Decrease) in Net Assets</b>	 <b>\$ (498,107)</b>	 <b>\$ 228,348</b>
 <b>Net Assets (Liabilities), beginning of year</b>	 <u>987,074</u>	 <u>758,726</u>
<b>Net Assets (Liabilities), end of year</b>	<u>\$ 488,967</u>	<u>\$ 987,074</u>
	=====	=====

See accompanying notes to financial statements.

POHNPEI TRANSPORTATION AUTHORITY

Statement of Cash Flows  
September 30, 2022

**Reconciliation of income from operations to net cash provided by operating activities:**

Income (loss) from operations	\$ (498,107)
Adjustments to reconcile income from operations to net cash provided by operating activities:	
Depreciation	348,924
Changes in assets and liabilities:	
Increase in Accounts receivable	(136,700)
Decrease in Inventories	84,312
Decrease in Prepaid expense	1,386
Increase in Accounts payable	84,097
Decrease in Accrued payroll	(29,107)
Increase in Due to primary account	156,501
Increase in Accrued vacation leave	<u>137</u>
Sub-total	11,443
Add: (Less) Adjustment that affect net income	<u>-0-</u>
<b>Net cash provided (used) by operations</b>	<b>11,443</b>
<b>Cash Used for acquisition of property and equipment</b>	<b><u>(\$ 11,443)</u></b>
Contributed Capital	-0-
<b>Cash Provided by Financing Activities</b>	<b><u>\$ -0-</u></b>
Net increase (decrease) in cash and equivalents	\$ - 0 -
Cash and equivalents at beginning of year	<u>- 0 -</u>
Cash and equivalents at end of year	<u>\$ - 0 -</u> =====

See accompanying notes to financial statements.

# POHNPEI TRANSPORTATION AUTHORITY

Notes to Financial Statements  
September 30, 2022

## (1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Reporting Entity

Pohnpei Transportation Authority (PTA) was established by 33PC 2-101 and subsequent amendments thereof. The primary purpose of PTA is to promote, develop, and improve transportation facilities and services within Pohnpei. The services include the construction of circumferential roads for the island, secondary farm roads for the municipal governments and performance of other construction maintenance on a user charge basis.

The affairs of PTA are governed by a seven-member Board, consisting of representatives of the Pohnpei State Government appointed by the Governor to four-year terms. Daily operation of PTA is delegated to a Commissioner, who is appointed by the Governor and serves at the pleasure of the Board.

PTA is a component unit of the Pohnpei State Government. The financial statements in this report do not represent the financial position, results of operations or cash flows of the State of Pohnpei as a whole.

### B. Basis of Accounting

The financial statements of PTA have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governmental units. 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 Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989.

The accounts of PTA are organized as a proprietary fund - component unit of the 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.

Basis of accounting refers to the time when revenues and expenses are recorded in the accounts and reported in the financial statements. PTA utilizes the accrual basis of accounting which means that revenues are recorded when earned and expenses are recorded when the related liabilities are incurred, regardless of whether cash is received, or payment is made.

# POHNPEI TRANSPORTATION AUTHORITY

Notes to Financial Statements  
September 30, 2022

(1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,  
CONTINUED

PTA has adopted GASB Statement No. 34, “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments”. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following net asset categories:

Net Assets

Net assets represent the residual interest in the assets after liabilities are deducted and consist of three sections: invested in capital assets, net of related debt; restricted; and unrestricted.

- Invested in capital assets, net of related debt:

Capital assets, net of accumulated depreciation and reduced by outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

- Restricted:

Net assets constrained to a particular purpose by enabling legislation or imposed by third parties. PTA has no restricted assets.

- Unrestricted:

Net assets that are neither subject to externally imposed stipulations nor invested in capital assets.

C. Budget

PTA operates on an annual budget from revenues generated by projects, which are accounted for by the Pohnpei State Department of Treasury and Administration. Appropriation acts require that funds be administered in accordance with the provisions of the State’s Financial Management Act. The enabling legislation does provide PTA the power to expend revenues generated by projects maintained by PTA pursuant to 33 PC 2-103. Such expenditures must, however, be in accordance with the provisions of the Financial Management Act and other applicable laws and regulations.

# POHNPEI TRANSPORTATION AUTHORITY

## Notes to Financial Statements

September 30, 2022

(1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,  
CONTINUED

D. Inventory

Inventory is stated at the lower of cost or market using the first-in, first-out (FIFO) costing method.

E. Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is based on the straight-line method over the estimated useful lives of the respective assets, which range from two to fifteen years depending on the nature of the asset.

F. Compensated Absences

Vested or accumulated vacation leave is recorded as an expense and liability as the benefit accrues to employees. 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.

G. Capital Contributions

Capital contributions represent amounts received from primary government for purchasing capital assets or capital assets donated by governments.

H. 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 results could differ from those estimates.

I. Risk Management

PTA does not purchase commercial insurance covering its potential risks. There is no material loss sustained as a result of this practice.

J. New Accounting Standards

During the Fiscal Year ended September 30, 2018, PTA 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 Benefit Plans Other Than Pension Plans*, and Statement No. 45, *Accounting and Financial*

# POHNPEI TRANSPORTATION AUTHORITY

## Notes to Financial Statements

September 30, 2022

### 1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

*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 of 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), a 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 PTA.

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 Statement 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 PTA.

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 PTA.

# POHNPEI TRANSPORTATION AUTHORITY

Notes to Financial Statements

September 30, 2022

(1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,  
CONTINUED

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 PTA.

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 PTA.

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 PTA.

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans*, which revises existing guidance for 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 financial statements of PTA.

In March 2016, GASB issued Statement No. 82, *Pension Issues—An Amendment of GASB Statements No. 67, No. 68, and No. 73*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member)



**POHNPEI TRANSPORTATION AUTHORITY**

Notes to Financial Statements

September 30, 2022

(1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,  
CONTINUED

contribution requirements. The provisions in Statement 82 are effective for financial statements for periods beginning after June 15, 2016 except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The requirements of this Statement will improve financial reporting by enhancing consistency in the application of financial reporting requirements to certain pension issues. Management has not yet determined the effect of implementation of these statements on the financial statements of PTA.

(2) ACCOUNTS RECEIVABLE

The majority of Accounts Receivable represents amounts owed by the State of Pohnpei related to restoration of roads and culverts during the "emergency period" declared by the Governor per Emergency Declaration 18-02. At September 30, 2022 the net balance is \$289,458.

(3) PROPERTY AND EQUIPMENT

A summary of the PTA's property and equipment at September 30, 2022 follows:

	Estimated Useful Life	Balance October 1, 2021	Additions/Adj.	Deletions/Adj.	Balance September 30, 2022
Building	15 years	\$ 70,000	\$ -	\$ -	\$ 70,000
Heavy equipment	5-10 years	3,649,729	-	-	3,649,729
Vehicles	5 years	196,273	-	-	196,273
Furniture and fixtures	3 years	24,595	3034	-	27,629
Machinery and tools	2 years	78,261	8409	-	86,671
Building Improvements		146,166			146,166
		\$ 4,165,024	\$ 11,443	\$ -	\$ 4,176,468
Less accumulated depreciation		(1,697,617)	(348,926)	-	(2,046,543)
Property and equipment, net		\$ 2,467,407	(337,483)		2,129,925

(4) DUE TO PRIMARY GOVERNMENT

The amount represents accumulated advances made by the Pohnpei State to fund PTA's operations. Changes in the account are shown below:

Balance as of October 1, 2021	\$ 1,674,860
Increase (decrease) in the account as reflected in	
Cash Flow Statement	156,501
Balance as of September 30, 2022	\$ <u>1,831,361</u>

**POHNPEI TRANSPORTATION AUTHORITY**

Notes to Financial Statements

September 30, 2022

These advances are facilitated by the use of a ‘pooled’ cash account at the Pohnpei State’s general fund. Cash pooling is a practice whereby for practical purposes, cash is maintained in a single bank account.

(5) CONTINGENCIES

Pohnpei Transportation Authority does not have any pending or threatened litigation. The Office of the Attorney General provides general legal assistance to the Authority.

**POHNPEI TRANSPORTATION AUTHORITY**

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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***

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**YEAR ENDED SEPTEMBER 30, 2022**



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

P.O. BOX 370  
KOLONIA POHNPEI FM 96941  
TEL: (691) 320-2638 Hotline: (691) 320-8497

Mr. Midion G. Neth  
Chairman  
Board of Directors  
Pohnpei Transportation Authority  
Kolonia, Pohnpei State, FM 96941

We have audited the financial statements of Pohnpei Transportation Authority (PTA), as of and for the year ended September 30, 2022, and have issued our report thereon dated August 16, 2023. 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.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered PTA'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 not to 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 judgment, could adversely affect PTA'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, pages 18 to 26, as finding numbers 22-001 to 22-002 and 22-005.

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.

## Compliance

As part of obtaining reasonable assurance about whether PTA'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 results of our tests disclosed material instances of noncompliance that we are reporting to the management in the accompanying Schedule of Findings and Recommendations, pages 18 to 26, as finding numbers 22-003, 22-004 and 22-006.

This report is intended for the information of the Board of Directors and management of the Pohnpei Transportation Authority, State of Pohnpei, 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 those specified parties.

Sincerely,



Ihlen K. Joseph  
State Public Auditor  
August 16, 2023

**POHNPEI TRANSPORTATION AUTHORITY**  
Schedule of Findings and Recommendations  
Fiscal Year Ended September 30, 2022

**Finding No. 22-001: Deficient Financial Accounting Delayed Compilation of Financial Statements, Continued**

Recommendation:

We recommend that the Board and management should exert every effort to recruit a person to assume the accounting and financial reporting of PTA.

Auditee Response:

Please refer to Exhibit I on pages 28 to 31 of this report for the Auditee Response dated September 08, 2023.

Auditor's Reply to Auditee Response:

We recommend that PTA should strive to operate independently from DOTA. Hence, a sound system of accounting and reporting should be in place along with a qualified accountant.

**Finding No. 22-002: Internal Control Weaknesses in the processing of Cash Disbursements or Payments**

Criteria:

Internal controls should be effectively in place to assist management and staff adhere to good practice and comply with laws and regulations. Internal controls are tools to guide management and staff the proper way to process, record, and maintain financial data and information of an entity.

Condition:

We have selected and reviewed thirty-two transactions from the expense accounts of PTA. Our review was to determine PTA's compliance with established procedures and the Financial Management Regulations. We found the following:

- Two (2) instances of missing files or documentation
- Four (4) disbursements where price quotations or justification for the chosen vendor were lacking, and
- Four (4) instances of missing Miscellaneous forms and Purchase orders filed.

**POHNPEI TRANSPORTATION AUTHORITY**  
Schedule of Findings and Recommendations  
Fiscal Year Ended September 30, 2022

**Finding No. 22-002: Internal Control Weaknesses in the processing of Cash Disbursements or Payments, Continued**

Cause:

The above happened because management and staff of PTA are still not control conscious and not sure that complete documents were processed and filed intact.

Effect:

The condition could result to questionable purchases or procurement and permanent loss of documents.

Recommendation:

We recommend that management of PTA should diligently and consistently implement and standardized proper control activities over its disbursements and related records to ensure documentations are complete and accurate and are maintained properly.

Auditee Response:

Please refer to Exhibit I on pages 28 to 31 of this report for the Auditee Response dated September 08, 2023.

Auditor's Reply to Auditee Response:

We understand that original documents are kept at Pohnpei State Finance. Nevertheless, PTA should maintain copies of these original documents for its own recordkeeping and reference. We expect to find all documentation in place and intact with the auditee.

**Finding No. 22-003 Noncompliance with PSSR Relating Leaves**

Criteria:

Section 11.5 of the Pohnpei State System Regulation specifies that sick leave of more than one (1) day duration shall require certification from a medical doctor, medical officer or medex. Further, section 11.2 requires that requests for annual leave must be made and approved in advance on a leave request form.

Condition

We selected three (3) pay periods for review of payroll and found the following:

**POHNPEI TRANSPORTATION AUTHORITY**  
Schedule of Findings and Recommendations  
Fiscal Year Ended September 30, 2022

**Finding No. 22-003 Noncompliance with PSSR Relating Leaves, Continued**

- Sick leave of two consecutive days was approved without the support of medical slip.
- Instances of missing annual leaves and sick leaves in the file

Cause:

The condition occurred due to inadequate review to ensure leave forms are adequately supported and that the documents are filed intact.

Effect:

The condition could lead to payments of unapproved and/or unsupported leave hours.

Recommendation:

We recommend that both PTA and DOTA conduct proper reviews of leave request to determine whether they are properly and adequately supported and comply with applicable rules and polices.

Auditee Response:

Please refer to Exhibit I on pages 28 to 31 of this report for the Auditee Response dated September 08, 2023.

**Finding number 22-004 Noncompliance with PTA's Payroll Process**

Criteria:

PTA's time keeping of employee hours requires supervisors of each division to oversee the recording and monitoring of employee attendance and submitting the daily timesheets to the Accountant. All daily timesheets should be submitted to the Accountant for review before compilation into one daily work accomplishment summary report to be submitted to the Department of Treasury and Administration.

Condition:

We selected three (3) pay periods for review of payroll, and as a result, we found the following repeated findings in prior year:

- There were many instances where employees' daily regular hours did not match the hours in the summary report compiled by the accountant. For example, an employee filed leave during the pay period, but the hours reported in the timesheet summary were 80 regular hours; and,
- In numerous occasions, daily timesheets or timecards were missing.



**POHNPEI TRANSPORTATION AUTHORITY**

Schedule of Findings and Recommendations

Fiscal Year Ended September 30, 2022

**Finding number 22-004 Noncompliance with PTA's Payroll Process, Continued**

Cause:

There is lack of proper review and monitoring of the timesheets by supervisors and the Accountant to ensure hours earned tally with hours recorded and reported. The Accountant is not making sure that hours submitted to DOTA for payments are correct and matches with the supervisor's report.

Effect:

The condition could result to over/under payment of actual employees' hours earned and could lead to potential complain, misstatement and other problems.

Recommendation:

We recommend that the Commissioner direct the Accountant and supervisors responsible for monitoring and reviewing daily and summary timesheets to be diligent in their reviews.

Auditee Response:

Please refer to Exhibit I on pages 28 to 31 of this report for the Auditee Response dated September 08, 2023.

Auditor's Reply to Auditee Response:

Although master timesheets and daily timesheets submitted to Pohnpei State Payroll Division tallied with PTA employees earned regular hours and leaves, the copies of both timesheets at PTA should tally with those submitted to payroll. The auditee is PTA and therefore, we expect to review timesheets at PTA that will tally with timesheets submitted to payroll division.

**Finding No. 22-005 Noncompliance with PTA's Policies and Procedures of Revenue Collection.**

Criteria:

As a government entity, PTA must ensure that its policies and procedures including standard practices and required documentation for its construction projects, sale and services are duly followed to avoid potential issues and unnecessary problems arising in the collection of revenues. All related supporting records and documents should be filed and maintained safely.

**POHNPEI TRANSPORTATION AUTHORITY**

Schedule of Findings and Recommendations

Fiscal Year Ended September 30, 2022

**Finding No. 22-005 Noncompliance with PTA's Policies and Procedures of Revenue Collection, Continued**

Condition:

We selected eighty-three (83) cash receipts for review and found the following:

- Instances where pro-forma were not filed;
- Instances where job orders were not filed; and,
- Instances where Finance cash receipts were not filed.

In addition, we also reviewed PTA's revenues and found the following:

- Road construction projects completed but payments were not collected due to lack of supporting documentation;
- A material amount of \$158,400 remains uncollected for eight construction projects.
- Instances where PTA employee used the rental equipment and revenue was collected by deducting from employee's payroll.
- Instance of delivery of corals ordered by the PTA Commissioner to an individual without collecting the payment at all.

Cause:

There is lack of proper review and monitoring of documentation revenue collection process and related documentation to ensure all pertinent records are maintained securely by management. Also, responsible PTA staff did not obtain and make sure that required documents are in place before starting on projects. Management allowed its employees to use PTA's resources without collecting the payment for the services beforehand. Furthermore, management ordered its employees to provide service to a customer without collecting the payment of that service at all.

Effect:

The condition could lead to loss of revenue and misuse and abuse of Pohnpei Transportation resources.

Recommendation:

We recommend management to properly review and monitor collection of revenues and related documentation. We also recommend management to follow sound practice in the provision of its services to prevent loss of records from occurring. Further, we recommend that management strictly follow the Financial Management Regulations (FMR).

Auditee Response:

Please refer to Exhibit I on pages 28 to 31 of this report for the Auditee Response dated September 08, 2023.

**POHNPEI TRANSPORTATION AUTHORITY**  
 Schedule of Findings and Recommendations  
 Fiscal Year Ended September 30, 2022

**Finding No.22-006 Unresolved Prior Year’s Audit Findings**

Criteria:

Pursuant to Pohnpei State Law No. 51-08-00, the Authority is required to submit to the Public Auditor a report on the progress in clearing the deficiencies cited in the audit report until such time that all deficiencies have been cleared, which period shall not exceed one year.

Condition:

The table below shows the status of prior year audit findings and recommendations:

Audit Findings	Implementation Status	Auditor’s Remarks
<p><b>Finding No. 14-001 Inventory control system and record keeping needs improvement</b></p> <p>Key staffs assigned to maintain inventory records must be properly trained. Ensure that reports prepared by staffs are reviewed by supervisors.</p>	<p>Management still has not improve the inventory control system,            Filing system has improved and records were properly maintained for contracts (both project and employee) ,            Job Order, Pro-Forma Invoices, Receipts.</p>	<p>The new Commissioner should direct PTA employees to work together to improve the inventory control system and the related documentation.</p>
<p><b>Finding No. 18-001 Control Weaknesses in the Management and Accounting System</b></p> <ol style="list-style-type: none"> <li>1) Establish policies and procedures for Accounts Receivable and Accounts Payable.</li> <li>2) Prepare aging of Accounts Receivable.</li> <li>3) Monthly reconciliation of Accounts Payable</li> </ol>	<p>Accounts Payable monitoring and reconciliation needs to improve.</p>	<p>The new Accountant did establish procedures on how to update PTA’s Accounts Receivable and Accounts Payable.</p>
<p><b>Finding No. 18-004 Not complying with FMR</b>            PTA employees regardless of position should adhere to the regulations.</p>	<p>PTA still continues to disregard rules and regulation required by FMR.</p>	<p>Management immediate attention is required to ensure full compliance soon.</p>
<p><b>Finding No. 19-002 Management and Internal Control Weaknesses Resulted in Serious Irregularities</b>            Management should strengthen and improve PTA’s overall system of internal control.</p>	<p>Errors and discrepancies still continue to exist.</p>	<p>PTA to coordinate with State Finance regarding unrecorded transactions.</p>

**POHNPEI TRANSPORTATION AUTHORITY**  
**Schedule of Findings and Recommendations**  
**Fiscal Year Ended September 30, 2022**

**Finding No.22-006 Unresolved Prior Year’s Audit Findings, Continued**

<p><b>Finding No.20-004 Lack of Proper Accounting and Reconciliation Resulted in Incomplete and Inaccurate Financial Information</b></p> <p>Accounting and reconciliation of the Authority’s financial records and reports are not auditor’s job. Hence, we also recommend that PTA management must ensure the Accountant perform timely reconciliation of the Financial Statements and related schedules. PTA management should ensure the following performed timely:</p> <ol style="list-style-type: none"> <li>1) Monitor the advances from Pohnpei State and make sure necessary adjustments is made to reflect correct balance of their payables to the State.</li> <li>2) Coordinate with State Finance regarding unrecorded transactions and not wait for the audit to find them.</li> </ol>	<p>Accounting and reporting of financial information is still not resolved. Financial statements were not prepared by PTA and misstatements were found in the financial reports and accounts before auditor’s proposed adjustments.</p>	<p>Pending management action plan on how to resolve the issue.</p>
<p><b>Finding No. 21-001 Lack of Proper Records and Documentation Delayed Compilation of Financial Statements</b></p> <p>Board and management should work together, update themselves in the PTA operation needs and requirement and take necessary action to resolve the financial accounting and reporting deficiencies.</p>	<p>PTA continues to provide unreliable financial statements due to lack of documentation. Therefore, it is not resolved.</p>	<p>Board and management should work together to resolve this issue.</p>
<p><b>Finding No. 21-004 Internal Control Weaknesses in the Processing of Cash Disbursements or Payments</b></p> <p>Management should consistently implement and standardize proper control activities over its disbursements.</p>	<p>PTA continues to have lack of supporting documents to support disbursements.</p>	<p>Management should implement and standardize control activities over its disbursements.</p>
<p><b>Finding No. 21-006 Noncompliance with PSSR relating to leaves.</b></p> <p>Management should conduct proper review of sick leaves and supporting.</p>	<p>PTA continues to approve sick leaves of more than two days without medical slips</p>	<p>PTA and DOTA to conduct proper review of leaves.</p>
<p><b>Finding No. 21-008 Noncompliance with PTA’s payroll process</b></p>	<p>PTA continues to have daily timesheets not tallying with the compiled master timesheet submitted to Finance.</p>	<p>Accountant and supervisors responsible for monitoring and reviewing daily and summary timesheets to be diligent.</p>

**POHNPEI TRANSPORTATION AUTHORITY**  
Schedule of Findings and Recommendations  
Fiscal Year Ended September 30, 2022

**Finding No.22-006 Unresolved Prior Year's Audit Findings, Continued**

Cause:

PTA management failed to develop and implement corrective measures necessary to resolve prior year's audit findings and the associated recommendations in a timely manner. Board and management not committed to good internal controls to ensure applicable laws are complied with.

Effect:

- 1) Non-compliance to audit legal framework requiring auditees to report monthly to the State Auditor regarding status of prior year's audit findings until such time that all deficiencies have been cleared, which period shall not exceed one year.
- 2) Non-timely resolution of prior years' audit findings hampers and weakens PTA's internal control system, as reflected in this year's audit. The FY-20 audit disclosed or revealed numerous non-compliances to laws, rules and regulations by PTA management and employees as a whole.

Recommendation:

We recommend that Board and management should exert efforts to resolve prior year audit findings, that should include but not limited to the following:

- 1) Board to direct the Commissioner to develop and implement appropriate measures necessary to resolve all prior years' outstanding audit findings.
- 2) The Commissioner to work closely with responsible employees to ensure that the project to resolve prior year's "outstanding audit findings" starts and completed at the earliest time possible.
- 3) The Commissioner to implement and keep the State Auditor current and updated on the audit resolution project progress as required by law.

Auditee Response:

Please refer to Exhibit I on pages 28 to 31 of this report for the Auditee Response dated September 08, 2023

**POHNPEI TRANSPORTATION AUTHORITY**

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**AUDITEE RESPONSE (EXHIBIT I)**

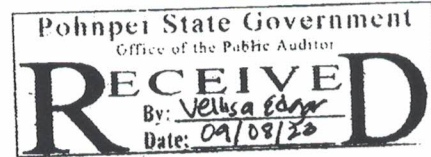
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**YEAR ENDED SEPTEMBER 30, 2022**



**POHNPEI TRANSPORTATION AUTHORITY**  
**POHNPEI STATE GOVERNMENT**  
P.O. Box 36, Kolonia, Pohnpei, FM 96941  
Tel. Nos.: (691) 320-2377/ 2148      email: pta@mail.fm

September 08, 2023



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

The PTA Management has reviewed the Audit Draft for the Fiscal Year 2021-2022 presented and discussed during the Audit Exit Conference held at the PTA Conference room on August 25, 2023.

The purpose of this memorandum is to address the Audit Findings and Recommendations identified in the Audit Draft Report of the Pohnpei Transportation Authority (PTA) Financial Statements for the Fiscal Year Ending September 30, 2022.

**Overview:**

We were stunned to know that the PTA was operating at a deficit of over \$400,000 for the Fiscal Year 2021-2022 as presented in the Audit Draft Report. After reviewing the report, we learned that the Net Loss includes two (2) major non-cash expense items amounting to \$480,019, as shown below

Net Operating Income (Loss)		(\$ 18,088)
Less: Non-Cash Expense Items		
Audit Adjusting Entries	\$131,095	
Depreciation	\$348,924	\$480,019
Net Income (Loss)		<u>(\$498,107)</u>

Several factors contributed to the Net Operating Loss of PTA. Completion of road projects was delayed due to the intermittent rain which is beyond the PTA's control, and the depreciation of equipment. Some types of equipment are non-operational, some break down often, and too costly to maintain. The PTA Management will continue to seek assistance from foreign donor countries, and from the FSM Government stakeholders for the procurement of needed types of equipment. These additional types of equipment will address the delaying factor in the completion of the road projects.

PTA as a continuing entity, may tend to improve in the coming years taking into account a lot of road project appropriations from the FSM National Government and the Pohnpei State Government.

***Finding No. 22-001: Deficient Financial Accounting Delayed Compilation of the Financial Statements***

These findings have persisted over the years. We believe that the best way to improve this issue is to request the Pohnpei State Finance (PSF) to install the Fundware in the PTA accounting main server computer, thereby giving the accountant direct access to the accounting system but limited to;

01. Access PTA transactions only.
02. For viewing purposes only.

The PTA accountant can closely monitor the daily recording of transactions and reconcile the accounts periodically. The generated reports are accurate, reliable, and in real-time computing.

***Finding No. 22-002: Internal Control Weaknesses in the Processing of Cash Disbursements or Payments***

PTA merely processes the Purchase Requisitions and Miscellaneous Payment requests and submits them to PSF for approval. PSF is extremely stern regarding compliance with the required supporting 3 proforma invoices. Requests with incomplete proformas were either returned or rejected.

Original supporting documents are more reliable as audit evidence than photocopies. The reliability of this depends on the controls over the conversion and maintenance of those documents. All original supporting documents were kept and maintained at PSF. PTA has no direct access to these documents but can request copies at any time if needed.

***Finding No. 22-003: Noncompliance with PSSR Relating Leaves***

All original filed leave forms and the Time Sheet were submitted to the PSF Payroll Dept. They will always notify the PTA to submit any missing leaves.

At the end of each week, the PTA supervisors submit their Daily Time Sheets to the PTA accounting. Some vacation leaves filed were approved after the leave, some without employee signature, a non-compliance technically. Most of these employees are working on the project sites.

It is strongly preferable to have an office clerk at the PTA Palikir plant in charge of proper payroll documentation. Once submitted to PTA accounting, these documents are complete and compiled properly for processing and submission to the PSF Payroll Dept. in compliance with the PSSR.

***Finding No. 22-004: Noncompliance with the PTA's Payroll Process***

The PTA accountant is unaware of such issues because the reports prepared are always reviewed by the PTA accounting staff making sure the Time Sheets submitted are compiled properly. The PSF Payroll Dept. will review again the payroll documents submitted and will always notify PTA accounting of any discrepancies found. This issue needs close supervision by the PTA accountant, and see to it that the accounting staff has enough time to meticulously review every detail of the Time Sheet before submitting it to the PSF Payroll Dept.

***Finding No. 22-005: Noncompliance with the PTA's Policies and Procedures of Revenue Collection.***

All revenue collections are received by the PSF cashier. The PSF cashier will not accept payments or issue Cash Receipts to PTA customers without a PTA proforma invoice. Proforma invoices are not official documents to account for. Some customers came back with Cash Receipts and some did not pay at all.

The PTA accounting clerk will issue a Job Order for customers with Cash Receipts and submit it to the PTA Commissioner for approval before delivering the goods or services.



The PTA accounting clerk is in charge of compiling the Cash Receipts with attached Job Orders and putting all of them together in a binder for safekeeping arranged according to date and account number. There may be some missing copies of Cash Receipts, but can always request the PSF cashier to re-print them any time, if needed.

Some PTA employees want to get corals or equipment rental and the payment via payroll deduction. The PTA Commissioner may or may not approve the Advice of Allotment (AOA) for such purpose. Once approved, the AOA original copy will be submitted to the PSF Payroll Dept. for payroll deduction.

It is the sole discretion of the PTA Commissioner wherein corals were delivered with no payment received from certain customers.

***Finding No. 22-006: Unresolved Prior Years Findings***

These findings refer to the previous year's administration and have been corrected and improved under the present PTA Management.

***Finding No. 14-001: Inventory Control System and Record-Keeping Needs Improvement***

The Procurement/ Supplies Officer oversees the inventory of materials and supplies at PTA Palikir Plant. He has his containers to store them for safekeeping. At the end of the Fiscal Year, together with the State Auditors, they will conduct a physical inventory of supplies and equipment. He prepares the summary report of the result of the inventory and submits it to the State Auditors.

The PTA fuelmen Supervisor oversees the inventory of diesel and gasoline. He maintains a database for the usage of fuel, detailing the name of the driver or operator, equipment description, and quantity issued, and submits it to the accounting office each month for monitoring. For the first time, the report was able to identify one employee who uses twice as much gasoline compared to others. It was brought to the Commissioner's attention and reprimanded the employee for that matter.

***Finding No. 17-003: Non-Compliance with Pohnpei Laws***

In the past, PTA employees were being cited for driving with expired vehicle registrations. The Administrative Officer is tasked to oversee the annual registration of all PTA vehicles/ equipment along with the renewal of the driver/operator government vehicle permit.

***Finding No. 18-001: Control Weaknesses in the Management and Accounting System***

The reconciliation of the Accounts Receivables and Accounts Payables was done by the State Auditor with the assistance of the PTA accounting staff. The accrual of revenues and expenses was properly accounted for and recorded at the end of the fiscal year.

PTA does not have an open account with local or foreign vendors, unlike in the past.

***Finding No. 18-004: Not complying with FMR***

FMR must be strictly adhered to. Any irregularities must be fully disclosed and reported to the PTA Management for proper action.

*Finding No. 19: Management and Internal Control Weaknesses Resulted in Serious Irregularities*

The PTA Management has employed new personnel to address these findings. They were deployed to do specific tasks to strengthen and improve the overall system of internal control of PTA operations.

*Conclusion:*


The PTA Board of Directors has unanimously approved the opening of a new position - Deputy Commissioner. The Commissioner's term is co-terminus thus in his absence, the Deputy Commissioner will continue the role of the Commissioner momentarily until the new one is appointed.

Furthermore, The PTA Management would like to reiterate the request for the installation of the Funware at the PTA Accounting main server computer.

The PTA Management acknowledges the POPA's recommendation to exert every effort to recruit a person to assume the accounting and financial reporting of the PTA.

On behalf of the Chairman and the PTA Board of Directors, please allow me to take this opportunity to sincerely express our appreciation of the audit recommendations in addressing the audit findings as stated in the Audit Draft Report for the Fiscal Year 2021-2022.

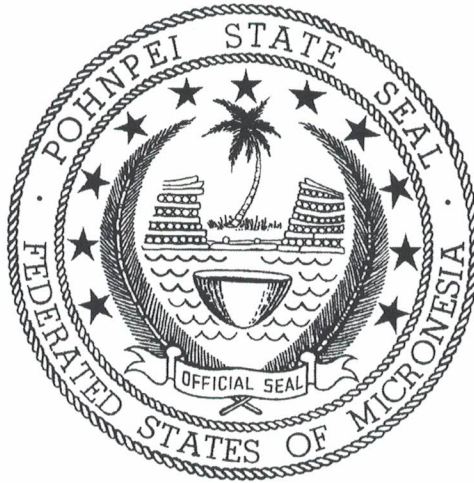
Ni wahu,



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Berney Martin  
PTA Commissioner

cc: PTA Board of Directors



### 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 a concern of everyone in Pohnpei. You can report allegations of fraud and abuse by contacting us at address below:

Office of the Public Auditor  
P.O Box 370  
Kolonia, Pohnpei State, FM 96941  
Phone (691) 320-2638  
Hotline: (691) 320-8497 (24/7)  
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 kopwerment, 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 kopwerment en Pohnpei ni ansou karos ong ni:

Ohpis en Public Auditor  
P. O Box 370  
Kolonia, Pohnpei State, FM 96941  
Phone (691) 320-2638  
Hotline: (691) 320-8497 (24/7)  
Website: [www.opapni.fm](http://www.opapni.fm)