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POHNPEI STATE GOVERNMENT

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February 28, 2017

Honorable Michael Lieman
Chief Magistrate
Sokehs Municipal Government
Sokehs Municipality
Pohnpei State 96941

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3/6/17

Management Report No. 002-2017: Result of Follow-Up Review of Sokehs Municipal Government

Gentlemen:

We submit our post-audit report, Management Report No. 002-2017, based on our follow-up review of the significant audit findings and recommendations contained in the Sokehs Municipal Government's (SMG) Audit Report No. 009-14, issued in December 2014. The review was conducted pursuant to the Pohnpei State Law No. 5L-08-00 and in accordance with the generally accepted government auditing standards contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States.

The objective of the review was to determine whether SMG management has taken steps to resolve the audit findings based on its management action plan submitted to the Office of the Public Auditor. Thus, we conducted an unannounced cash count, made inquiries and interviewed SMG personnel, reviewed and tested certain records/documents and observed the SMG operation.

Our review revealed that management has not taken steps to address and resolve the audit findings. The result of our review is summarized below:

Finding No.	Finding Title	Status	Comments
1	Cash Collections and Management Control Weaknesses	Not implemented. OPA's unannounced cash count on January 19, 2017 revealed about \$851 cash collections were "loaned" out to SMG employees. Deposits are still not made timely.	Related management control weaknesses were also noted, e.g., duties related to cash handling are not segregated, supervisory reviews are not performed, and related accounting books including bank reconciliation are not performed and updated timely to be useful.

2	Employees Cash Advances	Not implemented. SMG is still advancing cash to its employees despite what the Treasurer told the auditors to the contrary.	Our tests showed cash advances paid out to employees. The Municipality cannot readily provide a schedule of employees' cash advances hence we could not verify the total advance.
3	Monthly Bank Reconciliation were not Properly Prepared and Reviewed	Not implemented.	Condition is worst than last audit. As of January 2017, bank reconciliation is only updated up to June 2016.

The conditions will continue to hinder the effective maintenance of the SMG's internal control structure, which heightened the risk for abuse, fraud and mismanagement of the Municipality's operation. We therefore recommend that the Sokehs Municipal Council should ensure that:

- The Chief Magistrate takes proper action to implement the OPA's recommendations contained in the Management Report No. 001-2017 and Audit Report No. 009-14. These would address Finding Nos. 1 and 3 above.
- The Chief Magistrate to immediately stop the cash advances to employees and direct responsible staff to determine and record all cash advances and related payments so that true balances can be established. The Chief Magistrate should duly review the cash advances and determine appropriate payments to expedite the paying off of the advances in a timely manner.

We believe if the recommendations are implemented, those areas affected would be improved.

Please do not hesitate to call on us if you require explanation regarding our follow-up review or our report.

Sincerely,


 Alice E. Etse
 Acting State Public Auditor

cc: Honorable Baldesar Sardis, Speaker
 • Honorable Members of the Sokehs Council