



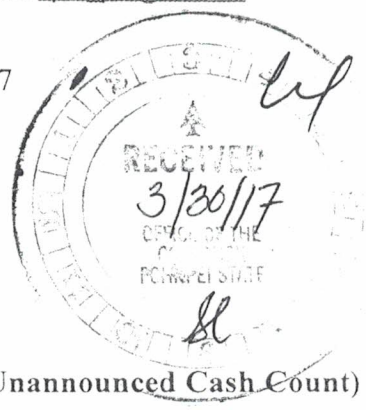
POHNPEI STATE GOVERNMENT
OFFICE OF THE PUBLIC AUDITOR

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March 28, 2017



Honorable Estephan L. Primo
Speaker,
U Municipal Council
Pohn Isilap, Nan U
U, Pohnpei State, FM 96941

RE: Management Report No.003-17 (UMG Unannounced Cash Count)

Maing Speaker, Soulik en Tipwen Kehpei Primo:

Responding to yours of 23 February 2017, the Office of the Public Auditor (OPA), Pohnpei State conducted a surprise cash count of the U Municipal Government (UMG) on March 14, 2017. The primary objective of the engagement is to ensure that public resources are protected from risk of abuse, fraud and mismanagement, and at the same time promote accountability and proper management of public resources. The cash count covered the month of January 2017 to March 14, 2017.

Accordingly, the 3-member audit team performed a surprise cash count of all un-deposited collections still on hand at the time of review and examined related cash receipts, documents and records. This was necessary to determine if proper controls were in place and working effectively to safeguard the UMG funds from loss, abuse or mismanagement.

As a result of our review, we found that management of UMG revenue collections from January 2017 to March 14, 2017, was not in compliance with established policies and prudent internal control procedures. Monies collected during the review period were not properly receipted, accounted for and deposited in a timely manner.

We noted several instances of internal control deficiencies in the administration and management of UMG revenue collection and disbursement activities. These include:

1. On the day of the cash count, we found a total of \$180.00 in cash was on hand. Of this total, only \$60 was properly receipted. We could not however, find supporting documents for the source and receipt of the remaining \$120.00.
2. We noted lack of close supervisory oversight over management of UMG cash collections and disbursements to ensure proper accountability and compliance to established procedures and prudent financial internal control processes.

3. We found that the UMG Treasury does not maintain Cash Receipt and Cash Disbursement Journals to record and summarize cash transactions, such as bank reconciliation and schedule of revenue collections and disbursements. These reports are essential for financial accounting and reporting.


Based on the result of the unannounced cash count and the related internal control weaknesses identified, we offer the following recommendations:

1. Management to identify and train a responsible UMG employee to assist the Tax Collector in the receipting and timely documentation of all revenues collected. A cash receipt must be issued to clients immediately upon receipt of funds, regardless of the source and amount, and deposited intact as required by the governing UMG ordinance.
2. The Chief Minister or his designee to exercise closer oversight supervision over the financial affairs of UMG to ensure that all monies and related resources appropriated, donated or contributed to support UMG operations and programs are administered in accordance with applicable laws, grant agreements or conditions and prudent internal control best practices.
3. Responsible management official (s) to institute and maintain appropriate internal control measure for utilization of: a) a Cash Receipt Journal, b) a Cash Disbursement Journal and c) other cash transaction schedules necessary for the effective administration and use of all funds and related resources appropriated, donated or contributed to support UMG operations and programs.

We appreciate very much the support and assistance provided to our auditors during the brief engagement. Please do not hesitate to contact us at OPA Pohnpei for assistance, if required.

With friendly greetings and warm regards, I am.

Sincerely,



Ihlen K. Joseph
State Auditor
Pohnpei

xc: Governor, Pohnpei
Speaker, PSL
Chief Minister, UMG
Director, DoT&A
Attorney General, Pohnpei