



GOVERNMENT OF KOSRAE
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December 30, 2021

The Honorable Governor, Carson K. Sigrah
The Honorable Speaker, Tulensa W. Palik
The Honorable Members, 12th Kosrae State Legislature
Mr. Kun Mongkeya, OIC Department of Health and Services
Kosrae State Government
Kosrae State, FSM 96944

Management Letter Report

We respectfully submit a Management Letter Report NAS 001-21 regarding our cash count and inspection of the Department of Health and Services collections. Cash count is one of the projects that the Office of the Public Auditor planned for the Fiscal Year 2021. This report presents the result of our cash count and inspection.

The audit was also conducted pursuant to Title 10 Chapter 4 of the Kosrae State Code as follows:

To "inspect and audit personally, or by his duly authorized assistants, all accounts, books, and other financial records of the State government, to include but not be limited to every branch, department, office, political subdivision, board, commission, agency, other public legal entity (owned, or partially owned, by the State), whether they receive public funds or not, and nonprofit organizations that receive public funds from the State Government."

On December 09, 2021, the Kosrae Office of the Public Auditor conducted an unannounced cash count and inspection of government funds collected and in the custody of Kosrae State Department of Health and Services. The purpose of the review was to find out whether adequate and proper controls were in place and working effectively to provide reasonable assurance that government funds are safeguarded from loss, abuse and/or other irregularities.

As a result, the auditors found the following:

1. Cash Count:

- a. **Difference of \$2.00 between collections per receipts vs. Total cash.** Summary of receipts from Friday, November 26, the first collection of the week to the time of the cash count, December 09, 2021, total receipts indicate \$1,217.25 and actual cash counted was \$1,215.25.
- b. **Difference of \$ 526.50 total cash vs. Daily transaction logbook¹.** Review of DHS Daily Transaction Logbook, we observed total amount \$ 1,741.75 was registered for the transactions without insurance and there was no indication that other services/medication were charged as individual receivable. Thus, difference of \$526.50 was noted

2. Concerning Internal Control

There are weaknesses in internal control practice on cash custodianship.

➤ **Generic Receipts were Used**

The Kosrae Department of Health and Services use generic receipts to document its collections.

➤ **Improper use of Daily Transaction Sheet**

Previous cash count identified the use of daily transaction sheet to record and control for verification of collection. Also, it provides information on collectibles by identifying if transaction is under insurance or not. It also indicates whether transaction without insurance was paid thru cash or charged as receivable. In the absence of the details on receivable, auditor assume that transaction without insurance was paid in cash.

➤ **Collection Policy**

No sufficient documentation on the daily sales collection checking and

¹Daily Transaction Sheet- record maintain by the cashier to reflect daily summary of sales (cash & receivable)

verification. Collections are collected and sealed on a weekly basis, not on a daily basis.

Thus, we recommend the Management of Department of Health and Services to take appropriate actions regarding the weak internal controls over receipts and collections to ensure proper accountability of public funds. Moreover, a good internal control to minimize the risk of generic receipts usage is to put the controls of unused/new receipt books separate from the person in charge of collection.

Thank you and please do not hesitate to contact our office for further assistance, if required.

Sincerely,



Alice S. George
Acting Public Auditor