



GOVERNMENT OF KOSRAE
OFFICE OF THE PUBLIC AUDITOR
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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
The Honorable Chief Justice, Chang William, Kosrae State Court
Kosrae State Government
Kosrae State, FSM 96944

Management Letter Report

We respectfully submit a Management Letter Report NAS 003-21 regarding our cash count and inspection of the Kosrae State Court 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 project.

The Public Auditor is authorized under the provisions of Title 10, Chapter 4 of the Kosrae State Code which stated in part:

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."

We conducted the cash count and inspection in accordance with the standard as stated in the Kosrae State Public Auditor's Office manual chapter 13. These standards are broad enough to take into consideration the wide variety of inspections that the OPA may perform, as well as to ensure that the inspections do not impair the independence of the OPA, while remaining procedures are precise enough to provide assurance that all inspection processes and products

are subject to basic general and qualitative standards.

On December 14, 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 Court (the Court). 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. Provisionary, Transcripts and Other Miscellaneous Fees

- **Overage of \$76.15**
Summary of receipts from October 01 -December 14, 2021, indicates a total of \$218.75 and actual cash counted was \$294.90. Overage of \$76.15 apparently was from the personal money of the staff use as change fund.
- No disbursement was noted during the period of cash count.
- Passbook or Bank Statement for the collection was not presented at the time of the cash count to verify the date of last deposited since deposit slip presented is not readable.
- Delay deposit of collection: Auditor found out that the collection was not deposited on a timely manner as provided in Financial Management Regulation. The KSC staff claims that the last deposit was October 01, 2021. Hence, 3 months delay of deposit deviates from FMR's daily or weekly deposit of collection policy.
- No sufficient documentation on the proper checking and verification of collection as against deposit.
- KSC uses official receipts for the miscellaneous collection.

2. Concerning Filing Fees or Fine for Traffic Violation and other offenses

- Total cash on hand is equal to the total receipt issued at the time of cash count amounting to \$123.75.

- No disbursement was noted during the period of cash count.
- No sufficient documentation on the proper checking and verification of collection as against remittance slip to Finance Department
- **Generic Receipts were used**
The Court uses generic receipts to document its Fees and Fines collections.
- **Collection Policy transition**
Collections are collected and sealed on a weekly basis, not on a daily basis.

Thus, we recommend the Chief Justice to take appropriate actions regarding the weaknesses in internal control over the Court's receipts and collections to ensure proper accountability of public funds. Also, KSC should use its official receipt in both collections. In addition, we recommend the use of **Change Fund** to avoid mixing of collection and personal money from KSC staff.

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

Sincerely,



Alice S. George
Acting Public Auditor