

INSPECTION REPORT

BUDGET DEFICIT

**OFFICE OF ADMINISTRATIVE
SERVICES**

November 30, 2020



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January 22, 2020

Honorable Henry S. Falan, Governor, State of Yap
Honorable Vincent A. Figir, Speaker, and Members of the 10th Legislature, State of Yap
Gabriel Ramoloilug, Director of the Office of Administrative Services
Victor Bamog, Director of the Office of Planning and Budget

RE: Inspection on Projected Fiscal Year 2020 Deficit

We are pleased to submit the inspection report on the Projected Fiscal Year 2020 Deficit.

This inspection report contains findings following our inspection on the General Fund of the State of Yap to determine and identify the reason for the projected Fiscal Year 2020 deficit as requested by the Yap State Legislature via Yap State Resolution No.10-30 which was adopted by the Tenth Legislature of the State of Yap, Second Regular Session, 2020.

The inspection was conducted pursuant to the authority vested in the Public Auditor and in accordance with *Quality Standards for Inspections and Evaluations* issued by the US Council of the Inspectors General on Integrity and Efficiency.

Respectfully submitted,

Achilles Defngin
Public Auditor

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1.0 INTRODUCTION

This inspection report contains findings following our inspection on the General Fund of the State of Yap to determine and identify the reasons for the projected Fiscal Year 2020 deficit as requested by the Yap State Legislature via Yap State Resolution No.10-30 which was adopted by the Tenth Legislature of the State of Yap, Second Regular Session, 2020.

2.0 MANDATE

The mandates for this inspection are as follows:

- Pursuant to the authority vested in the Public Auditor as codified under Title 13, Chapter 7, and Section 703 of the Yap State Code, which states in part:

“The Public Auditor shall inspect and audit all accounts, books, and other financial records of the State Government, to include but not limited to, every branch, department, office, political subdivision, board, commission and agency, and other public legal entities or non-profit organizations receiving public funds from the State Government, and to prepare written reports of such inspections and audits for presentation to the Governor and the Legislature;”

- Pursuant to Section 706 of Title 13 of the Yap State Code, the Legislature may by a majority vote request the Public Auditor to conduct any audit of an agency of the State government.

3.0 OBJECTIVES AND SCOPE

3.1 Objectives

The primary objective of this inspection is to determine and identify the reasons for the projected fiscal year 2020 deficit for the State of Yap.

3.2 Scope

This inspection comprised of examination and evaluation of revenue and expenditure projection for the fiscal year 2020 for the State of Yap. This includes the projection prepared by the Office of Planning and Budget and the Office of Administrative Services.

4.0 METHODOLOGY

Our inspection was conducted in accordance with the Quality Standards for Inspections and Evaluations issued by the Council of Inspectors General on Integrity and Efficiency (CIGIE).

Our inspection included physical inspection and analysis of the accounting and subsidiary data and records maintained by the Office of Administrative Services, and Office of the Planning and Budget and interviewing of key personnel. ~~and data analysis on the status of the Scholarship Program.~~

5.0 APPRECIATION

Our sincere appreciation is extended to the Director and staffs of the Office of Administrative Services and the Director and staffs of the Office of Planning and Budget for their assistance and cooperation during our inspection. We are looking forward to the continuation of such professional relationship.

6.0 CONCLUSION

The projected deficit was mainly due to the low projection of revenue by the State using a conservative approach in predicting that the adverse effect of COVID-19 on revenue would be experienced in the last quarter of the fiscal year 2020.

7.0 BACKGROUND OF BUDGET DEFICIT

In June 2020, the Office of Administrative Services projected a \$3 million deficit at the end of the Fiscal Year 2020 on the General Fund.

8.0 INSPECTION RESULTS

8.1 Approved Appropriation for Local Revenue Fund FY 2020

The details of the fiscal year 2020 approved appropriation for local revenue fund are provided in Table 1 below.

Table 1: Approved Appropriation 2020

	FY 2020 Approved Appropriation*
Personnel	\$3,405,681
Travel	396,922
Contractual Services	549,351
Consumables	1,871,222
Fixed Assets	185,320
Total	\$6,408,496

*Data obtained from Office of Planning and Budget.

8.2 Audit Projection Revenue and Expenditure for Fiscal Year 2020

The actual revenue and expenditure as at May 31, 2020 are provided in Table 2 below.

Table 2: Actual Revenue vs Actual Expenditure for Local Revenue as at 31 May 2020.

	First Quarter FY 2020	Second Quarter FY 2020	April – May 2020	Actual as at 31 May 2020
Revenue	1,330,010.94	1,010,685.00	744,642.32	\$3,085,338.26
Expenditure	1,387,853.69	1,632,909.47	812,854.25	\$3,833,617.41
Deficit	57,842.75	622,224.47	68,211.93	\$748,279.15

*Data obtained from Office of Administrative Services.

From the above table, audit noted that there were deficits in the first quarter and second quarter including the first two months of the third quarter of the fiscal year 2020.

Based on the actual revenue and actual expenditure as at 31 May 2020 provided in Table 2 above, audit projected a total revenue of \$4,628,007.39 against a projected total expenditure of \$5,750,426.12, resulting in a deficit of \$1,122,418.73 for the fiscal year 2020 ending September 30, 2020. Details are provided in the Table 3 below.

Table 3: Audit projection of Actual Revenue vs Actual Expenditure for Fiscal Year Ended September 30, 2020

	Audit Projection September 30, 2020
Revenue	\$4,628,007.39
Expenditure	5,750,426.12
Deficit	\$1,122,418.73

8.3 Yap State Projected Deficit

The projected \$3 million deficit for General Fund for the fiscal year 2020 was largely due to the low revenue projection by the State using a conservative approach in predicting the adverse impact of COVID-19 on State local revenue would be experienced in the last quarter of the fiscal year 2020. The reduction in the projected expenditure due to travel restriction and purchased of fixed assets was also taken into account in the deficit projection. The projected deficit was actually above \$2 million but was rounded up to \$3 million.

9.0 OPA CONTACT

OPA CONTACT

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OPA MISSION

To provide independent and credible assessments that promote accountability, transparency, and excellence in operations and management of the Yap State Government.

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