



OFFICE OF THE STATE PUBLIC AUDITOR

YAP STATE GOVERNMENT

Federated States of Micronesia

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MANAGEMENT LETTER

November 19, 2012

The Honorable Cyprian J. Manmaw
Chief Justice
Yap State Court

We conducted an unannounced count of cash of the Yap State Court on November 19, 2012. Our objective in performing the cash count was to verify the accuracy of the Court's change fund and the amount of undeposited collections, and to identify any internal control weaknesses surrounding the safekeeping of these funds.

The scope of our cash count included determining through physical inspection the amount of all currency and coin on hand and reconciling these amounts to supporting documentation. Our cash count was conducted in accordance with the Quality Standards for Inspections and Evaluations issued by the Council of Inspectors General on Integrity and Efficiency (CIGIE) and 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;"

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.



Our consideration of internal control over cash was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over cash that might be deficiencies, significant deficiencies or material weaknesses. Our cash count disclosed no variances in the amount of coin and currency on hand compared to the recorded amounts and we did not identify any deficiencies in internal control. However, we identified an instance of noncompliance with laws and regulations which could have a material effect on the programs and operations of the State Court and the financial statements of the Yap State Government, which is described in the accompanying page.

If you would like to discuss our observations and recommendations with you or court personnel, I will be pleased to do so at your convenience.



Patrick J. Zacchini, CPA
Acting Yap State Public Auditor

Copies to:

Honorable Sebastian Anefal, Governor, State Yap
Honorable Henry S. Falan, Speaker, Yap State Legislature
Honorable Jeremiah B. Luther, Acting Attorney General
Public Library
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STATE COURT CASH COUNT
November 19, 2012

Custody and Control of Cash

State Court collections are not turned in to Treasury, a division of the Office of Administrative Services (OAS), daily as required by law. Presently, cash received is accumulated for the week and deposited with Treasury the following Monday.

Financial Management Act (FMA) Section 104 requires "all funds received by any Yap State Government Agency" be turned over to the State Treasurer "each and every business day." In addition, Yap State Code (YSC) Title 13, §1231 provides that the Director of Administrative Services is responsible for ensuring that "internal revenue" is timely turned in to Treasury, and should "provide checks on agencies which may be delinquent in transmittal."

Recommendation

To ensure compliance with public law, require that all funds collected by the State Court be deposited with Treasury on a daily basis.

Alternatively, consider dispensing with the handling of cash altogether and require fines, penalties, and other fees be paid directly to Treasury. In practice, many departments and agencies already do this, e.g. Public Works & Transportation (PW&T). Patrons or users are required to first pay Treasury and then produce a cash receipt evidencing that payment.