

POHNPEI STATE HOUSING AUTHORITY

AUDIT REPORT NO. 008-03

FISCAL YEAR ENDED SEPTEMBER 30, 2002



OFFICE OF THE POHNPEI STATE AUDITOR

ANNES H. LEBEN
Pohnpei State Auditor
P.O. Box 370
Kolonia, Pohnpei
Federated States of Micronesia

**POHNPEI STATE HOUSING AUTHORITY
AUDIT REPORT
YEAR ENDED SEPTEMBER 30, 2002**

TABLE OF CONTENTS

	<u>Page No.</u>
I. EXECUTIVE SUMMARY	i-ii
II. INTRODUCTION	
BACKGROUND	1-3
AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY	3-4
CONCLUSION	4
SUMMARY OF FINDINGS AND RECOMMENDATIONS	5-8
III. SCHEDULE OF FINDINGS & RECOMMENDATION	9-32
IV. EXHIBITS	
I Comparison of Borrower's Monthly Amortization	33
II Schedule of Cash Advances and Refunds for Loan Payment of former Executive Director	34-37
III Schedule of Receipts Deposited Late	38-42
V. APPENDIX I (AUDITEE RESPONSE)	43



**OFFICE OF THE POHNPEI STATE AUDITOR
POHNPEI STATE GOVERNMENT**

**P.O. Box 370
Kolonja, Pohnpei FM 96941
Tel: (691) 320-2638/5407 Fax: (691) 320-2059
E-mail: opsa_psa@mail.fm**

November 26, 2004

The Honorable Johnny P. David, Governor, State of Pohnpei
The Honorable Nelson N. Pelep, Speaker, Pohnpei State Legislature
The Honorable Members of the Pohnpei State Legislature
The Honorable PSHA Board of Directors
The Honorable Alfonso Ada, Executive Director

EXECUTIVE SUMMARY

We are pleased to submit the audit report of the Pohnpei State Housing Authority for the fiscal year ended September 30, 2002. The audit was performed pursuant to Article 11, Section 8 paragraph 2 of the Pohnpei State Constitution, and Pohnpei State Law nos. 1L-10-79 and 5L-08-00, which require the Office of the Pohnpei State Auditor (OPSA) to conduct audits of all books and accounts kept by all departments, offices, agencies, and instrumentalities of the Pohnpei State Government.

The audit was also conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States.

The objectives of the audit were to determine whether:

1. Controls over receipts and disbursements are effectively and efficiently in place;
2. PSHA is utilizing funds in compliance with applicable laws and regulations, contracts and grant agreements; and
3. PSHA acts timely and takes appropriate actions on the resolution of prior year findings.

The OPSA audited PSHA's financial statements from 1988 to 1999. The PSHA has not been audited by the external auditors after fiscal year 2000 due to absence of PSHA financial statements.

As a result of our audit, we conclude the following:

1. There is no full assurance that controls over receipts and disbursements are effectively and efficiently in place. PSHA did not control the disbursements for its operations;
2. The PSHA did not fully comply with the following:
 - a. Pohnpei State Law No. 2L-143-90, Loan Guarantee Escrow Fund
 - b. Compact of Free Association requirements on Capital Account Funds
 - c. Housing Preservation Grant Program
 - d. Pohnpei State Law No. 2L-12-80, Public Notice for Amended Rules and Regulations
 - e. PSHA Rules and Regulations on Loan
 - f. Policy on Supplemental Loan
 - g. Pohnpei State Financial Management Regulations on payroll or cash advances, travel, procurement, and property accountability.
 - h. By Laws of the PSHA Board of Directors
 - i. Accounting Manual
3. Ten (10) out of twelve (12) findings in the fiscal year 2000 audit have yet to be resolved.

The audit report identified twelve (12) findings on noncompliance with certain provisions of laws and regulations, contracts and grants, and four (4) internal control weaknesses. In addition, the last finding reflects on the status of findings of the audit of fiscal year 2000. We also offered recommendations to each of the seventeen findings we believe once implemented could improve PSHA's operations.

The deficiencies described in detail in the Schedule of Findings and Recommendations on pages 9 to 32, continue to hinder management's effectiveness on internal control and compliance with laws and regulations. Thus, we strongly recommend the Board of Directors to review and monitor the resolution of the audit findings.

As is customary, a draft of this report has been provided to and reviewed by PSHA, whose response is included herewith as Appendix I. Though the PSHA concurred with the report, pursuant to Pohnpei State Law no. 5L-08-00, the auditee is mandated to submit a monthly report to OPSA that indicates progress in clearing deficiencies cited in the audit report, which period shall not exceed six months.

Finally, we extend our sincere appreciation to the Board of Directors, the Executive Director, the Administrative Officer, and staffs for their cooperation and assistance during the course of our audit.

Annes H. Leben
Pohnpei State Auditor

**POHNPEI STATE HOUSING AUTHORITY
AUDIT REPORT
YEAR ENDED SEPTEMBER 30, 2002**

BACKGROUND

The Pohnpei State Housing Authority (the PSHA) was established by Pohnpei State Law 2L-81-88 known as the "Pohnpei Community Housing Act of 1988". The purpose of the PSHA is to facilitate through low-interest loans, the construction of safe and sanitary residential housing for low-income families of Pohnpei State. Among the powers and duties of the PSHA are: 1) to administer low-cost housing loan program and the Pohnpei Housing Loan Fund; and 2) to make loans or guarantee loans to individuals, groups, or associations to assist in the construction of low-cost housing.

The Pohnpei Housing Loan Fund (loan revolving fund) is derived from the capital contributions of Compact of Free Association Capital Account Funds. The Compact of Free Association funds are disbursed through the United States Department of Interior, Office of Insular Affairs to the FSM National Government, which reallots such to the component States namely; Pohnpei, Yap, Kosrae, and Chuuk. Pohnpei State subsequently passed certain of these funds through the PSHA. The fund serves as a source of financing for construction of moderate cost residential housing units in Pohnpei State.

Additionally, the PSHA monitors the Housing Preservation Grant (HPG) loan funds for the repair or rehabilitation of low and very low-income housing. The funds are extended by the United States Department of Agriculture and received by the PSHA in a sub grantee capacity through the Rural Development to the Pohnpei State Government.

Aside from administering the loan revolving fund and the HPG, the PSHA is also responsible for the Loan Guarantee Escrow Funds whose beneficiary is Farmers Home Administration, now Rural Development (RD). The escrow fund was established to service loans made by the beneficiary in the event of borrower's default on the obligation, which is guaranteed through the PSHA, as trustee. The account is in the custody of the Pohnpei State Department of Treasury and Administration (DOTA).

The PSHA is a component unit (a discretely presented proprietary fund) of Pohnpei State Government.

SOURCES OF FUNDS

In fiscal year 2002, the PSHA is recipient of \$131,054 budget for operation from the Pohnpei State Legislature, which is accounted for by the Department of Treasury and Administration. Appropriation Acts require that funds be administered in accordance with the provisions of the Pohnpei State Financial Management Regulations.

**POHNPEI STATE HOUSING AUTHORITY
AUDIT REPORT
YEAR ENDED SEPTEMBER 30, 2002**

In addition, the PSHA received the sum of \$85,946 during the year. The amount represents the accumulation of unobligated appropriation for the PSHA's annual operating subsidy from Pohnpei State, which as provided in the PSHA's enabling act, is to be transferred to the loan fund.

Below is the fund status of the State operating subsidy to PSHA per organization numbers 1851 and 2517 for fiscal year 2002:

<u>EXPENSES</u>	<u>BUDGET</u>	<u>ACTUAL #</u>	<u>BUDGET (SHORT)OVER</u>
Personnel	\$113,054	\$116,134	\$(3,080)
Travel	-	676	(676)
Fixed Asset	-	-	-
Consumables	18,000	7,172	10,828
Contractual	-	-	-
TOTAL	\$131,054	\$123,982	\$7,072

includes encumbrance

The PSHA maintains a savings account, which is the depository of loan collections and income from operations. The account funded the disbursements from two (2) checking accounts (loan and operation) that require two signatories out of three authorized officials namely: the former Executive Director, the Administrative Officer, and the Assistant Administrative Officer.

The receipts and disbursements from the Operation account showed the following:

RECEIPTS		\$6,724
EXPENSES		
Cash Advances	\$67,915	
Payroll	39,514	
Travel	9,386	
House Rental	6,300	
Others	<u>13,084</u>	<u>136,199</u>
Expenses short(over)		<u>\$(129,475)</u>

ADMINISTRATION

The affairs of the PSHA are managed by a five-member Board of Directors, consisting of representatives of Pohnpei State Government appointed to four-year terms. Daily operation of the PSHA is delegated to an executive director. The Board and the Executive Director are appointed by the Governor with the advice and consent of the Pohnpei State Legislature.

**POHNPEI STATE HOUSING AUTHORITY
AUDIT REPORT
YEAR ENDED SEPTEMBER 30, 2002**

The Executive Director administers the loan fund upon concurrence of the Board. He shall submit a monthly accomplishment report to the Board of Directors. He is also tasked to report annually to the Governor, the Pohnpei State Legislature, and the Board of Directors on all financial activities, the status of the loan fund as well as yearly accomplishments at the close of the fiscal year.

The loan policies and procedures are embodied in the rules and regulations that were adopted in May 24, 1994. In addition, the PSHA also follows the Pohnpei State Financial Management Regulations.

The Accounting Manual that was adopted on October 1, 1987 details the accounting procedures in the processing and recording of receipts, disbursements and other transactions.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of the audit were to determine whether:

4. Controls over receipts and disbursements are effectively and efficiently in place;
5. PSHA is utilizing funds in compliance with applicable laws and regulations, contracts and grant agreements; and
6. PSHA acts timely and takes appropriate actions on the resolution of prior year findings.

This performance audit covered fiscal year ended September 30, 2002; and was conducted by the Office of Pohnpei State Auditor in accordance with auditing standards generally accepted in the United States of America, and the *Government Auditing Standards* issued by the Comptroller General of the United States. Accordingly, we included such tests of records and other auditing procedures that were considered necessary to accomplish our objectives.

To accomplish the above-stated objectives, we employed the following audit procedures:

1. Interviewed the PSHA's personnel;
2. Reconciled deposits to collections, disbursements to checks and performed bank reconciliation;
3. Examined contract, check vouchers, vendors' invoices, travel advance liquidations and documents supporting the disbursements;
4. Examined the borrower's records and documents supporting loans;
5. Observed the physical existence of assets;
6. Inspected residential dwellings built during the year;
7. Confirmed the bank balance for loans and operations fund;
8. Confirmed the balance of cash advances;
9. Reviewed the budget and minutes of meetings;
10. Reviewed the laws and regulations related to PSHA.

**POHNPEI STATE HOUSING AUTHORITY
AUDIT REPORT
YEAR ENDED SEPTEMBER 30, 2002**

SCOPE LIMITATION

Our review does not include the Housing Preservation Grant (HPG) loans and bank accounts.

PRIOR AUDIT COVERAGE

The Office of Pohnpei State Auditor (OPSA) audited PSHA's financial statements from 1988 to 1999.

The PSHA has not been audited after fiscal year 2000 due to absence of financial statements.

AUDIT ENGAGEMENT

Pursuant to Article 11 Section 8 paragraph 2 of the Pohnpei State Constitution, and Pohnpei State Law nos. 1L-10-79 and 5L-08-00, the Office of Pohnpei State Auditor is responsible for conducting audits of all financial transactions and of all accounts kept by all departments, offices, agencies, and instrumentalities of the Pohnpei State Government.

CONCLUSION

As a result of our audit, we conclude that:

1. There is no full assurance that controls over receipts and disbursements are effectively and efficiently in place. PSHA did not control the disbursements for operations;
2. The PSHA did not fully comply with the following:
 - Pohnpei State Law No. 2L-143-90, Loan Guarantee Escrow Fund
 - Compact of Free Association requirements on Capital Account Funds
 - Housing Preservation Grant Program
 - Pohnpei State Law No. 2L-12-80, Public Notice for Amended Rules and Regulations
 - PSHA Rules and Regulations on Loan
 - Policy on Supplemental Loan
 - Pohnpei State Financial Management Regulations on payroll or cash advances, travel, procurement, and property accountability.
 - By Laws of the PSHA Board of Directors
 - Accounting Manual
3. Ten out of twelve (12) findings of the fiscal year 2000 audit have yet to be resolved.

**POHNPEI STATE HOUSING AUTHORITY
AUDIT REPORT
YEAR ENDED SEPTEMBER 30, 2002**

The audit report identified twelve (12) findings on noncompliance with certain provisions of laws and regulations, contracts and grants, and four (4) management and internal control deficiencies. In addition, the last finding reflects on the status of audit findings of fiscal year 2000.

The weaknesses cited in the report continue to hinder management's effectiveness on internal control and compliance with laws and regulations. Thus, we strongly recommend the Board of Directors to review and monitor the resolution of the audit findings.

Summarized below are the findings and recommendations, which are discussed in detail in the Schedule of Findings and Recommendations on pages 9 through 32.

Summary of Findings:

1. The PSHA did not fulfill its responsibilities defined in the MOU of the Loan Guarantee Escrow Account. Instead, the former Executive Director (ED) requested the amount of \$99,609 from the DOTA to service the delinquent loans of forty-eight RD borrowers. Moreover, the escrow funds were not remitted by PSHA to the RD but deposited in its (PSHA) bank account.
2. Contrary to the Compact of Free Association laws and regulations, loan revolving funds of \$129,475 were used to fund disbursements for operations such as employees' cash advances, payroll, travel, and house rent.
3. The PSHA did not comply with the intent of the Housing Preservations Grant program: funds amounting to \$1,465 were expended for temporary employees' payroll in addition to the amount of \$6,000 transferred to the loan and operations account.
4. The former Executive Director made significant changes in the PSHA rules and regulations without due notice to the public per Pohnpei State Law 2L-12-80. Although the Board approved the revisions, the amended rules and regulations were implemented without the required authorization from the Governor. In addition, there is no assessment as to the effect of the amendments to the loan revolving fund.
5. Seven (7) borrowers with aggregate loans of \$206,000 did not fully meet the requirements for loan eligibility.
6. The revised rules and regulations increases the maximum loanable amount and extended the repayment term of all loans granted in fiscal year 2002 resulting to annual loss in revenues of \$30,605 with total loss calculated at \$300,351.
7. Out of twenty-three approved loans, we noted nineteen (19) instances of missing documents required in processing loans. Aside from this, the ledgers of seven (7) borrowers were not updated with their loans and payments.
8. Two (2) out of thirteen constructed residential houses that we inspected have no plans and designs. In addition, one of the houses' kitchens was located at the 'nahs'.

**POHNPEI STATE HOUSING AUTHORITY
AUDIT REPORT
YEAR ENDED SEPTEMBER 30, 2002**

Summary of Findings, continued

9. Two (2) borrowers with aggregate loans of \$55,000 were subsequently granted supplemental loans in disregard to the twenty-five (25%) paid up policy for initial loans.
10. During the year, management and employees' cash advances and housing loans amounted to \$120,380 and \$163,827 respectively. Further review disclosed that controls were not established to manage the cash advances and loans. Consequently, our subsequent review showed that the cash advances increased to \$225,915 and housing loans continue to increase although not paid.
11. A contract employee's request for payment of supplemental salary of \$3,960 is yet to be resolved. The action stemmed from the contract amendments signed by the former Executive Director that were neither budgeted nor approved by the Board. Consequently, loan funds amounting to \$9,400 were paid for the amendments.
12. PSHA collections were not deposited on a daily basis. Collections amounting to \$260,611 (37% of total receipts) were deposited four (4) to thirty-five (35) days after receipt thereof.
13. The PSHA incurred a budget overrun of \$42,595 for payroll due to the unauthorized recruitment of temporary and contractual staffs, payment of unbudgeted overtime, overpayments of salaries, and payroll of two (2) staffs charged to repairs and maintenance.
14. The PSHA did not perform cash reconciliations of the loan and operations funds as well as the Housing Preservation Grant account in fiscal year 2002. The auditors' bank reconciliation of the loan and operation funds revealed that bank charges such as transfers, maintenance, and required balance fees amounted to \$4,901. In addition, no receipts were issued to borrowers who made direct deposits to the bank account amounting to \$1,920.
15. Two out of twenty-three borrowers were paying lower monthly amortizations per comparison of loans with the same terms resulting to loss of \$8,666 in potential revenues.
16. Significant disbursements paid from the operations account amounting to \$18,548 (57% of total of \$32,494) were not adequately supported with underlying documents such as invoices, billings, purchase orders, and receiving reports.
17. Management failed to resolve ten prior year audit findings. The non-resolution of the findings continues to hinder management's effectiveness on internal control and compliance with laws and regulations.

Summary of Recommendations :

1. We recommend the Board to direct the Executive Director (ED) to remit the escrow funds to the Department of Treasury and Administration. In addition, the Board should communicate to the DOTA that escrow funds are paid directly to RD only upon authorization of the Board and the ED.

**POHNPEI STATE HOUSING AUTHORITY
AUDIT REPORT
YEAR ENDED SEPTEMBER 30, 2002**

Summary of Recommendations, continued

2. We recommend the Board and the ED to ensure that loan funds are expended in accordance with the Compact of Free Association. In addition, the ED should ensure that loan funds are maintained in a separate account from operations fund.
3. We recommend that the ED ensure that HPG funds are expended for the repair or rehabilitation of low and very low-income housing.
4. We recommend the ED to comply with PSL 2L-12-80 and secure approval of rules and regulations from the designated official. In addition, the Board should ensure that amendments are properly evaluated with participation from concerned sectors prior to implementation.
5. We recommend the ED to enforce the PSHA rules and regulations requirements on applicants' loan eligibility strictly.
6. We recommend the Board and ED to examine the impact of the revised rules and regulations to the loan revolving fund.
7. We recommend that the ED ensure that the required loan documents are completed prior to release of loans. In addition, the Administrative Officer should review the ledgers of each borrower on a monthly basis.
8. We recommend that the ED should strictly comply with the PSHA rules and regulations on project construction.
9. We recommend that the ED should strictly enforce the PSHA policy on supplemental loans as well as rules and regulations on construction.
10. We recommend the Board to direct the ED to refrain from granting cash advances. In addition, the Board should ensure that loan funds are segregated from operation funds. Further, the Board should enforce restitution of advances and housing loans from management and employees. Lastly, the Board and the ED should ensure that restitution through payroll allotments should not cease until the accounts are paid in full.
11. We recommend that the Board immediately settle the issue of supplemental salary through legal consultation. In addition, the Board should direct the ED to comply with Article II Section 2 of the PSHA bylaws.
12. We recommend that the ED should ensure that cash received are deposited daily and intact. Further, undeposited collections should not be used for operating expenses.
13. We recommend that the ED should ensure that payroll be properly reviewed, monitored, and paid within the appropriated budget. In addition, the Executive Director should ensure that personnel compensation and benefits be budgeted prior to recruitment of personnel.
14. We recommend that the ED ensure that the account technician is trained to perform accounts reconciliation. The bank reconciliation should be done upon receipt of bank statements and reviewed by the Executive Officer.
15. We recommend that the ED should enforce uniform monthly payments to loans of the same terms. Further, the Board should review whether borrowers' actual monthly payments are consistent with the required payments.

**POHNPEI STATE HOUSING AUTHORITY
AUDIT REPORT
YEAR ENDED SEPTEMBER 30, 2002**

Summary of Recommendations, continued

16. We recommend the ED to ensure that disbursements are properly supported with the applicable documents prior to payment. In addition, a Board member should be designated one of authorized bank account signatories.
17. We recommend that the ED should prioritize implementing corrective actions to resolve the repetitive deficiencies cited in the audit report. Further, the Board should review and follow up from the ED the resolution of the weaknesses.

Pohnpei State Housing Authority
Schedule of Findings and Recommendations
Year Ended September 30, 2002

Finding No. 03-01 Loan Guarantee Escrow Funds Not Paid to Beneficiary

Criteria:

Pursuant to PSL 2L-143-90, the Loan Guarantee Escrow Account was established to service loans made by the beneficiary, Farmers Home Administration (now Rural Development) in the event of borrower's default on the obligation which is guaranteed through the PSHA, as trustee.

In the Memorandum of Understanding (MOU) between FmHA and PSHA, the total indebtedness for unresolved delinquent loans in the event of default must be paid in full by the PSHA to FmHA prior to FmHA's assignment of the borrower's promissory note and deed of trust to PSHA.

Although PSHA is responsible for the escrow account, the Department of Treasury and Administration (DOTA) is the custodian of the funds.

Condition:

Instead of fulfilling the PSHA responsibilities defined in the MOU, the former Executive Director requested payment of \$99,609 from the escrow to service the delinquent loans of forty-eight (48) RD borrowers.

During the year, the DOTA issued the check to PSHA. Instead of remitting the escrow funds to the RD, the PSHA deposited the money in its savings account. Our bank reconciliation as of September 30, 2002 showed that the account has a balance of \$12,657 only.

Cause:

The condition resulted because of the lack of coordination between the DOTA, the RD, and the PSHA.

Prior Year Status:

The lack of coordination between the parties was cited in the OPSA audit of fiscal year 1999 when the DOTA paid RD without the knowledge of PSHA.

Effect:

The above condition resulted to noncompliance with the intent of the Escrow Account. In addition, there is no assurance that the escrow funds were not used for loan or operation.

Pohnpei State Housing Authority
Schedule of Findings and Recommendations
Year Ended September 30, 2002

Finding No. 03-01 Loan Guarantee Escrow Funds, continued

Recommendation:

We recommend that the Board direct the Executive Director to remit the escrow funds to the Department of Treasury and Administration immediately. In addition, we recommend the Board to communicate to the DOTA that future payments be paid directly to the Rural Development and only upon authorization of both the Board and the Executive Director. This will ensure that the parties coordinate and that escrow funds are used for its intended purpose.

Auditee Response:

Please see Appendix I.

Pohnpei State Housing Authority
Schedule of Findings and Recommendations
Year Ended September 30, 2002

Finding No. 03-02 Loan Funds Used for Operation

Criteria:

Capital account monies of the Compact of Free Association appropriated for providing the capital for the loan fund should be expended accordingly.

Condition:

Collections for the loan revolving fund were deposited in a savings account. The account however, finances the disbursements for operation.

During the year, receipts from operations amounted to \$6,724. In contrast, disbursements for operations such as employee's cash advances, contractual employees' payroll, travel, and house rent amounted to \$136,199.

Cause:

The revised rules and regulations that were approved by the Board failed to restrict the use of the loan revolving funds for operations. In addition, the above condition is due to the lack of checking and controls on disbursements.

Prior Year Status :

The use of loan funds for operating and administrative expenses was cited in the financial audits of fiscal years 2000 and 1999. The federal questioned cost as of September 30, 2000 was \$184,842.

Effect:

The above condition resulted to unauthorized use of the loan revolving funds amounting to \$129,475.

Recommendation:

We recommend that the Board and the Executive Director to ensure that loan funds are expended in accordance with the Compact of Free Association. In addition, the Executive Director should ensure that loan funds are maintained in a separate account from operations fund.

Auditee Response:

Please see Appendix I.

Pohnpei State Housing Authority
Schedule of Findings and Recommendations
Year Ended September 30, 2002

Finding No. 03-03 HPG Funds Used for Operations

Criteria:

The Housing Preservation Grant (HPG) funds, which are received in a sub grantee capacity through the Rural Development to the Pohnpei State Government, should be expended for the repair or rehabilitation of low and very low-income housing.

Condition:

Our review of the HPG disbursements disclosed the following:

1. The amount of \$6,000 were withdrawn from the HPG account and deposited to the PSHA loan and operations account.
2. Funds amounting to \$1,465 were paid for payroll of eight (8) temporary and contractual employees.

Cause:

The former Executive Director authorized the transfer of funds.

Effect:

There is no assurance that PSHA complies with the intent of the program. In addition, the above condition resulted to improper use of HPG funds amounting to \$7,465.

Recommendation:

We recommend that the Executive Director ensure that HPG funds are expended for the repair or rehabilitation of low and very low-income housing.

Auditee Response:

Please see Appendix I.

**Pohnpei State Housing Authority
Schedule of Findings and Recommendations
Year Ended September 30, 2002**

Finding No. 03-04 Public Notice for Amended Rules and Regulations

Criteria:

PSL 2L-12-80, which outlines the procedures for the issuance of rules and regulations, provides that:

- The issuing authority shall provide for prior notice and opportunity to be heard;
- Public notice shall include at least seven (7) announcements relative to the proposed rule or regulation on the public radio station and posting at the State Court House and at local government buildings in municipalities and towns;
- The issuing authority shall provide for publication and reasonable distribution of all rules and regulations.

In addition, approval of the designated official to the revised PSHA rules and regulations should be secured prior to its implementation.

Condition:

The former Executive Director implemented significant changes in the PSHA rules and regulations without due notice to the public and the approval of the Governor. Further, there is no assessment as to the effect of the amendments to the loan revolving fund.

Cause:

The Board approved the amendments without conducting public and legal consultations.

Effect:

The effect of the above condition resulted to noncompliance with PSL 2L-12-80. In addition, there is no assurance that the amendments are consistent with the intent of PSHA's enabling law or objectives of the loan program. Lastly, disparity exists in the monthly payments of previous and current loans.

Recommendation:

We recommend the Executive Director to comply with PSL 2L-12-80 and secure approval of rules and regulations from the designated official. In addition, the Board should ensure that amendments to the rules and regulations are properly evaluated with participation from concerned sectors prior to its implementation.

Auditee Response:

Please see Appendix I.

**Pohnpei State Housing Authority
Schedule of Findings and Recommendations
Year Ended September 30, 2002**

Finding No. 03-05 Loan Eligibility

Criteria:

Section 2 item d-1 of PSHA rules and regulations cite the eligibility requirements for loan applicants as follows:

- a) Any bona fide citizen and permanent resident of Pohnpei State.
- b) Applicants for residential dwellings only.
- c) Applicants with clear title to the land where the house is to be built.
- d) Applicants with leased land where the lease is longer than the repayment term.
- e) Applicant who has the ability to repay the loan, or identifies a collateral to be used for repayment of the loan.

Condition:

Seven (7) out of twenty-three (23) borrowers or 34% (\$206,000/\$609,000) of approved loans did not fully meet the requirements for loan eligibility as follows:

# of Borrower	Finding	Amount
1	No clear title to the land where the house was built	\$ 35,000
5	Land leases were shorter than the repayment terms	136,000
1	No collateral and very low income	35,000

Cause:

Management did not strictly enforce the rules and regulations on loan eligibility.

Prior Year Status:

This finding was cited in the audit of fiscal year 1999.

Effect:

The above condition resulted to noncompliance with PSHA's laws and regulations. In addition, there is inadequate assurance that PSHA's interest is supported in case of delinquency.

Recommendation:

We recommend the Executive Director to enforce the PSHA rules and regulations requirements on applicants' loan eligibility strictly.

Auditee Response:

Please see Appendix I.

**Pohnpei State Housing Authority
Schedule of Findings and Recommendations
Year Ended September 30, 2002**

Finding No. 03-06 Increase in Allowable Loan and Extension of Repayment Term

Criteria:

The basis for eligible loan amount and repayment term stated in the PSHA rules and regulations is the borrower's annual income. The amount of loan and corresponding repayment term are as follows:

<u>Level</u>	<u>Income</u>	<u>Max Eligible Loan</u>	<u>Max Repayment Term</u>
I	up to \$3,000	\$8,000	15 yrs
II	3,001-8,000	\$16,000	13
III	8,001-16,000	\$25,000	11
IV	16,001 – up	\$35,000	9

Condition:

The audit revealed that regardless of borrower's income, the maximum loanable amount was increased to \$35,000 and the repayment term extended to maximum of 25 years. Our detailed review of loan disbursements of twenty-three (23) borrowers with loans totaling \$609,000 disclosed the following:

1. The repayment periods of the twenty-three (23) borrowers were in excess of the maximum repayment term.
2. Loans of six (6) borrowers that aggregated \$189,500 exceeded the maximum eligible amount by \$74,500.
3. Disbursements to two (2) borrowers exceeded the amount approved by the Board by \$11,000.
4. Total loans of each of two (2) borrowers exceeded the maximum allowable loan of \$35,000.

Please refer to schedule below:

	<u>Loan No.</u>	<u>Approved Loan</u>	<u>Previous Balance</u>	<u>Total Loan</u>	<u>Annual Income</u>	<u>Maximum Amt Eligible</u>	<u>Repmt Term</u>	<u>Actual Term</u>	<u>Amort Per Yr</u>	<u>Condition</u>
1	-	35,000	-	35,000	17,347	35,000	9	14	3,374	1
2	407	35,000	-	35,000	4,800	8,000	9	25	2,334	1 2
3	406	25,000	-	25,000	13,501	25,000	11	20	1,898	1
4	404	35,000	-	35,000	19,200	35,000	9	15	3,213	1
5	400	35,000	-	35,000	11,974	25,000	11	20	2,657	1 2
6	399	25,000	-	25,000	9,249	16,000	11	15	2,295	1
7	393	25,000	-	25,000	7,978	16,000	11	25	1,668	1 2
8	392	24,500	-	24,500	6,448	16,000	11	20	1,860	1 2
9	390	30,000	5,083	35,083	19,487	35,000	9	15	2,754	1 4
10	388	25,000	-	25,000	10,800	25,000	11	15	2,295	1
11	386	25,000	-	25,000	14,582	25,000	11	25	1,668	1
12	385	16,000	-	16,000	7,509	16,000	13	25	1,000	1 3
13	384	35,000	-	35,000	14,357	25,000	9	15	3,213	1 2
14	383	7,500	-	7,500	9,514	25,000	11	25	500	1
15	382	25,000	-	25,000	9,724	25,000	11	25	1,668	1
16	381	25,000	-	25,000	15,184	25,000	11	25	1,668	1
17	380	20,000	-	20,000	9,024	25,000	11	25	1,334	1
18	379	20,000	-	20,000	9,547	25,000	11	15	1,836	1
19	378	35,000	-	35,000	17,885	35,000	9	25	2,334	1 3
20	377	16,000	-	16,000	5,449	16,000	13	25	1,067	1
21	375	35,000	-	35,000	15,000	25,000	9	15	3,213	1 2
22	374	20,000	15,772	35,772	24,986	35,000	9	25	2,224	1 4
23	369	35,000	-	35,000	17,138	35,000	9	25	2,334	1
	Total	609,000	20,855	629,855						

**Pohnpei State Housing Authority
Schedule of Findings and Recommendations
Year Ended September 30, 2002**

**Finding No. 03-06 Increase in Allowable Loan and Extension of Repayment Term,
continued**

For instance, a comparison of the amount of loans, monthly amortizations, and repayment terms of a borrower whose initial loan was restructured showed the following:

	<u>Description</u>	<u>Amount</u>	<u>Amort/ mo.</u>	<u>Term</u>
Before	Initial Loan	\$21,600	\$201	15 yrs
After	Restructured Loan*	\$15,449	\$ 90	25
	Supplemental Loan	\$20,000	\$111	25
	Total	\$35,449	\$201	

*Balance of Initial Loan

Cause:

The former Executive Director justified in the loan criteria of the revised rules and regulations that “what matters is the borrower’s repayment ability.” “Therefore, the use of family financial statement and budget must be utilized.”

Effect:

The effect of the above condition resulted to loss of revenues by \$30,605 annually with total loss calculated at \$300,351. This would have a negative impact on PSHA’s cash flows and high risk that not all accounts might be collected. Consequently, there is no assurance that the loan revolving fund would be sustainable in the future. Please refer to Exhibit I.

Recommendation:

We recommend the Board and Executive Director to examine the impact of the revised rules and regulations to the loan revolving fund.

Auditee Response:

Please see Appendix I.

Pohnpei State Housing Authority
Schedule of Findings and Recommendations
Year Ended September 30, 2002

Finding No. 03-07 Loan Documentation

Criteria:

Documents required in processing loans such as loan agreements, promissory notes, mortgage agreements, power of attorneys, payroll allotment authorizations, construction contracts, and permits should be completed.

In addition, borrower's individual ledgers that reflect loan payments and collections should be updated timely.

Condition:

Our review of twenty-three (23) approved loans during the year revealed the absence of the following documents:

- A. Processing of Loans
 1. Six (6) loans with no payroll allotment authorizations.
 2. Two (2) loans with no construction contracts.
 3. Three (3) loans with no environmental permits.
 4. Seven (7) loans with no co borrowers.
 5. A borrower whose loan is not registered or logged.
- B. Collection of Loans
 1. Disbursement of \$2,500 was not recorded in a borrower's ledger.
 2. Ledgers of six (6) borrowers were not updated with their payments.
 3. Three (3) instances of borrowers with delinquent loans.

Cause:

The above condition is due to management's lack of staff supervision and review of assigned duties and responsibilities.

Effect:

There is no assurance that PSHA's interest is secured in case of future claims.

Recommendation:

We recommend that the Executive Director ensure that the required loan documents are completed prior to release of loans. In addition, the Administrative Officer should review the ledgers of each borrower on a monthly basis.

**Pohnpei State Housing Authority
Schedule of Findings and Recommendations
Year Ended September 30, 2002**

Finding No. 03-07 Loan Documentation, continued

Auditee Response:

Please see Appendix I.

**Pohnpei State Housing Authority
Schedule of Findings and Recommendations
Year Ended September 30, 2002**

Finding No. 03-08 Building Criteria

Criteria:

The rules and regulations of PSHA state, “All projects funded by the program and all costs associated with each project are to be clearly identified in the project designs and plans provided by PSHA in order to ensure that awarded funds are sufficient to complete the project”.

Condition:

Our review of thirteen residential houses constructed in fiscal year 2002 revealed that PSHA have no designs and plans for two (2) dwellings. During our inspection, we observed that one of the houses’ kitchen was located at the “nahs”.

Cause:

The Engineer claimed that the houses’ designs might have been misplaced by the loan department.

Effect:

There is inadequate assurance that the projects comply with PSHA’s rules and regulations on project construction.

Recommendation:

We recommend that the Executive Director should strictly comply with the PSHA rules and regulations on project construction.

Auditee Response:

Please see Appendix I.

**Pohnpei State Housing Authority
Schedule of Findings and Recommendations
Year Ended September 30, 2002**

Finding No. 03-09 Supplemental Loan

Criteria:

The PSHA policy states that prior to granting a supplemental loan, twenty-five per cent (25%) of current loan must be paid up by the borrower. In addition, management should comply with PSHA rules and regulations on construction.

Condition:

Our subsequent review of twenty-three loan disbursements in fiscal year 2002 showed that two (2) borrowers were granted supplemental loans although twenty-five percent (25%) of their initial loans have not been paid. The details are as follows:

<u>Borrower</u>	<u>Initial Loan</u>	<u>Supplemental Loan</u>	<u>Balance of Initial Loan #</u>	<u>Required Balance for Initial Loan</u>	<u>Amount Not Paid*</u>
A	\$25,000	\$8,200	\$23,560	\$18,750	\$4,810
B	\$30,000	\$5,000	\$25,375	\$22,500	\$2,875

when supplemental loan was paid

* interest not included

Further review disclosed that because the house built for borrower A was elevated on concrete columns, the house need to be enclosed by safety rails. The railings however, were not included in the initial loan and house plan approved by the PSHA.

Cause:

The Acting Executive Director stated that the Board approved the supplemental loans. For borrower A, the PSHA engineer inaccurately assessed the cost of the project relative to awarded funds.

Effect:

The above condition resulted to loss of funds to assist other eligible borrowers. In addition, there is inadequate assurance that all projects comply with PSHA's rules and regulations on construction.

Recommendation:

We recommend that the Board and Executive Director should strictly enforce the PSHA policy on supplemental loans as well as rules and regulations on construction.

Auditee Response:

Please see Appendix I.

**Pohnpei State Housing Authority
Schedule of Findings and Recommendations
Year Ended September 30, 2002**

Finding No. 03-10 Employees' Cash Advances and Housing Loans

Criteria:

Section 4.3 of the Pohnpei State Financial Management Regulations strictly prohibits granting payroll or cash advances to employees.

In addition, proper controls should be in place to ensure timely collection of receivables.

Condition:

In fiscal year 2002, total cash advances of management and employees of the PSHA amounted to \$120,380. Our review revealed that although a yearly interest of 4.5% was charged to the accounts, management did not require borrowers to make appropriate arrangements to pay back their advances. Moreover, there is no restriction in the borrowers' amount and frequency of cash advances. For an example, please refer to the former Executive Director's schedule of advances and refunds for loan payments shown as Exhibit II.

Per our subsequent review, employees' cash advances increased to \$225,915 summarized as:

	FY 2002	FY 2003	FY 2004@	Total
Beginning Balance	\$61,201	\$120,380	\$196,269	
Cash Advance	67,915	82,826	29,760	\$180,501
Payments	(11,941)	(13,224)	(4,231)	(29,396)
Interest	3,205	6,287	4,117	13,609
Ending Balance	\$120,380	\$196,269	\$225,915	
Increase within 3 years			\$164,714 (269%)	

@ as of January, 2004

Aside from the cash advances, our review also showed that management and employees' are delinquent in paying their housing loans. The accounts continue to increase due to added penalties and interests. Yet, management allowed refunds of loan payments. The housing loans are:

Position	Housing Loan ^	Date of Loan	Subsequent Balance @	FY 2002	
				Total Pmt	Pmt Refunded
Executive Director	\$ 6,864	7/06/2000	* \$ 7,879	\$1,484	\$1,386
Administrative Officer	35,227	7/24/2000	36,098	1,045	435
Accountant	3,800	6/03/1997	4,599		
Const Asst Inspector	14,490	8/26/1994	18,030		
Loan Collection Officer	5,925	5/15/2000	4,228		
Former Employees	97,521		97,521		
Total	\$163,827		\$168,355		

^ initial amount of loan @ as of February, 2004 * as of January, 2004

**Pohnpei State Housing Authority
Schedule of Findings and Recommendations
Year Ended September 30, 2002**

Finding No. 03-10 Employees' Cash Advances and Loans, continued

The details of individual cash advances and housing loans as of January 2004 and February 2004 respectively are as follows:

	Position	Cash Advance	Housing Loan	Total
1	Executive Director	\$72,698	\$ 7,879	\$80,577
2	Administrative Officer	28,638	36,098	64,736
3	Administrative Assistant	11,748		11,748
4	Engineer	3,431		3,431
5	Construction Inspector	11,246		11,246
6	Construction Asst Inspector	5,190	18,030	23,220
7	Loan Collection Officer	2,971	4,228	7,199
8	Asst Collection Officer	7,364		7,364
9	Temp Asst Collection Officer	1,044		1,044
10	Collection Clerk	983		983
11	Program Specialist	628		628
12	Loan Packager	11,072		11,072
13	Asst Loan Packager	6,039		6,039
14	Accountant	22,052	4,599	26,651
15	Account Technician	15,899		15,899
16	Receptionist	5,375		5,375
17	Custodial Worker	1,459		1,459
	Former Employees	18,078	97,521	115,599
	TOTAL	\$225,915	\$168,355	\$394,270

In response to the management letter that the Office of Pohnpei State Auditor addressed to the PSHA Board, the auditors were informed that for collection purposes, employees' cash advances were converted into loans and paid through payroll allotments.

Cause:

The above condition happened due to:

- The Board neither followed up on the resolution of prior year audit findings nor required management to submit detailed interim and yearly financial reports for its activities.
- The savings account, which is the depository of loan collections, funds the disbursements for operations such as cash advances.
- Lack of controls on disbursements for operation.
- Management failed to enforce collection of employees' accounts.

Prior Year Status :

This finding was cited in the audits of fiscal years 1999 and 2000. Per response of the former Executive Director to the finding in FY 2000 audit, he stated that a draft Financial Management Regulation (FMR) would address and resolve the issue.

**Pohnpei State Housing Authority
Schedule of Findings and Recommendations
Year Ended September 30, 2002**

Finding No. 03-10 Employees' Cash Advances and Loans, continued

The Acting Executive Director however, disclaimed any knowledge of a revised FMR that were approved by the Board. Moreover, per response of the Board to our management letter, the Chairman stated that the Board was unaware of management obtaining and granting cash advances.

Effect:

The above condition resulted to noncompliance with the Pohnpei State Financial Management Regulations. In addition, loan funds amounting to \$180,501 that could have been extended to eligible borrowers were used for cash advances. Lastly, there is no assurance that all employees' cash advances and loans would be collected.

Recommendation:

We recommend the following:

1. The Board should direct the Executive Director to stop granting cash advances.
2. The Board should ensure that loan funds are segregated from operation funds.
3. The Board should enforce restitution of advances and housing loans from management and employees.
4. The Board and the Executive Director should communicate to the DOTA that employees payroll allotments for their cash advances/loans should not cease until the accounts are paid in full.

Auditee Response:

Please see Appendix I.

**Pohnpei State Housing Authority
Schedule of Findings and Recommendations
Year Ended September 30, 2002**

Finding No. 03-11 Amendments to Personnel Contract

Criteria:

Article II Section 2 of the Bylaws of the PSHA Board of Directors state, "Except as otherwise authorized by the resolution of the Board, the Chairman shall sign all contracts, deeds, and other instruments made by the Authority".

Condition:

In fiscal year 2002, a contractual employee's position was budgeted from the State's operating subsidy. Our review disclosed that because of the delay in processing the contract, the concerned employee was paid from the loan and operation account amounting to \$3,100, which was recorded as cash advance. Thereafter, the employee received his retroactive pay from State Finance but did not reimburse the cash advance.

However, further review revealed that the former Executive Director made amendments to the employment contract as follows:

1. \$3,960 salary supplemental to State personnel contract.
2. Employer will pay employee's housing rental for the year.
3. Employer will pay for employee's relocation and repatriation benefits.
4. Employer will purchase airline tickets for employee and his dependents for repatriation upon termination of contract.

Although the amendments were neither budgeted nor routed to the Office of State Personnel like the contract, the PSHA paid the monthly house rental that amounted to \$6,300. The supplemental salary however, was not paid to the employee. Subsequently, the employee requested the Board that the amount be offset against his cash advance.

Cause:

The above condition happened because the former Executive Director made the amendments without the written approval of the Board as required by the PSHA bylaws.

Effect:

The condition resulted to unauthorized use of the loan funds amounting to \$9,400.

**Pohnpei State Housing Authority
Schedule of Findings and Recommendations
Year Ended September 30, 2002**

Finding No. 03-11 Amendments to Personnel Contract, continued

Recommendation:

We recommend that the Board immediately settle the issue of supplemental salary through legal consultation. In addition, the Board should direct the Executive Director to comply with Article II Section 2 of the PSHA bylaws.

Auditee Response:

Please see Appendix I.

Pohnpei State Housing Authority
Schedule of Findings and Recommendations
Year Ended September 30, 2002

Finding No. 03-12 Timeliness of Deposits

Criteria:

The PSHA accounting manual states, "Collections should agree to total daily receipts, and all cash received should be deposited in the bank on a daily basis".

Condition:

Our review of cash receipts showed that collections were not deposited daily. A comparison of the date of receipt against the date of deposit per bank statements revealed that collections amounting to \$260,611 (37% of total receipts) were deposited four (4) to thirty-five (35) days after receipt thereof. Please see Exhibit III.

Cause:

Per our interview with the Acting Executive Director, it appeared that cash collections were kept in the lockbox and borrowed for purchasing supplies and reimbursed later. The above condition is also due to lack of controls in cash management.

Prior Year Status:

Late deposits of collections were cited in the financial audit of FY 1999.

Effect:

The above condition contributed to the loss of loan funds amounting to \$4,020 for bank charges of \$15 per day for account below the minimum balance requirement.

Recommendation:

We recommend that the Executive Director should ensure that cash received are deposited daily and intact. Further, undeposited collections should not be used for operating expenses.

Auditee Response:

Please see Appendix I.

**Pohnpei State Housing Authority
Schedule of Findings and Recommendations
Year Ended September 30, 2002**

Finding No. 03-13 Payroll

Criteria:

A functioning system of internal controls requires that payroll should be properly reviewed, monitored, and paid within the appropriated budget.

Condition:

In fiscal year 2002, PSHA incurred a budget overrun of \$42,595 for payroll. We noted that payroll was paid from two sources; (A) Operating subsidy from State and (B) the Operation (Checking) Account which is funded by loan collections as follows:

	POSITION	A	B	GROSS PAY
1	Executive Director	\$ 20,700	\$ -	\$ 20,700
2	Administrative Officer	9,619	-	9,619
3	Administrative Assistant	10,140	-	10,140
4	Engineer	14,340	-	14,340
5	Construction Inspector	10,652	-	10,652
6	Construction Asst Inspector	9,101	-	9,101
7	Loan Collection Officer	-	9,798	9,798
8	Asst Collection Officer	7,380	1,047	8,427
9	Temp Asst Collection Ofcr	80	174	254
10	Collection Clerk	-	888	888
11	Program Specialist	-	7,936	7,936
12	Loan Officer	-	2,769	2,769
13	Loan Packager	7,757	314	8,071
14	Asst Loan Packager	-	6,082	6,082
15	Accountant	7,686	-	7,686
16	Account Technician	6,802	-	6,802
17	Receptionist	4,121	612	4,733
18	Temporary Receptionist	-	211	211
19	Custodial Worker	-	3,530	3,530
20	Office Repairs & Maintenance	-	2,220	2,220
21	Office Repairs & Maintenance	-	1,536	1,536
22	Temporary R&M	-	648	648
	subtotal	\$ 108,377	\$ 37,765	\$ 146,143
	BENEFITS	7,757	1,749	9,506
	TOTAL	\$ 116,134	\$ 39,514	\$ 155,649
	APPROVED BUDGET	(113,054)	-	(113,054)
	PAYROLL OVER(UNDER)	\$ 3,080	\$ 39,514	\$ 42,595

**Pohnpei State Housing Authority
Schedule of Findings and Recommendations
Year Ended September 30, 2002**

Finding No. 03-13 Payroll, continued

Our detailed review of the above showed the following:

1. Payment of unbudgeted overtime of \$949 to two (2) staffs;
2. Overpayments of \$1,936 were made to four (4) staffs who were paid from the operation account and from the operating subsidy from State;
3. Payroll deductions for life insurance premiums of employees paid from the operation account were not remitted during the year.

Furthermore, temporary personnel that duplicate existing positions were recruited with no corresponding budget. These are:

1. Seven (7) contractual employees' whose payroll totaled \$34,899;
2. A temporary receptionist and two (2) staffs' whose payrolls were charged to repairs and maintenance.

Cause:

The causes of the above condition are:

1. The employment contracts were signed by the former Executive Director in disregard to the appropriated budget and without approval from the Board.
2. Absence of checking and controls for payroll.

Effect:

The above condition resulted to loss of loan funds amounting to \$42,595. In addition, insurance benefits that redound to employees were lost.

Recommendation:

We recommend that the Executive Director should ensure that payroll be properly reviewed, monitored, and paid within the appropriated budget. In addition, the Executive Director should ensure that personnel compensation and benefits be budgeted prior to recruitment of personnel.

Auditee Response:

Please see Appendix I.

Pohnpei State Housing Authority
Schedule of Findings and Recommendations
Year Ended September 30, 2002

Finding No. 03-14 Reconciliation of Accounts

Criteria:

A functioning system of internal controls requires that accounts should be reconciled timely.

Condition:

In fiscal year 2002, the account technician did not perform cash reconciliations for the following accounts:

1. Loan Revolving Fund and Operation Fund
2. Housing Preservation Grant Fund

Our bank reconciliation of the loan and operation funds showed that:

- Borrowers made direct deposits to the bank account amounting to \$1,920, which were not received.
- Bank charges for minimum balance and transfer fees as well as deposit and maintenance fees amounted to \$4,901 during the year.
- Disbursements for operation exceeded the receipts by \$129,475.

Cause:

The account technician was not proficient to perform bank reconciliations. In addition, the above condition is due to management's lack of staff supervision and review of duties and responsibilities.

Effect:

There is inadequate assurance that all revenues and expenses were properly recorded and accounted for.

Recommendation:

We recommend that the Executive Director ensure that the account technician is trained to perform accounts reconciliation. The bank reconciliation should be done upon receipt of bank statements and reviewed by the Executive Officer.

Auditee Response:

Please see Appendix I.

Pohnpei State Housing Authority
Schedule of Findings and Recommendations
Year Ended September 30, 2002

Finding No. 03-15 Required Monthly Amortization

Criteria:

The required monthly payments based on the loan level should be consistently applied.

Condition:

The PSHA computes the borrowers' required monthly amortization using the automated system. However, our review of twenty-three approved loans during the year revealed that monthly payments of two (2) borrowers were lower in comparison to loans of the same terms. These are:

<u>Loan No</u>	<u>Loan</u>	<u>Term</u>	<u>Monthly Amortization</u>			
			<u>Required</u>	<u>Actual</u>	<u>Loss</u>	<u>Effect</u>
385	\$16,000	25 yrs	\$88.93	\$83.37	\$5.56	\$1,668
390	\$35,083	15	\$268.38	\$229.50	\$38.88	\$6,998

Cause:

It appeared that management did not follow the system output.

Prior Year Status:

Noncompliance to the required monthly amortization was reported in the financial audit of fiscal year 1999.

Effect:

There is inadequate assurance that management's objectivity in processing loans was not compromised. In addition, the above condition resulted to loss of potential revenues amounting to \$8,666.

Recommendation:

We recommend that the Executive Director should enforce standardized monthly payments to loans of the same terms. Further, the Board should review whether borrowers' actual monthly payments are consistent with the required payments.

Auditee Response:

Please see Appendix I.

**Pohnpei State Housing Authority
Schedule of Findings and Recommendations
Year Ended September 30, 2002**

Finding No. 03-16 Disbursements

Criteria:

Disbursements should be properly supported by invoices or billings, purchase orders, receiving reports, and other applicable documents.

Condition:

Our audit showed that 57% of significant disbursements of \$32,494 paid from the operation account were not adequately supported with the required documents as follows:

	Date	Voucher No.	Check No.	Amount	Finding
1	22-Nov-01	7958	1484	\$ 1,200	house rental, no lease contract
2	27-Mar-02	8260	1688	1,650	house rental, no lease contract
3	3-Apr-02	8272	1699	2,820	no purchase order, no receiving report
4	23-Apr-02	8320	1714	1,194	no schedule of employee taxes paid
5	25-Apr-02	8328	1722	2,025	no invoice
6	2-May-02	8347	1604	990	no invoice
7	16-May-02	8378	1619	567	no billing for utilities
8	24-May-02	8390	1629	2,577	no invoice
9	9-Jul-02	8496	1697	5,526	no plane ticket, travel itinerary
			Total	\$ 18,548	57%

Cause:

Management failed to follow the disbursement procedures in the Financial Management Regulations.

Effect:

There is no full assurance that all disbursements were legitimate.

Recommendation:

We recommend the Executive Director to ensure that disbursements are properly supported with the applicable documents prior to payment. In addition, a Board member should be designated one of authorized bank account signatories.

Auditee Response:

Please see Appendix I.

**Pohnpei State Housing Authority
Schedule of Findings and Recommendations
Year Ended September 30, 2002**

Finding No. 03-17 Unresolved Audit Findings

Criteria:

The Executive Director should undertake timely appropriate actions on the resolution of findings cited in the prior year audit report.

Condition:

Ten (10) out of twelve findings from the fiscal year 2000 audit were not resolved. These are:

Finding	
2000-01	Segregation of Duties
2000-02	Employees Advances
2000-03	Payment Support
2000-04	Fixed Assets
2000-05	Board of Directors Minutes
2000-06	Loan Enforcement & the Allowance for Loan Loss Reserves
2000-07	Compliance with Loan and Regulations
2000-08	Loan File Documentation
2000-09	Interest Accruals on Delinquent Loans
2000-11	Contract Employees Payroll

Cause:

The former Executive Director failed to implement corrective actions that would resolve the findings.

Effect:

The deficiencies continue to hinder the PSHA's effectiveness on internal control and compliance with laws and regulations. In addition, non-resolution of the findings raises doubt as to management's intent to correct the weaknesses.

Recommendation:

We recommend the Executive Director to prioritize implementing corrective actions to resolve the repetitive deficiencies. Further, the Board should review and follow up from the ED the resolution of the weaknesses cited in the audit report.

Auditee Response:

Please see Appendix I.

POHNPEI STATE HOUSING AUTHORITY

EXHIBITS I - III

YEAR ENDED SEPTEMBER 30, 2002

POHNPEI STATE HOUSING AUTHORITY

APPENDIX I (AUDITEE RESPONSE)

YEAR ENDED SEPTEMBER 30, 2002

Pohnpei State Housing Authority
Comparison of Monthly Amortizations

EXHIBIT I

A Based on repayment term per PSHA rules and regulations.

B Actual monthly amortization per extended repayment term.

FY 2002

Loan No.	Approved Loan	Previous Balance	Total Loan	A		B	Monthly Amortization		A - B Revenue Loss	
				Term^ yrs	mos	Actual Term yrs	A	B	Monthly	Total #
	\$ 35,000.00	\$ -	\$ 35,000	9	108	14	\$ 394.72	\$ 281.18	\$ (113.54)	\$ (12,262)
407	35,000	-	35,000	9	108	25	394.72	194.54	(200.18)	(21,619)
406	25,000	-	25,000	11	132	20	240.47	158.16	(82.31)	(10,865)
404	35,000	-	35,000	9	108	15	394.72	267.75	(126.97)	(13,713)
400	35,000	-	35,000	9	108	20	394.72	221.43	(173.29)	(18,715)
399	25,000	-	25,000	11	132	15	240.47	191.25	(49.22)	(6,497)
393	25,000	-	25,000	11	132	25	240.47	138.96	(101.51)	(13,399)
392	24,500	-	24,500	11	132	20	240.47	155.00	(85.47)	(11,282)
390	30,000	5,083	35,083	9	108	15	394.72	229.50	(165.22)	(17,844)
388	25,000	-	25,000	11	132	15	240.47	191.25	(49.22)	(6,497)
386	25,000	-	25,000	11	132	25	240.47	138.96	(101.51)	(13,399)
385	16,000	-	16,000	13	156	25	135.66	83.37	(52.29)	(8,157)
384	35,000	-	35,000	9	108	15	394.72	267.75	(126.97)	(13,713)
383	7,500	-	7,500	15	180	25	57.37	41.69	(15.68)	(2,822)
382	25,000	-	25,000	11	132	25	240.47	138.96	(101.51)	(13,399)
381	25,000	-	25,000	11	132	25	240.47	138.96	(101.51)	(13,399)
380	20,000	-	20,000	11	132	25	192.37	111.17	(81.20)	(10,718)
379	20,000	-	20,000	11	132	15	192.37	153.00	(39.37)	(5,197)
378	35,000	-	35,000	9	108	25	394.72	194.54	(200.18)	(21,619)
377	16,000	-	16,000	13	156	25	135.66	88.93	(46.73)	(7,290)
375	35,000	-	35,000	9	108	15	394.72	267.75	(126.97)	(13,713)
374	20,000	15,772	35,772	9	108	25	394.72	185.37	(209.35)	(22,610)
369	35,000	-	35,000	9	108	25	394.72	194.54	(200.18)	(21,619)
Tlt	\$609,000	\$20,855	\$ 629,855				\$ 6,584.39	\$ 4,034.01	\$ (2,550.38)	\$ (300,351)
								*12	*12	
							Collection per year	\$ 48,408.12	\$(30,604.56)	

^ per rules and regulations

monthly amortization multiplied by total term (mos)

Note: Principal loan of \$629,855 estimated to be recovered only after 13 years (\$629,855/\$48,408) provided there are no delinquent borrowers.

Pohnpei State Housing Authority
 Schedule of Advances and Refunds for Loan Payments
 of former Executive Director
 FY 2002- 2004

Source: subsidiary ledgers, disb journal, checks

		Executive Director			Total
		FY 2002	FY 2003	FY 2004	
		(10/2003 up to 1/2004)			
A	Cash Advances				
	Beg Balance	\$ 25,743.09	\$ 44,612.15	\$ 61,989.97	
	Cash Advances	18,057.73	16,894.67	11,215.51	\$ 46,167.91
	Payments	(836.00)	(1,800.00)	(1,200.00)	
	Interest	1,647.33	2,283.15	692.73	
	Total	\$ 44,612.15	\$ 61,989.97	\$ 72,698.21	
B	Housing Loan				
	Beg Balance	\$ 7,204.04	\$ 7,426.24	\$ 7,154.64	
	Refunds of pmts	1,386.00	432.88	1,224.00	3,042.88
	Payments	(1,484.00)	(1,020.00)	(762.00)	
	Interest	320.20	315.52	261.99	
	Total	\$ 7,426.24	\$ 7,154.64	\$ 7,878.63	\$ 49,210.79 <small>see breakdown below</small>

FY	@	Date of Ck	VP#	CK#	Advances	Pmt Refunds	Monthly Total
2002	1	10/12/01	7869	1418	\$ 200.00	\$ -	\$ -
	2	10/15/01	7873	1420	207.61		
	3	10/18/01	7887	1433	2,526.00		
	4	10/18/01	7894	7655		250.00	
	5	10/29/01	7903	1440	50.00		
	6	10/31/01	7917	1452	106.00		3,339.61
	1	11/05/01	7918	1455	3,000.00		
	2	11/15/01	7954	7671		106.00	
	3	11/23/01	7961	1488	250.00		3,356.00
	1	12/07/01	8001	1512	246.00		
	2	12/18/01	8052	1553	796.15		
	3	12/27/01	8087	1575	500.00		1,542.15
	1	01/09/02	8121	1592	250.00		
	2	01/09/02	8109	7717		300.00	
	3	01/14/02	8123	1594	125.00		
	4	01/16/02	8126	1597	249.00		
	5	01/28/02	8137	7732		106.00	1,030.00
	1	02/06/02	8147	1610	100.00		
	2	02/14/02	8170	1625	450.00		
	3	02/21/02	8194	1644	106.00		
	4	02/26/02	8197	1646	1,000.00		1,656.00
	1	03/13/02	8235	1671	50.00		
	2	03/14/02	8239	1675	100.00		350.00
	3	03/15/02	8244	7759		200.00	
	1	04/04/02	8277	7772		106.00	
	2	04/11/02	8280	1700	100.00		
	3	04/15/02	8299	1706	50.00		
	4	04/22/03	8318	1712	150.00		

EXHIBIT II

	@	number of checks per month					
FY	@	Date of Ck	VP#	CK#	Advances	Pmt Refunds	Monthly Total
	5	04/24/02	8327	7800		106.00	
	6	04/26/02	8331	1725	1,500.00		2,012.00
	1	05/08/02	8352	1607	250.00		
	2	05/08/02	8355	1610	150.00		
	3	05/16/02	8382	7825		106.00	
	4	05/24/02	8389	1628	200.00		
	5	05/27/02	8393	1631	50.00		
	6	05/29/02	8397	1635	600.00		
	7	05/30/02	8416	1640	106.00		1,462.00
	1	06/03/02	8419	1642	300.00		
	2	06/07/02	8431	1655	100.00		
	3	06/12/02	8445	1661	300.00		
	4	06/21/02	8465	1679	150.00		850.00
	1	07/19/02	8524	1720	200.00		
	2	07/24/02	8532	7872		106.00	
	3	07/30/02	8547	1737	675.00		981.00
	1	08/02/02	8550	1740	300.00		
	2	08/06/02	8556	1746	500.00		
	3	08/13/02	8585	1767	450.00		
	4	08/26/02	8613	1783	150.00		
	5	08/28/02	8623	1791	450.00		1,850.00
	1	09/02/02	8629	1795	79.20		
	2	09/02/02	8630	1796	70.00		
	3	09/10/02	8657	1815	150.00		
	4	09/12/02	8660	1817	150.00		
	5	09/13/02	8665	1822	100.00		
	6	09/17/02	8668	1825	115.77		
	7	09/24/02	8685	1834	150.00		
	8	09/26/02	8693	1841	50.00		
	9	09/27/02	8704	1851	150.00		1,014.97
				TOTAL	\$18,057.73	\$ 1,386.00	\$19,443.73
2003	1	10/11/02	8736	1877	200.00		
	2	10/11/02	8738	1879	500.00		
	3	10/16/02	8748	1889	343.00		
	4	10/18/02	8760	1891	145.00		
	5	10/21/02	8767	7937		214.88	
	6	10/22/02	8772	1902	400.00		1,802.88
	1	11/06/02	8817	1934	123.00		
	2	11/07/02	8821	1938	123.00		
	3	11/07/02	8826	1939	150.00		
	4	11/21/02	8851	1957	300.00		
	5	11/22/02	8853	1959	200.00		896.00
	1	12/04/02	8882	1980	220.00		
	2	12/09/02	8886	1985	100.00		
	3	12/18/02	8911	2000	100.00		
	4	12/19/02	8915	2002	50.00		
	5	12/20/02	8931	2011	120.00		
	6	12/23/02	8936	2014	500.00		
	7	12/26/02	8937	2015	500.00		
	8	12/27/02	8950	2028	194.00		
	9	12/30/02	8954	2031	190.00		1,974.00
	1	01/03/03	8963	2040	100.00		
	2	01/10/03	8977	2051	246.75		
	3	01/10/03	8986	2061	81.00		
	4	01/17/03	8995	2070	100.00		

EXHIBIT II

FY	@	Date of Ck	VP#	CK#	Advances	Pmt Refunds	Monthly Total
	@	number of checks per month					
	5	01/21/03	9003	2078	100.00		
	6	01/22/03	9006	2081	500.00		
	7	01/29/03	9021	2089	55.00		
	8	01/30/03	9027	2095	150.00		1,332.75
	1	02/03/03	9038	2104	300.00		
	2	02/17/03	9070	2127	145.56		
	3	02/19/03	9072	2129	100.00		
	4	02/26/03	9090	2142	50.00		
	5	02/26/03	9096	2147	50.00		
	6	02/28/03	9103	2154	150.00		795.56
	1	03/04/03	9105	2156	200.00		
	2	03/12/03	9130	2174	200.00		
	3	03/25/03	9160	2200	300.00		700.00
	1	04/08/03	9196	2227	450.00		
	2	04/15/03	9213	2246	300.00		
	3	04/30/03	9251	2271	150.00		900.00
	1	05/07/03	9266	2279	500.00		
	2	05/08/03	9273	2287	500.00		
	3	05/16/03	9303	2307	100.00		
	4	05/20/03	9312	2316	90.00		
	5	05/21/03	9314	2318	60.00		
	6	05/23/03	9319	2322	100.00		
	7	05/26/03	9323	2326	100.00		1,450.00
	1	06/05/03	9353	2346	200.00		
	2	06/05/03	9359	2352	150.00		
	3	06/13/03	9383	2372	500.00		
	4	06/23/03	9396	2383	150.00		1,000.00
	1	07/04/03	9413	2395	150.00		
	2	07/07/03	9415	2397	426.59		
	3	07/17/03	9438	2412	1,100.00		
	4	07/29/03	9471	2436	250.00		1,926.59
	1	08/01/03	9476	2438	150.00		
	2	08/08/03	9501	2454	200.00		
	3	08/12/03	9506	2459	150.00		
	4	08/19/03	9513	2464	90.00		
	5	08/20/03	9522	8128		218.00	
	6	08/25/03	9532	2475	150.00		958.00
	1	09/02/03	9547	2489	350.00		
	2	09/12/03	9562	2494	762.00		
	3	09/12/03	9568	2500	100.00		
	4	09/12/03	9568	2501	100.00		
	5	09/22/03	9583	2510	100.00		
	6	09/24/03	9585	2512	100.00		
	7	09/25/03	9588	2513	1,879.77		
	8	09/26/03	9591	2516	150.00		
	9	09/30/03	9604	2528	50.00		3,591.77
				TOTAL	\$16,894.67	\$ 432.88	\$17,327.55
2004	1	10/03/03	9617	2533	130.00		
	2	10/07/03	9618	2534	275.00		
	3	10/10/03	6931	2545	200.00		
	4	10/14/03	6937	2552	2,008.66		
	5	10/17/03	9657	2561	40.00		
	6	10/21/03	9661	2565	579.50		
	7	10/22/03	9662	2566	300.00		
	8	10/23/03	9666	2570	300.00		

	@	number of checks per month					
FY	@	Date of Ck	VP#	CK#	Advances	Pmt Refunds	Monthly Total
	9	10/28/03	9668	9668	700.00		
	10	10/31/03	9683	2580	2,435.35		
	11	10/31/03	9689	2585	200.00		7,168.51
	1	11/04/03	9690	2586	150.00		
	2	11/06/03	9695	2591	50.00		
	3	11/06/03	2593	2593	100.00		
	4	11/10/03	9700	2597	100.00		
	5	11/17/03	9718	2611	100.00		
	6	11/20/03	9723	2615	150.00		
	7	11/24/03	9728	2622	50.00		
	8	11/25/03	9733	2626	80.00		
	9	11/28/03	9746	2634	600.00		1,380.00
	1	12/02/03	9753	2641	550.00		
	2	12/04/03	9755	2643	180.00		
	3	12/10/03	9763	2651	150.00		
	4	12/12/03	9781	2660	200.00		
	5	12/22/03	9800	2674	173.00		
	6	12/29/03	9823	2689	250.00		1,503.00
	1	01/06/04	9828	2695	200.00		
	2	01/08/04	9835	2701	444.00	420.00	
	3	01/08/04	9837	2702	100.00	654.00	
	4	01/12/04	9851	2713	420.00	150.00	2,388.00
				TOTAL	\$11,215.51	\$ 1,224.00	\$12,439.51
				GRAND TOTAL	\$46,167.91	\$ 3,042.88	\$49,210.79

Pohnpei State Housing Authority
 Schedule of Receipts Deposited Late
 FY 2002

Date of Receipt	Receipt No.	Date of Deposit	Elapsed Days	#	Amount *
07/02/02	14977-14978	08/06/02	35		\$ 109.00
09/27/02	1412-1428	11/01/02	35		2,083.96
06/27/02	14919-14921;14923-14935	07/31/02	34		1,047.66
06/28/02	14936-14970	08/01/02	34		2,052.09
07/03/02	14979-14983	08/06/02	34		473.00
07/04/02	14984;14986-14987	08/06/02	33		777.64
09/26/02	15287-15292	10/25/02	29		3,318.10
09/26/02	15287-15292	10/29/02	33		205.85
07/05/02	14988-14993	08/06/02	32		1,454.32
09/23/02	15280	10/25/02	32		832.60
09/30/02	1429-1453;1350-1370	11/01/02	32		2,903.81
07/01/02	14971-14976	08/01/02	31		355.00
07/08/02	14994-14996	08/08/02	31		305.00
08/19/02	15154-15158;15160-15161	09/19/02	31		1,559.52
09/24/02	15281-15284	10/25/02	31		320.00
06/26/02	14915-14918	07/26/02	30		649.42
07/16/02	15009-15016	08/15/02	30		881.32
07/31/02	15050-15100	08/22/02	22		901.00
07/31/02	15050-15100	08/30/02	30		2,633.18
08/05/02	15111-15115	09/04/02	30		212.00
08/06/02	15116-15122	09/05/02	30		1,543.89
09/25/02	15285-15286	10/25/02	30		429.89
06/25/02	14910-14913	07/24/02	29		1,045.32
07/10/02	14997-15004	08/08/02	29		498.66
07/10/02	14997-15004	07/31/02	21		649.42
07/17/02	15017	08/15/02	29		115.00
08/01/02	15101-15105;15107	08/30/02	29		976.03
08/15/02	15138-15145;15147-15149	09/13/02	29		1,835.01
05/31/02	14822-14854	06/28/02	28		2,103.85
06/03/02	14855-14862	07/01/02	28		496.00
06/06/02	14870-14873;14875-14879	07/04/02	28		1,714.61
06/24/02	14907-14909	07/22/02	28		337.00
07/11/02	15005;15007	08/08/02	28		150.00
07/24/02	15031-15034	08/21/02	28		822.73
08/02/02	15108-15110	08/30/02	28		214.20
08/07/02	15123-15125	09/04/02	28		468.00
08/16/02	15150-15152	09/13/02	28		199.00
05/24/02	14782-14787	06/20/02	27		3,537.92
05/29/02	14795-14802	06/25/02	27		915.12
06/04/02	14863-14864	07/01/02	27		120.00
06/13/02	14890-14891	07/10/02	27		574.84
07/19/02	15021-15022;15024	08/15/02	27		145.00
07/25/02	15036-15041	08/21/02	27		506.00
08/08/02	15127-15132	09/04/02	27		745.48
08/30/02	15171-15223	09/19/02	20		1,412.73
08/30/02	15171-15223	09/26/02	27		4,156.43

Date of Receipt	Receipt No.	Date of Deposit	Elapsed Days	#	Amount *
04/04/02	14545-14548;14500-14603	04/30/02	26		1,727.69
05/30/02	14803;14805-14820	06/25/02	26		1,395.08
06/05/02	14865-14869	07/01/02	26		319.94
06/20/02	14898-14899;14901-14904	07/16/02	26		1,278.84
09/19/02	15273-15278	10/15/02	26		1,245.05
06/21/02	14905-14906	07/16/02	25		140.00
08/19/02	15153	09/13/02	25		155.00
04/30/02	14670-14713	05/24/02	24		2,694.86
05/27/02	14788	06/20/02	24		35.00
06/10/02	14880	07/04/02	24		20.00
06/11/02	14881-14886	07/05/02	24		1,416.22
07/15/02	15008	08/08/02	24		80.00
07/22/02	15025-15027;15029-15030	08/15/02	24		423.63
09/02/02	15224-15228	09/26/02	24		708.00
09/09/02	15245-15248	10/03/02	24		229.00
04/03/02	14539-14544	04/26/02	23		688.00
05/01/02	14714-14719	05/24/02	23		1,123.85
05/08/02	14744-14753	05/31/02	23		1,288.00
05/28/02	14789-14794	06/20/02	23		372.69
06/12/02	14887-14888	07/05/02	23		376.50
06/17/02	14892-14894	07/10/02	23		
07/29/02	15042-15045	08/21/02	23		423.01
07/30/02	15046;15048-15049	08/22/02	23		87.69
08/12/02	15133	09/04/02	23		35.00
08/13/02	15134-15135	09/05/02	23		240.00
08/27/02	15162-15163	09/19/02	23		190.00
09/04/02	15229-15238	09/27/02	23		1,373.46
09/10/02	15249-15250	10/03/02	23		580.00
04/23/02	14643-14648	05/15/02	22		1,234.48
05/02/02	14720-14723;14725-14728	05/24/02	22		1,034.00
05/09/02	14755-14757	05/31/02	22		1,776.38
05/20/02	14765-14768	06/11/02	22		475.32
06/18/02	14895	07/10/02	22		155.00
06/18/02	14896-14897	07/10/02	22		212.00
09/05/02	15239;15241-15244	09/27/02	22		305.00
12/20/01	14138-14145	01/10/02	21		1,673.23
04/02/02	14526-14538	04/23/02	21		3,364.67
04/08/02	14604-14605	04/29/02	21		400.00
04/24/02	14650-14651	05/15/02	21		120.00
04/24/02	14652;14654-14657;14659-14661	05/15/02	21		1,993.43
05/21/02	14769-14771	06/11/02	21		240.00
08/14/02	15136-15137	09/04/02	21		135.00
08/29/02	15166-15170	09/19/02	21		378.69
09/12/02	15251-15252;15254-15261	10/03/02	21		1,865.78
12/21/01	14146-14153;14155	12/27/01	6		12,739.13
12/21/01	14146-14153;14155	01/10/02	20		564.78
03/01/02	14447-14453	03/21/02	20		792.00
03/27/02	14525-14598	04/12/02	16		1,200.92
03/27/02	14525-14598	04/16/02	20		369.50
04/09/02	14606-14610	04/29/02	20		138.00
04/10/02	14611-14615	04/30/02	20		368.00

Date of Receipt	Receipt No.	Date of Deposit	Elapsed Days	#	Amount *
04/12/02	14620-14625	05/02/02	20		1,988.03
05/22/02	14772-14776	06/11/02	20		439.31
09/13/02	15262-15266	10/03/02	20		1,018.00
02/07/02	14339-14347	02/26/02	19		633.00
03/02/02	144454-14455	03/21/02	19		45.00
03/15/02	14488-14497	04/03/02	19		2,227.13
05/23/02	14777-14780	06/11/02	19		272.00
04/11/02	14617-14618	04/29/02	18		335.00
05/06/02	14729-14743	05/24/02	18		813.00
05/13/02	14758	05/31/02	18		95.63
02/01/02	14313-14320	02/18/02	17		1,343.00
03/04/02	14456-14458	03/21/02	17		155.00
03/25/02	14569;14572-14579	04/11/02	17		740.46
04/15/02	14626-14631	05/02/02	17		745.31
09/16/02	15267-15270	10/03/02	17		111.31
03/05/02	14459-14460	03/21/02	16		250.00
03/18/02	14498-14551	04/03/02	16		370.31
03/26/02	14580-14596	04/11/02	15		1,071.58
04/29/02	14662-14669	05/15/02	16		577.27
02/11/02	14348-14355	02/26/02	15		839.90
02/14/02	14359-14364	03/01/02	15		4,275.12
03/06/02	14461-14463	03/21/02	15		209.00
03/19/02	14552-14553	04/03/02	15		92.00
04/17/02	14632-14638	05/02/02	15		663.84
05/16/02	14763-14764	05/31/02	15		146.31
09/18/02	15271-15272	10/03/02	15		300.00
02/28/02	14403-14446	03/13/02	13		5,086.36
02/28/02	14403-14446	03/15/02	15		1,890.86
12/27/01	14156-14162	01/10/02	14		1,398.70
01/15/02	14204-14208	01/18/02	3		2,331.93
01/15/02	14204-14208	01/29/02	14		1,406.08
01/31/02	14257-14275;14277-14312	02/14/02	14		4,541.04
02/04/02	14321-14326	02/18/02	14		460.00
02/12/02	14356-14357	02/26/02	14		340.00
02/15/02	14365-14374	03/01/02	14		2,096.29
02/27/02	14391-14402	03/13/02	14		553.17
03/07/02	14467	03/21/02	14		7,503.50
03/07/02	14464-14466;14468	03/21/02	14		333.84
03/13/02	14479-14485	03/27/02	14		1,342.85
03/20/02	14554;14556-14561	04/03/02	14		1,176.85
03/21/02	14562-14568	04/04/02	14		573.20
04/18/02	14639-14641	05/02/02	14		327.00
01/18/02	14213-14223	01/31/02	13		2,313.80
02/05/02	14327-14329	02/18/02	13		1,194.20
02/13/02	14358	02/26/02	13		104.00
03/14/02	14486-14487	03/27/02	13		167.00
10/31/01	13901-13928	11/12/01	12		2,669.81
11/30/01	14029-14075	12/12/01	12		1,463.43
11/30/01	14029-14075	12/04/01	4		6,795.34
01/17/02	14210-14212	01/29/02	12		130.00
02/06/02	14330-14337	02/18/02	12		1,206.85

Date of Receipt	Receipt No.	Date of Deposit	Elapsed Days	#	Amount *
10/01/01	13795-13804	10/12/01	11		548.00
11/23/01	14000-14016	12/04/01	11		1,958.16
11/23/01	14000-14016	11/29/01	6		35.65
12/07/01	14103-14105	12/18/01	11		193.00
02/18/02	14375-14377	03/01/02	11		280.00
03/11/02	14469-14473	03/22/02	11		297.66
10/02/01	13805	10/12/01	10		100.00
01/21/02	14224;14226-14228	01/31/02	10		255.00
02/19/02	14378	03/01/02	10		25.00
03/12/02	14474-14478	03/22/02	10		335.00
10/03/01	13806-13813	10/12/01	9		8,825.51
11/05/01	13929-13939	11/14/01	9		910.00
12/03/01	14076-14087	12/12/01	9		640.00
12/12/01	14112-14116	12/21/01	9		2,037.07
12/13/01	14117	12/21/01	8		
12/11/01	14109-14111				
12/17/01	14118/9;14121-14135				504.23
12/17/01	14118/9;14121-14135	12/18/01	1		8,449.67
01/09/02	14178-14187	01/18/02	9		1,474.43
01/09/02	14178-14187	01/15/02	6		1,025.66
01/09/02	14178-14187	01/10/02	1		9,920.71
01/22/02	14229-14230	01/31/02	9		91.00
02/20/02	14379-14381	03/01/02	9		247.00
10/04/01	13814-13815	10/12/01	8		845.76
10/18/01	13847-13857	10/26/01	8		2,900.74
10/23/01	13864-13866	10/31/01	8		498.23
11/06/01	13940-13949	11/14/01	8		883.23
11/07/01	13950-13953	11/15/01	8		335.00
11/15/01	13974-13979	11/23/01	8		803.15
11/15/01	13974-13979	11/21/01	6		675.00
12/04/01	14088-14093	12/12/01	8		582.33
12/10/01	14106-14108	12/18/01	8		627.66
01/10/02	14188-14199	01/18/02	8		1,250.55
01/23/02	14231-14233	01/31/02	8		325.00
02/21/02	14383-14385	03/01/02	8		861.51
10/11/01	13829-13838	10/18/01	7		4,586.37
11/14/01	13967-13973	11/21/01	7		682.30
11/14/01	13967-13973	11/15/01	1		7,874.12
12/05/01	14094-14096	12/12/01	7		334.00
01/03/02	14163-14164	01/10/02	7		45.00
01/30/02	14246-14256	02/06/02	7		869.70
05/08/02	14754	05/15/02	7		3,332.45
10/25/01	13867-13870	10/31/01	6		615.67
11/08/01	13954-13955	11/14/01	6		3,242.53
12/06/01	14097-14102	12/12/01	6		3,646.46
01/04/02	14165-14167	01/10/02	6		220.00
02/21/02	14382	02/27/02	6		7,582.50
10/26/01	13871-13879	10/31/01	5		4,696.23
11/21/01	13991-13997	11/26/01	5		669.68
11/29/01	14018-14028	12/04/01	5		964.49
06/06/02	14874	06/11/02	5		3,465.45

Date of Receipt	Receipt No.	Date of Deposit	Elapsed Days	#	Amount *
10/08/01	773-774;13816-13819	10/12/01	4		309.57
10/14/01	13839	10/18/01	4		155.00
10/22/01	13858-13862	10/26/01	4		414.00
11/19/01	13980-13990	11/23/01	4		989.23
01/14/02	14200-14203	01/18/02	4		296.31
02/25/02	14386-14389	03/01/02	4		748.39
TOTAL					<u>260,611.39</u>
% to total receipts of \$706,647					37%
# no. of days late					
* per receipts and deposits					