

OFFICE OF THE PUBLIC AUDITOR

Republic of Palau



2017 Annual Report

P. O. Box 850, Koror, PW 96940
Orakiruu Professional Building, Madalaih, Koror, Palau
Tel: 488 2889/5687 Fax: 488 2194
E-mail: admin@palauopa.org
Website: www.palauopa.org

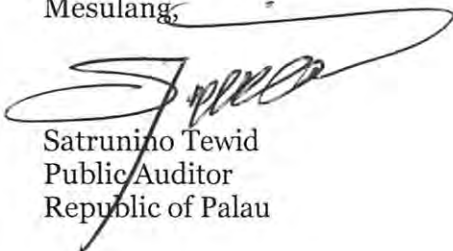
Message from the Public Auditor

As Public Auditor for the Republic of Palau, I am pleased to submit this Annual Report and to highlight the Office of the Public Auditor's activities for the calendar period of January 1, 2017 through December 31, 2017. Our work involved audits in high priority programs of the National Government, State Governments, and Single Audits of the National Government and Component Units, development partner grants, all centering on the theme of effective management of public funds. Our mandate and our goals are to institute fiscal responsibility, accountability and transparency and to promote excellence, integrity and sound financial practices in the operation of governmental, semi-governmental and nonprofit organizations that receive public funds. We also report on other mandates the OPA has been unable to carry out due to insufficient resources.

We report herein the Single Audits of the Republic of Palau and its Component Units, the completed, ongoing and scheduled audits of all State Governments, including the ongoing efforts to implement State Government financial audits, Government of Japan's Grass-Roots Grants and other performance audits conducted in the reporting period. We also report on technical assistances received in support of OPA's capacity building programs, and scheduled Peer Review conducted to ensure the quality of the Office of the Public Auditor's (OPA) work. Finally, the Office of the Public Auditor reports on its existing capacity and its plans to hire more staff (auditors) to accomplish its mandate.

I want to express my gratitude to the OPA staff for their dedication and professionalism, to the management and staff of the agencies we audit for their cooperation, to our citizens and stakeholders for their trust and confidence of the OPA. I want to also express my gratitude to the U.S. Department of Interior's Office of Insular Affairs and the Office of the Inspector General for their continued commitment and support to the OPA and, finally, and most importantly, to the Office of the President and the Olbiil Era Kelulau for their continued support and commitments to good governance.

Mesulang,



Satrunino Tewid
Public Auditor
Republic of Palau

I. About the Office of the Public Auditor

The Office of the Public Auditor (OPA) is an independent agency of the Government of the Republic of Palau (ROP). It is established under Article XII, Section 2 of the Constitution of the Republic of Palau and the Public Auditing Act of 1985. The OPA is headed by the Public Auditor, who is appointed for a six-year term by the President of the Republic with the advice and consent of the Palau National Congress, the Olbiil Era Kelulau (OEK). Article XII, Section 2(b) of the Constitution mandates that the Public Auditor inspects and audit accounts of every branch, department, agency, and authority of the national government, and of all other public legal entities or nonprofit organizations that receive public funds from the National Government.

II. Our Values and Our Mission

The OPA operates as an independent oversight agency responsible to the people and government of the Republic of Palau. Our mission is to promote excellence, integrity and accountability within the programs, operations and management of governmental, semi-governmental and nonprofit organizations that receive public funds. Our goal is to institutionalize economy, efficiency, accountability and transparency in the operations, programs and activities of public institutions.

We abide by the highest ethical standards and have the resolve to tell our stakeholders what they need to know, not what they may wish to hear. Our core values help us fulfill our mission and include:

- placing the highest value on objectivity and independence to ensure integrity in all we do;
- conducting our work with professionalism and dedication;
- striving for continuous improvement; and
- encouraging and supporting the development of the skills and expertise of all who work in the OPA.

We strive to fulfill this mission by making tools available to management that they can use to improve operations. This is accomplished by conducting audits in an objective, impartial and unbiased manner and providing management with findings and recommendations for improvement. We plan and perform our audits in accordance with U.S. Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States. These standards require that we obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions.

The OPA is expressly charged by law to prevent fraud, waste and abuse in the collection and expenditure of public funds. Accordingly, we make recommendations in our audit reports on how to improve and strengthen internal controls and on ways that agencies can manage their funds more effective, more accountable, and in compliance with applicable laws, rules and regulations. We follow up in subsequent audits to make sure that our recommendations are being implemented.

When our audits disclose suspected cases of fraud, violations of law or other irregularities, we report these to the Attorney General or the Special Prosecutor for further investigation and possible prosecution. The successful prosecution of financial crimes against the Republic is essential to the deterrence of such misconduct in the future.

III. Audits, Inspections and Supports

The OPA is responsible for coordinating, overseeing and conducting audits of State Governments, the National Government and its departments, agencies and programs. Most commonly, these audits are performance audits, distinct from financial statement audits, the objective of which is to express an opinion on the fairness of the financial statements. Whereas financial audits are focused on determining the accuracy of financial statements, performance audits are driven by the objective(s) of the audit, whether they are compliance with laws and regulations, economy and efficiency of operations, or achieving desired results.

III.A. Single Audits

The United States Federal Financial Assistance programs, the Compact of Free Association between the ROP and the United States, and the U.S. Single Audit Act require the ROP and its Component Units to undergo annual Single Audits.

Funding and Oversight Responsibilities:

- The OPA applies for, secures and administers a Single Audit grant from the Office of Insular Affairs, U.S. Department of the Interior (USDOI), to fund annual Single Audits of the ROP National Government and Component Units
- Coordinates and mediates audit issues to ensure the audits are completed and finalized by June 30, each year.
- Works with independent auditors' to understand internal control issues identified in audit reports in order to properly perform timely follow-up actions with respective offices in their execution and implementation of corrective actions and recommendations.
- On September 2017, the OPA met with the Ministry of Health, Ministry of Finance (MOF), and Ministry of Education's key personnel managing Federal programs to discuss and coordinate efforts over corrective actions related to recurring findings on fixed assets. As of the date of this report, MOF Chief of Property and Supply is responsible for working these key personnel in implementing corrective actions and monitoring the status of these recurring findings.
- At the end of September 2017, OPA met with Ministry of Finance and ROP Component Units to discuss a new issuance deadline timeline for the ROP Component Units audits for the FY 2017 audit. The OPA, Ministry of Finance and each of the Component Units agreed to the new issuance date of April 30, 2018. This new deadline ensures that Component Units audits are completed in time to allow sufficient time for the ROP auditors to consolidate Component Units financial statements into the ROP audit before the June 30 deadline.

III.A.1. Single Audit for Fiscal Year 2016

The OPA secured and administered \$562,500 in grant funds from OIA, USDOJ, to fund the Single Audits of the National Government and Component Units for fiscal year 2016.

III.A.1.a. Audits Conducted and Issued by Independent Accounting Firms

Scheduled below are Single Audits for the fiscal year ended September 30, 2016 conducted by independent accounting firms with oversight by the OPA: The costs of audits for the ROP and each component unit is reimbursed through the grant.

<u>Entity</u>	<u>Firm</u>	<u>Audit Cost</u>
Republic of Palau National Government	Deloitte	\$292,000
Palau Public Utilities Corporation	Deloitte	\$42,000
Palau National Communications Corporation (Calendar Year 2016)	Magliari	28,230
Palau Visitors Authority	Deloitte	\$15,000
Palau District Housing Authority	Magliari	\$9,500
National Development Bank of Palau	Magliari	\$28,000
Civil Service Pension Trust Fund	Deloitte	\$33,000
Civil Service Pension Trust Fund – Unfunded Liability Distribution ¹	Deloitte	\$9,000
Social Security Administration	Deloitte	\$21,000
Palau International Coral Reef Center	Deloitte	\$9,650
Protected Area Network Fund	Deloitte	\$9,000
Palau Community Action Agency	Deloitte	\$18,000
Palau Community College	Magliari	\$22,000

Summary of Independent Auditors' Findings and Questioned Costs:¹

Entity (FY 2016)	Report Issue Date	Opinion	Findings or Questioned Costs
Republic of Palau National Government	July 14, 2017	Unmodified	See (1) Below
Palau Public Utilities Corp.	June 30, 2017	Unmodified	None
Palau Nat'l Communications Corp. (Calendar Yr 2016)	June 9, 2017	Unmodified	See (2) Below
Palau Visitors Authority	June 19, 2017	Unmodified	See (3) Below
Palau District Housing Auth.	May 24, 2017	Unmodified	None
National Dev Bank of Palau	May 15, 2017	Unmodified	None
Civil Service Pension Trust Fund	May 30 2017	Unmodified	See (4) Below
Social Security Administration	June 10, 2017	Unmodified	None
Palau Int'l Coral Reef Center	June 26, 2017	Unmodified	None
Protected Area Network Fund	Jan 23, 2017	Unmodified	None

Entity (FY 2016)	Report Issue Date	Opinion	Findings or Questioned Costs
Palau Community Action Agency	June 26, 2017	Unmodified	See (5) Below
Palau Community College	June 6, 2017	Unmodified	None
Belau Submarine Cable Corp.	June 6, 2017	Unmodified	None

- (1) Republic of Palau National Government: Ten (10) Financial Statement findings; Eleven (11) Federal Award findings; Questioned Costs of \$97,206; Significant deficiencies and Material Weaknesses noted over Internal Control over Financial Reporting and Major Federal Programs and Non-Compliance.
- (2) Palau National Communications Corporation: Two (2) findings on Internal Control over Financial Reporting reported as material weakness and significant weakness.
- (3) Palau Visitors Authority: One (1) finding on Non-compliance with PVA Procurement Regulations.
- (4) Civil Service Pension Trust Fund: Three (3) findings of deficiency in internal control over financial reporting to be material weaknesses which are related to actuarial deficiency, interest receivable and investment.
- (5) Palau Community Action Agency: One (1) finding Prior Years Audit in compliance with grant requirements; Unresolved questioned costs of \$ 49,450 on CFDA# 93.276.

III.A.2. Single Audit for Fiscal Year 2017

The OPA secured and administers \$636,461 in grant funds from OIA, USDOJ, to fund Single Audits of the National Government and Component Units for Fiscal Years 2017 as shown below:

Agency	Cost	Auditor
Civil Service Pension Plan	\$38,000	Deloitte
CSPP – Unfunded Liability Distribution	\$0	Deloitte
National Development Bank of Palau	\$27,000	Deloitte
Palau Community Action Agency	\$18,000	Deloitte
Palau Community College	\$22,000	BCM
Palau Housing Authority	\$9,500	BCM
Palau International Coral Reef Center	\$9,650	BCM
Palau National Communications Corporation	\$28,800	BCM
Palau Visitor’s Authority	\$15,000	Deloitte
Protected Areas Network Fund	\$8,000	Deloitte
Palau Public Utilities Corporation	\$45,000	Deloitte
Social Security Administration	\$22,500	Deloitte
ROP National Government	\$292,000	Deloitte

As of this report date, Single Audits for fiscal year 2017 of the National Government and Component Units are actively ongoing and scheduled to be finalized and issued by June 30, 2018.

¹ Refer to the OPA Website <http://palauopa.org/opa-audits.html> for a complete listing of Single Audits and OPA reports

III.B. Audits Conducted by the Office of the Public Auditor ¹

III.B.1. OPA Audits conducted in calendar year 2017

Scheduled below are Audits conducted by the Office of the Public Auditor in calendar year 2017:

Entity	Type of Audit	Period	Report Issue Date
Japan's Grant Assistance for Grass-Roots Human Security Project (GGP) for "The Provision of Educational Equipment"	Performance, By Request	3/28/11 – 3/27/12	1/9/17
Japan's GGP for "The School Bus Procurement for Ngaraard Elementary School"	Performance, By Request	9/3/15-9/2/16	1/31/17
EQPB's Strategic Approach to International Chemicals Management (SAICM): UNEP Grant	Agreed-Upon Procedures (AUP), By Request	10/8/08-11/20/11	2/24/17
Audit of Import and Excise Taxes on Tobacco Products	Performance, By Request	10/1/11 – 1/30/16	3/8/17
Japan's GGP for "Construction of Ebiil Training Center"	Performance, By Request	2/16/16-2/15/17	4/27/17
Japan's GGP for "Procurement of Angaur Fire Truck"	Performance, By Request	2/18/16-2/17/17	10/23/17
Ngarchelong State Government	Performance	10/1/06 - 9/30/13	11/27/2017

III.B.2. Ongoing OPA Audits at the end of 2017

Entity	Type of Audit	Period	Status
Hatohobei State Government	Financial	10/1/13-9/30/15	Final report issued
Ngatpang State Government	Financial	10/1/13-9/30/15	Planning
Ngarchelong State Government	Financial	10/1/13-9/30/15	Planning
Ngchesar State Government	Financial	10/1/13-9/30/15	Planning
Sonsorol State Government	Financial	10/1/13-9/30/15	Planning
Belau National Museum	Performance By Request	10/1/12 - 9/30/14	Under supervisory review
Ngardmau State Government	Performance	10/1/10 - 9/30/13	Under supervisory review
Ngaraard State Government	Performance	10/1/08 - 9/30/13	Under supervisory review
Aimeliik State Government	Performance	10/1/07 - 9/30/13	Fieldwork/ Testing

Entity	Type of Audit	Period	Status
Ngchesar State Government	Performance	10/1/10 - 9/30/13	Fieldwork/ Testing
Ngeremlengui State Government	Performance	10/1/07 - 9/30/13	Fieldwork/ Testing
Kayangel State Government	Performance	10/1/12 - 9/30/13	Under supervisory review
Peleliu State Government	Performance	10/1/12 - 9/30/13	Under supervisory review
PPUC Audit	Performance	10/1/14-9/30/16	Fieldwork/ Testing
Sustainable Development Goals Audit	Performance	9/2015-Present	Planning
Japan's GGP for State School Bus (Airai and Aimeliik)	Performance, By request	2/9/17- 2/9/18	Under supervisory review
Japan's GGP for Kayangel State	Performance, By request	2/24/17-2/23/18	Under Supervisory Review
MOH Community Health	Performance, By request	12/1/16- 12/1/17	Under Supervisory Review

Financial Audit: The primary purpose of a financial statement audit is to provide an opinion about whether an entity's financial statements are presented fairly in conformity with applicable financial reporting framework.

Performance Audit: performance audits are driven by the objective(s) of the audit, whether they are compliance with laws and regulations, economy and efficiency of operations, or achieving desired results.

Agreed-Upon Procedures (AUP): Performing specific procedures on a subject matter and issuing a report of findings based on the agreed-upon procedures requested by the requestor

¹ Refer to the OPA Website <http://palauopa.org/opa-audits.html> for a complete listing of Single Audits and OPA reports

III.C. Financial Audits of State Governments

ROP Public Law No. 9-9 requires the Public Auditor to establish clear and concise rules and regulations to guide the states in establishing measures of accountability. As previously reported, the OPA had completed the initial draft of the proposed rules and regulations and disseminated the Draft to State Governors for their review and comment. The OPA met with the Governors Association again in February 2018 to discuss the proposed rules and regulations and their implications on State Government operations. The Governors Association shared their concern regarding the timing of the enforcement of the rules and regulations_ whether to apply retrospectively to the beginning of fiscal Year 2014 or upon the effective date of the rules and regulations. The former (retrospective) can be problematic for State Governments if the audit uncovers significant amount of Questioned Costs as such can be withheld from State block grants. The OPA will be meeting with its legal counsel for a final review of the rules and regulations and finalize them thereafter. The OPA anticipates finalizing the State Block Grant Rules and Regulations by May 1, 2018. These rules and regulations would set uniform standards of accountability for state governments in the Republic and establish guidelines for the disbursement of State block grants by National Treasury, expenditure of block grants, reporting and financial audits.

Because of the delay in implementing the State financial audits, the OPA has prioritized the financial audits to the forefront of its work in order to complete audits for fiscal years 2014 and 2015 and 2016 and 2017 thereafter. Hence, the completion of the remaining performance audits for the Fiscal year ending 2013 (per ongoing work above) will have to be deferred to a later date pending the completion of the financial audits.

Presently, the OPA has completed the financial audit of Hatohobei State for fiscal years 2014 and 2015 and has issued the final report. The financial audit of Hatohobei State will serve as template for the other state financial audits moving forward. In this regard, the OPA has commenced financial audits of Ngatpang State, Kayangel, Ngarchelong, Sonsorol, and Ngchesar. The OPA also plans to outsource some of the State financial audits upon the OEK approving the \$100,000 supplemental funding for the OPA. This plan will also be applied in the FY 2016 and 2017 financial audits in order for the OPA to bring up-to-date the State financial audits.

The financial audit format the OPA plans to apply in audit of State Governments is the cash basis Revenues and Expenditures, as opposed to a full, comprehensive financial audit. This is due to the fact that State Governments are still learning the applications of the QuickBooks accounting system, especially the modules for recording and accounting for accrued transactions (i.e., accounts payable, accounts receivable, accrued payroll, etc.).

III.D. Audits of Other Country and Development Partners' Financial Assistance

Recently, the OPA has been seeing a surge in requests by government entities and non-profit organizations to audit other country and development partner grants provided to these entities. Examples of other country/development partner grants include Japan's Grass-Roots Development Project (GGP), Asian Development Bank, World Bank and United Nations. Most of these requests have come from entities that received Japan's Grass-Roots development grant, which require the grant and project to be audited. In fact, Japan's GGP grants can be terminated if audits are not complete and submitted to the Embassy. In fiscal year 2017, the OPA conducted, completed and issued six (6) GGP grant audits worth U.S. \$522,861.

III.E. Other Mandated Audits

In addition to the above, the OPA is mandated by the **Code of Ethics Act** to audit campaign statements filed by candidates for the Offices of President and Vice President and to conduct random audits of other statements filed under the Act. The OPA is also required by the **Budget Reform Act of 2001 (RPPL 6-11)** to conduct attestation audits of each agency's performance report and comment on the reasonableness, appropriateness, validity, and reliability of the performance measures and data collection efforts. These mandates are further described below:

III.E.1. Code of Ethics Act (RPPL 5-32) - Audits of Financial Disclosure Statements

To conduct audits of campaign statements of candidates for the Offices of the President and Vice President of the Republic and randomly audit other campaign statements filed under this chapter.

Development/Performance in 2017: The OPA has not conducted these audits since the enactment of the law, due to lack of manpower.

Audits of financial disclosure statements are a critical part of the Code of Ethics Act as it ensures that candidates who run for public office are filing the required financial disclosures and, more importantly, are properly reporting financial contributions and expenses of their election campaign and account(s) from which a campaign is funded and administered.

III.E.2. Budget Reform Act of 2001 (RPPL 6-11)

To Conduct Attestation Audits of Performance Reports

Development/Performance in 2017: The OPA has not conducted these audits since the enactment of the law due to lack of manpower.

The OPA feels that Attestation Audits are critical component of this law as they verify the credibility, accuracy and reliability of an agency's performance report, the data collection and measurement methodologies. Without attestation audits, the leadership and relevant stakeholders cannot reasonably gauge the performance of an agency, or determine the credibility, accuracy and reliability of data collection and measurement methodologies.

IV. Other Mandates

IV.A. Board of Accountancy (RPPL 3-71)

The Public Auditor serves as Chairman of the Palau Board of Accountancy (PBOA), which is responsible for regulating and overseeing the practice of accountancy in the Republic. The PBOA regulates and oversees the practice by screening applications, licensing qualified practitioners, and issuing permits to those individuals and firms that meet the statute's qualification requirements to practice accountancy in the ROP. The Board receives no appropriations to fund its operations; thus, the OPA absorbs all of the Boards' administrative costs.

Developments/Performances in 2017 (calendar year):

In calendar year 2017, the PBOA issued a total of 16 permits to 5 Accounting Firms and 11 Certified Public Accountants (CPAs), issued one license and collected and deposited \$1,150 into the National Treasury therewith.

As of the date of this report, the terms of office for all Board members have expired. The Office of the President has been informed of these vacancies but no appointments have been made. The Palau Board of Accountancy administers a critical function in ensuring the integrity of the practice of public accountancy in the Republic. Without it, CPAs cannot practice or conduct audits and related assurance services without the requisite licenses and permits issued by the Board.

V. OPA capability to carry out its Mandates

V.A. Human Resources needed to carry-out OPA mandates

The OPA must have sufficient manpower resources to fulfill its mandate. The OPA would require the following additional staff in order to effectively carry out its responsibilities:

<u>Mandate</u>	<u># of staff</u>
RPPL No. 9-9: State Government Financial Audits	6
RPPL No. 6-11: Attestation Audits	3
RPPL No. 5-32: Audits of financial disclosure statements	2
Audit Findings and Recommendation Tracking System	1
Administrative support	1

A more detailed budget will be prepared and submitted during FY 2019 Budget Call.

Additionally, to be an effective and efficient public watchdog on the use and safeguarding of public resources, the OPA would be required, at times, to hire specific expertise to conduct a specialized audit. For example, if the OPA was requested or decided to audit certain Capital Improvement Project (i.e., road construction), it would have to hire an expert (i.e., engineer) to serve as a consultant on the audit to ensure the quality of the audit.

Further, in audits that deal with sensitive and complex legal matters, the OPA would require ongoing legal advice to ensure that legal issues are properly researched and analyzed to reach an undisputable conclusion such that the final product (audit report) is factual and accurate.

At present, the OPA only has six (6) auditors and two (2) administrative support staff, gravely understaffed to undertake or carry out the above mandates. If it remains understaffed, the OPA will continue to struggle to meet its mandate and will not be able to accomplish some critical audits, i.e. State Government Financial Audits, not to mention attestation and financial disclosure audits.

Further, all of the OPA senior auditors are approaching retirement age and the OPA needs to hire new staff, provide them the essential training in order to establish a smooth transition for the eventual retirement of older staff. This is an opportune time to recruit and hire professional staff as the OPA can apply for technical assistance from OIA, USDOJ (see Training and Professional Development), to fund its training programs, which otherwise would have to be funded out of local funds.

V.B. OPA's Office Space Requirements

Presently, the OPA leases office space from Orakiruu Professional building in Medalaii, Koror. The OPA occupies a total of 3,207 square feet of space at \$7,000 per month. If the OPA was to hire more than five (5) additional staff, it would have to look for a bigger office space. The OPA plans to meet with the President to discuss the space requirements for the OPA to determine the most economical option moving forward.

V. C. OPA's Recruitment Effort

The Office of the Public Auditor has been actively recruiting Palauan students studying in colleges and universities abroad in the field of accounting and related fields. The OPA works with the Palau National Scholarship Board (PNSB) to identify these students and offer internship programs through the PNSB's Fellowship Program. It is the position of the OPA to hire Palauans in order to take advantage of the training grants the OPA receives from the U.S. Office of Insular Affairs, DOI, instead of using the resources to train non-Palauans. The OPA is making headway in its recruitment process and anticipates hiring more Palauan professional staff in summer 2018.

V. D. Human Resources and Compensation Study

The Office of the Public Auditor is exempt from the Public Service System (Civil Service) rules and regulations. Presently, the OPA uses relevant Civil Service rules and regulations including the Pay Scale structure to regulate its personnel operations. Because of the nature of its work, the OPA requires certain specialized fields of expertise and skills to assure delivery of quality products (audits). These specialized fields and skills are not specifically accommodated in the Civil Service rules and regulations and compensation structure. Consequently, the OPA applied for and received a grant from the U.S. Office of Insular Affairs, DOI, to fund the development of a Human Resources Policies and Procedures and Compensation structure for the OPA. This is essential to provide a system that provides reasonable and equitable rules and regulations governing employee performance, professional development and compensation. Further, it provides competitive compensation for the OPA professional staff (auditors and other specialized fields of expertise) that is comparative to industry standards in the region. Moreover, the system would support the recruitment and retention of professional staff.

VI. Moving Forward Initiatives: Improving and Enhancing the Work of the OPA

VI.A. Training and Professional Development

The OPA is committed to promoting the professional development of its staff. It does so by providing capacity-building opportunities to enhance their skills, improve performances and maintaining Continuing Professional Education in good standing.

Attendee(s)	Date	Location	Purpose/Outcome	Travel Expenses (expensed to Palau Government)	Funded by
Public Auditor and Audit Manager	February 2017	Guam	<p>(1) Training on Audit Management System with Guam Office of Public Accountability</p> <p>Outcome: Audit Manager as champion of the System gained understanding and expectations on what to expect from development to implementation of the system</p> <p>(2) Public Auditor met and discussed employment opportunity with Palauan enrolled at University of Guam</p> <p>Outcome: hired one UOG graduate after the visit</p>	\$3,700	OIA, USDOJ: TAP-Palau-OPA-2015-5 and Palau Government
Audit Manager	April 2017	New Zealand	<p>Supreme Audit Institution Young Leaders Seminar</p> <p>Outcome: Exposures of Young Leaders to the operations of the audit offices</p>	\$500	PASAI and Palau Government
Semi-Senior Auditor	May 2017	Fiji	<p>Enhancing Communications with Stakeholders</p> <p>Outcome: Public Auditor to lead and manage communications within</p>	\$116	PASAI and Palau Government

			and outside of the office; Develop a Communication Strategy that will enable the office to effectively communicate with leadership, government officials, citizens and stakeholders; Identify resources and skills required to effectively develop and implement its communications strategy		
Audit Manager	May 2017	Guam	CGFM Examination	\$689	Partially funded by Palau Government
Public Auditor	May-June 2017	Austria	24 th United Nations INTOSAI Symposium Attended as Representative of PASAI	\$2,522	INTOSAI and Palau Government
Public Auditor	July 2017	New York, Honolulu	New York - Head of Audit Office on Leadership and Stakeholder Meeting “Auditing Preparedness for the Implementation of Sustainable Development Goals (SDGs)” Honolulu – Meeting with consultant regarding Compact matters and Palau’s fishing treaties Outcome: To be prepared to undertake Palau’s participation in PASAI’s Cooperative Performance Audit on SDGs. To gain a better understanding on the benefits of Palau’s membership in regional and international fishing treaties.	\$4,965	Palau Government
Public Auditor	August 2017	Tuvalu	Annual PASAI Congress Outcome: Expected – PASAI to provide assistances in capacity building programs	\$300	PASAI and Palau Government
Public Auditor, Audit Manager, 2 Senior Auditors, and 2 Junior Auditors	August 2017	Republic of Marshall Islands	(1) Association of Pacific Islands Public Auditors (APIPA) Annual Conference and Workshop Outcome: 40 CPE hours	\$23,651	OIA, USDOI: TAP- ROP-2016-2 and Palau Government

			<p>for each participant to satisfy the GAGAS requirement; Public Auditors convened to discuss way forward plans for the audit offices and APIPA</p> <p>(2) Public Auditor, Audit Manager and Junior Auditor: Stopped by in Guam to meet with UOG students</p> <p>Outcome: Continue effort to recruit UOG students to participate in PNSB Fellowship Program with OPA and employment with OPA</p>		
Semi-Senior Auditor	September 2017	Guam	<p>AGA Certified Government Financial Manager Review Course Training</p> <p>Outcome: 48 CPE hours and study materials for CGFM Course Study</p>	\$3,214	Palau Government
Audit Manager	October 2017	Honolulu	<p>(1) Western Intergovernmental Audit Forum Conference</p> <p>Outcome: Re-establish relationship and training with the Forum members</p> <p>(2) Met and discussed employment opportunity with Palauan students enrolled at University of Hawaii-Manoa</p> <p>Outcome: Expand recruitment effort for the OPA</p>	\$3,440	Palau Government
Senior Auditor and Semi-Senior Auditor	November-December 2017	Fiji	<p>Planning Meeting - Cooperative Performance Audit of Preparedness for Implementation of Sustainable Development Goals</p> <p>Outcome: Effective planning and</p>	\$3,000	PASAI and Palau Government

			coordination for the implementation of PASAI's Cooperative Performance Audit on SDGs.		
Public Auditor, Audit Manager, Senior Auditor, Semi-Senior Auditor and 3 Junior Auditors	December 2017	Palau	Audit Supervision, Evidence, Working Papers, and Other Topics Outcome: 40 CPE hours	\$0	Graduate School
Public Auditor	December 2017	Guam	(1) Meeting – Discuss Audit Issues with Deloitte & Touche Outcome: Timeliness of the 2017 Single Audit of the ROP and format for State Government financial audit (2) met and discussed employment opportunity with Palauan UOG graduate Outcome: Continue recruitment effort	\$2,445	Palau Government

Training Sponsors:

Association of Pacific Islands Public Auditors (APIPA): On an annual basis, the APIPA in collaboration with U.S. Graduate School sponsors a week-long Conference and Workshop for auditors, accountants and finance officers in the Insular Area governments.

OIA provides funding to the Graduate School in support of its Pacific Islands Training Initiative, specifically to deliver capacity building training programs to auditors and finance personnel of Insular Area Governments.

Pacific Association of Supreme Audit Institutions (PASAI): The Office of the Public Auditor is also a member of the Pacific Association of Supreme Audit Institutions (PASAI) comprising of island countries' Audit Offices (Supreme Audit Institutions, SAIs) in the North and South Pacific Regions including Palau, Guam, CNMI, FSM (and its four states of Pohnpei, Kosrae, Chuuk and Yap), Marshalls, American Samoa, Fiji, Samoa, Cook Islands, Vanuatu, Tonga, Tuvalu, Papua New Guinea, Solomon Islands, and Kiribati.

The PASAI is one of the seven regional bodies of the International Organization of Supreme Audit Institutions (INTOSAI) with an overall goal to promote transparent, accountable, effective, and efficient use of public sector resources in the Pacific.

VI.B. Audit Management System

With technical assistance from the OIA, USDOJ, the OPA was able to purchase TeamMate Audit Management System at a cost of \$45,000. The Audit Management System (AMS) software will facilitate the conversion of audit working papers from paper to digital form. This will enable auditors to keep audit data and evidence in electronic format and allow supervisors easy access to the working papers for review. This will make the review process more efficient and effective and reduce the volume of paper documents auditors must generate and keep track of.

The AMS is also designed to measure and compare the amount of time budgeted for audits with the actual time expended. This is an important management tool that the OPA has had difficulty implementing over the years. The AMS will improve the efficiency and effectiveness of audits by allowing the Public Auditor to closely monitor each audit to keep track of budget versus actual time. This in turn will help determine the cause(s) of budget and time overruns and enable the OPA to better manage the cost of each audit. Another key component of the system is an audit-recommendation tracking system to ensure that the auditee's management has taken appropriate actions to implement recommendations and to institute corrective measures to remedy audit findings.

Developments/Performances in 2017:

Due to turnover of key staff in charge of development of the system, progress started to lag but has recently picked up pace again with the recent hiring of an Audit Manager. The OPA turned to Guam's Public Auditor's Office, who has been operating a similar system for slightly over one year, to assist in the development and implementation of the AMS.

During the visits and communications with Guam OPA, the OPA realized that Guam implemented only certain components of the AMS. To fully utilize all components and necessary training, the OPA cancelled further trainings by Guam OPA and engaged the company (Teammate) to provide training, inclusive of software upgrade, and purchased additional licenses. The training and upgrade will be delivered in April 2018.

VII. Peer Review

The Office of the Public Auditor undergoes an External Quality Control Review (Peer Review) once every three (3) years. The purpose of the Peer Review is to assess the public audit office's system of quality control to determine compliance with U.S. Generally Accepted Government Auditing Standards.

The APIPA member offices participate in conducting the review of its member offices. With financial assistance from the U.S. government, two member offices team up with a consultant to conduct a review of the other member office. The team's members bring along an audit staff to participate as an observers, receive training in the process with the anticipation that they may participate in future reviews as a team member.

The last Peer Review of Palau OPA was conducted in fiscal year 2015, with the next cycle scheduled for 2018. The OPA's Peer Review Reports are published on its website.

VIII. Current Staffing Level of OPA

Staffing level of the OPA as of December 2017:

Name	Position	Years of Service	Projected Year of Retirement/End of Contract
Satrunino Tewid	Public Auditor	32	End of term, year 2019
Genesis U Roberto, CPA	Audit Manager	1	End of contract, year 2021
Jowas Wasisang	Senior Auditor	29	Retirement in 2020
Rena L Kloulechad	Senior Auditor	25	Retirement in 2020
Romana L Blailes	Semi-Senior Auditor	20	Retirement in 2029
Reggie Jay Mabel	Junior Auditor I	3	Retirement in 2045
Ryobch W Luiu	Junior Auditor I	9 months	Retirement in 2050
Ronald F Mamuyac	Junior Auditor I	2 months	End of contract, year 2018
Meikok P Chin	Administrative Officer/System Administrator	27	Retirement in 2029
Matsumi Taro	Administrative Assistant	21	Retirement in 2025