

OFFICE OF THE PUBLIC AUDITOR

Republic of Palau



2018 Annual Report

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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, 2018 through December 31, 2018. 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 ongoing effort to start the financial audit of State Governments, audits of development partner 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 Peer Review conducted to ensure the quality of the Office of the Public Auditor's (OPA) work. Finally, the OPA 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, the Pacific Association of Supreme Audit Institution (PASAI), the Association of Pacific Islands Public Auditors (APIPA) and the U.S. Graduate School for their continued commitment and support to the OPA's capacity building programs 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

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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 or Republic). 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 effectively, 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 an annual Single Audit.

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, Component Units and other agencies.
- Coordinates with the Ministry of Finance 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 and collaborates with relevant government agencies to properly perform timely follow-up actions with respective offices in their execution and implementation of corrective actions and recommendations.
- Subsequent events:
 - ❖ Held an entrance conference on January 9, 2019 with the Minister of Finance, Director of National Treasury and Deloitte and Touche to discuss the 2018 Single Audit of the ROP, Components Units, other agencies and State Governments.
 - ❖ Prepared and put out a bid for the State Government financial audit. The financial audit involved fourteen (14) State Governments, excluding Koror and Airai States, which were awarded equally to the accounting firms of Deloitte and Touche and Comer, Burger, Magliari. The cost of the financial audit will be paid for out of the \$200,000 ROP FY2019 annual budget appropriation (RPPL 10-29) to the Ministry of Finance for audit of state governments.

III.A.1. Single Audit for Fiscal Year 2017

The OPA secured and administered \$636,461 in grant funds from Office of Insular Affairs, USDOJ, to fund Single Audits of the National Government and Component Units (and agencies) for the period ended September 30, 2017 (or December 31, 2017 as indicated*). The audits were conducted by independent accounting firms with oversight by OPA:

Entity	Cost	Independent Auditor	Issued Date	Opinion	Findings ⁽¹⁾	Questioned Cost ⁽¹⁾
Belau Submarine Cable Corporation	\$0	Burger, Comer, Magliari	4/02/2018	unmodified	0	\$0
Civil Service Pension Plan (including Audit on Unfunded Liability)	\$38,000	Deloitte & Touche	4/27/2018	unmodified	1	\$0
National Development Bank of Palau	\$20,000	Deloitte & Touche	5/04/2018	unmodified	0	\$0
Palau Community Action Agency	\$18,000	Deloitte & Touche	6/29/2018	unmodified	0	\$0
Palau Community College	\$22,000	Burger, Comer, Magliari	6/05/2018	unmodified	0	\$0
Palau District Housing Authority	\$9,500	Burger, Comer, Magliari	4/18/2018	unmodified	0	\$0
Palau International Coral Reef Center	\$9,650	Burger, Comer, Magliari	4/30/2018	unmodified	0	\$0
Palau National Communications Corporation*	\$21,420	Burger, Comer, Magliari	4/30/2018	unmodified	2	\$0
Palau Visitor's Authority	\$15,000	Deloitte & Touche	4/30/2018	unmodified	1	\$0
Protected Areas Network Fund	\$8,000	Deloitte & Touche	2/16/2018	unmodified	2	\$0
Palau Public Utilities Corporation	\$45,000	Deloitte & Touche	5/03/2018	unmodified	0	\$0
Social Security Administration	\$21,500	Deloitte & Touche	4/30/2018	unmodified	0	\$0
ROP National Government	\$292,000	Deloitte & Touche	7/31/2018	unmodified	13	\$0

Summary of Findings and Questioned Costs¹:

Civil Service Pension Trust Fund: One (1) finding on actuarial deficiency (This is a repeat finding since 2014).

Palau National Communications Corporation: Two (2) findings on Internal Control over Financial Reporting reported as material weakness and significant weakness. (These are repeat findings, one since 2007 and the other since 2013).

Palau Visitor's Authority: One (1) finding on Operating Expenses.

Protected Areas Network Fund: Two (2) findings related to recording of revenues and expenses.

Republic of Palau National Government: Thirteen (13) Financial Statement findings, Seven (7) of which are Federal Award findings; Questioned Costs of \$0; Significant deficiencies and Material Weaknesses noted over Internal Control over Financial Reporting and Major Federal Programs and Non-Compliance.

III.A.2. Single Audit for Fiscal Year 2018

The OPA secured and administers \$626,527 in grant funds from Office of Insular Affairs, USDOT, to fund Single Audits of the National Government and Component Units (and agencies) for the period ended September 30, 2018 (or December 31, 2018 as indicated*). The audits are conducted by independent accounting firms with oversight by OPA. Audits of Component Units and Agencies should be completed and issued by April 30, 2019, to be consolidated to the National Government's Single Audit to meet the June 30, 2019 deadline:

Entity	Cost	Independent Auditor	Status
Belau Submarine Cable Corporation	\$0	Burger, Comer, Magliari	On-going
Civil Service Pension Plan (including Audit on Unfunded Liability)	\$38,500	Deloitte & Touche	On-going
National Development Bank of Palau	\$27,000	Deloitte & Touche	On-going
Palau Community Action Agency	\$18,000	Deloitte & Touche	On-going
Palau Community College	\$22,000	Burger, Comer, Magliari	On-going
Palau District Housing Authority	\$9,500	Burger, Comer, Magliari	On-going
Palau International Coral Reef Center	\$9,650	Burger, Comer, Magliari	On-going
Palau National Communications Corporation*	\$29,700	Burger, Comer, Magliari	On-going
Palau Visitor's Authority	\$15,000	Deloitte & Touche	On-going
Protected Areas Network Fund	\$8,000	Deloitte & Touche	On-going
Palau Public Utilities Corporation	\$45,000	Deloitte & Touche	On-going
Social Security Administration	\$22,500	Deloitte & Touche	On-going
ROP National Government	\$292,000	Deloitte & Touche	On-going

III.B. Audits conducted by the OPA

The table, below, lists audits issued or are on-going audits conducted by the OPA in calendar year 2018:

Entity	Type of Audit	Period	Status	Issued	Findings
Hatohobei State Government	Financial	10/1/13-9/30/15	Completed	4/18/2018	5
Ngardmau State Government	Performance	10/1/10-9/30/13	Completed	4/20/2018	7
Kayangel State Government: Japan GGP-Improving Environmental Health (backhoe) \$63,560	Performance	2/24/17-2/23/18	Completed	9/18/2018	1
Ministry of Health: Japan GGP – Improving Community Health Care of Belau National Hospital (vehicle) \$25,109	Performance	12/2/16-12/1/17	Completed	9/18/2018	0
Ministry of Education: Japan GGP – School Bus for Airai Elementary School \$107,245	Performance	2/10/17-2/9/18	Completed	10/3/2018	0
Ministry of Education: Japan GGP – School Bus for Aimeliik Elementary School \$107,245	Performance	2/1/17-2/9/18	Completed	10/3/2018	0
Environmental Quality Protection Board: Japan GGP – Improving Water Quality in Palau (vehicles) \$62,648	Performance	11/22/17-11/21/18	Completed	12/27/2018	0
Palau Public Utilities Corporation: Automated Fuel Price Adjustment Clause (AFPAC)	Performance	10/1/14-9/30/16	Completed	1/31/2019	5
Angaur State Government: Regina IV Repair Project	Performance		Management Review		
Ngatpang State Government	Financial	10/1/2013-10/1/2015	Outsourced		
Ngeremlengui State Government	Performance	10/1/07-9/30/13	Fieldwork		
Aimeliik State Government	Performance	10/104-9/30/13	Fieldwork		
Ngaraard State Government	Performance	10/1/07-9/30/13	Management Review		
Peleliu State Legislature	Performance	10/1/12-9/30/13	Management Review		
6 th Cooperative Performance Audit of Preparedness for Implementation of Sustainable Development Goals	Performance		Reporting		

Definitions of Types of Audit	Definitions of Status of Audit
<p>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.</p> <p>Performance Audit: The 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.</p>	<p>Fieldwork is the process of gathering evidence and analyzing and evaluating evidence in accordance with the audit program. The purpose of fieldwork is to collect sufficient and relevant evidence to reach a conclusion or finding and to support recommendations.</p> <p>On-going: audit is in-progress</p> <p>Outsourced: To be performed by CPA firm.</p> <p>Referred to Re-Assignment Pool: Occurs when an auditor-in-charge resigns or unable to continue due to complexity of an audit that warrants for involvement of experienced auditor; or staff reshuffling due to hiring and/or priorities.</p> <p>Reporting: Prepare Draft Report</p> <p>Independent or Management Review: Draft report being reviewed by independent team or management</p> <p>Draft is presenting findings and recommendations to the entity being audited, to allow the entity 30 days to review and comment on findings and recommendations.</p> <p>Completed is when the audit has been finalized and issued.</p>

STEPS to ensure a successful audit



III.C. State Governments

III.C.1. Rules and Regulations of Financial Accountability and Financial Audit for State Governments

As required by RPPL No. 9-9, the OPA has promulgated these rules and regulations entitled “Uniform Rules and Regulations of Financial Accountability and Financial Audit of State Governments of the Republic of Palau.” These rules and regulations have gone through the Administrative Procedures Act, approved by the President of the Republic and the Public Auditor and will take effect January 11, 2019. The rules and regulations establish uniform standards of accountability for state governments in the Republic and establish guidelines for the disbursements of state block grants by National Treasury, expenditure of block grants, reporting and financial audits. Further, the rules and regulations prescribe the policies and procedures for collecting and expending state funds and the process for conducting financial audits of state governments.



III.C.2. Financial Audits of State Governments pursuant to RPPL No. 9-9

The OPA conducted an assessment of the condition of State Governments’ accounting systems and finance personnel capacities and determined that the most practical and cost-beneficial approach to conducting the financial audit of State Governments would be to apply the American Institute of Certified Public Accountants’ (AICPA) practice guide entitled “Applying Special Purpose Framework in State and local Governmental Financial Statements.” The Special Purpose Framework will use the “Cash-Basis” of Accounting: cash receipts and disbursements. This approach will shorten the time required to complete the audit and reduce the cost at the same time. The OPA will continue to train state finance staff and monitor the accounting functions, and will assess each State’s progress and, upon certification, will declare a state government readiness to graduate to a full financial audit.

In line with the OEK’s change in policy to transfer the responsibility and appropriations for State Government audit from the OPA to the Ministry of Finance (MOF), the OEK under RPPL 10-29 (FY 2019 Budget) appropriated \$200,000 to the MOF for financial audit of State Governments. Lacking the expertise with financial reporting frameworks, the MOF collaborated with the OPA to outsource the State financial audit.

III.C.3. Outsourcing State Government Audits

Pursuant to RPPL 9-9, Annual Financial Audit of State Governments, the OPA has experienced both sides of the audit process, conducting the audit in-house or outsourcing the audit to independent accounting firms. Lessons learned from both approaches demonstrate that outsourcing the audit to private accounting firms is more cost-effective and efficient. The primary reason is that the OPA lacks the resources and experience (personnel and technical skill) whereas independent CPA firms, who specialize in financial audit, have both. It is based on this premise that the OPA also outsources the audit of the National Government, Component Units and agencies to private CPA firms. In addition, outsourcing avails services of the OPA to assist State Governments on technical matters (accounting system, training, etc.) that otherwise the OPA would not be able to provide without arousing potential conflict of interest issues.

After going through competitive bidding process, the State financial audits were awarded to the following accounting firms:

Deloitte & Touche:

State	2017	2016	2015	2014
Aimeliik	\$7,500.00	\$7,500.00	\$7,500.00	\$7,500.00
Angaur	\$7,500.00	\$7,500.00	\$7,500.00	\$7,500.00
Hatohobei	\$7,500.00	\$7,500.00	\$0.00	\$0.00
Ngchesar	\$7,500.00	\$7,500.00	\$7,500.00	\$7,500.00
Melekeok	\$7,500.00	\$7,500.00	\$7,500.00	\$7,500.00
Ngeremlengui	\$7,500.00	\$7,500.00	\$7,500.00	\$7,500.00
Ngaraard	\$7,500.00	\$7,500.00	\$7,500.00	\$7,500.00
Sub-Total	\$52,500.00	\$52,500.00	\$45,000.00	\$45,000.00

Burger, Comer, Magliari:

State	2017	2016	2015	2014
Ngarchelong	\$5,500.00	\$5,500.00	\$5,500.00	\$5,500.00
Sonsorol	\$5,700.00	\$5,700.00	\$5,700.00	\$5,700.00
Ngardmau	\$6,500.00	\$6,500.00	\$6,500.00	\$6,500.00
Ngatpang	\$7,500.00	\$7,500.00	\$7,500.00	\$7,500.00
Kayangel	\$7,500.00	\$7,500.00	\$7,500.00	\$7,500.00
Ngiwal	\$5,500.00	\$5,500.00	\$5,500.00	\$5,500.00
Peleliu	\$8,000.00	\$8,000.00	\$8,000.00	\$8,000.00
Sub-Total	\$46,200.00	\$46,200.00	\$46,200.00	\$46,200.00
Total	\$98,700.00	\$98,700.00	\$91,200.00	\$91,200.00

The total cost of the financial audit for the fourteen (14) State Governments, except Koror and Airai State, for the two (2) Fiscal Years 2017 and 2016 is \$197,400. This will be funded via the \$200,000 appropriation in RPPL 10-29, FY 2019 Unified Budget. Subject to availability of funds, the Ministry of Finance and the OPA will move to outsource the State financial audit for Fiscal years 2015 and 2014, similar to the process for FY 2017 and 2016. The MOF and the OPA will work with the two accounting firms to set a specific timetable for completion of audit of each State Government, tentatively planned to commence no later than May 2019. The delay will allow each state government to work with the OPA to prepare for the financial audit and, at the same time, allow the CPA firms to complete the Single Audits of the ROP National Government, Component Units and agencies by the June 30, 2019 deadline.

The required general timeline (deadline) for completion of all State financial audits is December 31, 2019. The OPA will provide oversight on the State audits and work with the auditors and state governments to ensure that the audits are completed on time.

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

The OPA is frequently requested by government entities and non-profit organizations to audit other country and development partner grants that provide financial assistance to these entities. Examples of other

country/development partner grants include Japan's Grant Assistance Grassroots 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 grants, which the Grant Contract requires the project to be audited upon completion. In fact, Japan's GGP grants can be terminated if audits are not completed and submitted to the Japan Embassy in Palau. In fiscal year 2018, the OPA conducted and completed audits of five (5) GGP grants worth U.S. \$365,807.

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 random audits of other campaign statements filed under this chapter.

Development/Performance in 2018: 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 campaigns 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 2018: 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 or Board), 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 2018 (calendar year):

The PBOA administers a critical function in ensuring the integrity of the practice of public accountancy in the Republic. The Board serves a critical role in ensuring that those licensed to practice meet qualification requirements and, in doing so, assures the quality of audits and other financial services offered 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.

In calendar year 2018, the PBOA was largely inactive due to vacancies in the Board membership, leaving the chairman with the responsibility of reviewing and extending permits to allow continuation of on-going audits in the government (including the ROP, Semi-Autonomous Agencies and State Governments) and private sector. The chairman extended the term of 2017 permits for individuals and firms that paid their fees for 2018.

V. OPA Capacity to carry-out its Mandates

V.A. Current Staffing Level of OPA

Staffing level of the OPA as of December 2018:

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	1.8	Resigned September 2018
Jowas Wasisang	Senior Auditor II	30	Retirement in 2020
Rena L Kloulechad	Senior Auditor I	26	Retirement in 2020
Romana L Blailes	Semi-Senior Auditor	21	Retirement in 2029
Reggie Jay Mabel	Junior Auditor I	4	Retirement in 2045
Danielle J M Willis	Junior Auditor I	.5	Resigned September 2018
Ryobch W Luiu	Junior Auditor I	1	Retirement in 2050
Ronald F Mamuyac	Junior Auditor I	1	End of contract, year 2019
Dilrae U Mechol	Junior Auditor I	0.25	Retirement in 2055
Meikok P Chin	Administrative Officer/ System Administrator	28	Retirement in 2029
Matsumi Taro	Administrative Assistant	22	Retirement in 2025

V.B. Human Resources needed to carry-out OPA Mandates

The most urgent need facing the OPA today is to fill the vacancy of the Audit Manager. The primary responsibility of the Audit Manager is to oversee, manage and supervise all audits of the OPA and to assist in drafting audit reports. Presently, the Public Auditor serves double duty as the Public Auditor and Audit Manager. This arrangement sacrifices the quality and quantity of service delivery in both positions and is not sustainable.

The OPA must have sufficient resources to carry-out its mandates set forth below. The OPA would require additional staff enumerated below in order to effectively carry out its responsibilities:

<u>Mandate</u>	<u># of staff</u>
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

The above does not factor in staff to conduct financial audit of State Governments, which the OPA assumes will continue to be outsourced to independent accounting firms with funding (appropriation) from the Olbiil Era Keulau.

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 specialized audits. For example, if the OPA was requested or decided to audit certain Capital Improvement Projects, 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 legal advice to ensure that legal issues are properly researched and analyzed to support findings and conclusions in the report. The Office of the Attorney General serves as legal counsel for the Executive Branch and therefore would place itself in a potential conflict of interest if it provides legal advice to the OPA on audit matters the subject of which relates to an executive branch agency.

At present, the OPA only has seven (7) auditors, four (4) of which have minimal experience and need to be coached or partnered with experienced auditors, and two (2) administrative support staff. Because only half of the professional staff are seasoned auditors, only three (3) audits can be initiated at one time, complicated by the fact that the OPA lacks an Audit Manager to supervise, review and draft audit reports; thus, by default the Public Auditor has to perform these duties. Consequently, taking on the duties and responsibilities of the Audit Manager takes the Public Auditor's time away from performing his job managing the office.

Further, most of the OPA senior auditors are approaching retirement age so 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 Office of Insular Affairs, USDOl (see Training and Professional Development), to fund its training programs, which otherwise would have to be funded out of local funds.

V. C. OPA's Recruitment Effort, Human Resources and Compensation System

The OPA has been actively recruiting Palauan students studying in colleges and universities abroad in the field of accounting and related discipline. The OPA works with the Palau National Scholarship Board (PNSB) to identify these students and offer internship programs through the PNSB's Summer and Winter Fellowship Program. It is the position of the OPA to hire Paluans in order to take advantage of the training grants the OPA receives from the Office of Insular Affairs, USDOl, instead of using the resources to train non-Paluans.

However, the OPA's recruitment effort has been unsuccessful due to low compensation levels for auditors. To rectify this problem, and since the OPA is exempt from the Civil Service System, the OPA through a grant from the Office of Insular Affairs, USDOl, commissioned a study to review the OPA's Human Resources Policies and Procedures and Compensation Structure.

V.C.1. Human Resources and Compensation Structure Study

Because of low salaries and wages at the OPA, and the fact that the OPA is exempt from the National Public Service System, the OPA through a grant from the Office of Insular Affairs, USDOL, hired a consultant to conduct a study on the OPA's human resources policies and procedures and compensation structure. The fact that the National Public Service System does not provide for the classification, classes and related compensation for auditors also prompted this study. The consultant has completed the fieldwork and has issued a "Draft" report. The OPA hopes to meet with the leadership of the OEK to discuss the Draft report and, with the blessing and support from the OEK's leadership, looks forward finalizing and adopting the study.

The study not only prescribes personnel policies and procedures for the OPA but, most importantly, it will establish a compensation structure for the OPA that is more competitive and attractive to support the recruitment and retention of professional staff.

V.D. 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. Understandably, the rent is extremely high; however, the market for office space of similar dimension is very limited or vendors are not interested in leasing office space. If the OPA was to hire more than five (5) additional staff, it would have to look for a bigger office space. The lease of private office space has been and continues to be a costly component of the OPA's budget, cost that otherwise could be used to fund other critical aspects of operations, i.e., personnel, however, the OPA has not been able to establish dialogue regarding the construction of a permanent office or building for the OPA.



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 (CPE) in good standing.

Attendee(s)	Date	Location	Purpose/Outcome	Travel Expenses, charged to Palau Government	Funded by
Administrative Officer	1/22-25/2018	Palau	Grants Management and Guidelines Outcome: be informed of updates to management of federal grants	\$0	Graduate School USA/Ministry of Finance
Public Auditor	2/25-26/2018	Palau	FEMM As an observer and representative of Pacific Association of Supreme Audit Institutions	\$0	
Public Auditor and	3/19-30/2018	Pohnpei	Peer Review of Pohnpei	PA \$5,660	Partial travel expenses

Audit Manager			State and FSM National Audit Offices as APIPA member office	AM \$2,447	of Public Auditor will be reimbursed by APIPA Grant.
Semi-Senior Auditor	3/12-16/2018	Guam	CGFM Examination Certification Program of Government Financial Management	\$2,366	
Senior Auditor I	5/15-17/2018	Brisbane, Australia	Regional Working Group on Environmental Audit Outcome: Knowledge sharing and capacity building based on issues and challenges the audit offices faced while conducted Environmental-related audits such as water, waste and climate change adaptation. RWGEA participants and sponsors agreed as to the important of continuation of the biennial meetings; and moreover, proposed to cover roles of regulatory agencies in the environmental sector, including compliance and enforcement.	\$3,034	
					
Public Auditor	5/18-22/2018	Guam	Meeting with: (1) Deloitte & Touche – Managing Partner, Daniel Fitzgerald, (2) Guam Public Auditor, Doris Brooks, (3) Dr. Karri Perez, Contractor to on-going project on Human Resources and Pay Scale Study for OPA, and (4) Meet with Palauan Accounting Students at University of Guam	\$2,295	
Junior Auditor	6/11-21/2018	Lakewood, Colorado	Lakewood Experience U.S. Office of Inspector General offers an annual training that encompasses phases of an audit, which provides guided	\$6,836	

			experience for a cohort of auditors from various island jurisdictions, to allow for sharing of information and best practices with the OIG, and among the various jurisdictions.		
Senior Auditor I Semi-Senior Auditor	6/11-15/2018	Nadi, Fiji	Audit Review Meeting – 6 th Cooperative Performance Audit of Preparedness for Implementation of Sustainable Development Goals Outcome: Provided guidance to audit fieldwork and reporting	\$3,104	IDI-PASAI
					
Public Auditor and Staff Auditors	8/6-10/2018	Palau	APIPA Annual Conference & Workshop Outcome: Updates on Auditing Standards, Finance Management and CPE hours	\$2,100	APIPA/Graduate School USA
Public Auditor and Staff Auditors	10/8-12/2018	Palau	Performance Audit Management and Reporting Outcome: Refresher for conducting Performance Audits; 32 CPE hours	\$0	Sponsored/Funded by Graduate School USA
Public Auditor	10/26-11/2/2018	Guam	APIPA Principals Meeting Outcome: incorporation of APIPA in Palau	\$3,711	

Training Sponsors:

Pacific Association of Supreme Audit Institutions (PASAI): The OPA is also a member of the 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.

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

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

APIPA 2018

CONFERENCE STATISTICS



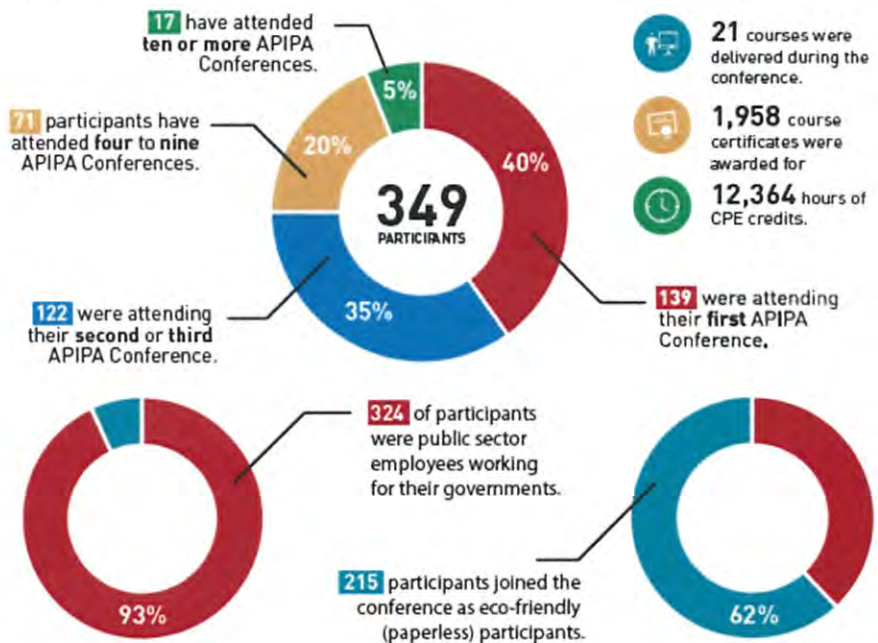
2018 APIPA Conference

In August 2018 the OPA hosted the 2018 APIPA Annual Conference and Training. Approximately 349 participants registered and attended the conference, a record number of participants for APIPA. Participants represented the governments of the following APIPA member countries: Republic of Palau, Guam, Federated States of Micronesia (and its four States namely Pohnpei, Chuuk, Yap and Kosrae), Common Wealth of Northern Mariana Islands, Republic of the Marshall Islands, American Samoa, Samoa, Fiji and Kiribati. Participants included representatives from both government and private sector; however, most were government employees.

APIPA 2018 Registration Data

The following APIPA 2018 data is derivative of two sources: (1) the APIPA 2018 Registration Database, which captured all registrants on-site, and (2) the optional APIPA 2018 Participant Survey, which was distributed to all participants via e-mail following the completion of the conference.

Based on the final 2018 APIPA registration data, the conference featured 349 total participants. Of those participants:



Statistics of APIPA 2018 Annual Conference and Training illustrated on this page report details of the conference. (Excerpt of U.S. Graduate School's Conference Statistics report.)

"324 of 349 participants were public sector employees, and of 324 public employees, 139 attended their 1st APIPA Conference, and 122 attended their 2nd or 3rd APIPA Conference..."

TOTAL REGISTERED			
	Palau	117	34%
	RMI	70	20%
	FSMNG	54	15%
	Pohnpei	34	10%
	CNMI	28	8%
	Kosrae	16	5%
	Yap	11	3%
	Guam	7	2%
	US	5	1%
	Chuuk	4	1%
	Other	3	1%
TOTAL		349	



62% of participants registered as eco-friendly



38% of participants registered as traditional paper users



Photo of APIPA Opening Ceremony:

Back L-R: Yap State Public Auditor Achilles Defngin, Kosrae State Public Auditor Stoney Taulung, FSM National Public Auditor Haser Hainrick, Fiji Auditor General Ajay Nand, RMI Audit Supervisor Atmita Jonathan, CNMI Audit Supervisor Geraldine Tenorio, Guam Acting Public Auditor Yukari Hechanova, Samoa Controller and Auditor-General Camillo Afele, Graduate School Pacific Islands Training Initiative Program Manager Jason Aubuchon, Hawaii State Public Auditor Les Kondo, and instructor Frank Crawford. Front L-R: Pohnpei State Public Auditor Joseph Ihlen, Senator J. Uduch Senior, U.S. Charge to Palau Amy Hyatt, Palau Public Auditor Satrunino Tewid, Palau President His Excellency Tommy E. Remengesau, Jr., Senator Philip Reklai, Senator John Skebong and Delegate Mario Gulbert.

Break-up into 4 sessions: Audit, Audit Supervisory, Finance and Advance Finance & Management



VI.B. Audit Management System

The Audit Management System is a software tool that facilitates the conversion of the audit process from paper to electronic. This process stores massive data and saves paper that would otherwise contain the data. Because turnover of staff, the OPA has been constantly replacing staff in charge of the project. The OPA will continue the work to fully implement the TeamMate Audit Management system.

VII. Peer Review

The OPA 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 its compliance with U.S. Generally Accepted Government Auditing Standards (GAGAS).

The APIPA member offices participate in conducting the Peer Review of each APIPA member office. With financial assistance from the Office of Insular Affairs, USDOl, two member offices team up with a consultant to conduct a review of 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 most recent Peer Review of the Palau OPA was conducted and report was issued in June 2018 with "full Compliance with GAGAS" opinion. The OPA's Peer Review Reports are published on its website.