



OFFICE OF THE PUBLIC AUDITOR  
Republic of Palau

# 2023 PERFORMANCE REPORT

**for the period from January 1, 2022 through March 31, 2023**

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## 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(b) of the Constitution of the Republic of Palau and implemented through the Public Auditing Act of 1985 (PNCA 40 Chapter 2). The OPA is headed by a 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 shall inspect 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.

## VISION

To minimize the level of waste and corruption in the government of the Republic of Palau that in turns translates to the improvements of the lives of the people.

**“Mission Statement”** means a short but concise statement describing the purpose of your organization. A mission statement should tell us “what” you do, “who” you do it for, and “why” you do what you do. A mission statement is required at the Ministry level. Mission statements should also be developed at the Bureau level to support and to identify its role in the overall function of the Ministry.

**The Mission of the OPA is to conduct audits in order to institutionalize effectiveness, efficiency, accountability, and transparency in government operations, programs, activities, and functions.**

## CORE VALUES

The OPA operates as an independent oversight agency responsible to the people and government of the Republic of Palau. The OPA highly values and safeguards its independence as it serves as the pillar of objectivity and integrity in its work. Our goal is to improve/strengthen operations through audits by identifying weaknesses (problems) in operations and working with management to implement corrective actions.

We abide by the highest ethical standards and have the resolve to tell our stakeholders how their money is working to serve the good of the public and, especially, tell them when it is not. 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 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 on our audits to make sure that our recommendations are being implemented to improve programs and operations.

When our audits disclose suspected cases of fraud, violations of laws 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.

## **HIGHLIGHTS**

### **Impact of COVID-19 Pandemic to Audit progress**

In the wake of the COVID-19 Pandemic and the preventive measures implemented around the world and, in Palau in particular, to prevent its spread, disrupting both private and government sector business activities, including audits, the U.S. Office of Management and Budget issued a Memorandum extending the deadline for the Fiscal Year 2020 Single Audit of the Republic of Palau national government for up to six (6) months; thus, extending the deadline from June 30, 2021 to December 31, 2021.

The pandemic impacted the norms of conducting audits, from on-site audits to virtual. Whereas in-person audit provides timely access to records and staffs on-site, virtual audits required uploading and downloading of records and virtual meetings with staff, provided that internet capacity was up-to-speed. Due to this first-time concept (on-line) of conducting audits, the new approach caused significant delays in the financial audit of the ROP, Component Units, and Agencies, and even State Governments.

### **Switching Financial Management Information System**

In addition, the Ministry of Finance in Fiscal Year 2020 purchased a new Financial Management Information System (FMIS) to replace its old DILOG system. The conversion further complicated the delays to the ROP Single Audit for the FY 2020, which earlier had been hampered by delays due to the COVID Pandemic. The switch in the FMIS system caused delays as staffs had to be trained on the new system and to migrate financial data from the old system to the new. The conversion process required a lot of reconciliation to agree account balances from the old system to the new one, which auditors consistently reiterated.

Consequently, the completion of the ROP Single Audit rolled over passed the December 31, 2021 deadline, requiring the ROP to obtain another extension approval from OIA, USDOJ to extend the deadline to April 30, 2022. As of March 2023, the ROP Single Audit for FY 2020 is working towards completion in April 2023.

### **State Government Financial Audit**

The State Governments' Financial Audits for FY 2016 and 2017 for the most part have been completed; however, the audits also experienced delays brought on by the COVID Pandemic. The FY 2018 and 2019 have progressed gradually but due to the urgency of the National Government's Single Audit for the FY 2020, auditors had to sideline the State audits in order to prioritize all works to complete the audit before the deadline, essentially completing the national government, component units and agencies. Hence, because the same auditors conducting the Single Audit also conduct state audits, state audits had to be deprioritized to create an "all hands on deck" approach to complete the Single audit.

**“Priority and Critical Achievement Areas”** means the strategic or focal areas identified and targeted for improvements. These are generalized areas where efforts are focused to achieve a desired outcome. They may represent the primary purpose why a ministry exists and thus may not change over time. They also serve as the starting point for developing medium term goals, which may change over time as each goal is accomplished.

Description	Performance Measure	Current Status	Cause	Effect	Solution
<b>1. Implement RPPL No. 9-9: State Financial Audits and Rules of Compliance</b>					
a. Financial Audits of State Governments	Complete financial audits for FY 2016 and 2017 and 2018 and 2019	Financial Audits for FY2017 and 2016 have been complete except for three States.  Financial audits for FY 2018 and 2019 are ongoing.	Lockdown of airport due to COVID Pandemic hampered on-site audit by auditors. Virtual audit (internet) was used instead, which required a lot of uploading and downloading documents by State Governments. In addition, compilation of Revenues and Expenditures Statements by State Treasurers had to be reviewed by the OPA for accuracy before the statements are sent to auditors. The virtual audit and compilation of financial statements caused a major delay in the FY 2016 and 2017 and FY 2018 and 2019 audit.	The virtual audit and compilation of financial statements caused a major delay in the FY 2016 and 2017 and FY 2018 and 2019 audit.	As part of the Local Governance Strengthening Project, the Ministry of State and the OPA have partnered to provide training to State Governments on preparing financial statements and developing Standard Operating Procedures for State Governments. This will greatly improve the accuracy and timeliness of preparation and submission of financial statements to auditors.

b. Local Governance Strengthening Project	Complete the five (5) Pilot States financial management information systems	Melekeok and Ngeremlengui State are complete, with Aimeliik State nearing requiring last visit to complete. Kayangel and Hatohobei State have already commenced.	The primary reason for the delays is to allow the Public Auditor time to catch up on his audit work in the office.	Strengthen financial accountability and facilitate State financial audit	Complete the five (5) Pilot States
<b>2. Human Resource System</b>					
a. Develop a Human Resources (HR) Manual and Pay Scale Structure for the OPA	Complete the Human Resources Manual and Pay Scale for the OPA	Due to the untimely passing of the consultant, the OPA is considering adopting the human resources policies and procedures for now and continue to search for a pay structure expert to develop the OPA's Pay Scale.	Lack of expertise to develop a pay scale structure for the OPA pushed back the adoption of the manual but the OPA is considering adopting the HR Manual while delaying the Pay scale structure.	Implement a separate Human Resources Policies and Procedures and delay the companion Pay Scale Structure until a pay scale expert is secured and hired to develop a pay scale for the OPA.	Find and recruit an expert on compensation systems to complete the OPA Pay Scale Structure.
b. Develop a Code of Ethics for the OPA	Develop a separate Code of Ethics policy for the OPA	The HR Manual, containing the Code of Ethics and other essential policies, will be adopted without the Pay Scale Structure.	The OPA was hoping to complete the Pay Scale Structure and adopt it together with HR policies and procedures.	Ineffective and inefficient mechanisms to control and deter potential conflict of interest and bias in the OPA	Adopt the HR Policies and Procedures, which include the Code of Ethics, and continue the work to develop the Pay Scale for the OPA.
c. Revise Organizational Structure to align with OPA's operations	Revise the OPA's Organization Structure to establish clear and direct line of authority and responsibility	Revised Organization Structure for the OPA has been completed and awaiting formal adoption, which should be concurrent with the	The HR Manual will be adopted with the revised Organization Structure; the pay scale structure to be postponed until the	Can potentially affect the flow of work, lines of authority, and reporting	Complete and adopt the HR Manual together with the revised Organization Structure

		adoption of HR System	OPA has recruited and hired a consultant to complete the compensation structure.		
d. Professional Staff Development: Continuing Professional Education Training for Auditors	Develop a process whereby professional staffs (Auditors) undergo continuing professional development to keep their knowledge and skills updated with respect to Auditing Standards, Auditing tools and equipment technology, and to maintain their Continuing Professional Education (CPE) in good standing with Government Auditing Standards.	OPA Solicits financial assistance through U.S. Technical Assistance Grants and local funds to upgrade its tools and equipment and to fund the required training programs. All OPA professional staffs are updated on GAS Auditing Standards and CPE requirements.	The CPE requirement is required by GAGAS, which the OPA follows in conducting audits.	If OPA fails to comply with the CPE requirement, its audit reports will have to be modified to that extent.	Continue to request training grants from the U.S. DOI or request local funding.

3. Automated Audit Management System					
a. Automated Audit Management System	Implement an automated audit management system to support conversion from manual (paper-based) audit management process to electronic	The OPA has been trying in the past to implement TeamMate, an automated Audit Management System; however, TeamMate has become increasingly expensive and perhaps unsustainable in the long run. The OPA continues to work with PASAI and other development partners to find a less expensive automated system.	The paper-based audit management system is wasteful and not aligned with the goals of SDGs and conventional practices of moving to a paperless environment. In addition, TeamMate is becoming increasingly expensive and may not be sustainable in the long-term.	The OPA will continue to use the paper-based audit management system until it secures a more sustainable automated audit management system and the funding to pay for such a system.	Work with PASAI and other development partners to identify a less expensive option and secure funding to pay for the system
b. Audit Findings and Recommendations Follow Up Tracking System	Establish an Audit Findings and Recommendations Follow Up Tracking System	The OPA currently does not have a system to track audit findings and recommendations. This process is a vital part of the audit process and the OPA hopes to work with development partners to identify an Automated Audit Management system that includes a function to track audit findings and recommendations.	Development partner (PASAI) is still searching for a less expensive automated audit management system	As a result, the existing process the OPA has in place for tracking audit findings and recommendation is ineffective and inefficient.	Work with PASAI and other development partners to find a less expensive and sustainable automated audit management system.



4. Communications Strategy					
c. Communications Strategy	Develop a Communications Strategy to, among other functions, promote public awareness of the roles and responsibilities of the OPA and support an effective communications strategy with stakeholders	The OPA is working with the PASAI to develop a Communications Strategy for the OPA, to develop a formalized framework for communicating with stakeholders and general public the results of OPA's work	The Communications Strategy has been slow to develop due to COVID 19 lockdown, preventing on-site work with development partners. The lack of an effective communications strategy effects how OPA communicates with stakeholders and public.	Lack of awareness of the roles and responsibilities of OPA and effective communication with stakeholders diminishes the OPA's effectiveness as a public watchdog.	Establish an effective communications strategy that provides a framework on how the OPA communicates the results of its work and builds working relationships with stakeholders.  Communications Strategy has already broke ground along with Strategic Planning.
5. Strategic Plan					
Strategic Plan	Update Strategic Plan	The OPA has just attended a workshop on Guam sponsored by PASAI on Strategic Management. The OPA is currently putting together a work plan on formulating a Strategic Plan.	The OPA needs to update its Strategic Plan to enable the OPA to focus and prioritize its resources towards achieve its strategic goals.	A Strategic Plan will enable the OPA to identify priority items (goals) and focus its resources on achieving them.	Update the Strategic Plan to reflect statement of goals and objectives for the next 4-7 years.

**“Medium Term Goals”** means a list of specific goals you intend to accomplish over the next three (3) years given budget and time constraints. Goals are broad statements describing a desired outcome or results for an agency or program. Goals must be measurable. *Goals must also be consistent with strategies outlined in the National Master Development Plan (PNMDDP), the Management Action Plan (“MAP”), other sector specific strategic development plans, and/or ministry own strategic plans.* Medium term goals are required at the bureau level and should support the overall strategy of the ministry. Medium term goals should also be developed with inputs from the divisions in line with their specific role in the overall strategy of the bureau.

No.	Description	Baseline/Status	Verifiable Indicator
1.	Government Building to house Office of the Public Auditor	The OPA has discussed this with the President and he plans to reserve a space in the One-Stop facility under construction to accommodate the OPA office.	The One-Stop building is still under construction but the primary concern is whether the space reserved is sufficient in size to accommodate the OPA’s needs.
2.	Conversion of Audit Management System from Paper-based to Electronic	Work with PASAI and other development partners to identify a less expensive Automated Audit Management System.	OPA has already started working with PASAI towards identifying an alternative system. In addition, the OPA will discuss this matter with OIA, DOI
3.	Recruitment of Professional staff	Collaborate with Palau National Scholarship Board to identify Palauan students studying Accounting or related business field at regional or U.S. Universities and recruit for Internship programs and employment at OPA.	The OPA has already hired 1 staff and plans to hire another one shortly.
4.	Professional Certifications i.e., CPA, CIA, CFE, CGFM, etc., for Staff	Work with U.S. Graduate School in Hawaii to develop programs for professional certification, e.g. CPA, CGFM, CISA, CIA, etc. and seek funding to enroll OPA employees.	Discuss proposal with Graduate School-Pacific Island Training Initiative and Guam AGA for certification courses
5.	Create time budget/cost for each audit to better manage and control time/cost of each audit	The OPA plans to use the automated audit management system to develop time and costs estimates for each audit engagement. This will enable the OPA to maintain control on time spent and cost of each audit.	When OPA works with PASAI and other development partners to identify a less expensive and more sustainable automated audit management system.
6.	Work with PCC to start Basic Accounting classes for State	Discuss proposal with President of	Upon approval of the PCC to deliver the

Government Finance staff	PCC	course and an instructor is secured to teach the course.
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**“Core Business Process”** means the services or work (functions) performed on a daily basis as prescribed or required under enabling authority i.e., legislation or executive order.

No.	Description	Performance Measure	Benchmark/ Target	2021	2022	2023	
						YTD	Projected
1.	Financial Audits: Single Audit of the National Government and 12 component units and agencies:  FY 2020	Completion and issuance of the Single Audit of the National Government and 12 component units and agencies	100%	40%	30%	20%	10%
	FY 2021	To start upon completion of FY 2020 Single Audit	100%	0%	0%	0%	100%
2.	Performance Audit on WIOA Re: Pandemic Unemployment Assistance	Completion and issuance of the report	100%	60%	35%	5%	
3.	Performance Audit of Health Care Fund	Completion and Issuance of audit report	100%	20%	30%	50%	
4.	Performance Audit of Japan’s GGP: a) Koror State Recycling Center b) SDA Science Lab. Renovation and Upgrade c) Ngaraard State Equipment for Road Improvement.	Completion and Issuance of audit report	100%	80%	20%		
			100%	90%	10%		
			100%	90%	10%		
5.	Financial Audits of 14 State Governments for Fiscal Year 2016 and 2017	Number of State financial audits completed for FYs 2016 and 2017	100%	80%	8%	2%	10%
	Financial Audit of 14 State Governments for Fiscal Years 2018 and 2019	Number of State financial audits completed for FYs 2018 and 2019	100%	25%	25%	10%	40%

	Rules of Compliance for State Governments (RPPL No. 9-9)	Promulgate rules of compliance by which all state legislatures and governors shall comply with the expenditure of public funds	Completed and in effect as of January 2019. It is being implemented through audits and Local Governance Strengthening Project's training. Details of LGSP at page 18.				
6.	Palau Board of Accountancy (RPPL 3-71) Screening, licensing, and permitting CPAs to practice Accountancy in the Republic of Palau	Number of applicants (Issuance of Annual Permits)	100%	100%	100%	0%	100%
7.	Budget Reform Act of 2001 (RPPL 6-11) Attestation Audits of Performance Reports	Conduct attestation audits of Performance Reports. OPA has not conducted attestation audits due to lack of manpower	100%	0%	0%	0%	0%
8.	Code of Ethics Act (RPPL 5-32) Audits of Financial Disclosure Statements	Conduct audits of campaign statements of candidates to the offices of the President and Vice President of the Republic and randomly audit other campaign statements filed under this chapter. The OPA has not conducted these audits due to lack of manpower.	100%	0%	0%	0%	0%
9.	Work with the Special Prosecutor or Attorney General in conducting investigations	On a need, case-by-case basis, based on audit findings.	N/A	Since on cases-by-case basis, performance may not be measurable annually.			

**“Identification of Service Population”** means the clients or customers for which the services or work are performed for. These are the individuals or groups, both public and private that benefit directly from the provision of such services.

The OPA is mandated by law to transmit its audit reports to the auditee (client) and the leadership of the Republic. Audit reports are also posted to the OPA website ([www.palauopa.org](http://www.palauopa.org)) and accessible to the public. Audit reports serve as a communications medium to inform the public how their tax dollars are working for them. Hence, if management of the audited organization does not take corrective action to implement audit recommendations or to address the deficiencies contained in the audit report, the public can express their concerns to their representatives in Congress or the President. In addition, the media can expose the issues further by bringing the issues out for public discourse, which would further elevate the concerns. Eventually, when audit findings and recommendations are not acted upon by management, employees of the organization could be affected, services provided by the organization could be affected, the service recipients receiving these services could be affected and, most importantly, the taxpayers whose tax dollars may be funding the organization or program may not be receiving the goods or services in the most economical and effective manner. In addition, if the audited organization receives U.S. Federal grants, and fails to take corrective action, future grant assistance may be jeopardized, resulting in either the suspension or reduction of program services to program recipients. Likewise, for projects or programs funded by other donor countries or organizations, failure to implement audit recommendations could also put program funding at risk, as donors become aware that management is not taking corrective action to improve or strengthen program administration weaknesses.

The OPA’s audit reports, as well as those issued by private CPA firms, provide information and tools in the form of audit findings and recommendations with which management can take corrective action to improve operations in order to run programs/projects more efficiently and effectively. In addition, the public has access to these audit reports (information) and can use the information to assess how their tax dollars are being put to work for them and whether those entrusted the responsibility are administering the funds in accordance with applicable laws and regulations. The Public can provide feedback to their elected officials to affect changes. The OPA’s website publishes these audit reports to provide the public access to the reports.

The Olbiil Era Kelulau Senate and House of Delegates, have Committees with oversight responsibilities. These Committees, at times, request the OPA to conduct audits of specific programs or activities. The results of the audits provide information with which the Committees can use to conduct their oversight responsibilities or assess the effectiveness and/or efficiency of service delivery.

In addition, donor countries, organizations, and individuals use these reports to assess how effective their donations are performing and whether the Republic is administering the grants in accordance with the terms and conditions of the grant agreement.

**“Proposals for Collecting New Performance Information”** means proposed new data or statistics to be collected to enhance performance review. It includes modification to existing data collection procedures or for the collection of completely new data not previously compiled. Proposals should also include estimated additional costs, if any.

The OPA is working with its development partners (e.g., PASAI) to develop its next strategic plan, hopefully to cover the next 4-7 years. The Strategic Plan will involve various stakeholders to help develop the strategic plan that is inclusive of stakeholders’ interests and views. The inclusion of stakeholders in the OPA’s Strategic Plan will undoubtedly produce new data that can be harnessed to improve the services of OPA. In addition, the OPA is still working with PASAI to identify and implement an audit management software system to support the

conversion from a paper-based audit management system to electronic. The electronic AMS will also collect data that can be used by the OPA to improve its services. The data collection includes budget vs. actual time spent on each audit, cost of each audit, specialists used, in-house planned audit or by request. In addition, the AMS will have a separate module to keep track of audit findings and recommendations, a vital source of data for keeping track of audit recommendations. Moreover, the electronic system will greatly reduce the amount of paper used as all working papers and other parts of the audit process will be kept in electronic format. Finally, the electronic system will support a more efficient and effective process for reviewing the work of staff and a more secure environment, as access to files and folders will require security codes.

The AMS will also enable the OPA to analyze its processes, identify procedures that can be revised to make the audit more effective and efficient in order to reduce cost. In addition, the AMS will facilitate the implementation of the audit recommendation tracking system, which will enable the OPA to keep track of auditee's implementation of corrective actions to resolve audit findings and recommendations and report to the leadership on those open recommendations. Moreover, the OPA has created its website and will monitor the website to keep track of citizens and entities inquiries and whistleblower activities. The OPA also has oversight responsibilities in the conduct of the Single Audit of the Republic of Palau National Government and its Component Units and Agencies. The OPA has held annual meetings with the auditors and management of each audited entity to discuss how the audit process can be made more efficient and effective in terms of 1) preparing and issuing a Request for Proposal, 2) selection of contractor, 3) provision of records and schedules for audit, 4) issuance of draft report, 5) preparing responses to draft report, and 6) issuance of final report.

**“Documentation and Analysis of Past and Projected Performance”** means a narrative explanation of the status of medium term goals as stated in the President's budget submission and the performance of the core business process. This section provides the opportunity to justify the level of performance – why progress and effectiveness, or lack of, are such.

The documentation and analysis should cover the performance of work in the last fiscal year ended and the progress or status of performance for the current fiscal year to date. In addition, for every significant change (+/-) in a performance measure, an explanation should be made as to why it is such. Other management initiatives undertaken or accomplished but not originally identified in the President's budget submission may be highlighted also.

The OPA's main Core Business Process (CBP) is conducting audits and audit oversight. The CBP is driven primarily by human resources. Presently, the OPA has an Acting Public Auditor, 1 Senior Auditor, and 3 Juniors Auditors, following the resignation of its Audit Manager (AM) in 2018 and the retirement of two (2) Senior Auditors in 2021. Since the departure of its Audit Manager in September 2018, the OPA has been operating without an AM, which has significantly curtailed audit productivity. In addition, the retirement of two of its Senior Auditors in 2021 further compounded the problem. The Audit Manager's position is especially critical as he/she reviews the work of both Senior and Junior Auditors and Draft reports produced from the work. This process is an essential part of the system of quality control to ensure the timelines and quality of audits. In addition, the AM also designs and implements On-The-Job Training Programs for Junior Auditor and Interns. On the other hand, Senior Auditors serve a critical role as they serve as the Auditor-In-Charge of audit engagements and supervise Junior Auditors assigned to the audit. The Senior Auditors review the work of Junior Auditors and report to the AM. The tiered review process ensures that the system of quality control produces timely and quality audit reports. This process ensures that by the time the reporting package (Draft Audit Report and Working Paper File) arrives on the desk of the Public Auditor, the Public Auditor only has to perform minimal review so that his time can be better spent on managing the OPA and other critical work.

Consequently, the vacancies at the Audit Manager's and the two (2) senior auditor staffs positions has had a significant impact on the OPA's productivity in terms of the number of audits it can start and finish. Relatedly, the vacancies impact the timeliness and quality of audits.

In order to restore its capacity, the OPA will need to do the following:

- Recruit and hire an Audit Manager
- Recruit and hire nine (9) Senior Auditors
- Recruit and hire 9 Junior Auditors
- Recruit and hire one (1) Administrative Clerk
- Work with Palau National Scholarship Office to recruit potential upper Junior and Senior-level University students for internship programs to hopefully persuade them to consider employment with OPA after graduation.

The OPA is currently recruiting to hire an Audit Manager and Senior Auditors to fill vacant positions.

Another priority area of the OPA is to implement an Automated Audit Management System, which will automate the audit process of the OPA. Although previous reporting disclosed that the OPA was working to implement the TeamMate automated audit management system, our work with our development partner (PASAI) has found that TeamMate has become increasingly expensive and may not be sustainable in the long run. Hence, PASAI is working to find an alternative system that is less expensive, accomplishes the same objectives, and sustainable. Once the system is identified, the OPA will work with PASAI to procure the system, obtain training, and install the automated audit management system.

Once the system is implemented, the OPA plans to formulate a training plan whereby all staff auditors are trained and become proficient on the use of the system. This will make the audit process more effective and efficient in that all the work will be done electronically, not on paper. Electronic working papers will also support a more effective and efficient process for review of working papers and related processes. It will also mean less physical space for storage of working papers and more for auditors to do their work. It will also enable the OPA to closely monitor each audit to keep track of budget (time budget) versus actual time. The digital system will also mean that the OPA can scan documents at the clients' workplace and take it back to the office to work, rather than hauling volumes of papers back and forth. This will eliminate overnight stay and cut costs. The timely provision of records dictates the amount of time spent on the fieldwork as part of the audit.

### **"Performance Objectives as an Incentive for Improving Programs and Services"**

means proposed compensation schemes, program funding mechanisms, management or organizational changes that establishes incentives for or promotes improved performance.

1. Increase in budget to hire more professional staff (Auditors)
2. Increase in budget to provide pay increments to professional and support staff, based on skill level and experience.
3. Sufficient budget to support certification programs leading to certification of qualified staff, i.e. CPA, CGFM, CFE, CIA, etc.
4. Sufficient budget to provide for continuing professional development (training) including CPEs of staff.

5. Sufficient budget to supply auditors with state-of-the-art equipment and tools to do their job.

**“Justification: Performance Measures”** means a brief but concise narrative explanation of why a particular performance indicator was chosen to be used as a measure of the effectiveness of a core business process.

1 - 3. Core Business Process: **Conducting Audits**

The Annual Single Audits of the Republic of Palau National Government, Component Units and Agencies are required by ROP law, the Compact and U.S. Federal financial assistance programs. The only meaningful performance measure that can be attributed to these audits is the timeliness by which the audits are completed and submitted to the appropriate authorities before deadline, which is set by law, June 30 each year.

Performance Audits on the other hand, in terms of timeliness, are dependent on the subject matter (complexity) of the audit, the amount of resources assigned to the audit, and the objectives of the audit. Thus, in terms of effectiveness and efficiency of a given audit, it can be measured by comparing time budget to actual time. As previously mentioned, however, when records and documents are not provided on time, it can significantly distort actual time spent on an audit. In addition, agencies, programs, or activities pre-selected for audit as part of the annual operational plan are not set in stone, as requests for audits may require rearrangement of plans, priorities, and reassignment of resources to accommodate requests.

State Governments Financial Audits

Pursuant to RPPL No. 9-9, the Public Auditor is mandated to conduct annual financial audits of State Governments. Due to lack of capacity, the OPA has been unable to undertake the financial audits and therefore the Olbiil Era Kelulau beginning in fiscal year 2018 onward has been appropriating funds to pay for the annual financial audit of State Governments, to be performed by Independent CPA firms. With this arrangement, the OPA has assumed the responsibility for procuring (bidding) audit services and providing oversight on the conduct of the financial audits.

The status of Fiscal Years 2016 and 2017 Financial Audits

State	Cost	Auditor	Status
Aimeliik	\$15,000	D&T	Issued 5/15/2020
Angaur	\$15,000	D&T	Issued 3/30/2020
Hatohobei	\$15,000	D&T	Issued 1/9/2020
Kayangel	\$15,000	BCM	Issued 6/25/2020
Melekeok	\$15,000	D&T	Issued 3/11/2020
Ngaraard	\$15,000	D&T	Issued 1/24/2020
Ngarchelong	\$11,000	BCM	Issued 2/10/2021
Ngardmau	\$13,000	BCM	Fieldwork completed, drafting of the audit report
Ngatpang	\$15,000	BCM	Issued 4/15/2020
Ngeremlengui	\$15,000	D&T	Fieldwork completed, drafting of the audit report
Ngchesar	\$15,000	D&T	Issued 3/11/2020
Ngijwal	\$11,000	BCM	Issued 6/15/2020



Peleliu	\$16,000	BCM	Awaiting documents from the State
Sonsorol	\$11,400	BCM	Issued 4/23/2020

Auditor: D&T – Deloitte & Touché BCM – Burger, Comer, Magliari

#### The status of Fiscal Years 2018 and 2019 Financial Audits:

State	Cost	Auditor	Status
Aimeliik	\$15,000	D&T	Planning stage
Angaur	\$15,000	D&T	Awaiting Trial Balance to commence the audit
Hatohobei	\$11,000	BCM	Issued 6/8/2021
Kayangel	\$15,000	D&T	Fieldwork ongoing; awaiting documents on PAN
Melekeok	\$10,000	BCM	Fieldwork complete, drafting of the audit report
Ngaraard	\$15,000	D&T	Fieldwork ongoing
Ngarchelong	\$12,000	BCM	Fieldwork complete, drafting of the audit report
Ngardmau	\$13,000	BCM	Fieldwork complete, drafting of the audit report
Ngatpang	\$15,000	D&T	Planning stage
Ngeremlengui	\$11,000	BCM	Fieldwork complete, drafting of the audit report
Ngchesar	\$15,000	D&T	Planning stage
Ngiwal	\$11,000	BCM	Fieldwork complete, drafting of the audit report
Peleliu	\$15,000	D&T	Awaiting Trial Balance to commence the audit
Sonsorol	\$12,000	BCM	Draft audit report issued

Auditor: D&T – Deloitte & Touché BCM – Burger, Comer, Magliari

The OPA and independent CPA firms, at the start, determined that, for now, the most practical and cost-effective 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, 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 addition, the RPPL No. 9-9 requires that the Public Auditor shall promulgate rules of compliance by which State Legislatures and Governors shall be held accountable for expenditure of public funds, which rules and regulations took effect January 2019.

#### Local Governance Strengthening Project

The Bureau of Domestic Affairs of the Ministry of State (MOS) in partnership with the Office of the Public Auditor is spearheading a project to improve and strengthen State Governments’ Financial Management Information Systems. The project is co-funded through a joint Republic of Palau-United Nations Development Project (UNDP) entitled “Local Governance Strengthening Project”. The project commenced with five (5) Pilot States; namely Aimeliik, Hatohobei, Kayangel, Melekeok, and Ngeremlengui. The aim of the project is to work with each State Government to develop Standard Operating Procedures (SOP) for receiving, processing, and recording financial transactions. Simultaneously, State finance personnel are trained on the application of the SOP, including complementary forms, and a companion automated accounting system (QuickBooks) as a platform for processing and recording

transactions. Upon completion of the five (5) Pilot States, and depending on availability of funding, the MOS anticipates rolling out the project to the remaining eleven (11) States. As of March 31, 2023, the schedule below shows the status of the ongoing training with the five (5) pilot states:

State	SOP	Test Run and QuickBooks Training	Final SOP
Aimeliik	Draft SOP	May 1, 2022	Validation phase
Hatohobei	Fieldwork	Commenced	
Kayangel	Fieldwork	Commenced	
Melekeok	Final SOP completed	Requested further training	Adopted by Resolution of State Legislature
Ngeremlengui	Final SOP completed	Completed	Adopted by Resolution of State Legislature

The design and formulation of each State Standard Operating Procedures is a tedious and repetitive process as the OPA has to work with each State Finance Office to understand its internal processes and forms, and how the forms can be redesigned to be more effective and efficient and capture quality data. Consequently, OPA visits to State finance office requires multiple visits. In addition, the OPA has to schedule breaks in between visits to allow the OPA to catch up on its audits.

4. Core Business Process: Board of Accountancy: **Screening, Licensing, and Permitting CPAs to Practice Accountancy in Palau**

The Palau Board of Accountancy's (BOA) primary responsibility is screening, licensing, and permitting CPAs (individuals and firms) to practice accountancy in the Republic of Palau. The Public Auditor serves as Chairman of the board and, with no operating budget, the OPA is responsible for the administrative costs of the BOA. A useful performance measure that can be attached to the function of the Board is the timeliness by which applications are processed (screened) and the number of licenses and permits issued. For the Calendar Year 2022, the Board issued permits and collected fees shown herein. The Board is highly considering increasing fees for licenses and permits to align with regional practices.

*In calendar year 2022, the PBOA issued a total of 10 permits to 3 Accounting Firms and 7 Certified Public Accountants and collected and deposited \$710 into the National Treasury therewith.*

CPA Firm	Payment	Permit
Deloitte & Touche	\$100.00	F22-01
Ernst & Young LLP	\$50.00	F22-02
Burger, Comer, Magliari	\$155.00	F22-03
CPA Individual	Payment	Permit
Daniel S. Fitzgerald	\$50.00	22-01
Michael S. Johnson	\$50.00	22-02
Lee Vensel	\$50.00	22-03
John R. Onedera	\$50.00	22-04
James N. Whitt	\$50.00	22-05
Edmund E. Brobesong	\$50.00	22-06
David J. Burger	\$105.00	22-07

5. Core Business Process: **Attestation Audits of Performance Reports**

The Budget Reform Act, RPPL No. 6-11, requires the OPA to conduct attestation audits of agencies performance reports. The OPA has not been able to undertake these audits due to insufficient manpower resources.

6. Core Business Process: **Audits of Financial Disclosure Statements**

The Code of Ethics Act mandates the OPA to audit financial disclosure statements of candidates for the offices of the President, Vice President and selected candidates to the Palau National Congress. The OPA has not been able to undertake these audits due to insufficient manpower resources.

7. Core Business Process: **Working with Special Prosecutor or Attorney General in conducting investigations.**

The OPA actively works with the Special Prosecutor on a case-by-case basis investigating financial crimes. Most of these cases arise from the OPA's audit reports, which are referred to the Attorney General or the Special Prosecutor for further investigation and prosecution. If the Attorney General is conflicted out of a case, then the Special Prosecutor takes on the case.

**“Personnel”** means a listing of all personnel employed by the budget activity. Minimum information that should be provided includes 1) position title; 2) position description; 3) status (CS or exempt); 4) pay level; and 5) base annual salary.

At present, the OPA’s personnel are comprised of the Acting Public Auditor, 1 Senior Auditor, 3 Junior Auditors, and 2 Administrative support staff. At present, the OPA is significantly understaffed and is recruiting for an Audit Manager and nine (9) Senior Auditors and six (6) Junior Auditors to augment the demand for audit services. The hiring to fill these positions is critical to enable the OPA to deliver audit services effectively. The table below lists the current employees of the OPA:

Position Title	Pay Level Grade/Step	Salary Range Base End		Full Staffing					
				Position (s)		Status		Funding Source	
				Filled	Vacant	CS	Exempt	Local	Other
Public Auditor	18/14	\$65,000	-	1	0	0	1	1	0
Audit Manager (vacant since September 2018)		\$75,000	-	0	1	0	1	1	0
Senior Auditor III (vacant since January 2021)	15/14	\$39,931	-	1	0	0	1	1	0
Senior Auditor II	15/11	\$34,581	-	1	0	0	1	1	0
Senior Auditor I	14/13	\$32,499	-	0	9	0	9	9	0
Junior Auditor III	12/14	\$27,357	-	1	0	0	1	1	0
Junior Auditor II	12/9	\$21,873	-	1	0	0	1	1	0
Junior Auditor I	12/1-7	17,300	\$20,439	1	6	0	6	6	0
Administrative Officer/ System Administrator	15/12	\$36,167	-	1	0	0	1	1	0
Administrative Assistant	12/12	\$24,870	-	1	0	0	1	1	0
Administrative Clerk	9/1	\$13,001		0	1	0	1	1	0

### POSITION SPECIFICATIONS (Regular Employees)

**Public Auditor (PA):** Manages the administrative functions of the OPA including supervising the administrative and audit staff. The PA manages the audit functions including preparing and drafting all official correspondences and reports; plans, assigns, manages and reviews audits performed by staff auditors; prepares and drafts all audit reports; attends to responsibilities and obligations to regional and international professional organizations; prepares and testifies the OPA’s Budget before the OEK, and such other duties and responsibilities.

**Audit Manager (AM):** Working with the PA, the AM plans, schedules, manages and supervises all audit activities. The AM also provides On-the-Job training to audit staff; reviews their work and drafts audit reports. Further, the AM keeps abreast of revisions to Government Auditing Standards (GAS) and ensures that audits are conducted in accordance with GAS and the OPA’s Audit Manual. In addition, the AM assists the PA in preparing the OPA’s annual audit plan together with the staff auditors, oversees audit planning and programs with staff auditors, advises the Public Auditor of the progress

of audits, monitors audit budget vs. actual time and meet weekly with auditors to discuss the status and progress of each audit and performs other related duties assigned by the Public Auditor.

Senior Auditor: Conduct interviews; perform on-site reviews; and collect, verify, and analyze information; Ensure that General Accepted Governmental Auditing standards are followed in audit work; Plan audit work to ensure that audit results satisfy audit objectives; Prepare audit reports, as required; Follow-up on prior audits to ensure implementation of corrective action; Coach and Review the work of Junior Auditors; Perform other duties as assigned.

Junior Auditor: Conduct interviews; perform on-site reviews; and collect, verify, and analyze information; Ensure that General Accepted Governmental Auditing standards are followed in audit work; Plan audit work to ensure that audit results satisfy audit objectives; Prepare audit reports, as required; Follow-up on prior audits to ensure implementation of corrective action; Perform other duties as assigned.

Administrative Officer/System Administrator: Provides advice and counsel to the Public Auditor with respect to the administrative matters within the office; Maintain all fiscal activities and the Office Technical library; Develops administrative controls to ensure adequate maintenance, accountability, and control over office's equipment and supplies; Develops office administrative policies and procedures for uniform application; Develops and implements the office performance appraisal system; Develops all administrative forms and database programs essential to office operations; Maintains and controls all administrative files and all correspondences for review and/or signature by the Public Auditor; Maintains all correspondences, information files, and all confidential information for security purposes of the office; Maintains office computer system and provides computer training to the staff; maintains and monitor all audit staff CPEs and advises the PA of audit staff training needs, performs other duties as assigned by the Public Auditor.

Administrative Assistant: Prepares letters, memos, planners, and audit-related forms; Maintains the agenda calendar for the Public Auditor and schedules all meetings; Monitors staff trips and maintains a log of staff fieldwork locations; Controls all correspondences for review and/or signature by the Public Auditor; Maintains all correspondences and information files for the office; Maintains confidential information for security purposes of the office; Maintains, controls, and catalogs all audit reports, working papers files, and other audit related data and information; Receives all incoming telephone calls and visitors; Maintains all incoming and outgoing audit related correspondences and confirmations; Perform other duties as assigned.

Administrative Clerk: Procurement, Statistics, Inventory, Filing and Perform other duties as assigned by the Administrative Officer and the Public Auditor.