

REPUBLIC OF PALAU

**INDEPENDENT AUDITORS' REPORTS ON
INTERNAL CONTROL AND ON COMPLIANCE**

YEAR ENDED SEPTEMBER 30, 2016

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

His Excellency Tommy E. Remengesau Jr.
President
Republic of Palau:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Republic of Palau (the Republic) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Republic's basic financial statements, and have issued our report thereon dated July 14, 2017. Our report includes a reference to other auditors and emphasis-of-matters paragraphs regarding implementation of new accounting standards and an uncertainty. Other auditors audited the financial statements of the Palau International Coral Reef Center, the Palau Community College, the Palau National Communications Corporation, the Belau Submarine Cable Corporation, and the Palau District Housing Authority, as described in our report on the Republic's financial statements. This report does not include our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors.

For purposes of this report, our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants, and other matters did not include the Republic of Palau Social Security Retirement Fund, the Republic of Palau Civil Service Pension Trust Fund, the National Development Bank of Palau, the Palau Visitors Authority, the Palau Public Utilities Corporation, and the Protected Areas Network Fund, which were all audited by us. We have issued separate reports on our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters for these entities. Other auditors issued separate reports on their consideration of internal control over financial reporting and their tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters for the Palau International Coral Reef Center, the Palau Community College, the Palau National Communications Corporation, the Belau Submarine Cable Corporation, and the Palau District Housing Authority. The findings, if any, included in those reports are not included herein.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Republic's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Republic's internal control. Accordingly, we do not express an opinion on the effectiveness of the Republic's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2016-001 through 2016-004, 2016-007, 2016-010, and 2016-013 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2016-005 and 2016-009 to be significant deficiencies.

Compliance and Other Matters

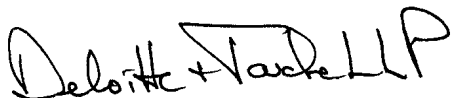
As part of obtaining reasonable assurance about whether the Republic's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2016-012.

The Republic's Response to Findings

The Republic's response to the findings identified in our audit is described in the accompanying corrective action plan. The Republic's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



July 14, 2017

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

His Excellency Tommy E. Remengesau Jr.
President
Republic of Palau:

Report on Compliance for Each Major Federal Program

We have audited the Republic of Palau's (the Republic's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Republic's major federal programs for the year ended September 30, 2016. The Republic's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

As discussed in note 3B to the Schedule of Expenditures of Federal Awards, the Republic's basic financial statements include the operations of certain entities whose federal awards are not included in the accompanying Schedule of Expenditures of Federal Awards for the year ended September 30, 2016. Our audit, described below, did not include the operations of the entities identified in note 3B as these entities conducted separate audits in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance), if required.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Republic's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the Uniform Guidance. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Republic's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Republic's compliance.



Basis for Qualified Opinion on CFDA Programs 15.875, 84.378, 93.224, 93.243, and 93.283

As described in items 2016-001, 2016-004, and 2016-006 through 2016-010 in the accompanying Schedule of Findings and Questioned Costs, the Republic did not comply with requirements regarding the following:

<i>Finding #</i>	<i>CFDA #</i>	<i>Program Name</i>	<i>Compliance Requirement</i>
2016-001	15.875	Economic, Social and Political Development of the Territories	Equipment and Real Property Management
2016-004	84.378	College Access Challenge Grant Program	Equipment and Real Property Management
2016-006	84.378	College Access Challenge Grant Program	Subrecipient Monitoring
2016-007	93.224	Health Center Program	Equipment and Real Property Management
2016-008	93.224	Health Center Program	Program Income
2016-009	93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance	Procurement and Suspension and Debarment
2016-010	93.283	CDC and Prevention - Investigations and Technical Assistance	Equipment and Real Property Management

Compliance with such requirements is necessary, in our opinion, for the Republic to comply with the requirements applicable to those programs.

Qualified Opinion on CFDA Programs 15.875, 84.378, 93.224, 93.243, and 93.283

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Republic complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA Programs 15.875 Economic, Social and Political Development of the Territories, 84.378 College Access Challenge Grant Program, 93.224 Health Center Program, 93.243 Substance Abuse and Mental Health Services - Projects of Regional and National Significance, and 93.283 CDC and Prevention - Investigations and Technical Assistance for the year ended September 30, 2016.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the Republic complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs for the year ended September 30, 2016.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2016-002, 2016-003, 2016-005 and 2016-011. Our opinion on each major federal program is not modified with respect to these matters.

The Republic's response to the noncompliance findings identified in our audit is described in the accompanying corrective action plan. The Republic's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Republic is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Republic's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Republic's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2016-001, 2016-004, and 2016-006 through 2016-010 to be material weaknesses.

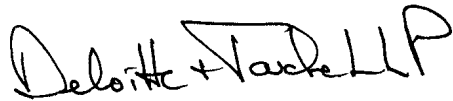
A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2016-002, 2016-003, 2016-005 and 2016-011 to be significant deficiencies.

The Republic's response to the internal control over compliance findings identified in our audit is described in the accompanying corrective action plan. The Republic's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Republic as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Republic's basic financial statements. We issued our report thereon dated July 14, 2017, which contained unmodified opinions on those financial statements, and which report included a reference to other auditors and emphasis-of-matters paragraphs regarding implementation of new accounting standards and an uncertainty. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "Deloitte + Tatchell LLP". The signature is written in a cursive, stylized font.

July 14, 2017

REPUBLIC OF PALAU

Schedule of Expenditures of Federal Awards Year Ended September 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture:				
Direct Programs:				
Cooperative Forestry Assistance	10.664		\$	9,220
Community Facilities Loans and Grants	10.766			<u>14,496</u>
Total U.S. Department of Agriculture			\$	<u>23,716</u>
U.S. Department of Commerce:				
Direct Program:				
Special Oceanic and Atmospheric Projects	11.460		\$	<u>553,261</u>
Total U.S. Department of Commerce			\$	<u>553,261</u>
U. S. Department of Labor:				
Direct Programs:				
WIA Cluster:				
WIA Adult Program	17.258		\$	77,383
WIA Youth Activities	17.259			61,727
WIA/WIOA Dislocated Workers Formula Grants	17.278			<u>118,952</u>
Sub-Total WIA Cluster				258,062
WIA/WIOA Dislocated Worker National Reserve Technical Assistance and Training	17.281			<u>9,290</u>
Total U.S. Department of Labor			\$	<u>267,352</u>
U.S Department of State:				
Direct Program:				
Academic Exchange Programs	19.011		\$	<u>200</u>
Total U.S. Department of State			\$	<u>200</u>
U.S. Department of Education:				
Direct Programs:				
Adult Education - Basic Grants to States	84.002		\$	20,200
Special Education - Grants to States	84.027			1,033,012
Career and Technical Education-Basic Grants to States	84.048			113,045
Territories and Freely Associated States Education Grant Program	84.256A			853,730
Gear UP State Programs	84.334S			14,283
College Access Challenge Grant Program	84.378A		\$	<u>35,000</u>
Total U.S. Department of Education			\$	<u>35,000</u> \$ <u>2,762,559</u>

REPUBLIC OF PALAU

**Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2016**

Federal Grantor/Pass-Through Grantor/ProgramTitle	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Health and Human Services:				
Direct Programs:				
Public Health Emergency Preparedness	93.069		\$	328,559
Cooperative Agreements to Promote Adolescent Health through School Based HIV/STD Prevention and School Based Surveillance	93.079			7,297
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092			9,773
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances	93.104			(5,299)
Material and Child Health Federal Consolidated Programs	93.110AR			211,301
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116			360,680
Emergency Medical Services for Children	93.127			108,303
Family Planning - Services	93.217			93,126
Health Center Program	93.224			1,117,665
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243			672,180
Universal Newborn Hearing Screening	93.251			161,763
Immunization Cooperative Agreements	93.268			325,619
CDC and Prevention - Investigations and Technical Assistance	93.283		\$ 30,000	696,145
Early Hearing Detection and Intervention Information System (EHDIS) Surveillance Program	93.314			91,062
Epidemiology and Laboratory Capacity for Infectious Disease (ELC)	93.323			184,026
Behavioral Risk Factor Surveillance System (BRFSS)	93.336			65,019
ELC/EIP Cooperative Agreements PPHF	93.521			18,915
PPHF: Racial and Ethnic Approaches to Community Health Program				
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	93.817			3,200
National Bioterrorism Hospital Preparedness Program	93.889			271,568
HIV Care Formula Grants	93.917			47,582
Assistance Programs for Chronic Disease Prevention and Control	93.945			191,711
Block Grants for Community Mental Health Services	93.958			74,057
Block Grants for Prevention and Treatment of Substance Abuse	93.959			110,494
Preventive Health and Health Services Block Grant	93.991			21,132
Maternal and Child Health Services Block Grant to the States	93.994			125,265
Subtotal Direct Programs				<u>5,291,143</u>
Pass Through From University of Hawaii:		99-6000354		
PPHF: Racial and Ethnic Approaches to Community Health Program	93.738			14,299
Palau Cancer Registry	93.283			27,742
Subtotal Pass-Through Programs (Fund 360100)			-	<u>42,041</u>
Total U.S. Department of Health and Human Services			\$ <u>30,000</u>	\$ <u>5,333,184</u>
Total Federal Grants (Fund 350100, 360100 pass thru)				<u>8,940,272</u>
U.S. Department of the Interior:				
Direct Program:				
Economic, Social, and Political Development of the Territories	15.875		\$	1,122,220
Total U.S. Department of the Interior				\$ <u>1,122,220</u>
Total U.S. Federal Grants Fund (Fund 350200)				<u>1,122,220</u>
U.S. Department of Transportation:				
Direct Program:				
Airport Improvement Program	20.106		\$	7,055,260
Total U.S. Department of Transportation			\$	<u>7,055,260</u>
Total Federal Grants Fund (Fund 420100)				<u>7,055,260</u>

REPUBLIC OF PALAU

Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2016

<u>Economic, Social and Political Development of the Territories Compact of Free Association CFDA #15.875</u>	<u>Authorizations</u>	<u>Passed Through to Subrecipients</u>	<u>Expenditures and Transfers</u>
<u>211(a) & 215 Compact Current Account</u>			
Compact Section 211(a)	\$ 6,000,000	\$ -	\$ 6,000,000
Compact Section 215	<u>5,147,000</u>	<u>-</u>	<u>5,147,000</u>
Total 211(a) & 215 Current Account	<u>\$ 11,147,000</u>	<u>\$ -</u>	<u>\$ 11,147,000</u>
<u>211(f) Trust Fund</u>			
Executive Branch	<u>\$ 5,000,000</u>	<u>\$ -</u>	<u>\$ 5,000,000</u>
Total 211(f) Trust Fund	<u>\$ 5,000,000</u>	<u>\$ -</u>	<u>\$ 5,000,000</u>
<u>221(b)(1) & (2) Special Block Grant & Education Special Grant</u>			
Ministry of Education	<u>\$ 2,000,000</u>	<u>\$ -</u>	<u>\$ 2,000,000</u>
Total 221(b) Special Block Grant	<u>\$ 2,000,000</u>	<u>\$ -</u>	<u>\$ 2,000,000</u>
Total Compact of Free Association CFDA #15.875			\$ 18,147,000
Less Compact Section 211(a) Current Account			(6,000,000)
Less Compact Section 215 Current Account			(5,147,000)
Less Compact Section 211(f) Trust Fund Investment Earnings			<u>(5,000,000)</u>
Total Compact of Free Association CFDA #15.875 expenditures subject to detailed compliance testing			<u>\$ 2,000,000</u>
Total Expenditures of Federal Awards		<u>\$ 65,000</u>	<u>\$ 19,117,752</u>
The above awards are received in a direct capacity.			
Reconciliation to financial statements:			
Total Expenditures of Federal Awards			\$ 19,117,752
CFDA 15.875 COFA Section 221(b)			(2,000,000)
Non-Federal Grants			<u>14,083,117</u>
Total Special Revenue Grants expenditures			<u>\$ 31,200,869</u>

See accompanying notes to schedule of expenditures of federal awards.

REPUBLIC OF PALAU

Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2016

1. Scope

Republic of Palau (the "Republic") is a governmental entity governed by its own Constitution. All significant operations of the Republic are included in the scope of the Uniform Guidance audit (the "Single Audit"). The U.S. Department of the Interior has been designated as the Republic's cognizant agency for the Single Audit.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Republic under programs of the federal government for the year ended September 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Republic, it is not intended to and does not present the financial positions or changes in financial positions of the Republic.

3. Summary of Significant Accounting Policies

A. Basis of Accounting

All expenses and capital outlays are reported as expenditures on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

B. Reporting Entity

For purposes of complying with the Single Audit Act of 1984, as amended in 1996, the Republic's reporting entity is defined in Note 1A to its September 30, 2016 basic financial statements; except that the Republic of Palau Social Security Retirement Fund, the Republic of Palau Civil Service Pension Trust Fund, and all of the discretely presented component units are excluded. Accordingly, the accompanying Schedule presents the federal award programs administered by the Republic, as defined above, for the year ended September 30, 2016. The following component units incurred federal expenditures during the year ended September 30, 2016:

Republic of Palau Social Security Retirement Fund	\$ 152,549
Palau Community College	\$ 2,959,856
Palau Public Utilities Corporation	\$ 42,000

C. Matching Costs

Matching costs, i.e., the non-federal share of certain program costs, are not included in the accompanying Schedule.

REPUBLIC OF PALAU

Notes to Schedule of Expenditures of Federal Awards, Continued Year Ended September 30, 2016

3. Summary of Significant Accounting Policies, Continued

D. Indirect Cost Allocation

The Republic did not elect to use the de minimis indirect cost rate allowed under the Uniform Guidance. The Republic has entered into an approved indirect cost negotiation agreement covering fiscal year 2016. The approved rate was 5.58%. Federal programs were charged for indirect costs at the approved rate, unless awards specified a lower allowable rate.

E. CFDA #15.875

CFDA #15.875 represents the Office of Insular Affairs (OIA), U.S. Department of the Interior. Funding from this source is subject to varying rules and regulations since OIA administers the Compact of Free Association (Compact), which is a treaty, and is not a federal program. The Compact is comprised of various funded programs, each with separate compliance requirements. To maximize audit coverage of OIA funding, the U.S. Department of the Interior, Office of the Inspector General (OIG) has recommended that programs administered under CFDA #15.875 be grouped by like compliance requirements and such groupings be separately evaluated for purposes of major program determinations.

REPUBLIC OF PALAU

Schedule of Findings and Questioned Costs
Year Ended September 30, 2016

Section I - Summary of Auditors' Results

Financial Statements

- | | |
|---|------------|
| 1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified |
| Internal control over financial reporting: | |
| 2. Material weakness(es) identified? | Yes |
| 3. Significant deficiency(ies) identified? | Yes |
| 4. Noncompliance material to financial statements noted? | Yes |

Federal Awards

Internal control over major federal programs:

- | | |
|---|------------|
| 5. Material weakness(es) identified? | Yes |
| 6. Significant deficiency(ies) identified? | Yes |
| 7. Type of auditors' report issued on compliance for major federal programs: | |
| CFDA 15.875 – Compact of Free Association Compact Sector Grants | Unmodified |
| CFDA 84.027 | Unmodified |
| CFDA 84.256 | Unmodified |
| All other major programs | Qualified |
| 8. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | Yes |

9. Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
15.875	Economic, Social, and Political Development of the Territories
15.875	Economic, Social and Political Development of the Territories – Compact of Free Association Compact Sector Grants
84.027	Special Education - Grants to States
84.256	Territories and Freely Associated States Education Grant Program
84.378	College Access Challenge Grant Program
93.224	Health Center Program
93.243	Substance Abuse and Mental Health Services (SAMHS) - Projects of Regional and National Significance
93.283	CDC and Prevention-Investigations and Technical Assistance

- | | |
|--|-----------|
| 10. Dollar threshold used to distinguish between Type A and Type B Programs: | \$750,000 |
| 11. Auditee qualified as low-risk auditee? | No |

REPUBLIC OF PALAU

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2016

Section II – Financial Statement Findings

<u>Finding Number</u>	<u>Findings</u>
2016-001	Equipment and Real Property Management
2016-002	Equipment and Real Property Management
2016-003	Equipment and Real Property Management
2016-004	Equipment and Real Property Management
2016-005	Procurement and Suspension and Debarment
2016-007	Equipment and Real Property Management
2016-009	Procurement and Suspension and Debarment
2016-010	Equipment and Real Property Management
2016-012	Local Noncompliance – Procurement Regulations
2016-013	Net Pension Liability

Section III - Federal Award Findings and Questioned Costs

<u>Finding Number</u>	<u>CFDA #</u>	<u>Findings</u>	<u>Questioned Costs</u>
2016-001	15.875	Equipment and Real Property Management	\$ -
2016-002	84.027	Equipment and Real Property Management	-
2016-003	84.256	Equipment and Real Property Management	-
2016-004	84.378	Equipment and Real Property Management	-
2016-005	84.378	Procurement and Suspension and Debarment	17,257
2016-006	84.378	Subrecipient Monitoring	35,000
2016-007	93.224	Equipment and Real Property Management	-
2016-008	93.224	Program Income	-
2016-009	93.243	Procurement and Suspension and Debarment	44,949
2016-010	93.283	Equipment and Real Property Management	-
2016-011	93.283	Subrecipient Monitoring	-
			<u>\$ 97,206</u>

REPUBLIC OF PALAU

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2016

Finding No.: 2016-001
Federal Agency: U.S. Department of the Interior
CFDA Program: 15.875 Economic, Social, and Political Development of the Territories
Requirement: Equipment and Real Property Management
Questioned Costs: \$0

Criteria:

In accordance with applicable equipment and real property management requirements, the Republic must follow the Republic's laws and regulations. In accordance with the Republic's property management policies and procedures Chapter IV (Executive Order no. 217):

Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, the cost of the property, percentage of Federal participation in the cost of the property, the location, use, and condition of property, and any ultimate disposition data including the date of disposal and sale price of the property.

Accountable officers (managers of program or office) will be responsible for ensuring the proper and effective maintenance, control and safeguarding of government property assigned to or utilized by their respective entities (section 202.3)

Accountable officers will maintain complete property management records, and the physical inventory must take place annually (section 203.7).

A complete physical inventory of the property will be conducted once every two years and the results reconciled with the property records. After completing the physical count and reconciliation, the Accountable Officer will certify in writing to the Chief of Division of Property and Supply that the physical inventory has been completed and subsidiary property records reflect actual quantities on hand (section 203.8).

The property Survey Board is charged with ensuring that a complete investigation is conducted to determine lost, missing, worn-out, damaged, destroyed, unserviceable, and surplus government property (section 207.1).

Condition:

1. Of the nineteen (19) assets listed as program equipment totaling \$371,503 acquired between 2000 to 2016, thirteen (or 68%) totaling \$335,166 were tested for verification. Three (3) assets (tag nos. RP- 2642, RP-3585 and RP-3587) were not operable, but continue to be carried in the property records.
2. A physical annual inventory was not performed in fiscal year 2016.
3. There is no evidence of consistent effective maintenance and safekeeping procedures (invoices for regular maintenance checks, vehicle use logs, vehicle authorization forms, etc.).

Cause:

The cause of the above condition is a lack of adherence to established policies and procedures to reconcile property records.

REPUBLIC OF PALAU

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2016

Finding No.: 2016-001, Continued
Federal Agency: U.S. Department of the Interior
CFDA Program: 15.875 Economic, Social, and Political Development of the Territories
Requirement: Equipment and Real Property Management
Questioned Costs: \$0

Effect:

The effect of the above condition is noncompliance with the applicable equipment and real property management requirements. No questioned costs result since the overall monetary value cannot be determined. See below for cumulative dollar amount of property and equipment acquired with program grant funds.

<u>CFDA #</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>Grand Total</u>
15.875	\$52,250	\$36,626	\$55,488	\$ -	\$ -	\$144,364

Identification as a Repeat Finding: 2015-007

Recommendation:

We recommend compliance with applicable equipment and real property management policies and procedures.

Auditee Response and Corrective Action Plan:

The Republic describes corrective actions in the auditee-prepared Corrective Action Plan.

REPUBLIC OF PALAU

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2016

Finding No.: 2016-002
Federal Agency: U.S. Department of Education
CFDA Program: 84.027 Special Education – Grants to States
Federal Award No.: H027A140006-12A, H027A130161, H027A130161-13A
Requirement: Equipment and Real Property Management
Questioned Costs: \$0

Criteria:

In accordance with applicable equipment and real property management requirements, the Republic must follow the Republic’s laws and regulations. In accordance with the Republic’s property management policies and procedures Chapter IV (Executive Order no. 217), accountable officers will maintain complete property management records, and the physical inventory must take place annually (section 203.7).

Condition:

A physical inventory was performed; however, a reconciliation was not performed against capital asset records during fiscal year 2016.

Cause:

The cause of the above condition is the lack of adherence to established policies and procedures regarding compliance with applicable equipment and real property management requirements.

Effect:

The effect of the above condition is noncompliance with applicable equipment and real property management requirements. No questioned cost is presented as we are unable to quantify the cumulative dollar amount of the deficiencies. See below for cumulative dollar amount of property and equipment acquired with program grant funds.

<u>CFDA #</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>Grand Total</u>
84.027	\$ -	\$ -	\$ -	\$ 41,845	\$ 4,450	\$ 46,295

Identification as repeat finding: 2015-007

Recommendation:

We recommend that the Republic maintain complete records of property and equipment acquired with grant funds, perform physical inventories at least annually, and comply with applicable property management policies and procedures.

Auditee Response and Corrective Action Plan:

The Republic describes corrective actions in the auditee-prepared Corrective Action Plan.

REPUBLIC OF PALAU

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2016

Finding No.: 2016-003
Federal Agency: U.S. Department of Education
CFDA Program: 84.256 Territories and Freely Associated States Education Grant Program
Federal Award No.: S256A10005-14, S256A120005-15
Requirement: Equipment and Real Property Management
Questioned Costs: \$0

Criteria:

In accordance with applicable equipment and real property management requirements, the Republic must follow the Republic’s laws and regulations. In accordance with the Republic’s property management policies and procedures Chapter IV (Executive Order no. 217), accountable officers (managers of program or office) will be responsible for ensuring the proper and effective maintenance, control and safeguarding of government property assigned to or utilized by their respective entities (section 202.3).

Accountable officers will maintain complete property management records, and the physical inventory must take place annually (section 203.7).

The property Survey Board is charged with ensuring that a complete investigation is conducted to determine lost, missing, worn-out, damaged, destroyed, unserviceable, and surplus government property (section 207.1).

Condition:

1. A physical inventory was performed; however, a reconciliation was not performed against capital asset records during fiscal year 2016.
2. Of eight capital assets listed as program equipment totaling \$76,100 acquired between 1999 to 2016, six (or 75%) totaling \$62,491 were tested for physical existence. Two assets (tag numbers RP2807, RP2955) were not located. Further, two assets (tag numbers RP3479, RP3824) were not in working condition and have not been disposed of.

Cause:

The cause of the above condition is the lack of adherence to established policies and procedures regarding compliance with applicable equipment and real property management requirements.

Effect:

The effect of the above condition is noncompliance with applicable equipment and real property management requirements. No questioned cost is presented as we are unable to quantify the cumulative dollar amount of the deficiencies. See below for cumulative dollar amount of property and equipment acquired with program grant funds.

<u>CFDA #</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>Grand Total</u>
84.256	\$ 6,288	\$ -	\$ -	\$ -	\$ -	\$ 6,288

Identification as a Repeat Finding: 2015-007

REPUBLIC OF PALAU

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2016

Finding No.: 2016-003, Continued
Federal Agency: U.S. Department of Education
CFDA Program: 84.256 Territories and Freely Associated States Education Grant Program
Federal Award No.: S256A10005-14, S256A120005-15
Requirement: Equipment and Real Property Management
Questioned Costs: \$0

Recommendation:

We recommend that the Republic maintain complete records of property and equipment acquired with grant funds, perform physical inventories at least once annually, and comply with applicable property management policies and procedures.

Auditee Response and Corrective Action Plan:

The Republic describes corrective actions in the auditee-prepared Corrective Action Plan.

REPUBLIC OF PALAU

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2016

Finding No.: 2016-004
Federal Agency: U.S. Department of Education
CFDA Program: 84.378 College Access Challenge Grant Program
Federal Award No.: P378A140057
Requirement: Equipment and Real Property Management
Questioned Costs: \$0

Criteria:

In accordance with applicable equipment and real property management requirements, the Republic must follow the Republic’s laws and regulations. In accordance with the Republic’s property management policies and procedures Chapter IV (Executive Order no. 217), accountable officers will maintain complete property management records, and the physical inventory must take place annually (section 203.7).

Condition:

A physical inventory was performed; however, a reconciliation was not performed against capital asset records during fiscal year 2016.

Cause:

The cause of the above condition is the lack of adherence to established policies and procedures regarding compliance with applicable equipment and real property management requirements.

Effect:

The effect of the above condition is noncompliance with applicable equipment and real property management requirements. No questioned cost is presented as we are unable to quantify the cumulative dollar amount of the deficiencies. See below for the cumulative dollar amount of property and equipment acquired with program grant funds.

<u>CFDA #</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>Grand Total</u>
84.378	\$ -	\$ 7,977	\$ 41,997	\$ -	\$ 9,795	\$ 59,769

Identification as a Repeat Finding: 2015-007

Recommendation:

We recommend that the Republic maintain complete records of property and equipment acquired with grant funds, perform physical inventories at least once annually, and comply with applicable property management policies and procedures.

Auditee Response and Corrective Action Plan:

The Republic describes corrective actions in the auditee-prepared Corrective Action Plan.

REPUBLIC OF PALAU

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2016

Finding No.: 2016-005
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 84.378 College Access Challenge Grant Program
Federal Award No.: P378A140057
Area: Procurement and Suspension and Debarment
Questioned Costs: \$17,257

Criteria:

It is the policy of the Republic that all procurement and procurement actions be executed in a manner that provides open and free competition and avoids purchasing unnecessary or duplicative items. When appropriate, an analysis shall be made of lease and purchase alternatives to determine which would be the most economical and practical procurement. Any allowable exceptions must be properly documented and approved in accordance with applicable Republic of Palau procurement requirements, and such approvals should be documented in the procurement file.

Purchases of \$10,000 require a formal bidding process. Public notice of the invitation for bid shall be announced on all radio or television stations and at a reasonable time, at least fifteen days prior to the date of the initial day of the bidding time. Contracts must be awarded with reasonable promptness, but in no event later than 30 days after opening of the bids, by written notice to the responsible bidder whose bid fully meets the requirements of the invitation for bids. Unsuccessful bidders also shall be promptly notified. Procurement file should contain public notice, invitation for bids or request for proposal, notice of unsuccessful bidder or offeror basis for cost or price and determination.

Condition:

For three (or 38%) of eight non-payroll expenditures tested, aggregating \$131,424 of \$365,613 in total non-payroll costs, there was no evidence of competitive pricing performed.

<u>Cost Center No</u>	<u>Document No.</u>	<u>Purchase Order No.</u>	<u>Date</u>	<u>Purchase Order Amount</u>	<u>Questioned Costs</u>
E43597	219200	F60536	09/29/2016	\$ 6,450	\$ 6,450
E43597	218148	F60134	09/29/2016	\$ 9,000	9,000
E43597	202272	L60599	04/28/2016	\$ 8,944	<u>1,807</u>
		Total			\$ <u>17,257</u>

The difference between the lowest bid and the purchase price is the amount questioned above for document no. 202272. For document nos. 219200 and 218148, the total purchase order amount was questioned.

Cause:

The cause of the above condition is the lack of adherence to established policies and procedures regarding compliance with procurement requirements.

Effect:

The effect of the above condition is noncompliance with procurement regulations and questioned costs of \$17,257 as the projected questioned costs exceed the threshold.

Recommendation: We recommend that compliance with procurement regulations occur.

REPUBLIC OF PALAU

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2016

Finding No.: 2016-005, Continued
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 84.378 College Access Challenge Grant Program
Federal Award No.: P378A140057
Area: Procurement and Suspension and Debarment
Questioned Costs: \$17,257

Auditee Response and Corrective Action Plan:

The Republic disagrees with the finding for the reason that competitive pricing was performed and documents were provided. See full response in the auditee-prepared Corrective Action Plan.

Auditor Response:

For document no. 219200, it appears solicitation was performed on certain venues to satisfy procurement regulations by obtaining three quotes even though the solicited vendors were not able to satisfy the request. For example, we are aware that there is one venue that could accommodate the required number of people, but was not solicited. The finding remains.

For document no. 218148, there was no evidence of competitive pricing. Vendors did not submit quotations on a list of goods and services requested, but merely agreed to provide goods/services for a set amount. The finding remains.

For document no. 202272, the lowest quotation was not selected. Delivery time is not an acceptable justification under applicable federal guidelines based on the selected procurement method utilized. Proper planning should have been performed in the purchase of these goods to avoid such issues. Thus, the finding remains.

REPUBLIC OF PALAU

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2016

Finding No.: 2016-006
Federal Agency: U.S. Department of Education
CFDA Program: 84.378 College Access Challenge Grant Program
Federal Award No.: P378A140057
Requirement: Subrecipient Monitoring
Questioned Costs: \$35,000

Criteria:

In accordance with applicable subrecipient monitoring requirements, the Program should monitor the subrecipient's use of funds during the award, and evaluate the impact of subrecipient activities on the Program's ability to comply with requirements.

Condition:

The Program does not have policies and procedures in place to monitor subrecipient activities during the award period. There was no evidence that the Program monitored the subrecipient's use of funds and evaluated the impact of subrecipient activities in conformance with applicable requirements. Further, the subrecipient did not report the subaward on its Schedule of Expenditures of Federal Awards (SEFA) and therefore, it is not possible to determine if the subrecipient expended these funds in accordance with federal compliance requirements.

<u>Subrecipient</u>	<u>Check Date</u>	<u>Check No.</u>	<u>Amount passed through to subrecipient</u>
Palau Community College	09/20/2015	383415	\$ 35,000

Cause:

The cause of the above condition is the lack of conformance with existing procedures that require monitoring of subrecipient activities to confirm compliance with laws, regulations, and the provisions of contracts or grant agreements.

Effect:

The effect of the above condition is noncompliance with applicable requirements and questioned costs of \$35,000.

Recommendation:

We recommend that the Republic implement procedures to monitor subrecipient uses of funds.

Auditee Response and Corrective Action Plan:

The Republic describes corrective actions in the auditee-prepared Corrective Action Plan.

REPUBLIC OF PALAU

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2016

Finding No.: 2016-007
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.224 Health Center Program
Federal Award No.: 6H80CS02467-30-07, 6H80CS02467-31-05
Requirement: Equipment and Real Property Management
Questioned Costs: \$0

Criteria:

In accordance with applicable equipment and real property management requirements, the Republic must follow the Republic's laws and regulations. In accordance with the Republic's property management policies and procedures Chapter IV (Executive Order no. 217):

Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, the cost of the property, percentage of Federal participation in the cost of the property, the location, use, and condition of property, and any ultimate disposition data including the date of disposal and sale price of the property.

Accountable officers (managers of program or office) will be responsible for ensuring the proper and effective maintenance, control and safeguarding of government property assigned to or utilized by their respective entities (section 202.3)

Accountable officers will maintain complete property management records, and the physical inventory must take place annually (section 203.7).

A complete physical inventory of the property will be conducted once every two years and the results reconciled with the property records. After completing the physical count and reconciliation, the Accountable Officer will certify in writing to the Chief of Division of Property and Supply that the physical inventory has been completed and subsidiary property records reflect actual quantities on hand (section 203.8).

The property Survey Board is charged with ensuring that a complete investigation is conducted to determine lost, missing, worn-out, damaged, destroyed, unserviceable, and surplus government property (section 207.1).

Condition:

Tests of thirteen assets noted the following:

1. One item (tag no. RP-4322) (8%) did not have a current vehicle registration card, and the official asset tag number was not attached. One item (tag no. RP-3326) (8%) could not be located, but we were informed it had been surveyed; however, a survey report could not be located. No questioned cost results for this missing item because the fair market value is likely to be less than \$5,000 given the item's cost and acquisition year.

<u>Date Acquired</u>	<u>Property Number</u>	<u>Cost</u>
10/20/14	RP-4322	\$ 7,450
01/10/13	RP-3326	\$ 7,517

2. A variance of \$5,445 exists between the fixed asset listing prepared by the Procurement and Supply Office (\$284,813) and the Program Office (\$290,258).

REPUBLIC OF PALAU

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2016

Finding No.: 2016-007, Continued
 Federal Agency: U.S. Department of Health and Human Services
 CFDA Program: 93.224 Health Center Program
 Federal Award No.: 6H80CS02467-30-07, 6H80CS02467-31-05
 Requirement: Equipment and Real Property Management
 Questioned Costs: \$0

Condition, Continued:

3. There is no evidence that a complete physical inventory of equipment and property was performed in the fiscal year with an attendant reconciliation of fixed asset records over the last two fiscal years.
4. Property records maintained by the P&S and program have missing information or did not include certain required information, such as federal award identification number, source of the property, who holds title, percentage of federal participation in the cost of the property, and use of the property.
5. One item was damaged, and the tag no. per listing did not agree with the sighted item.

<u>Date</u>	<u>Property Number</u>	<u>Property Number</u>	<u>Cost</u>
05/10/2010	RP-3961	RP-3962	\$ 13,432

Cause:

The cause of the above condition is the lack of adherence to established policies and procedures regarding compliance with applicable equipment and real property management requirements.

Effect:

The effect of the above condition is noncompliance with applicable equipment and real property management requirements. No questioned cost is presented as we are unable to quantify the cumulative dollar amount of the deficiencies. See below for the cumulative dollar amount of property and equipment acquired with program grant funds.

<u>CFDA #</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>Grand Total</u>
93.224	-	\$101,225	\$ -	\$ 15,950	\$ -	\$117,175

Identification as a Repeat Finding: Finding No. 2015-007

Recommendation:

We recommend that the Republic maintain complete records of property and equipment acquired with grant funds, perform physical inventories at least once annually, and comply with applicable property management policies and procedures.

Auditee Response and Corrective Action Plan:

The Republic describes corrective actions in the auditee-prepared Corrective Action Plan.

REPUBLIC OF PALAU

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2016

Finding No.: 2016-008
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.224 Health Center Program
Federal Award No.: 6H80CS02467-30-07, 6H80CS02467-31-03, 6H80CS02467-31-04,
6H80CS02467-31-05
Area: Program Income
Questioned Costs: \$0

Criteria:

In accordance with standard operating procedures, non-federal funds (e.g., State, Local and other operational funding and fees, premiums, and third-party reimbursements) which the program may reasonably be expected to receive, including any such funds in excess of those originally expected, shall be used as permitted under law and may be used for such other purposes as are not specifically under the law if such use furthers the objectives of the project.

Condition:

The program performs billing and collection functions. All fees collected are deposited and recorded in the Hospital Trust Fund Account, a Special Revenue Fund that reported \$1,034,056 in revenues for the year ended September 30, 2016. However, there was no cost analysis performed or study that supports the 50/50 percentage split allocated between the program and the local government share. We were informed that a recent study was performed by an independent company which was completed in January 2015; however, no action was taken to implement recommended changes.

Cause:

The cause of the above condition is the delayed action by the program to use the independent cost study report analysis to implement changes to the program income.

Effect:

The effect of the above condition is potential noncompliance with program income requirements. No questioned costs result as we were unable to determine the dollar amount of potential program income. The Program reported \$539,453 program income during the year ended December 31, 2015.

Identification as a Repeat Finding: 2015-005

Recommendation:

We recommend that the Republic establish procedures to comply with program income requirements.

Auditee Response and Corrective Action Plan:

The Republic describes corrective actions in the auditee-prepared Corrective Action Plan.

REPUBLIC OF PALAU

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2016

Finding No.: 2016-009
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.243 SAMHS - Projects of Regional and National Significance
Federal Award No.: 5U79SP020164-03
Area: Procurement and Suspension and Debarment
Questioned Costs: \$44,949

Criteria:

It is the policy of the Republic that all procurement and procurement actions be executed in a manner that provides open and free competition and avoids purchasing unnecessary or duplicative items. When appropriate, an analysis shall be made of lease and purchase alternatives to determine which would be the most economical and practical procurement. Any allowable exceptions must be properly documented and approved in accordance with applicable Republic of Palau procurement requirements, and such approvals should be documented in the procurement file.

For small purchases over \$2,000, and for the purchase of event hosting services over \$5,000 not bid out, the procurement officer concerned or his designee shall obtain price quotations from at least three vendors and base the selection on competitive price, quality, delivery time and other relevant factors. Written documentation of the three price quotes, the vendors submitting the quotes and the basis for selection shall be maintained in the purchase order file. Small purchases under \$5,000 may be limited to local vendors.

Purchases of \$10,000 require a formal bidding process. Public notice of the invitation for bid shall be announced on all radio or television stations and at a reasonable time, at least fifteen days prior to the date of the initial day of the bidding time. Contracts must be awarded with reasonable promptness, but in no event later than 30 days after opening of the bids, by written notice to the responsible bidder whose bid fully meets the requirements of the invitation for bids. Unsuccessful bidders also shall be promptly notified. Procurement file should contain public notice, invitation for bids or request for proposal, notice of unsuccessful bidder or offeror, basis for cost or price and determination.

Condition:

Of eleven non-payroll expenditures tested aggregating \$142,659 of \$485,833 in total non-payroll costs, we noted the following:

1. For one (or 9%), although three price quotations were obtained, the lowest vendor was not selected because only one item was not available from the requisition request. See details below without this item.

<u>PO No.</u>	<u>Document No.</u>	<u>Date</u>	<u>Amount per Selected Vendor</u>	<u>Amount per lowest Vendor</u>	<u>Difference</u>	<u>Questioned Costs</u>
L61560	212374	07/22/16	\$ 2,021	\$ 1,889	\$ 132	\$ 132

REPUBLIC OF PALAU

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2016

Finding No.: 2016-009, Continued
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.243 SAMHS - Projects of Regional and National Significance
Federal Award No.: 5U79SP020164-03
Area: Procurement and Suspension and Debarment
Questioned Costs: \$44,949

Condition, Continued:

- 2. For one (or 9%), the lowest bidder was not selected, and the program cited various reasons for not choosing the lowest bidder. However, such reasons/requirements were not specified in the scope of work. Both bidders are based in Palau.

<u>PO No.</u>	<u>Document No.</u>	<u>Date</u>	<u>Amount per Selected Vendor</u>	<u>Amount per lowest Vendor</u>	<u>Difference</u>	<u>Questioned Costs</u>
15-120	212374	07/22/16	\$95,120	\$50,303	\$44,818	\$44,817

Cause:

The cause of the above condition is the lack of adherence to established policies and procedures regarding compliance with procurement requirements.

Effect:

The effect of the above condition is noncompliance with procurement regulations and questioned costs of \$44,949.

Recommendation: We recommend that compliance with procurement regulations occur.

Identification as a Repeat Finding: 2015-003

Auditee Response and Corrective Action Plan:

The Republic does not agree with Condition 2 for the reason that the award was made in accordance with criteria described in the RFP. See full response and corrective actions in the auditee-prepared Corrective Action Plan.

Auditor Response:

Condition 2: For 2 of the 4 response evaluation, both bidders received a 10% score under total project cost even though there was a \$44,818 difference between the two bids. Comments in 2 response evaluation did not relate to the evaluation criteria. A memorandum dated October 9, 2015 documented the review of the bid proposals; however, the basis of selection did not appear to be directly based on the evaluation criteria as stipulated in the bid specification. Thus, the finding remains.

REPUBLIC OF PALAU

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2016

Finding No.: 2016-010
Federal Agency: U.S. Department of Health and Human Services
Pass-Through Entity: University of Hawaii
CFDA Program: 93.283 CDC and Prevention – Investigations and Technical Assistance
Federal Award No.: 5NU58DP003939-04-00; 5NU58DP003939-05-00
Requirement: Equipment and Real Property Management
Questioned Costs: \$0

Criteria:

In accordance with applicable equipment and real property management requirements, the Republic must follow the Republic's laws and regulations. In accordance with the Republic's property management policies and procedures Chapter IV (Executive Order no. 217):

Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, the cost of the property, percentage of Federal participation in the cost of the property, the location, use, and condition of property, and any ultimate disposition data including the date of disposal and sale price of the property.

Accountable officers (managers of program or office) will be responsible for ensuring the proper and effective maintenance, control and safeguarding of government property assigned to or utilized by their respective entities (section 202.3)

Accountable officers will maintain complete property management records, and the physical inventory must take place annually (section 203.7).

A complete physical inventory of the property will be conducted once every two years and the results reconciled with the property records. After completing the physical count and reconciliation, the Accountable Officer will certify in writing to the Chief of Division of Property and Supply that the physical inventory has been completed and subsidiary property records reflect actual quantities on hand (section 203.8).

The property Survey Board is charged with ensuring that a complete investigation is conducted to determine lost, missing, worn-out, damaged, destroyed, unserviceable, and surplus government property (section 207.1).

Condition:

Tests of eleven assets noted the following:

1. Three (tag nos. RP-3442, RP-4098, and RP-3701) (27%) were not in working condition, but remain on the equipment listing.

<u>Date Acquired</u>	<u>Property Number</u>	<u>Cost</u>
05/06/2004	RP-3442	\$ 33,898
12/28/2011	RP-4098	\$ 33,795
07/05/2007	RP-3701	\$ 8,999

REPUBLIC OF PALAU

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2016

Finding No.: 2016-010, Continued
Federal Agency: U.S. Department of Health and Human Services
Pass-Through Entity: University of Hawaii
CFDA Program: 93.283 CDC and Prevention – Investigations and Technical Assistance
Federal Award No.: 5NU58DP003939-04-00; 5NU58DP003939-05-00
Requirement: Equipment and Real Property Management
Questioned Costs: \$0

Condition, Continued:

2. One asset (or 9%) was not sighted as the accountable person could not be contacted because he was on personal leave and no alternate could assist in its location. No questioned cost results for this potentially missing item because the fair market value is likely to be less than \$5,000 given the item’s cost and acquisition year.

<u>Date Acquired</u>	<u>Property Number</u>	<u>Cost</u>
03/23/2006	RP-3594	\$ 7,000

3. Property records maintained by the P&S and program have missing information or did not include certain required information, such as federal award identification number, source of the property, who holds title, percentage of federal participation in the cost of the property, and use of the property.

4. One (tag no. RP-3699) (or 9%) had an expired vehicle registration and renewal was not obtained.

<u>Date Acquired</u>	<u>Property Number</u>	<u>Cost</u>
06/25/2007	RP-3699	\$ 29,900

5. A variance of \$25,250 exists between the fixed asset listing prepared by the Procurement and Supply Office (\$305,855) and the Program Office (\$280,605). A reconciliation was not performed with applicable capital asset records.

Cause:

The cause of the above condition is the lack of adherence to established policies and procedures regarding compliance with applicable equipment and real property management requirements.

Effect:

The effect of the above condition is noncompliance with applicable equipment and real property management requirements. No questioned cost is presented as we are unable to quantify the cumulative dollar amount of the deficiencies.

Identification as a Repeat Finding: 2015-007

Recommendation:

We recommend that the ROP maintain complete records of property and equipment acquired with grant funds and comply with applicable property management policies and procedures.

REPUBLIC OF PALAU

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2016

Finding No.: 2016-010, Continued
Federal Agency: U.S. Department of Health and Human Services
Pass-Through Entity: University of Hawaii
CFDA Program: 93.283 CDC and Prevention – Investigations and Technical Assistance
Federal Award No.: 5NU58DP003939-04-00; 5NU58DP003939-05-00
Requirement: Equipment and Real Property Management
Questioned Costs: \$0

Auditee Response and Corrective Action Plan:

The Republic does not agree with Condition 4 and 5 for the reasons that vehicle registrations are up to date and that the Program reconciled its list in November 2016, respectively. See full response and corrective actions in the auditee-prepared Corrective Action Plan.

Auditor Response:

Condition 4: The vehicle registration card subsequently provided indicated property no. RP-4098 while Condition 4 above refers to property number RP-3699.

Condition 5: The variance noted was as of September 30, 2016 or prior to retirement date.

REPUBLIC OF PALAU

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2016

Finding No.: 2016-011
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.283 CDC and Prevention – Investigations and Technical Assistance
Award Number: 5NU58DP003939-04, 5NU58DP003939-05
Area: Subrecipient Monitoring
Questioned Costs: \$0

Criteria:

In accordance with applicable subrecipient monitoring requirements, a pass-through entity's responsibilities include the following:

- Monitoring the subrecipient's use of federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
- Evaluating the impact of subrecipient activities on the pass-through entity's ability to comply with applicable federal regulations.

Condition:

1. A contract was executed with the University of Hawaii in the amount of \$40,000 on behalf of its Department of Family Medicine and Community Health, John A. Burns School of Medicine (JABSOM) on 9/29/15 and on 8/12/16 for the period from June 30, 2015 to June 29, 2016 and from June 30, 2016 to June 29, 2017.
2. No requirements are in place for individuals performing subrecipient monitoring activities to possess the knowledge, skills, and abilities required including understanding the subrecipient's environment, systems, and controls sufficiently to identify the level and methods of monitoring required.
3. No control procedures are in place to monitor the University of Hawaii, JABSOM's compliance with applicable laws, regulations, and provisions of contracts, and grant agreements. Further, no monitoring procedures are performed to verify that required performance or narrative reports are accurate and timely submitted including requirements for an annual agency audit.
4. The program does not have monitoring policies and procedures for its subrecipients to determine its process in identifying if there are any subawards, to evaluate its risk of noncompliance, and perform such monitoring procedures based on those risks.
5. At the time of subaward, the program did not make the subrecipient aware of the award information required by 2 CFR section 200.331(a) sufficient for the program to comply with Federal statutes, regulations, and the terms and conditions of the award.

Cause:

The cause of the above condition is the lack of awareness by the program that it had a subrecipient and failure to enforce compliance with applicable subrecipient monitoring requirements.

Effect:

The effect of the above condition is the Republic is in noncompliance with applicable subrecipient monitoring requirements. No questioned costs result as the subrecipient was audited for fiscal year 2016 and there was no questioned cost reported.

REPUBLIC OF PALAU

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2016

Finding No.: 2016-011, Continued
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.283 CDC and Prevention – Investigations and Technical Assistance
Award Number: 5NU58DP003939-04, 5NU58DP003939-05
Area: Subrecipient Monitoring
Questioned Costs: \$0

Recommendation:

Responsible personnel should establish and implement policies and procedures to monitor subrecipients and to document the monitoring activities performed.

Auditee Response and Corrective Action Plan:

The Republic describes corrective actions in the auditee-prepared Corrective Action Plan.

REPUBLIC OF PALAU

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2016

Finding No.: 2016-012
Area: Local Noncompliance – Procurement Regulations

Criteria:

In accordance with applicable procurement regulations, procurement transactions shall provide for full and open competition that is best suited to the circumstances. Further, the ROP Property Management Policies and Procedures Manual, Procurement and Safeguard sections 625 and 626 state the following:

§625 - Procurement requirements shall not be artificially divided so as to constitute a small purchase.

§626 -

- (a) When the Procurement Officer determines in a substantiated writing that the use of competitive sealed bidding is either not practical or not advantageous to the government, contracts may be awarded by competitive negotiation.
- (b) Award shall be made to the responsible offeror whose proposal is determined in writing to be most advantageous to the Republic taking into consideration price and other evaluation factors set forth in the request for proposals. No other factors or criteria shall be used in the evaluation, and the contract file shall contain a detailed description of the findings and the basis on which the award is made.

Section 332 of Title 40 states that when the Minister of Health certifies an unavoidable emergency, the use of funds shall be exempt from the requirements of 40 PNC Chapter 6.

Condition:

Of \$4,970,901 in Other Fund non-payroll expenditures, forty-nine (49) samples totaling \$2,656,191 were tested with the following deficiencies:

1. Eighteen aggregating \$401,851 represent purchases pursuant to Request for Proposal (RFP) 16-15. Our examination of related bid documents noted the following:
 - a. An RFP was issued instead of an Invitation for Bid. There was no written determination substantiating that the use of competitive sealed bidding is either not practical or not advantageous to the Republic.
 - b. The contract file did not contain a detailed description of the findings and the basis on which all seven offerors were awarded varying amounts. A comparative evaluation of the bids was provided to substantiate the award recommendations in dollar amounts in which the following were noted:
 - c. The comparison involved categories of items, but did not compare costs of individual items.
 - d. The evaluation did not take into consideration that vendors do not submit price quotations for unavailable items. This caused proposed amounts to appear lower than other vendors who quoted all items. Therefore, comparing total proposal amounts did not result in an accurate indication of the most competitive prices.
 - e. Criteria used for evaluating the bids was outside the scope of the bid evaluation criteria as outlined in the bid specifications. Having no purchase history was used as a justification for either awarding or not awarding vendors.

REPUBLIC OF PALAU

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2016

Finding No.: 2016-012, Continued
Area: Local Noncompliance – Procurement Regulations

Condition, Continued

- f. All procurement files should be maintained at the procurement office as stipulated at Section 605 of the Procurement Law. However, some files in support of RFP 16-15 were located at the respective ministries and not at the procurement office.
2. A purchase of the same item and with the same vendor used multiple purchase orders. It appears the purchase was artificially divided to constitute a small purchase, which may be a violation of Section 625 of the Procurement law (RPPL 3-54). Details follow:

<u>Voucher No.</u>	<u>P.O.</u>	<u>Amount</u>
208393	L6005301	\$ 900
199121	L6050301	1,200
196117	L6071701	4,000
187556	L6133501	<u>4,000</u>
		\$ <u>10,100</u>

3. A \$13,304 purchase to replace an electrosurgical unit (voucher #188868) was procured through quotations; however, such did not constitute a small purchase. Although, the procurement files included a certification from the Minister of Health, the files did not indicate when the unit was damaged which should be on file to support the declaration of an unavoidable emergency.
4. An expenditure of \$28,700 (voucher #214240) to repair a CT scanner was procured pursuant to Section 332 of Title 40 deemed by the Minister of Health as an unavoidable emergency and was therefore sole sourced. However, the files did not indicate when the unit was damaged which should be on file to support the declaration of an unavoidable emergency; and no maintenance expenditures were noted during the year to support that the CT scanner was routinely serviced and maintained to minimize the potential breakdown of the scanner.

Cause:

The cause of the condition is potential weaknesses in controls over documenting compliance with applicable procurement regulations.

Effect:

The effect of the above condition is potential noncompliance with applicable procurement regulations.

Recommendation:

We recommend that the Republic strengthen controls over procurement to maximize competition while maintaining the best interest of the Republic. If exceptions are allowed by procurement regulations, they should be reviewed and approved and the reasons should be documented in the procurement files.

Auditee Response and Corrective Action Plan:

The Republic describes corrective action plans in the auditee-prepared Corrective Action Plan.

REPUBLIC OF PALAU

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2016

Finding No.: 2016-013
Area: Net Pension Liability

Criteria:

The Republic should assess contingent liabilities as to their potential impact on the financial statements.

Condition:

The Republic of Palau Civil Service Pension Trust Fund's actuarial valuation determined that the Fund has a net pension liability of \$215,546,176.

Cause:

The net pension liability could cause the Fund's fiduciary net position to become negative in 2018.

Effect:

The Fund is potentially at risk of failure to provide future benefits and the Republic's actuary has determined that cash flow may be impacted by the Fund's net pension liability by 2018.

Recommendation:

The Republic should identify measures to address the net pension liability and the potential impact of this matter on the general fund.

Auditee Response and Corrective Action Plan:

The Republic describes its corrective actions in the auditee-prepared Corrective Action Plan.

REPUBLIC OF PALAU

Unresolved Prior Year Findings and Questioned Costs
Year Ended September 30, 2016

Questioned Costs

The prior year Single Audit report on compliance with laws and regulations noted the following questioned costs that were unresolved at September 30, 2016:

	<u>Questioned Costs</u>		
	<u>Republic</u>	<u>Subrecipient</u>	<u>Total</u>
Questioned costs of the Republic as previously reported:			
Fiscal year 2013 Single Audit	\$ 68,310	\$ -	\$ 68,310
Fiscal year 2014 Single Audit	5,081	-	5,081
Fiscal year 2015 Single Audit	<u>354,018</u>	<u>-</u>	<u>354,018</u>
	<u>427,409</u>	<u>-</u>	<u>427,409</u>
Less questioned costs resolved in fiscal year 2016:			
Questioned costs of fiscal year 2013 Single Audit	<u>(68,310)</u>	<u>-</u>	<u>(68,310)</u>
Questioned costs of fiscal year 2015 Single Audit reported in:			
Finding No. 2015-002	(93,775)	-	(93,775)
Finding No. 2015-008	(17,868)	-	(17,868)
Finding No. 2015-012	<u>(24,895)</u>	<u>-</u>	<u>(24,895)</u>
	222,561	-	222,561
Questioned costs of fiscal year 2016 Single Audit	<u>97,206</u>	<u>-</u>	<u>97,206</u>
Unresolved questioned costs of the Republic at September 30, 2016	\$ <u>319,767</u>	\$ <u>-</u>	\$ <u>319,767</u>

REPUBLIC OF PALAU
CORRECTIVE ACTION PLAN
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

FINDING NO.	CORRECTIVE ACTION PLAN	PROPOSED COMPLETION DATE	NAME AND CONTACT OF RESPONSIBLE PERSON
2016-001	<ol style="list-style-type: none"> 1. Required survey forms has been processed for these equipment to retire on the property records. 2. With the MEMO from MOF dated March 16, 2017 to all directors and program managers, they have identified their fixed asset custodian to work with MOF-procurement and supply office to be able to do a physical annual inventory as required. MOF-procurement and supply office will ensure that physical annual inventory procedures are adhered to. 3. MOF management will meet and discuss best approach for procedures on effective maintenance and safekeeping procedures that best address this area. 	December 31, 2017	Millan Isack, Chief, Division of Procurement and Supply PH: 680-488-2215 Email: misack@gmail.com
2016-002	We have met with MOF-Division of Procurement and Supply to improve the reconciliation of fixed assets. We have created an internal procedure (SOP) for internal quarterly monitoring, recording, reporting of assets and reconciliation with MOF-Division of Procurement and Supply. We will meet to review the draft and finalize the SOP.	June 30, 2017	Millan Isack, Chief, Division of Procurement and Supply PH: 680-488-2215 Email: misack@gmail.com Helen Sengebau, Coordinator, Special Education-MOE PH: 680-488-22568 Email: spedcor@palaunet.com
2016-003	Program has identified custodian based on MEMO from MOF dated March 16, 2017, so we will work with MOF procurement office to resolve these issue.	September 30, 2017	Millan Isack, Chief, Division of Procurement and Supply PH: 680-488-2215 Email: misack@gmail.com Debbie Sbal, Director, Bureau of Curriculum-MOE PH: 680-488-2547 Email: dsbal@palaumoe.net
2016-004	We concur with this finding. The Ministry of Education has established a unit within its organizational chart to handle inventory, hired a full time staff, and worked with the ROP Property and Supply Division to set up the unit to be responsible for and to handle inventory full time.	December 31, 2017	Andrew Tabelual, CACG Coordinator/Director, Bureau of Education-MOE PH: 680-488-2547 Email: atabelual@palaumoe.net Milan Isack, Chief, Division of Procurement and Supply PH: 680-488-2215 Email: misack@gmail.com
2016-005	We do not concur with the finding. Competitive pricing were performed and documents were provided to the auditors for review.		

REPUBLIC OF PALAU
CORRECTIVE ACTION PLAN
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

FINDING NO.	CORRECTIVE ACTION PLAN	PROPOSED COMPLETION DATE	NAME AND CONTACT OF RESPONSIBLE PERSON
2016-006	We concur with the finding. However, MOE did monitor the use of these funds and the purchased items did arrive at the intended location and were put to use by the intended service units. Will implement monitoring policies and procedures and will ensure that subgrantee will report the subaward in the SEFA.	December 31, 217	Andrew Tabelual, CACG Coordinator/Director, Bureau of Education-MOE PH: 680-488-2547 Email: atableual@palaumoe.net
2016-007	We concur with the finding and below are corrective action plan to be and have been implemented: <ol style="list-style-type: none"> 1. All current registration cards are placed in each vehicle now and CHC Administrative Officer is working with Ministry of Finance, Supply Office for the surveys, tags and the asset listing. 2. CHC will work with Supply Office to address the discrepancy of the fixed asset list and correct it. 3. CHC Administration will ensure that physical inventory for all fixed assets is done once a year with proper documentations. 4. CHC Administration already start incorporating updating the missing/required information such as federal award identification number, source of the property, who holds title, percentage of federal participation in the cost of the property and use of the property. 5. CHC program will work closely with maintenance/repair vendor's to address this issue as the issue arises during the time these outboard engines was in repair. 	July 30, 2017	Losii Samsel-Program Manager, CHC-MOH PH:680-488-4805 Email: losii.samsel@palahealth.org Lalie Ikluk-Administrative Officer, CHC-MOH PH:680-488-4805 Email: lalie.ikluk@palahealth.org Milan Isack, Chief, Division of Procurement and Supply PH: 680-488-2215 Email: misack@gmail.com
2016-008	We concur with the finding. We are working to hire a consultant in September 2017 to do cost analysis based on the independent study that was done in January 2015.	December 31, 2017	Losii Samsel-Program Manager, CHC-MOH PH:680-488-4805 Email: losii.samsel@palahealth.org
2016-009	1. We concur with reservations. The price varies for the 3 vendors and expenses to do another requisitions to get 3 quotations again will surpassed the amount of the questioned cost. 2. We do not concur with the finding and questioned cost for the following reasons – the contract (#15-120) was not awarded based on the lowest cost; rather RFP PCS 2015-026 was awarded based on several criteria that had different weights, and such were stated in the RFP. The evaluation criteria were as follows: <ul style="list-style-type: none"> • Total Project Cost – 10% • Feasibility and appropriateness of proposal – 50% • Proposed implementation and training timeline – 25% • Review of prior work in this area – 5% • Previous work experience of consultant – 5% • Educational background of consultant – 5% 	July 31, 2017	Caryn Koshiba, Chief, Division of Finance and Accounting PH:680-767-2561 Email: carynk@palaugov.org Milan Isack, Chief, Division of Procurement and Supply PH: 680-488-2215 Email: misack@gmail.com Umerang Imetengel, Director, Bureau of Public Service System PH:680-488-4776 Email: umerangqi@palaugov.org

REPUBLIC OF PALAU
CORRECTIVE ACTION PLAN
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

FINDING NO.	CORRECTIVE ACTION PLAN	PROPOSED COMPLETION DATE	NAME AND CONTACT OF RESPONSIBLE PERSON
	<p>The evaluation committee that reviewed the proposals scored each vendor based on the criteria above and provided their recommendation for the vendor that scored the highest total score.</p>		
2016-010	<p>1. RP 3442 and RP 4098 have been in and out of repair shops with the hopes that they can be salvaged.</p> <p>When more than one repair shop could not fix RP 3442, it was then decided that asset be surveyed. Attached is a copy of the completed survey form. Attached is evidence of program attempts (receipt for repair) to get these assets repaired or “maintained”.</p> <p>RP 4098 has not been neglected, however, program is trying to identify a reputable repair shop to fix this asset; currently this repair shop has a long waiting list so program is waiting. An appointment made with vendor in April 2017 was missed due to vendor’s other obligations.</p> <p>RP 3701 broke down in December 2016, after program has finished its annual visual check. Program and MOH administration working together to identify funding to repair asset. Program had recommended that we wait until new funding came in June 2017 to allocate funding to help with maintenance and repair for assets.</p> <p>2. Program concurs with this finding and will work with MOH administration and Ministry of Finance P and S to ensure that more than one person is available and knows location of fixed asset.</p> <p>3. Program concurs with this finding and will take steps to ensure that inventory list contains all information required for listing of assets. Program will revise its fixed asset list.</p> <p>4. Program does not concur. Staff mistakenly put the Vehicle registration in another vehicle. We are up to date with the program vehicle registration.</p> <p>5. Program does not concur; program reconciled list with Ministry of Finance Property and Supply. The variance is for RP#3492. The Request for Survey for RP#3492 was submitted to Property and Supply Office on Nov. 14, 2016, Survey Board acted on it on Dec. 08, 2016, and retired from the RPPM Listing on Dec. 21, 2016. Therefore, it is within FY17 that caused the discrepancies.</p>	August 30,2017	<p>Edolem Ikerdeu- Program Manager, CDC-MOH PH:488-4416 Email: edolem.ikerdeu@palahealth.org</p> <p>Milan Isack, Chief, Division of Procurement and Supply PH: 680-488-2215 Email: misack@gmail.com</p>

REPUBLIC OF PALAU
CORRECTIVE ACTION PLAN
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

FINDING NO.	CORRECTIVE ACTION PLAN	PROPOSED COMPLETION DATE	NAME AND CONTACT OF RESPONSIBLE PERSON
2016-011	Program will implement monitoring policies and procedures for subrecipient based on ROP's monitoring policies and procedures.	July 30, 2017	Edolem Ikerdeu- Program Manager, CDC-MOH PH:488-4416 Email: edolem.ikerdeu@palahealth.org
2016-012	MOF procurement and supply office will ensure that all required documents pertaining to RFP biddings will be completed in the file. MOH will inspect all hospital equipment that needs maintenance and services and procure what are needed ahead of time.	September 30, 2017	Darnelle Decherong, Director of Administration-MOH PH: 680-488-2552 Email: darnelle.decherong@palahealth.org Cindy Fritz-Bai, Budget & Finance Administrator-MOH PH: 680-488-2552 Email: cindy.fritz@palahealth.org Tasya Worswick, Procurement officer-MOH PH: 680-488-2552 Email: tasya.worswick@palahealth.org Milan Isack, Chief, Division of Procurement and Supply PH: 680-488-2215 Email: misack@gmail.com
2016-013	MOF management are aware of this liability and how it will affect the financial statements. This issue has been addressed to the higher management so they are aware of it. MOF management will continue to work with higher management in order to appropriate funding to address the pension liability.	December 31, 2017	Elbuchel Sadang, Minister-MOF PH: 680-488-2580 Email: esadang@gmail.com Casmir Remengesau, Director, Bureau of Budget, Planning and Statistics-MOF PH: 767-2561 Email: casmirer@palaugov.org Caryn Koshiba, Chief, Division of Finance & Accounting-MOF PH: 767-2561 Email: carynk@palaugov.org