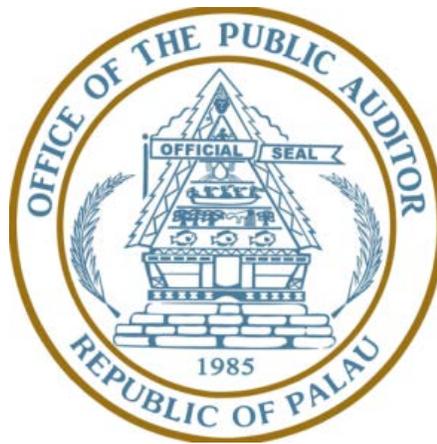


# ANNUAL REPORT

January 1, 2019 – December 31, 2019



## **OFFICE OF THE PUBLIC AUDITOR** **Republic of Palau**

P. O. Box 850, Koror, Palau 96940  
Orakiruu Professional Building, Madalaii, Koror, Palau  
Tel: 488 2889/5687 Fax: 488 2194  
E-mail: [admin@palauopa.org](mailto:admin@palauopa.org)  
Website: [www.palauopa.org](http://www.palauopa.org)

## Message from the Public Auditor

As Public Auditor for the Republic of Palau, I am pleased to submit this Annual Report and to highlight the Office of the Public Auditor's activities for the period of January 1, 2019 through December 31, 2019. Our work involved audits in high priority programs of the National Government, State Governments, and Single Audits of the National Government and Component Units, development partner grants, all centering on the theme of effective management of public funds. Our mandate and our goals are to institute fiscal responsibility, accountability and transparency and to promote excellence, integrity and sound financial practices in the operation of governmental, semi-governmental and nonprofit organizations that receive public funds. We also report on other mandates the OPA has been unable to carry out due to insufficient resources.

We report herein the Single Audits of the Republic of Palau and its Component Units, the ongoing financial audit of State Governments, audits of development partner grants and other performance audits conducted in the reporting period. We also report on technical assistances received in support of OPA's capacity building programs, and Peer Review conducted to ensure the quality of the Office of the Public Auditor's (OPA) work. Finally, the OPA reports on its office space requirements, existing staff capacity and the capacity needed for the OPA to accomplish its mandate.

I want to express my gratitude to the OPA staff for their dedication and professionalism, to the management and staff of agencies we audit for their cooperation, to our citizens and stakeholders for their trust and confidence of the OPA. I want to also express my gratitude to the U.S. Department of Interior's Office of Insular Affairs and the Office of the Inspector General, the Pacific Association of Supreme Audit Institution (PASAI), the Association of Pacific Islands Public Auditors (APIPA) and the U.S. Graduate School for their continued commitment and support to the OPA's capacity building programs and, finally, and most importantly, to the Office of the President and the Olbiil Era Kelulau for their continued support and commitments to good governance.

Mesulang,



Satrunino Tewid  
Acting Public Auditor  
Republic of Palau

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## I. About the Office of the Public Auditor

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

## II. Our Values and Our Mission

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

We abide by the highest ethical standards and have the resolve to tell our stakeholders what they need to know, not what they may wish to hear. The audits are published on our website at [www.palauopa.org](http://www.palauopa.org).

Our core values help us fulfill our mission and include:

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

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

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

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

## III. Audits, Inspections and Supports

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

### **III.A. Single Audits**

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

#### Funding and Oversight Responsibilities:

- The OPA applies for, secures and administers a Single Audit grant from the Office of Insular Affairs, U.S. Department of the Interior (USDOI), to fund annual Single Audits of the ROP National Government, Component Units and other agencies.
- Coordinates with the Ministry of Finance and mediates audit issues to ensure the audits are completed and finalized by June 30, each year.
- Works with independent auditors' to understand internal control issues identified in audit reports and collaborates with relevant government agencies to properly perform timely follow-up actions with respective offices in their execution and implementation of corrective actions and recommendations.

### III.A.1. Single Audit for Fiscal Year 2018

The OPA secured and administered \$626,527 in grant funds from Office of Insular Affairs, USDOJ, to fund Single Audits of the National Government and Component Units (and agencies) for the period ended September 30, 2018 (or December 31, 2018 as indicated\*). The audits were conducted by independent accounting firms with oversight by OPA:

Entity	Cost	Independent Auditor	Issued Date	Opinion	Findings	Questioned Cost
Belau Submarine Cable Corporation	\$0	Burger, Comer, Magliari	4/28/2019	unmodified	0	\$0
Civil Service Pension Plan (including GASB 68 - Audit on Unfunded Liability)	\$47,500	Deloitte & Touche	3/25/2019	unmodified	1	\$0
National Development Bank of Palau	\$20,000	Deloitte & Touche	4/29/2019	unmodified	0	\$0
Palau Community Action Agency	\$18,000	Deloitte & Touche	6/29/2019	unmodified	1	\$49,500
Palau Community College	\$22,000	Burger, Comer, Magliari	4/15/2019	unmodified	0	\$0
Palau District Housing Authority	\$9,500	Burger, Comer, Magliari	4/24/2019	unmodified	0	\$0
Palau International Coral Reef Center	\$9,650	Burger, Comer, Magliari	4/16/2019	unmodified	0	\$0
Palau National Communications Corporation*	\$26,730	Burger, Comer, Magliari	5/15/2019	unmodified	2	\$0
Palau Visitor's Authority	\$15,000	Deloitte & Touche	5/14/2019	unmodified	0	\$0
Protected Areas Network Fund	\$8,000	Deloitte & Touche	3/9/2019	unmodified	3	\$0
Palau Public Utilities Corporation	\$45,000	Deloitte & Touche	5/17/2019	unmodified	0	\$0
Social Security Administration	\$22,500	Deloitte & Touche	5/16/2019	unmodified	0	\$0
ROP National Government	\$292,000	Deloitte & Touche	6/30/2019	unmodified	15	\$488,816

For details of audit findings and questioned costs, you may access the Office of the Public Auditor's Website at [www.palauopa.org](http://www.palauopa.org) to download reports.

### III.A.2. Single Audit for Fiscal Year 2019

The OPA secured and administers \$563,400 in grant funds from Office of Insular Affairs, USDOJ, to fund Single Audits of the National Government and Component Units (and agencies) for the period ended September 30, 2019 (or December 31, 2019 as indicated\*). The audits are conducted by independent accounting firms with oversight by OPA. Audits of Component Units and Agencies should be completed and issued by April 30, 2020, to be consolidated to the National Government's Single Audit to meet the June 30, 2020 deadline as required by law, 40 PNCA, §223:

Entity	Cost	Independent Auditor	Status
Belau Submarine Cable Corporation	\$0	Burger, Comer, Magliari	On-going
Civil Service Pension Plan (including GASB 69 - Audit on Unfunded Liability & Actuarial Studies)	\$52,000	Deloitte & Touche	Draft
National Development Bank of Palau (including FASB Audit)	\$27,000	Deloitte & Touche	On-going

Palau Community Action Agency	\$22,000	Deloitte & Touche	On-going
Palau Community College	\$25,500	Burger, Comer, Magliari	On-going
Palau District Housing Authority	\$12,500	Burger, Comer, Magliari	On-going
Palau International Coral Reef Center	\$9,700	Burger, Comer, Magliari	On-going
Palau National Communications Corporation*	\$29,700	Burger, Comer, Magliari	On-going
Palau Visitor's Authority	\$15,000	Deloitte & Touche	On-going
Protected Areas Network Fund	\$10,000	Deloitte & Touche	On-going
Palau Public Utilities Corporation	\$45,000	Deloitte & Touche	On-going
Social Security Administration	\$22,500	Deloitte & Touche	On-going
ROP National Government	\$292,000	Deloitte & Touche	On-going

### III.B. Audits conducted by the OPA

The table, below, lists audits issued or are on-going audits conducted by the OPA in calendar year 2019:

Entity	Type of Audit	Period	Status	Issued	Findings
Palau Public Utilities Corporation: Automated Fuel Price Adjustment Clause	Performance	10/1/2014-9/30/2016	Completed	1/31/2019	5
6 <sup>th</sup> Cooperative Performance Audit of Preparedness for Implementation of Sustainable Development Goals (Ministry of Finance)	Performance	1/1/2016-5/25/2018	Completed	11/7/2019	11
Ministry of Education: Japan GGP – Melekeok Elementary School Bus \$107,245	Performance	3/16/2018- 3/15/2019	Completed	11/21/2019	0
Angaur State Government: Regina IV Repair Project	Performance	10/1/2014-12/31/2016	Draft		
Palau Public Utilities Corporation: Koror-Airai Sanitation Project	Performance	2/5/2014–6/30/2019	On-going		
Koror State Government: Japan GGP - Reconstruction for Koror State Recycling Center \$136,066	Performance	2/23/2018-2/22/2019	On-going		
Ngchesar State Government: Equipment for Improving Rainwater Drainage System \$88,950	Performance	12/6/2018-6/19/2019	On-going		
Melekeok State Government: Japan GGP - Dry Litter Piggery Technology Introduction \$59,416	Performance	9/28/2018-3/31/2019	On-going		
Ngeremlengui State Government	Performance	10/1/2007-9/30/2015	Reporting		
Aimeliik State Government	Performance	10/1/2004-9/30/2013	Fieldwork		
Ngaraard State Government	Performance	10/1/2007-9/30/2013	Management Review		
Peleliu State Legislature	Performance	10/1/2012-9/30/2013	Management Review		

Definitions of Types of Audit	Definitions of Status of Audit
<p><b>Financial Audit:</b> The primary purpose of a financial statement audit is to provide an opinion about whether an entity's financial statements are presented fairly in conformity with applicable financial reporting framework.</p> <p><b>Performance Audit:</b> The performance audits are driven by the objective(s) of the audit, whether they are compliance with laws and regulations, economy and efficiency of operations, or achieving desired results.</p>	<p><b>Fieldwork</b> is the process of gathering evidence and analyzing and evaluating evidence in accordance with the audit program. The purpose of fieldwork is to collect sufficient and relevant evidence to reach a conclusion or finding and to support recommendations.</p> <p><b>On-going:</b> audit is in-progress</p> <p><b>Outsourced:</b> To be performed by CPA firm.</p> <p><b>Referred to Re-Assignment Pool:</b> Occurs when an auditor-in-charge resigns or unable to continue due to complexity of an audit that warrants for involvement of experienced auditor; or reshuffling of staff due to hiring and/or priorities.</p> <p><b>Reporting:</b> Prepare Draft Report</p> <p><b>Independent or Management Review:</b> Draft report being reviewed by independent team or management</p> <p><b>Draft</b> is presenting findings and recommendations to the entity being audited, to allow the entity 30 days to review and comment on findings and recommendations.</p> <p><b>Completed</b> is when the audit has been finalized and issued.</p>

## STEPS to ensure a successful audit



### III.C. Financial Audits of ROP State Governments (RPPL 9-9)

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

The Olbiil Era Kelulau under RPPL 10-29 (FY 2019 Budget) appropriated \$200,000 to the MOF for financial audits of States. Lacking familiarity with the financial reporting frameworks for state governments, the MOF collaborated with the OPA to outsource the States' financial audits. On November 16, 2018, the OPA issued a Request for Proposal for the Financial Audit of State Governments, excluding Airai and Koror States. Airai and Koror State have been outsourcing and paying for their financial audits over the years and are on schedule with their financial audit.

On December 31, 2018, the OPA awarded the contracts for the financial audit of State Governments to two (2) accounting firms, Deloitte & Touche (D&T) and Burger, Comer & Magliari (BCM), allocating evenly, 7 to 7, the work between the two firms. The primary reason for the dividing the work was expediency.

As of December 31, 2019, the table below shows the status of progress of States' financial audits:

States audited by Deloitte & Touche:

State	Cost	Status
Aimeliik	\$15,000	Concluded fieldwork and in a process of drafting the report
Angaur	\$15,000	Concluded fieldwork and in a process of drafting the report
Hatohobei	\$15,000	Issued Draft report, awaiting response from Governor
Ngchesar	\$15,000	Issued Draft report, awaiting response from Governor
Melekeok	\$15,000	Issued Draft report, awaiting response from Governor
Ngeremlengui	\$15,000	Ongoing Fieldwork
Ngaraard	\$15,000	Concluded fieldwork and in a process of drafting the report

States audited by Burger, Comer, Magliari:

State	Cost	Status
Ngarchelong	\$11,000	Concluded fieldwork and in a process of drafting the report
Sonsorol	\$11,400	Concluded fieldwork and in a process of drafting the report
Ngardmau	\$13,000	Concluded fieldwork and in a process of drafting the report
Ngatpang	\$15,000	Concluded fieldwork and in a process of drafting the report
Kayangel	\$15,000	Concluded fieldwork and in a process of drafting the report
Ngiwal	\$11,000	Concluded fieldwork and in a process of drafting the report
Peleliu	\$16,000	Submitted Trial Balance and awaiting auditor to start fieldwork

The auditors worked earnestly to meet the December 31, 2019 deadline; however, State governments encountered technical difficulties preparing Trail Balances, which the OPA provided the assistance in preparing them. The OPA is working with both accounting firms to expedite the issuance of the audit reports.

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

The OPA is frequently requested by government entities and non-profit organizations to audit other country and development partner grants that provide financial assistance to these entities. Examples of other country/development partner grants include Japan's Grant Assistance for Grassroots Development Project (GGP), Asian Development Bank, World Bank and United Nations. Most of these requests have come from entities that received Japan's Grassroots Development grants, which the Grant Contract requires the project to be audited upon completion. In fact, the Japan Embassy in the Republic of Palau has communicated to the OPA that failure of these entities to complete and submit the audit report to the Embassy can result in the suspension of the GGP grants. In calendar year 2019, the OPA conducted and completed audit of one (1) GGP grant worth U.S. \$107,245.

### III.E. Other Mandated Audits

In addition to the above, the OPA is mandated by the **Code of Ethics Act** (RPPL 5-32) to audit campaign statements filed by candidates for the Offices of President and Vice President and to conduct random audits of other statements filed under the Act. The OPA is also required by the **Budget Reform Act** of 2001 (RPPL 6-11) to conduct attestation audits of each agency's performance report and comment on the reasonableness, appropriateness, validity, and reliability of the performance measures and data collection efforts. These mandates are further described below:

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

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

Development/Performance in 2019: The OPA has not conducted these audits since the enactment of the law, due to lack of manpower.

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

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

To Conduct Attestation Audits of Performance Reports

Development/Performance in 2019: The OPA has not conducted these audits since the enactment of the law due to lack of manpower.

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

*In calendar year 2019, the PBOA issued a total of 14 permits to 4 Accounting Firms and 10 Certified Public Accountants and collected and deposited \$900 into the National Treasury therewith.*

CPA Firm	Payment	Permit
Deloitte & Touche	\$100.00	F19-01
Ernst & Young LLP	\$100.00	F19-02
Verity CPAs	\$100.00	F19-03
Burger, Comer, Magliari	\$100.00	F19-P01
CPA Individual	Payment	Permit
Michael S. Johnson	\$50.00	19-02
Daniel S. Fitzgerald	\$50.00	19-01
Lee Vensel	\$50.00	19-10
David J. Burger	\$50.00	19-06
John R. Onedera	\$50.00	19-07
James N. Whitt	\$50.00	19-05
Lance K. Kamigaki	\$50.00	19-03
Edmund E. Brobesong	\$50.00	19-04
Dustin T. Verity	\$50.00	19-08
Alicia Sitan	\$50.00	19-09

## IV. Other Mandates

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

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

Developments/Performances in 2019 (calendar year):

The PBOA administers a critical function in ensuring the integrity of the practice of public accountancy in the Republic. The Board serves a critical role in ensuring that those licensed to practice meet qualifications requirements and, in doing so, assures the quality of audits and other financial services offered in the Republic. Without it, CPAs cannot practice or conduct audits and related assurance services without the requisite licenses and permits issued by the Board.

## V. OPA's Capacity to carry-out its Mandates

### V.A. Staffing Level and Human Resources needed to carry-out OPA Mandates

*"...OPA senior auditors are approaching retirement age..."*

Name	Position	Years of Service	Projected Year of Retirement/End of Contract
Satrunino Tewid	Acting Public Auditor	34	Retirement in Nov 2020
Vacant	Audit Manager		
Jowas Wasisang	Senior Auditor III	32	Retirement in Jan 2021
Rena L Kloulechad	Senior Auditor II	27	Retirement in May 2021
Romana L Blailles	Senior Auditor I	22	Retirement in March 2029
Reggie Jay Mabel	Junior Auditor III	5	Retirement in 2045
Ronald F Mamuyac	Junior Auditor II	2	End of contract, Sept 2020
Dilrae U Mechol	Junior Auditor I	1	Retirement in 2055
Meikok P Chin	Administrative Officer/ System Administrator	29	Retirement in Sept 2029
Matsumi Taro	Administrative Assistant	23	Retirement in March 2025

At present, the OPA only has six (6) auditors, four (4) of which have acquired the experience level to conduct audits with minimal supervision and two (2) who require on-the-job supervision. In addition, the OPA has two (2) administrative support staff, an Administrative Officer and an Administrative Assistant. In addition to performing all administrative tasks of the office, the administrative staffs also provide critical support to the audit process, e.g., processing audit reports, distribution and other support. Because only half of the professional staffs are seasoned auditors, only three (3) audits can be initiated at one time. This is because the OPA is operating without an Audit Manager, who is responsible for the overall process of supervision, training, reviewing and drafting audit reports. Thus, by default the Public Auditor has to perform the duties and responsibilities of the Audit Manager; thus, taking away time the Public Auditor needs to perform his duties as the Public Auditor to manage the Office of the Public Auditor.

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

The most urgent need facing the OPA today is to fill the vacancy of the Audit Manager. As previously mentioned, the primary responsibility of the Audit Manager is to oversee, manage and supervise all audits of the OPA and to assist in drafting audit reports. Presently, the Public Auditor serves double duty as the Public Auditor and Audit Manager. This arrangement sacrifices the quality and quantity of service delivery in both positions, and is not sustainable. It sacrifices the quality of the audit in that only one person is performing quality review instead of two, Audit Manager and Public Auditor. It also sacrifices quantity in that with the Public Auditor performing double duty, Public Auditor and Audit Manager, completed audits requiring review pile up. This arrangement results in delays and untimeliness of audits.

The OPA must have sufficient resources to carry-out its mandate set forth below. The OPA requires additional staff (auditors and support staff) enumerated below in order to effectively carry out its responsibilities:

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

The above number of staffs includes one staff to oversee and assist in the conduct of State Government financial audit, provided the Olbiil Era Kelulau continues to fund annual financial audit of State Governments that are outsourced to independent accounting firms.

**Specialized Audits**

At times, the OPA is either requested to or it elects to conduct a specialized audit. In these cases, depending on the subject matter of the audit, the audit could involve a highly technical or complex matter that the OPA does not have a subject matter expert on staff and therefore would require hiring an expert to serve as a consultant on the audit. For example, if the OPA was requested to or it decided to audit certain Capital Improvement Projects, e.g., road construction, it would have to hire an expert (i.e., engineer) to serve as a consultant on the audit to ensure the quality of the audit.

**Legal Matters**

Further, in audits that deal with sensitive and complex legal matters, the OPA would require legal counsel to research the legal issues surrounding matters relating to the audit to support findings and conclusions in the report. The Office of the Attorney General serves as legal counsel to the Executive Branch and therefore would place itself in a potential conflict of interest if it provides legal advice to the OPA on audit matters the subject of which relates to an executive branch agency.

**V.A.1. OPA’s Recruitment Efforts**

The OPA has been actively recruiting Palauan students studying in colleges and universities abroad in the field of accounting and related discipline:

- The OPA works with the Palau National Scholarship Board (PNSB) to identify these students and offer internship programs through the PNSB’s Summer and Winter Fellowship Program,
- Has provided internship to the Palauan students returning from Taiwan, and
- Over the years the OPA has been actively conducting meetings with Palauans studying at the University of Guam to inform the students of internship programs and employment opportunities.

It is the position of the OPA to hire Palauans in order to take advantage of the training grants the OPA receives from the Office of Insular Affairs, USDOT, instead of using the resources to train non-Palauans.

However, the OPA’s recruitment efforts have been unsuccessful due to low compensation levels to attract graduating students. To rectify this problem, the OPA is working to increase entry-level compensation and experienced/skilled-based adjustment to its pay structure. Please refer to Section V.A.2., Human Resources and Compensation Structure Study, below, for further explanation.

**V.A.2. Human Resources and Compensation Structure Study**

Because of low compensation levels at the OPA, and the fact that the OPA is exempt from the National Public Service System, the OPA through a grant from the Office of Insular Affairs, USDOT, hired a consultant to conduct a study on the OPA’s human resources policies and procedures and compensation structure. In addition, the National Public Service System does not provide for classification, classes and related compensation for auditors to ensure equitable compensation based on specialized skills and experience. Because of the low entry-level and skill/experience-based compensation, the OPA has been losing staff to other national government agencies, lured by higher pay. The consultant has completed the fieldwork and has issued a “Draft” report. The OPA hopes to meet with the leadership of the OEK to discuss the Draft report and, with the blessing and support from the OEK’s leadership, looks forward to finalizing and adopting the study.

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

**V.B. Moving Forward Initiatives: Improving and Enhancing the Work of the OPA**

**V.B.1. Training and Professional Development**

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

Attendee(s)	Date	Location	Purpose/Outcome	Travel Expenses	Funded by
Public Auditor	2/27-28/2019	Guam	Meeting with Human Resources Contractor, Guam Public Auditor to discuss incorporation of the Association of Pacific	\$2,595.17	ROP Government

			Islands Public Auditors (APIPA) and 2019 Annual Conference		
Public Auditor and all staff auditors	6/25/2019 6/27/2019	Palau	Combating Financial Crimes hosted by U.S. Indo-Pacific Command	\$0	
Public Auditor and 2 Senior Auditors	7/22-23/2019	New York	Supreme Audit Institutions making a difference: Auditing the implementation of the Sustainable Development Goals jointly organized by the United Nations Department of Social and Economic Affairs and the International Organization of Supreme Audit Institutions-Development Initiative.	\$17,622.71	U.S. Grant and ROP Government
Junior Auditor	8/19-29/2019	Lakewood, Colorado	Lakewood Experience  U.S. Office of Inspector General, DOI, annual training that encompasses all phases of an audit, providing guided training for a cohort of auditors from various insular area governments auditors' offices. This structure of training promotes sharing of ideas and best practices mentored by the OIG.	\$6,948.54	U.S. grant
Public Auditor and 5 Staff Auditors	8/26-30/2019	Guam	APIPA Annual Conference & Workshop  Outcome: Updates on Auditing Standards, Finance Management and 40 CPE hours	\$21,411.57	U.S. grant
Public Auditor and all Staff Auditors	10/8-14/2019	Palau	Government Auditing Standards and Quick Response Auditing 40 CPE Hours	\$0	Graduate School USA
Public Auditor	11/13-16/2019	Guam	Meeting with Guam Public Auditor (APIPA 2019 Chairman) discussed APIPA Peer Reviews, Updates to Audit Manual and Incorporation of APIPA	\$3,316.80	ROP Government

**Training Sponsors:**

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

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

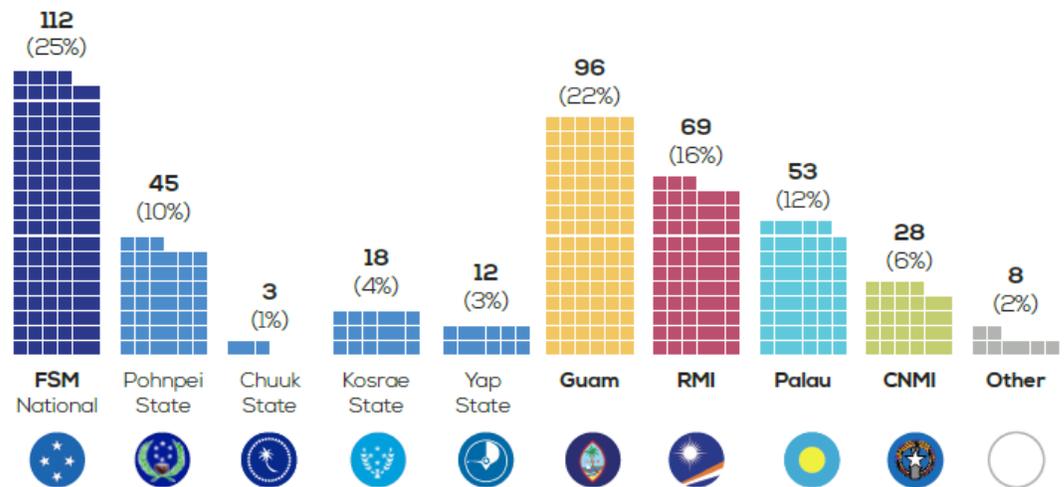
PASAI provides capacity building programs and projects to help improve and strengthen audit services delivered by each regional SAI and to bring the quality of audits to uniform high standards in the Pacific.

One of the premier projects that the PASAI sponsors is the Cooperative Performance Audit that each PASAI member office voluntarily elects to participate. The topic of the audit is decided by the members during the annual PASAI Congress. Most recent the PASAI sponsored the Cooperative Performance Audit on the Theme "Preparedness for the Implementation of Sustainable Development Goals", which Palau participated and issued its report.

**Association of Pacific Islands Public Auditors (APIPA):** On an annual basis, the APIPA in collaboration with Graduate School

USA sponsors a week-long Conference and Workshop for auditors, accountants and finance officers in the Insular Area governments.

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



While 27 percent of participants came from audit offices, the remaining 73 percent represented finance offices, grants management offices, or other offices.



2019 Annual Conference and Workshop, hosted by the Guam Office of Public Accountability marked the 30<sup>th</sup> Anniversary Conferences and recorded the highest number of participants at 444.

*(Excerpt of U.S. Graduate School's Conference Statistical report.)*

### **V.B.2. Peer Review**

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

The APIPA member offices participate in conducting the Peer Review of each APIPA member office. With financial assistance from the Office of Insular Affairs, USDOJ, two member offices team up with a consultant to conduct a review of other member office. The Peer Review is conducted in accordance with the APIPA Peer Review Manual.

The most recent Peer Review of the Palau OPA was conducted and issued in June 2018. The Peer Review report found Palau's OPA to be in "full Compliance with GAGAS". The OPA's Peer Review Reports are published on its website. The next Peer Review for Palau OPA is in 2021.

### **V.B.3. Audit Management System**

The Audit Management System is a software tool that facilitates the conversion of the audit process from paper to electronic. The tool allows preparation and storage of audit work papers in electronic format instead of in volumes of papers and files. It also facilitates a more effective and efficient process for reviewing work papers and saves enormous space requirements for storage of work papers. Because turnover of staff, the OPA has been struggling to implement TeamMate but continues to plow forward to implement the system.

### **V.C. OPA's Office Space Requirements**

Presently, the OPA leases office space from Orakiruu Professional building in Medalaii, Koror. The OPA occupies a total of 3,207 square feet of space at \$7,000 per month. Understandably, the rent is extremely high; however, the market for office space of similar dimension is very limited or vendors are not interested in leasing office space. If the OPA was to hire more than five (5) additional staff, it would have to look for a bigger office space. The lease of private office space has been and continues to be a costly component of the OPA's budget, cost that otherwise could be used to fund other critical aspects of operations, i.e., personnel; however, the OPA has not been able to enter into discussion with the Republic's leadership regarding the construction of a permanent office or building for the OPA.

## **VI. Non-Audit Services**

### **VI.A. Local Governance Strengthening Project (LGSP)**

The Local Governance Strengthening Project (LGSP) is a UNDP-ROP funded project. The purpose of the LGSP is to provide training and other capacity building programs for State Governments to support good governance. The LGSP is administered by the Ministry of State's Bureau of Domestic Affairs, which the OPA collaborates with to provide training programs geared to strengthen State Governments accounting systems.

The OPA assists in the LGSP in the following ways:

- Participates in conducting Clinics for States' Leadership,

- Provides comprehensive training on Standard Operating Procedures and Rules and Regulations of Financial Accountability and Financial Audit for State Governments,
- Provides training on automated accounting system on Quickbooks software, and
- Serves on Advisory Committee of the LGSP.

#### **VI.B. Assistances to State Governments**

In addition, the OPA provides assistance to State Governments in preparation for annual financial audit as follows:

- Assists State Governments prepare Trial Balances for the financial audit of FY 2016 and 2017,
- Provides advisory services for State Governments in preparing for financial audits, and
- Provides advisory services in the area of procurement, budget, personnel and other related matters.