



OFFICE OF THE PUBLIC AUDITOR
REPUBLIC OF PALAU

2010 ANNUAL REPORT

“Fiscal Accountability and Transparency is a Foundation of Good Governance”

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Introduction

The Office of the Public Auditor (OPA) is established pursuant to Article XII, Section 2 of the Constitution of the Republic of Palau and the Public Auditing Act of 1985. The first Public Auditor, Thomas Bostwick, was appointed on or about November 1985 and resigned before serving his full six-year term. On October 15, 1990, Mr. James Kinchen was appointed as the second Public Auditor and served his full six-year term ending October 14, 1996. Mr. Satrunino Tewid, a Senior Auditor with the OPA then, was designated Acting Public Auditor until November 14, 1999 when Mr. Tewid was appointed Public Auditor. Mr. Tewid served as the Public Auditor until the end of his six-year term on November 17, 2005. On November 18, 2005, Mr. Tewid was appointed Acting Public Auditor by the Chief Justice of the Palau Supreme Court pending the appointment of a Public Auditor.

Mission Statement

The mission of the Office of the Public Auditor (OPA) is to conduct audits to institutionalize economy, efficiency, accountability, and transparency in government operations, programs, activities, and functions.

The OPA endeavors to fulfill this mission by providing management with tools (audit reports) 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. The quality of audits the OPA conducts is guided by Generally Accepted Government Auditing Standards (GAGAS) promulgated by the United States Government Accountability Office. In accordance with the Standards, the OPA undergoes an External Quality Control Review every three years to ensure the OPA is conducting its audits in accordance with GAGAS.

In the conduct of audits, the OPA acts to prevent and detect fraud, waste and abuse in the expenditure of public funds. Any suspected cases of fraud, violations of laws, or other irregularities uncovered during audits are reported to the Office of the Attorney General or the Office of the Special Prosecutor for further investigation and prosecution. The successful prosecution of financial crimes against the Republic creates an environment of deterrence to prevent future incidents.

Reporting to Promote Improvement

Audit Reports issued by OPA in 2010

Fiscal year 2010 (October 1, 2009 - September 30, 2010), was a slow year for OPA, in terms of the number of audits completed. This was due primarily to two factors: 1) The OPA in fiscal year 2010 was not appropriated the level of funding sufficient to replace professional staff it lost in 2008 and 2009 and 2) the OPA had to relocate its office in July 2010. The professional staff that OPA lost and was unable to replace represented 33% of OPA's audit capacity. Despite these conditions, the OPA managed to issue the audit reports summarized below:

Aimeliik State Elechui Water System Project Phase II

At the request of the Speaker of Aimeliik State Legislature, the OPA initiated an audit of the Aimeliik State's Elechui Water System Project Phase II. The project was funded by a Republic of China-Taiwan Economic Stimulus Grant. The objective of the audit was to determine whether (1) competitive bidding requirements were followed in the administration of the project. (2) the parties (Aimeliik State and National Government) complied with the terms and conditions of the Force Account Agreement and Project Allotment Schedule, and (3) the project was executed in an effective and efficient manner towards ensuring its timely completion. The report contained four (4) major findings summarized below:

- 1) **Lack of Competitive Bidding:** We found that the Aimeliik State purchased over \$98,000 on supplies and materials for the project without competitive bidding. In addition, the administering agency, Bureau of Public Works (National Government), failed to advise or instruct the State to put out for bid the materials requirements for the project.
- 2) **Drawdown of Funds:** The Force Account Agreement and the Project Allotment Schedule calls for the financing of the project to be on a "reimbursement" basis_ that is Aimeliik State makes disbursements and submits supporting documents (invoices, receipts, etc.) to National Treasury for reimbursement. The OPA found, however, that financing was executed by a lump sum payment of \$102,600 to the State.
- 3) **Project Schedule:** The Project Allotment Schedule contained a Project Schedule detailing all works that need to be completed: from planning, to bid solicitation, to contracting, construction, inspection, and acceptance of work. The OPA found that the Bureau of Public Works, as the administering agency for the project, failed to adhere to the project schedule. The project, originally scheduled for completion the latter part of February 2009 was pushed back to October 2009.
- 4) **Project Inspection:** The OPA found that inspections conducted by the Bureau of Public Works' CIP Office lacked inspection reports. In addition, we found that inspections conducted on Nekken Water System were charged to the Elechui Water System Project.

Japan's Grant Assistance for Grassroots Human Security Projects

At the request of the Embassy of Japan in the Republic of Palau, the Office of the Public Auditor conducted reviews of several of Grant Assistance for Grassroots Human Security Projects to State Governments and local Public Schools. The funding assistance was provided via a grant contract with each recipient. The OPA was prompted to conduct the reviews on the condition that approval of future grant assistance by the Government of Japan may be jeopardized. The audit involved four (4) grants: (1) Japan Grant for Nutrition Improvement in Ngeremlengui State (\$29,470), (2) Japan Grant for a Multi-purpose Building for Koror Elementary School (\$64,759), (3) Japan Grant for Emergency Boat Equipment Supply for Peleliu State (\$30,730), and (4) Japan Grant for a School Fence for Meyuns Elementary School (\$65,450).

1. Nutrition Improvement Program (Ngeremlengui State, \$29,470)

The objective of the project is to improve health conditions and stabilize the social life in the region through provision of fish products. This is to be accomplished by purchasing fish processing and packaging equipment (i.e. Chopper, Grinding and Packing Machine, Refrigerator, etc.). The summary below shows some major findings in the report;

The OPA found that the State submitted an Interim Report (required by Grant Contract) that did not provide a narrative of the activities and expenditures of the Project. In addition, an on-site visit found that after four (4) years of completion, the project has yet to commence operation. Moreover, we found that some of the grant funds were not used for the intended purpose of the grant.

2. Multi-Purpose Building (Koror Elementary School, \$64,759)

The objective of the project was to construct a multi-purpose building for Koror Elementary School (KES). Some of the highlights of the report are summarized below:

The OPA found that the project was not completed within one year of the grant contract date and the KES unilaterally extended the completion date of the project without consulting and receiving instructions from the donor. In addition, although the KES argues that it had regular consultations with the grants coordinator of the Japanese Embassy with regards to project extension, it did not document such consultations in writing.

Secondly, there was no formal bid announcement for the project defining the scope of work, project specifications, amount of funding for the project, etc. to enable bidders to make informed decisions and prepare responsive bids. In addition, and perhaps tied to the preceding issue, the bidding process was restricted to three (3) local vendors, thereby restricting competition.

Third, although KES and the Design and Engineering Office, Bureau of Public Works, claim that inspections were conducted on the project, they were unable to provide inspection reports to verify the claim

3. Emergency Boat Equipment Supply (Peleliu State, \$30,730)

The objective of the project is to acquire and furnish the State Emergency Boat with the necessary equipment and accessories which will assist the people of Peleliu State during medical emergency operations. The summary below shows some highlights of the report:

First, we found that the project was not completed within one year of the grant contract and it appeared the project was extended without consultation and approval by the Embassy of Japan in the Republic of Palau.

Secondly, the State did not retain supporting documents (invoices, receipts, etc.) to substantiate the purchase of equipment and accessories as required by the terms and conditions of the grant.

Finally, the State contracted with a company that was not a supplier of marine equipment and accessories and therefore had to purchase the items from a dealer and supply them to the State. Hence, the State incurred additional costs of having the dealer mount outboard motor engines on the State boat instead of the contractor. In addition, the contractor was unable to supply a navigational instrument (GPS) for the State boat as required by the contract.

4. School Fence (Meyuns Elementary School, \$65,450)

The Objective of the project is to construct a fence surrounding the perimeter of the school in order to improve security of the school.

The only major finding in the audit was that the school submitted a final report without an audit report required by the grant.

Solid Waste Management of M-Dock Landfill

The audit of Solid Waste Management of M-Dock Landfill was the first cooperative audit on an environmental issue sponsored by the Pacific Association of Supreme Audit Institutions (PASAI). The topic was selected because the issue affected all the PASAI-member countries. Summarized below are some of the highlights of the audit of Solid Waste Management of M-Dock Landfill:

Finding 1.1.1: Solid Waste Management Plan

The Solid Waste Management (SWM) Office of the Bureau of Public Works has been operating the M-Dock Landfill without approval by the Environmental Quality Protection Board (EQPB) of its Solid Waste Management Plan in violation of Section 2401-31-34 of Solid Waste Regulations.

Finding 2.1.1: Performance Bond

The EQPB did not impose a performance bond on the SWM Office and, as such, the Office has never had a performance bond in place to guarantee the proper operation and closure of the M-Dock solid waste facility.

Finding 3.1.1: Discretionary Requirement

The M-Dock Landfill is not properly fenced and gated to provide controlled access to the dumpsite in accordance with SWM regulation Section 2401-31-16.

Finding 4.1.2: Delay in Implementation of Recycling Act

The Recycling Act of 2006 does not have enabling regulations in place to implement the Act, which regulations are pending review and approval by the President of the Republic.

Finding 5.1.3: Initial Redemption Center

The recycling facility established by Koror State Government (KSG) as an initial Redemption Center is unable to proceed to collect or receive recyclable containers as set out in the objectives of the Act without approval of the Recycling regulations by the President of the Republic.

Finding 6.2.1: Insufficient Funding for Operation of M-Dock Landfill

Funds appropriated by Congress in FY 2008 and 2009 for the management and operation of the M-Dock Landfill were inadequate to sustain an environmentally-safe and well maintained facility

Finding 7.2.2: Fee System

The Solid Waste Management Office, which operates and manages the M-Dock Landfill, is under-funded and the Draft National Solid Waste Management Plan (NSWMP), which includes a proposal to charge a tipping fee for dumping rubbish at the landfill, has not been approved by the EQPB.

Finding 8.2.3: Public Awareness

Public awareness on waste management of M-Dock Landfill is not in a suitable approach to educate the public. Because of insufficient funding, the SWM educator cannot develop effective community outreach programs to inform commercial and residential establishments of the challenges in SWM and also develop and coordinate programs that enhances the quality of SWM.

Finding 9.3.1: Environmental Inspections- EQPB

According to the EQPB Assistant Executive Officer, the EQPB conducts two (2) types of inspections at the Landfill; namely visual and testing for pollutants. The official states that the last visual inspection conducted by the EQPB was during the rehabilitation of the Landfill, some four years ago, however, test of contaminants in the seawater is routinely conducted since 2006. In addition, the EQPB did not conduct leachate inspections as called for in the M-Dock Operations Manual.

Finding 10.3.1: Public Health Safety Inspections

Lack of inspections by the Division of Environmental Health (DEH), Ministry of Health, creates a potential risk for vectors and other deceases to spawn inside the landfill, and without timely detection and containment, could pose a health threat to the workers, facility users, and the public.

Finding 11.3.2: Inspections of Waste Hauled to Landfill

Although waste is inspected and recorded at the gate entrance, the actual dumping of waste in the landfill is not visually inspected to ensure proper segregation of waste, detection of illegal waste that may be concealed, and bulky waste that should be dissevered.

Finding 12.3.3: Performance Reporting

The SWM Office of the Bureau of Public Works failed to prepare and submit Performance Reports as required by the Republic of Palau Public Law (RPPL) 6-11, Section 371.

OPA Ongoing Performance Audits

In addition to the above-issued reports, the OPA commenced or will commence the following performance audits in fiscal year 2011:

Code of Ethics
 Ngarchelong State
 Ngardmau State
 Peleliu State
 Ngchesar State
 Angaur State
 Republic of China (Taiwan) Stimulus Grants
 2nd Cooperative Performance Audit on Access to Safe Drinking Water
 Travel
 Fuel Usage

Financial Statement Audits conducted by Independent CPA firms

The OPA, pursuant to the requirements of U.S. Federal financial assistance and the initial Compact of Free Association between the Republic of Palau and the United States of America, procures audit services for the annual conduct of Single Audit of the Republic of Palau National Government. The Single Audit covers the National Government, its Component Units, and agencies. The OPA out-sourced these financial statement audits to Independent Certified Public Accounting Firms but still maintains oversight responsibilities over the conduct of the audits. As of December 31, 2010, the following Single Audits of the National Government and its Components Units and agencies have been completed and issued for Fiscal Year 2009:

Agency	Period	Performed By	Compliant	Final
CIVIL SERVICE PENSION PLAN	9/30/09	DELOITTE & TOUCHE	Yes	6/29/10
NATIONAL DEVELOPMENT BANK OF PALAU	9/30/09	DELOITTE & TOUCHE	Yes	3/11/10
PALAU COMMUNITY ACTION AGENCY	9/30/09	DELOITTE & TOUCHE	Yes	6/8/2010
PALAU COMMUNITY COLLEGE	9/30/09	J. SCOTT MAGLIARI & COMPANY	Yes	4/23/10
PALAU DISTRICT HOUSING AUTHORITY	9/30/09	J. SCOTT MAGLIARI & COMPANY	Yes	1/1/2010
PALAU INTERNATIONAL CORAL REEF CENTER	9/30/09	DELOITTE & TOUCHE	Yes	5/27/10
PALAU NATIONAL COMMUNICATIONS CORPORATION	12/31/09	J. SCOTT MAGLIARI & COMPANY	Yes	3/22/10
PUBLIC UTILITIES CORPORATION	9/30/09	DELOITTE & TOUCHE	Yes	3/26/10
PALAU VISITOR'S AUTHORITY	9/30/09	DELOITTE & TOUCHE	Yes	6/19/10
REPUBLIC OF PALAU	9/30/09	DELOITTE & TOUCHE	Yes	11/30/10
SOCIAL SECURITY ADMINISTRATION	9/30/09	DELOITTE & TOUCHE	Yes	3/3/2010

The Single Audit report of the National Government for fiscal year 2009, which is required to be completed and submitted by June 30, 2010, was issued on November 30, 2010. As a result, the Office of Insular Affairs, DOI, was very concerned of the prolonged delay and withheld funding for the Fiscal Year 2010 Single Audit of the ROP pending submission of the Fiscal Year 2009 Single Audit Report. All financial statement audits of Component Units of the Republic of Palau National Government, which includes Civil Service Pension Plan, National Development Bank of Palau, Palau Community Action Agency, Palau Community College, Palau District Housing Authority, Palau International Coral Reef Center, Palau National Communications Corporation, Public Utilities Corporation, Palau Visitors Authority, and Social Security Administration were completed and finalized before June 30, 2010.

As of December 30, 2010, the Fiscal Year 2010 Single Audits of the National Government, Component Units, and agencies are ongoing and should all be completed, finalized, and issued by June 30, 2011.

External Quality Control Review

In accordance with Generally Accepted Government Auditing Standards (GAGAS), the OPA undergoes an External Quality Control Review (Peer Review) triennially. The first Peer Review was conducted in February 1998, which the OPA received a Qualified Opinion report, but otherwise in compliance with GAGAS. The second Peer Review was conducted in October 2002. The OPA received an opinion report which states that the office was conducting its audits in accordance with GAGAS. July of 2005 saw the third time that Palau OPA was Peer Reviewed. The Peer Review Team concluded in its report that the Palau OPA was conducting its audits in compliance with Government Auditing Standards. The most recent Peer Review was conducted in July 2008 and, again, the OPA received an opinion report stating that it was in compliance with GAGAS. In all of these Peer Reviews, copies of the reports were provided to the President of the Republic, the President of the Senate (Olbiil Era Kelulau, Palau National Congress), and the Speaker of the House of Delegates. Copies of any of these Peer Review reports are available upon request. The next round of Peer Review is scheduled for July 2011. The OPA, on behalf of the Association of the Pacific Islands Public Auditors (APIPA) member offices, submitted a grant request to the Office of Insular Affairs, Department of the Interior (DOI), which, if approved, will fund the cost of the Peer Review.

Funding for the OPA

Local Funding

The operation of the OPA is funded via annual appropriations by the Olbiil Era Kelulau (Palau National Congress). The schedule below shows the level of funding for each fiscal year since fiscal year 2000:

FY2000	\$344,000
FY2001	\$350,000
FY2002	\$320,000
FY2003	\$320,000
FY2004	\$320,000
FY2005	\$315,000
FY2006	\$350,000
FY2007	\$375,000
FY2008	\$373,000
FY2009	\$373,013
FY2010	\$335,700
FY2011	\$340,000

Although in fiscal year 2011 the OPA’s budget increased by \$4,300 over the previous fiscal year, the amount is not sufficient to enable the OPA to fill existing vacancies in Senior and Junior Auditor positions. For example, a Junior Auditor resigned in December 2010 and OPA plans to fill the vacancy; however, if it fills the vacancy, then supplemental funding is needed to fund the position. In addition, the existing funding level (\$340,000) is not sufficient to enable the OPA to hire a Senior Auditor, a position that became vacant in 2008.

The local funding is primarily used for payroll, office space rental, utilities, and other operating expenses. The schedule below shows the breakdown of OPA’s 2010 operating expenses:

1000 Personal Services	\$ 254,000
1200 Purchased-Property Services	25,000
1300 Other Purchased Services	22,000
1400 Supplies	19,000
1500 Property	2,000
1600 Other	5,000
Total	\$ 327,000

Grants and Other Funding Sources

Single Audit Grant (Compact Grant)

In addition to local funding, the OPA also receives technical assistance grants from the U.S. Department of the Interior (USDO) to fund the annual Single Audits of the Republic of Palau National Government and capacity building of the OPA. The schedule below shows the amounts of grants the OPA has received over the years to pay for the cost of the ROP Single Audit since fiscal year 2002.

<u>Fiscal Year</u>	<u>Grant Amount</u>
2002	\$385,000
2003	\$385,000
2004	\$385,000
2005	\$385,000
2006	\$385,000
2007	\$420,000
2008	\$420,000
2009	\$420,000

The Single Audit funding covers the audit of the National Government and its component units and agencies, namely; (1) Public Utilities Corporation, (2) Palau National

Communications Corporation, (3) National Development Bank of Palau, (4) Palau Housing Authority, (5) Palau Community Action Agency, (6) Palau Visitor's Authority, (7) Palau International Coral Reef Center, (8) Civil Service Pension Plan, (9) Social Security Administration, and (10) Palau Community College. The grant is a reimbursable grant and therefore the grantee pays for the cost of the audit and is reimbursed by the grant. It should be noted here that the initial Compact of Free Association expired on September 30, 2009 along with the funding guarantees by the U.S. Government to pay for the annual Single Audit of the Republic of Palau Government. The OPA is unfamiliar with the terms of the Renegotiated Compact and therefore is unaware whether the Single Audit funding guarantees by the U.S. government continues in the New Compact. And although the ROP received assurance from the USDOJ of funding for the Fiscal Year 2010 Single Audit, written communication has not been received to that effect. Furthermore, funding for the 2011 Single Audit and thereafter is uncertain at this time.

Technical Assistance & Capacity Building Grants from USDOJ

In addition, the OPA received capacity-building grants from the U.S. Department of the Interior, which included the following Technical Assistance grants:

1. OPA Auditor and Investigator Training Program, ROP - 3rd Cycle (TA-ROP-OPA-2008-1) \$55,000 Exp. Date 10/31/2010

This grant is to provide funding for the OPA to support training programs for auditors and investigators. The grant provides for both short and extended (OJT) training programs with the Department of the Interior's Office of the Inspector General (OIG). More specifically, this grant pays for the per diem and travel expenses of OPA resident auditors and investigators to receive training from the OIG and to attend training courses in Denver, Colorado; Albuquerque, New Mexico; and Sacramento, California. This grant expired September 30, 2010

2. Fraud Awareness and Prevention Outreach Program (TA-ROP-Fraud Program-2010-3) \$13,000 Exp. Date 04/30/2011

In 2010 the OPA was awarded \$13,000 by the Office of Insular Affairs, DOI, to conduct a fraud awareness outreach program in the Republic of Palau. The purpose of the program is to educate the public about fraud and its effects on government programs and services. This is a joint project by the OPA and the Office of the Special Prosecutor; however, because of the vacancy in the Special Prosecutor position, program implementation has been delayed.

3. IT Equipment, Technical Services, Software and Supplies (TA-ROP-OPA-2010-2) \$23,000 Exp. Date 09/30/2011

In 2010 the OPA was awarded \$23,000 by the Office of Insular Affairs, DOI, for the purchase of technology equipment, technical services, and software for auditors and investigators. The outcome of this project will increase the capacity and self-sufficiency of OPA to conduct its duties and responsibilities. The OPA is presently in the process of preparing bid announcements and related procurement requirements.

Joint Partnership-Program, Capacity Building-Programs, and Training Initiatives with Regional and International Organizations

Anti-Corruption Action Plan

In June of 2004, the Republic of Palau became an endorsing member to the Asian Development Bank (ADB)/Organization for Economic Cooperation and Development (OECD)-sponsored Initiative on Anti-Corruption Action Plan for Asia and the Pacific. In 2009, the OPA sent a representative to a meeting in Manila, Philippines. As an endorsing member, the Palau OPA prepares and submits stocktaking reports identifying the measures (Pillars) taken to combat corruption. The ADB/OECD follows up on these stocktaking reports and, during meetings, representatives of the respective endorsing member countries report progress of implementation of anti-corruption measures. Palau did not participate in the 2010 ADB/OECD Anti-Corruption regional meeting as Palau has not appointed a technical working group to spearhead the initiative. Consequently, the responsibility for monitoring and implementing anti-corruption initiatives and preparing stocktaking reports has not been assigned.

Pacific Regional Audit Initiative (PRAI)

Under the overall coordination of the Pacific Association of Supreme Audit Institutions (PASAI), with support from the Asian Development Bank (ADB), Australian Agency for International Development (AUSAID), New Zealand (NZAID), and International Organisation of Supreme Audit Institutions, the PRAI, via the Pacific Plan, is being established. The PRAI is one of the major components of the Pacific Plan, which was endorsed by the Pacific Islands Forum Leaders. The overarching objective of the PRAI is to raise Pacific public auditing to uniformly high standards. In turn, uniformly high public auditing standards are expected to contribute to good governance through improved transparency, accountability, and efficiency in managing and using public resources. The initiative involves each Public Auditor's or Auditor General's office of the PASAI to undergo diagnostic assessment by a team of consultants to assess the structure, audits, standards used, and overall operation of the office.



13th PASAI Congress, Kiribati, July 2010

Program benefits under the PASAI:

- Cooperative Performance Audits
 1. 1st Cooperative Performance Audit on Solid Waste Management (issued April 17, 2010)
 2. 2nd Cooperative Performance Audit on Access to Safe Drinking Water (ongoing)



2nd Cooperative Performance Audit on Access to Safe Drinking Water, attended by Senior Auditor, Rena Kloulechad in Nadi, Fiji on August 30 to September 4, 2010.

- Capacity Development Working Groups and Trainings
 1. Human Resources Management Manual
 2. Financial Audit Manual
 3. Performance Audit Manual
 4. Reporting Guidelines
 5. Quality Assurance Guidelines
 6. Peer Review Manual
 7. Tier 1 Fundamentals of Government Auditing
 8. Tier 2 Intermediate Government Auditing Skills
 9. Tier 3 Supervisory Roles in Government Auditing
 10. Tier 4 Managing Government Audits
 11. Tier 5 Leadership in Government Accountability

Office of the Inspector General sponsored Meeting and Training

Annual Meetings with APIPA

The Insular Area Act of 1982 requires the OIG of the USDOJ to maintain a satisfactory level of independent audit oversight of the governments of the Insular Areas. The Annual Conference/Meeting assembles the Public Auditors and the Inspector General to

determine how the OIG can best fulfill that responsibility and, at the same time, assist the Public Auditors with their responsibilities. Presently, the OIG, with funding from the USDOJ, and in collaboration with OPA offices, assesses the existing capabilities and limitations of each OPA office and develops training programs to address those limitations and improve the capabilities of the offices. This is accomplished by sharing new audit and investigative tools and techniques and providing On-The-Job Training for OPA auditors and Investigators at the various OIG regional offices in the U.S. In 2008 one (1) Investigator from the OPA and one (1) from the Special Prosecutor's office attended a 45-days training at OIG headquarters office in Washington D.C. The last meeting of the Public Auditors and OIG took place in February 2010. The next meeting was scheduled for February 2011; however, the meeting has been cancelled due to funding uncertainties for the OIG in 2011.



Training on Fraud Prevention Awareness and Single Audit & Recovery Act Oversight Workshop on October 19-22, 2010 in Guam. Travel expenses were covered under USDOJ 3rd Cycle Training Grant (TA-ROP-OPA-2008-1).

Pacific Islands Training Initiative (PITI)

Annual APIPA Conference and Workshop

In accordance with Generally Accepted Government Auditing Standards (GAGAS), auditors who perform government audits must comply with Continuing Professional Education (CPE) requirements. GAGAS require a minimum of 80 hours of CPE every two (2) years, 20 hours of which must be acquired in any one year. The OPA audit staff acquires most of its CPE through the Association of Pacific Islands Public Auditors (APIPA) annual conference, PITI and training grants from the USDOJ. The most recent APIPA Conference was hosted by the Public Auditor of Pohnpei State, Federated States of Micronesia (FSM). The Palau OPA through a grant from the USDOJ was able to send four (4) Auditors and One (1) Investigator to the training. In addition, the



Public Auditor and Staff pictured with Palau delegation to the 2010 APIPA Conference, Pohnpei, FSM, July 2010. DOI training grant funded the trip.

OPA also obtains training via the PASAI and other regional conferences sponsored by regional audit and accounting professional bodies.

Interviewing Techniques for Auditors and Investigators

The PITI sponsored training on Interviewing Techniques for Auditors and Investigators took place on November 8 to 10, 2010 in Koror, Palau. Eighteen (18) Investigators and auditors from OPA, Koror State Government, Division of Revenue and Taxation, Division of Customs, Office of the Special Prosecutor, Financial Institution Commission, and Ministry of Justice attended and received certificates for 3 days of training on video interviewing, planning and conducting effective auditing interviews, effective individual team interviews, and other interviewing techniques.

Photo of participants with Instructor Mark Gebicke and Acting Public Auditor Tewid.



Audit Follow-Up System

In fiscal year 2007, the OPA implemented an audit follow up system. On a semi-annual basis (June 30 and December 31), calendar year basis, the OPA issues follow up letters to agencies with outstanding audit recommendations to determine the status of the recommendations. The agency's responses are evaluated and compiled into a report entitled "Report on Agencies' Implementation of Audit Recommendations" and transmitted to the President of the Republic, the Presiding Officers of the Olbil Era Kelulau and IACAG members apprising them of agencies efforts to implement OPA's audit recommendations. However, due to the departure of one of its Senior Auditor, whose responsibility is to maintain the system, the OPA will have to train another person to takeover the responsibility.

Office Space

On August 1, 2010 the OPA relocated its office from the George Ngirarsaol Commercial Building in Madalaih to the Orakiruu Professional Building, also in Madalaih. The OPA has been leasing office space since the office first opened for operation in 1985. And after nearly twenty-five (25) years of operation, and spending well over \$500,000 for office space rental, the Republic still has no permanent building to house the OPA. If the Republic was to

negotiate a low interest rate debt-financing instrument to construct a permanent building for the OPA, then perhaps the money used for office space rental can be used instead to service the debt requirements.

Other OPA Duties mandated by Public Law(s)

Palau Board of Accountancy, RPPL 3-71

Pursuant to RPPL 3-71 the Public Auditor serves as the Chairman of the Palau Board of Accountancy. The purpose of the Board is to regulate and oversee the practice of accountancy and audits in the Republic of Palau. This is carried out by screening applications and licensing and permitting only those individuals and firms who meet the qualification requirements set forth in RPPL 3-71 to practice accountancy in the Republic of Palau. The Board does not receive any appropriations to fund its operations; thus, the OPA absorbs all administrative costs of the Board. Since 2002, the Board has not had a quorum to conduct its business; however, in 2009 the President of the Republic of Palau appointed three (3) new Board members, who were confirmed by the Senate, enabling the Board with a quorum to conduct its business. As of March 10, 2011, the Board of Accountancy consisted of the following members: Satrunino Tewid (Chairman), Marino Ngemaes (expire 9/29/2012), Kliu Kangichi (expire 9/29/2011), Lindsay Pangelinan (expire 1/26/2014), and Hasinta Idechong (expire 4/7/2011). In 2010, the Board issued permits to four (4) firms and eleven (11) individuals to practice accountancy in the Republic and issued six (6) CPA certifications. Most of these practices involved auditing. A majority of these auditing services occurred in the government sector. The Tables below show firms and individuals licensed and permitted to practice in the Republic and CPA certifications issued in 2010:

Firms and Individuals

Firm	CPA practicing under firm	Address
Deloitte & Touche	Daniel Fitzgerald Michael Johnson	Palau
Ernst & Young	Edmund Brobesong Elvin Chiang Lance Kamigaki John Onedera James Whitt	Guam
J. Scott Magliari & Company	J. Scott Magliari	Palau
Fortenberry & Ballard, PC	Jasper Fortenberry Brent Ballard	Mississippi, USA
Sole Proprietorship	Charles Hester	California, USA

CPA certifications

<u>Name</u>	<u>Firm practicing under</u>
John Onedera	Ernst & Young
Jasper Fortenberry	Fortenberry & Ballard, PC
Brent Ballard	Fortenberry & Ballard, PC
David L. Cotton	Cotton & Company LLP
Sam Hadley	Cotton & Company LLP
Youngmee Oh	Cotton & Company LLP

In 2010, the Board assessed and collected \$1,550 in licenses and permit fees, which were deposited to National Treasury. The Board is considering increasing licensing and permitting fees in FY 2011.

Budget Reform Act of 2001, RPPL 6-11, Section 372. Attestation

The RPPL No. 6-11, The Budget Reform Act of 2001, under Section 372, requires the OPA to perform attestation audits of government agencies' performance reports. The OPA had barely started conducting these attestation audits; however, it had to suspend the effort due to lack of manpower. With a professional staff of only four (4) auditors, the OPA simply could not sustain conducting attestation audits without sacrificing resources necessary for conducting performance audits. Although attestation audits are an integral part of performance-based budgeting, without additional resources, the added responsibility would further burden already overstretched manpower resources. Eventually, when funding becomes available, the OPA plans to hire additional (2) auditors in order to have sufficient manpower to conduct attestation audits. Performing attestation audits is an integral part of the Budget Reform Act as the process serves as a mechanism to verify an agency's performance, performance measures, and methods of data collection. However, at this point in time the OPA does not have sufficient funding (budget) to hire additional auditors.

Code of Ethics Act, RPPL 5-32, Section 11. Duties of the Public Auditor

The Public Auditor is required to audit campaign statements of candidates to the Office of the President and Vice President of the Republic and randomly audit other campaign statements filed under this chapter. The OPA has not conducted mandatory audits of campaign statements as it lacks the manpower to do so.

**ILLEGAL OR WASTEFUL ACTIVITIES
SHOULD BE REPORTED TO:**

OFFICE OF THE PUBLIC AUDITOR
REPUBLIC OF PALAU
P. O. BOX 850
KOROR, REPUBLIC OF PALAU 96940

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MONDAY THRU FRIDAY
7:30 a.m. - 4:30 p.m.
Closed on Legal Holidays