



**OFFICE OF THE PUBLIC AUDITOR**  
**REPUBLIC OF PALAU**

**PERFORMANCE AUDIT REPORT**

ON



**ANGAUR STATE GOVERNMENT**  
**REPUBLIC OF PALAU**

**PERIOD COVERED**

**OCTOBER 1, 2008 THROUGH SEPTEMBER 30, 2010**

**Performed by the Office of the Public Auditor**

ANG09-10-P01



## REPUBLIC of PALAU

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Office of the Public Auditor

June 24, 2011  
Serial#: opa11-104au

Honorable Maria Gates Meltel  
Governor  
Angaur State Government  
Office of the Governor  
Koror, Republic of Palau

**Subject: Final Report on the Performance Audit of Angaur State Government for the period from October 1, 2008 through September 30, 2010.**

Dear Governor Meltel:

This report presents the results of our performance audit of Angaur State Government for the period from October 1, 2008 through September 30, 2010.

The Office of the Public Auditor (OPA) received your response to the draft audit report. The response (without the attachments) is published verbatim in the final report.

The OPA has established an audit recommendation tracking system to keep track of the status of recommendations issued in this report. Accordingly, the OPA will conduct follow up inspections on your responses and corrective action measures to assess their implementation and operation. On a semi-annual basis, June 30 and December 31 each year, the OPA will report the status of the recommendations to the Office of the President and Preciding Officers of the Olbiil Era Kelulau for their information and disposition.

If you have any questions regarding matters of audit findings and recommendations, the OPA will be available to discuss such matters at your request.

Sincerely,

A handwritten signature in black ink, appearing to read 'Satrunino Tewid', is written over a horizontal line.

Satrunino Tewid  
Acting Public Auditor  
Republic of Palau

**ANGAUR STATE GOVERNMENT**  
**Republic of Palau**

**October 1, 2008 through September 30, 2010**

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June 24, 2011

Honorable Maria G. Meltel  
Governor  
Angaur State Government  
Koror, Republic of Palau

Dear Governor Meltel:

This report presents the results of our performance audit of the Angaur State's expenditures, cash receipts, earmarked CIP appropriations, and systems of internal controls. The Office of the Public Auditor performed the audit and prepared a report on its findings and recommendations as they relate to the financial operations of the State for fiscal years 2009 to 2010.

The objective of the audit is to determine whether: (1) expenditures were incurred in accordance with national and state government laws and regulations, including competitive bidding, (2) cash receipts were properly deposited into the state treasury, (3) expenditures and cash receipts were supported by adequate supporting documentation, (4) funds appropriated by the Olbiil Era Kelulau for specific CIPs or programs were expended for purposes for which they were appropriated and earmarked, and (5) the state had established proper internal controls to ensure proper safeguarding of its properties and transactions were properly recorded.

As a result of the review, the Office of the Public Auditor found a number of problems and deficiencies noted below relating to the administration of Angaur State funds, which we believe should be brought to the attention of management for appropriate corrective action. We also propose recommendations, which we believe, if implemented, will correct these problems/deficiencies:

**First**, our audit disclosed that the State did not perform monthly bank reconciliations of its bank accounts.

**Second**, the State did not consistently issue cash receipts to support local revenues, block grants/CIP, and fishing right fees collections from fiscal year 2009 through 2010.

**Third**, we found that disbursements of State funds were processed without prior authorization of "Cash/Check Received" forms used by the State to control disbursements.

**Fourth**, the State has not established a record keeping system to account for its obligations.

**Fifth**, the State has not established a record keeping system to account for its accounts receivables.

**Sixth**, the State has not established a record keeping system to account for its fixed assets.

**Seventh**, the State did not comply with RPPL No. 3-54, Procurement Law and Regulations, in the procurement of goods and services greater or equal to \$5,000.

**Eighth**, the State's expenditures for fiscal year 2009 and 2010 exceeded the authorized and appropriated budget for both years in violation of the State Constitution.

**Ninth**, the State was unable to locate and provide documentation to sustain an audit for years 2007 through 2008.

**Tenth**, for those employees paid by the State, we found the State was not withholding social security, pension plan, and income taxes from employees' pay.

**Eleventh**, we found the State has not established a payroll system for its employees.

**Twelfth**, our testing of expenditures for the period covering fiscal year 2009 through 2010 revealed \$ 20,705.48 of expenditures without adequate supporting documentation.

## **Recommendations**

To correct the above deficiencies, we recommend the Governor of Angaur State implement the following recommendations:

**First**, we recommend the Governor direct the State Treasurer to perform monthly bank reconciliations of the State's bank accounts in order to effectively manage and monitor the State's cash activities.

**Second**, we recommend the State consistently issue cash receipts to support revenue collections and their deposit.

**Third**, we recommend the Governor implements the use of an Accounts Payable Voucher as a disbursement control document to evidence prior approval of disbursements, certification of funds availability, classification of the expenditures, etc.

**Fourth**, we recommend the Governor establish and implement a record keeping system to record and keep track of accounts payable.

**Fifth**, we recommend the Governor establish and implement a record keeping system to record and keep track of its accounts receivables.

**Sixth**, we recommend the Governor establish a record keeping system to record and account for its fixed assets.

**Seventh**, we recommend the Governor complies with the requirements of RPPL No. 3-54; specifically, the requirement that any procurement of goods and or services costing \$5,000 or more be competitively bid.

**Eight**, we recommend the Governor expends state funds within the line item budget appropriated in the State's appropriation law.

**Ninth**, we recommend the Governor keeps proper records of all financial transactions and files, and to ensure the proper safekeeping of the same for audit and other related purposes.

**Tenth**, we recommend the Governor withhold from employees' pay social security, pension plan, and income taxes and remit them together with employers' contribution to the appropriate government agency.

**Eleventh**, we recommend the Governor establish a payroll system for State employees, which payroll system should include, but not limited to, personnel jackets containing personnel action forms, employee promotion and demotion documents, disciplinary actions, allotment deductions, etc.

**Twelfth**, we recommend the Governor establish stricter requirements on disbursement of State funds to ensure that each and all expenditures are supported by adequate supporting documents (i.e. invoices, timesheets, contracts, etc.)

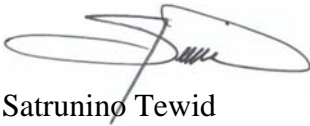
On May 10, 2011, the Office of the Public Auditor received Angaur State Government's response to the Draft Audit Report. The response essentially agrees with all the findings and recommendations in the report. Based on the response, we consider all the recommendation "open" pending corrective actions by the Governor to establish the necessary policies and procedures or other measures to remedy each finding, the person responsible for their implementation, and the time frame for implementation.

The Office of the Public Auditor (OPA) has established an audit recommendation tracking system. All audit recommendations contained herein will be included in the tracking system as open, resolved, or closed. An open recommendation is one where no action or plan of action has been made by the client (state, department or agency). A resolved recommendation is one which OPA is satisfied that the client cannot take immediate action, but has established a reasonable plan and time frame of action. A closed recommendation is one which the client has taken sufficient action to meet the intent of the recommendation or OPA has withdrawn it.

Please provide us the status of recommendation within 30 days along with document showing the specific actions taken. If corrective actions will take longer than 30 days, please provide us additional information every 60 days until we notify you that the recommendation has been closed.

**Finally**, the Office of the Public Auditor would like to thank the staff and management of the Angaur State Government for the professional courtesy and cooperation extended to us during the audit.

Sincerely,

A handwritten signature in black ink, appearing to read 'Satrunino Tewid', with a large, stylized flourish above the name.

Satrunino Tewid  
Acting Public Auditor

## **Background**

Angaur State is one of the sixteen States of the Republic of Palau organized and structured pursuant to Article XI, Section 1, of the Constitution of the Republic of Palau and Angaur State. The Angaur State Constitution was adopted and approved on October 8, 1982. Pursuant to its Constitution, the Angaur State is organized into three branches: namely, the Executive, Legislative, and the Judicial Branch.

Pursuant to Article IX, Section 1 of the Constitution, the executive power of the State of Angaur shall be vested in the chief executive who shall be called the Governor. The Governor shall serve a two (2)-year term. The Governor shall have power to appoint heads of the executive branch subject to advice and consent of Olbiil Era Ngeaur. The Governor shall submit the state annual budget to the Olbiil Era Ngeaur during its July regular session. The Olbiil Era Ngeaur may, by law, prescribe monetary compensation of the Governor.

The Legislative power of the State of Angaur shall be vested in the Legislative branch, which shall be called the “Olbiil Era Ngeaur”. The Olbiil Era Ngeaur shall consist of the four (4) high chiefs of the State of Angaur and five (5) other members who shall be elected at-large. Members of the Olbiil Era Ngeaur shall serve a two (2)-year term. Each Olbiil Era Ngeaur may, by law, prescribe monetary compensation of the members of the succeeding Olbiil Era Ngeaur; provided that no outgoing Olbiil Era Ngeaur shall decrease compensation of the incoming legislators. No sitting Olbiil Era Ngeaur shall increase the compensation of its own elected members.

The Judicial power of Angaur State shall be as prescribed under Article X of the Constitution of the Republic of Palau, provided the State of Angaur shall reserve the right to establish its own judicial system at the time which the state shall determine appropriate.

## **Budget and Finance**

The State’s Constitution requires that the Governor submit to the State Legislature an annual budget for State operations. Article XI, Section 1, of the State’s Constitution states: “There shall be an Angaur State Treasury into which all revenues derived from taxes and other sources except Angaur Trust Funds shall be deposited. No funds shall be withdrawn from the Treasury except by law. In addition, Section 6 states: “No officer or employee of Angaur State Government shall obligate or expend money for any purpose in excess of the amount of funds for which they were appropriated.



## **Objective, Scope and Methodology**

The objective of the audit was to determine whether: (1) expenditures were incurred in accordance with national and state laws and regulations, including competitive bidding, (2) cash receipts were properly deposited into the state treasury, (3) expenditures and cash receipts were supported by adequate supporting documentation, (4) funds appropriated by the Olbiil Era Kelulau for specific CIPs or programs were expended for purposes for which they were appropriated and earmarked, and (5) the state had established proper internal controls to ensure proper safeguarding of its properties and transactions were properly recorded.

The State was not able to provide records for fiscal years 2007 and 2008. Consequently, we were unable to conduct audit procedures and report our findings and conclusions for the above period. The unavailability of records and documents limited the scope of the audit to cover only the period from October 1, 2008 through September 30, 2010.

As this is a performance audit, we did not conduct audit procedures to assess the fairness of the financial statements of the State or any component or account within those financial statements and therefore express no opinion on the financial statements.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To accomplish our audit objective, we reviewed accounting records maintained at the office of Angaur State, including budgetary laws and other relevant laws and regulations. We also reviewed records maintained at the Bureau of National Treasury. In addition, we examined relevant sections of the Republic of Palau's (National Government) Unified Budget Acts and other applicable laws and regulations. Finally, we met and discussed these issues and related matters with State officials as appropriate under the circumstances.

The Public Auditing Act of 1985 empowers the Office of the Public Auditor to specifically act to prevent fraud, waste and abuse in the collection and expenditures of public funds. The Public Auditor may make recommendations on the prevention and/or detection of fraud, waste and abuse of public funds.

## **Prior Audit Coverage**

In June 30, 2009 the Office of the Public Auditor (OPA) issued a performance audit of Angaur State for the period October 1, 2001 through September 30, 2006. No financial statement audit had been conducted for Angaur State Government since 1997.

## **Cash Management**

### **Finding No. 1**

Effective cash management dictates that monthly bank reconciliations be performed to establish a reliable and accurate system to account for and monitor the State's cash activities.

The audit revealed the State did not perform monthly bank reconciliation of its checking account balance with that of the bank.

Management did not give high priority to performing monthly bank reconciliation.

The state cannot effectively manage its bank accounts. Consequently, errors or other irregularities and bank charges may occur without timely detection and adjustments to the State records.

**Recommendation:** We recommend the State perform monthly bank reconciliations of its bank accounts. Doing so will enable the State to identify errors or other irregularities and bank service charges in a timely manner that requires adjustments to State records.

**ASG Response:** *This present administration is performing monthly bank reconciliation since January 2011.*

*With the departure of the former accountant Angaur State Government does not have access to former administration bookkeeping/accounting files to respond to bank reconciliation.*

## **Revenue/ Receipts**

### **Finding No. 2**

Cash receipts are an essential component of the State's recordkeeping system to support revenue collections and reconciliation to deposits. In addition, cash receipts serve as source documents for revenue classifications in the State's financial records.

In our examination of cash receipts we found the State did not issue receipts to support revenues collected in fiscal years 2009 through 2010.

It appears the cause of the above condition is that cash receipts are not uniformly issued to evidence revenue collections.

As a result, \$ 232,476.87 of collections tested from fiscal year 2009 through 2010 lacked cash receipts. In addition, we were unable to assure ourselves as to the total revenue collections, their classification, and deposit.

**Recommendation:** We recommend the Governor direct the State Treasurer to issue cash receipts to evidence all revenue collections. At a minimum, cash receipt should identify the payor; amount received, and date of receipt. In addition, cash receipts should be issued in proper numerical sequence and reconciled to deposits.

***ASG Response:*** *This present administration is consistently issuing cash receipts to support all local revenues*

*This administration is not familiar with issuing receipts for block grants and fishing rights as detailed documentation is handled by the ROP Ministry of Finance.*

*If this should be recommended practice, there should be a formal format to which Angaur State should adhere in order to issue receipts to the ROP Ministry of Finance.*

### **Cash Disbursements/APV**

#### **Finding No. 3**

A sound system of internal control requires use of a disbursement control form to evidence prior approval of disbursements, certification of funds availability, identification of account to be charged, etc.

During the audit, we found that the State was utilizing a disbursement control form titled “Cash/Check Received for Payment”. Although the form contained the essential disbursement control elements (i.e. payee, approval, certification, etc.), it lacked a line item for identifying the account to be charged. In addition, the control element called “certification” does not specify what is being certified.

It appears the State does not understand the importance and purpose of the disbursement control form and, as such, has not acted to modify the form to accomplish its purpose.

As a result, the existing disbursement control form used by the State is inadequate and is not accomplishing the level of control necessary to ensure the integrity of the disbursement process.

**Recommendation:** We recommend the Governor implements the use of an Accounts Payable Voucher as a disbursement control document to evidence prior approval of disbursement, certification of funds availability, identification of account to be charged for the expenditure, etc. The APV is used by a majority of state governments.

***ASG Response:*** *This administration has created a form to use on every disbursement of State fund and strongly adheres to the policy of disbursement.*

*With the departure of the former administration bookkeeping/accounting files to respond to prior spending.*

## **Accounts Payable**

### **Finding No. 4**

A sound system of internal control dictates that accounts payable be recorded in the State's financial records to facilitate monitoring and timely payment of obligations.

The State was unable to provide a detailed schedule of its accounts payable.

The State has not established a system to record and keep track of its accounts payable.

Without a system to keep track of State's obligations, the State is unable to conduct effective cash flow and other critical financial analysis. Furthermore, the State is unable to effectively prioritize payment of its obligations to minimize interest charges on outstanding accounts. Moreover, the absence of accurate records of State obligations impedes the process of formulating a State budget.

**Recommendation:** We recommend the Governor establish an accounts payable system to account for and keep track of state's accounts payable and other obligations. The accounts payable system will enable the State to conduct cash flow and other financial analysis critical for policy-making decisions. Furthermore, the system will also facilitate prioritizing payments of obligations in order to effectively minimize interest charges on outstanding accounts. Finally, with accurate records on accounts payable and other liabilities, the State will be able to formulate annual unified budgets that take into consideration the financial condition of the State.

**ASG Response:** *This present administration has established a record keeping system to account for its obligations.*

*With the departure of the former accountant Angaur State Government does not have access to former administration bookkeeping/accounting files to respond to prior record keeping for its previous obligation.*

## **Accounts Receivable**

### **Finding No. 5**

A sound system of internal control requires that accounts receivable be recorded in the State's financial records to facilitate monitoring and collection.

The State was unable to provide a detailed schedule of its accounts receivable.

The State has not established a record keeping system to record and keep track of its accounts receivable.

As a result, State records understate the value of accounts receivable at fiscal year end. In addition, the absence of records and monitoring of accounts receivable impedes their timely collection.

**Recommendation:** We recommend the State establish and implement a record keeping system to record and keep track of accounts receivable. The accounts receivable system will enable the State to monitor and pursue the collection of monies owed to the State more effectively.

**ASG Response:** *This present administration has established a record keeping system to account for its account receivables.*

*With the departure of the former accountant Angaur State Government does not have access to former administration bookkeeping/accounting files to respond to prior record keeping for its previous account receivables.*

## **Fixed Assets**

### **Finding No. 6**

A fixed asset accounting system is essential to properly account for the acquisition and disposal of fixed assets. Furthermore, policies and procedures are essential to identify State properties, conduct periodic physical inventory to determine their location and condition, and to safeguard fixed assets against unauthorized use or misuse.

The State's fixed asset accounting system was inadequate. Although the State produced a listing of fixed assets, the listing did not provide vital information such as date of acquisition, cost, name of vendor, location of asset, etc. Furthermore, the State does not conduct physical inventory of its properties to determine their condition and location.

The State has not placed high priority on establishing a fixed asset accounting system.

As a result, the State is unable to account for, monitor, and safeguard its fixed assets. Furthermore, the State does not have current information regarding the location and condition of its fixed.

**Recommendation:** We recommend the Governor establish a fixed asset accounting system to record acquisition, disposal, and perform periodic inventory of State's fixed assets. The fixed asset accounting system should include the following:

1. Procedures to record fixed asset acquisition, including acquisition date, description, cost, vendor, location and condition;
2. Procedures for conducting periodic physical inventory, including determining their condition and location, and records of retired fixed assets.

**ASG Response:** *This present administration has conducted an inventory for all the Angaur State Government fixed assets and has recorded them according. With the departure of the former accountant Angaur State Government does not have access to former administration bookkeeping/accounting files to respond to prior record keeping for state's fixed assets.*

## **Procurement**

### **Finding No. 7**

The Republic of Palau Public Law No. 3-54, Procurement Law and Regulations, Section 25, requires that any procurement by the state government of \$5,000 or more shall be competitively bid.

The audit revealed that in fiscal year 2009, the State did not follow competitive bidding procedures when procuring State boat parts and services costing \$5,000 or more. The State procurement officer lacked understanding of the requirements of RPPL No. 3-54 as it applies to State procurement activities, particularly procurements requiring competitive bidding.

As a result, for those procurements noted above, the procurement process used did not comply with the requirements of the RPPL No. 3-54. In addition, due to lack of competitive bidding, we were unable to assure ourselves that the State received the lowest price and best product quality for the money it paid for the goods and services. Moreover, due to lack of competitive bidding, Questioned Costs in amount of \$15,785.40 exist.

**Recommendation:** We recommend the Governor conducts State procurements in accordance with the requirements of the Republic of Palau's Procurement Law and Regulations. Specifically, any procurement of goods or services costing \$5,000 or more should be subject to competitive bidding. Furthermore, the State's procurement officer should consult with the National Government's Procurement Officer for goods and services as to the applicability of RPPL No. 3-54 on the State's procurement activities.

**ASG Response:** *This present administration complies with RPPL No: 3-54 since Jan 2011. With departure of the former accountant Angaur State Government does not have access to former administration bookkeeping/accounting files to respond to prior record keeping for any previous procurements of goods and services over \$5000.00.*

## **Expenditures in Excess of Appropriation**

### **Finding No. 8**

Article XI, Section 1, of Angaur State Constitution states in part: ...No funds shall be withdrawn from the State Treasury except by law. In addition, Article XI, Section 6, further declares: “No officer or employee of the Angaur State Government shall obligate or expend money for any purpose in excess of the amount of funds for which they were appropriated”.

The audit showed that, for certain budget line items in fiscal year 2009 and 2010, State expenditures exceeded the budget in violation of the State Constitution. A majority of the over-expenditures occurred in the Office of Governor, Community Projects and Activities, and Capital Improvement Projects.

It appears the Governor did not monitor expenditures to ensure amounts were contained within appropriation limits.

It appears the Governor expended State funds in violation of Article XI, Section 1 and Article XI, Section 6 of Angaur State Constitution.

**Recommendation:** We recommend the Governor expend State funds in accordance with the State Constitution. To facilitate the process, we recommend the Governor direct the State Treasurer to record and classify expenditures to parallel the breakdown (line item) of the State’s unified budget. In addition, the Governor should direct the State Treasurer to submit periodic status reports of expenditures compared to budget with which the Governor can make informed decisions to reprogram funds or request supplemental funding.

**ASG Response:** *With the departure of the former accountant Angaur State Government does not have access to former administration bookkeeping/accounting files to respond to prior record keeping for over expenditures for fiscal year 2009-2010.*

## **Audit Documents**

### **Finding No. 9**

A sound system of internal control dictates that all records and documents that support the financial activities of the State be maintained and retained to enhance accountability and transparency in the use of public resources. In addition, 40 PNCA, Section 280(a), states: “All agencies shall enter into their public records sufficient information for a proper audit, and shall make the same available to the Public Auditor at his request”.

During the audit, we found the State was unable to provide records and documents to facilitate an audit for the period covering October 1, 2006 through September 30, 2008.

It appears the Governor failed to maintain and retain records and documents during the above period to support the financial activities of the State and to facilitate an audit.

As a result, the State is unable to substantiate its financial activities during the above period. In addition, the inability of the State to produce the records and documents to enable the Office of the Public Auditor to conduct an audit violates 40 PNCA, Section 280(a).

**Recommendation:** We recommend the Governor maintains and retains proper records to support the underlying financial transactions of the State. Such records should be kept and filed in an orderly manner for use by the State and for audit purposes upon request by the Public Auditor.

***ASG Response:*** *With the departure of the former accountant Angaur State Government does not have access to former administration bookkeeping/accounting files to respond to prior record keeping for auditing 2007-2008.*

## **Withholding Taxes**

### **Finding No. 10**

The Angaur State should comply with the Republic of Palau laws pertaining to the withholding of Social Security, Pension Plan, and Income Taxes from State employees' pay and remitting them together with the employer's contributions to the appropriate government agency.

Angaur State failed to withhold Social Security, Pension Plan, and Income Taxes from employees paid directly by the State. In addition, we found no evidence to show that the State paid the employer's contribution for these employees.

We were unable to determine the cause of the above condition.

Due to the above actions or lack thereof, the State may have violated RPPL No. 3-21, Section 1 and 2; PNC Title 40, Section 1102; Title 33, Section 2030; and Title 41, Section 743 and 744.

**Recommendation:** We recommend Governor deduct and withhold from employees' pay taxes for Social Security, Pension Plan, and Income Tax and remitting the withholding taxes together with the employer's contributions to the appropriate government agency.

***ASG Response:*** *This present administration complies with the government required deductions for employees paid by the state [i.e., social security, pension plan and income taxes]*



*With the departure of former accountant Angaur State Government does not have access to former administration bookkeeping/accounting files to respond to the failure to withhold social security, pension plan and income taxes.*

### **Payroll/Personnel Files**

#### **Finding No.11**

The State should establish a payroll system with adequate controls to ensure that employees are paid only for actual hours worked as evidenced by timesheets, at rate of pay authorized by a personnel action form, and that all personnel actions are properly documented and maintained in employee personnel file.

The payroll system for employees paid directly by the State was inadequate. Detailed bi-weekly timesheets showing hours worked were not provided by the State. In addition, the State did not provide personnel action forms showing rate of pay for employees.

The State has not established a payroll system for employees paid directly by the State.

Due to inadequacies in the payroll system, employees are being paid without timesheets showing actual hours worked and personnel action forms evidencing authorized rate of pay.

**Recommendation:** We recommend the State establish a payroll system that ensures employees are paid based on daily attendance reports (timesheets). In addition, each employee should have a personnel jacket which contains, among other things, a personnel action form, employee position, promotions, allotment deductions, etc.

**ASG Response:** *This administration has established a payroll system for its employees utilizing QuickBooks Software. All other Angaur State Government payroll is being handled by the ROP Ministry of Finance.*

*With the departure of the former accountant Angaur State Government does not have access to former administration bookkeeping/accounting files to respond to the system which was utilized for payroll system.*

### **Expenditures/Disbursements**

#### **Finding No. 12**

A sound system of internal control requires that all expenditures be supported by adequate documentation (invoices, contracts, travel documents, competitive bidding, etc.) to justify the propriety of expenditures.

During our audit we found the following disbursements were made without adequate supporting documentation:

Fiscal Year	Date	Check no.	No supporting documents/ others	No bidding/ contract/other supporting doc.	Total Questioned Costs
<b>2009</b>	10/10/08	6649	\$ 1,030.00		\$ 1,030.00
	10/20/08	6665		\$ 6,000.00	6,000.00
	11/11/08	6704		3,000.00	3,000.00
	11/25/08	6733		2,000.00	2,000.00
	12/03/08	6749		1,000.00	1,000.00
	12/06/08	6758	40.00		40.00
	12/23/08	6777		1,700.00	1,700.00
	1/22/09	6834		2,085.40	2,085.40
	2/10/09	6864	60.00		60.00
	4/23/09	6973	132.00		132.00
	7/10/09	7138	1,108.83		1,108.83
	7/16/09	7151	1,579.25		1,579.25
	9/24/09	7259	92.00		92.00
<b>Sub-total</b>			<b>\$ 4,042.08</b>	<b>\$ 15,785.40</b>	<b>\$ 19,827.48</b>
<b>2010</b>	10/08/09	7304	132.00		132.00
	10/23/09	7345	100.00		100.00
	11/13/09	7384	150.00		150.00
	5/20/10	7647	176.00		176.00
	7/01/10	7718	176.00		176.00
	7/24/10	7753	144.00		144.00
<b>Sub-total</b>			<b>\$ 878.00</b>	<b>\$ 15,785.40</b>	<b>\$ 878.00</b>
<b>Total</b>			<b>\$ 4,920.08</b>	<b>\$ 15,785.40</b>	<b>\$ 20,705.48</b>

The State may have not followed proper bidding and record keeping procedures.

As a result, questioned costs of \$20,705.48 exist. In addition, we were unable to determine if the State obtained the lowest price or best quality of goods and services procured.

**Recommendation:** We recommend the Governor ensure all cash disbursements are properly supported. Additionally, the State should ensure that it complies with the competitive bidding requirements when procuring goods or services costing \$5,000 or more. Lastly, we recommend the Governor locate and provide to the Office of the Public Auditor supporting documents for each of the above questioned costs for its review and resolution to avoid possible suspension of the State's block grant for each unresolved questioned costs.

**ASG Response:** *With the departure of former accountant Angaur State Government does not have access to former administration bookkeeping/accounting files to respond to the inadequacy of supporting documents for the expenditure of \$20,705.48*

## ANGAUR STATE GOVERNMENT

### STATUS OF RECOMMENDATIONS

**FOR THE PERIOD OF OCTOBER 1, 2008 THROUGH SEPTEMBER 30, 2010**

No.	Recommendation	Status	Plan of Action to Implement Recommendation
1.	We recommend the State perform monthly bank reconciliations of its bank accounts. Doing so will enable the State to identify errors or other irregularities and bank service charges in a timely manner that requires adjustments to State records.	<b>Open</b>	This present administration is performing monthly bank reconciliation since January 2011. With the departure of the former account Angaur State Government does not have access to former administration bookkeeping/accounting files to respond to bank reconciliation.
2.	We recommend the Governor direct the State Treasurer to issue cash receipts to evidence all revenue collections. At a minimum, cash receipt should identify the payor: amount received, and date of receipt. In addition, cash receipts should be issued in proper numerical sequence and reconciled to deposits.	<b>Open</b>	This present administration is consistently issuing cash receipts to support all local revenues. This administration is not familiar with issuing receipts for block grants and fishing rights as detailed documentation is handled by the ROP Ministry of Finance. If this should be recommended practice, there should be a formal format to which Angaur State should adhere in order to issue receipts to the ROP Ministry of Finance.
3.	We recommend the Governor implements the use of an Account Payable Voucher as a disbursement control document to evidence prior approval of disbursement, certification of funds availability, identification of account to be charged for the expenditures, etc. The APV is used by a majority of state governments	<b>Open</b>	This administration has created a form to use on every disbursement of State fund and strongly adheres to the policy of disbursement. With the departure of the former administration bookkeeping/accounting files to respond to prior spending
4.	We recommend the Governor establish an accounts payable system to account for and keep track of state's accounts payable and other obligations. The accounts payable system will enable the State to conduct cash	<b>Open</b>	This present administration has established a record keeping system to account for its obligations. With the departure of the former accountant Angaur State Government does not have access to former administration bookkeeping/accounting files to respond to prior record keeping for its previous obligation.

	<p>flow and other financial analysis critical for policy-making decisions. Furthermore, the system will also facilitate prioritizing payments of obligations in order to effectively minimize interest charges on outstanding accounts. Finally, with accurate records on accounts payable and other liabilities, the State will be able to formulate annual unified budgets that take into consideration the financial condition of the State.</p>		
5.	<p>We recommend the State establish and implement a record keeping system to record and keep track of accounts receivable. The accounts receivable system will enable the State to monitor and pursue the collection of monies owed to the State more effectively.</p>	<b>Open</b>	<p>This present administration has established a record keeping system to account for its account receivables. With the departure of the former accountant Angaur State Government does not have access to former administration bookkeeping/accounting files to respond to prior record keeping for its previous account receivables.</p>
6.	<p>We recommend the Governor establish a fixed asset accounting system to record acquisition, disposal, and perform periodic inventory of State's fixed assets. The fixed asset accounting system should include the following:</p>	<b>Open</b>	<p>This present administration has conducted an inventory for all the Angaur State Government fixed assets and has recorded them according. With the departure of the former account Angaur State Government does not have access to former administration bookkeeping/accounting files to respond to prior record keeping for state's fixed assets.</p>
	<p>1. Procedures to record fixed asset acquisition, including acquisition date, description, cost, vendor, location and condition;</p>	<b>Open</b>	
	<p>2. Procedures for conducting periodic physical inventory, including determining their condition and location, and records of retired fixed assets.</p>		
7.	<p>We recommend the Governor conducts State procurements in accordance with the requirements of the Republic of Palau's Procurement Law and Regulations. Furthermore, the</p>	<b>Open</b>	<p>This present administration complies with RPPL No. 3-54 since Jan 2011. With departure of the former accountant Angaur State Government does not have access to former administration bookkeeping/accounting files to respond to prior record keeping for any</p>

	State's procurement officer should consult with the National Government's Procurement Officer for goods and services as to the applicability of RPPL No. 3-54 on the State's procurement activities.		previous procurement of goods and services over \$5000.00.
8.	We recommend the Governor expend State funds in accordance with the State Constitution. To facilitate the process, we recommend that Governor direct the State treasurer to record and classify expenditures to parallel the breakdown (line item) of the State's unified budget. In addition, the Governor should direct the State Treasurer to submit periodic status reports of expenditures compared to budget with which the Governor can make informed decisions to reprogram funds or request supplemental funding.	<b>Open</b>	With the departure of the former accountant Angaur State Government does not have access to former administration bookkeeping/accounting files to respond to prior record keeping for over expenditures for fiscal year 2009-2010.
9.	We recommend the Governor maintains and retains proper records to support the underlying financial transactions of the State. Such records should be kept and filed in an orderly manner for use by the State and for audit purposes upon request by the Public Auditor.	<b>Open</b>	With the departure of the former accountant Angaur State Government does not have access to former administration bookkeeping/accounting files to respond to prior record keeping for auditing 2007-2008.
10.	We recommend Governor deduct and withhold from employees' pay taxes for Social Security, Pension Plan, and Income Tax and remitting the withholding taxes together with the employer's contributions to the appropriate government agency.		This present administration complies with the government required deductions for employees paid by the state [i.e., social security, pension plan and income taxes]
11.	We recommend the State establish a payroll system that ensures employees are paid based on daily attendance reports (timesheets). In	<b>Open</b>	This administration has established a payroll system for its employees utilizing QuickBooks Software. All other Angaur State Government payroll is being handled by the ROP Ministry

	addition, each employee should have a personnel jacket which contains, among other things, a personnel action form, employee position, promotions, allotment deductions, etc.		of Finance. With the departure of the former accountant Angaur State Government does not have access to former administration bookkeeping/accounting files to respond to the system which was utilized for payroll system.
12.	We recommend the Governor ensure all cash disbursements are properly supported. Additionally, the State should ensure that it complies with the competitive bidding requirements when procuring goods or services costing \$5,000 or more. Lastly, we recommend that Governor locate and provide to the Office of the Public Auditor supporting documents for each of the above questioned costs for its review and resolution to avoid possible suspension of the State's block grants for each unresolved questioned costs.	<b>Open</b>	With the departure of former accountant Angaur State Government does not have access to former administration bookkeeping/accounting files to respond to the inadequacy of supporting documents for the expenditures of \$20,705.48.

**Status of Recommendations**

**Open – An open recommendation is one where no action or plan of action has been made by the client (state, department or agency).**

**Resolved – A resolved is one which OPA is satisfied that the client cannot take immediate action, but has established a reasonable plan and time frame of action.**

**Closed – A closed recommendation is one which the client has taken sufficient action to meet the intent of the recommendation or OPA has withdrawn it.**

**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**

**Ground Floor  
Orakiruu Professional Building  
Madalaii, Koror, Palau**

**TELEPHONE NOS: (680) 488-2889/5687  
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E-MAIL ADDRESS: [palaupa@palaunet.com](mailto:palaupa@palaunet.com)**

**MONDAY THRU FRIDAY  
7:30 a.m. - 4:30 p.m.**

**(Closed on Legal Holidays)**