



REPUBLIC of PALAU

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Office of the Public Auditor

10-065ad
April 15, 2010

Honorable Johnson Toribiong
President of the Republic of Palau
Office of the President
Ngerulmuud, Republic of Palau

And

Honorable Mlib Tmetuchl
President of the Senate
Eight Olbiil Era Kelulau
Ngerulmud, Republic of Palau

And

Honorable Noah Idechong
Speaker, House of Delegates
Eight Olbiil Era Kelulau
Ngerulmud, Republic of Palau

Gentlemen:

Pursuant to RPPL No. 6-11, The Budget Reform Act of 2001, and amendments thereto, submitted herewith is the Office of the Public Auditor's Performance Report.

I will be available at your convenience should you have any questions regarding the report or issues requiring further clarification.

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

OFFICE OF THE PUBLIC AUDITOR

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2010 PERFORMANCE REPORT

Statement of Functions, Responsibilities, and Objectives

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. Article XII, Section 2 (b) states: “The Public Auditor shall inspect and audit accounts in every branch, department, agency, or statutory authority of the national government and in all other public legal entities or nonprofit organizations receiving public funds from the national government...” In addition, the Public Auditing Act states: “an Office of the Public Auditor, to be headed by the Public Auditor, is established as an independent agency of the Republic to audit the receipt, possession, and disbursement of public funds by agencies of the Republic and to perform such other duties as required in this chapter.”

The Public Auditing Act further requires under 40 PNCA Section 228 that audits are to be conducted in accordance with the standards promulgated by the U.S. Government Accountability Office (GAO). The Standards require, in part, that the office conducting audits undergo an external quality control review every three years and staff conducting audits receive the required Continuing Professional Education to continue their qualifications.

Other OPA Duties mandated by Public Law(s)

Palau Board of Accountancy, 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. In 2009, the Board received three (3) applications, one individual (CPA) and two (2) accounting firms, showing interest in practicing in Palau. The Board met, and with a quorum present, approved the three applications.

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. Although the OPA had started conducting the attestation audits; the effort was suspended due to insufficient manpower. With a professional staff of only four (4) auditors, the OPA simply cannot assign auditors to conduct performance and financial audits and still have available resources to perform attestation audits. 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 OPA has not conducted mandatory audits of campaign statements as it lacks the manpower to do so. This would not be a regular and ongoing activity as the audits will occur only after an election and during the periods that campaign statements are required to be filed.

Performance Measures

The following performance measures dictate the efficiency and effectiveness of ongoing and completed audit activities:

1. **Audit Budget** - This performance measure sets a time budget for an audit and is compared to actual time spent. The OPA continues to experience problems with going over the budget in present and past audits due to a combination of factors including delay in provision of documents by clients, change in audit objectives, delay in obtaining legal opinions, shortage of senior-level staff, among others.
2. **Provision of Documents** - This performance measure concerns with the promptness by which client provides the OPA documents needed for the audit. Although the timing is a decision affected by management, the OPA has legal recourse to influence the process. Thus, this measure affects the timeliness of audits.
3. **Professional Staff** - The number of auditors assigned to a given engagement is a performance measure in that the audit can get done faster with more than one auditor assigned to an audit. This was not a problem prior to 2008 but in 2009 one senior-level staff auditor and a Junior-level staff left the OPA. Presently, the OPA has to do more with less.
4. **Experience of Professional Staff** - The experience of an auditor is a factor in how fast the audit progresses and eventually finishes. It can also influence the quality of work completed and the amount of supervisory review required. Like Item 3 above, this was not a problem prior to 2008 but is a problem today due to the departure of the 2 auditors.
5. **Funding (Budget)** - The budget for the OPA is in itself a performance measure as it influences Items 1-4. The budget can also dictate, especially in complex (e.g. construction) audits, the level of detail and scope of the audit. Funding was not a significant issue prior to fiscal year 2009 but in fiscal year 2010 the OPA's budget was reduced by 10 % preventing the OPA from hiring professional staff to replace the 2 auditors who left in 2009
6. **Complexity of Audit** - The subject matter of the audit can also influence the amount of time (audit budget) needed for the audit. This can also influence the type of expertise assigned to the audit.
7. **Client's Records** - The quality of the client's records can also dictate the efficiency and effectiveness of the audit process. The more comprehensive, detailed, with supporting documents the accounting system is, the easier and faster the audit process proceeds.
8. **Location of Client_ Commuting** to client's office takes a lot of time from conducting the actual work, especially for remote State Governments.

OPA Performance Audits

The following audits were completed in the fiscal year 2009 – 2010:

Agency	Period	Final
MINISTRY OF CULTURAL AND COMMUNITY AFFAIRS: PALAU SEVERLY DISABLED ASSISTANCE FUND	FY2004-2008	04/17/09
ANGAUR STATE GOVERNMENT	FY2001-2006	07/01/09
NGAREMLENGUI STATE GOVERNMENT	FY2002-2007	12/18/09
HATOHOBELI STATE GOVERNMENT	FY1999-2006	05/11/09

AIMELIIK STATE GOVERNMENT: ELECHUI WATER SYSTEM	2008-2009	03/25/10
JAPAN'S GRANT ASSISTANCE FOR GRASSROOTS HUMAN SECURITY PROJECTS: NGAREMLENGUI NUTRITION IMPROVEMENT PROJECT	2005-2006	03/24/10
JAPAN'S GRANT ASSISTANCE FOR GRASSROOTS HUMAN SECURITY PROJECTS: PELELIU STATE EMERGENCY BOAT EQUIPMENT SUPPLY	2005-2006	03/24/10
JAPAN'S GRANT ASSISTANCE FOR GRASSROOTS HUMAN SECURITY PROJECTS: MEYUNS ELEMENTARY SCHOOL FENCE	2005-2006	03/24/10
JAPAN'S GRANT ASSISTANCE FOR GRASSROOTS HUMAN SECURITY PROJECTS: KOROR ELEMENTARY SCHOOL MULTIPURPOSE BUILDING	2006-2007	03/24/10

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

Agency	Period	Status
PELELIU STATE GOVERNMENT	FY2001-2007	on-going
NGARDMAU STATE GOVERNMENT	FY2004-2006	on-going
NGARCHELONG STATE GOVERNMENT	FY2001-2006	on-going
SONSOROL STATE GOVERNMENT	FY2006-2009	on-going
NGI WAL STATE GOVERNMENT		planned
NGATPANG STATE GOVERNMENT	FY2004-2006	on-going
NGCHESAR STATE GOVERNMENT	FY2001-2006	on-going
SOLID WASTE MANAGEMENT		on-going
CODE OF ETHICS		planned
USE OF PETROLEUM, OIL, AND LUBRICANTS		planned
GOVERNMENT TRAVELS		planned

One of the major factors that influences the efficiency and effectiveness of the audit process is the provision of records and documents. Historically, State Governments have been notorious for providing records late or on a piecemeal basis thereby delaying the audit. In addition, the quality of records and documents can also have a bearing in expediting the audit. The OPA needs to work with State Governors to formulate a more effective and efficient system for the provisions of records and documents. In addition, the OPA will design and host training programs for State finance personnel to improve the quality of State Governments recordkeeping.

One of the main reasons for the low number of audits completed in fiscal year 2009 is because of the departure of 2 of OPA's audit staff. One senior staff member resigned towards the end of fiscal year 2008 and the other towards the end of fiscal year 2009. Because at the time of their departure the auditors were assigned to projects already begun, the projects had to be reassigned therefore delaying the timely continuation of the audits. In addition, in July 2009 Palau hosted the first Congress of the Pacific Association of Supreme Audit Institution (PASAI), which took away a lot of staff time away from their regular work

Financial Statement Audits Conducted by Independent CPA firms

The OPA, through Compact of Free Association between the Republic of Palau and the United States of America, receives annual grants from the U.S. Department of the Interior to conduct Single Audits of the National Government and its Component Units and other agencies. The grant is a reimbursable grant and therefore the grantee pays for the cost of the audit and is reimbursed by the grant. 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 2000.

<u>Fiscal Year</u>	<u>Grant Amount</u>
2000	\$385,000
2001	\$385,000
2002	\$385,000
2003	\$385,000
2004	\$385,000
2005	\$385,000
2006	\$385,000
2007	\$385,000
2008	\$420,000
2009	\$420,000

The Single Audit funding covers the audit of the National Government and its component units, namely; (1) Public Utilities Corporation (PUC), (2) Palau National Communications Corporation (PNCC), (3) National Development Bank of Palau (NDBP), (4) Palau Housing Authority (PHA), (5) Palau Community Action Agency (PCAA), (6) Palau Visitor's Authority (PVA), (7) Palau International Coral Reef Center (PICRC), (8) Civil Service Pension Plan (CSPP), (9) Social Security Administration (SS), and (10) Palau Community College (PCC).

The OPA out-sources these financial statement audits to Independent Certified Public Accounting Firms but still maintain its oversight responsibilities over the conduct of the audits. As of December 31, 2009, the following Single Audits of the National Government and its Components Units and agencies have been completed and issued.

Agency	Period	Performed By	Final
CIVIL SERVICE PENSION PLAN	9/30/08	DELOITTE & TOUCHE	05/14/2009
NATIONAL DEVELOPMENT BANK OF PALAU	9/30/08	DELOITTE & TOUCHE	04/14/2009
PALAU COMMUNITY ACTION AGENCY	9/30/08	DELOITTE & TOUCHE	11/06/2009
PALAU COMMUNITY COLLEGE	9/30/08	J. SCOTT MAGLIARI & COMPANY	03/31/2009
PALAU DISTRICT HOUSING AUTHORITY	9/30/08	J. SCOTT MAGLIARI & COMPANY	04/30/2009
PALAU INTERNATIONAL CORAL REEF CENTER	9/30/08	DELOITTE & TOUCHE	11/10/2009
PALAU NATIONAL COMMUNICATIONS CORPORATION	12/31/08	DELOITTE & TOUCHE	05/07/2009
PUBLIC UTILITIES CORPORATION	9/30/08	DELOITTE & TOUCHE	08/03/2009
PALAU VISITOR'S AUTHORITY	9/30/08	DELOITTE & TOUCHE	05/13/2008
REPUBLIC OF PALAU	9/30/08	DELOITTE & TOUCHE	07/01/2009
SOCIAL SECURITY ADMINISTRATION	9/30/08	DELOITTE & TOUCHE	03/11/2009

In addition, the audits listed below for the Fiscal Year 2009 are on-going and should all be completed and published by June 30, 2010.

Agency	Period	Performed By	Status
CIVIL SERVICE PENSION PLAN	9/30/09	DELOITTE & TOUCHE	on-going
NATIONAL DEVELOPMENT BANK OF PALAU	9/30/09	DELOITTE & TOUCHE	on-going
PALAU COMMUNITY ACTION AGENCY	9/30/09	DELOITTE & TOUCHE	on-going
PALAU COMMUNITY COLLEGE	9/30/09	J. SCOTT MAGLIARI & COMPANY	on-going
PALAU DISTRICT HOUSING AUTHORITY	9/30/09	J. SCOTT MAGLIARI & COMPANY	on-going
PALAU INTERNATIONAL CORAL REEF CENTER	9/30/09	DELOITTE & TOUCHE	on-going
PALAU NATIONAL COMMUNICATIONS CORPORATION	12/31/09	J. SCOTT MAGLIARI & COMPANY	on-going
PUBLIC UTILITIES CORPORATION	9/30/09	DELOITTE & TOUCHE	on-going
PALAU VISITOR'S AUTHORITY	9/30/09	DELOITTE & TOUCHE	on-going
REPUBLIC OF PALAU	9/30/09	DELOITTE & TOUCHE	on-going
SOCIAL SECURITY ADMINISTRATION	9/30/09	DELOITTE & TOUCHE	03/03/10

Service Population

In terms of audits, the management and agency being audited receives an audit report which contains findings and recommendations for improvement. The OPA has to work with the entity and performs follow up to ensure that findings are corrected and corrective action implemented. In addition, the President of the Republic, Vice President, President of the Senate, Speaker of House of Delegates, and selected Committees of both Houses also receive copies of audit reports which they use to gauge the performance of agencies and management. Moreover, taxpayers and the general public can access the audit reports which they can use to assess how their tax dollars are being used to provide service to them. For the Single Audit of the National Government, donor countries (namely United States, Japan, and Taiwan) are provided copies of the Single Audit report so that they can monitor how their grant monies are being used. In the future, the OPA, granted the Olbiil Era Kelulau provides the funding, will establish a website where upon audit reports are posted for easy access by the leadership, donor countries, and the general public. The OPA does not expect any significant changes in the general population that it serves.

Proposals for Collecting New Information

The OPA is in the process of refining its audit budget to get a more accurate estimate on the cost of each audit that it conducts. This will enable the OPA to analyze its processes, identify procedures that can be made more effective and efficient in order to reduce cost. In addition, in executing the audit recommendation tracking system, the OPA will device a system to measure the length of time it takes an entity to take corrective action to resolve audit findings and implement recommendations. Moreover, if and when the OPA's website is established, the OPA will monitor the website to keep track of people and entities inquiring information from the website. The OPA also has oversight responsibilities in the conduct of the Single Audit of the Republic of Palau National Government and its Component Units. The OPA plans to hold meetings with the auditors and management of each audited entity to discuss how the audit process can be made more efficient and effective in terms of 1) preparing and issuing a Request for Proposal, 2) selection of contractor, 3) provision of records and schedules for audit, 4) issuance of draft report, 5) preparing responses to draft report, and 6) issuance of final report.

Past and Projected Performance

In the past, the OPA professional staff consisted of an Acting Public Auditor, an Audit Manager, 3 Senior Auditors, 1 Semi-Senior Auditor, and 2 Junior Auditors. At present, the OPA professional staff consists of only 5 auditors, including the Acting Public Auditor. The OPA lost two (2) critical professional staff in the last 2 years - a Senior Auditor with over 20 years of audit experience and a Junior Auditor with 2 years of experience. The senior staff will be a challenge to replace given the limited labor pool in Palau. The loss of

professional staff will definitely impact the number of audits that the OPA can complete. In addition, the loss of a senior-level staff will also impact other activities (e.g. training) that OPA can participate in. In the past, Senior-level auditors reviewed the work of junior-level auditors; however, with the loss of a senior auditor, the Acting Public Auditor will have to get involved in the review process. At present, the OPA is unable to recruit and hire auditors to fill the vacant positions as the OPA's budget was reduced by 10 percent. In addition, because the OPA's budget has been reduced in the past, it has been unable to hire an Audit Manager, a critical position responsible for managing all audit activities of the OPA and providing on-the-job training to subordinate staff. Unless the OPA is given sufficient resources to hire additional auditors, the capacity of the OPA to provide audit coverage to the National Governments and its agencies, state governments, and semi-autonomous agencies will be diminished.

Performance Objectives

The primary service the OPA provides to the government and public is auditing. The level and extent of coverage directly correlates to the amount of resources (budget) appropriated to the OPA. Human resource gives the OPA the measure of the number and extent of auditing service that it provides. Professional staffs from Junior Auditors to Senior Auditors are needed to build the capacity of the OPA. These positions are essential in order to have adequate manpower to deploy to conduct the required field work. The efficiency and effectiveness of their performance depends on the amount of training they receive, on-the-job training and other conventional training programs. In addition, an Audit Manager is a critical position to manage all the audit activities at the OPA, including providing on-the-job training to professional staff. And although the OPA has not experienced employee turnovers over the years, the recent departure of the 2 professional auditors triggered an alarm that professional staff compensation has to be competitive in order to provide incentives for employee retention. The OPA simply cannot effectively carryout its mandate with the existing budget allocation and human resources capacity.

Setting the Direction for OPA

To facilitate setting the direction for the OPA, the OPA will partner with the Pacific Islands Training Institute (PITI) to hire consultants (facilitators) to help formulate a strategic plan for the OPA. The strategic plan will set the direction for the OPA and establish long-term goals for the office. From audits to office management to human resource development, the strategic plan will enable the OPA to prioritize the use of its resources towards achieving its goals. The strategic plan will enable the OPA to fulfill its mandate in a more efficient and effective manner. The OPA plans to initiate discussions on the project in June 2010.

Office Space

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 debt-financing scheme 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.

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

Due to the global economic downturn, that brought a decline in local revenues, the annual unified budget for the Republic of Palau for fiscal year 2010 saw a 10% cut across the board, resulting in a 10% reduction in the OPA's budget. The reduction prevented the OPA from recruiting and hiring a Senior Auditor to fill a vacancy resulting from the resignation of a Senior Auditor who resigned to run for a seat in the Senate during the last General Election. In addition, the budget cut prevented the implementation of periodic salary increments for OPA staff, which, as a result, the OPA lost one of its Junior Auditors, lured by higher pay by another government agency.

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 2009 operating expenses:

1000 Personal Services	\$ 252,000
1200 Purchased-Property Services	23,000
1300 Other Purchased Services	16,000
1400 Supplies	29,000
1600 Other	4,000
Total	\$ 324,000

Grants and Other Funding Sources

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

08 Supplemental Audit Grant (GR870119) \$45,000 Exp. Date 03/31/2010

The objective of this grant is to provide supplemental funding in support of single audit costs; more specifically supplemental funding for FY2006 Single Audit, pay outstanding billings of FY2003 and 2004 audits; and to purchase duplicating machine for OPA. DOI approved OPA's requests to use remaining balance of the grant to establish its website, which will be used primarily to publish audit reports.

OPA Auditor and Investigator Training Program, ROP - 3rd Cycle (TA-ROP-OPA-2008-1) \$55,000 Exp. Date 03/31/2010

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.

External Quality Control Review

In accordance with Generally Accepted Government Auditing Standards (GAGAS), the OPA undergoes an External Quality Control Review (Peer Review) every three (3) years. 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 GAGAS. In July 2008, fourth round of review, the OPA again received “In Complaint” status.



Peer Review Team with Acting Public Auditor, July 2008

During the fourth review, the APIPA Principals allowed participation of staff auditors from respective Public Auditor Offices as observers. This exposure enhances staff auditors’ knowledge in GAGAS and moreover, prepares them to participate in future reviews, should the need arise.



Acting Public Auditor, Staff Auditor and Kosrae State Auditor conducting the Republic of Marshall Islands OPA Peer Review, May 2009

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.

Joint Program Initiatives with Regional Organizations

Anti-Corruption Action Plan

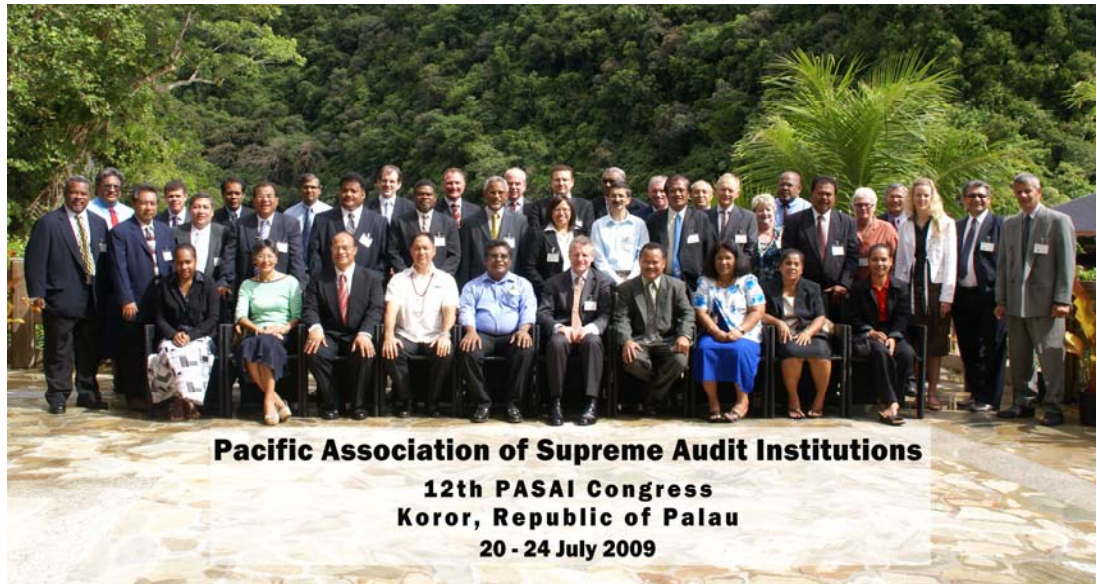
In June of 2004, the Republic of Palau became an endorsing member to the Asian Development Bank (ADB)/Organization for Economic Cooperation and Development (OECD)-sponsored Initiative on Anti-Corruption Action Plan for Asia and the Pacific. In 2009, the OPA sent a representative to a meeting in Manila, 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.



Acting Public Auditor attended on behalf of the Republic the 14th Steering Group Meeting in Manila on September 9 – 10, 2009

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) and Australian Agency for International Development (AUSAID), the Pacific Regional Audit Initiative (PRAI) 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. The Office of the Public Auditor of the Republic of Palau hosted the first PASAI Congress, which took place on July 20-24, 2009.



In this Congress, the PASAI agreed to initiate the first Cooperative Performance Audit on the topic of Solid Waste Management. Under this project, each member office would assign two (2) Auditors to undertake an audit of Solid Waste Management in their respective country with a plan by the PASAI to issue a comprehensive audit report on solid waste management embracing the reports from each Public Auditor's or Auditor General's Office.



Staff auditors, Romana Blailles and Caryn Koshiba, participated in SWM Phase I on October 19 – 26, 2009, in Fiji.



(L – R): Dr Pohiva TUIONETOA (Tonga), Bruce ROBERTSON (New Zealand), Raimon TAAKE (Kiribati), James SWEETING (AusAID), George SULLIMANN (PNG), Hayden EVERETT (ADB), Lyn PROVOST (New Zealand), Robert BUCHANAN (ADB – Legal Consultant), Satrunino TEWID (Palau), Eroni VATULOKA (Executive Director /Ex Officio PASAI), Paul ALLSWORTH (Cook Islands), Haser HAINRICK (FSM)

Acting Public Auditor, current Chairperson of PASAI Congress, attend the 1st PASAI Governing Board Meeting in Port Moresby, Papua New Guinea on November 9 – 10, 2009.

OIG and APIPA Annual Meetings and Training Initiatives

The Insular Area Act of 1982 requires the Office of the Inspector General (OIG) of the U.S. Department of the Interior 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 DOI, 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.

OPA Initiatives

Training

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, USDA Graduate School - Pacific Islands Training Institute (PITI), and training grants from the U.S. Department of the Interior. The most recent

APIPA Conference was hosted by the Public Auditor of the U.S. Territory of Guam in July 2009. With financial support of U.S. DOI through training grant, the OPA was able to send six (6) of its staff auditors to the conference. In addition, the OPA also obtains training through the PASAI and other regional conferences sponsored by regional audit and accounting professional bodies.



Picture above is the Palau delegation to the 2009 APIPA Annual Conference in Guam (OPA travel expenses were covered by Training Grant 3rd Cycle)

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 Olbiil Era Kelulau and IACAG members apprising them of agencies efforts to implement OPA's audit recommendations. However, due to continuing efforts to refine and implement the process, the OPA was unable to issue reports for the period ended December 31, 2007 and June 30, 2008. The OPA plans to issue a report for the period ended December 31, 2009 before year-end.

Personnel Positions

At present, the OPA's personnel is comprised of an Acting Public Auditor, 2 Senior Auditors, 1 Semi-Senior Auditor, 1 Junior Auditor, 1 Investigator, and 2 Administrative support staff. In August of 2008, a very senior staff auditor (over 20 years of service) resigned to run for the Senate in the last General Election. Most recently, November 2009, a Junior Auditor, lured by higher pay, resigned to take an accounting position with the Palau International Coral Reef Center. Due to budget constraints, the OPA has been unable to fill these two (2) positions, including the key positions – Assistant Public Auditor, Legal Counsel, and Audit Manager; thus, its capacity to conduct audits has been greatly diminished. Similarly, the OPA has not been able to raise salaries of professional staff to maintain competitiveness of salary levels with other government agencies.

Public Auditor - VACANT

Pay Level:

Base Salary: Discretion of the President to set salary and wages of the Public Auditor

Status: Appointment

Duties and Responsibilities: Manages the administrative functions of the OPA; Manages and reviews audits performed by staff auditors; Prepares and drafts all audit reports; Assigns and supervises the work of the Investigator; Carry-out duties of national, regional and international memberships; Prepares and testifies the OPA's Budget

- ❖ Efforts are ongoing to recruit and hire the Public Auditor. Advertisements have been published announcing the vacancy and Office of the President is awaiting responses from interested applicants.

Acting Public Auditor

Pay Level:

Base Salary: \$50,000

Status: Appointed by Chief Justice to carry-out duties of the Public Auditor until the position is filled

Audit Manager - VACANT

Pay Level: 17-7

Base Salary: \$37,040

Status: Exempt

Duties and Responsibilities: Plans and schedules all audit activities; Supervises and reviews the work of staff auditors; Prepares and drafts audit reports; Functions include obtaining, reviewing, recording, cataloging and if appropriate, distributing literature that applies to audit techniques and procedures; Provides on-the-job training for staff auditors; Prepares audit planning and audit programs with staff auditors; Advise the Public Auditor of the progress of audits; Ensure that government auditing standards are followed in audit work; Perform other related duties assigned by the Public Auditor

- ❖ Due to budget constraints, the OPA is unable to fill this key position.

Senior Auditor (2)

Pay Level: 15-10 and 14-11

Base Salary: \$30,211 and \$26,883

Status: Exempt

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

Semi-Senior Auditor

Pay Level: 13-11

Base Salary: \$23,582

Status: Exempt

Duties and Responsibilities: Conduct interviews; perform on-site reviews; and collect, verify, and analyze information; Ensure that General Accepted Governmental Auditing standards are followed in

audit work; Plan audit work to ensure that audit results satisfy audit objectives; Prepare audit reports, as required; Follow-up on prior audits to ensure implementation of corrective action; Review the work of Junior Auditors; Perform other duties as assigned.

Junior Auditor

Pay Level: 12-1

Base Salary: \$14,440

Status: Exempt

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

Investigator

Pay Level: 12-7

Base Salary: \$17,579

Status: Exempt

Duties and Responsibilities: To investigate all cases relating to fraud, waste, abuse and theft in the collection and expenditure of public funds; To investigate transactions relating to the procurement of goods and services by the Republic of Palau and any of its instrumentalities; To investigate the use of Government property; To investigate complaints and matters relating to the compliance with the Procurement regulations; Develop facts and evidence to support criminal and civil actions; Locate and interview witnesses; serve subpoenas and other legal documents; and evidence summaries and trial exhibits; Provide investigation services for other law enforcement agencies; Perform other related duties assigned by the Public Auditor.

Currently, the OPA's Investigator is assigned to the Office of the Special Prosecutor for extended on-the-job training. Eventually, the OPA plans to arrange with OSP to permanently transfer the Investigator to the OSP. The OPA takes the position that with the OSP responsible for conducting investigations; it serves no tactical purpose for the OPA duplicate the effort and waste money in the process.

Administrative Officer/Computer Operator

Pay Level: 13-11

Base Salary: \$23,582

Status: Exempt

Duties and Responsibilities: Provides advice and counsel to the Public Auditor with respect to the administrative procedures within the office; Reviews legislative material, audit literature, program laws and regulations for briefing and report formatting and processing purposes; Maintains the Office Technical library; Develops administrative control system to provide adequate maintenance, accountability, and control over the office's equipment and supplies; Develops office administrative policies and procedures for uniform application; Develops and implements the office performance appraisal system; Develops all administrative forms and database programs essential to office operations; Develops and implements training and orientation materials for staff members; Maintains and controls all administrative files and all correspondences for review and/or signature by the Public Auditor; Maintains all correspondences, information files, and all confidential information for security purposes of the office; Maintains office computer system and provides computer training to the staff; Perform other duties as assigned.

Administrative Assistant

Pay Level: 12-7

Base Salary: \$17,579

Status: Exempt

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