

**REPUBLIC OF PALAU**

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

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**YEAR ENDED SEPTEMBER 30, 2018**

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Republic of Palau (the Republic) as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Republic's basic financial statements, and have issued our report thereon dated June 30, 2019. Our report includes a reference to other auditors and emphasis-of-matters paragraphs regarding implementation of new accounting standards and an uncertainty. Other auditors audited the financial statements of Palau International Coral Reef Center, Palau Community College, Palau National Communications Corporation, Belau Submarine Cable Corporation, and Palau District Housing Authority, as described in our report on the Republic's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those other auditors.

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

### **Internal Control Over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2018-001, 2018-003, 2018-004, and 2018-006 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2018-005 to be a significant deficiency.

## **Compliance and Other Matters**

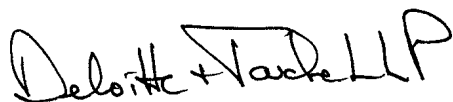
As part of obtaining reasonable assurance about whether the Republic's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001.

## **The Republic's Response to Findings**

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

## **Purpose of this Report**

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



June 30, 2019

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

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

### **Report on Compliance for Each Major Federal Program**

We have audited the Republic of Palau's (the Republic's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Republic's major federal programs for the year ended September 30, 2018. The Republic's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

As discussed in Note 3B to the Schedule of Expenditures of Federal Awards, the Republic's basic financial statements include the operations of certain entities whose federal awards are not included in the accompanying Schedule of Expenditures of Federal Awards for the year ended September 30, 2018. Our audit, described below, did not include the operations of the entities identified in Note 3B as these entities conducted separate audits in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), if required.

### **Management's Responsibility**

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

### **Auditors' Responsibility**

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

We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the Republic's compliance.

***Basis for Qualified Opinion on CFDA 93.898***

As described in items 2018-003 in the accompanying Schedule of Findings and Questioned Costs, the Republic did not comply with requirements regarding the following:

<b><i>Finding #</i></b>	<b><i>CFDA #</i></b>	<b><i>Program (or Cluster) Name</i></b>	<b><i>Compliance Requirement</i></b>
2018-003	93.898	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	Matching, Level of Effort, Earmarking

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

***Qualified Opinion on CFDA 93.898***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Republic complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 93.898 Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations for the year ended September 30, 2018.

***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the Republic complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors’ results section of the accompanying Schedule of Findings and Questioned Costs for the year ended September 30, 2018.

***Other Matters***

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2018-001 and 2018-002. Our opinion on each major federal program is not modified with respect to these matters.

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

***Report on Internal Control Over Compliance***

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

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2018-003 to be material weaknesses.

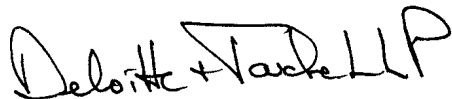
*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2018-001 and 2018-002 to be significant deficiencies.

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

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

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

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Republic as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Republic's basic financial statements. We issued our report thereon dated June 30, 2019, which contained unmodified opinions on those financial statements, and which report included a reference to other auditors and emphasis-of-matters paragraphs regarding implementation of new accounting standards and an uncertainty. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



June 30, 2019

**REPUBLIC OF PALAU**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<b>U.S. Department of Agriculture:</b>				
Direct Programs:				
Grants for Agricultural Research, Special Research Grants	10.200			<u>1,742</u>
Community Facilities Loans and Grants Cluster:				
Community Facilities Loans and Grants	10.766			<u>25,312</u>
Subtotal Community Facilities Loans and Grants Cluster				<u>25,312</u>
<b>Total U.S. Department of Agriculture</b>				<u>27,054</u>
<b>U.S. Department of Commerce:</b>				
Direct Program:				
Special Oceanic and Atmospheric Projects	11.460			<u>542,272</u>
<b>Total U.S. Department of Commerce</b>				<u>542,272</u>
<b>U. S. Department of Labor:</b>				
Direct Programs:				
WIOA Cluster:				
WIA/WIOA Adult Program	17.258			82,786
WIA/WIOA Youth Activities	17.259			81,821
WIA/WIOA Dislocated Worker Formula Grants	17.278			<u>113,985</u>
Subtotal WIOA Cluster				<u>278,592</u>
<b>Total U.S. Department of Labor</b>				<u>278,592</u>
<b>U.S. Department of Education:</b>				
Direct Programs:				
Adult Education - Basic Grants to States	84.002			<u>14,874</u>
Special Education Cluster (IDEA):				
Special Education Grants to States	84.027			<u>987,839</u>
Subtotal Special Education Cluster (IDEA)				<u>987,839</u>
Career and Technical Education-Basic Grants to States	84.048			<u>171,153</u>
Territories and Freely Associated States Education Grant Program	84.256A			<u>132,699</u>
Education Grant Program for the Freely Associated States	84.256B			<u>745,797</u>
<b>Total U.S. Department of Education</b>				<u>2,052,362</u>



**REPUBLIC OF PALAU**

Schedule of Expenditures of Federal Awards, Continued  
Year Ended September 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<b>U.S. Department of Health and Human Services:</b>				
Direct Programs:				
Public Health Emergency Preparedness	93.069			297,569
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092			283,272
Material and Child Health Federal Consolidated Programs	93.110AR			66,680
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116			347,471
Emergency Medical Services for Children	93.127			70,791
Health Center Program Cluster:				
Health Center Program	93.224			<u>1,031,372</u>
Subtotal Health Center Program Cluster				<u>1,031,372</u>
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243			1,126,983
Universal Newborn Hearing Screening	93.251			223,948
Immunization Cooperative Agreements	93.268			235,645
Epidemiology and Laboratory Capacity for Infectious Disease (ELC)	93.323			453,383
Medicaid Cluster				
Medical Assistance Program	93.778			141,690
Subtotal Medicaid Cluster				<u>141,690</u>
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	93.817			46,217
National Bioterrorism Hospital Preparedness Program	93.889			275,385
Cancer Prevention and Control Programs for State, Territorial, and Tribal Organiza	93.898		\$ 48,034	909,122
HIV Care Formula Grants	93.917			24,068
Assistance Programs for Chronic Disease Prevention and Control	93.945			222,619
Block Grants for Community Mental Health Services	93.958			47,097
Block Grants for Prevention and Treatment of Substance Abuse	93.959			81,737
Preventive Health and Health Services Block Grant	93.991			25,621
Maternal and Child Health Services Block Grant to the States	93.994			<u>198,519</u>
Subtotal Direct Programs				<u>6,109,189</u>
Pass Through From University of Hawaii:		99-6000354		
PPHF: Racial and Ethnic Approaches to Community Health Program financed solely by Public Prevention and Health Funds	93.738			6,192
Center for Disease Control and Prevention Investigations and Technical Assistance (Palau Cancer Registry)	93.283			10,493
Pass through From Association of State and Territorial Health Officials		35-1044487		
Building Capacity of the Public Health System to Improve Population Health through National, Nonprofit Organizations- financed in part by Prevention and Public Health Funds (PPHF)	93.524			<u>37,573</u>
Subtotal Pass-Through Programs				<u>54,258</u>
<b>Total U.S. Department of Health and Human Services</b>				<u>6,163,447</u>
<b>Total Federal Grants (Fund 350100)</b>				<u>9,063,727</u>
<b>U.S. Department of the Interior:</b>				
Direct Program:				
Economic, Social, and Political Development of the Territories	15.875			<u>827,969</u>
<b>Total U.S. Department of the Interior</b>				<u>827,969</u>
<b>Total U.S. Federal Grants Fund (Fund 350200)</b>				<u>827,969</u>
<b>U.S. Department of Transportation:</b>				
Direct Program:				
Airport Improvement Program	20.106			<u>386,498</u>
<b>Total U.S. Department of Transportation</b>				<u>386,498</u>
<b>Total Federal Grants Fund (Fund 420100)</b>				<u>386,498</u>

**REPUBLIC OF PALAU**

Schedule of Expenditures of Federal Awards, Continued  
Year Ended September 30, 2018

Economic, Social and Political Development of the Territories <u>Compact of Free Association CFDA #15.875</u>	<u>Authorizations</u>	<u>Passed Through to Subrecipients</u>	<u>Expenditures and Transfers</u>
<u>211(a) &amp; 215 Compact Current Account</u>			
Compact Section 211(a)	\$ 19,426,909	\$ -	\$ 19,426,909
Compact Section 215	<u>5,147,000</u>	<u>-</u>	<u>5,147,000</u>
Total 211(a) & 215 Current Account	<u>\$ 24,573,909</u>	<u>\$ -</u>	<u>\$ 24,573,909</u>
<u>211(f) Trust Fund</u>			
Executive Branch	\$ 5,000,000	\$ -	\$ 5,000,000
Total 211(f) Trust Fund	<u>\$ 5,000,000</u>	<u>\$ -</u>	<u>\$ 5,000,000</u>
<u>221(b)(1) &amp; (2) Special Block Grant &amp; Education Special Grant</u>			
Ministry of Education	\$ 2,000,000	\$ -	\$ 2,000,000
Total 221(b) Special Block Grant	<u>\$ 2,000,000</u>	<u>\$ -</u>	<u>\$ 2,000,000</u>
Total Compact of Free Association CFDA #15.875			\$ 31,573,909
Less Compact Section 211(a) Current Account			(19,426,909)
Less Compact Section 215 Current Account			(5,147,000)
Less Compact Section 211(f) Trust Fund Investment Earnings			<u>(5,000,000)</u>
Total Compact of Free Association CFDA #15.875 expenditures subject to detailed compliance testing			<u>\$ 2,000,000</u>
Total Expenditures of Federal Awards		<u>\$ -</u>	<u>\$ 12,278,194</u>

The above awards are received in a direct capacity.

Reconciliation to financial statements:

Total Expenditures of Federal Awards	\$ 12,278,194
CFDA 15.875 COFA Section 221(b)	(2,000,000)
Non-Federal Grants	<u>9,567,781</u>
Total Special Revenue Grants expenditures	<u>\$ 19,845,975</u>

See accompanying notes to schedule of expenditures of federal awards.

## REPUBLIC OF PALAU

### Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2018

#### 1. Scope of Audit

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

#### 2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Republic under programs of the federal government for the year ended September 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the Republic, it is not intended to and does not present the financial positions or changes in financial positions of the Republic.

#### 3. Summary of Significant Accounting Policies

##### A. Basis of Accounting

All expenditures and capital outlays that represent the federal share are reported as expenditures. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, consistent with the manner in which the Republic maintains its accounting records. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

##### B. Reporting Entity

For purposes of complying with the Single Audit Act of 1984, as amended in 1996, the Republic's reporting entity is defined in Note 1A to its September 30, 2018 basic financial statements; except that the Republic of Palau Social Security Retirement Fund, the Republic of Palau Civil Service Pension Trust Fund, and all of the discretely presented component units are excluded. Accordingly, the accompanying Schedule presents the federal award programs administered by the Republic, as defined above, for the year ended September 30, 2018.

The following component units incurred federal expenditures during the year ended September 30, 2018:

Palau Community College	\$ 3,375,889
Palau Public Utilities Corporation	\$ 45,000

##### C. Matching Costs

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

**REPUBLIC OF PALAU**

Notes to Schedule of Expenditures of Federal Awards, Continued  
Year Ended September 30, 2018

3. Summary of Significant Accounting Policies, Continued

D. Indirect Cost Allocation

The Republic did not elect to use the de minimis indirect cost rate allowed under the Uniform Guidance. The Republic has entered into an approved indirect cost negotiation agreement covering fiscal year 2018. The approved rate was 3.61%. Federal programs were charged for indirect costs at the approved rate, unless awards specified a lower allowable rate.

E. CFDA #15.875

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

**REPUBLIC OF PALAU**

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2018

**Section I - Summary of Auditors' Results**

*Financial Statements*

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

*Federal Awards*

Internal control over major federal programs:

- |   |            |
|---|------------|
| 5. Material weakness(es) identified?  | Yes        |
| 6. Significant deficiency(ies) identified?  | Yes        |
| 7. Type of auditors' report issued on compliance for major federal programs:                          |            |
| CFDA 93.898   | Qualified  |
| All other major federal programs  | Unmodified |
| 8. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | Yes        |
| 9. Identification of major federal programs:  |            |

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
---------------------	---

- |        |  |
|--------|--|
| 84.027 | Special Education Cluster (IDEA)   |
| 93.224 | Health Center Program Cluster  |
| 93.243 | Substance Abuse and Mental Health Services - Projects of Regional and National Significance                        |
| 93.898 | Cancer Prevention and Control Programs for State, Territorial, and Tribal Organizations                            |
| 93.994 | Maternal and Child Health Services Block Grant to the States   |
| 15.875 | Economic, Social, and Political Development of the Territories   |
| 15.875 | Economic, Social, and Political Development of the Territories - Compact of Free Association Compact Sector Grants |

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

**REPUBLIC OF PALAU**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2018

**Section II – Financial Statement Findings**

<u>Finding Number</u>	<u>Findings</u>
2018-001	Equipment and Real Property Management
2018-003	Matching
2018-004	Financial Statements
2018-005	Local Noncompliance – Procurement Regulations
2018-006	Net Pension Liability

**Section III - Federal Award Findings and Questioned Costs**

<u>Finding Number</u>	<u>CFDA #</u>	<u>Findings</u>	<u>Questioned Costs</u>
2018-001	15.875	Equipment and Real Property Management	\$ -
2018-002	93.224	Special Tests and Provisions - Sliding Fee Discounts	-
2018-001	93.243	Equipment and Real Property Management	-
2018-001	93.898	Equipment and Real Property Management	-
2018-003	93.898	Matching, Level of Effort, Earmarking	<u>174,130</u>
			<u>\$174,130</u>

**REPUBLIC OF PALAU**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2018

Finding No.: 2018-001  
CFDA Program: DOI 15.875 Economic, Social and Political Development of the Territories  
Federal Award No.: D17AP00099  
CFDA Program: HHS 93.243 Substance Abuse and Mental Health Services\_Projects of Regional and National Significance  
Federal Award No.: 5U79SP020164-04, 5U79SP020164-05  
CFDA Program: HHS 93.898 Cancer Prevention and Control Programs for State, Territorial, and Tribal Organizations  
Federal Award No.: NU58DP006289-01-00, NU58DP006289-02-00  
Area: Equipment and Real Property Management  
Questioned Costs: \$-0-

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

- Accountable officers will be responsible for ensuring the proper and effective maintenance, control and safeguarding of government property assigned to or utilized by their respective entities (section 202.3).
- Accountable officers will maintain complete property management records, and the physical inventory must take place annually (section 203.7).
- After completing the physical count and reconciliation, the Accountable Officer will certify in writing to the Chief of Division of Property and Supply (P&S) that the physical inventory has been completed and subsidiary property records reflect actual quantities on hand (section 203.8).

Conditions:

**CFDA #15.875**

One (or 14%) of seven expenditures tested represented capitalizable equipment which was not on the program's capital asset listing as of September 30, 2018. The asset was subsequently added to the listing as a result of the audit process, as follows:

<u>Description</u>	<u>Date received</u>	<u>Tag Number</u>	<u>Amount</u>
Scanner	02/16/2018	RP-4692	\$28,980

**CFDA #93.243**

1. A reconciliation between the Program and P&S does not appear to have been performed, as there is a variance of \$27,293.
2. A control deficiency exists with respect to inventory. Procurement & Supply revised the equipment listing after we informed them that the cost of certain equipment should be \$40,431 versus \$36,661, a difference of \$3,770 (Asset Tag# RP-4609). After further research, P&S agreed and subsequently updated the cost.
3. Support was not provided to verify that the program's equipment, including Information Technology items, are maintained and safeguarded.

**REPUBLIC OF PALAU**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2018

Finding No.: 2018-001, Continued  
CFDA Program: DOI 15.875 Economic, Social and Political Development of the Territories  
Federal Award No.: D17AP00099  
CFDA Program: HHS 93.243 Substance Abuse and Mental Health Services\_Projects of Regional and National Significance  
Federal Award No.: 5U79SP020164-04, 5U79SP020164-05  
CFDA Program: HHS 93.898 Cancer Prevention and Control Programs for State, Territorial, and Tribal Organizations  
Federal Award No.: NU58DP006289-01-00, NU58DP006289-02-00  
Area: Equipment and Real Property Management  
Questioned Costs: \$-0-

Conditions, Continued:

**CFDA #93.898**

1. Of six program capital assets tested, aggregating \$205,759 of \$239,004 in total capital assets as of September 30, 2018, we noted the following deficiencies:

a. One (or 17%) was indicated to be in good condition and located in the Administration section; however, the asset could not be located. In addition, the program inventory custodian represented that the asset was inoperable. Details follow:

<u>Description</u>	<u>Acquisition Date</u>	<u>Tag No.</u>	<u>Org No.</u>	<u>Acquisition Cost</u>	<u>Location</u>	<u>Condition</u>
Copier	08/02/2004	RP-3473	3683	\$9,995	Administration	Good

b. One (or 17%) was inoperable and has been at a repair shop for approximately 17 months. The program inventory custodian represented that the asset was awaiting parts; however, no documentation was on file evidencing that the parts were actually ordered. Details follow:

<u>Description</u>	<u>Acquisition Date</u>	<u>Tag No.</u>	<u>Org No.</u>	<u>Acquisition Cost</u>	<u>Condition</u>
Van LP #1063	06/25/2007	RP-3699	3683	\$ 32,375	Poor

c. One (or 17%) was noted as being inoperable. The program inventory custodian represented that the program submitted a request for maintenance; however, no documentation was on file evidencing repair status. Details follow:

<u>Description</u>	<u>Acquisition Date</u>	<u>Tag No.</u>	<u>Org No.</u>	<u>Acquisition Cost</u>	<u>Condition</u>
Pick-up LP #1233	12/28/2011	RP-4098	3683	\$ 33,795	Poor



**REPUBLIC OF PALAU**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2018

Finding No.: 2018-001, Continued  
CFDA Program: DOI 15.875 Economic, Social and Political Development of the Territories  
Federal Award No.: D17AP00099  
CFDA Program: HHS 93.243 Substance Abuse and Mental Health Services\_Projects of Regional and National Significance  
Federal Award No.: 5U79SP020164-04, 5U79SP020164-05  
CFDA Program: HHS 93.898 Cancer Prevention and Control Programs for State, Territorial, and Tribal Organizations  
Federal Award No.: NU58DP006289-01-00, NU58DP006289-02-00  
Area: Equipment and Real Property Management  
Questioned Costs: \$-0-

Cause:

CFDA #15.875: The Republic did not periodically reconcile capital assets with property records.

CFDA #93.243: The Republic did not enforce compliance with applicable equipment and real property management requirements.

CFDA #93.898: The Republic did not appear to perform adequate maintenance of program capital assets.

Effect: The Republic is in noncompliance with applicable equipment and real property management requirements. No questioned cost is presented, as we are unable to quantify the extent of the noncompliance. See below for cumulative dollar amount of property and equipment acquired with program grant funds.

<u>CFDA No.</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>Grand Total</u>
15.875	\$28,980	\$ 7,200	\$63,148	\$ 99,328
93.243	\$ 9,950	\$499,264	\$27,553	\$536,767
93.898	\$ -	\$ 52,520	\$ -	\$ 52,520

Recommendation: The Republic should consider identifying a fixed asset team and providing training on applicable equipment and real property management requirements, including documentation requirements. The responsible personnel should coordinate and conduct the required annual physical inventories and should reconcile results to the property records in accordance with applicable equipment and real property management requirements. Further, creating an inspection checklist should be considered for the maintenance and upkeep of IT-related equipment. Adequate maintenance of federally funded equipment should be performed to comply with applicable equipment and property management requirements.

Identification as a Repeat Finding: 2017-005

Views of Auditee and Planned Corrective Actions:

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

## REPUBLIC OF PALAU

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2018

Finding No.: 2018-002  
Federal Agency: U.S. Department of Health and Human Services  
CFDA Program: 93.224 Health Center Program Cluster  
Federal Award No.: 6H80CS02467-32-13, 6H80CS02467-32-05,  
6H80CS02467-32-10, 6H80CS02467-33-03  
Area: Special Tests and Provisions – Sliding Fee Discounts  
Questioned Costs: \$0

Criteria: In accordance with applicable special tests and provisions requirements for Sliding Fee Discounts, health centers must prepare and apply a sliding fee discount schedule (SFDS) so that the amounts owed for health center services by eligible patients are adjusted (discounted) based on the patient's ability to pay.

Condition: Based on tests of internal controls, it appears that health center services are not distinguished from services performed at the National Hospital. The Health Center Program (HCP) does not have a separate receipts system in place such that amounts billed for outpatient care are co-mingled with the hospital and are then split evenly between the program and the National Hospital. We were provided the Palau Community Health Center (CHC) Governing Board minutes on August 7, 2018, which approved that all specialty clinics be placed under the CHC Administration. The minutes further stated that all program income, including all collections from each CHC site, including the outpatient department (OPD), would be fully collected and be administered by the program. However, such policy has not been implemented.

Cause: The Republic lacks a receipts system that segregates program services from services performed at the National Hospital.

Effect: The Republic is in noncompliance with the special tests and provisions requirement for sliding fee discounts. No questioned costs are presented as we are unable to quantify the extent of noncompliance related to the sliding fee discounts provision.

Recommendation: The Republic should implement a system to identify program receipts, including the pertinent system described in CHC Governing Board resolutions.

Identification as a Repeat Finding: 2017-003

Views of Auditee and Planned Corrective Actions:

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

**REPUBLIC OF PALAU**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2018

Finding No.: 2018-003  
 CFDA Program: 93.898 Cancer Prevention and Control Programs for State, Territorial, and Tribal Organizations  
 Grant Number: NU58DP006289-01-00, NU58DP006289-02-00  
 Area: Matching, Level of Effort, Earmarking  
 Questioned Costs: \$174,130

Criteria: In accordance with grant requirements, the recipient must be able to account separately for stewardship of the federal funding and for any required matching; it is subject to monitoring, oversight, and audit. The required cost-sharing ratio for the National Breast and Cervical Cancer Early Detection Program (NCCEDP) program is 3:1, or a local match equal to 1/3 of total program funds awarded during the fiscal year.

Condition: The local match of \$232,990 required by the grant was only partially supported with adequate records and therefore a portion was not met during the year ended September 30, 2018.

Grant No.	FY18 NBCCEDP Funds Awarded	Cost-share Ratio for Local Match	FY2018 Required Local Match	Actual Match	FY2018 Unmet Match
NU58DP006289-01-00	\$568,800	1/3	\$189,600	\$58,860	\$130,740
NU58DP006289-02-00	\$130,169	1/3	43,390	-	43,390
			<u>\$232,990</u>	<u>\$58,860</u>	<u>\$174,130</u>

Cause: The Republic did not effectively monitor and document actual in-kind contributions throughout the fiscal year.

Effect: The Republic is in noncompliance with applicable matching requirements, and questioned costs of \$174,130 result.

Recommendation: Republic management should establish procedures to document and monitor actual in-kind contributions to meet the estimated matching provided to the grantor during the grant application process. For in-kind salaries by hospital staff, abstracts can be prepared monthly and certified by the applicable supervisor and program coordinator, which identify the approximate time spent by staff on program-related services for that month. For program-related meetings and training, minutes of such meetings and the amount of time spent on the meetings can be documented as support. Usage of in-kind space should be adequately documented to identify the actual usage during the year, prorate the estimated value for actual usage of space partially used during the year, to determine if the required match was met.

Views of Auditee and Corrective Action Plan:

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

**REPUBLIC OF PALAU**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2018

Finding No.: 2018-004  
Area: Financial Statements

Criteria: General ledger accounts should be reconciled in a timely manner.

Condition:

1. The Republic did not reconcile capital assets on a quarterly basis during the year ended September 30, 2018 as required by policy. A \$26,766,040 adjustment was proposed to correct an overstatement of depreciation expense as of fiscal year end.
2. Operating transfers were not properly reconciled at September 30, 2018, which resulted in proposed adjustments to correct operating transfers for all governmental funds.
3. General Fund and Other Governmental Fund accounts receivable and related allowances were reconciled during the audit process resulting in \$2,365,390 and \$555,943 of proposed adjustments, respectively, to correct an understatement of accounts receivable.

Cause: The Republic appears to lack resources committed to periodically maintaining the Republic's capital asset subsidiary records and reconciling other material general ledger accounts. There appears to be lack of management review of the financial statements to verify that balances and amounts in the financial statements are reconciled and are valid.

Effect: Material misstatements in the financial statements could exist undetected and uncorrected.

Identification as a Repeat Finding: 2017-011

Recommendation: The Republic should establish control procedures over the timely reconciliation of general ledger accounts. Management may wish to consider training in account reconciliation processes.

Auditee Response and Corrective Action Plan:

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

## REPUBLIC OF PALAU

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2018

Finding No.: 2018-005  
Area: Local Noncompliance – Procurement Regulations

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

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

§626 -

- (b) Award shall be made to the responsible offeror whose proposal is determined in writing to be most advantageous to the Republic taking into consideration price and other evaluation factors set forth in the request for proposals. No other factors or criteria shall be used in the evaluation, and the contract file shall contain a detailed description of the findings and the basis on which the award is made.

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

Condition: Of \$5,305,785 in Other Fund non-payroll expenditures, fifty-five (55) samples totaling \$2,100,903 were tested with the following deficiencies:

1. Sixteen (or 29%) aggregating \$406,956 represent medical drugs and supply purchases pursuant to Invitation for Bid (IFB) 18-17. Our examination of related bid documents noted the following:
  - a. The contract file did not contain a detailed description of the findings and the basis on which seven of the nine offerors were awarded varying amounts.
  - b. The contract file did not contain a detail specification of goods being procured.
  - c. Some files in support of IFB 18-17 were located at the respective ministries and not at the procurement office as stipulated by the Procurement Law.
2. Eight (or 15%) aggregating \$215,059 represent medical drugs and supply purchases pursuant to Request for Proposal (RFP) 16-15 which relate to prior years findings 2016-012 and 2017-012, which has not been corrected. A contract award was provided to all who submitted bids regardless of the proposed cost.
3. A \$5,435 expenditure represents medical and lab services that did not go through the procurement process (check no. 70001246). Further examination noted that invoices of the same nature aggregated \$30,720.
4. A \$9,310 expenditure (check no. 437429) to repair and purchase parts for equipment at the Belau National Hospital was procured through quotations; however, such did not constitute a small purchase as the single repair cost aggregated \$33,930. Although the procurement files included a certification from the Minister of Health, supporting quotations were dated two and four months prior to the approved purchase order and therefore, did not support the declaration of an unavoidable emergency.

**REPUBLIC OF PALAU**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2018

Finding No.: 2018-005, Continued  
Area: Local Noncompliance – Procurement Regulations

Cause: The Republic did not effectively enforce controls over documenting compliance with applicable procurement regulations.

Effect: The Republic is in potential noncompliance with applicable procurement regulations.

Identification as a Repeat Finding: 2017-012

Recommendation: The Republic should strengthen controls over procurement to maximize competition, while maintaining the best interest of the Republic. If exceptions are allowed by procurement regulations, they should be reviewed and approved, and the rationales should be documented in the procurement files.

Auditee Response and Corrective Action Plan:

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

**REPUBLIC OF PALAU**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2018

Finding No.: 2018-006  
Area: Net Pension Liability

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

Condition: The Republic of Palau Civil Service Pension Trust Fund's actuarial valuation has determined that the Fund has a net pension liability of \$259,395,005. The potential impact on the financial statements has not been addressed.

Cause: It appears the Republic of Palau may not have the available resources to determine the impact of the net pension liability and to effect a solution.

Effect: The Fund is potentially at risk of failure to provide future benefits and the Republic's actuary has determined that cash flow may be impacted by the Fund's net pension liability by 2022.

Identification as a Repeat Finding: 2017-013

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

Views of Auditee and Planned Corrective Actions:

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

**REPUBLIC OF PALAU**

Unresolved Prior Year Findings and Questioned Costs  
Year Ended September 30, 2018

Questioned Costs

The prior year Single Audit report on compliance with laws and regulations noted the following questioned costs and comments that were unresolved at September 30, 2018:

	<u>Questioned Costs</u>		
	<u>Republic</u>	<u>Subrecipient</u>	<u>Total</u>
Questioned costs of the Republic as previously reported:			
Fiscal year 2015 Single Audit	\$ 217,480	-	\$ 217,480
Fiscal year 2016 Single Audit	97,206	-	97,206
Fiscal year 2017 Single Audit	<u>-</u>	<u>-</u>	<u>-</u>
	<u>314,686</u>	<u>-</u>	<u>314,686</u>
Questioned costs of fiscal year 2018 Single Audit	<u>174,130</u>	<u>-</u>	<u>174,130</u>
Unresolved questioned costs of the Republic at September 30, 2018	\$ <u>488,816</u>	\$ <u>-</u>	\$ <u>488,816</u>





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Summary Schedule of Prior Audit Findings  
Year Ended September 30, 2018

<b>Finding No.</b>	<b>Program Area</b>	<b>Brief Description</b>	<b>Status of Finding</b>	<b>Comments</b>
2017-001	20.106-Equipment and Real Property Management	Noncompliance with applicable equipment and real property management requirements.	Resolved	Management has implemented recommendation.
2017-002	20.106-Allowable Costs/Costs Principle	Lack of compliance with grant requirements	Resolved	Management has implemented recommendation.
2017-003	93.224-Special tests & Provision	Lack of updated policies and procedures governing sliding fee discounts.	Resolved	DHHS Management letter received on March 12, 2019.
2017-004	93.224-Equipment and Real Property Management	Noncompliance with applicable equipment and real property management requirements.	Resolved	DHHS Management letter received on March 12, 2019.
2017-005	93.243-Equipment and Real Property Management	Noncompliance with applicable equipment and real property management requirements.	Management working to resolve this finding.	The consultant continues to work with MOF and line ministries to resolve this issue.
2017-006	84.027- Equipment and Real Property Management	Noncompliance with applicable equipment and real property management requirements.	Resolved	Management has implemented recommendation.
2017-007	84.256- Equipment and Real Property Management	Noncompliance with applicable equipment and real property management requirements.	Resolved	Management has implemented recommendation.
2017-008	Local compliance-Import taxes	Completeness of import tax collections are not documented and monitored	Resolved	Management has implemented recommendation.
2017-009	Cash receipts	Procedures were not in place to determine the gaps in sequential orders of daily receipts.	Resolved	Management has implemented recommendation.
2017-010	Non-Federal grants	Lack of centralized filing system for non-federal grants awarded to the Republic.	Resolved	Management has implemented recommendation.
2017-011	Financial Statements	Lack of resources to committed to periodically maintaining reconciliations of accounts	Management working to resolve this issue.	MOF management working to train and hire capable staff to maintain reconciliations.
2017-12	Local noncompliance-Procurement regulations	Weaknesses in controls over documenting compliance with applicable procurement regulations	Management working to resolve this issue.	MOF will ensure to document procurement processes to meet requirements.
2017-013	Net Pension Liability	Net pension liability would cause the fund's fiduciary net position to become a deficit in 2019.	Management working to resolve this issue.	Management working with policy makers to resolve this issue.
2016-001	15.875-Equipment and Real Property Management	Lack of adherence to established policies and procedures to reconcile property records.  Lack of adherence to established policies and procedures regarding compliance with applicable equipment and real property management requirements.	Management working to resolve this finding.	On February 2018, Ministry of Finance contracted a consultant to finalize the real and personal property management, help reconcile physical inventory to capital assets records, help clear the federal award findings involving equipment and real property management, etc.



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Summary Schedule of Prior Audit Findings, Continued  
Year Ended September 30, 2018

<b>Finding No.</b>	<b>Program Area</b>	<b>Brief Description</b>	<b>Status of Finding</b>	<b>Comments</b>
2016-002	84.027-Equipment and real property management	Lack of adherence to established policies and procedures regarding compliance with applicable equipment and real property management requirements.	Resolved	Corrective action was taken.
2016-003	84.256- Equipment and real property management	Lack of adherence to established policies and procedures regarding compliance with applicable equipment and real property management requirements.	Resolved	Corrective action was taken.
2016-004	84.378- Equipment and real property management	Lack of adherence to established policies and procedures regarding compliance with applicable equipment and real property management requirements.	Resolved	Corrective action was taken.
2016-007	93.224- Equipment and real property management	Lack of adherence to established policies and procedures regarding compliance with applicable equipment and real property management requirements.	Resolved	Management letter received on November 27,2018.
2016-008	93.224-Program Income	Delayed action by the program to use the independent cost study report analysis to implement changes to the program income.	Resolved	Management letter received on November 27,2018.
2016-009	93.243-Procurement and Suspension and Debarment	Lack of adherence to established policies and procedures regarding compliance with procurement requirements	Management working to resolve this finding.	Program Manager and MOF management continues to work cohesively ensuring that all procurement requirements are being adhered to.
2016-010	93.283- Equipment and real property management	Lack of adherence to established policies and procedures regarding compliance with applicable equipment and real property management requirements.	Management working to resolve this finding.	On February 2018, Ministry of Finance contracted a consultant to finalize the real and personal property management, help reconcile physical inventory to capital assets records, help clear the federal award findings involving equipment and real property management, etc.
2016-013	Net Pension Liability	The net pension liability could cause the Fund's fiduciary net position to become negative in 2018.	Management working to resolve this finding.	MOF management and leadership are working to resolve this issue.
2015-005	93.224-Program Income	Potential noncompliance with program income requirements.	Resolved	Received Management letter resolving this issue.



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Summary Schedule of Prior Audit Findings, Continued  
Year Ended September 30, 2018

<b>Finding No.</b>	<b>Program Area</b>	<b>Brief Description</b>	<b>Status of Finding</b>	<b>Comments</b>
2015-007	93.116,93.224,93.143,93.283-Equipment and Real Property Management	Unlocated assets, not operable but were still in the property records; reconciliation not performed	Management working to resolve this finding.	On February 2018, Ministry of Finance contracted a consultant to finalize the real and personal property management, help reconcile physical inventory to capital assets records, help clear the federal award findings involving equipment and real property management, etc.



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**CORRECTIVE ACTION PLAN**  
**2 CFR § 200.511(c)**  
**Year Ended September 30, 2018**

FINDING NO.	CORRECTIVE ACTION PLAN	PROPOSED COMPLETION DATE	NAME AND CONTACT OF RESPONSIBLE PERSON
2018-001	<p>CFDA #93.243:</p> <p>Item 1: ROP concurs with reservation. Reconciliation was done between the program and P&amp;S; however, the variance existed because the program didn't update their listing when reconciliation was completed.</p> <p>Item 2: ROP concurs with the finding. We have implement procedures to ensure that equipment that are procured are tagged and recorded on the fixed asset register and are reconciled periodically.</p> <p>Item 3: Program ICT unit performs routine and daily checks and maintenance to ensure that systems running on these equipment are not compromised. In addition, ICT has a list of all assets being assigned to it including the said equipment and their location. Maintenance are done on a daily basis to ensure that it continues to be operable and in good condition. However, we will do a maintenance checklist as supporting that we maintain them and also procedures to follow in order to keep IT equipment maintained and safeguarded.</p> <p>CFDA#15.875 ROP concurs with the finding. We have implement procedures to ensure that equipment that are procured are tagged and recorded on the fixed asset register and are reconciled periodically.</p> <p>CFDA#93.898 Item 1a, 1b, &amp; 1c: ROP concur with these findings. DP&amp;S will work with responsible department to ensure that if equipment is no longer operable, they will survey them and update their fixed asset listing.</p>		<p>Sterlina Gabriel  Director  Bureau of Lands and Survey  Contacts:  Email:</p> <p>EverlynnTemengil  Chief  Bureau of Public Health  Ministry of Health  Contact: 680-488-2552  Email: temengilej@gmail.com</p> <p>EdolemIkerdeu  Acting Executive Director  CHC-MOH  Bureau of Public Health  Ministry of Health  Contacts: 680-488-4805  Email:  <a href="mailto:edolem.ikerdeu@palahealth.org">edolem.ikerdeu@palahealth.org</a></p> <p>Millan Isack  Chief  Division of Procurement and Supply  Bureau of National Treasury  Ministry of Finance  Contact: 680-488-2215  Email: <a href="mailto:misack@gmail.com">misack@gmail.com</a></p>
2018-002	<p>ROP concurs with reservation. The Palau Community Health Program does not have a separate receipts system, but instead utilizes Ministry of Health's as co-applicants. As such, all revenues collected by Ministry of Health, including the health centers, are submitted to the billing and collection department/finance office at the Ministry of Health, where they are prepared and deposited into the Hospital Trust Fund. All health center revenues are identified and tracked accordingly.</p> <p>The Palau Community Health Center will work with the Ministry of Health's finance/collection and billing department and Ministry of Finance to document this process clearly, document this process, provide training and institutionalize.</p>	December 2019	<p>EdolemIkerdeu  Acting Executive Director  CHC-MOH  Bureau of Public Health  Ministry of Health  Contacts: 680-488-4805  Email:  <a href="mailto:edolem.ikerdeu@palahealth.org">edolem.ikerdeu@palahealth.org</a></p>



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**CORRECTIVE ACTION PLAN, CONTINUED**  
**2 CFR § 200.511(c)**  
**Year Ended September 30, 2018**

2018-003	<p>1. Auditee concurs on this finding. SALARY: Per recommendation, grantee will adopt or develop templates to keep track of time and tasks allocated to NCD related activities, including cancer.</p> <p>2. Auditee do not concur on this finding. SPACE: In the above recommendation, it states "In-kind space should be adequately documented to identify the actual usage during the year". Attached are details regarding usage (partial or whole) of spaces by the program. Grantee will recalculate based on usage and resubmit to grantor.</p>	April 2019	<p>EdolemIkerdeu          Acting Executive Director          CHC-MOH          Bureau of Public Health          Ministry of Health          Contacts: 680-488-4805          Email: <a href="mailto:edolem.ikerdeu@palahealth.org">edolem.ikerdeu@palahealth.org</a></p>
2018-004	<p>ROP concurs with finding. MOF continues to train and hire capable staff to manage reconciliation on a quarterly basis.</p>	Implemented	<p>Millan Isack          Chief          Division of Procurement and Supply          Bureau of National Treasury          Ministry of Finance          Contact: 680-488-2215          Email: <a href="mailto:misack@gmail.com">misack@gmail.com</a></p> <p>Caryn Koshiba          Chief          Division of Finance and Accounting          Bureau of National Treasury          Ministry of Finance          Contact:680-767-2561          Email: <a href="mailto:carynk@palaugov.org">carynk@palaugov.org</a></p> <p>Masato Ushibata          System Accountant          Bureau of National Treasury          Ministry of Finance          Contact:680-488-2566          Email: <a href="mailto:masatou@palaugov.org">masatou@palaugov.org</a></p> <p>Gail Rengiil          Director          Bureau of National Treasury          Ministry of Finance          Contact:680-767-2561          Email: <a href="mailto:gailr@palaugov.org">gailr@palaugov.org</a></p>
2018-005	<p>ROP concurs with the finding. Item1: MOH committee did submit their evaluation and recommendation but not the detailed matrix, P&amp;S will ensure that all the required documents be filed together in one file.</p> <p>Item 2: We concur with the finding. MOF will work closely with MOH on resolving this issue.</p> <p>Item 3: We concur with the finding. MOF will work closely with MOH on resolving this issue.</p>		<p>Millan Isack          Chief          Division of Procurement and Supply          Bureau of National Treasury          Ministry of Finance          Contact: 680-488-2215          Email: <a href="mailto:misack@gmail.com">misack@gmail.com</a></p> <p>Gail Rengiil          Director          Bureau of National Treasury          Ministry of Finance          Contacts: 680-488-2566          Email: <a href="mailto:gailr@palaugov.org">gailr@palaugov.org</a></p>



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**CORRECTIVE ACTION PLAN, CONTINUED**  
**2 CFR § 200.511(c)**  
**Year Ended September 30, 2018**

	Item 4: We concur with this finding. The quotations were acquired when we needed the parts but due to shortage of funding, MOH had to put off on purchasing until funds were available.		Darnelle Worswick Director Bureau of Health Administration and Support Services Ministry of Health Contact: 488-2552 Email: <a href="mailto:darnelle.worswick@palauhealth.org">darnelle.worswick@palauhealth.org</a>
2018-006	MOF management are aware of this and are working with the policy makers to find the best solution to resolve the issue.	December 2019	Elbuchel Sadang Minister Ministry of Finance PH: 680-488-2580 Email: <a href="mailto:esadang@gmail.com">esadang@gmail.com</a>  Casmir Remengesau, Director Bureau of Budget, Planning and Statistics Ministry of Finance PH: 767-2561 Email: <a href="mailto:casmirer@palau.gov.org">casmirer@palau.gov.org</a>  Gail Rengiil Director Bureau of National Treasury Ministry of Finance Contacts: 680-488-2566 Email: <a href="mailto:gailr@palau.gov.org">gailr@palau.gov.org</a>