

PALAU COMMUNITY ACTION AGENCY  
(A NONPROFIT CORPORATION)

INDEPENDENT AUDITORS' REPORTS ON  
INTERNAL CONTROL AND ON COMPLIANCE

YEAR ENDED SEPTEMBER 30, 2010

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

Board of Directors  
Palau Community Action Agency:

We have audited the financial statements of the Palau Community Action Agency (the Agency) as of and for the year ended September 30, 2010, and have issued our report thereon dated April 26, 2011. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs (pages 7 through 14) as item 2010-3.

We noted certain matters that we reported to management of the Agency in a separate letter dated April 26, 2011.

The Agency's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Agency's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management of the Agency, others within the entity, federal awarding agencies, pass-through entities, the cognizant audit and other federal agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.

*Deloitte & Touche LLC*

April 26, 2011

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB  
CIRCULAR A-133 AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Board of Directors  
Palau Community Action Agency:

## Compliance

We have audited the Palau Community Action Agency's (the Agency) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Agency's major federal program for the year ended September 30, 2010. The Agency's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs (pages 7 through 14). Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Agency'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 opinion. Our audit does not provide a legal determination of the Agency's compliance with those requirements.

As described in items 2010-1 through 2010-3 in the accompanying Schedule of Findings and Questioned Costs, the Agency did not comply with requirements regarding equipment and real property management; eligibility; and procurement and suspension and debarment that are applicable to its Head Start Cluster (CFDA # 93.600 and CFDA # 93.708) major program. Compliance with such requirements is necessary, in our opinion, for the Agency to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Agency complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2010.

## Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Agency's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Agency'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 significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and one other deficiency that we consider to be a significant deficiency.

*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 combination of deficiencies, in internal control over compliance, such that there is 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 items 2010-1 and 2010-3 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 deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2010-2 to be a significant deficiency.

## Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Agency as of and for the year ended September 30, 2010, and have issued our report thereon dated April 26, 2011. Our audit was performed for the purpose of forming our opinion on the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (page 6) is presented for the purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. This schedule is the responsibility of the management of the Agency. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The Agency's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Agency's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Board of Directors, management of the Agency, others within the entity, federal awarding agencies, pass-through entities, the cognizant audit and other federal agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.

*Deloitte & Touche LLC*

April 26, 2011

PALAU COMMUNITY ACTION AGENCY

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2010

<u>Grantor/CFDA Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
Direct Programs:		
U.S. Department of the Interior		
Historical Preservation - Grants In Aid	15.904	\$ 224,096
U.S. Department of Health and Human Services		
Head Start	93.600	* 1,792,478
ARRA-Head Start	93.708	<u>202,241</u>
Total Federal Assistance Expended		\$ <u>2,218,815</u>
* Based on requirements imposed in the audit, this denotes a major program.		
Reconciliation:		
Total Federal Assistance Expended		\$ 2,218,815
Non-federal expenses and losses per Statement of Activities:		
Renewable energy		36,024
MSIP/CSM		38,037
Local program		12,534
PSG program		19,936
Non-federal acquisition of equipment:		
Renewable energy		<u>495</u>
Satisfaction of program restrictions		\$ <u>2,325,841</u>

Notes: Expenses are recognized on the accrual basis of accounting, consistent with the manner in which the Agency maintains its accounting records.

For the current fiscal year, \$48,203 related to personnel contributions by parents was not charged to the program as the contributed services from parents does not meet Financial Accounting Standards Board Accounting Standards Codification Topic 958, *Not-for-Profit Entities*, criteria - i.e. it does not require specialized skills. Accordingly, they do not qualify as contributed services. However, per CFR 45, volunteer hours from parents are considered contributed services and are allowable under the program. The following reconciles the Agency's contributions and expenses with actual in-kind Head Start contributions received:

	<u>Amount</u>	<u>Parental Contributions</u>	<u>Total Available for Local Share</u>
Local share for period ending 07/31/09	\$ 291,258	\$ 40,590	\$ 331,848
Local share for period ending 07/31/10	<u>90,210</u>	<u>7,613</u>	<u>97,823</u>
Total local share	381,468	48,203	429,671
Other miscellaneous income	<u>-</u>		
Total other income per the general ledger	\$ <u>381,468</u>		

PALAU COMMUNITY ACTION AGENCY

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2010

**A. SUMMARY OF AUDITORS' RESULTS**

*Financial Statements*

- |  |             |
|--|-------------|
| 1. Type of auditors' report issued:                          | Unqualified |
| Internal control over financial reporting:                   |             |
| 2. Material weakness(es) identified?                         | No          |
| 3. Significant deficiency(ies) identified?                   | No          |
| 4. Noncompliance material to the financial statements noted? | Yes         |

*Federal Awards*

- |  |                        |
|--|------------------------|
| Internal control over major programs:  |                        |
| 5. Material weakness(es) identified?   | Yes                    |
| 6. Significant deficiency(ies) identified?   | Yes                    |
| 7. Type of auditors' report issued on compliance for major programs:   | Qualified              |
| 8. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?      | Yes                    |
| 9. Major program identification:   |                        |
| <u>CFDA Number</u>   | <u>Federal Program</u> |
| 93.600   | Head Start             |
| 93.708   | ARRA - Head Start      |
| 10. Dollar threshold used to distinguish between Type A and Type B Programs, as those terms are defined in OMB Circular A-133: | \$300,000              |
| 11. The Agency qualified as a low-risk auditee, as that term is defined in OMB Circular A-133?                                 | No                     |

**B. FINDINGS RELATING TO THE FINANCIAL STATEMENTS, WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

No findings reported.

PALAU COMMUNITY ACTION AGENCY

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2010

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS  
AUDIT**

<u>Reference Number</u>	<u>Findings</u>	<u>Questioned Costs</u>	<u>Refer Page #</u>
2010-1	Equipment and Real Property Management	\$ -	9 - 10
2010-2	Eligibility	\$ -	11
2010-3	Procurement and Suspension and Debarment	\$ 112,884	12 - 14

PALAU COMMUNITY ACTION AGENCY

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2010

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS  
AUDIT**

Finding No.: 2010-1  
Federal Agency: U.S. Department of Health and Human Services  
CFDA Program: 93.600/93.708 Head Start Cluster  
Grant Number: 09CH8461/43  
Area: Equipment and Real Property Management  
Questioned Costs: \$-0-

Criteria: OMB Circular A-110 provides for equipment and real property management standards. Furthermore, any disposals of fixed assets should be approved by the grantor agency prior to disposal.

Condition: The Agency’s equipment records did not comply with federal requirements in the following areas:

1. For prior years acquisitions, records did not indicate manufacturer’s serial number, model number or other identification number. The Agency began to document such information when they performed a physical inventory of fixed assets in 2010; however, the information was not reconciled to the fixed asset records;
2. Records did not identify use and condition of the property;
3. There is no documented maintenance policy in place for which compliance can be tested; and
4. The percentage of Federal participation in the cost of the project or program for which the property is acquired is not evidenced in the fixed asset register.

Acquisitions of capital assets for the past three years are as follows:

<b>2010</b>	<b>2009</b>	<b>2008</b>
\$ 106,356	\$ 2,351	\$ 46,054

Of \$36,500 of fixed asset deletions tested, we noted one vehicle (property number 0012), with an original cost of \$18,250, which was disposed of in FY2010 without evidence of authorization/approval by the Grantor.

Cause: The cause of the above condition appears to be insufficient numbers of staff to handle the accounting workload or lack of a workable system, which incorporates addressing the above requirements.

Effect: The effect of the above condition is noncompliance with federal property management standards.

Recommendation: We recommend the Agency comply with federal property management standards.

PALAU COMMUNITY ACTION AGENCY

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2010

Finding No.: 2010-1, Continued  
Federal Agency: U.S. Department of Health and Human Services  
CFDA Program: 93.600/93.708 Head Start Cluster  
Grant Number: 09CH8461/43  
Area: Equipment and Real Property Management  
Questioned Costs: \$-0-

Prior Year Status: Noncompliance with federal property management standards was reported as a finding in the audits of the Agency for fiscal years 2004 through 2009.

Auditee Response and Corrective Action Plan:

**Name of Contact Person:** Doroteo Nagata, Executive Director and Augusta Kintaro, Fiscal Manager

**Corrective Action:**

- The Agency is in the process of hiring a procurement officer. This person will procure goods and services needed by the Agency. He/she will be responsible to update the Agency's acquisition records.
- The Fiscal Manager, with the assistance of Finance staff, will review physical inventory records to make sure that assets have identification (serial, model or other identification) numbers, location, use and condition of the property.
- The Fiscal Manager will reconcile physical inventory records with the fixed assets records and will make the necessary adjustments, if any, to the fixed assets listing.
- The Fiscal Manager and the Finance staff will calculate the percentage of federal participation in the cost of the project and will enter it in the fixed asset records.
- The Agency obtained and will continue to obtain prior approval from the grantor for any asset disposition.
- The Agency will include a maintenance plan in its work plan, which will be performed as scheduled. Daily inspections will be performed on vehicles and corrective action will be taken to correct any problems.

**Proposed Completion Date:** August 2011

PALAU COMMUNITY ACTION AGENCY

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2010

Finding No.: 2010-2  
Federal Agency: U.S. Department of Health and Human Services  
CFDA Program: 93.600/93.708 Head Start Cluster  
Grant Number: 09CH8461/43  
Area: Eligibility  
Questioned Costs: \$-0-

Criteria: In accordance with 45 CFR § 1305.4, at least 90% of enrollees must come from families whose income is below the official Federal poverty guidelines.

Condition: Our tests of fourteen students (one per center) for income eligibility noted that annual income verification forms for three students (#s A-81598, A-78945 and A-77898) were over two years old. We could not verify that income did not change from prior years.

Cause: The cause of the above condition is that income verification forms are not updated to ensure compliance with eligibility requirements.

Effect: The effect of the above condition is possible noncompliance with eligibility requirements. No questioned costs result as we were able to examine annual income verifications for school year 2011.

Recommendation: We recommend the Agency adhere to eligibility requirements.

Auditee Response and Corrective Action Plan:

**Name of Contact Person:** Eydeline Ikeya, Head Start Director

**Corrective Action:** The Agency has implemented the auditor's recommendation. Program Year (PY) 2011 income verifications for third-year returning children were completed in July 2010. Income verifications for third-year returning children for PY 2012 will be verified in July and completed in August 2011.

**Proposed Completion Date:** August 2011

PALAU COMMUNITY ACTION AGENCY

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2010

Finding No.: 2010-3  
 Federal Agency: U.S. Department of Health and Human Services  
 CFDA Program: 93.600/93.708 Head Start Cluster  
 Grant Number: 09CH8461/43  
 Area: Procurement and Suspension and Debarment  
 Questioned Costs: \$112,884

Criteria: Federal regulations state that small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies or other property that do not cost more than the simplified threshold fixed at 41 U.S.C. 403(11) (currently set at \$100,000). If small purchase procedures are used, price or rate quotations shall be obtained from an adequate number of qualified sources. Furthermore, in accordance with applicable procurement requirements, the grantee will conduct procurement transactions in a manner providing full and open competition, and will maintain records sufficient to detail the significant history of a procurement. These records will include a rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. Additionally, per 45 CFR Section 74.44, a grantee is not allowed to specify only a “brand name” product instead of allowing “an equal” product to be offered and describing the performance of other relevant requirement of procurement. Purchases and contracts exceeding \$25,000 shall be by competitive sealed bid unless otherwise authorized.

Furthermore, public notice of invitation for bids shall be made at a reasonable time, at least fifteen days prior to the date of the issue of invitation. Bidding time of at least thirty (30) calendar days shall be provided unless the procurement officer determines that a shorter time period is reasonable and necessary.

Condition: Of \$288,816 of non-payroll expenses tested, we noted the following:

- Two (or 2.7%) items procured under small purchase procedures had no evidence that an adequate number of price quotations were obtained, as follows:

<u>Document Number</u>	<u>Description</u>	<u>Check Number</u>	<u>Check Date</u>	<u>Amount Tested</u>	<u>FY10 Expenses</u>
532	260 bottles of fluoride tablets	42597	07/15/10	\$ 7,483	\$ 6,500
407	50 bottles of fluoride	41536	11/13/09	\$ 1,250	<u>1,250</u>
Total questioned costs					<u>\$ 7,750</u>

- Eight (or 14%) items had no procurement records to demonstrate open competition in the selection of the vendor, as follows:

<u>Document Number</u>	<u>Description</u>	<u>Check Number</u>	<u>Check Date</u>	<u>Amount Tested</u>	<u>FY10 Expenses</u>
Contract	Consulting services	wire transfer	10/20/09	\$ 12,500	\$ 12,500
2	Fuel charges	41932	02/26/10	\$ 7,143	4,704
1	Fuel charges	41686	12/30/09	\$ 6,700	2,406
5	Fuel charges	42061	03/26/10	\$ 9,375	4,232
Contract	Writing of Head Start Expansion grant	wire transfer	04/01/10	\$ 8,000	8,000
1	Fuel charges	42375	05/20/10	\$ 8,577	3,541
1	Fuel charges	42480	06/17/10	\$ 6,469	2,569
1	Fuel charges	42262	04/30/10	\$ 9,001	<u>3,725</u>
Total questioned costs					<u>\$ 41,677</u>

PALAU COMMUNITY ACTION AGENCY

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2010

Finding No.: 2010-3, Continued  
 Federal Agency: U.S. Department of Health and Human Services  
 CFDA Program: 93.600/93.708 Head Start Cluster  
 Grant Number: 09CH8461/43  
 Area: Procurement and Suspension and Debarment  
 Questioned Costs: \$112,884

Condition, Continued:

3. For one (or 4%) item, the brand name alone was specified in the quotation solicitation, as follows:

<u>Document Number</u>	<u>Description</u>	<u>Check Number</u>	<u>Check Date</u>	<u>Amount Tested</u>	<u>FY10 Expenses</u>
Memo	Screening tools	42590	07/15/10	\$ 12,594	\$ <u>12,954</u>
Total questioned cost					\$ <u>12,954</u>

4. For four (or 22%) items, the response time for the request for proposal was less than thirty (30) days and there was no evidence in file that determines that a shorter time period is reasonable and necessary. Furthermore, the bid opening summary was only signed by one witness:

<u>Document Number</u>	<u>Description</u>	<u>Check Number</u>	<u>Check Date</u>	<u>Amount Tested</u>	<u>FY10 Expenses</u>
Contract	Ngarard Head Start renovation/kitchen extension	42780/42866	08/12/10; 09/02/10	\$ 17,890	\$ 14,515
MC12298, MC12299, MV12300, MC12301, MC12302	Four sedans and one SUV	41749	01/14/10	\$ 28,500	20,000
MC12298, MC12299, MC12300, MC12301, MC12302	Four sedans and one SUV	41749/41863	01/14/10; 02/26/10	\$ 9,500	18,000
Contract	Olbedekall (Airai) Head Start	42686/42828	08/12/10	\$ 7,430	<u>11,212</u>
					\$ <u>63,727</u>

No questioned costs result from this finding as we determined that adequate competition occurred.

5. One item (or 17%), procured through sole source, exceeded \$25,000; however, reasons the equipment could not be obtained from another vendor was not evidenced:

<u>Document Number</u>	<u>Description</u>	<u>Check Number</u>	<u>Check Date</u>	<u>Amount Tested</u>	<u>FY10 Expenses</u>
10-0758	Equipment	2215	07/26/10	\$ 25,251	\$ <u>50,503</u>
Total questioned cost					\$ <u>50,503</u>

Of \$43,533 of fixed asset additions tested, we noted the following:

1. Public notice of invitation for bids was dated at the same date as the start of bidding, thus the 15 day issuance of public notice prior to start of bidding was not complied with, and the bidding period was less than 30 days. Additionally, the bid opening was signed by the Procurement Officer/Fiscal Manager but only by one witness, as follows:

PALAU COMMUNITY ACTION AGENCY

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2010

Finding No.: 2010-3, Continued  
Federal Agency: U.S. Department of Health and Human Services  
CFDA Program: 93.600/93.708 Head Start Cluster  
Grant Number: 09CH8461/43  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$112,884

Condition, Continued:

<u>Document Number</u>	<u>Description</u>	<u>Check Number</u>	<u>Check Date</u>	<u>Amount Tested</u>	<u>FY10 Expenses</u>
Contract	Melekeok Classroom Extension	42686	08/12/10	\$ 3,424	\$ 3,424
Contract	Ngarchelong Center Extension	42782/42870	09/02/10	\$ 6,995	\$ 6,995
MC12298-12302	2004 Nissan X-Terra (White)	41749/41863	02/26/10	\$ 14,000	\$ 14,000

No questioned cost will be raised as we were able to verify that open competition occurred.

Cause: The cause of the above condition is the Agency did not follow applicable procurement requirements.

Effect: The effect of the above condition is noncompliance with applicable procurement requirements and questioned costs of \$112,884.

Recommendation: We recommend that the Agency enforce compliance with procurement policies.

Prior Year Status: Lack of policies and procedures to ensure compliance with procurement regulations was reported as a finding in the audits of the Agency for fiscal years 2006 through 2009.

Auditee Response and Corrective Action Plan:

**Name of Contact Person:** Doroteo Nagata, Executive Director

**Corrective Action:**

- The Agency's fiscal staff have conducted financial training to all office staff. Topics covered included procurement procedures, procurement methods, non-federal shares, property management review of FY 2010 preliminary audit findings, etc.
- The Agency has developed a procurement checklist to be completed by the buyer and management approving officials when reviewing and approving procurement/purchase requests. This will ensure and enforce compliance with procurement policy and procedures.
- The Agency is in the process of hiring a procurement officer. This person will eliminate numerous steps in the procurement process. All procurement activities will be centralized and performed by one person. The position description has been prepared and is being reviewed by the Regional Office.
- The regional T&TA staff will be conducting financial training for all management and fiscal staff in the second week of May 2011.
- The Agency has solicited the price per gallon of fuel in writing from the two fuel providers in Palau and has summarized its selection on procuring from sole source.

**Proposed Completion Date:** August 2011

PALAU COMMUNITY ACTION AGENCY

Unresolved Prior Year Comments  
Year Ended September 30, 2010

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, 2010:

Questioned costs as previously reported \$ 256,826

Questioned cost resolved during the year ended September 30, 2010:

Per clearance documents from the U.S. Department of Health and Human Services:

<u>Date of Letter</u>	<u>Code</u>	
September 29, 2008	399908100	(45,945)
November 4, 2009	217908100	(68,946)
November 4, 2009	099009100	(14,382)
February 10, 2011	204918100	(52,978)
February 10, 2011	*09905100	(1,798)
Questioned costs of fiscal year 2010 Single Audit		<u>112,884</u>
Unresolved questioned costs at September 30, 2010		\$ <u><u>185,661</u></u>

Unresolved Findings

The status of unresolved prior year findings is discussed within the Schedule of Findings and Questioned Costs section of this report (pages 7 through 14).



# PALAU COMMUNITY ACTION AGENCY

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## Summary of Schedule of Prior Audit Findings

Status of audit findings included in the schedule of findings and questioned costs for the year ended September 30, 2009:

### **FINDINGS RELATING TO THE FINANCIAL STATEMENTS, WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

Finding No. 09-1 - Corrective action was taken.

Finding No. 09-2 - Corrective action was taken.

### **FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

Finding No. 09-3 - Not corrected. See corrective action plan to Finding No. 2010-1.

Finding No. 09-4 - Corrective action was taken.

Finding No. 09-5 - Not corrected. See corrective action plan to Finding No. 2010-3.

Finding No. 09-6 - Corrective action was taken