

PALAU VISITORS AUTHORITY
(A COMPONENT UNIT OF THE REPUBLIC OF PALAU)

INDEPENDENT AUDITORS' REPORTS ON
INTERNAL CONTROL AND ON COMPLIANCE

YEAR ENDED SEPTEMBER 30, 2016

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 Visitors Authority:

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 Palau Visitors Authority (PVA), which comprise the statement of net position as of September 30, 2016, and the related statements of revenues, expenses and changes in net position and of cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated June 19, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered PVA'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PVA's internal control. Accordingly, we do not express an opinion on the effectiveness of PVA's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether PVA'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 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 Responses as item 2016-001.

PVA's Response to the Finding

PVA's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. PVA'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.

Deloitte & Touche LLC

June 19, 2017

PALAU VISITORS AUTHORITY
Schedule of Findings and Responses
Year Ended September 30, 2016

Procurement

Finding No. 2016-001

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 PVA procurement regulations state the following:

- All purchases and the purchase of event hosting services \$10,000 and over must be put to bid processes under provisions of Republic of Palau (ROP) Procurement Policies and Procedures.
- Contracts with offerors or bidders whose place of business is outside the ROP or for other off-island procurement will be reviewed and approved by legal counsel.

Condition: Competitive bidding procedures were not performed for one \$30,000 contract (Project No. 050716-AM-3) and the contract was not reviewed by PVA's legal counsel.

Cause: The cause of the above condition is the failure to enforce adherence with established PVA procurement regulations.

Effect: The effect of the above condition is noncompliance with procurement regulations.

Recommendation: We recommend that PVA establish procedures to comply with its procurement policy and that exceptions be documented and filed.

Auditee Response and Corrective Action Plan:

Name of Contact Person: Mrs. Nanae Singeo, Managing Director

Corrective Action: Regarding the above finding, which was cited for lack of sole supplier justification or 3-party-quotation for projects in excess of \$10,000, we acknowledge the incidence. We have treated this as part of an on-going contract with the same supplier based on a continuation of project agreement. It was discussed and agreed at our meeting with the Board of Directors; however, we lacked proper documentation. In the future, we will ensure to prepare and file all necessary documentation in accordance to the manual.

Proposed Completion Date: Ongoing.

PALAU VISITORS AUTHORITY
Unresolved Prior Year Findings
Year Ended September 30, 2016

There are no unresolved findings from prior year audits of PVA.