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REQUEST FOR PROPOSAL

Date of Issue: **May 17, 2024**

RFP No.: **PCS-2024-31**

SOLICITATION INFORMATION AND SELECTION SCHEDULE

Solicitation (RFP) Number: PCS-2024-31

Solicitation Title: to perform a Single Audit of the Republic of Palau National Government for Fiscal Year 2022, 2023, and 2024.

Date of Issue: May 17, 2024

MANDATORY REQUIREMENTS AND DATES

Inquiries Due Date: May 27, 2024 (Monday) 4:00 pm Palau Time

Answers/ Response: June 3, 2024 (Monday) 11:00 am Palau Time

Expression of Interest: June 10, 2024 (Monday) 4:00 pm Palau Time

Proposal Due Date and Time: June 15, 2024 (Saturday) 4:00 pm Palau Time

RFP Opening Date: June 17, 2024 (Monday) 10:00 am Palau Time

Anticipated Contract Award: By July 16, 2024

Terralyn R. Mabeyama
Director/Procurement Officer

SECTION A – RFP INFORMATION

I. RFP Purpose, Type, Process

- a. Purpose. The Bureau of Human Resources of the Government of Palau is soliciting proposals/sealed bids from Qualified Independent Certified Public Accountants to **perform a Single Audit of the Republic of Palau National Government for Fiscal Year 2022, 2023, and 2024.**
- b. Interested vendors may obtain copies of specifications by contacting the Bureau of Human Resources Procurement website <http://palaugov.pw/rfp-bids/> or calling 680-767-2415/1126.
- c. Type of RFP. This is a *competitive negotiated contract where evaluation is based on various criteria.*
- d. Funding. This project will be fully funded by the **FY2022, 2023, and 2024 Single Audit** federal grant. Award of contract is subject to the availability of funds. Offers or proposals may also be rejected, and no contract may be awarded by the Procurement Officer pursuant to the Republic of Palau Procurement law.
- e. Inspection. Offeror acknowledges that the submission of a proposal provides the Republic of Palau the right to inspect at reasonable time the part of the plant or place of business of a contractor or subcontractor which is related to the performance of any contract awarded by the government. Failure to allow inspection may result in the rejection of the proposal/offer.
- f. Business Laws and Taxes. A successful contractor must comply with local business laws and shall be subject to applicable Republic of Palau taxes and fees. In order to be awarded a contract, **a vendor shall provide proof of applicable ROP Business License (Applicable Business License)** as well as be in good standing with the Bureau of Revenue and Taxation.
- g. Potential finalist interviews/demonstrations: If necessary, the Procurement Officer will notify vendors for additional information and/or discussions. However, it is required that proposals shall be inclusive of any and all information needed for the ROP to make a determination on the best proposal.
- h. Award. It is anticipated that a vendor will be awarded within 30 days of the Bid opening unless otherwise approved by the Procurement Officer.

II. Preparation/Submission of Proposal

- a. Intention to Bid. In order for your business to be considered for this RFP, you **MUST** submit a written Expression of Interest (EOI) to the Procurement Officer by **June 10, 2024** by emailing hr@palaugov.org or providing a written EOI to the Bureau of Human Resources Office located at the 3rd Floor Executive Building in

Ngerulmud, Melekeok. The email or letter shall include Business or organization Name, Point of Contact or Authorized Representative, phone number, email address, and statement of your interest to bid.

- b. Vendors are invited to participate in the competitive selection process for the Services outlined in this RFP. Responding parties shall review their Proposal submissions to ensure the following requirements are met.
- c. Required Submittal Details and Quantities. ***Proposals must be submitted in electronic format (in a USB/thumb drive) of the finalized proposal, one (1) original printed proposal and three (3) hard copies. Proposals must be enclosed in an envelope and addressed to the above address with the RFP No. indicated on the envelope.*** In addition to the hard copies of the proposal, one complete and exact copy of the entire proposal on a Flash Drive in Microsoft Office or Microsoft Office compatible format or PDF format shall also be submitted. The electronic copy must be a mirror image of the hard copy. Proposals must be received by the Bureau of Human Resources Office in Capitol by **4:00pm (Palau Time) on June 15, 2024**, which is the closing date of this RFP. Proposals received before the issuance date and after the closing date of this RFP will not be considered.
- d. Proposal Format. Please comply with the following format:
 - i. Section 1 – Provide the Company Information – Name and contact information of authorized representative, copy of Business License, other information relevant to the service.
 - ii. Section 2 – Description services, schedules, etc.
 - iii. Section 3 – Total Cost of Proposal.
- e. Vendor Responsibilities. All Vendors shall:
 - i. examine the entire RFP,
 - ii. seek clarification of any item or requirement that may not be clear,
 - iii. check all responses for accuracy before submitting a Proposal and,
 - iv. submit the entire Proposal by the Proposal Due Date and Time.
- f. Cost of Proposal Preparation. The ROP does not reimburse the cost of developing, presenting or providing any response to this solicitation. Proposals submitted for consideration should be prepared simply and economically, providing adequate information in a straightforward and concise manner. The Vendor is responsible for all costs incurred in responding to this RFP. All materials and documents submitted in response to this RFP become the property of the ROP and will not be returned.



III. Inquiries

- a. All Inquiries and Clarification shall be received by email hr@palaugov.org no later than 4 pm (Palau Time) **May 27, 2024**.
- b. Answers/Responses to Inquiries shall be available online at <https://www.palaugov.pw/rfp-bids/> - COB on **June 3, 2024**.

IV. RFP Timeline:

Bidding Period	May 17, 2024 – June 15, 2024
Inquiries/Clarification Due	May 27, 2024 (4pm Palau Time)
Answers Responses will be Posted After	June 3, 2024 (11am Palau Time)
Expression of Interest	June 10, 2024 (4pm Palau Time)
RFP Closing Date	June 15, 2024 (4pm Palau Time)
RFP Opening Date	June 17, 2024 (10am Palau Time)
Anticipated Contract Award	July 16, 2024



REQUEST FOR PROPOSAL (RFP)

FOR QUALIFIED INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS TO
PERFORM A SINGLE AUDIT OF THE

REPUBLIC OF PALAU
NATIONAL GOVERNMENT

FOR FISCAL YEAR 2022, 2023, and 2024

Table of Contents

I.	Description of the Entity	8
II.	Audits and Fiscal Year	8
III.	Financial Information	8
IV.	Organization Structure and Management Information System	10
V.	Procurement	10
VI.	Post-Compact U.S. Federal Financial Assistance.....	11
VII.	Cognizant U.S. Federal Agency	11
VIII.	Compliance with Applicable Standards.....	11
IX.	Component Units.....	14
X.	Scope of Audit	14
XI.	Audit Reporting	15
XII.	Audit Findings.....	17
XIII.	Audit Documentation.....	19
XIV.	Major Program Determination	20
XV.	Criteria for Federal Program Risk	20
XVI.	Criteria for a Low-Risk Auditee	20
XVII.	Management Decision	20
XVIII.	Requirements of the Independent Auditor	20
XIX.	Period of Audit	21
XX.	Entrance Conference	21

XXI.	Interim Meetings	21
XXII.	Pre-Exit Conference	21
XXIII.	Response to Draft Audit Report	21
XXIV.	Exit Conference	21
XXV.	Year-End Cut-Off Procedure	22
XXVI.	Status Reports	22
XXVII.	Assistance Available to Auditors	22
XXVIII.	Special/Confidential Report	22
XXIX.	Proposal Criteria	22
XXX.	Submission of Proposal	24
XXXI.	Proposal Evaluation and Selection Process	24
XXXII.	Project Schedule	25
XXXIII.	Contract Award	25
XXXIV.	Certification of Funds Availability	25
XXXV.	Billings/Method of Payment	25
XXXVI.	Report Review, Timing and Number of Copies	25
XXXVII.	Working Papers	26

I. Description of the Entity

Palau has been occupied by foreign powers since the late 1800s. The Spanish first colonized the Palau Islands in 1885 through 1899. From the 1900s to around 1914 Palau was under the control of Germany. From around 1914 to 1945 the islands were under the control of Japan until following the end of World War II when Palau was declared a United Nations Trusteeship and placed under the administration of the United States Government. On October 1, 1994, Palau opted and entered into a Compact of Free Association with United States of America. The Compact calls for monetary and economic assistance from the United States in exchange for certain military (defense) rights use of Palau lands and territorial waters. The financial terms of the first Compact expired on September 30, 2009 and a follow up Compact Review Agreement was negotiated and approved by Palau and the United States..

The Republic of Palau's population is approximately 17,614, based on a 2020 census. The Republic of Palau follows the democratic principles of government. The structure of the government includes three branches: The Executive, the Legislative (Congress, Olbiil Era Kelulau), and the Judicial Branch. The President is elected to a 4-year term and is the head of the Executive Branch. The Congress is comprised of two (2) Houses: The Senate (Upper House) and the House of Delegates (Lower House). The President is responsible for introducing the annual unified national budget for the Republic for submission to the national congress for its consideration and approval.

II. Audits and Fiscal Year

The most recent Single Audit of the Republic of Palau was completed for fiscal year 2020. The Republic of Palau received an unmodified opinion on its financial statements. On the *Independent Auditors' Reports on Internal Control and on Compliance, the ROP received an unmodified Opinion on Each Major Federal Programs*. The audit was conducted by Deloitte & Touche. The fiscal year of the ROP begins on October 1 and ends on September 30. As of the issuance of this RFP, the RPNG was undergoing a Single Audit covering Fiscal Year 2021. The audit was re-awarded to Ernst and Young after the closure of Deloitte and Touche.

III. Financial Information

The Republic of Palau Unified Annual National Budget for Fiscal Year 2022 was \$92,013,000 under RPPL No. 11-12, 11-13, 11-14, 11-18, 11-19, 11-22, and 11-23, \$99,365,000 in Fiscal Year 2023 in RPPL No. 11-24, 11-29, NS 11-30, and \$119,196,458 for Fiscal Year 2024 under RPPL No. 11-31, and 11-32.

The engagement calls for the Single Audit of the Republic of Palau National Government (hereinafter RPNG, Republic or ROP), which shall include the activities of the Judiciary. The National Government uses Governmental Fund types (General, Special Revenue, Debt Service, Capital Projects), Proprietary Fund, and Fiduciary Fund (Compact, Non-Expendable Trust). RPNG has twelve (12) Component Units, which are audited annually by independent auditors, whose financial statements must be consolidated into the National Government's financial statements. The National Government uses a combination of accrual, modified accrual, and cash basis of accounting. Scheduled below are some vital financial information (audited) pertaining to the RPNG as of **September 30, 2020**:

Republic of Palau
Statement of Net Position
9/30/2020

	<u>Primary Government</u>	<u>Component Units</u>
Total Current Assets	\$ 101,805,321	52,426,216
Total Non-current Assets	<u>468,042,180</u>	<u>161,998,097</u>
Total Assets	<u>\$ 569,847,501</u>	<u>\$ 214,424,313</u>
Total Current Liabilities	32,140,834	\$ 18,806,606
Total Non-current Liabilities	<u>304,677,142</u>	<u>126,959,620</u>
Total Liabilities	<u>\$ 336,817,976</u>	<u>\$ 145,766,226</u>

Governmental Funds

9/30/2020

	<u>Assets</u>	<u>Revenues</u>	<u>Expenditures</u>
General fund	\$ 139,328,384	\$ 58,783,776	\$ 112,538,900
Special Revenue, U.S. Federal Grants	19,848,476	40,886,929	41,768,270
Permanent, Compact Section 211 (f)	280,034,946	10,192,768	1,529,141
Other Governmental funds	<u>12,881,149</u>	<u>4,591,348</u>	<u>3,101,703</u>
Total	<u>\$ 452,092,955</u>	<u>\$ 114,454,821</u>	<u>\$ 158,938,014</u>

The auditor must conduct a financial statement audit of the RPNG for the fiscal years ended September 30, 2022, 2023, and 2024 and render an opinion as to the fairness of the financial statement presentation in accordance with Accounting Principles generally accepted in the United States of America. As part of the audit, the auditor also must determine whether the Schedule of Expenditures of Federal Awards is presented fairly in all material respects in relation to the auditee's financial statements taken as a whole. Although the contract award calls for a

multi-year contract covering Fiscal Years 2022, 2023, and 2024, a contract must be signed in each Fiscal Year 2022, 2023, and 2024 to certify availability of funds to pay for the related services fees.

IV. Organization Structure and Management Information System

The RPNG uses a centralized national treasury into which all revenues are deposited and disbursed in accordance with the ROP laws and Unified National Budget Procedures Act, as amended. The centralized system is used by all line entities of the National Government including Ministries, Bureaus, Divisions, Boards, Commissions, and Authorities. The RPNG is composed of eight (8) Ministries, which are divided into Bureaus and further subdivided into Divisions. In addition, Boards, Commissions, Authorities, and Independent agencies also use the centralized disbursement process. The centralized National Treasury is supported by a centralized management information system. The RPNG uses an automated accounting system to keep track of the activities of Ministries, Bureaus, Divisions, Boards, Commissions, Authorities, and Independent agencies. The RPNG uses the Tyler Technologies Enterprise ERP (MUNIS) software to record, process, and report financial data to include procurement, HR, payroll, and revenues. The Ministry of Finance is responsible for the administration of the system and keeping track of the financial activities of the government, record maintenance and retention.

Upon the Unified Budget Act (appropriation budget) becoming a law, the Bureau of Budget and Planning, Ministry of Finance, inputs the budget for each Ministry, Bureau, and Division, and other agencies into the automated system. The Ministries, Bureaus, Divisions, and other agencies use Purchase Requisitions (RQs) which, upon certification of funds availability, the system generates a Purchase Order to encumber funds. All transactions are initiated at the department level and processed through National Treasury, which charges the account (budget) of the Ministry, Bureau, or Division that initiated the purchase request. The Bureau of Budget and Planning monitors the budget of each Ministry, Bureau, Division, and other agencies to ensure that expenditures do not exceed budget. Revenues, expenditures, and encumbrances are also recorded in the automated accounting system. The Palau National Congress, Boards, Commissions, and Authorities also use the centralized disbursement and accounting system. The Executive, Legislative, Judicial Branches as well as Boards, Commissions, and Authorities of the RPNG all use the centralized payroll system administered by the Ministry of Finance. Each Branch, and all agencies under it, is responsible for keeping time for its employees and on a bi-weekly basis the National Treasury provides a manual timesheet into which employees working hours are manually recorded and returned to National Treasury for payroll processing. The Judiciary is the only branch of the government that maintains a separate bank account outside of the National Treasury from which disbursements are made, except for payroll, for general operations. As such, the Judiciary maintains accounting records to support these transactions. The Bureau of National Treasury disburses periodic allotments to the judiciary to fund its operations. The audit of the Judiciary will be included in the audit of the RPNG focusing on the separate bank account.

V. Procurement

The RPNG's procurements are governed by the Republic of Palau Procurement Law and Regulations, 40 PNC 6. The Procurement Law and Regulations apply to the National

Government, State Governments, and all agencies of the government, except as provided by law. The Procurement Law was last amended on June 2018 (RPPL No. 10-26)

VI. Post- Compact U.S. Federal Financial Assistance

Previous funding streams under the 50-year Compact of Free Association between the governments of the Republic of Palau and the United States of America ended on September 30, 2009. A revised funding package was negotiated and approved in 2010 as part of a required 15-year review. This funding package is referred to as the 2010 Compact Review Agreement (CRA). A new funding package was just approved by the U.S. Congress in 2024 as part of the 30th review and agreement which concluded in 2023 which is referred to as the 2023 CRA. Under the 2023 CRA, the U.S. government will continue to provide financial assistance for operations and other economic assistance to the Republic of Palau for 20-years and beyond. Funding for Fiscal Years 2022, 2023 and 2024 are covered under the 2010 CRA Agreements. Under these agreements, the auditor must design audit procedures to determine compliance with applicable requirements of the Compact.

VII. Cognizant U.S. Federal Agency

The U.S. Department of the Interior is the Cognizant Federal agency for the Republic of Palau.

VIII. Compliance with Applicable Standards

The audit shall be performed in accordance with auditing and accounting standards generally accepted in the United States of America including the following;

- A. *Government Auditing Standards (GAS)*, issued by the U.S. Government Accountability Office (GAO), applicable revisions including the 2018 updates.

The auditor is required to comply with the GAS General Standards as well as Fieldwork and Reporting Standards. The first General Standard states that the staff assigned to conduct the audit should collectively possess adequate professional proficiency for the task required. The second standard requires that in all matters relating to the audit work, the audit organization and the individual auditors, whether government or public, should be free both in fact and appearance from personal, external and organizational impairments to independence. The third standard states that due professional care should be used in conducting the audit and in preparing related reports. As part of exercising due professional care, auditors must follow GAS. In addition, auditors must use sound judgment in establishing the scope, selecting the methodology, and choosing tests and procedures for the audit. Finally, the fourth general standard states that each audit organization performing audits in accordance with these standards should have an appropriate internal quality control system in place and undergo an external quality control review. Complying with GAS includes the 2018 revisions to the standards.

- B. *AICPA Field Work and Reporting Standards*

In addition to complying with GAS, the auditor is required to comply with professional standards established by the AICPA (Generally Accepted Auditing Standards) that apply to

financial audits. Furthermore, the auditor shall follow the AICPA Statement of Position 98-3 (SOP 98-3), Audits of States, Local Governments and Not-for-Profit Organizations Receiving Federal Awards. The auditors shall follow the most recent revisions to the AICPA standards that are in effect for financial statement audits for Fiscal year 2022, 2023, and 2024.

C. The Single Audit Act Amendments of 1996, as amended

The audit shall be conducted in accordance with the U.S. Single Audit Act of 1996, as amended. The single audit must be performed in accordance with *Government Auditing Standards* and cover the entire operations of the Republic of Palau National Government, specifically the grantee's financial statements and Schedule of Expenditures of Federal Awards, both of which must be for the same fiscal year. The auditor must determine whether the auditee's financial statements are presented fairly in all material respects in accordance with accounting principles generally accepted in the United States of America. The auditor also must determine whether the Schedule of Expenditures of Federal Awards is presented fairly in all material respects in relation to the auditee's financial statements taken as a whole.

D. Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, issued by the U.S. Office of Management and Budget (OMB). Circular A-133 was superseded by 2 CFR part 200, subpart F. A non-Federal entity that expends \$750,000 or more during the fiscal year in Federal awards must have a single or program-specific audit conducted for that year in accordance with the provisions of this part. Auditor shall use the applicable laws and regulations and other superseding regulations in effect when auditing U.S. Federal awards and expenditures of the same.

E. Compliance Supplement

Auditors must consider the Supplement, the referenced laws, regulations, OMB Circulars, and 2 CFR Part 200 in determining the compliance requirements subject to the audit that could have both a direct and material effect on the programs. The use of the Supplement is mandatory; accordingly, adherence to the Supplement satisfies the requirements of 2 CFR Part 200, Subpart F. Therefore, the auditor must use the applicable Compliance Supplement for each fiscal year under audit: the 2022 Supplement for the audit of Federal awards in fiscal year 2022, the 2023 Supplement for audit of Federal awards in fiscal year 2023, and the same applies to fiscal year 2024.

F. GASB 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. GASB 34 requires that the basic financial statements and required supplementary information for general purpose governments should consist of:

1. Independent Auditor's Report on the Financial Statements
2. Management's Discussion and Analysis (MD&A)
3. Basic Financial Statements
 - a. Government-Wide Financial statements:
 - Statement of Net Position
 - Statement of Activities
 - b. Governmental Fund Financial Statements:

- Balance Sheet
 - Statement of Revenues, Expenditures, and Changes in Fund Balances
 - Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
 - c. Fiduciary Fund Financial Statements:
 - Statement of Fiduciary Net Position
 - Statement of Changes in Fiduciary Net Position
 - d. Discretely Presented Component Unit Financial Statements:
 - Combining Statement of Net Position
 - Combining Statement of Revenues, Expenses, and Changes in Net Position
 - e. Notes to the financial statements
- 4. Required Supplementary Information
 - 5. Other Supplementary Information

The auditor shall also comply with any subsequent revisions to GASB 34, if any, that are in effect for audits for fiscal year 2022, 2023, and 2024.

G. GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions

The auditor shall report Fund Balance classifications (i.e., nonspendable, restricted, committed, assigned, etc.) that comprise a hierarchy based primarily on the extent to which the government is bound to observe constraints imposed upon the use of the resources reported in governmental funds in accordance with GASB 54.

H. GASB 68 and related Statements

The auditor shall report on the accounting and financial reporting by the ROP for the Civil Service Pension Plan's unfunded liability in accordance with GASB 68.

I. GASB 84, Fiduciary Activities

The auditor shall identify fiduciary activities for accounting and financial reporting purposes and how those activities should be reported

J. GASB 87, Leases

The auditor shall report on the accounting and financial reporting for leases by the ROP in accordance with the requirements of Statement No. 87

K. GASB 91 Conduit Debt Obligation (CDO)

The auditor shall identify CDOs for accounting and financial reporting purposes and how those should be reported in accordance with Statement 91.

M. In addition to the above GASB requirements, the auditor shall conduct the audit in accordance with other applicable GASB requirements in effect for financial statement audits for fiscal year 2022, 2023, and 2024.

IX. Component Units: Combined and individual presentations

The financial statements of Component Units must be consolidated with the primary government and presented separately in the Combined Statement of Net Position.

The Regulations set forth below follows 2 CFR Part 200 Subpart F:

X. § 200.514 Scope of Audit

A. General. The audit must be conducted in accordance with GAGAS. The audit must cover the entire operations of the auditee. The financial statements and schedule of expenditures of Federal awards must be for the same audit period. The audit shall be conducted for fiscal years 2022, 2023, and 2024.

B. Financial Statements. The auditor must determine whether the RPNG's financial statements are presented fairly in all material respects in accordance with generally accepted accounting principles (GAAP). The auditor must also determine whether the Schedule of Expenditures of Federal Awards is presented fairly in all material respects in relation to the auditee's financial statements taken as a whole.

C. Internal Control.

1. The compliance supplement provides guidance on internal controls over Federal programs based upon the guidance in Standards for Internal Control in Federal Government issued by the Comptroller General of the United States and the Internal Control –Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
2. In addition to the requirements of GAGAS, the auditor must perform procedures to obtain an understanding of internal control over Federal programs sufficient to plan the audit to support a low assessed level of control risk of noncompliance for major programs.
3. Except as provided in paragraph (c) (4) of this section, the auditor must:
 - a. Plan the testing of internal control over compliance for major programs to support a low assessed level of control risk for the assertions relevant to the compliance requirements for each major program; and
 - b. Perform testing of internal control as planned in paragraph (c) (3) (i) of this section.
4. When internal control over some or all of the compliance requirements for a major program are likely to be ineffective in preventing or detecting noncompliance, the planning and performing of testing described in (C)(3) of this section are not required for those compliance requirements. However, the auditor must report a significant deficiency or material weakness in accordance with Section 200.516, assess the related

control risk at the maximum, and consider whether additional compliance tests are required because of ineffective internal control).

D. Compliance

1. In addition to the requirements of GAGAS, the auditor must determine whether the auditee has complied with Federal statutes, regulations, and the terms and conditions of Federal awards that may have a direct and material effect on each of its major programs.
2. The principal compliance requirements applicable to most Federal programs and the compliance requirements of the largest Federal programs are included in the compliance supplement.
3. For compliance requirements related to Federal requirements contained in the compliance supplement, an audit of these compliance requirements will meet the requirements of this part. Where there have been changes to the compliance requirements and the changes are not reflected in the compliance supplement, the auditor shall determine the current compliance requirements and modify the audit procedures accordingly. For those Federal programs not covered in the compliance supplement, the auditor must follow the compliance supplement's guidance for programs not included in the supplement.
4. When internal control over some or all of the compliance requirements for a major program are likely to be ineffective in preventing or detecting noncompliance, the planning and performing of testing described in paragraph (c) (3) of this section are not required for those compliance requirements. However, the auditor must report a significant deficiency or material weakness in accordance with Section 200.516, assess the related control risk at the maximum, and consider whether additional compliance tests are required because of ineffective internal control.

E. Audit follow-up

The auditor must follow-up on prior audit findings, perform procedures to assess the reasonableness of the summary schedule of prior audit findings prepared by the auditee in accordance with Section 200.511 (b), and report, as a current year audit finding, when auditor concludes that the summary schedule of prior audit findings materially misrepresents the status of any prior audit finding. The auditor must perform audit follow-up procedures regardless of whether a prior audit finding relates to a major program in the current year.

F. Data Collection Form.

As required in § 200.512 (b)(3), the auditor must complete and sign specified sections of the data collection form.

XI. § 200.515 Audit Reporting

The auditor's report(s) may be in the form of either combined or separate reports and may be organized differently from the manner presented in this section. The auditor's report(s) must state that the audit was conducted in accordance with this part and include the following:

- A. Financial statements. The auditor must determine and provide an opinion (or disclaimer of opinion) whether the financial statements of the auditee are presented fairly in all material respects in accordance with generally accepted accounting principles. The auditor must also decide whether the schedule of expenditures of Federal awards is stated fairly in all material respects in relation to the auditee's financial statements taken as a whole.
- B. A report on internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements. This report must describe the scope of testing of internal control and compliance and the results of the tests, and, where applicable, it will refer to the separate schedule of findings and questioned costs described in paragraph (d) of this section.
- C. A report on compliance for each major program and a report on internal control over compliance. This report must describe the scope of testing of internal control over compliance, include an opinion or disclaimer of opinion as to whether the auditee complied with Federal statutes, regulations, and the terms and conditions of Federal awards which could have a direct and material effect on each major program and refer to the separate schedule of findings and questioned costs described in paragraph (d) of this section.
- D. A schedule of findings and questioned costs which must include the following three components:
 1. A summary of auditor's results, which must include:
 - a. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP (i.e., unmodified opinion, qualified opinion, adverse opinion, or disclaimer of opinion);
 - b. Where applicable, a statement about whether significant deficiencies or materials weaknesses in internal control were disclosed by the audit of the financial statements;
 - c. A statement as to whether the audit disclosed any noncompliance that is material to the financial statements of the auditee;
 - e. Where applicable, a statement about whether significant deficiencies or material weaknesses in internal control over major programs were disclosed by the auditee;
 - f. The type of report the auditor issued on compliance for major programs (i.e., unmodified opinion, qualified opinion, adverse opinion, or disclaimer of opinion);
 - g. A statement as to whether the audit disclosed any audit findings that the auditor is required to report under Section 200.516(a);

- h. An identification of major programs by listing each individual major program, however, in the case of a cluster of programs, only the cluster name as shown on the Schedule of Expenditures of Federal Awards is required;
 - i. The dollar threshold used to distinguish between Type A and Type B programs, as described in Section 200.518(b)(1) or (3) when a recalculation of the Type A threshold is required for large loan or loan guarantees; and
 - j. A statement as to whether the auditee qualified as a low-risk auditee under Section 200.520.
- 2. Findings relating to the financial statements which are required to be reported in accordance with GAGAS.
 - 3. Findings and questioned costs for Federal awards which must include audit findings as defined in Section 200.516(a).
 - a. Audit findings (e.g., internal control findings, compliance findings, questioned costs, or fraud) that relate to the same issue must be presented as a single audit finding. Where practical, audit findings should be organized by Federal agency or pass-through entity.
 - b. Audit findings that relate to both the financial statements and Federal awards, as reported under paragraphs (d)(2) and (d)(3) of this section, respectively, must be reported in both sections of the schedule. However, the reporting in one section of the schedule may be in Summary form with a reference to a detailed reporting in the other section of the schedule
 - E. Nothing in this part precludes combining of the audit reporting required by this section with the reporting required by Section 200.512(b) when allowed by GAGAS and appendix X to this part.

XII. § 200.516 Audit Findings

- A. Audit findings reported. The auditor must report the following as audit findings in a schedule of findings and questioned costs:
 - 1. Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or a material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
 - 2. Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of

reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.

3. Known questioned costs that are greater than \$25,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor must also report known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.
4. Known questioned costs that are greater than \$25,000 for a Federal program which is not audited as a major program. Except for audit follow-up, the auditor is not required under this part to perform audit procedures for such a Federal program; therefore, the auditor will normally not find questioned costs for a program that is not audited as a major program. However, if the auditor does become aware of questioned costs for a Federal program that is not audited as a major program (e.g., as part of audit follow-up or other audit procedures) and the known questioned costs are greater than \$25,000, then the auditor must report this as an audit finding.
5. The circumstances concerning why the auditor's report on compliance for each major program is other than an unmodified opinion, unless such circumstances are otherwise reported as audit findings in the schedule of findings and questioned costs for Federal awards.
6. Known or likely fraud affecting a Federal award, unless such fraud is otherwise reported as an audit finding in the schedule of findings and questioned costs for Federal awards. This paragraph does not require the auditor to report publicly information which could compromise investigative or legal proceedings or to make an additional reporting when the auditor confirms that the fraud was reported outside the auditor's reports under the direct reporting requirements of GAGAS.
7. Instances where the results of audit follow-up procedures disclosed that the summary schedule of prior audit findings prepared by the auditee in accordance with § 200.511(b) materially misrepresents the status of any prior audit finding.

B. Audit finding detail and clarity

1. Federal program and specific Federal award identification including the Assistance Listings title and number, Federal award identification number and year, name of Federal agency, and name of the applicable pass-through entity. When information, such as the Assistance Listings title and number or Federal awards identification number, is not available, the auditor must provide the best information available to describe the Federal award.

2. The criteria or specific requirement upon which the audit finding is based, including the Federal statutes, regulations, or terms and conditions of the Federal awards. Criteria generally identify the required or desired state or expectation with respect to the program or operation. Criteria provide a context for evaluating evidence and understanding findings.
3. The condition found, including facts that support the deficiency identified in the audit finding
4. A statement of cause that identifies the reason or explanation for the condition or the factors responsible for the difference between the situation that exists (condition) and the required or desired state (criteria), which may also serve as a basis for recommendations for corrective action.
5. The possible asserted effect to provide sufficient information to the auditee and Federal agency, or pass through entity in the case of a subrecipient, to permit them to determine the cause and effect to facilitate prompt and proper corrective action. A statement of the effect or potential effect should provide a clear, logical link to establish the impact or potential impact of the difference between the condition and criteria.
6. Identification of questioned costs and how they were computed. Known questioned costs must be identified by applicable Assistance Listings number(s) and applicable Federal award identification number(s).
7. Information to provide proper perspective for judging the prevalence and consequences of the audit findings, such as whether the audit findings represent an isolated or systemic problem. Where appropriate, instances identified must be related to the universe and the number of cases examined and quantified in terms of dollar value. The auditor should report whether the sampling was statistically valid sample.
8. Identification of whether the audit was a repeat of a finding in the immediately prior audit and if so any applicable prior year audit finding numbers.
9. Recommendations to prevent future occurrences of the deficiency identified in the audit finding.
10. Views of responsible officials of the auditee.

XIII. § 200.517 Audit Documentation: Please refer to Section 200.517 for additional requirements.

- A. Retention of audit documentation. The auditor must retain audit documentation and reports for a minimum of three years after the date of issuance of the auditor's report(s) to the auditee, unless the auditor is notified in writing by the cognizant agency for audit, oversight agency for audit, cognizant agency for indirect costs, or pass-through entity to extend the retention period. When the auditor is aware that the Federal agency, pass-through entity, or auditee is contesting an audit finding, the auditor must contact the parties contesting the audit finding for guidance prior to destruction of the audit documentation and reports.

XIV. § 200.518 Major Program Determination

- A. General. The auditor must use a risk-based approach to determine which Federal programs are major programs. This risk-based approach must include consideration of: current and prior audit experience, oversight by Federal agencies and pass-through entities, and the inherent risk of the Federal program. The process in paragraphs (b) through (h) of this section, Section 200.518, must be followed.

XV. § 200.519 Criteria for Federal Program Risk

- A. General. The auditor's determination should be based on an overall evaluation of the risk of noncompliance occurring which could be material to the Federal program. The auditor must consider criteria, such as described in paragraphs (b), (c), and (d) in this section, to identify risk in Federal programs. Also, as part of the risk analysis, the auditor may wish to discuss a particular Federal program with auditee management and the Federal agency or pass-through entity. Refer to Section 200.519 for further guidance.

XVI. §200.520 Criteria for a Low-Risk Auditee

An auditee that meets all of the following conditions, (a) through (e), as enumerated in this section, for each of the preceding two audit periods must qualify as a low-risk auditee and be eligible for reduced audit coverage in accordance with § 200.518.

XVII. §200.521 Management Decision

- A. General. The management decision must clearly state whether or not the audit finding is sustained, the reasons for the decision, and the expected auditee action to repay disallowed costs, making financial adjustments, or take other actions. If the auditee has not completed corrective action, a timetable for follow-up should be given... Please refer to paragraphs (a) through (e) in this section for more detailed guidance.

XVIII. Requirements of the Independent Auditor

Mandatory Qualifications of the Auditor:

The following information must be submitted by all respondents:

1. An affirmation that the auditor is properly licensed for public practice as a certified public accountant or a public accountant. According to generally accepted governmental auditing standards (GAGAS), public accountants must be licensed on or before December 31, 1970, or working for a CPA firm to be eligible for engagement.
2. An affirmation that the auditor meets the independence requirements of *Government Auditing Standards*, 2018 revision, published by the Government Accountability Office (GAO). The General Standards on Independence state: "In all matters relating to the audit work, the audit organization and the individual auditor, whether government or public, must be free from personal, external, and organizational impairments to independence, and must avoid the appearance of such impairments of independence."

3. An affirmation that the respondent does not have a record of substandard audit work.
4. The respondent must submit a copy of its most recent peer review report.
5. An affirmation that the respondent meets any other specific qualification requirements imposed by the Republic of Palau's Public Accountancy Act (11 PNC 13). Accountancy Act is available at <http://palauopa.org/boa.html>.

XIX. Period of Audit

The audit will cover:

Fiscal Year 2022, 2023, and 2024.

XX. Entrance Conference

The auditor shall hold an entrance conference with the Minister of Finance and the Public Auditor to discuss plans for the audit, timetable, the approach, including schedules to be prepared by the government, work schedule, workspace requirements, and other conditions necessary to ensure the audit is conducted in an efficient and effective manner.

XXI. Interim Meetings

Throughout the conduct of the audit fieldwork, the auditor shall meet from time-to-time with the Minister and/or other key staff to advise them of potential audit findings, questioned costs and related issues to enable them sufficient time to attempt to resolve the findings and questioned costs prior to the issuance of the Draft Report.

XXII. Pre-exit Conference

Upon issuance of the DRAFT audit report, the auditor will meet with the Minister of Finance and Public Auditor to present the Draft report and discuss the proposed audit findings, questioned costs, and related issues. Discussion on the process and efforts leading towards finalizing the Draft report should occur here.

XXIII. Response to Draft Audit Report

The auditor shall ensure that a response is received from the auditee for each internal control and noncompliance finding. The response shall specify the corrective action plan to resolve the finding, be sufficient to resolve the finding, identify the official responsible for its implementation, and identify the target date for implementation of corrective action. In addition, the auditor shall ensure that appropriate and sufficient supporting documents are provided by the auditee in order to resolve any questioned cost. The response shall be incorporated into the final report.

XXIV. Exit Conference

Upon issuance of the final report, the auditor shall meet with the Minister of Finance and the Public Auditor to discuss the findings and questioned costs in the final audit report and the distribution of audit reports to U.S. federal agencies along with required Data Collection Form. Discussion on the process and efforts to resolve questioned costs should transpire here.

XXV. Year-End Cut-off Procedures

The auditor shall ensure that year-end cut-off procedures are performed on September 30 to establish and verify the proper cut-off of year-end documents and related processes.

XXVI. Status Reports

The auditor shall provide periodic status reports to the Minister of Finance and the Public Auditor on the progress of the audit and report or discuss any problems or issues that may be hindering the progress of the work. The timing of such status reports shall be discussed and agreed upon between the auditor and the Minister of Finance.

XXVII. Assistance Available To Auditors

- A. The Minister of Finance will assign staff available to assist the auditor.
- B. The staff can prepare trial balances, schedules, reproduce documents, upload documents, pull documents, etc.
- C. A technical staff will be available to serve as an audit liaison to answer questions, dispose of requests by auditors, and otherwise attend to other matters raised by the auditor.
- D. The Office of the Attorney General is the legal counsel for the Republic and is available to discuss legal issues related to the audit.
- E. All inter-fund, interdepartmental, bank reconciliations, accounts receivable, accounts payable, and other required reconciliations will have been reconciled at the end of the fiscal year.
- F. The ROP will provide adequate working space for the auditor and staff, which will be within the vicinity of the records.
- G. The U. S. Department of the Interior is the cognizant Federal Agency for the Single Audit.

XXVIII. Special/Confidential Reports

Reports on fraud, waste and abuse, or illegal acts shall be covered in separate confidential report to the Public Auditor.

XXIX. Proposal Criteria

- A. Qualifications of the Firm

1. Describe the organization and size of the firm and whether it is local, regional, national or international in operations.
2. Describe the office from which the work is to be staffed, including the number of professional staff, by staff level employed at that location.
3. Describe the range of activities performed by the local office such as auditing, accounting, tax services, and management services.
 - a. Discuss staffs capability to audit computerized systems, including the number of personnel skilled in computer science who will work on the audit and their experience in auditing computerized systems, especially similar hardware and software systems. A list of the type of systems and the hardware and software audited would be helpful.
 - b. Include positive affirmations as discussed in **Section XVIII** on Requirements for the Independent auditor.
 - c. Describe your firm's experience in performing governmental audits in accordance with the requirements of GAS, GAAS, GASB 34, Single Audit Act, and CFR Part 200 Subpart F.
 - d. Provide a list including the names, addresses, and telephone numbers of clients whom the firm has provided similar audit services as described at c above.

B. Qualifications of Individuals

Describe the qualifications and experience of staff assigned to the audit that would distinguish them from competition. Identify the Partner, audit managers, and field supervisors and other staff who will work on the audit, including staff from other than your local office. Resumes including relevant education, experience, and the number and nature of CPE hours of all auditors, including supervisors, managers and the individual with final responsibility for the engagement, should be included.

C. Scope of Services

In the proposal, discuss the scope of services as prescribed in **Section X** and **VIII.F.** of this RFP. Emphasize any special services or product the firm can provide that would distinguish it from other competitors.

D. Fee Proposal

1. The fee proposal should be submitted in a separate sealed envelope and the fee amount should not be disclosed anywhere else in the proposal. The fee proposal should separate the fee for the audit and overhead costs.
2. The auditor will be expected to provide transportation, temporary housing and meals for staff while performing the audit.

XXX. Submission of Proposal

Proposal must respond to all the structured criteria set forth at Section **XXIX** and as contained in this RFP.

XXXI. Proposal Evaluation and Selection Process

Proposals will be evaluated by an Evaluation Committee consisting of four (4) members. Proposals will be opened only by the Procurement Officer or designee and will be treated as proprietary information for the official use of the Committee in connection with the evaluation process.

Each response to the criteria prescribed in Section **XXIX**, Proposal Criteria, will be scored on a point scale from 0 to 5, 0 being the lowest, then multiplied by the weight factor shown below. The Committee will then evaluate the scores and may conduct phone interviews of the leading scores and check their references before selecting a firm to negotiate a contract with.

<u>Criteria</u>	<u>Points</u>	<u>Weight</u>	<u>Score</u>
Qualifications of Audit Firm	0-5	2	0-10
Qualifications of Individuals	0-5	3	0-15
Scope of Services	0-5	3	0-15
Fee Proposal	0-5	2	0-10

The Evaluation Committee will be comprised of the following members:

- Minister of Finance
- Procurement Officer (Director, Bureau of Human Resources)
- Director, National Treasury
- Public Auditor

The Procurement Officer reserves the right to appoint or substitute members should any of the above-listed members is unable to execute his/her duties.

The Evaluation Committee shall document the results of their evaluation and recommendations and transmit them to the Procurement Officer. The Procurement Officer will consider the Evaluation Committee's recommendations and make the final determination as to which proposal is most advantageous to the Government of the Republic of Palau.

Special consideration will be given to proposers who represent audit firms owned and controlled by socially and economically disadvantaged individuals, or proposers who plan to sub-award portion of the audit engagement to small audit firms owned and controlled by socially and economically disadvantaged individuals. This special consideration however will not compromise the necessary quality required of the audit report to be produced. Any sub-award plan should be specified for each section of the audit engagement in the proposal. Sub-award plans should indicate at least a description of the specific portion(s) and the relevant costs to be

sub-awarded and how the proposer plans to supervise or coordinate the work of the sub-awardee.

All firms or individuals submitting proposals will be promptly notified of the determination of the Procurement Officer. Proposals will become the property of the Government of the Republic of Palau and will not be returned.

XXXII. Project Schedule

The following dates and time shall be adhered to and remain in force unless waived in writing by the Procurement Officer:

July 1, 2024	Start of Single Audit for FY 2022
November 30, 2024	Issuance of Draft Audit Report for the FY 2022 Single Audit
December 31, 2024	Issuance of Final Single Audit Report for FY 2022
January 1, 2025	Start of Single Audit for FY 2023
May 30, 2025	Issuance of Draft Single Audit Report for FY 2023
June 30, 2025	Issuance of Final Single Audit Report for FY 2023
July 1, 2025	Start of Single Audit for FY 2024
November 30, 2025	Issuance of Draft Single Audit Report for FY 2024
December 31, 2025	Issuance of Final Single Audit Report for FY 2024

XXXIII. Contract Award

The contract award shall cover Fiscal Years 2022, 2023, and 2024.

XXXIV. Certification of Funds Availability

All obligations of the Government under this contract shall be contingent upon the appropriation of funds for this contract. Accordingly, the contract must require annual certification of funds availability to pay for the cost of the contract for each Fiscal Year 2022, 2023, and 2024. Government shall not be liable for any obligations under this contract for which funds have not been appropriated.

XXXV. Billings/Method of Payment

All billings and payments shall be in accordance with progress of work. All progress billings shall be transmitted to the Public Auditor for certification as to progress of work, after which billings will then be forwarded to Bureau of National Treasury for processing and payment. A retainer shall be paid upon commencement of work.

XXXVI. Report Review, Timing, and Number of Copies

The following conditions shall be adhered to concerning procedures for report submission, number of copies, special reporting, etc.

- A. A Draft audit report shall be submitted to the Minister of Finance for his review and comments. Pursuant to the Public Auditing Act (40 PNC 2), the Minister shall have 30 days to respond to the report, which response shall be incorporated into the final report.
- B. A paper copy of the Draft report shall be submitted to the Office of the Public Auditor, P.O. Box 850, Koror, Palau 96940 or an electronic copy may be sent to admin@palauopa.org for its review.
- C. Management reports should be submitted as part of the final audit report.
- D. Twenty-five (25) paper copies and an electronic copy of the final audit report shall be provided to the Public Auditor.
- E. Complete the required **Data Collection Form** at **Section X.F.** and provide therewith sufficient copies of final reports to the Cognizant Federal Agency and the Federal Audit Clearinghouse.

XXXVII. Working Papers

- A. Working papers will be retained for at least three years.
- B. Working papers will be available for examination by the Public Auditor, Republic of Palau, representatives of the cognizant Federal audit agency, and the General Accounting Office.