

TRANSITION REPORT

November 19, 2020



OFFICE OF THE PUBLIC AUDITOR

Republic of Palau

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Office of the Public Auditor

21-017ad
November 19, 2020

Chairman
Committee of the Transition
11th Constitutional Government
Republic of Palau

Dear Sir:

In accordance with your request, I submit herewith the Transition Report of the Office of the Public Auditor. I have taken the liberty to include the Palau Board of Accountancy in the report, which I serve as a chairman.

I hope the report is resourceful for the Committee's transition responsibilities and I will make myself available to answer any questions you may have or provide additional information you may require.

Sincerely,

Satrunino Tewid
Acting Public Auditor
/Chairman, Palau Board of Accountancy

Enclosure

Office of the Public Auditor

(Palau Board of Accountancy chaired by Public Auditor is included in this report, refer to Section I.B.)

The Office of the Public Auditor (OPA) is an independent agency of the National Government of the Republic of Palau (ROP or Republic). It is established under Article XII, Section 2(b) of the Constitution of the Republic of Palau and the Public Auditing Act of 1985 (PNCA 40, Chapter 2). The OPA is headed by the Public Auditor, who is appointed for a six-year term by the President of the Republic with the advice and consent of the Palau National Congress. The Article XII, Section 2(b) of the Constitution mandates that the Public Auditor inspects and audits accounts of every branch, department, agency, and authority of the national government, and of all other public legal entities or nonprofit organizations that receive public funds from the National Government. In the wake of COVI-19 and the prevention measures implemented around the world to prevent its spread, disrupting both private and government sector business activities, including audits, the U.S. Office of Management and Budget of issued a Memorandum extending the deadline for Single Audits for up to six (6) months; thus, extending the deadline from June 30 to December 31. Thus, the FY 2019 Single Audit of the ROP is due no later than December 31, 2020

I. MANDATES AND STATUS

A. Audits

- **Single Audits (PNCA 40, §223(a)) – Nation-wide and Semi-Autonomous Agencies**

The United States Federal Financial Assistance programs, the Compact of Free Association between the ROP and the United States, and the U.S. Single Audit Act require the ROP and its 12 Component Units to undergo an annual Single Audit. The Single Audits funded by United States, are outsourced to independent auditors with oversight by the OPA.

Fiscal Year 2019

Entity	Issued Date /Status
Belau Submarine Cable Corporation	Final 7/8/2020
Civil Service Pension Plan (including GASB 68 - Audit on Unfunded Liability)	Final 1/7/2020
National Development Bank of Palau	Final 5/12/2020
Palau Community Action Agency	Audit on-hold due to closed border.
Palau Community College	Final 7/20/2020
Palau District Housing Authority	Finalizing of the audit awaits the pending issues with housing loan.
Palau International Coral Reef Center	On hold pending required documents
Palau National Communications Corporation*	Final 6/2/2020
Palau Visitor's Authority	Final 3/9/2020
Protected Areas Network Fund	Final 5/15/2020
Palau Public Utilities Corporation	Final 7/31/2020
Social Security Administration	Final 6/22/2020
ROP National Government	On-going; should be completed no later than 12/31/2020

Fiscal Year 2020

The ROP and 12 Component Units are ready to commence the FY 2020 Single Audit for those entities that have completed the FY 2019 Single Audit. The ROP and those entities that are nearing completion should be ready to commence the FY 2020 upon issuance of the FY 2019.

- **State Governments Financial Audits (RPPL 9-9 (PNCA 40 §223 (e)))**

The audits are outsourced to independent auditors of Deloitte & Touche and Burger, Comer, Magliari with oversight by OPA. The audits are locally funded through national appropriations which are administered by the Minister of Finance.

Fiscal Year 2016 and 2017 (Funded by RPPL 10-29 (FY 2019 Budget) \$200,000 appropriated to the Minister of Finance):

State	Cost	Auditor	Status
Aimeliik	\$15,000	D&T	Final 5/15/2020
Angaur	\$15,000	D&T	Final 3/30/2020
Hatohobei	\$15,000	D&T	Final 1/9/2020
Kayangel	\$15,000	D&T	Draft 4/29/2020 – delayed due to COVID-19
Melekeok	\$15,000	D&T	Final 3/11/2020
Ngaraard	\$15,000	D&T	Final 1/24/2020
Ngarchelong	\$11,000	BCM	Draft 4/26/2020 – delayed due to COVID-19
Ngardmau	\$13,000	BCM	Concluded fieldwork and in a process of drafting the report
Ngatpang	\$15,000	D&T	Draft 1/14/2020 – delayed due to COVID-19
Ngeremlengui	\$15,000	BCM	On hold awaiting documents from the State
Ngchesar	\$15,000	D&T	Final 3/11/2020
Ngiwal	\$11,000	BCM	Final 6/15/2020
Peleliu	\$16,000	D&T	On hold awaiting documents from the Governor/Legislature
Sonsorol	\$11,400	BCM	Final 4/23/2020

Fiscal Year 2018 and 2019 (Funded by RPPL 10-42 (FY 2020 Budget) \$200,000 appropriated to the Minister of Finance):

State	Cost	Auditor	Status
Aimeliik	\$15,000	D&T	Commenced – issued engagement letter/awaiting documents
Angaur	\$15,000	D&T	Commenced – issued engagement letter/awaiting documents
Hatohobei	\$11,000	BCM	Commenced – issued engagement letter/awaiting documents
Kayangel	\$15,000	D&T	Commenced – issued engagement letter/awaiting documents
Melekeok	\$10,000	BCM	Commenced – issued engagement letter/awaiting documents
Ngaraard	\$15,000	D&T	Commenced – issued engagement letter/awaiting documents
Ngarchelong	\$12,000	BCM	Commenced – issued engagement letter/awaiting documents
Ngardmau	\$13,000	BCM	Commenced – issued engagement letter/awaiting documents
Ngatpang	\$15,000	D&T	Commenced – issued engagement letter/awaiting documents
Ngeremlengui	\$11,000	BCM	Commenced – issued engagement letter/awaiting documents
Ngchesar	\$15,000	D&T	Commenced – issued engagement letter/awaiting documents
Ngiwal	\$11,000	BCM	Commenced – issued engagement letter/awaiting documents
Peleliu	\$15,000	D&T	Commenced – issued engagement letter/awaiting documents
Sonsorol	\$12,000	BCM	Commenced – issued engagement letter/awaiting documents

Progress impacted by COVID-19: we are experiencing disruptions on audit progress outside of the norm. The Republic is presently operating under a lockdown to prevent the entry of COVID-19 into Palau. Consequently, auditors are unable to fly in and out of Palau to conduct the audit. The Ministry of Finance, State Governments, and the OPA are working with the auditors to identify specific audit procedures that can be undertaken virtually. However, auditors are adamant about specific procedures that require their presence on-site, such as examining source documents.

- **Performance Audits (PNCA 40 §223(b, c)) – conducted by OPA**

Entity	Period	Status
Angaur State Government: Regina IV Repair Project	10/1/2014-12/31/2016	Final 2/19/2020
Palau Public Utilities Corporation: Koror-Airai Sanitation Project	2/5/2014–6/30/2019	On-going
Koror State Government: Japan GGP - Reconstruction for Koror State Recycling Center \$136,066	2/23/2018-2/22/2019	On-going
Ngchesar State Government: Equipment for Improving Rainwater Drainage System \$88,950	12/6/2018-6/19/2019	Final 8/11/2020
Melekeok State Government: Japan GGP - Dry Litter Piggery Technology Introduction \$59,416	9/28/2018-3/31/2019	Draft 7/28/2020
Ngeremlengui State Government	10/1/2007-9/30/2015	Final 6/8/2020
Ministry of Education - Palau High School Bus		Commenced 4/2/2020
Ministry of Finance – Desk Audit of Palau Embassy in Manila		Ongoing

- **Other Mandated Audits**

In addition to above, the OPA by law, as listed below, are required to conduct the following audits:

Code of Ethics Act (RPPL 5-32) - Audits of Financial Disclosure Statements

To conduct audits of campaign statements of candidates for the Offices of the President and Vice President of the Republic and random audits of other campaign statements filed under this chapter.

Audits of financial disclosure statements are a critical part of the Code of Ethics Act as it ensures that candidates who run for public office are filing the required financial disclosures and, more importantly, are properly reporting financial contributions and expenses of their election campaigns and account(s) from which a campaign is funded and administered.

Development/Performance in 2020: The OPA has not conducted these audits since the enactment of the law, due to lack of manpower.

Budget Reform Act of 2001 (RPPL 6-11)

To Conduct Attestation Audits of Performance Reports

The OPA feels that Attestation Audits are critical component of this law as they verify the credibility, accuracy and reliability of an agency’s performance report, the data collection and measurement methodologies. Without attestation audits, the leadership and relevant stakeholders cannot reasonably gauge the performance of an agency, or determine the credibility, accuracy and reliability of data collection and measurement methodologies.

Development/Performance in 2020: The OPA has not conducted these audits since the enactment of the law due to lack of manpower.

B. Non-Audit Mandate

- **Board of Accountancy (RPPL 3-71)**

The Public Auditor serves as Chairman of the Palau Board of Accountancy (PBOA or Board), which is responsible for regulating and overseeing the practice of accountancy in the Republic. The PBOA regulates and oversees the practice by screening applications, licensing qualified practitioners, and issuing permits to those individuals and firms that meet the statute’s qualification requirements to practice accountancy in the ROP. The Board receives no appropriations to fund its operations; thus, the OPA absorbs all of the Boards’ administrative costs.

The PBOA administers a critical function in ensuring the integrity of the practice of public accountancy in the Republic. The Board serves a critical role in ensuring that those licensed to practice meet qualifications requirements and, in doing so, assures the quality of audits and other financial services offered in the Republic. Without it, CPAs cannot practice or conduct audits and related assurance services without the requisite licenses and permits issued by the Board.

Board Members:

Chairman – Public Auditor

Member (2-year term) – Visia N. Alonz (expiring 1/22/2021)

Member (2-year term) – VACANT

Member (3-year term) – Ruth S. Wong (expiring 1/22/2022)

Member (3-year term) – Gail M. Rengiil (expiring 1/22/2022)

In calendar year 2020, the PBOA issued a total of 13 permits to 4 Accounting Firms and 9 Certified Public Accountants and collected and deposited \$950 into the National Treasury therewith.

CPA Firm	Payment	Permit
Deloitte & Touche	\$100.00	F20-01
Ernst & Young LLP	\$100.00	F20-02
Ahzzma CPA LLP	\$100.00	F20-03
Burger, Comer, Magliari	\$100.00	F20-04
CPA Individual	Payment	Permit
Daniel S. Fitzgerald	\$50.00	20-01
Michael S. Johnson	\$50.00	20-02
Lee Vensel	\$50.00	20-03
John R. Onedera	\$50.00	20-04
James N. Whitt	\$50.00	20-05
Lance K. Kamigaki	\$50.00	20-06
Edmund E. Brobesong	\$50.00	20-07
Yoichi Ahzzma	\$150.00	20-08
David J. Burger	\$50.00	20-09

II. NON-AUDIT SERVICES

A. Local Governance Strengthening Project (LGSP)

The Local Governance Strengthening Project (LGSP) is a UNDP-ROP funded project administered by the Ministry of State through the Bureau of Domestic Affairs. The purpose of the LGSP is to provide training and other capacity building programs for State Governments to support good governance. The Bureau of Domestic Affairs partners with the OPA to provide training programs geared to strengthen State Governments accounting systems.

The OPA assists in the LGSP in the following:

- Participates in conducting Clinics for States' Leadership,
- Provides comprehensive training on Standard Operating Procedures and Rules and Regulations of Financial Accountability and Financial Audit for State Governments,
- Provides training on automated accounting system on Quickbooks software, and

B. Assistancess to State Governments

In addition, the OPA provides assistances to State Governments in preparation for annual financial audit as follows:

- Assists State Governments prepare Trial Balances for the financial audit of FY 2016 and 2017; and FY2018 and 2019,
- Provides advisory services for State Governments in preparing for financial audits, and
- Provides advisory services in the area of procurement, budget, personnel and other related matters.

III. BUDGET (PNCA 40, \$251)

Pursuant to Public Auditing Act, the Public Auditor shall transmit his proposed budget in form and manner specified by the President of the Republic of Palau.

Beginning in Fiscal Year 2019 the lesser of \$600,000 or one percent (1%) of all unrestricted local revenues from the preceding Fiscal Year, shall be reserved for the Office of the Public Auditor to perform its duties under the Constitution, Article XII, Section 2(b).

IV. PERSONNEL

Name	Position	Years of Service	Projected Year of Retirement/End of Contract
Satrunino Tewid	Acting Public Auditor	35	Retirement Age Nov 2020/ Appointment will terminate upon appointment and confirmation of the new Public Auditor
Vacant	Audit Manager		
Jowas Wasisang	Senior Auditor III	33	Retirement in Jan 2021
Rena L Kloulechad	Senior Auditor II	28	Retirement in May 2021
Romana L Blailes	Senior Auditor I	23	Retirement in March 2029
Reggie Jay Mabel	Junior Auditor III	6	Retirement in May 2045
Ronald F Mamuyac	Junior Auditor II	3	End of contract, Sept 2021
Dilrae U Mechol	Junior Auditor I	2	Retirement in 2055
Meikok P Chin	Administrative Officer/ System Administrator	30	Retirement in Sept 2029
Matsumi Taro	Administrative Assistant	24	Retirement in March 2025