

NGCHESAR STATE GOVERNMENT

INDEPENDENT AUDITORS' REPORTS ON  
INTERNAL CONTROL AND ON COMPLIANCE

YEAR ENDED SEPTEMBER 30, 2017

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

Honorable Florencio Adelbai  
Governor  
Ngchesar State Government

We have audited, in accordance with the 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 statement of receipts and disbursements of the Ngchesar State Government (the State) as of and for the year ended September 30, 2017, and the related notes to the statement of receipts and disbursements, and have issued our report thereon dated March 11, 2020.

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

In planning and performing our audit of the statement of receipts and disbursements, we considered the State'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 statement of receipts and disbursements, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we do not express an opinion on the effectiveness of the State'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 statement of receipts and disbursements 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2017-002 that we consider to be a material weakness.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the State's statement of receipts and disbursements is 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 statement of receipts and disbursements 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 2017-001.

## **The State's Response to Finding**

The State's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The State'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 result 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*

March 11, 2020

NGCHESAR STATE GOVERNMENT

Schedule of Findings and Responses  
Year Ended September 30, 2017

Local Procurement

Finding No. 2017-001

Criteria: The State's procurement regulations state the following:

- Any procurement not exceeding \$10,000 may be made in accordance with the small purchase procedures to be established by regulations promulgated by the Minister of Administration. However, procurement requirements shall not be artificially divided so as to constitute a small purchase.
- Formal bidding is not required but is encouraged for procurement not exceeding \$10,000. Except that competitive bidding procedure shall be required on any items sought by the State governments of \$5,000 or more.

Further, an effective system of internal control includes policies and procedures to determine that transactions are adequately substantiated.

Condition: Of twenty-four disbursements tested, totaling \$49,017, formal bidding procedures were not performed for one purchase.

<u>General Ledger Date</u>	<u>Accounts Payable Voucher No.</u>	<u>Amount</u>	<u>Description</u>
07/12/17	FY2017-337	\$ 15,339	Purchase of boat engine, parts, accessories and labor

Cause: The cause of the above conditions is the lack of control over adherence to procurement rules and regulations.

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

Recommendation: We recommend that Ngchesar State strengthen procedures to comply with procurement regulations.

Auditee Response and Corrective Action Plan:

**Name of Contact Person:** Rosslyn Guardiano Tayag, Accountant

**Corrective Action:** We will strengthen internal control policies and procedures and comply with procurement law.

**Proposed Completion Date:** September 30, 2020

NGCHESAR STATE GOVERNMENT  
Schedule of Findings and Responses, Continued  
Year Ended September 30, 2017

Receipts

Finding No. 2017-002

Criteria: Transactions should be recorded in the period incurred.

Condition: Tests of \$220,646 of recorded receipts determined they were receipted in prior years. This condition was corrected through a proposed audit adjustment.

Cause: The cause of the above condition is carrying forward prior year receipts.

Effect: The effect of the above condition is a misstatement of receipts.

Recommendation: We recommend that Ngchesar State cease carrying forward receipts of prior years for financial statement purposes.

Prior Year Status: Carrying forward receipts of prior years was reported as a finding in the audit of the State for fiscal year 2016.

Auditee Response and Corrective Action Plan:

**Name of Contact Person:** Rosslyn Guardiano Tayag, Accountant

**Corrective Action:** We will record receipts accordingly and make proposed adjustments at fiscal year-end.

**Proposed Completion Date:** September 30, 2020

NGCHESAR STATE GOVERNMENT

Unresolved Prior Year Comments  
Year Ended September 30, 2017

There are no unresolved findings from prior year audits of the State.