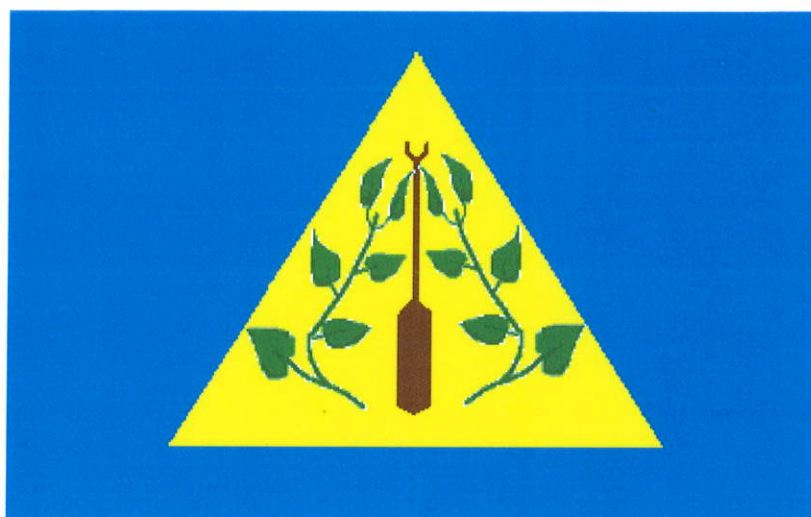




**OFFICE OF THE PUBLIC AUDITOR  
REPUBLIC OF PALAU**

**PERFORMANCE AUDIT REPORT**

ON



**KAYANGEL STATE GOVERNMENT**

REPUBLIC OF PALAU

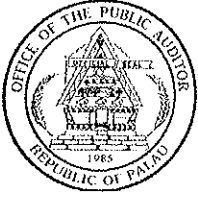
PERIOD COVERED

OCTOBER 1, 2006 THROUGH SEPTEMBER 30, 2012

Performed by the Office of the Public Auditor

KAY06-12-P04\*opa00

REPUBLIC OF PALAU



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Office of the Public Auditor

March 14, 2016  
Serial#: opa16-052au

Honorable Jeffrey Titiml  
Governor  
Kayangel State Government  
Office of the Governor  
Koror, Republic of Palau

**Subject: Final Report on Performance Audit of Kayangel State Government for the period October 1, 2006 to September 30, 2012.**

Dear Governor Titiml:

This report presents the result of our performance audit on Kayangel State Government for the period from October 1, 2006 to September 30, 2012.

The Office of the Public Auditor (OPA) received your response to the draft audit report. The OPA apologizes for the delay in finalizing the report, preempted by the OPA receiving a legal opinion from its legal counsel with respect to the effects of KYPL 12-3-2007. The essence of the opinion is disclosed in our comments to Finding No. 3 in regards to undocumented official expenses.

Based on the additional supporting documents provided, the OPA has made, where appropriate, revisions to the draft audit report. The response (without the attachments) is published in verbatim in the final report.

The OPA has established an audit recommendation tracking system to keep track of the status of recommendations issued in this report. Accordingly, the OPA will conduct follow up inspections on your responses and corrective action measures to assess their implementation and operation. On a semi-annual basis, June 30 and December 31 each year, the OPA will report the status of the recommendations to the Office of the President and Presiding Officers of the Olbiil Era Kelulau for their information and disposition.

If you have any questions regarding matters of audit findings and recommendations, the OPA will be available to discuss such matters at your request.

Sincerely,

Satrunio Tewid  
Public Auditor  
Republic of Palau

**KAYANGEL STATE GOVERNMENT**  
**October 1, 2006 through September 30, 2012**

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## Executive Summary

March 14, 2016

Honorable Jeffrey Titiml  
Governor  
Kayangel State Government  
Koror, Republic of Palau

Dear Governor Titiml:

This audit report presents the result of our audit of Kayangel State Government for the period covering October 1, 2006 through September 30, 2012.

The objective of the audit was to determine whether (1) expenditures were incurred in accordance with national and state government laws and regulations, (2) cash receipts were properly deposited into the state treasury, (3) expenditures and cash receipts were supported by adequate documentation, (4) earmarked CIP grants were expended for purposes for which they were earmarked, and (5) the state has established proper internal controls to ensure that its properties are safeguarded and its transactions properly recorded.

As a result of the audit, the Office of the Public Auditor (OPA) found a number of weaknesses/deficiencies noted below relating to the administration of Kayangel State funds, which we believe should be brought to the attention of management for appropriate corrective action. We also propose recommendations, which, if implemented, we believe, will correct these weaknesses/deficiencies.

Specifically, our audit found that:

**First**, the Governor took no affirmative action to implement the OPA's recommendations from its previous audit or to resolve Findings 3, 4, 5, 6, 7, 8, 10, 11, and 12,

**Second**, the State made payments to a former Governor, a former Speaker of the Legislature, and the former Treasurer/current Governor totaling \$91,539.39, none of which were supported by adequate documentation to account for and justify their official public purposes,

Office of the Public Auditor

**Third**, the State made payments totaling \$42,160 to State Legislators during fiscal years 2007 through 2008 for official expense allowances that were not supported by proper documentation and violated procedures required by Kayangel State laws and regulations,

**Fourth**, the Governor failed to prepare and transmit Performance Reports to the Office of the President, Olbiil Era Kelulau, and the Office of the Public Auditor for fiscal years 2007-2012, as required by law,

**Fifth**, the Governor failed to establish and maintain an adequate accounting system to record, account for and monitor the State's fixed assets,

**Sixth**, the Governor did not establish and maintain an adequate accounting system to record and account for the State's accounts receivable,

**Seventh**, the Governor did not establish and maintain an adequate accounting system to record and account for the State's accounts payables and other obligations,

**Eighth**, we questioned \$4,682.01 of expenditures due to lack of supporting documents such as invoices, timesheets, contracts, etc.,

**Ninth**, \$35,123.46 of purchase requisitions lacked prior approval of the Governor and certification by the Treasurer as to funds availability prior to expenditure of funds,

**Tenth**, \$31,382.32 of expenditures for fuel (POL) lacked adequate supporting documentation to enable us to determine if the fuel was used to support official State business,

**Eleventh**, the Governor made purchases whose value exceeded \$5,000 without competitive bidding,

**Twelfth**, the Governor did not ensure that monthly bank reconciliations were performed,

**Thirteenth**, the Governor did not establish a system to properly account for revenues by recording them in the accounting records and keeping corresponding supporting documents such as cash receipts and deposit slips,

**Fourteenth**, the Governor's annual compensation was increased from \$16,889.60 to \$24,999.52 with subsidy from the PANF for the Kayangel State K-PAN Management Plan without a system for allocating and documenting his time performing work for the K-Plan and the State,

**Fifteenth**, The State has not established any laws or policies and procedures for formulating the State's budget,

**Sixteenth**, \$1,000.00 out of a total of \$100,000.00 in installment payments from the Oil and Gas Exploration Agreement for the period from May 2011 to March 2012 could not be located and verified to deposit into the State account.

**Recommendations**

The OPA recommends that:

**First**, the Governor takes corrective action to resolve outstanding audit findings and recommendations so as to improve and strengthen the State's financial management system, avoid repeat findings, and comply with National and State laws and regulations,

**Second**, the Office of the Attorney General or the Office of the Interim Special Prosecutor investigate the payments to a former Governor, a former Speaker, and a former Treasurer and take appropriate action for any conduct involving misappropriation, abuse, or illegal use of public funds,

**Third**, the Office of the Attorney General or the Office of the Interim Special Prosecutor investigate the official expense allowances paid to members of Kayangel State legislature and take appropriate action for any conduct involving misappropriation, abuse, or illegal use of public funds,

**Fourth**, the Governor establishes an accounting system with which to prepare Performance Reports and ensure that appropriate state employees are trained in operating the system,

**Fifth**, in line with Recommendation Four, the Governor should implement a fixed asset accounting system to account for and monitor the acquisition and disposal of Kayangel State's fixed assets and conduct periodic inventory of the same,

**Sixth**, in line with Recommendation Four, the Governor should direct the State Treasurer to establish and maintain an accounting system to record and account for the State's accounts receivable,

**Seventh**, in line with Recommendation Four, the Governor should direct the State Treasurer to establish and maintain an accounting system to account for and keep track of the State's accounts payable and related obligations,

**Eighth**, the Governor exercises strict control over disbursements to ensure that expenditures are supported by adequate documentation such as invoices, timesheets, contracts, etc.,

**Ninth**, the Governor enforces the controls intended in the use of Purchase Requisitions/Orders,

**Tenth**, the Governor establishes controls over the use of the open fuel charge account to ensure that purchases are justified as to official purpose and contain the proper invoices,

**Eleventh**, the Governor adheres to the Republic of Palau's Procurement Law and Regulations by applying competitive bidding when procuring goods or services costing \$5,000.00 or more,

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**Twelfth**, in line with Recommendation Four, the Governor directs the State Treasurer to perform monthly bank reconciliations,

**Thirteenth**, in Line with Recommendation Four, the Governor establishes a cash receipts accounting system to include issuing cash receipts to evidence revenue collections, recording revenues, and a filing system to file cash receipts and corresponding deposit slips in chronological order,

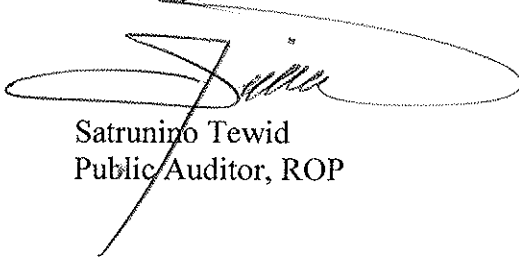
**Fourteenth**, the Governor formulates a system for allocating and documenting his time spent working on K-PAN and the State,

**Fifteenth**, the State establishes legislation or policies and procedures for formulating the State's budget law,

**Sixteenth**, the State pursue the contractor for the unlocated \$1,000 to determine its disposition and ensure that it was paid to the State in accordance with the agreement.

Finally, the Office of the Public Auditor would like to thank the staff and management of Kayangel State Government for the professional courtesy and cooperation extended to us during the audit.

Sincerely,



Satrunino Tewid  
Public Auditor, ROP

## Background

Kayangel State is one of the sixteen States of the Republic of Palau (ROP) organized and structured pursuant to Article XI, Section 1, of the Republic of Palau Constitution. On September 13, 1983, the Kayangel State Constitution was ratified, creating Kayangel State and its Government.

Under Article VI of the State Constitution, Chief Rdechor is the Head of State. Chief Rdechor exercises his functions and the traditional Council of Chiefs derives its authority as prescribed by Kayangel customs and traditions. Chief Rdechor and Chief Obakrusong have supreme authority over Dims and Dilong districts respectively, which together comprise the State of Kayangel. Chiefs in the service of Kayangel State Government shall be compensated pursuant to law.

In addition to the roles fulfilled by the Chiefs, Article VII of the Kayangel State Constitution provides for the election at large of a Governor. The Governor, who is required to live in the State during his or her two-year term, is responsible for the implementation of all governmental functions. Among other duties and responsibilities, the Governor has the power to:

- Introduce legislative measures in the State Legislature,
- Execute and implement National and State laws,
- Collect fair and equitable taxes, and
- Prepare and submit the State's annual budget for submission to the Legislature.

Pursuant to Article X of the State Constitution, the legislative authority is vested in the Kayangel State Legislature composed of 12 members popularly elected at large for a two-year term. The Legislature, among other powers and functions, has the power to:

- Amend or modify the annual State budget submitted by the Governor,
- Enact legislation governing the expenditure of public funds,
- Provide for the imposition and collection of taxes, and
- Promote the economic development of Kayangel.

Under Article X, Section 8, both Chief Rdechor and Chief Obakrusong must approve a bill in order for it to become law. If either disapproves of the bill, it must be "returned to the Legislature within ten (10) days thereafter with an explanation for its disapproval." The bill must then receive a vote of passage of not less than 75% of the members of the legislature to override and become law.

Article X, Section 5 states: "Members of the Kayangel State Legislature shall be compensated for their personal attendance in the legislative session. The rate of compensation of the members of the Legislature shall be established by law. Any increase in the amount of compensation made to the members of the Kayangel State Legislature shall not be effective during the term of office of the members making such increase."



On April 4, 2007, the Kayangel State Government passed KYPL No. 12-5-2007 which set Legislators allowance at \$50 a day for personal attendance of legislative sessions and eliminated the official expense allowance as of the end of the Twelfth Kayangel State Legislature.

### **State Treasury**

Article XIII of the State Constitution requires a State Treasury “into which all public funds of the State of Kayangel shall be deposited.” Article XIII further mandates that “[p]ublic funds may only be expended pursuant to law” and that “[n]o person may expend or use any Kayangel State public funds until the appropriate breakdown of their use has been made.”

### **Objective, Scope, and Methodology**

The objective of the audit was to determine whether (1) expenditures were incurred in accordance with national and state government laws and regulations, (2) cash receipts were properly deposited into the state treasury, (3) expenditures and cash receipts were supported by adequate documentation, (4) earmarked CIP grants were expended for purposes for which they were earmarked, and (5) the state has established proper internal controls to ensure that its properties are safeguarded and its transactions properly recorded.

The audit covered the period from October 1, 2006 through September 30, 2012. This being a performance audit, we did not conduct audit procedures to assess the fairness of the financial statements of the State or any component or account within those financial statements and therefore express no opinion on the financial statements.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To accomplish the audit objective, we reviewed accounting records including cash receipts, expenditures, accounts receivable, accounts payable, fixed assets, non-payroll and payroll expenditures, and budgetary laws and other relevant laws and regulations. In performing the audit, we conducted specific tests of transactions of the State’s accounting records to assess the adequacy of its system of internal controls. We reviewed accounting records maintained by the State and interviewed appropriate state officials. We also reviewed appropriation laws of the national government with respect to block grants and records concerning their disbursements at the Bureau of National Treasury.

**Authority to Audit**

Article XII, Section 2(b) of the Constitution of the Republic of Palau declares, in part, “The Public Auditor shall inspect and audit accounts in every branch, department, agency, or statutory authority of the national government and in all other public legal entities or nonprofit organizations receiving public funds from the national government.” This mandate is implemented through the Public Auditing Act of 1985 (40 PNCA § 200 *et. seq.*), which charges the Public Auditor to “act to prevent and detect fraud, waste and abuse in the collection and expenditure of all public funds.” (*Id.*, §224.)

**Prior Audit Coverage**

The Office of the Public Auditor last conducted an audit of Kayangel State for the period October 1, 2000 through September 30, 2006. The previous audit report contained the following findings:

1. Withdrawal of Funds Unaccounted For
2. TCD Unaccounted For
3. Performance Reports
4. Unsupported Payments to Former Governor
5. Unsupported Payments of Official Expenses to State Legislators
6. Cash Receipts
7. Purchases/Disbursement
8. Fuel Expenses Not Justified
9. Appropriation Budget
10. Bank Reconciliation
11. Fixed Assets
12. Procurement

Findings 1 and 2 were not repeated and Finding 9 has been resolved.

**Finding No. 1: Noncompliance with Prior Years' Audit Findings**

40 PNCA § 2201 declares: "Each State Government of the Republic shall take affirmative action to comply with all [audit] recommendations and to remedy all conditions resulting in negative findings, including failure to provide adequate information, set forth in any audit report on such State Government or subdivision thereof."

In following up on the Office of the Public Auditor's previous audit report, we inquired of State officials the status of findings and recommendations contained in the audit report and found that the State had not taken corrective action to resolve/implement all the findings/recommendations. The previous audit report contained a total of twelve (12) audit findings three (3) of which were not repeated in this audit and nine (9) remain outstanding.

It appears that the Governor did not put a high priority on resolving/implementing the findings/recommendations from the previous year's audit report.

As a result, nine of the audit findings are still unresolved and outstanding, some of which are repeated in the current audit. In addition, failure to take corrective action to resolve these audit findings perpetuates the weaknesses in the States financial management system and puts the State's block grants at risk of suspension.

**Recommendation:** The OPA recommends that the Governor prioritize corrective action to resolve/implement the outstanding audit findings/recommendations in order to improve and strengthen the State's financial management system and to avoid the risk of suspension of State's block grants.

**KSG's Response:** *Beginning fiscal year 2013 to date, our state has made numerous changes to satisfy previous audit findings. This is being supported by ongoing trainings and in coordination with your office, to include your occasional guidance. Our state shall continue to strengthen its internal management of funds in compliance with existing state and national laws.*

**OPA's Comments:** We concur with your response; however, if the State had taken corrective action back in June 2008, date of the previous audit report, some of these findings might have been prevented, which is the primary purpose of the audit to identify problems and fix them to prevent their recurrence. Nevertheless, the OPA will continue to work with Kayangel State to further improve and strengthen its accounting system and relevant policies and procedures.

**Finding No. 2: Unsupported Payments to a Former Governor and Two State Officials**

Article XIII, Section 3, of the Kayangel State Constitution states in part "no person may expend or use any Kayangel State public funds until the appropriate breakdown of their use has been made." In addition, Article XIII, Section 2 declares: "Kayangel State public funds may only be expended pursuant to law." Therefore, expenditure of State funds should be supported by adequate documentation such as invoices, receipts, contracts, etc. to account for the expenditures

Office of the Public Auditor

and to evidence their official public purposes. Furthermore, such documents are essential to support the recording and classification of expenditures pursuant to the State's appropriation laws.

During the period covered by the audit, fiscal years 2007 to year 2012, a former Governor received \$63,054.00 in Kayangel State Government checks purportedly for legal representation, miscellaneous expenses, donations, contributions, transportation, travel, gas, and food items, none of which were supported by documentation establishing their official purposes. Similarly, for the period covering fiscal years 2007 through 2010, the audit revealed that \$16,077.39 of State funds were disbursed to a former Speaker of the Legislature for legal representation, fuel reimbursements, and donations; all of which lacked supporting documents. Our audit also found that the current Governor, formerly the State Treasurer, received \$12,408 in checks for travel, legal representation, supplies, and other purposes also without the essential supporting documentation to justify their official purpose. (Please refer to **APPENDIX I** for further details of the questioned expenditures to State Officials.)

It appears the cause of the above condition is that the Governor failed to strictly enforce the proper controls to ensure that adequate supporting documentation was obtained to account for and justify the official public purposes of these expenditures.

As a result, Kayangel State was unable to account for and justify the official purposes of payments to a former Governor, a former Speaker of the Legislature, and the former Treasurer/current Governor totaling \$91,539.39. In addition, because these expenditures lacked proper supporting documents, we were unable to determine their proper classification as they relate to the State budget.

**Recommendation:** We recommend that the Governor establishes and strictly enforce controls requiring that all expenditures of State funds contain the proper supporting documentation such as invoices, receipts, contracts, etc. The supporting documents are essential to demonstrate the official purposes of expenditures and to support their classification in the accounting system pursuant to the Kayangel State appropriation laws. In addition, we recommend that the Office of the Attorney General or the Office of the Interim Special Prosecutor investigate these expenditures and take appropriate legal action for any misappropriation, misuse, or illegal use of public funds.

**KSG's Response:** *These transactions cover six years of records being scrutinized after about nine years. At this time we are compiling each transaction in accordance with your list of findings with the intent of informing those who were responsible for such expenditure. This is our effort to gather any necessary justification for such transactions. We shall forward our findings and or explanations to your office when we find legitimate justification or explanation from recipient of such expenditures. We ask that you allow us time to work on this specific finding further as transactions are many.*

**OPA's Comments:** Although we understand the gist of your concern, overdue audits, the fact that the Republic of Palau's statute of limitation is six (6) years and the national, or the state government for that matter, does not have a policy for retention (duration) of public records makes it inevitable that those responsible for administering public funds must make sure that records are maintained and retained. In addition, the records should be and belong in the State files, not with the individual payees. Moreover, the OPA will require invoices/receipts or other supporting documents to resolve these questioned costs, as a simple justification from the payee will not resolve them.

### **Finding No. 3: Unsupported Payments of Official Expenses to State Legislators**

Kayangel State Public Law (KYPL) No. 6-96-25, Section 2 established a monthly official expense allowance of \$170 for each member of the Kayangel State Legislature. Section 2 provides that State funds for official expenses must "be disbursed on the first day of each calendar month to each Legislator upon written approval by the Speaker of an official expense allowance form completed and signed by each Legislator." The statute further mandates that each Legislator's allowance be used only "for defraying expenses related to or arising from the discharge of his official duties."

On August 19, 2003, KYPL No. 10-2003-68 amended KYPL No. 6-96-25 setting the rules and procedures for use of official expense allowances. Section 4 required that "each Legislator, at the end of each month following the payment of the official expense allowance, shall complete and submit to the Speaker a verified document entitled "Report & Justification for Official Expense Allowance." This form detailed how each Legislator spent the allowance and required that receipts or other records be provided to document these expenditures. On September 24, 2004, KYPL No. 9-2004-73 was enacted mandating, under Section 1, that the Kayangel State Legislature "promulgate rules, procedures and policies regarding the use and reporting of official expense allowance within 30 days after this Act comes into effect." On November 11, 2004, the Eleventh Kayangel State Legislature adopted Resolution No. 11-06-5SS, which established Official Expense Policy and Procedures.

Our audit revealed that Kayangel State Legislators did not complete or submit official expense allowance forms approved by the Speaker as required by KYPL No. 6-96-25. State Legislators also failed to complete and submit to the Speaker the verified document entitled "Report & Justification for Official Expense Allowance" required by KYPL No. 10-2003-68 or to comply with the reporting required by Resolution No. 11-06-5SS. Hence, we performed expenditures testing of approximately 20% (\$8,500) of the total \$42,160.00 disbursed to State Legislators as Official Expense Allowance from fiscal years 2007 through 2008 and found that all lacked the required supporting documents such as invoices or receipts. (Please refer to **APPENDIX II** for details of unsupported official expense allowance paid to State Legislators).

As a result, during fiscal years 2007 through 2008, an estimated \$42,160.00 of official expense allowances paid to State Legislators may not have been properly justified with supporting

#### Office of the Public Auditor

documentation pursuant to the above-mentioned State laws. Therefore, the official expense allowances may have been disbursed in violation of policies required by Kayangel State law.

We were unable to determine why the Speaker failed to enforce the law and the Legislators failed to comply with the requirements of KYPL Nos. 6-96-25 and 10-2003-68, and Kayangel State Legislature Resolution No. 11-06-5SS to report and document the expenditures of their official expense allowances.

**Recommendation:** As Official Expense Allowance was discontinued effective as of the end of the Twelveth Kayangel Legislature, we consider this issue moot and offer no recommendation for improvement. With respect to past official expense allowances, which we found prevalence of lack of documentation contrary to State laws, we recommend that the Office of the Attorney General or the Office of the Interim Special Prosecutor investigate the official expense allowances paid to the members of Kayangel State legislature and take appropriate legal action for any conduct involving misappropriation, abuse, or illegal use of public funds.

**KSG's Response:** *Attached is KYPL 12-3-2007 to ratify payments, uses and or expenditures of Official Expenses and Representation funds. This state law is self-explanatory which should be able to clarify issues surrounding this finding. Anything beyond this law will be justified to the best of our knowledge and collection of documentation.*

**OPA's Comments:** The OPA obtained a legal opinion from its legal counsel regarding the application of KYPL 12-3-2007 and its effect on prior years' undocumented expenditures of official expenses, representation funds, and other related expenses. In summary, the legal opinion states: "It is my legal conclusion that KYPL 12-3-2007 may have relieved Kayangel State of its ability to sue the legislative members or the Governor for unauthorized expenditures, that does not alter the liability of legislative members or the Governor under national law. Moreover, the passage of that law was not only self-serving but a breach of the fiduciary duty of the legislators and governor."

#### **Finding No. 4: Performance Reports**

The Republic of Palau's Budget Reform Act of 2001 (RPPL No. 6-11) requires that each State Government funded by appropriations from the National Government prepare and submit a Performance Report to the President, the Olbiil Era Kelulau (OEK), and the Office of the Public Auditor.

Kayangel State did not prepare and transmit Performance Reports for fiscal years 2007-2012 to any of the required recipients.

We believe that the State may not have the basic accounting system in place and properly trained personnel to prepare Performance Reports.

As a result, Kayangel State did not comply with the requirements of RPPL No. 6-11, Subchapter IV, Section 371.

**Recommendation:** We recommend that the Governor establish an accounting system with the essential components to record and account for State revenues, expenditures, accounts receivable and payable, fixed assets, leases, and other essential data with which to prepare Performance Reports. In addition, State personnel in charge of the accounting system should receive the proper training to enable them to properly maintain the system and to prepare all required reports.

**KSG's Response:** *In response to Finding No.4 our state has been formulating performance reports annually in compliance with the national government format or template for budget request purpose. We admit of not furnishing copies to your office and will make sure to deliver our annual performance reports to your office.*

**OPA Comments:** The OPA looks forward to receiving future Performance Reports from Kayangel State.

#### **Finding No. 5: Fixed Assets**

A fixed asset accounting system is vital to properly account for the acquisition and disposal of fixed assets and to safeguard State properties. The accounting system should maintain basic information on each fixed asset including description, cost, date of purchase, vendor, condition, etc. In addition, policies and procedures are essential to identify State properties, conduct periodic inventory and inspection, and regulate the survey and disposal of fixed assets. The policies and procedures should clearly prescribe the procedures for surveying and disposing (sale or scrapping) State properties. Disposal by public auction or other prescribed methods should be adequately documented as to number of bids received, identity of each bidder, amount of each bid, and the award to the successful bidder should be documented and justified. All proceeds from the sale of State properties should be deposited into the State Treasury and supported with adequately supporting documentation (i.e. cash receipts, deposit slip, etc.). Fixed assets that are disposed or surveyed should be removed from the fixed asset accounting system.

We found that Kayangel State's fixed asset accounting system was inadequate and outdated. A list of fixed asset provided for our examination was last updated as of the second quarter of fiscal year 2011, and lacked information on the cost of assets. The State did not provide a fixed asset listing that had been updated up to September 30, 2012, which means the State was not recording its fixed asset purchases since it was last updated. We were also informed that the State surveyed three (3) of its vehicles but lacks policies and procedures for surveying State properties. One vehicle, a Ford Ranger pick-up, was simply given to a former Governor free of charge. According to then-Treasurer/current Governor, the vehicle was "non-functional, a burden to the State", and that the Governor was constantly requesting for the vehicle to be transferred to his name. There was no effort to sell the vehicle by auction or other competitive fashion. In addition, two other vehicles, a Toyota Mark II and a Toyota Forerunner (surf), were also on the fixed asset

Office of the Public Auditor

listing but were non-existent when we requested to inspect the vehicles. There was no documentation on file to support the disposition of these two vehicles; whether they were sold, given away, or otherwise could not be determined.

The above condition is caused by the lack of an accounting system to account for the acquisition and disposal of fixed assets. In addition, the State lacks policies and procedures to provide guidelines on the acquisition (i.e., recording, tagging, etc.) and disposal (i.e., surveying, sale, etc.) of its properties.

As a result, the State does not have the proper internal controls in place to account for and safeguard its properties.

**Recommendation:** We recommend that the Governor establish a fixed asset accounting system to account for the acquisition and disposal of the State's fixed assets. In addition, the accounting system should be supplemented with policies and procedures governing fixed asset acquisition and disposal (sold or scrapped). The fixed asset accounting system should include procedures to:

- (1) Record fixed asset acquisition, which would include the acquisition date, description, acquisition cost, vendor, location, and condition,
- (2) Record the disposal of fixed assets (sold or scrapped) with relevant supporting documents,
- (3) Identify, monitor, and conduct periodic inventory of State's fixed assets.

Moreover, the State should conduct a comprehensive inventory of its fixed assets purchased in previous years, which should include a description, vendor, cost or best estimate of cost, location and condition of the assets. Assets that are no longer operational or have been disposed of should be removed from the fixed asset accounting system. Lastly, the OPA recommends that the Office of the Attorney General or the interim Special Prosecutor further investigate the above transfers (and missing) of State properties (vehicles) and take appropriate action for any misappropriation or misconduct involving State properties.

**KSG's Response:** *We are now conducting a complete FIXED ASSETS inventory, with evaluation and assessment of the associated useful of all fixed assets in accordance with known purchase values. Once this is completed, the Fixed Assets Register will be updated with pertinent data and regular monitoring shall be done, where necessary information shall be integrated to our Financial Reports. The issue of assets and inventory has been our struggle due to lack of knowledge and information needed. The recent training conducted by outside experts has given us minimal tools needed for asset inventory. With absence of internal procedure of disposing state properties we have been trying to follow the national government system at times but maybe not be in the right manners.*

**OPA's Comments:** We commend the State for taking corrective action on its fixed assets. The OPA will conduct follow up inspections to ensure the fixed asset system is implemented and operating. When the financial audits commence (RPPL No. 9-9), the fixed asset system will be critical in producing accurate financial statements.



**Finding No. 6: Accounts Receivable**

A sound system of internal control dictates that accounts receivable should be recorded into the State's financial records to facilitate their reporting on the financial statements. In addition, policies and procedures are essential to ensure proper monitoring and follow-up on outstanding accounts to support timely collection.

Kayangel State was unable to provide a detailed schedule of its accounts receivable or any evidence that such an accounting system is in place to account for and keep track of monies owed the State; i.e., block grants.

The State has not established an accounting system to record and keep track of accounts receivable.

As a result, the State lacks a system to support monitoring and follow up to ensure timely collection of outstanding accounts receivable.

**Recommendation:** We recommend that the Governor establish and maintain a record-keeping system to record and keep track of the State's accounts receivable. Once the system is implemented, the State should continue to maintain the system to support and strengthen collections on outstanding receivables.

**KSG's Response:** *This time we have already set up our Accounts Receivable system, specifically the National Block grant as well as other receivables within our existing Accounting program. We are now able to pull out a detailed schedule, to help track the movement of accounts receivables.*

**OPA's Comments:** We commend the State for taking corrective action to implement an accounts receivable accounting system. The OPA will conduct follow up inspections to ensure the system is implemented and operating. When the financial audits commence (RPPL No. 9-9), the accounts receivable system will be critical in producing accurate financial statements.

**Finding No. 7: Accounts Payable**

A sound system of internal control dictates that accounts payable should be recorded into the State's financial records to facilitate their reporting on the financial statement. In addition, the system would enable the State to monitor and reconcile its obligations with vendors and to support timely payments to avoid interests and penalties.

The State has not established a system to record and keep track of its accounts payable and, thus, was unable to provide a detailed schedule of its outstanding obligations. For example, in our expenditures testing we found that Kayangel State owed \$4,784.81 in interest to a local vendor for an open fuel charge account, which was not recorded in the accounting records; thus, understating the State's obligations. And because the State has no system to keep track of its

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obligations, it is unable to effectively reconcile or verify the accuracy of its accounts payable that vendors claim the State owes.

The cause of the above condition is that the State lacks an accounting system to record and keep track of its accounts payable.

As a result, the State does not know the exact amount of its obligations and is unable to effectively reconcile or verify the accuracy of vendor claims.

**Recommendation:** We recommend that the Governor establishes and maintains a system to account for, monitor, and reconcile accounts payable. All credit purchases and payments on account should be properly recorded and reconciled. This would enable the State to keep track of detailed transactions and facilitate reconciliation or verification of accounts with vendors' claims against the State. It would also support aging of accounts payables and prioritizing payments of obligations to avoid interest and penalty charges for late payment.

**KSG's Response:** *The audit covers only up to FY 2012. Since then any known and justified Accounts Payables had been updated. We also don't allow any type of charge accounts as much as possible with any vendor as our way to avoid any interest payments. We maintain limited charge account at Surangel and Sons Co., which was opened after typhoon Haiyan and Fuel account at IP & E. These accounts are being monitored, IP & E on a monthly basis and Surangel & Sons on daily basis.*

**OPA's Comments:** We commend the State for taking corrective action and the OPA will conduct follow up inspections to ensure the system is implemented and operating. When the financial audits commence (RPPL No. 9-9), the accounts payable system will be critical in producing accurate financial statements.

**Finding No. 8: Disbursement/Questioned Costs**

A sound system of internal control requires that expenditures be supported by adequate documentation such as invoices, contracts, travel documents, timesheet, etc. Such documents are essential to show the purpose of the expenditures, the dates, costs and quantities of goods and services purchased, and the recording of transactions in the underlying accounting system.

The audit showed that a concerning number of cash disbursements/expenditures were not adequately supported with invoices or other supporting documents. Based on our audit, the expenditures shown below lacked adequate supporting documentation for each fiscal year noted (Please see "Other Questioned Costs" in **APPENDIX III** for details of these transactions.):

Fiscal Year	Amount Questioned
2007	\$ 75.00
2008	3,151.65
2009	800.00
2010	85.00
2012	\$570.36
<b>Total</b>	<b>\$ 4,682.01</b>

This condition was caused by a breakdown of management controls to ensure that disbursements contain proper supporting documents to justify expenditures.

As a result, due to lack of documentation, we were unable to determine the official public purposes of \$4,682.01 of expenditures and, for similar reason, to determine the proper classification of these expenditures in the accounting system.

**Recommendation:** We recommend that the Governor exercises strict control over disbursements to ensure that expenditures are supported by adequate documentation (invoices, receipts, contracts, etc.). The supporting documents justify the purpose of the expenditures and their classification (pursuant to the State budget) in the accounting system.

**KSG's Response:** *Beginning Fiscal Year 2013 we have updated our internal controls on disbursements to meet necessary procedures and normal government practice. Appendix III identifies specific disbursements lacking justifications, namely Honorarium, Representation Funds, Donation & Contribution, travel, and equipment maintenance. Honorariums are issued biweekly to the eight (8) Kayangel Chiefs in accordance with our constitution and annual budgets. \$59.00 was for small boat part as stated on the attached quotation from a vendor. With absence of any receipt, we do believe that payment was received by our youth treasurer during the fund raising event. The school incentive award is budgeted and issued to our school principal by request, annually. We believe the funding was obtained by the principal and distributed to students listed on the attached document, but of course proper documentation process is weak. \$100.00 check No. 7142 was issued for its purpose as stated lacking receipts; nonetheless it is normal practice for our officials to support functions of our people in this manner. Check No. 8858 is the governor and speakers trip to Guam. The amount is for airline tickets. Attached are records to justify the purpose of this trip.*

**OPA's Comments:** Based on the Governor's response dated January 11, 2016, and the additional supporting documents provided, we will reduce questioned costs by \$590.36 (as evidenced by a boarding pass) from the initial total of \$1,160.72 for Check No. 8858. With respect to the other Questioned Costs, the OPA will require actual supporting documents (invoices, receipts, travel authorizations, contracts, etc., to resolve them. When the financial audits commence (RPPL No. 9-9), the disbursement system (supporting documents) will be critical in producing accurate financial statements. Any and all unresolved questioned costs will be withheld from the State's block grants.

**Finding No. 9: Disbursements/Internal Controls**

Management controls dictate that purchase requisitions/orders should be approved by the Governor and certified by the Treasurer as to funds availability prior to expenditure of State Funds.

The audit revealed that these controls were bypassed in many instances. For example, \$35,123.46 of disbursements tested from fiscal years 2007-2012 revealed that the Governor failed to sign (approve) and the Treasurer failed to certify (funds availability) purchase requisitions/orders as part of management control function. Without the proper signatures on these forms, we cannot be assured that items (goods and services) procured were properly reviewed, approved and certified as to the availability of funds prior to the expenditure of public funds.

The cause of the above condition appears to be the lack of enforcement by the Governor to ensure that management controls are adhered to.

As a result, \$35,123.46 of expenditures lacked prior approval of the Governor and certification by the Treasurer as to the availability of funds prior to expenditure of funds.

**Recommendation:** We recommend that the Governor enforces the controls intended in the use of purchase requisitions/orders. Specifically, purchase requisitions require prior approval of the Governor and certification by the Treasurer prior to expenditure of funds.

**KSG's Response:** *In response to citation 9, Kayangel State Government, addressed the issue by making sure that all disbursements for any purpose shall have proper APV with all required documents and approval from the Governor and Budget Officer prior to disbursement. The term approval, shall mean that the Governor should visibly affixed his signature to attest the validity of disbursement. Again, this shall be tested on the next audit cycle.*

**OPA's Comments:** We commend the Governor for taking corrective action and the OPA will conduct follow up inspections to ensure the system is implemented and operating. When the financial audits commence (RPPL No. 9-9), the operation of the disbursement control system will be critical in determining compliance with established management controls.

**Finding No. 10: Disbursements/Open Fuel Charge Account**

A sound system of internal control dictates that an "open" POL (Petroleum, oil and lubricants) charge account should contain the proper controls to ensure fuel requisitions are properly authorized, certified as to funds availability, justified as to official purpose, persons and equipment drawing fuel are identified, and proper supporting documents are maintained to support POL expenditures.

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The audit revealed that the State established an “open” POL charge account without the essential controls to ensure that fuel requisitions are properly authorized, certified as to funds availability, justified as to official purpose, persons and equipment drawing fuel are properly identified, and invoices are maintained to support POL expenditures. For example, of the \$63,153.07 of POL expenditures tested for fiscal years 2007 to 2012, we found that \$31,382.32, or 49%, lacked evidence of prior approval of fuel requisition forms, persons and equipment getting fuel were not identified, and lacked justification as to official purpose. Furthermore, \$12,087.45 of the aforementioned \$31,382.32 lacked certification of funds availability. (Please refer to **APPENDIX III** for further details of the fuel expenditures questioned costs.)

The cause of the above condition is that Kayangel State Government did not establish policies and procedures governing the administration of the open fuel charge account to ensure that proper controls are in place to safeguard the operation of the account.

Without proper controls to safeguard the operation of the open POL charge account, the account was susceptible to misuse, abuse, and lack of accountability, i.e. use of fuel for unofficial purposes. In addition, without certification of funds, the State is not adhering to management controls of ensuring that funds are available prior to incurring expenditures.

**Recommendation:** We recommend that the Governor establishes and implements written guidelines governing the operation of the open fuel charge account. At a minimum, a fuel requisition form should be used to initiate a request. The request form should bear the name and title of the official authorized to approve the request, the name and title of the official authorized to certify availability of funds, justification as to the purpose of the fuel usage, identity of the person and equipment getting fuel, and such other information., Furthermore, we recommend the Attorney General or the Interim Special Prosecutor further investigate the above fuel expenditures and take appropriate action for any misconduct involving the use of the open charge account.

**KSG’s Response:** *We have implemented the use of Requisition form for fuel. The requisition requires travel itinerary and estimated fuel consumption. When estimate is deemed reasonable, the Governor approved the requisition. Monitoring of expenses is also performed to gauge usage and purpose of fuel. Most or all fuel expenses listed under appendix III are for our regular biweekly boat trip between Kayangel and Koror, being budgeted annually with consideration of local fuel cost under the office of the governor. This service is essential to the livelihood of our community requiring large amount of fuel, probably our biggest annual expense. Lack of proper documentation process is a problem that has been implemented as of today.*

**OPA’s Comments:** We commend the Governor for taking corrective action to implement the fuel requisition process and related controls. The OPA will conduct follow up inspections to ensure the system is implemented and operating. When the financial audits commence (RPPL No. 9-9), the operation of the fuel requisition controls will be critical in determining compliance with established management controls. Any and all unresolved questioned costs will be withheld from the State’s block grants.

**Finding No. 11: Procurement and Force Account Agreement**

The Republic of Palau (ROP) Procurement Law and regulations, (40 PNCA § 613), require that all goods and services be procured in a manner that provides free and open competition. The Law specifically requires that all State governments employ competitive bidding procedures for procurements whose value is \$5,000 or greater. (40 PNCA § 614, *et. seq.*) In addition, Force Account Agreements between the National and the State governments normally prohibit the State from contracting specified projects out to third parties. Moreover, the Bureau of National Treasury and the Capital Improvement Project (CIP) Design and Engineering Office are to coordinate their oversight efforts to ensure that State CIP Grant allotments are not disbursed to the State until project plans, specifications, designs, and other requirements are completed and submitted to the National Treasury.

Our expenditure testing found that Kayangel State, without competitive bidding, purchased a garbage disposal truck for \$5,950.00, a parcel of land for \$15,000.00, and rented heavy equipment for \$25,000.00. The garbage truck and land were purchased for a Garbage Disposal Facility Project in a Force Account Agreement Project No. 08-LOC-008, which was part of the Economic Stimulus Package between the Bureau of Public Works, on behalf of the National Government, and the State of Kayangel. In addition, the State expended \$1,000.00 to procure services from a third-party for the preparation of plans and estimates for the Garbage Disposal Facility Project. Accordingly, the Capital Improvement Project office disapproved the release of the remaining project funds to the State. The heavy equipment was rented for a road project, which the State was unable to provide any evidence that competitive bidding was performed.

We were unable to determine why the State did not follow competitive bidding procedures in the above instances or why the State did not adhere to the expressed terms of the Force Account Agreement Project No. 08-LOC-008 by contracting out part of the work to a third-party .

As a result, the OPA questioned each of the above costs for a totaling of \$45,950.00. Furthermore, the State violated the ROP Procurement Law and Regulations regarding competitive bidding and the Force Account Agreement Project No. 08-LOC-008 by contracting services out to a third party.

**Recommendation:** We recommend that Kayangel State adhere to the ROP's Procurement Law and regulations when procuring goods or services for \$5,000.00 or more. In addition, in the future, the State should become familiar with the processes and terms and conditions of Force Account Agreements to support the completion of State projects in the most cost-effective and efficient manner.

**KSG's Response:** *This specific project was implemented with coordination and advice of appropriate national government officials as stimulus fund grantors. We do practice proper requirement of bidding process at the state level for any other projects the best we can to acquire best service we consider to be beneficial to our state.*

**OPA's Comments:** The OPA offers no further comments to this particular finding.

**Finding No. 12: Bank Reconciliation and Overdraft Charges**

Effective cash management requires that monthly bank reconciliations should be performed to establish a reliable and accurate system to account for and monitor the state's cash activities. Bank reconciliation is a critical function of the state's internal control system as it helps in identifying errors or other irregularities in the accounting records of the state or the bank and adjusting the State's records accordingly. This enables the state to keep accurate balances of its accounts to prevent drawing checks on an account with insufficient funds and incurring overdraft charges.

During the audit we found that Kayangel State incurred significant bank overdraft fees for each fiscal year from 2007-2012. For example, during the period 2007-2012, the State incurred bank overdraft charges totaling \$4,290. The overdraft charges occurred as a result of the State disbursing funds from an account with insufficient funds. (Please refer **APPENDIX IV** for the schedule of overdraft charges incurred during fiscal years 2007 through 2012.)

This condition was caused by the State's failure to perform monthly bank reconciliation on its bank accounts for fiscal years 2007 through 2012 and lack of management supervision to ensure that these critical internal control functions are carried out.

As a result, without bank reconciliation, the State disbursed funds from an account with insufficient funds and incurred overdraft charges totaling \$4,290.00 during the period fiscal years 2007 through 2012.

**Recommendation:** We recommend that the Governor directs the State Treasurer to perform monthly bank reconciliations. On a monthly basis, the Treasurer should reconcile the cash balance per the State's checking account to the balance per the bank statement. Bank reconciliation would enable the State to identify errors and other irregularities and adjust State records to agree to the balance per bank. This process would enable the State to maintain an accurate balance of its checking account to avoid issuing checks from an account with insufficient funds and incurring overdraft charges.

**KSG's Response:** *In response to Finding No. 12 Bank Reconciliation, the state treasurer is now performing accurate monthly bank reconciliation, which can also be tested in future audits.*

**OPA's Comments:** We commend the State for taking corrective action to implement bank reconciliation. The OPA will conduct follow up inspections to verify its implementation and operation. When the financial audits commence (RPPL No. 9-9), bank reconciliation will be critical in producing accurate financial statements.

**Finding No. 13: Revenue/Cash Receipts**

A sound system of internal control requires issuance of cash receipts to account for and support revenue collections, their deposit and recording (by source) in the accounting system.

We noted that Kayangel State generally did not issue receipts or use other appropriate means to document revenue collections. As such, from fiscal year 2007 to 2012, the State did not properly account for its revenues by recording them in the financial records and keeping corresponding supporting documents such as cash receipts reports, cash receipts, deposit tickets, etc. Most local cash collections could not be verified to deposit or traced to bank statements because cash receipts and corresponding bank deposit slips were either not filed or were missing from the State’s records. For example, the State provided cash receipts for ferry services (by boat) totaling \$31,771.25 from fiscal years 2010 through 2012 that were not properly accounted for, recorded, or classified. Thus, we were unable to verify or match the collections to deposits into the State’s bank account. We also could not determine the State’s total revenue collections or determine whether revenues were properly classified and deposited into the State’s bank accounts. Moreover, the State did not issue cash receipts for National Government’s block grants allotments and, because of its methods of record keeping, we were unable to trace and verify deposits of \$88,855 of these block grants as shown below.

<b>Checks from National Gov't. that could not be traced to State bank accounts.</b>		
<u>Check Date</u>	<u>Check No.</u>	<u>Amount</u>
11/16/06	239159	\$ 6,870.50
11/16/06	239159	6,870.50
04/26/07	246918	6,700.00
07/04/07	249423	9,500.00
07/17/07	249999	9,500.00
08/24/07	251954	6,700.00
09/06/07	252450	9,500.00
09/14/07	252730	9,500.00
09/18/07	252781	9,606.00
09/27/07	253311	14,107.79
	<b>Total</b>	<b>\$ 88,854.79</b>

Kayangel State did not establish an accounting system with which to support revenue collections, classification of revenues by source, and deposit of revenues. In addition, a filing system was not in place to ensure that deposit of revenues contain adequate supporting documentation such as cash receipts and corresponding deposit tickets.

It appears the cause of the above condition is that the State has not established an accounting system to account for revenues, their recording, and deposit.



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As a result, with respect to revenues, we were not able to assure ourselves of the following:

- (1) Proper classification of revenues,
- (2) Agree total revenues to deposits, and
- (3) Timely deposits of collections.

**Recommendation:** We recommend that the Governor establishes a cash receipts accounting system to include the following:

- (1) Issuance of cash receipts to evidence revenue collection,
- (2) Cash receipts journal to record and classify revenues
- (3) Filing of cash receipts with corresponding bank-validated deposit tickets, and
- (4) A filing system that maintains cash receipts together with the corresponding deposit tickets in chronological order

**KSG's Response:** *The state is now ensuring that all revenues collected has the corresponding Official Receipts, where series of official receipts are closely monitored. Recording of revenues is done on the accounting software and related documents are filed carefully, with the corresponding deposit slips attached to it, which can be inspected on the next audit cycle.*

**OPA's Comments:** We commend the State for taking corrective action to implement the cash receipts accounting system. The OPA will conduct follow up inspections to verify its implementation and operation. When the financial audits commence (RPPL No. 9-9), cash receipts (revenues) will be critical in producing accurate financial statements.

**Finding No. 14: Governor's Compensation**

In RPPL No. 7-42, the Seventh OEK created the Protected Area Network Fund (PANF) for the "administration, management, investment, monitoring and disbursement of funds for the continuing operation of [Palau's Protected Area Network]." (24 PNCA §§ 3421-3422.) Section 3422(e) provides: "No part of the funds of the PANF shall inure to the benefit of, or be distributed to, a director or officer of the fund or to any other individual or entity. However, this shall not prevent the PANF from paying reasonable expenses for services rendered." To support the reasonableness of expenses for services rendered, timesheets are essential to evidence time spent by State employees providing services to the PANF programs administered by the State.

The audit revealed that on April 10, 2012, the Governor's salary was increased by \$8,109.92, a 48% increase from \$16,889.60 to \$24,999.52 per annum. This increase was due to a grant from the PANF to the State via the Kayangel State K-PAN Management Plan 2013-2018. To check the reasonableness of expenses for services rendered, the OPA requested documents (i.e., timesheets) from the State to support the amount of time the Governor charged to the K-PAN program, which the State was unable to provide. According to State Officials, the Governor's duties with K-PAN included attending Conservation Planning with K-PAN Team members, reviewing K-PAN reports, and accompanying members of the PAN, the Ministry of Natural

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Resources, Environment and Tourism, and other officials during their visits to the State's K-PAN conservation sites.

Kayangel State did not maintain a system for documenting and allocating the Governor's time spent on regular operations of the State and K-PAN to justify the reasonableness of expenses for services rendered.

As a result, the OPA was unable to verify the reasonableness of the \$8,109.92 salary increase for the Governor with respect to services rendered to the K-PAN due to lack of documentation.

**Recommendation:** We recommend the Governor establishes a system for documenting and allocating his time spent on regular operations of the State and K-PAN; this applies to all State employees whose salaries are co-paid by the State and the PANF via the K-PAN. Keeping track of actual time spent by State employees providing services to the K-PAN falls in line with the intent of the PANF and provides accurate information on the administrative costs of the K-PAN with which to formulate future budgets for the program.

**KSG's Response:** *This specific issue has been forwarded to our legal counsel for legal translation. Additional clarification could be obtained from Protected Areas Network fund (PANF) office and Protected Areas Network (PAN) Office who are responsible for funding disbursement in accordance with National and State Laws and its respective protected areas management plans.*

**OPA's Comments:** The OPA will seek further clarification from the PANF. Nonetheless, to maintain accurate information on the cost of administering the K-PAN, cost of services provided by State employees to the K-PAN should be properly documented and supported by an accurate system of cost allocation.

**Finding No. 15: Budget Formulation Process**

Budget formulation process is an integral function of the Kayangel State Government that should be set in policy to provide uniformity and consistency in the methodologies for formulating a State Budget. The Policies and Procedures should identify and define each type of budget, i.e., Unified Annual State Budget, Continuing Resolution, Continuing Appropriation, etc., to clearly state the authority and limitation of each type of budget. In addition, the policies and procedures should prescribe and define the requirements or processes for formulating the state budget, i.e. requirement for a Fund Availability Analysis, to ensure consistency and inclusiveness of the budget. Moreover, the policies and procedures should prescribe the processes for estimating revenues and expenditures, carryovers (fund balance), restrictions on reprogramming or shifting of funds, lapsing of funds, and such other appropriate fiscal controls measures. Finally, the policy should prescribe the format and breakdown of the budget.

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Our audit revealed that Kayangel State has not enacted any laws, or public policy of similar authority, prescribing the methodologies and processes for formulating a State Budget. In our review of State Budgets for fiscal years 2007- 2012, we found weaknesses in the following areas:

**Revenue Estimates:** Some revenue estimates, especially local revenues and carryovers, remained the same from one fiscal year to the next. For example, exactly \$19,000 was included as projected revenues, captioned as Prior-Year Carryover, in all budgetary laws from fiscal years 2010 to 2012. Furthermore, the estimate for carryover does not specify the source of carryover (i.e. prior year actual revenues in excess of actual expenditures).

**Continuing Resolution:** The Continuing Resolution for the First two Quarters of Fiscal year 2007, which should be based on Fiscal Year 2006 budget, contained amendments resulting in amounts appropriated differing from the FY 2006 budget. In addition, we found clerical errors in the budget.

**Continuing Appropriations:** It is normal practice for the State to appropriate funds for Capital Improvement Projects as continuing appropriations; however, in the ensuing fiscal year budget the continuing appropriations are not factored into the budget.

**Clerical Accuracy and Intent:** The Continuing Resolution for the First Two Quarters of Fiscal Year 2007, KYPL No. 12-4-2007, contained clerical errors in the revenues and expenditures projections. In addition, the Fiscal Year 2008 Annual Budget included, for the Legislature, an appropriation of \$24,120 for Legislators' Compensation and \$18,360 for official expense; however, this would mean that the Legislators received an increase in compensation in 2008. Upon further inquiry, we were told by legislative officials that there was an error in the distribution of appropriation...that \$24,120 should have been for Official Expense and the \$18,360 should have been for Legislators' Compensation, which was the case in the Unified Budget for FY 2007. We were able to verify that the Legislators compensation did not increase in FY 2008.

The cause of the above condition is that the State has not established formal policies and procedures for formulating a State budget.

As a result, State Budgets do not reflect revenue estimates that are based on historical collections data. In addition, Continuing Resolutions are not adopted in a consistent and uniform format and the format is not based on conventional concepts of a continuing resolution. Moreover, Continuing Appropriations (non-lapsing funds) are used for Capital Improvement Projects but subsequent budgets in the ensuing fiscal year do not take these continuing appropriations into consideration when determining total funds available for appropriation. Finally, State budgets may not be accorded the level of scrutiny necessary to ensure the accuracy of the budget and the intent of the appropriations distribution.

**Recommendation:** We recommend that Kayangel State Legislature establish policies and procedures for formulating the State Budget. The policies and procedures should provide consistent and uniform methodologies and concepts for developing a State budget. The Policies

and procedures should identify and define each type of budget, i.e. Unified Annual Budget, Continuing Resolution, Continuing Appropriation, etc., to clearly state the authority and limitation of each type of budget. In addition, the policies and procedures should identify and define the requirements or processes for formulating the state budget, i.e. requirement of a Fund Availability Analysis, to ensure consistency and inclusiveness of the budget. Moreover, the policies and procedures should prescribe the processes for estimating revenues and expenditures, carryovers (fund balance), restrictions on reprogramming or shifting of funds, lapsing of funds, and such other fiscal control measures. Finally, the proposed budget should be reviewed with greater degree of diligence to ensure clerical accuracy and intent of appropriations distribution.

**KSG's Response:** *This specific finding is somewhat confusing as our budget formation is clearly stated within our state constitution. Perhaps our budget format is somewhat confusing. Revenue estimate are estimate as is. The 19,000 estimate of annual carry-over during 2010-2012 are projections which we normally try our best to reserve as carry-over funds into the next fiscal year. Sources of carry-over are balances of all budgeted sections within our annual budget calculated at the end of each fiscal year. Attached is our state law to address the issue of continuing resolutions. Clerical accuracy could be a problem which falls under our responsibility. This issue will be submitted to our legal counsel for further advice.*

**OPA's Comments:** The State budget formulation process should be uniform and consistent in methodologies. The State Constitution only spells out the process but not methodologies. Each type of budget, i.e. unified annual budget, supplemental, continuing resolution, etc. should be clearly defined as well as the methodologies used, i.e., revenues and expenditures projections, carryovers, fund availability, etc. These should be set as a public (state) policy for formulating a State Budget.

### **Finding No. 16: Oil and Gas Exploration Payments to Kayangel State Government**

Article XIII, Section 1 of the Kayangel State Constitution declares, "There shall be a treasury of the State of Kayangel into which all public funds of the State of Kayangel shall be deposited."

In 2002, Kayangel State and Palau Pacific Energy, Inc. entered into a License Agreement for Oil and Gas Exploration and Development in Kayangel's territorial waters. The Agreement has been extended and amended several times. Section 9 of the Third Amendment to this Agreement, executed on May 11, 2011, states in part, "In consideration for the agreement of the State of Kayangel to enter into this Third Amendment of the license...the Licensee shall pay to the State of Kayangel the sum of \$100,000.00 (USD) as provided herein."

As of the end of fiscal year 2012, the OPA was unable to trace \$1,000 of the \$100,000 paid to the State under the Third Amendment to the licensing agreement. The State received two checks, Check Number 208880 for \$16,500 and Check Number 212011 for \$27,500, for a total of \$44,000, with the balance of \$56,000 to be paid in installments pursuant to the Third Amendment. However, we were only able to trace and identify a total of \$55,000 of payments from the Licensee to the State via wire transfer. In addition, due to weaknesses in the State's

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cash receipts/revenue accounting system, as further discussed under Finding 13, it is difficult to determine if the State received the full \$100,000 payment. Subsequent to the issuance of the Draft report, on January 19, 2016, the State finally received the \$1,000 payment from the licensee to satisfy the \$100,000 payments.

The table below shows the installment payment schedule for the \$100,000 required to be paid under the Third Amendment to the Licensing Agreement:

<b>Schedule of installment payments received by Kayangel State Government</b>		
<b>Deposit Date</b>	<b>Amount</b>	<b>Description (payment coverage)</b>
5/25/2011	\$27,500.00	Covers preceding 5 mos. (Dec. 2010 to Apr. 2011).
5/25/2011	16,500.00	Initial \$11,000 plus May 2011 installment.
7/8/2011	11,000.00	June & July 2011 installment
8/8/2011	5,500.00	August 2011.
9/12/2011	5,500.00	September 2011.
10/12/2011	5,500.00	October 2011.
11/8/2011	5,500.00	November 2011.
12/9/2011	5,500.00	December 2011.
1/1/2012	5,500.00	January 2012.
3/9/2012	<u>11,000.00</u>	February and March 2012
<b>Total received</b>	<b>\$ 99,000.00</b>	
<b>Total required</b>	<b>\$ 100,000.00</b>	
<b>Unlocated Amount</b>	<b>\$ 1,000.00</b>	
<b>Subsequent Payment</b>	<b>\$ 1,000.00</b>	Payment received on January 19, 2016.

The above condition was caused by inadequate accounting system and lack of documentation to show that the \$1,000 has been paid and deposited into the State account.

As a result, the State lacks documented evidence to demonstrate that the \$1,000 has been paid by the licensee and deposited into the State bank account.

**Recommendation:** We recommend that all revenue transactions be properly receipted and recorded to support proper monitoring and reconciliation to ensure that State revenues due from licensing agreements or other arrangements are collected in full. In addition, we recommend that

**KSG's Response:** *We have officially informed Palau Pacific Energy Inc. of this matter. Please see the attached letter to PPE. With the accompanying reply.*

**OPA's Comments:** Kayangel State has provided additional supporting documents to evidence that the \$1,000 was subsequently paid by the Licensee on January 19, 2016 and deposited to the State Treasury. Hence, although we consider the issue of the underpayment of \$1,000 resolved, the overriding concern of inadequate accounting system, which caused the above problem, still stands.

## **Conclusion**

The audit of Kayangel State revealed significant deficiencies in the State's financial management system.

The accounting system was deficient in several areas including lack of an accounting system to record and keep track of cash receipts/revenues, expenditures, accounts payable, accounts receivable, and fixed assets. Recommendations are offered on how to correct/remedy these deficiencies/weaknesses, which the State purportedly has taken some form of corrective action. In addition, the filing and retention of supporting documents to support revenues and expenditures was equally weak.

The passage of RPPL No. 9-9, mandatory annual financial audits of State Governments, elevates the concern that Kayangel State needs to upgrade and strengthen its accounting system before any financial audit can commence. The State needs to establish a viable accounting system with which to produce financial statements to be audited. The development of an accounting system needs to go hand-in-hand with properly trained State finance officers to operate the system.

## Office of the Public Auditor

## Unsupported Payments to the Former Governor

Date	Check No.	Amount	Memo/Description	Comments
10/13/06	265	\$350.00	KS2006-Rep. Fund	No documentation
10/17/06	315	\$150.00	KS2006-Rep. Fund	Inadequate documents for justification
10/18/06	329	\$1,010.00	KS2006-Rep. Fund	No documentation
10/20/06	334	\$300.00	KS2007-allowance	No documentation
11/03/06	402	\$250.00	KS2007-allowance	No documentation
11/10/06	5455	\$250.00	KS2006 - Rep fund	Inadequate documents for justification
11/17/06	5458	\$350.00	KS2006 - Rep. fund	Inadequate documents for justification
11/22/06	5469	\$250.00	KS2006 - rep fund	Inadequate documents for justification
01/05/07	5528	\$240.00	Rep. Fund	Inadequate documents for justification
01/05/07	5528	\$360.00	Allowance	Inadequate documents for justification
01/11/07	5537	\$200.00	"Rep. Fund"	Inadequate documents for justification
01/19/07	5551	\$250.00	"Rep. Fund"	Inadequate documents for justification
01/25/07	5557	\$200.00	Rep-Fund	Inadequate documents for justification
02/08/07	5596	\$200.00	For kayangel & Ollei New Year functions	Inadequate documents for justification
02/16/07	5612	\$200.00	Rep-Fund	Inadequate documents for justification
02/23/07	5614	\$200.00	for: Kayangel Youth (Mengur)	Inadequate documents for justification
03/06/07	5642	\$250.00	KS2007- Rep-Fund	Inadequate documents for justification
03/16/07	5657	\$300.00	KS2007- Rep-Fund	No documentation
03/20/07	5668	\$350.00	KS2007- Rep-Fund	No documentation
03/23/07	5702	\$250.00	KS2007- Rep-Fund	No documentation
03/23/07	5702	\$250.00	KS2007- Rep-Fund	No documentation
03/30/07	5704	\$250.00	KS2007- Rep-Fund	Inadequate documents for justification
04/04/07	5703	\$250.00	KS2007- Rep-Fund	Inadequate documents for justification
04/12/07	5712	\$150.00	KS2007- Rep-Fund	Inadequate documents for justification
04/19/07	5732	\$250.00	KS2007- Rep-Fund	Inadequate documents for justification
04/23/07	5735	\$250.00	KS2007- Rep-Fund	Inadequate documents for justification
05/03/07	5766	\$250.00	Baseball Team Food & Drink	Inadequate documents for justification
05/14/07	5790	\$250.00	Rep-Fund	Inadequate documents for justification
05/25/07	5809	\$200.00	Rep-Fund	Inadequate documents for justification
05/30/07	5810	\$500.00	Rep-Fund	Inadequate documents for justification
06/11/07	5837	\$250.00	Rep-Fund	Inadequate documents for justification
06/15/07	5845	\$150.00	Rep-Fund	No documentation
06/18/07	5849	\$150.00	Rep Fund for Belau Games	Inadequate documents for justification
06/25/07	5876	\$250.00	KS2007- Rep Fund	Inadequate documents for justification
06/27/07	5875	\$250.00	Rep Fund for Ribbon Cutting	Inadequate documents for justification

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07/04/07	5892	\$150.00	KS2007- Rep-Fund	Inadequate documents for justification
07/06/07	5908	\$250.00	KS2007- Rep-Fund	Inadequate documents for justification
07/11/07	5909	\$300.00	Rep-Fund (Compact Road Maintenance)	Inadequate documents for justification
07/17/07	5910	\$200.00	KS2007- Rep-Fund	Inadequate documents for justification
07/26/07	5930	\$300.00	KS2007- Rep-Fund	No documentation
08/01/07	5947	\$250.00	KS2007- Rep-Fund	Inadequate documents for justification
08/07/07	5959	\$250.00	For Babeldaob Road Maintenance	Inadequate documents for justification
08/14/07	5968	\$300.00	KS2007- Rep-Fund	Inadequate documents for justification
08/15/07	5969	\$250.00	Compact road workers supplies and refreshments	Inadequate documents for justification
08/16/07	5982	\$250.00	For SPC fund raising activities	Inadequate documents for justification
08/24/07	5987	\$350.00	Rep-fund	Inadequate documents for justification
08/29/07	6001	\$250.00	Rep-fund	Inadequate documents for justification
09/06/07	6015	\$300.00	For Kayangel & Melkeok Youth Activities	Inadequate documents for justification
09/19/07	6039	\$300.00	Kayangel hearing/Road Project	Inadequate documents for justification
09/20/07	6042	\$250.00	For eastcoast baseball Tournament	Inadequate documents for justification
09/26/07	6045	\$250.00	For Boat Parts	Inadequate documents for justification
	<b>FY 2007 Total</b>	<b>\$13,760.00</b>		Inadequate documents for justification
10/05/07	6073	\$150.00	Rep-Fund	Inadequate documents for justification
10/11/07	6085	\$300.00	KS2007- Fro Ngarchelong Baseball Game	Inadequate documents for justification
10/16/07	6089	\$300.00	For Public hearing expenses in Kayangel	Inadequate documents for justification
10/23/07	6092	\$300.00	For meeting with Ngarchelong	Inadequate documents for justification
11/01/07	6122	\$300.00	For Baseball game in Ngarchelong	Inadequate documents for justification
11/09/07	6135	\$250.00	KS2007- Rep-Fund	Inadequate documents for justification
11/16/07	6138	\$300.00	KS2007- Rep-Fund	Inadequate documents for justification
11/22/07	6150	\$250.00	Rep-Fund (Thanksgiving in Kayangel)	Inadequate documents for justification
12/06/07	6182	\$300.00	KS2008- Rep-Fund	Inadequate documents for justification
12/12/07	6197	\$600.00	"Per Diem" - Trip receipts should be submitted to KST	No documentation
12/12/07	6193	\$150.00	Rep-fund	Inadequate documents for justification
12/20/07	6211	\$350.00	Rep-fund	Inadequate documents for justification
01/07/08	6239	\$250.00	Rep-fund	Inadequate documents for justification
01/09/08	6243	\$250.00	Rep-fund	Inadequate documents for justification
01/16/08	6244	\$250.00	Rep-fund	Inadequate documents for justification
01/21/08	6257	\$150.00	Rep-fund	Inadequate documents for justification
01/24/08	6259	\$250.00	Rep-fund	Inadequate documents for justification
01/29/08	6286	\$300.00	Rep-fund	Inadequate documents for justification
02/08/08	6294	\$150.00	Representation fund	Inadequate documents for justification
02/12/08	6296	\$250.00	Rep-fund	Inadequate documents for justification
02/20/08	6309	\$300.00	Rep-fund	Inadequate documents for justification



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02/26/08	6311	\$250.00	Rep-fund	Inadequate documents for justification
03/06/08	6340	\$250.00	Rep-fund	Inadequate documents for justification
03/11/08	6352	\$250.00	Rep-fund	Inadequate documents for justification
03/17/08	6357	\$250.00	Rep-fund	Inadequate documents for justification
03/21/08	6373	\$150.00	Rep-fund	Inadequate documents for justification
03/21/08	6375	\$250.00	Rep-fund	Inadequate documents for justification
04/01/08	6389	\$250.00	Rep-fund	Inadequate documents for justification
04/09/08	6390	\$250.00	Rep-fund	Inadequate documents for justification
04/11/08	6402	\$250.00	Rep-fund	Inadequate documents for justification
04/14/08	6407	\$250.00	Rep-fund	Inadequate documents for justification
04/21/08	6408	\$250.00	Rep-fund	Inadequate documents for justification
04/28/08	6424	\$250.00	Rep-fund	Inadequate documents for justification
05/01/08	6438	\$250.00	Rep-fund	Inadequate documents for justification
05/08/08	6449	\$250.00	Rep-fund	Inadequate documents for justification
05/19/08	6453	\$200.00	Rep-fund	Inadequate documents for justification
05/26/08	6486	\$250.00	Rep-fund	Inadequate documents for justification
05/28/08	6498	\$250.00	Rep-fund	Inadequate documents for justification
06/17/08	6506	\$250.00	Rep-fund	Inadequate documents for justification
06/19/08	6516	\$250.00	Rep-fund	Inadequate documents for justification
06/26/08	6529	\$250.00	"Rep-Fund"	Inadequate documents for justification
07/02/08	6542	\$250.00	"Rep-Fund"	Inadequate documents for justification
07/04/08	6543	\$300.00	KSFY2008 - Rep-fund	Inadequate documents for justification
07/08/08	6544	\$250.00	"Rep-Fund for OBF"	Inadequate documents for justification
07/14/08	6552	\$200.00	Representation Fund	Inadequate documents for justification
07/17/08	6567	\$300.00	"Rep-Fund for Inauguration"	Inadequate documents for justification
07/23/08	6569	\$250.00	"Donations & Contri Rep-Fund"	Inadequate documents for justification
07/30/08	6575	\$250.00	"Rep-Fund"	Inadequate documents for justification
08/05/08	6586	\$250.00	"Rep-Fund for Gov.'s Meeting"	Inadequate documents for justification
08/07/08	6587	\$300.00	"Dues to Gov.'s Association"	Inadequate documents for justification
08/13/08	6599	\$250.00	"Donation's & Contribution"	Inadequate documents for justification
08/22/08	6610	\$250.00	"Rep-Fund"	Inadequate documents for justification
08/28/08	6622	\$250.00	"Rep-Fund"	Inadequate documents for justification
08/29/08	6627	\$500.00	"Contingency Expense"	Inadequate documents for justification
09/08/08	6631	\$250.00	"Rep-Fund"	Inadequate documents for justification
09/11/08	6643	\$250.00	"Rep-Fund for Kayangel State Youth"	Inadequate documents for justification
09/19/08	6646	\$250.00	"Donation's & Contri Rep-Fund"	Inadequate documents for justification
09/25/08	6660	\$200.00	KS2008-for expenses of Kayangel community activities(Indipendence)	Inadequate documents for justification
09/25/08	6660	\$150.00	KS2008-for expenses of Kayangel community activities(Indipendence)	Inadequate documents for justification

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09/30/08	6661	\$250.00	"Rep-Fund-for expenses of Kayangel community Independence day"	Inadequate documents for justification
	<b>FY 2008 Total</b>	<b>\$15,500.00</b>		Inadequate documents for justification
10/03/08	6663	\$350.00	"Contingency Travel"	Inadequate documents for justification
10/09/08	6678	\$450.00	"Rep-Fund for State activities"	Inadequate documents for justification
10/16/08	6687	\$600.00	"Kayangel Meeting-To cover expenses of Kayangel Meetings and others"	Inadequate documents for justification
10/23/08	6690	\$250.00	"Rep-Fund to cover expenses of visit to Kayangel"	Inadequate documents for justification
10/27/08	6703	\$250.00	"Rep-Fund"	Inadequate documents for justification
10/31/08	6708	\$250.00	"Rep-Fund"	Inadequate documents for justification
11/03/08	6719	\$250.00	"Rep-Fund"	Inadequate documents for justification
11/13/08	6723	\$250.00	"Rep-Fund"	Inadequate documents for justification
11/17/08	6727	\$250.00	"Rep-Fund"	Inadequate documents for justification
11/26/08	6742	\$250.00	KS2008-For Oil & Gas Meeting expense	Inadequate documents for justification
11/26/08	6742	\$1,709.00	Oil & Gas Meeting Expense	Inadequate documents for justification
11/26/08	6740	\$250.00	"Rep-Fund"	Inadequate documents for justification
11/26/08	6742	\$500.00	"Rep-Fund"	Inadequate documents for justification
12/12/08	6781	\$250.00	"Rep-Fund"	Inadequate documents for justification
12/12/08	6777	\$250.00	"Rep-Fund"	Inadequate documents for justification
12/17/08	6775	\$300.00	"Rep-Fund"	Inadequate documents for justification
12/19/08	6776	\$350.00	"Rep-Fund"	Inadequate documents for justification
12/30/08	6791	\$250.00	"Rep-Fund for kayangel New year activities"	Inadequate documents for justification
01/09/09	6802	\$300.00	"Rep-Fund for Inauguration"	Inadequate documents for justification
01/13/09	6813	\$200.00	"Rep-Fund"	Inadequate documents for justification
01/20/09	6815	\$250.00	"Rep-Fund"	Inadequate documents for justification
01/26/09	6816	\$200.00	"Rep-Fund"	Inadequate documents for justification
01/26/09	6829	\$200.00	"Rep-Fund"	Inadequate documents for justification
02/02/09	6830	\$200.00	"Rep Fund"	Inadequate documents for justification
02/06/09	6842	\$250.00	"Rep-Fund"	Inadequate documents for justification
02/26/09	6854	\$150.00	"Rep-Fund"	Inadequate documents for justification
03/02/09	6859	\$100.00	"For Governor gasoline"	Inadequate documents for justification
03/05/09	6864	\$150.00	"For Hinrokoshi"	Inadequate documents for justification
03/11/09	6875	\$150.00	"Rep Fund"	Inadequate documents for justification
03/13/09	6877	\$175.00	"Rep-Fund"	Inadequate documents for justification
03/24/09	6881	\$150.00	"Rep-Fund"	Inadequate documents for justification
04/01/09	6896	\$150.00	"Rep Fund"	Inadequate documents for justification
04/09/09	6915	\$200.00	"For NOC Sports Award Banquet"	Inadequate documents for justification
04/23/09	6936	\$150.00	"Rep-Fund"	Inadequate documents for justification
05/04/09	6945	\$200.00	Miscellaneous Expense	Inadequate documents for justification
05/12/09	6963	\$150.00	"Rep Fund"	Inadequate documents for justification

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05/19/09	6979	\$150.00	"Rep-Fund"	Inadequate documents for justification
05/27/09	6980	\$150.00	"Miscellaneous & Rep-Fund"	Inadequate documents for justification
06/04/09	6994	\$150.00	"Miscellaneous and Rep-Fund"	Inadequate documents for justification
06/10/09	6995	\$150.00	"Miscellaneous Expe-Rep-Fund"	Inadequate documents for justification
07/15/09	7046	\$300.00	"Miscellaneous REP-FUND"	Inadequate documents for justification
07/23/09	7056	\$300.00	"Miscellaneous Expense-Rep-Fund"	Inadequate documents for justification
08/06/09	7113	\$300.00	"Donations to Imongrel (Church)"	Inadequate documents for justification
08/18/09	7116	\$150.00	"Donations & Contributions Rep-Fund"	Inadequate documents for justification
08/20/09	7117	\$150.00	Miscellaneous Expense for North Star Worker	Inadequate documents for justification
09/10/09	7128	\$300.00	Representation fund	Inadequate documents for justification
09/16/09	7129	\$350.00	Representation Fund	Inadequate documents for justification
09/25/09	7131	\$250.00	Miscellaneous Expense	Inadequate documents for justification
	<b>FY 2009 Total</b>	<b>\$13,034.00</b>		Inadequate documents for justification
10/07/09	7145	\$300.00	Representation fund	Inadequate documents for justification
10/14/09	7160	\$250.00	Representation Fund	Inadequate documents for justification
10/22/09	7178	\$250.00	Representation Fund	Inadequate documents for justification
10/30/09	7187	\$175.00	Representation Fund	Inadequate documents for justification
11/06/09	7203	\$300.00	"Representation for North Star Worker"	Inadequate documents for justification
11/12/09	7204	\$200.00	Donations & Contributions	Inadequate documents for justification
11/13/09	7211	\$150.00	Donations	Inadequate documents for justification
11/25/09	7230	\$250.00	Representation Fund	Inadequate documents for justification
12/08/09	7251	\$300.00	"Donations & Contri-Rep-Funds"	Inadequate documents for justification
12/11/09	7254	\$200.00	Representation Fund	Inadequate documents for justification
12/23/09	7271	\$250.00	Donations & Contributions	Inadequate documents for justification
12/30/09	7280	\$200.00	Representation Fund	Inadequate documents for justification
01/05/10	7297	\$300.00	Donations & Contributions	Inadequate documents for justification
01/14/10	7316	\$100.00	Donations & Contributions	Inadequate documents for justification
01/28/10	7340	\$200.00	"Representation, etc.."	Inadequate documents for justification
02/04/10	7349	\$150.00	Representation fund	Inadequate documents for justification
02/12/10	7364	\$300.00	No Documents	Inadequate documents for justification
02/18/10	7370	\$150.00	Donations & Contributions	Inadequate documents for justification
02/25/10	7384	\$150.00	Representation Fund	Inadequate documents for justification
03/03/10	7393	\$200.00	Representation Fund	Inadequate documents for justification
03/10/10	7405	\$150.00	Representation Fund	Inadequate documents for justification
03/18/10	7421	\$250.00	Representation Fund	Inadequate documents for justification
03/25/10	7440	\$200.00	Representation Fund	Inadequate documents for justification
03/29/10	7444	\$250.00	Representation Fund	Inadequate documents for justification
04/08/10	7457	\$250.00	Representation Fund	Inadequate documents for justification

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04/12/10	7466	\$200.00	Miscellaneous Expense	Inadequate documents for justification
04/23/10	7492	\$150.00	Miscellaneous Expense	Inadequate documents for justification
04/28/10	7496	\$250.00	Representation Fund	Inadequate documents for justification
05/13/10	7519	\$150.00	Representation Fund	Inadequate documents for justification
05/18/10	7533	\$250.00	Representation Fund	Inadequate documents for justification
05/20/10	7539	\$200.00	Rep. Fund (attend Kayangel graduation)	Inadequate documents for justification
06/03/10	7556	\$150.00	Donations	Inadequate documents for justification
06/16/10	7570	\$150.00	Miscellaneous Expense	Inadequate documents for justification
06/24/10	7578	\$250.00	Miscellaneous Expense	Inadequate documents for justification
06/30/10	7595	\$200.00	Miscellaneous Expense	Inadequate documents for justification
07/07/10	7600	\$250.00	Miscellaneous Expense	Inadequate documents for justification
07/15/10	7620	\$200.00	Miscellaneous Expense	Inadequate documents for justification
07/21/10	7622	\$150.00	Miscellaneous Expense	Inadequate documents for justification
07/27/10	7628	\$250.00	Miscellaneous Expense	Inadequate documents for justification
08/04/10	7645	\$200.00	Miscellaneous Expense	Inadequate documents for justification
08/11/10	7661	\$250.00	Donation	Inadequate documents for justification
08/18/10	7666	\$200.00	Donation	Inadequate documents for justification
09/01/10	7680	\$150.00	Miscellaneous Expense	Inadequate documents for justification
09/22/10	7716	\$200.00	Miscellaneous Expense	Inadequate documents for justification
	<b>FY 2010 Total</b>	<b>\$9,275.00</b>		Inadequate documents for justification
10/18/10	7738	\$150.00	Representation Fund	Inadequate documents for justification
10/21/10	7752	\$100.00	Representation Fund	Inadequate documents for justification
10/28/10	7758	\$150.00	Representation Fund	Inadequate documents for justification
11/11/10	7782	\$250.00	Miscellaneous Expense	Inadequate documents for justification
12/10/10	7815	\$250.00	Representation Fund	Inadequate documents for justification
12/20/10	7834	\$200.00	Representation Fund	Inadequate documents for justification
01/05/11	7848	\$250.00	Donation	Inadequate documents for justification
01/11/11	7852	\$150.00	Miscellaneous Expense	Inadequate documents for justification
01/24/11	7868	\$150.00	Miscellaneous Expense	Inadequate documents for justification
02/01/11	7884	\$200.00	Miscellaneous Expense	Inadequate documents for justification
02/18/11	7900	\$150.00	Miscellaneous Expense	Inadequate documents for justification
02/22/11	7918	\$200.00	Misc. Donations & Contributions	Inadequate documents for justification
03/03/11	7920	\$250.00	Miscellaneous Expense	Inadequate documents for justification
03/14/11	7931	\$150.00	Miscellaneous Expense	Inadequate documents for justification
04/05/11	7956	\$250.00	Miscellaneous Expense	Inadequate documents for justification
05/16/11	8010	\$150.00	Representation Fund	Inadequate documents for justification
06/06/11	8036	\$150.00	Representation Fund	Inadequate documents for justification
06/12/11	8053	\$250.00	Representation Fund	Inadequate documents for justification

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06/21/11	8063	\$150.00	Representation Fund	Inadequate documents for justification
06/21/11	8078	\$200.00	Miscellaneous Expense	Inadequate documents for justification
06/21/11	8078	\$200.00	Representation Fund	Inadequate documents for justification
07/14/11	8105	\$150.00	Miscellaneous Expense	Inadequate documents for justification
07/20/11	8108	\$250.00	Miscellaneous Expense	Inadequate documents for justification
07/27/11	8122	\$250.00	Rep for planting in Ngiwal'	Inadequate documents for justification
08/03/11	8126	\$250.00	Miscellaneous Expense	Inadequate documents for justification
08/10/11	8144	\$150.00	Misc. Exp. For Presidential State Visit (08/12/11)	Inadequate documents for justification
09/07/11	8185	\$300.00	Miscellaneous Expense	Inadequate documents for justification
09/19/11	8198	\$200.00	Miscellaneous Expense	Inadequate documents for justification
09/28/11	8217	\$150.00	Miscellaneous Expense	Inadequate documents for justification
	<b>FY 2011 Total</b>	<b>\$5,650.00</b>		Inadequate documents for justification
11/03/11	8302	\$135.00	Miscellaneous Expense	Inadequate documents for justification
11/21/11	8331	\$150.00	Miscellaneous Expense	Inadequate documents for justification
11/30/11	8353	\$150.00	Miscellaneous Expense	Inadequate documents for justification
12/28/11	8403	\$250.00	Miscellaneous Expense	Inadequate documents for justification
01/09/12	8409	\$150.00	Miscellaneous Expense	Inadequate documents for justification
01/18/12	8429	\$1,500.00	Travel to CNMI and back	Inadequate documents for justification
02/13/12	8473	\$250.00	Miscellaneous Expense	Inadequate documents for justification
02/17/12	8477	\$200.00	"Rep Fund"	Inadequate documents for justification
03/07/12	8516	\$200.00	Miscellaneous Expense	Inadequate documents for justification
03/30/12	8540	\$250.00	Miscellaneous Expense	Inadequate documents for justification
04/09/12	8554	\$150.00	Miscellaneous Expense	Inadequate documents for justification
04/12/12	8566	\$200.00	Miscellaneous Expense	Inadequate documents for justification
04/16/12	8567	\$150.00	Miscellaneous Expense	Inadequate documents for justification
04/27/12	8584	\$250.00		No documentation
05/09/12	8604	\$250.00	Miscellaneous Expense	Inadequate documents for justification
05/15/12	8619	\$150.00	Miscellaneous Expense	Inadequate documents for justification
05/21/12	8635	\$600.00	Governor's Per Diem for Guam	Inadequate documents for justification
06/11/12	8649	\$300.00	Miscellaneous Expense	Inadequate documents for justification
06/18/12	8667	\$250.00	Miscellaneous Expense	Inadequate documents for justification
06/25/12	8674	\$300.00	Miscellaneous Expense	Inadequate documents for justification
	<b>FY 2012 Total</b>	<b>\$5,835.00</b>		
	<b>Overall Total</b>	<b>\$63,054.00</b>		

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### Unsupported Payments to Former Speaker of the State Legislature

Date	Check No.	Amount	Notes	Comments
10/10/2006	294	\$ 200.00	Representation Fund	inadequate documents for justification
10/13/2006	263	\$ 300.00	Representation Fund	inadequate documents for justification
10/19/2006	333	\$ 300.00		No documentation
1/11/2007	5536	\$ 300.00	Representation Fund	inadequate documents for justification
1/25/2007	5556	\$ 250.00	Representation Fund	inadequate documents for justification
2/8/2007	5595	\$ 200.00	No document to support that amount was indeed spent for Donation & Contribution	inadequate documents for justification
2/16/2007	5610	\$ 200.00	Rep Fund charged to donations account	inadequate documents for justification
3/7/2007	5644	\$ 50.00		No documentation
3/7/2007	5646	\$ 200.00		No documentation
3/20/2007	5667	\$ 200.00		No documentation
4/13/2007	5714	\$ 250.00	Representation Fund	inadequate documents for justification
5/14/2007	5787	\$ 250.00	Representation Fund	inadequate documents for justification
5/25/2007	5801	\$ 150.00	Representation Fund	inadequate documents for justification
6/7/2007	5834	\$ 150.00	Representation Fund	inadequate documents for justification
6/15/2007	5846	\$ 300.00	Representation Fund	inadequate documents for justification
6/25/2007	5878	\$ 250.00	Representation Fund	inadequate documents for justification
7/5/2007	5905	\$ 300.00	No document to support that amount was indeed spent for Donation & Contribution	inadequate documents for justification
7/25/2007	5926	\$ 350.00	Rep Fund charged to donations account	inadequate documents for justification
8/10/2007	5962	\$ 350.00	Representation Fund	inadequate documents for justification
	<b>FY 2007 Total</b>	<b>\$ 4,550.00</b>		
10/17/2007	6090	\$ 250.00	Representation Fund	inadequate documents for justification
10/29/2007	6121	\$ 200.00		No documentation
11/15/2007	6137	\$ 250.00	Representation Fund	inadequate documents for justification
12/5/2007	6171	\$ 250.00	Representation Fund	inadequate documents for justification
12/20/2007	6209	\$ 350.00	Representation Fund	inadequate documents for justification
1/9/2008	6241	\$ 250.00	Representation Fund	inadequate documents for justification
1/24/2008	6258	\$ 250.00	Representation Fund	inadequate documents for justification
2/5/2008	6291	\$ 250.00	Representation Fund	inadequate documents for justification
2/18/2008	6306	\$ 250.00	Representation Fund	inadequate documents for justification
3/5/2008	6335	\$ 250.00	Representation Fund	inadequate documents for justification
3/17/2008	6355	\$ 250.00	Representation Fund	inadequate documents for justification
4/10/2008	6401	\$ 250.00	Representation Fund	inadequate documents for justification
4/24/2008	6422	\$ 250.00	Representation Fund	inadequate documents for justification
5/8/2008	6451	\$ 250.00	Representation Fund	inadequate documents for justification

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## Office of the Public Auditor

5/19/2008	6456	\$ 81.95	Re-imbusement for Battery.	inadequate documents for justification
5/26/2008	6473	\$ 250.00	Representation Fund	inadequate documents for justification
6/11/2008	6502	\$ 250.00	Representation Fund	inadequate documents for justification
6/19/2008	6518	\$ 227.30	Re-imbusement for Gas. No identification of vehicle provided.	inadequate documents for justification
7/10/2008	6545	\$ 226.55	Re-imbusement for Gas. No identification of vehicle provided.	inadequate documents for justification
7/14/2008	6546	\$ 250.00	Representation Fund	inadequate documents for justification
7/28/2008	6573	\$ 525.95	Re-imbusement for Gas. No identification of vehicle provided.	inadequate documents for justification
8/12/2008	6589	\$ 250.00	No document to support that amount was indeed spent for Donation & Contribution	inadequate documents for justification
8/22/2008	6607	\$ 230.95	Re-imbusement for Gas. No identification of vehicle provided.	inadequate documents for justification
8/29/2008	6626	\$ 250.00	No document to support that amount was indeed spent for Donation & Contribution	inadequate documents for justification
9/8/2008	6630	\$ 158.25	Re-imbusement for gas. Charged to Donations account.	inadequate documents for justification
9/25/2008	6658	\$ 221.00	No documents provided	No documentation
	<b>FY 2008 Total</b>	<b>\$ 6,471.95</b>		
10/6/2008	6665	\$ 250.00	No Invoice	inadequate documents for justification
10/14/2008	6680	\$ 164.95	Gas re-imbusement charged to "Other Expenses -Rep.&Ent. Account.	inadequate documents for justification
10/14/2008	6680	\$ 42.95	For vehicle repairs. No identification of vehicle provided.	inadequate documents for justification
10/16/2008	6689	\$ 250.00	Representation Fund	inadequate documents for justification
10/23/2008	6701	\$ 109.96	Re-imbusement for Gas. No identification of vehicle provided.	inadequate documents for justification
10/27/2008	6704	\$ 250.00	Representation Fund	inadequate documents for justification
11/3/2008	6720	\$ 124.97	Gas re-imbusement charged to "Other Expenses -Rep.&Ent. Account.	inadequate documents for justification
11/17/2008	6726	\$ 250.00	Speaker's Rep. Fund	inadequate documents for justification
11/26/2008	6738	\$ 99.98	Re-imbusement for Gas. No identification of vehicle provided.	inadequate documents for justification
12/2/2008	6753	\$ 250.00	Speaker's Rep. Fund	inadequate documents for justification
12/11/2008	6758	\$ 114.97	Re-imbusement for Gas. No identification of vehicle provided.	inadequate documents for justification
12/12/2008	6780	\$ 300.00	Speaker's Rep. Fund	inadequate documents for justification
1/5/2009	6799	\$ 100.00	Re-imbusement for Gas. No identification of vehicle provided.	inadequate documents for justification
1/9/2009	6803	\$ 200.00	Speaker's Rep. Fund	inadequate documents for justification
1/16/2009	6814	\$ 89.96	Re-imbusement for Gas. No identification of vehicle provided.	inadequate documents for justification
3/2/2009	6858	\$ 135.90	Re-imbusement for Gas. No identification of vehicle provided.	inadequate documents for justification
4/1/2009	6893	\$ 250.00	Speaker Rep.Fund	inadequate documents for justification
4/17/2009	6918	\$ 121.80		inadequate documents for justification

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Office of the Public Auditor

	<b>FY 2009 Total</b>	<b>\$ 3,105.44</b>		
1/5/2010	7294	\$ 50.00	Re-imbusement for gas. POL Req. Form used for only \$20.00 of the entire amt.	inadequate documents for justification
1/5/2010	7295	\$ 150.00	Speaker Rep.Fund	inadequate documents for justification
1/29/2010	7343	\$ 150.00	Speaker Rep.Fund	inadequate documents for justification
2/4/2010	7344	\$ 150.00	No supporting documents	No documentation
2/18/2010	7367	\$ 150.00	Speaker Rep.Fund	inadequate documents for justification
2/25/2010	7385	\$ 150.00	Speaker Rep.Fund	inadequate documents for justification
3/18/2010	7422	\$ 150.00	Speaker Rep.Fund	inadequate documents for justification
3/25/2010	7443	\$ 150.00	Speaker Rep.Fund	inadequate documents for justification
4/12/2010	7465	\$ 100.00	Speaker Rep.Fund; Not done on proper Purchase Order form.	inadequate documents for justification
4/22/2010	7488	\$ 150.00	Speaker's Donation	inadequate documents for justification
4/28/2010	7506	\$ 150.00	Donation to Red Cross	inadequate documents for justification
5/18/2010	7532	\$ 150.00	Donation	inadequate documents for justification
5/20/2010	7541	\$ 150.00	Donation	inadequate documents for justification
6/18/2010	7571	\$ 150.00	Donation	inadequate documents for justification
	<b>FY 2010Total</b>	<b>\$ 1,950.00</b>		
	<b>Overall Total</b>	<b>\$ 16,077.39</b>		



Office of the Public Auditor

## Unsupported Payments to the former Treasurer

Date	Check No.	Amount	Memo	Comments
10/18/2006	327	\$ 610.00	KS2006-Davao Trip Allowance	No documentation
1/25/2007	5553	\$ 560.00	foreign workers airline ticket	Inadequate documents for justification
1/25/2007	5553	\$ 480.00	Accomodation to include workers	Inadequate documents for justification
1/25/2007	5553	\$ 700.00	for-workers working papers & any other expense	Inadequate documents for justification
3/20/2007	5681	\$ 40.00	RE-Imbursement- outboard Oil	No documentation
3/22/2007	5705	\$ 300.00	For Baseball Supplies	No documentation
	<b>FY 2007 Total</b>	<b>\$ 2,690.00</b>		
12/12/2007	6196	\$ 600.00	Trip receipts should be submitted to KST	Inadequate documents for justification
	<b>FY 2008 Total</b>	<b>\$ 600.00</b>		
11/26/2008	6743	\$ 1,209.00	Oil & Gas Meeting Expenses	Inadequate documents for justification
12/12/2008	6763	\$ 500.00	For Meeting Expenss. Attachements !!	Inadequate documents for justification
7/21/2009	7047	\$ 1,000.00	KS2008- For training expenses	Inadequate documents for justification
7/21/2009	7047	\$ 739.00	For training expenses	Inadequate documents for justification
8/2/2009	7132	\$ 250.00	Allowance for JICA Training	No documentation
	<b>FY 2009 Total</b>	<b>\$ 3,698.00</b>		
3/9/2012	8517	\$ 1,680.00	Conservation Planning Team (Training Expenses) and others	Inadequate documents for justification
4/17/2012	8579	\$ 700.00	To cover boat parts expenses and others	Inadequate documents for justification
5/1/2012	8595	\$ 500.00	To cover accomodation and any other expense of seeking velasco boat parts in phillipines	Inadequate documents for justification
7/12/2012	8722	\$ 100.00	Rep-Fund	Inadequate documents for justification
7/17/2012	8733	\$ 250.00	Rep-Fund (for lunch meeting & others)	Inadequate documents for justification
7/20/2012	8737	\$ 250.00	Rep-Fund (for meeting in kayangel & others)	Inadequate documents for justification
7/25/2012	8748	\$ 300.00	Rep-Fund (for meeting & others)	Inadequate documents for justification
8/1/2012	8766	\$ 300.00	For Exp. of Mechesil Melau Conf. & Others	Inadequate documents for justification
8/15/2012	8788	\$ 250.00	Rep. for donations & others	Inadequate documents for justification
8/17/2012	8789	\$ 890.00	For Travel Expenses to Guam & Back	Inadequate documents for justification
8/17/2012	8798	\$ 100.00	Rep. Fund	Inadequate documents for justification
8/24/2012	8800	\$ 100.00	Rep. Fund	Inadequate documents for justification
	<b>FY 2012 Total</b>	<b>\$ 5,420.00</b>		
	<b>Total</b>	<b>\$ 12,408.00</b>		

## Office of the Public Auditor

## Unsupported Official Expense Allowance paid to State Legislators

Date	Check No.	Description/Memo	Amount	Comments
10/01/06	273	Oct. Official Exp	\$170.00	No Invoice or receipts
10/01/06	277	KS2006- Oct. Official Exp.	\$170.00	No Invoice or receipts
10/01/06	282	Oct. Official Exp	\$170.00	No Invoice or receipts
11/01/06	396	Official Exp	\$170.00	No Invoice or receipts
11/17/06	5457	Jan2007-Official Exp	\$170.00	No Invoice or receipts
11/29/06	5475	official exp	\$170.00	No Invoice or receipts
11/29/06	5480	Official Exp	\$170.00	No Invoice or receipts
12/22/06	5508	Jan2007-Official Exp	\$170.00	No Invoice or receipts
12/22/06	5513	Jan2007, Official Exp	\$170.00	No Invoice or receipts
02/01/07	5559	Feb-2007 Official	\$170.00	No Invoice or receipts
02/01/07	5564	Feb2007-Official Exp	\$170.00	No Invoice or receipts
02/01/07	5569	Advance, March.2007, Official Exp	\$170.00	No Invoice or receipts
03/01/07	5623	Mar.2007-Official Exp	\$170.00	No Invoice or receipts
03/01/07	5628	Apr.2007, Official Exp	\$170.00	No Invoice or receipts
03/20/07	5671	Apr. 2007, Official Exp	\$170.00	No Invoice or receipts
03/20/07	5676	Apr.2007, Official exp	\$170.00	No Invoice or receipts
05/01/07	5752	May-2007, Official	\$170.00	No Invoice or receipts
05/01/07	5758	July.2007, Official Exp	\$170.00	No Invoice or receipts
05/01/07	5763	July.2007, Official Exp	\$170.00	No Invoice or receipts
05/30/07	5815	Jun.2007-Official Exp	\$170.00	No Invoice or receipts
05/30/07	5820	August.2007, Official Exp	\$170.00	No Invoice or receipts
07/02/07	5881	July. Official Exp	\$170.00	No Invoice or receipts
07/02/07	5886	July.2007, Official exp	\$170.00	No Invoice or receipts
07/05/07	5902	July.2007, Official Exp retroactive Dec.2006	\$170.00	No Invoice or receipts
08/01/07	5937	Official Exp. Aug 2007	\$170.00	No Invoice or receipts
08/01/07	5942	Aug 2007 Official Exp	\$170.00	No Invoice or receipts
08/29/07	6002	Sept-2007, Official	\$170.00	No Invoice or receipts
08/29/07	6007	Sept.2007-Official Exp	\$170.00	No Invoice or receipts
08/29/07	6012	Sept.2007, Official exp	\$170.00	No Invoice or receipts
10/02/07	6059	Oct-2007 Official	\$170.00	No Invoice or receipts
10/02/07	6064	Oct official exp	\$170.00	No Invoice or receipts
10/29/07	6111	Nov 07, official Exp	\$170.00	No Invoice or receipts
10/29/07	6116	Nov 2007 Official Exp	\$170.00	No Invoice or receipts
11/29/07	6156	Nov-2007, Official "Merry X Mass & Happy New Year"	\$170.00	No Invoice or receipts
11/29/07	6161	Dec.2007-Official Exp " Merry X Mass & Happy New Year"	\$170.00	No Invoice or receipts
11/29/07	6166	Dec.2007, Official exp"Merry X Mass & Happy New Year"	\$170.00	No Invoice or receipts

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**Office of the Public Auditor**

12/21/07	6218	Jan.2008 Official "Merry X Mass & Happy New Year"	\$170.00	No Invoice or receipts
12/21/07	6223	Jan 2008 Official "Merry X Mass & Happy New Year"	\$170.00	No Invoice or receipts
01/29/08	6275	Feb.2008 Official	\$170.00	No Invoice or receipts
01/29/08	6280	Feb. 2008 Official expense	\$170.00	No Invoice or receipts
01/29/08	6285	Feb. 2008 Official Exp	\$170.00	No Invoice or receipts
02/29/08	6326	Mar. 2008-Official Exp	\$170.00	No Invoice or receipts
02/29/08	6331	Mar. 2008-Official Exp	\$170.00	No Invoice or receipts
03/21/08	6378	Apr. 2008 Official Exp	\$170.00	No Invoice or receipts
03/21/08	6383	Apr. 2008, Official Exp	\$170.00	No Invoice or receipts
04/30/08	6426	Apr. Official 2008	\$170.00	No Invoice or receipts
04/30/08	6431	May.2008 Official Exp	\$170.00	No Invoice or receipts
04/30/08	6436	May. 2008, Official Exp	\$170.00	No Invoice or receipts
05/26/08	6477	June.2008 Official Exp	\$170.00	No Invoice or receipts
05/26/08	6482	June. 2008-Official Exp	\$170.00	No Invoice or receipts
<b>TOTALS</b>			<b>\$8,500.00</b>	

Office of the Public Auditor

Fuel Expenses Not Justified

Check Date	Check No.	Account Classification	Amount
11/01/2006	341	Project and Programs:Local CIP/Grants/Stimulus:Boat Operation	\$ 2,425.30
02/05/2007	5579	Project and Programs:Local CIP/Grants/Stimulus:Boat Operation	\$ 1,554.58
03/20/2007	5665	Project and Programs:Local CIP/Grants/Stimulus:Boat Operation	\$ 1,176.30
08/14/2007	5964	Project and Programs:Local CIP/Grants/Stimulus:Boat Operation	\$ 3,603.64
08/29/2007	5989	Project and Programs:Local CIP/Grants/Stimulus:Boat Operation	\$ 1,396.08
		<b>FY2007 Total</b>	<b>\$ 10,155.90</b>
10/02/2007	6068	01. Office of the Governor	\$ 1,817.16
03/11/2008	6353	1400 · Travel & Transportation:1410 · Travel	\$ 1,677.41
04/10/2008	6400	01. Office of the Governor	\$ 1,233.03
05/19/2008	6471	Project and Programs:Local CIP/Grants/Stimulus:Boat Operation	\$ 1,185.95
07/15/2008	6551	Project and Programs:Local CIP/Grants/Stimulus:Boat Operation	\$ 3,217.40
09/25/2008	6647	Project and Programs:Local CIP/Grants/Stimulus:Ring Road	\$ 2,878.28
		<b>FY2008 Total</b>	<b>\$ 12,009.23</b>
05/19/2009	6977	01. Office of the Governor	\$ 2,536.77
06/19/2009	7010	Project and Programs:Local CIP/Grants/Stimulus:Boat Operation	
07/31/2009	7067	Project and Programs:Local CIP/Grants/Stimulus:Boat Operation	
09/21/2009	7109	Project and Programs:Local CIP/Grants/Stimulus:Boat Operation	
		<b>FY2009 Total</b>	<b>\$ 2,536.77</b>
11/19/2009	7221	Project and Programs:Local CIP/Grants/Stimulus:Boat Operation	
12/30/2009	7279	01. Office of the Governor	\$ 1,997.86
02/25/2010	7387	Project and Programs:Local CIP/Grants/Stimulus:Boat Operation	
06/23/2010	7577	Project and Programs:Local CIP/Grants/Stimulus:Boat Operation	
		<b>FY2010 Total</b>	<b>\$ 1,997.86</b>
11/03/2010	7770	Project and Programs:Local CIP/Grants/Stimulus:Boat Operation	
12/14/2010	7829	Project and Programs:Local CIP/Grants/Stimulus:Boat Operation	\$ 755.90
02/22/2011	7903	01. Office of the Governor	
05/02/2011	7982	01. Office of the Governor	
06/12/2011	8052	Project and Programs:Local CIP/Grants/Stimulus:Boat Operation	
07/27/2011	8123	Project and Programs:Local CIP/Grants/Stimulus:Boat Operation	
		<b>FY2011 Total</b>	<b>\$ 755.90</b>
10/05/2011	8229	Project and Programs:Local CIP/Grants/Stimulus:Boat Operation	
11/29/2011	8351	Project and Programs:Local CIP/Grants/Stimulus:Boat Operation	\$ 582.00
02/08/2012	8462	Project and Programs:Local CIP/Grants/Stimulus:Boat Operation	
04/03/2012	8544	Project and Programs:Local CIP/Grants/Stimulus:Boat Operation	\$ 119.24
06/13/2012	8659	Project and Programs:Local CIP/Grants/Stimulus:Boat Operation	
08/27/2012	8802	Project and Programs:Local CIP/Grants/Stimulus:P.O.L	\$ 3,225.42
		<b>FY2012 Total</b>	<b>\$ 3,926.66</b>
		<b>Overall Total:</b>	<b>\$ 31,382.32</b>

Office of the Public Auditor

Other Questioned Costs

Date	Check No.	Account	Amount	Memo/Comments
03/20/2007	5691	1625 · Honorarium	\$ 75.00	No documents
		<b>FY2007 Total:</b>	<b>\$ 75.00</b>	
10/02/2007	6055	1621 · Official Expenses Allowance	\$ 170.00	No invoice or receipt
08/28/2008	6621	1711 · Equipment Maintenance	\$ 59.85	No receipt. No receiving report.
12/10/2007	6185	1410 · Travel	\$ 2,921.80	No invoice.
		<b>FY2008 Total:</b>	<b>\$ 3,151.65</b>	
12/12/2008	6778	1616 · Donations & Contributions	\$ 200.00	For Donation. No signature/approval on APV. No Invoice or receipt.
05/07/2009	6960	1616 · Donations & Contributions	\$ 500.00	For Incentive award. No receipt.
09/30/2009	7142	1616 · Donations & Contributions	\$ 100.00	Donation for OBF. No Invoice.
		<b>FY2009 Total:</b>	<b>\$ 800.00</b>	
04/08/2010	7463	1625 · Honorarium	\$ 85.00	No document.
		<b>FY2010 Total:</b>	<b>\$ 85.00</b>	
09/20/2012	8858	1410 · Travel	\$ 570.36	Travel expenditure. Inadequate supporting documents.
		<b>FY2012 Total:</b>	<b>\$ 570.36</b>	
		<b>Overall Total</b>	<b>\$ 4,682.01</b>	

Office of the Public Auditor

**Kayangel State Government: Bank Overdraft Fees**

<i>FY 2007</i>		<i>FY 2008</i>		<i>FY 2009</i>		<u>Total</u>
Date	Amount	Date	Amount	Date	Amount	
6/6/2007	\$90.00	9/9/2008	\$30.00	10/15/2008	\$150.00	
6/7/2007	90.00	9/11/2008	180.00	12/22/2008	60.00	
6/11/2007	100.00	12/11/2007	90.00	12/23/2008	60.00	
6/12/2007	60.00	12/12/2007	30.00	12/24/2008	90.00	
6/13/2007	150.00	12/17/2007	90.00	1/16/2009	60.00	
		12/18/2007	180.00	1/20/2009	150.00	
				1/21/2009	100.00	
				1/22/2009	60.00	
				1/23/2009	60.00	
				3/9/2009	60.00	
				4/16/2009	30.00	
				4/20/2009	30.00	
				4/21/2009	70.00	
				4/22/2009	90.00	
				4/23/2009	60.00	
				6/9/2009	180.00	
				6/12/2009	40.00	
				6/15/2009	90.00	
				6/16/2009	30.00	
				6/18/2009	60.00	
<b>Totals</b>	<b>\$ 490.00</b>		<b>\$ 600.00</b>		<b>\$ 1,530.00</b>	<b>\$2,620.00</b>
<i>FY 2010</i>		<i>FY 2011</i>		<i>FY 2012</i>		<u>Total</u>
Date	Amount	Date	Amount	Date	Amount	
12/22/2009	\$150.00	11/19/2010	\$90.00	12/20/2011	\$78.00	
12/23/2009	30.00	11/22/2010	30.00	1/31/2012	78.00	
12/24/2009	70.00	11/23/2010	30.00	2/2/2012	26.00	
12/28/2009	60.00	11/29/2010	30.00	2/3/2012	52.00	
12/29/2009	30.00	3/29/2011	26.00	2/6/2012	36.00	
1/7/2010	60.00	4/14/2011	26.00	2/7/2012	26.00	
6/2/2010	150.00	4/15/2011	78.00	2/8/2012	26.00	
6/3/2010	30.00	4/18/2011	26.00	2/14/2012	52.00	
6/29/2010	60.00	6/30/2011	26.00	2/15/2012	26.00	
8/23/2010	60.00	7/1/2011	26.00	2/16/2012	26.00	
		7/5/2011	78.00	5/18/2012	26.00	
		7/26/2011	52.00			
<b>Totals</b>	<b>\$700.00</b>		<b>\$518.00</b>		<b>\$452.00</b>	<b>\$1,670.00</b>
<b>Grand Total</b>						<b>\$4,290.00</b>



**ILLEGAL OR WASTEFUL ACTIVITIES  
SHOULD BE REPORTED TO:**

OFFICE OF THE PUBLIC AUDITOR  
REPUBLIC OF PALAU  
P. O. BOX 850  
KOROR, REPUBLIC OF PALAU 96940

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Orakiruu Professional Building  
Madalaii, Koror, Palau

TELEPHONE NOS: (680) 488-2889/5687  
FACSIMILE NO: (680) 488-2194  
WEBSITE ADDRESS: [www.palauopa.org](http://www.palauopa.org)  
E-MAIL ADDRESS: [admin@palauopa.org](mailto:admin@palauopa.org)

MONDAY THRU FRIDAY  
7:30 a.m. - 4:30 p.m.

(Closed on Legal Holidays)