



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

PERFORMANCE AUDIT REPORT

ON



**NGARCHELONG STATE GOVERNMENT
REPUBLIC OF PALAU**

PERIOD COVERED

OCTOBER 1, 2006 THROUGH SEPTEMBER 30, 2013

Performed by the Office of the Public Auditor

NGLONG 07-13-08p*opa00



REPUBLIC OF PALAU

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Office of the Public Auditor

November 27, 2017
Serial#: opa18-015au

Honorable Browny Salvador
Governor
Ngarchelong State Government
Office of the Governor
Koror, Republic of Palau

Subject: Final Report on the Performance Audit of Ngarchelong State Government for the period from October 1, 2006 through September 30, 2013.

Dear Governor Salvador:


This report presents the results of our performance audit of Ngarchelong State Government for the period from October 1, 2006 through September 30, 2013.

The Office of the Public Auditor (OPA) received your response to the draft audit report. 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 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 Preciding 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,



Satrunjino Tewid
Public Auditor
Republic of Palau

NGARCHELONG STATE GOVERNMENT
October 1, 2006 through September 30, 2013

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Results in Brief

RPPL No. 9-9 mandates the Office of the Public Auditor (OPA) to conduct annual financial audits of State Governments, beginning with fiscal year 2014. Hence, this performance audit covering fiscal years 2007-2013 brings to an end the performance audits the OPA has been conducting over the years on Ngarchelong State and begins the transition to financial audits that will require a shift of the State's accounting system (QuickBooks) to accommodate financial audits.

We found that the State is continuing the effort to implement the QuickBooks (QB) accounting system. The State Treasury has not fully implemented the various modules of QBs including Accounts Payable, Accounts Receivable and Fixed Assets. This is due in part to the lack of policies and procedures to provide guidance to Finance staff in carrying out essential accounting functions such as cash receipts, accounts payable and receivable, fixed assets, etc. Further, the State continues to struggle to carry out its procurements in compliance with the Republic of Palau Procurement Law and Regulations. As in prior audit, the Governor continues the practice of procuring fuel on "open" charge account, which we found recurring problems such as lack of certification of funds and supporting documentation, justification for fuel usage, etc. In addition, the Governor and the Speaker of the State Legislature were not complying with the State's unified annual budget acts by reprogramming or shifting funds under certain budget line-items in excess of the 15% restriction imposed by law. Relatedly, the State over-expended its budget for certain line-items in fiscal years 2009, 2010, 2012 and 2013.

In addition, the State Public Lands Authority struggles to administer the land lease program in accordance with its implementing regulations. More concerning, we found that the Governor continues to spend significant sums of money on fact-finding missions (travel) to seek economic development projects that have not yielded any economic benefits to the State.

The above are just some of the recurring findings the State continues to face as the leadership continues to provide services to its citizens and account for the expenditure of funds. As the State continues its efforts to implement QuickBooks, it must work simultaneously to resolve the findings in this report, as neglecting to do so, will have a negative impact on the financial audit of the State.

Background

Ngarchelong State is one of the sixteen States of the Republic of Palau (ROP), which are organized and structured pursuant to Article XI, Section 1 of the Republic of Palau Constitution. On October 8, 1982, the Ngarchelong State Constitution was ratified, creating Ngarchelong State constitutional Government.

According to the State Constitution, Ngarchelong is composed of eight (8) municipalities that are each headed by a traditional chief, as follows: Iebukel-Obak Ra Iebukel; Mengellakl-Uong Er Etei; Ngebei-Ngiraureked; Ngeiungel-Rimirch; Ngerbau-Obak Rebau; Ngermetong-Riungel; Ngruil-Iechad Ra Butelbai; and Ollei-Tet. Under Article XI, Chief Uong-Er-Etei is the head of the eight (8) traditional chiefs of Ngarchelong State and shall hold the title of Head of State. His powers, duties, and responsibilities are derived from traditions and customs of Ngarchelong State.

Article VI of the Ngarchelong State Constitution provides the structure for the legislative, executive, and judicial branches of government. No branch shall exercise powers properly belonging to another.

In addition to the roles fulfilled by the Chiefs, Article VII of the Ngarchelong State Constitution provides for the election of a Governor. The Governor, who is required to live in the State during his or her two-year term, shall have the powers and duties of a State chief executive. Among other duties and responsibilities, the Governor has the power to:

- Execute National and State laws.
- Represent the State in all negotiations to which the State is a party.
- To spend money pursuant to law.
- To collect taxes.
- To appoint State public officers with the approval of the Assembly.
- To present the State's annual budget to the Assembly.

Article VIII, Section 6 states: "Officers of the Executive Branch shall be compensated pursuant to law."

Legislative authority is vested by Article VII of the State Constitution in the State Assembly consisting of one house. Each municipality shall be represented in the State Legislature by its chief and one elected representative who shall be elected by the voters of that municipality for a term of two years. Pursuant to the State Constitution, the Legislature shall have the power to:

- To appropriate State funds.
- To levy and impose taxes.

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- To promote the general welfare of the citizens.
- To promote economic development.
- To enact any laws and exercise all other powers of the government of Ngarchelong State.

Article VII, Section 7 states: “Each member of the State Assembly shall be compensated pursuant law, but increases in compensation shall not take effect during the term he is serving.”

The Judicial system shall be provided for within the Unified Court System of the Republic of Palau.

State Treasury

Article XII, Section 1 of the State’s Constitution provides for the structure of the State Treasury, which states: “There shall be established a State Treasury into which all public funds, raised or received, including taxes, shall be deposited. No funds shall be withdrawn from the State Treasury except by law.”

Ngarchelong State Public Lands Authority

The Ngarchelong State Government Public Law (NSGPL) No.06-17 repealed Municipal Ordinance No. 30-80 and created the Ngarchelong State Public Lands Authority (NSPLA). The Act further repeals and supersedes all previous laws pertaining to the structure and membership of the Authority. Pursuant to the law, the NSPLA is governed by a Board of Trustees that consists of seven (7) members as follows: the Governor, Chief Uong Er Etei, and five (5) other members of which three (3) are appointed by the Governor and two (2) are appointed by Chief Uong Er Etei with the advice and consent of the State Assembly. Each member shall serve a term of four (4) years and compensation shall be at a rate of \$30 per meeting for members in attendance.

On October 14, 2011, the NSPLA adopted land lease rules and regulations manual entitled “The Regulations Affecting Public Lands” for the purpose of implementing NSGPL No. 06-17, Title 35 PNC § 215, and which regulations were adopted by the Palau Public Lands Authority on April 6, 1999.

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.

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The audit covered the period from October 1, 2006 through September 30, 2013. 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 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 our audit objectives, we reviewed accounting records and systems 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 and reports maintained by the State and National Treasury and interviewed appropriate state officials.

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.)

Finding No. 1: Revenues Not Deposited in a Timely Manner

A proper system of internal control over cash receipts dictate that cash receipts should be deposited in a timely manner.

Our testing identified \$26,476.72 of collections between fiscal year 2007 and fiscal year 2011 that were not deposited in a timely manner, as shown below.

<i>Fiscal Year</i>	<i>Revenue Source</i>	<i>Amount not deposited in a timely manner</i>	<i>Days Lapsed</i>
2007	Local revenues	\$ 2,462.00	Between 4 to 28 days
2008	Local revenues	4,457.50	Between 9 to 39days
2009	Local revenues	1,144.00	Between 9 to 27 days
2010	Local revenues	6,042.22	Between 8 to 62 days
2011	Local revenues	12,371.00	Between 5 to 31 days
Total:		<u>\$ 26,476.72</u>	

The cause of the above condition is lack of policies and procedures to ensure that collections are deposited in a timely manner.

The risk of holding large amount of cash needlessly increases their exposure to potential misappropriation or theft.

Recommendation: We recommend the Governor establish policies and procedures requiring timely deposit of collections. Along the same line, the State Treasury should be monitoring all collection stations to ensure that the policy is enforced.

Ngarchelong State Government’s (NSG) Response: *In answering this finding we agree that during those previous years from 2007 through 2011 there were revenues not deposited on timely manner as indicated in this audit but since then we have complied in making sure that no further delay in deposit of any revenue received by Treasury to the bank. We would like to once again assure the Auditor that we will comply fully as recommended. A policy for such will be established and strictly enforced by the Treasury.*

OPA Comments: The OPA will verify the implementation of corrective action when it conducts the financial audit of the State for fiscal year 2014.

Finding No. 2: Accounts Receivable

Proper internal controls dictate that policies and procedures are essential regarding the treatment and recording of accounts receivable to support amounts reported on the financial statements. The policies and procedures should spell out the processes for billing, recording, reconciling and following up on delinquent accounts.

State block grants, land leases and PAN fund programs involve activities that give rise to accounts receivable when revenues become due (available and measurable). As of fiscal year ended 2013, the State does not record all of its account receivable from these and other activities. For example, we found block grants and land lease revenues that were recorded as revenues at the time collected but not recorded as receivable when the revenues became available and measurable. Additionally, the State could not provide documentation to substantiate amounts recorded as accounts receivable for block grants.

The cause of the above condition is lack of policies and procedures regarding the treatment and recording of accounts receivable. As the State receives grants from the National Government, policies and procedures are essential to record accounts receivable when revenues become due (available and measurable). The policies and procedures should prescribe, at a minimum, such processes as billing, recording, reconciling, following up and reporting accounts receivable.

The absence of policies and procedures on accounts receivable can lead to potential misstatement of accounts receivable on the financial statements, ineffective monitoring, follow up and reconciliation of accounts receivable and loss of revenues.

Recommendation: The OPA recommends that the Governor establish policies and procedures for capturing and recording accounts receivable. Accounts receivable should be recorded when revenues become due (available and measurable). The policies and procedures should prescribe, at a minimum, such processes as billing, recording, reconciling, following up and reporting accounts receivable.

NSG's Response: *The Office of the Governor fully agrees with the finding and has initiated means to correct the problems. We had begun in the past to comply with the requirements of the law but later in the recent past we stopped. The issues mentioned under Accounts Receivable and Accounts Payables have recently been addressed with the OPA and we are now in concurrence with the requirements of the law. We will assure of our continued adherence to the law requirements. We have also contacted a qualified person to train our staff and bring their level of work up to par.*

OPA's comments: The OPA will verify the implementation of corrective action when it conducts the financial audit of the State for fiscal year 2014.

Finding No. 3: Accounts Payable

A proper system of internal control dictates that the State has policies and procedures for recording, monitoring and reconciling accounts payable to support amounts reported on the financial statements.

Our audit of the State's accounts payable ledgers and activities suggests that the State discontinued recording accounts payable halfway through fiscal year 2013. For example, our audit of fiscal year 2013 accounts payables ledgers revealed no activities from the month of May through September 2013. The State Treasury clerk, who manages the accounts payable system, stated that they discontinued recording accounts payables because the State was able to make timely payments of its obligations and therefore they found no need for recording accounts payable.

The cause of the above condition is lack of policies and procedures to compel the State Treasury to record and keep track of accounts payable.

Not recording and keeping track of accounts payable can result in the misstatement of accounts payable and related expenditures in the financial statements. In addition, unrecorded liabilities and related expenditures can potentially distort the State's budget preparation process.

Recommendation: We recommend that the Governor establish policies and procedures for recording, monitoring and reconciling accounts payable. The policies and procedures should prescribe, at a minimum, such processes as recording, reconciling, following up and reporting accounts payable.

NSG's Response: *The Office of the Governor fully agrees with the finding and has initiated means to correct the problems. We had begun in the past to comply with the requirements of the law but later in the recent past we stopped. The issues mentioned under Accounts Receivable and Accounts Payables have recently been addressed with the OPA and we are now in concurrence with the requirements of the law. We will assure of our continued adherence to the law requirements. We have also contacted a qualified person to train our staff and bring their level of work up to par.*

OPA's comments: The OPA will verify the implementation of corrective action when it conducts the financial audit of the State for fiscal year 2014.

Finding No. 4: Competitive Bidding

Republic of Palau Public Law No. 3-54, Procurement Law and Regulations, Section 25, requires that any procurement by the State Governments of \$5,000 or more shall be competitively bid.

In fiscal year 2013, the State procured ready-mix cement costing \$6,850.00 without competitive bidding.

The cause of the above condition is lack of internal controls to ensure compliance with the ROP Procurement Law and Regulations. Further, State officials may not be familiar with the requirements of RPPL No. 3-54.

As a result, we were unable to provide assurance that the State obtained the lowest price and/or best quality for its money.

Recommendation: The OPA recommends the Governor implements internal control procedures to ensure that State procurements are conducted in compliance with the ROP Procurement Law and Regulations. Along this line, the Governor should assign the State Treasurer the responsibility for checking and ensuring that procurements are conducted in accordance with the law. Finally, the Governor should seek assistance from the National Government on training on the ROP Procurement Law and Regulations.

NSG's Response: *We understand the requirement of the laws requiring over \$5,000 procurement to go on bid. However, we did err our procurement for ready mix cement for use at Ngerbau Dock work in 2013 and we will make sure that we will strictly adhere to requirements of the law. At that time while working to improve the dock we were about to close the fiscal year and have not even begun to work on concreting the road. We in fact had only began to fill up the road area to ready for the concrete. So the way to secure ready mix concrete for the road is to purchase while we try to complete prep work on the roadway so we will not lose funding for the dock. However, it was our mistakes that we did not plan ahead to make sure we had enough time to work and to allow time for proper bidding. And so we will fully comply with the requirements of the law and to make sure that this will not happen again.*

OPA's comments: The OPA will verify the implementation of corrective action when it conducts the financial audit of the State for fiscal year 2014.

Finding No. 5: Off-island Procurement

When procuring supplies and materials and equipment parts off-island, a cost analysis should be conducted to compare costs locally versus off-island, including air fares, per diem and other incidental expenses for off-island procurements, to justify the decision to procure off-island. During fiscal years 2008 through 2013, the State on numerous occasions elected to procure supplies and materials and equipment parts in the Philippines without conducting cost analysis to show that purchasing off-island was more economical. The schedule below shows off-island (Philippines) purchases by the State during the period October 1, 2007 – September 30, 2013.

Travel Expenditures to Philippines to Procure Goods

FISCAL YEAR 2007								
Check No.	Date	Traveler	Purpose	Per Diem	Airfare	Land Transportation	Other	Total
FISCAL YEAR 2008								
Check No.	Date	Traveler	Purpose	Per Diem	Airfare	Land Transportation	Other	Total
16723	10/26/2007	Governor	To procure supplies for State infrastructures and equipments in the Philippines	\$ 976.00	\$ 150.00			\$ 1,126.00
16724	10/26/2007	Treasurer Skaruno April	"	\$ 976.00	\$ 150.00	\$ 300.93	\$ 3,747.00	\$ 5,173.93
16725	10/26/2007	Donald Immanuel (Mechanic)	"	\$ 976.00	\$ 150.00			\$ 1,126.00
							TOTAL	\$ 7,425.93
FISCAL YEAR 2009								
Check No.	Date	Traveler	Purpose	Per Diem	Airfare	Land Transportation	Other	Total
17297	3/5/2009	Treasurer Skaruno April	To source parts for backhoe and Crane Truck in Philippines	\$ 610.00				\$ 610.00
							TOTAL	\$ 610.00
FISCAL YEAR 2010								
Check No.	Date	Traveler	Purpose	Per Diem	Airfare	Land Transportation	Other	Total
18070	9/1/2010	Skaruno April	Buy some parts in Philippines for State equipments	\$ 854.00	\$ 602.00	\$ 283.77	\$ 1,064.03	\$ 2,803.80
							TOTAL	\$ 2,803.80
FISCAL YEAR 2011								
Check No.	Date	Traveler	Purpose	Per Diem	Airfare	Land Transportation	Other	Total
18691	9/6/2011 to 9/13/2011	Skaruno April	To Philippines to shop parts for heavy equipment not available in Palau	\$ 854.00	\$ 608.00	\$ 344.82	\$ 2,107.86	\$ 3,914.68
18724	9/14/2011 to 9/16/2011	Skaruno April	Additional days for above trip & purpose	\$ 366.00	\$ 178.00		\$ 125.00	\$ 669.00
							TOTAL	\$ 4,583.68

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FISCAL YEAR 2012								
Check No.	Date	Traveler	Purpose	Per Diem	Airfare	Land Transportation	Other	Total
18158	10/13/11 to 10/15/11	Cerlina Markub	To buy Crabs and Shrimp in Philippines for Ngerchelung Inauguration at Governor request	\$ 366.00	\$ 602.00			\$ 968.00
18159	*	Skaruno April	"	\$ 366.00	\$ 602.00		\$ 2,165.00	\$ 3,133.00
19261	7/20/12 to 7/31/12	Kyoko April	To assist State employees travel arrangements in Philippines	\$ 1,220.00	\$ 622.00			\$ 1,842.00
19263	7/20/12 to 7/31/13	Governor	To accompany State Group in vacation trip to Philippines	\$ 1,220.00	\$ 750.00		\$ 500.00	\$ 2,470.00
19217	6/26/2012	Governor	Purpose not stated in Travel Authorization	\$ 854.00				\$ 854.00
19227	7/2/2012	Governor	"	\$ 308.00				\$ 308.00
							TOTAL	\$ 9,575.00

FISCAL YEAR 2013								
Check No.	Date	Traveler	Purpose	Per Diem	Airfare	Land Transportation	Other	Total
18772	10/18/12 to 10/25/12	Skaruno April	To order State Flags, vehicles, Boat & Car stickers, etc...in Philippines	\$ 854.00	\$ 733.00	\$ 499.00	\$ 2,378.27	\$ 4,464.27
19472	1/22/13 to 2/1/13 (extended)	Governor	Travel with Gov to Philippines to shop parts for State equipments	\$ 854.00	\$ 772.00	\$ 750.00	\$ 7,400.00	\$ 9,776.00
19470	1/22/13 to 1/29/13	Donald Immanuel	Travel to Philippines for State parts with mechanic	\$ 732.00	\$ 403.00			\$ 1,135.00
19471	*	Donald Immanuel	State Mechanic with Gov to Philippines for parts	\$ 854.00	\$ 100.00			\$ 954.00
19499	1/22/13 to 2/1/13 (extended)	Ibet Madracheluib	Philippines trip was extended	\$ 366.00				\$ 366.00
19393	No date on TA		Gov and Ibet search for equipments/parts	\$ 854.00	\$ 200.00			\$ 1,054.00
							TOTAL	\$ 17,749.27

GRAND TOTAL FY 2007 - 2013 \$ 42,747.68

We were unable to determine why the State did not conduct cost analysis to determine which method of procurement, local or off-island, was more economical.

As a result, the State may have paid more for supplies and materials and equipment parts, especially when air fare, per diem and other incidental expense are factored in to off-island procurements.

Recommendation: We recommend the State conduct cost analysis to compare the cost of goods locally verses off-island when considering making purchases off-island. The cost of goods off-island should factor the cost of travel including air fare, per diem and other incidental expenses. In times of scarce resources, cost analysis is a logical way to determine the most economical method of conducting procurements and to justify decisions to procure goods off-island.

NSG’s Response: *The State Government did decide to purchase parts, equipment and supplies on various trips to the Philippines due to unavailability of the items on island. Most of the time the parts we needed to purchase must bring the samples or used ones to show in order to get the right parts. We also do not have one company to order our parts from so one has to go and visit different companies to get things we need. Yes, definitely we should consider the costs but at times someone has to do travel if the parts are badly needed in order for the State to continue operations without delays which may also add costs by being idle. But we agree with the recommendation and will discontinue the travels for off island procurement while seeking for other means to get parts from the outside vendors.*

OPA’s comments: The OPA will verify the implementation of corrective action when it conducts the financial audit of the State for fiscal year 2014.

Finding No. 6: “OPEN” Charge Accounts

All charges for fuel, or other goods and services, on “Open” account should be properly authorized, certified for availability of funds, justified for official purpose and contain proper supporting documents (invoices/receipts). Further, vehicles/equipment and person drawing fuel should be properly identified.

The State uses open charge accounts with specific vendors for fuel, food, supplies and materials. For the fuel open account, we found that fuel requisitions and vendor invoices did not identify the equipment drawing fuel; thus, making it difficult to determine official purpose of fuel usage. Please see the table below for details of questionable fuel expenditures:

Internal control deficiencies for fuel/POL requisitions					
<u>Fiscal Year</u>	<u>Check No.</u>	<u>Amount</u>	<u>Description</u>	<u>Account/Department</u>	<u>Comments</u>
2013	19835	\$589.75	Fuel/POL	Office of the Speaker	\$589.75 worth of fuel purchases did not identify vehicle/equipment receiving fuel.
Total fuel expenditures where equipment receiving fuel were not identified:					<u>\$589.75</u>

Further, we found a total of \$6,596.68 worth of food, supplies and materials that were invoiced and obtained from the vendor prior to proper approval and certification of funds availability on Purchase Orders, as shown below:

Items invoiced and obtained prior to authorization of Purchase Order form			
Check No.	Amount	Description	Comments
17520	\$1,544.38	Various supplies and materials	A total of \$1,144.08 worth of items were invoiced and obtained prior to authorization and certification of funds on Purchase Order.
17258	\$1,042.76	Various supplies, materials, and food	A total of \$1,042.76 worth of items were invoiced and obtained prior to authorization and certification of funds on Purchase Order.
17427	\$1,765.87	Various supplies, materials, and food	A total of \$1,765.87 worth of items were invoiced and obtained prior to authorization and certification of funds on Purchase Order.
17303	\$2,643.97	Various supplies, materials, and food	A total of \$2,643.97 worth of items were invoiced and obtained prior to authorization and certification of funds on purchase Order.
Total of items obtained prior to approval of Purchase Order and certification of funds:			<u>\$6,596.68</u>

The cause of the above condition is the State has not established policies and procedures for the operation of open charge accounts.

The effect of the above condition is that fuel may have been charged to the State’s open charge account for unofficial purposes. In addition, goods and services may have been obtained in violation of State Law. Without the necessary controls in place, abuse over the use of open charge accounts may continue undeterred.

Recommendation: The OPA recommends that the Governor establish policies and procedures governing the operation of open charge accounts. At a minimum, the policies and procedures should require that the use of a Purchase Order or Requisition be proper approved and certified for availability of funds, goods and services procured should be justified for official purpose and procurements should be accompanied by proper supporting documents (invoices/receipts).

NSG’s Response: *We fully agree with the recommendation of the Auditor on “open charge accounts” and we had begun complying ever since our last Audit Report done on August 2011. We will continue to adhere to the requirements of the laws.*

OPA’s comments: The OPA will verify the implementation of corrective action when it conducts the financial audit of the State for fiscal year 2014.

Finding No. 7: Shifting/Reprogramming of Funds

Ngarchelong State Constitution Article XII, Section 1 (b), states in part: “No funds shall be withdrawn from the State Treasury except by law.” Further, State budget laws for fiscal years 2007, 2008, 2009, 2010, 2011, 2012 and 2013 clearly declare that neither the Governor nor the Speaker of the State Legislature shall shift or reprogram more than fifteen percent (15%) of funds appropriated for each budget item under his jurisdiction.

In our testing of expenditures we found that expenditures for certain projects and programs exceeded amounts authorized and appropriated by law; however, the State utilized shifting or reprogramming of funds to cover the over-expenditures. These budget shifts or reprogramming however often far exceeded the 15% limit authorized by State budget laws. We further found that on two occasions, in FY 2009 for \$271 and in FY 2012 for \$470, the Governor approved shifting of funds from budget line-items that held no appropriations. Please refer to Appendix I for detailed schedules of State Budget reprogramming.

The cause of the above condition appears to be the absence of detailed and timely information with which to make shifting or reprogramming decisions. Further, the State Legislature needs to review the shifting or reprogramming of funds by the Governor and Speaker to ensure they comply with the law.

The effect of the above condition is that the Governor and Speaker may have acted contrary to State budget laws with regards to shifting or reprogramming of funds in fiscal years 2007, 2008, 2009, 2010 and 2012.

Recommendation: The OPA recommends that the Governor and the Speaker work closely with the State Treasurer to ensure that detailed and timely information are available to support shifting or reprogramming of funds. Further, the State Legislature needs to review the shifting or reprogramming of funds by the Governor and Speaker to ensure they comply with the law.

NSG’s Response: *This is also a very important part of our jobs to make sure that we do things in accordance with our state laws especially. The shifting or reprogramming of funds is done by our Treasury and somehow we did not check to make they were in order. However, we have begun to carefully review the works done on the reprogramming and assure that this is corrected and will not happen again.*

OPA’s comments: The OPA will verify the implementation of corrective action when it conducts the financial audit of the State for fiscal year 2014.

Finding No. 8: Over-Expenditure of State Budget

Ngarchelong State Constitution Article XII, Section 1 (b), declares: "No funds shall be withdrawn from the State Treasury except by law." To comply with the law, proper internal controls should dictate that all proposed expenditures be certified for funds availability by the State Treasurer and approved by the Governor before expenditures are incurred.

In fiscal years 2009, 2010, 2012, and 2013 State expenditures exceeded amounts authorized and appropriated by law for certain budget line-items in violation of the State Constitution. Majority of the over-expenditures occurred in the "Petroleum, Oil, and Lubrication (POL), Supplies and Others" accounts, under the Office of the Governor, Local Capital Improvement Projects, and Office of the Speaker's POL and legal services accounts. Scheduled below are the accounts wherein over-expenditure occurred for the fiscal year noted:

Total of expenditures that exceeded Budget		
Fiscal Year	Totals	Budget line-item appropriation account
2013	\$ 3,507.45	Speaker- Travel, Operations- POL, Ngarbau Dock- Maintenance
2012	\$ 432.65	6103I-1900 Iyengel Ice Plant & Fish Market: Utility, water, others; 6101B-1200
2010	\$ 10,689.37	6103N-1000 Northern Reef: Personnel & Benefits
2009	\$ 271.00	6103I-1300: Iyengel/Ice Plant & Fish Market- Supplies, POL & Others
Grand Total	<u>\$ 14,900.47</u>	

It appears the Governor did not monitor expenditures to ensure that amounts were contained within appropriation limits set by law.

As a result, the Governor expended State funds in violation of Article XII, Section 1 of the Ngarchelong State Constitution.

Recommendation: We recommend that the Governor expend State funds in accordance with the State Constitution. Accordingly, the Governor should direct the State Treasurer to submit periodic status reports of expenditures compared-to-budget with which the Governor can make informed decisions regarding the reprogramming of funds and/or supplemental funding to avoid over-expenditure of funds.

NSG's Response: *Yes, we fully agree on the recommendation of the Auditor on the over-expenditures. And in fact we are currently complying to make sure we will not be cited again for*

the same and I will also make sure our Treasury complies. I understand also that it was partly my fault by not monitoring the budget activities regularly.

OPA's comments: The OPA will verify the implementation of corrective action when it conducts the financial audit of the State for fiscal year 2014.

Finding No. 9: State Public Lands Authority

Part III, Section 2 of the "Regulations Affecting Public Lands in Ngarchelong State", adopted by the Ngarchelong State Public Lands Authority (NSPLA) Board of Directors on October 14, 2011, declares in part,..." NSPLA shall ensure that three-fourths of all revenues from the administration and management of public lands shall inure to the state treasury, with the balance of one-fourth inuring to the National Treasury as required by 35 PNC § 217. Additionally, Part VII of said regulations establishes the Lease Program. Paragraph H., Section 1, of the lease program, states that, "the lease specifies that Board shall have the right to terminate the lease upon 60 days' notice in the case of residential leases, or 120 days' notice in the case of commercial leases if the lessee has: violated any law or regulation applicable to said lease; failed to adhere to the terms of the lease, including payment of rent; and not taken significant steps toward utilization of the premises after the passage of at least six (6) months of the lease term." Further, state residential lease agreements declare that annual lease payments are due and payable in advance on the same day and month of each year according to the execution date of the agreement and that rent not paid when due shall bear interest at the rate of one percent per month from the date it becomes due.

Our review of the NSPLA's administration of the land lease program disclosed that the State did not transmit to the National Treasury the balance of one-fourth of all revenues derived from land leases as required by law. Further, of four residential lease agreements entered into in 2014 and one commercial lease in 2012 that we reviewed, we found that all the agreements contained termination clauses that differed from the standard prescribed in the NSPLA's regulations. For example, for residential leases, the NSPLA did not specify in lease agreements that the Board has the right to terminate the lease upon 60 days' notice and for the commercial lease agreement 120 days' notice. In addition, the NSPLA did not charge interest on leaseholders with delinquent accounts.

The cause of the above condition is that the NSPLA's lease agreements may not have uniform and standardized terms and conditions that are consistent to the NPLA's implementing regulations. In addition, the NSPLA's lease agreements do not undergo review by its legal counsel to ensure consistency and uniformity in their terms and conditions.

The effect of the above condition is that the NSPLA may not be administering and enforcing its land lease program in accordance with its implementing regulations. In doing so, it runs the risk of inequitable treatment of leaseholders, inconsistency in enforcement of regulations, loss of revenues and public trust.

Recommendation: The OPA recommends that the NSPLA strictly adhere to its regulations by ensuring that land lease agreements' terms and conditions are consistent with and in agreement with said regulations. Further, the terms and conditions of the lease agreements should be consistent and in standard form to promote equity and uniformity. Finally, the NSPLA Board should require that all lease agreements undergo review by its legal counsel and certified for form and legality to ensure that the terms and conditions of each lease agreement are consistent, uniform and in accordance with the NSPLA's regulations.

NSG's Response: *We admit that we did fail in the notices to lease holders on payments have not been current on that. Also that our State Assembly removed the Governor and Uong from the Board the remaining board members were only (4) and its chairman was too busy and no meetings were also called to review the works of the Board. Then he got sick and passed away. The Board has been very inactive until now and also with no quorum. The State Assembly recently approved additional people for the NSPLA Board and we will work together to make sure that all concerns mentioned in the report will be addressed and corrected. However, I will also make sure that our Treasury will do its part in rectifying the problems.*

OPA's comments: The OPA will verify the implementation of corrective action when it conducts the financial audit of the State for fiscal year 2014.

Finding No. 10: Fixed Assets

A proper system of internal control dictates that a system exists to capture and record fixed asset purchases and conduct periodic physical inventory to determine their location and condition. Further, relevant policies and procedures are essential to determine, among other things, capitalization threshold, estimated useful lives, conduct periodic inventory, calculate depreciation and other useful information.

Our review of fixed assets found that although the State records fixed assets, not all fixed assets were properly recorded. Further, the State does not have a policy that sets capitalization threshold for its fixed assets, estimated useful lives, conduct periodic inventory and calculate depreciation expense.

The cause of the above condition is the State is not fully utilizing QuickBooks to record fixed assets. Further, the Governor has not established policies and procedures governing fixed asset management.

Failure to record fixed assets can lead to misstatement of fixed assets on the financial statements. Further, the absence of policies and procedures impedes the State's ability to effectively and efficiently manage its fixed assets. The policies and procedures are critical as they determine how the accounting system is designed to capture the data and information for reporting and decision-making.

Recommendation: The OPA recommends the Governor direct the State Treasurer to utilize QuickBooks to record fixed assets. Further, the Governor should seek the proper expertise to assist the State to prepare policies and procedures on fixed assets. The policies and procedures should prescribe such guidelines as capitalization threshold for fixed assets, estimated useful lives, conducting periodic inventory and calculating depreciation expense, to name a few.

NSG's Response: *Yes, we agree with the recommendation of Auditor as we clearly do not have that system in place so as of this writing we have contacted qualified personnel to help establish our policies and procedures governing our fixed assets.*

OPA's comments: The OPA will verify the implementation of corrective action when it conducts the financial audit of the State for fiscal year 2014.

Finding No. 11: Unauthorized Amendment to Earmarked Funds

Appropriations earmarked by the Olbiil Era Kelau (OEK) for a specific purpose should only be expended or used for the specific purpose intended by law. Further, any changes to the earmarking require an act by the OEK authorizing the changes.

In fiscal year 2005, the OEK appropriated and earmarked \$35,000.00 to Ngarchelong State Government for improvement of the State elementary school playground and youth facilities. Starting in fiscal year 2006, State budget laws included an amendment to reallocate all the amount intended for the elementary school playground and youth facilities to the construction of a Community and Cultural Center. Subsequently, in fiscal year 2010, the State once again reallocated and expended \$6,400.00 of the earmarked money to purchase Ngarchelong Water Dam site. State officials were unable to provide documentation, i.e. OEK legislation, amending the original purpose of the earmarked funds.

It appears the cause of the above condition is that the Governor is not aware that the State lacks the authority to amend laws enacted by the Olbiil Era Kelulau.

As a result, the State expended earmarked capital improvement project funds for purposes contrary to the intent of the appropriation by the Olbiil Era Kelulau.

Recommendation: We recommend that the State expend or use earmarked CIP funds in compliance with the purpose intended by law. In the event the State wishes to change the original intent of the earmarked funds, it should seek amendment from the OEK.

NSG's Response: *Yes, we understand that funds earmarked by National Government for certain projects in the State must be expended for these projects. However, there may be exceptions on this where the project intended for the state has for many years not been implemented due to fact it is no longer needed as there are other similar projects done by the state to negate the need of a project then the State may re-appropriate funds for the other needed projects (see Ngiwal case). However, if this may not be the case there we accept the OPA recommendation and to start complying.*

OPA's comments: Any budget legislation enacted by the OEK is a national law upon approval by the President of the Republic. If funds are earmarked for a specific purpose in a budget, only the OEK has the power to amend the law. Thus, if CIP funds of the State change priorities or they are no longer needed for a certain project earmarked by law, then the State must request the OEK to amend the original purpose of the earmarked funds and authorize their use for other projects. The State lacks the power and authority to amend national laws.

Finding No. 12: Personnel Files

A sound system of internal control requires that the State maintains personnel files for employees that contain, at the minimum, an employment application, personnel action form, allotment forms, employee evaluation and other essential personnel records.

In our audit of payroll expenditures we found that some personnel files were incomplete. Listed below are some of the weaknesses found:

- 1) For one employee there was no personnel action or employment contract on file
- 2) Three employees were paid at rates different from official rates approved in personnel actions
- 3) Another employee was supposedly given a pay increase but was not supported by a personnel action
- 4) No payroll allotment authorization by employees

The cause of the above condition is that the State Treasury is not thoroughly reviewing employees' personnel files to ensure that they contain the appropriate supporting documents (e.g., personnel actions, payroll allotments, etc.)

Without personnel files containing employees' employment records (e.g., personnel actions), employees' rate of pay and other personnel matters would be without "proof" of approval and other essential facts.

Recommendations: We recommend the Governor direct the State Treasury to conduct periodic review of employees' personnel files to ensure that the files contain updated information and contain the appropriate employment records. The personnel files should contain, at minimum, the following:

1. Employment application;
2. Personnel action form
3. Performance evaluations or disciplinary action documents
4. Documentation pertaining to accumulation of annual/sick leave;
5. Documentation supporting any authorized payroll allotments;
6. Documentation of any pay increases or decreases
7. Other pertinent employment documents

NSG's Response: *This is one of the weaknesses of our Treasury Staff not regularly reviewing and making sure that personnel files are updated and contain all necessary information on all employees. I have instructed Treasury to immediately go over all files to make sure they are all updated. We will also have asked assistance from outside to help our staff on this. We recognize our problems in record keeping appreciate the audit report and recommendations.*

OPA's comments: The OPA will verify the implementation of corrective action when it conducts the financial audit of the State for fiscal year 2014.

Finding No. 13: Unjustified Travel Expenditures

Travel Policies and Procedures provide important guidelines on how State funds are to be used to fund official travel of the State including per diem rates of travel destinations, authorized travel expenses, submission of travel vouchers after completion of travel, trip reports, and documents (invoices/receipts) to support authorized expenses.

According to the Governor, Ngarchelong State has adopted the National Government's Executive Branch travel policies and procedures; however, State officials were unable to provide documentation to evidence formal adoption of said travel policies and procedures. In our audit of travel expenditures we found that the State, for the most part, complied with the travel policies and procedures, e.g., file travel vouchers with supporting documents. However, we found the

following exceptions where Travel Authorizations contained insufficient supporting documents to substantiate travel expenditures:

Date	Check No.	Amount	amount questioned	Notes
06/26/2012	19217	\$ 854.00	\$ 854.00	For Per Diem: no boarding pass, travel voucher, and Trip report was not provided.
TOTAL		<u>854.00</u>	<u>\$ 854.00</u>	

The cause of the above condition is failure to enforce the State’s travel policies and procedures.

As a result, \$854.00 of State funds was expended without proper supporting documents to justify and substantiate the official use of funds.

Recommendation: We recommend that the Governor strictly enforce the State Travel policies and procedures. Accordingly, the State should require each traveler to file a complete travel voucher within 30 days after completion of travel. Each travel voucher should include, at a minimum, a Travel Authorization, documents (invoices/receipts) supporting authorized travel expenses (i.e., car rental, conference fees, etc.), boarding passes, trip report, etc. Further, a traveler who fails to file a complete travel voucher within the 30-day filing period should be prohibited from further travel and should have the cost of travel garnished from his/her biweekly pay.

NSG’s Response: *Yes, in the past travels of the State government had followed the travel procedures established for the National Government but we understand there were also shortcomings and travelers may not have strictly followed all requirements set forth in national travel policy. But we had begun complying since we adopted our State Public Law No. 15-54 establishing our Travel Policies.*

OPA’s comments: The OPA will verify the implementation of corrective action when it conducts the financial audit of the State for fiscal year 2014.

Finding No. 14: Travel Expenditures

In times of scarce resources, State funds should be utilized in a manner that maximizes return of benefits to the State.

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The audit revealed that on August 15, 2013 the State spent a total of \$26,114 to send a delegation of eight (8) State officials to Taiwan, only the Governor was officially invited, to attend a festival commemorating the sister-city relationship between Ngarchelong State and Keelung City, Taiwan. The same trip included a fact-finding mission to the Philippines for the prospect of learning about bamboo cottages and building these cottages in the State for tourist accommodations. The State has conducted similar fact-finding missions to the Philippines and Taiwan in the past but no project has materialized. The schedule below shows off-island trips taken by State Officials to Taiwan and the Philippines during fiscal years 2007-2013:

State Travel Expenditures to Taiwan and Philippines
October 1, 2006 through September 30, 2013

FISCAL YEAR 2007								
Check No.	Date	Traveler	Purpose	Per Diem	Airfare	Land Transportation	Other	Total
16630	8/21/2007	Governor	To Keelung City "Ghost Festival" in Taiwan by invitation of Mayor	\$ 1,048.00	\$ 358.00			\$ 1,406.00
		Treasurer Skaruno April	"	\$ 1,048.00	\$ 358.00	\$ 500.00		\$ 1,906.00
		Assemblyman Tadao Ngotel	"	\$ 1,048.00	\$ 358.00			\$ 1,406.00
							TOTAL	\$ 4,718.00
FISCAL YEAR 2008								
Check No.	Date	Traveler	Purpose	Per Diem	Airfare	Land Transportation	Other	Total
17062	8/15/2008	Governor	To attend Gohost Festival in Keelung, Taiwan by invitation	\$ 1,554.00	\$ 1,100.62		\$ 10.00	\$ 2,664.62
		Treasurer Skaruno April	"	\$ 1,554.00	\$ 1,100.62		\$ 10.00	\$ 2,664.62
		Speaker Kalistus Wasisang	"	\$ 1,554.00	\$ 1,100.62		\$ 10.00	\$ 2,664.62
							TOTAL	\$ 7,993.86
FISCAL YEAR 2009								
Check No.	Date	Traveler	Purpose	Per Diem	Airfare	Land Transportation	Other	Total
17259	2/3/2009	Assemblyman Mathias Erbai	To Philippines for fact-finding mission about boat and fishing technology for State implementation and development	\$ 300.00	Treasury clerk said ticket was not			\$ 300.00
17518	8/31/2009	Governor	To attend "Festival of Seven Moons" Festival in sister city Keelung, Taiwan	\$ 1,048.00	\$ 690.00			\$ 1,738.00
	8/31/2009	Speaker Kalistus Wasisang	"	\$ 1,048.00	\$ 690.00			\$ 1,738.00
	8/31/2009	Victor Joseph	"	\$ 1,048.00	\$ 690.00			\$ 1,738.00
	8/31/2009	Treasurer Skaruno April	"	\$ 1,048.00	\$ 690.00			\$ 1,738.00
	8/31/2009	Cerlina Markub (Governor's Wife)	"		\$ 690.00			\$ 690.00

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	8/31/2009	Yobena Wasisang (Speaker's Wife)	"		\$ 690.00			\$ 690.00	
	8/31/2009	Erchar Joseph (Victor's wife)	"		\$ 690.00			\$ 690.00	
								TOTAL	\$ 9,322.00

FISCAL YEAR 2010									
Check No.	Date	Traveler	Purpose	Per Diem	Airfare	Land Transportation	Other	Total	
17707	12/18/2009	Governor	To join President Toribiong in Grand Opening of a Shrine in Keelung City, Taiwan	\$ 1,030.00				\$ 1,030.00	
								TOTAL	\$ 1,030.00

FISCAL YEAR 2011									
Check No.	Date	Traveler	Purpose	Per Diem	Airfare	Land Transportation	Other	Total	
18635	8/8/2011	Governor	To attend Ghost Festival	\$ 1,204.00	\$ 1,180.00			\$ 2,384.00	
	8/8/2011	Jesse Sambal	"	\$ 1,204.00	\$ 1,180.00			\$ 2,384.00	
	8/8/2011	April Kyoko	"	\$ 1,204.00	\$ 1,180.00			\$ 2,384.00	
								TOTAL	\$ 7,152.00

FISCAL YEAR 2012									
Check No.	Date	Traveler	Purpose	Per Diem	Airfare	Land Transportation	Other	Total	
								TOTAL	\$ -

FISCAL YEAR 2013									
Check No.	Date	Traveler	Purpose	Per Diem	Airfare	Land Transportation	Other	Total	
19826	8/16/13 to 8/27/13	Governor	Ghost Festival in Keelung, Taiwan	\$ 2,182.00	\$ 1,327.01			\$ 3,509.01	
19828	"	Kyoko April	"	\$ 2,182.00	\$ 1,327.01			\$ 3,509.01	
19829	"	Hayes Ngiratreged	"	\$ 2,182.00	\$ 1,327.01			\$ 3,509.01	
19830	"	Mathias Erbai	"	\$ 2,182.00	\$ 1,327.01			\$ 3,509.01	
19832	"	Dwight Ngirchemat	"	\$ 2,182.00	\$ 1,327.01			\$ 3,509.01	
19833	"	Skaruno April	"	\$ 2,182.00	\$ 1,327.01	\$ 454.60	\$ 890.71	\$ 4,854.32	
19831		Abraham Osima	"	\$ 2,182.00	\$ 1,327.01			\$ 3,509.01	
								TOTAL	\$ 25,908.38

GRAND TOTAL FY 2007 - 2013 \$ 56,124.24

First, we confirmed with State officials that as of fiscal year 2014 there were no bamboo cottages within Ngarchelong State as a result of multiple fact-finding missions to the Philippines that State Officials undertook in the previous years as well as during fiscal year years 2007-2014.

Second, faced with limited resources, spending such significant sums of State funds on overseas trips, with no discernible or tangible evidence of return on investment, is not prudent use public funds.

We were unable to determine why the Governor continues to invest significant sums of State funds on fact-finding missions overseas supposedly to seek economic opportunities that, time and time again, have not produced any discernable or tangible benefit to the State. In addition, sending a large delegation year after year, instead of only the Head of State, to attend special festivals in Taiwan is a waste of public funds.

As a result, we believe that the huge sums of State funds that have been expended on numerous fact-finding missions and attend special festivals overseas have not produced any desired benefit for the State. Alternatively, the funds could have been invested in projects or programs to improve the lives of the citizens of the State.

Recommendation: The OPA recommends the Governor consider sending a smaller delegation, perhaps the Governor and Speaker, to participate in special commemorative events. Further, the Governor needs to conduct feasibility studies on any proposed ventures before investing and sending large delegations on multiple fact-finding missions that, time and time again, have not produced any economic benefit to the State. On a contrary, the missions have been nothing but expensive tours and waste of public funds. Finally, we recommend the Office of the Attorney General or the Special Prosecutor investigate the above travel expenditures and take appropriate action for any misuse or waste of State funds.

NSG's Response: *On August 2013 the trip to Keelung city to attend ghost Festival Ceremony was at the invitation of the Mayor of the City which we have a sister city relation. This happens every year around same time. Since the Mayor of the City was new and many of the members of the Keelung Council were also new I took the opportunity to have many of our legislature members to meet the new Mayor, Speaker and Council members of their new government. With this opportunity we decided to stop over in the Philippines upon our return to allow for the Assembly members to visit the site of the locally made bamboo cottages in Angeles city so they may have idea of what I proposed in the previous budget years to purchase and construct similar cottages in Ngarchelong State hoping to cater for tourism coming to Ngarchelong and hoping to stay for a couple of days. This was also in response the continue interest and advises of the tour companies to establish such accommodation in Ngarchelong. And again, the idea on these cottages was envisioned during the prior fact finding mission which was reflected in that trip report. We actually did put out a budget for such cottage after seeing them during the first visit to Philippines but it was cut by the legislature and that was why we decided to allow other members who were very critical of the project to see actual cottages and to know what we meant by proposing to build bamboo cottage. So upon our return from the trip everyone who saw the cottages were convinced that they were good projects to do in Ngarchelong. However, we have not been able to fund the project as other priorities have emerged but ideas may still be entertained in the near future.*

OPA's Comments: The Office of the Public Auditor has not seen any plans or cost estimates for the Cottage Project. One would think that the plans and estimates would have been drawn up and transmitted to the State Legislature to support request for funding for the Project. Instead, without the plans and cost estimates, the State expends large amount of money on fact-finding missions without any assurance from the Legislature that funding would be approved. Any project of this nature requires feasibility studies, plans and cost estimates in order to determine the viability of the project before expenditure of funds.

Conclusion

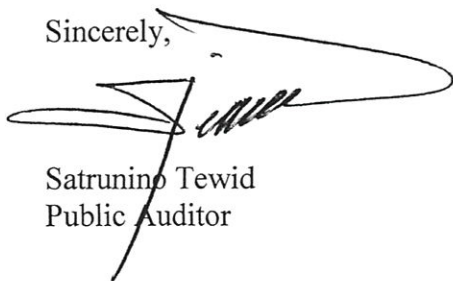
The performance audit of Ngarchelong State covering fiscal years 2007-2013 brings to an end the performance audits and the transition to financial audits of the state governments beginning with fiscal year 2014 as mandated by the RPPL No. 9-9.

While the State continues to show improvements in its accounting system, the effort needs to continue, as does the need for training, to prevent or reduce the recurrence of repeat findings. In this instance, the audit disclosed recurring (repeat) internal control weaknesses relating to cash receipts, expenditures, accounts payable and receivable, among other issues. The problems pertaining to compliance with Procurement Law and regulations, although showing marked improvements, continues to affect state procurement processes.

As the Office of the Public Auditor embarks on the implementation of financial audits of state governments, it does so with the anticipation of continuing the collaborative working relationship with Ngarchelong State Government to sustain the push for further improvements in the State's accounting system and strengthening the overall accountability in the use state funds.

The Office of the Public Auditor would like to thank the staff and management of Ngarchelong State for their cooperation and professional courtesy extended to us during the audit.

Sincerely,



Satrunino Tewid
Public Auditor



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

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

(Closed on Legal Holidays)