

**PALAU COMMUNITY ACTION AGENCY  
(A NONPROFIT ORGANIZATION)**

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**INDEPENDENT AUDITORS' REPORTS ON  
INTERNAL CONTROL AND ON COMPLIANCE**

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**YEAR ENDED SEPTEMBER 30, 2020**



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

Board of Directors  
Palau Community Action Agency:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Palau Community Action Agency (the Agency), which comprise the statement of net position as of September 30, 2020, and the related statements of revenues, expenses and changes in net position and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 30, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

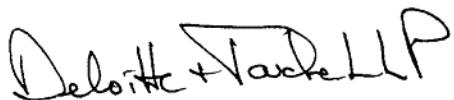
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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December 30, 2021

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors  
Palau Community Action Agency:

### **Report on Compliance for Each Major Federal Program**

We have audited Palau Community Action Agency's (the Agency's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the year ended September 30, 2020. The Agency's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Agency's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the Agency's compliance.

### ***Basis for Qualified Opinion on CFDA Program 15.904 Historic Preservation Funds Grants-In-Aid***

As described in the accompanying Schedule of Findings and Questioned Costs, the Agency did not comply with requirements regarding CFDA Program 15.904 Historic Preservation Funds Grants-In-Aid as described in finding number 2020-002 for Procurement and Suspension and Debarment. Compliance with such requirements is necessary, in our opinion, for the Agency to comply with the requirements applicable to that program.

***Qualified Opinion on CFDA Program 15.904 Historic Preservation Funds Grants-In-Aid***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA Program 15.904 Historic Preservation Funds Grants-In-Aid for the year ended September 30, 2020.

***Unmodified Opinion on the Other Major Federal Program***

In our opinion, the Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the other major federal program identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs for the year ended September 30, 2020.

***Other Matters***

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001. Our opinion on each major federal program is not modified with respect to these matters.

The Agency's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Agency's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The Agency is responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The Agency's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

***Report on Internal Control Over Compliance***

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Agency's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2020-002 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001 to be significant deficiencies.

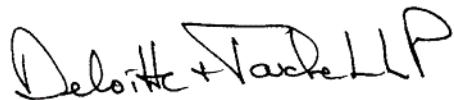
The Agency's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Agency's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The Agency is responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The Agency's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the Agency as of and for the year ended September 30, 2020, and have issued our report thereon dated December 30, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is fluid and cursive, with "Deloitte" on the left and "Touche LLP" on the right, separated by a small ampersand.

December 30, 2021

**PALAU COMMUNITY ACTION AGENCY  
(A NONPROFIT ORGANIZATION)**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2020

<u>Grantor/CFDA Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
<b>Direct Programs:</b>		
U.S. Department of the Interior Historic Preservation Funds Grants-In-Aid	15.904	\$ <u>239,565</u>
Total U.S. Department of the Interior		<u>239,565</u>
U.S. Department of Health and Human Services Head Start Cluster	93.600	\$ <u>2,414,793</u>
Total U.S. Department of Health and Human Services		<u>2,414,793</u>
Total Expenditures of Federal Awards		<u>\$ 2,654,358</u>
 <b>Reconciliation to the financial statements:</b>		
Total federal awards expended		\$ 2,654,358
Depreciation		66,764
Non-federal awards		<u>1,006,253</u>
Total expenses per financial statements		<u>\$ 3,727,375</u>

Notes: Expenses are recognized on the accrual basis of accounting, consistent with the manner in which the Agency maintains its accounting records.

The Agency did not elect to use the de minimis indirect cost rate allowed under the Uniform Guidance.

**PALAU COMMUNITY ACTION AGENCY  
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Schedule of Findings and Questioned Costs  
Year Ended September 30, 2020

**Section I - Summary of Auditors' Results**

*Financial Statements*

- |  |               |
|--|---------------|
| 1. Type of report the auditors issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified    |
| Internal control over financial reporting:   |               |
| 2. Material weakness(es) identified?   | No            |
| 3. Significant deficiency(ies) identified?   | None reported |
| 4. Noncompliance material to financial statements noted?   | No            |

*Federal Awards*

- |  |     |
|--|-----|
| Internal control over major federal programs:                                |     |
| 5. Material weakness(es) identified?   | Yes |
| 6. Significant deficiency(ies) identified?                                   | Yes |
| 7. Type of auditors' report issued on compliance for major federal programs: |     |

15.904	Qualified
93.600	Unmodified

- |   |     |
|---|-----|
| 8. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | Yes |
| 9. Identification of major federal programs:  |     |

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
15.904	Historic Preservation Funds Grants-In-Aid
93.600	Head Start

- |  |           |
|--|-----------|
| 10. Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 |
| 11. Auditee qualified as low-risk auditee?                                   | Yes       |

**Section II – Financial Statements Findings**

No matters were reported.

**Section III - Federal Award Findings and Questioned Costs**

Reference Number	CFDA Number	Finding	Questioned Costs
2020-001	15.904	Cash Management	\$ -
2020-002	15.904	Procurement and Suspension and Debarment	<u>58,889</u>
		Total Federal Questioned Costs	<u>\$ 58,889</u>

**PALAU COMMUNITY ACTION AGENCY  
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**Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020**

Finding No.: 2020-001  
Federal Agency: U.S. Department of the Interior  
CFDA Program: 15.904 Historic Preservation Funds Grants-In-Aid  
Federal Award No.: Unknown  
Area: Cash Management  
Questioned Costs: \$0

**Criteria:**

In accordance with applicable cash management requirements, non-Federal entities must minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by a non-Federal entity for direct program or project costs and the proportionate share of allowable indirect costs.

**Condition:**

Historic Preservation Fund (HPF) 320 contains a cash balance of \$50,465, which has been outstanding since fiscal year 2017. In fiscal years 2018, 2019, and 2020, there were no activities in this fund.

**Cause:**

Palau Community Action Agency (PCAA) management did not effectively monitor compliance with applicable cash management requirements and has not informed the applicable federal agency of the amount that should be refunded to them or reprogrammed for current use.

**Effect:**

A potential liability of \$50,465 should be recorded as due to the grantor agency.

**Recommendation:**

Responsible personnel should closely monitor draws of Federal funds for immediate needs of the program and to minimize the time elapsing between the transfer of from the U.S. Treasury and disbursements in accordance with cash management requirements. Unspent advances should be discussed with the grantor agency for guidance as to disposition.

**Views of Responsible Officials:**

PCAA's Corrective Action Plan provides planned corrective actions and does not specify disagreement with the finding.

**PALAU COMMUNITY ACTION AGENCY  
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**Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020**

Finding No.: 2020-002  
Federal Agency: U.S. Department of the Interior  
CFDA Program: 15.904 Historic Preservation Funds Grants-In-Aid  
Federal Award No.: PY16AF00200-06, PY17AF00153-04, PY19AF00236-0001  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$58,889

**Criteria:**

In accordance with applicable procurement and suspension and debarment requirements, a non-federal entity must conduct all procurement transaction in a manner providing full and open competition.

**Condition:**

For six (or 24%) of 25 transactions tested, aggregating \$90,594 out of \$142,114 in total non-payroll program expenses, no communication from the Technical Review & Advisory Committee members is documented to support attempts to obtain quotations from a group of pre-approved vendors to establish that full and open competition occurred. Rather, only one vendor was selected, and price was not subject to comparison or negotiation. Expenses associated with such non-competitive procurement are questioned as follows:

<b>Fund Code</b>	<b>GL Code</b>	<b>Services Code</b>	<b>Session ID</b>	<b>Date</b>	<b>Balance</b>
360	5300	37	API20076	6/8/2020	\$ 12,300
350	5300	37	API20041	2/17/2020	12,362
360	5300	37	API20098	8/25/2020	12,727
380	5300	35	API20081	6/29/2020	5,500
360	5300	35	API20049	3/23/2020	7,000
360	5300	37	API20098	8/25/2020	<u>9,000</u>
					<u><u>\$ 58,889</u></u>

**Cause:**

Palau Community Action Agency (PCAA) did not effectively monitor procurement of services and did not enforce compliance with applicable procurement requirements.

**Effect:**

PCAA is in noncompliance with applicable procurement requirements. The total questioned cost is \$58,889.

**Recommendation:**

PCAA should enforce compliance with applicable procurement requirements.

**Views of Responsible Officials:**

PCAA's Corrective Action Plan provides planned corrective actions and does not specify disagreement with the finding.



**PALAU COMMUNITY ACTION AGENCY**  
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### Corrective Action Plan

	Finding No. 2020-001: Cash Management			
<b>Goal:</b> PCAA and Program Management collaborate to strengthen monitoring processes and internal controls to ensure proper management of funds in accordance with applicable cash management requirements.				
Objectives	Activities	Timeline	Progress	Person Responsible
PCAA Management meeting with Program Directors to decide the best course of action to resolve questioned cost.	<ul style="list-style-type: none"><li>• Disengagement from Historical Preservation Office (HPO)</li><li>• Communicate with grantor to seek and establish a best course of action for resolution of the questioned cost.</li><li>• Fiscal training<ul style="list-style-type: none"><li>• Year-end closing</li><li>• Reconciliation</li><li>• Reporting</li></ul></li></ul>	September 2021 January 2022 January - February 2022	100% 0% 0%	Marcia Inacio, Executive Director Visia N. Alonz, Fiscal Officer Miriam Ewatel, Accountant Sunny Ngirmang, HPF Director Eydeline Ikeya, Head Start Director Leonard Basilius, Food Production & Employment Coordinator Phoebe Aderiano, Child Care Development & Apprentice Coordinator
Compliance with Cash Management Requirements	<ul style="list-style-type: none"><li>• Strengthen monitoring activities and internal controls to ensure compliance with established requirements and standards.</li><li>• Strengthen monitoring activities and implement effective controls to minimize time elapsing between transfer of funds from U.S. Treasury and disbursement by the Agency.</li></ul>	January 2022 January 2022 onward	0% 0%	Marcia Inacio, Executive Director Visia N. Alonz, Fiscal Officer Miriam Ewatel, Accountant Sunny Ngirmang, HPF Director Eydeline Ikeya, Head Start Director
Implementation	a. Conduct training to cover cash management requirements and other Federal standards and requirements.  b. Continue to strengthen monitoring activities to ensure efficiency and effectiveness.	January - February 2022 January 2022 - onward	0% 0%	Marcia Inacio, Executive Director Visia N. Alonz, Fiscal Officer Miriam Ewatel, Accountant Sunny Ngirmang, HPF Director Eydeline Ikeya, Head Start Director



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Finding No. 2020-002: Procurement, Suspension and Debarment				
Goal: PCAA Management will reinforce compliance with applicable procurement requirements by strengthening monitoring activities and controls of all procurement requirements.				
Objectives	Activities	Timeline	Progress	Person Responsible
Management meeting to decide the course of action	<ul style="list-style-type: none"><li>Identify effective course of action</li><li>Revisit procurement requirements</li><li>Fiscal training<ul style="list-style-type: none"><li>Procurement Requirements</li><li>Internal Controls</li><li>Monitoring activities</li></ul></li></ul>	January 2022 January 2022 January 2022	0% 0% 0%	Marcia Inacio, Executive Director Visia N. Alonz, Fiscal Officer Miriam Ewatel, Accountant Sunny Ngirmang, HPF Director Eydeline Ikeya, Head Start Director Leonard Basilius, Food Production & Employment Coordinator Phoebe Aderiano, Child Care Development & Apprentice Coordinator
Compliance with Procurement Requirements	<ul style="list-style-type: none"><li>Strengthen monitoring activities and controls for all procurement transactions to ensure compliance.</li></ul>	January 2022 - onward	0%	Marcia Inacio, Executive Director Visia N. Alonz, Fiscal Officer Miriam Ewatel, Accountant Sunny Ngirmang, HPF Director Eydeline Ikeya, Head Start
Implementation	<ul style="list-style-type: none"><li>Implement controls to ensure compliance with procurement requirements.</li><li>Continue to strengthen monitoring activities to ensure efficiency and effectiveness</li></ul>	January 2022 - onward January 2022 - onward	0% 0%	Marcia Inacio, Executive Director Visia N. Alonz, Fiscal Officer Miriam Ewatel, Accountant Sunny Ngirmang, HPF Director Eydeline Ikeya, Head Start

Visia N. Alonz, Fiscal Officer

12/31/2021

Date