

**OFFICE OF THE YAP STATE PUBLIC AUDITOR**

**Annual Report**

**To the Governor and Legislature**

**Covering the Period**

**January 01 to December 31, 2013**



**Office of the Public Auditor  
State of Yap  
Federated States of Micronesia**

# OFFICE OF THE YAP STATE PUBLIC AUDITOR

## ANNUAL REPORT TO THE GOVERNOR AND THE LEGISLATURE

For the period January 1 to December 31, 2013

### INTRODUCTION

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The Office of the Public Auditor (OPA) is comprised of two divisions: Audit and Compliance and Investigation (CID). The Audit Division conduct audits and reviews of Yap State Government departments and agencies, and State funds. CID investigates criminal and civil misconducts, allegations regarding financial mismanagement and abuse involving State funds and maintains a working arrangement between OPA and the Office of the Attorney General (OAG) and Department of Public Safety (DPS).

The OPA is established under provision of Article IX, Section 8, of the Constitution of the State of Yap, which states "There shall be regular and independent audits of State agencies and revenues," and pursuant to the authority vested in the Public Auditor as codified under Title 13, Chapter 7, and section 703 of the Yap State Code, which states in part:

*" The Public Auditor shall inspect and audit all accounts, books, and other financial records of the State Government, to include but not limited to, every branch, department, office, political subdivision, board, commission and agency, and other public legal entities or non-profit organizations receiving public funds from the State Government, and to prepare written reports of such inspections and audits for presentation to the Governor and the Legislature;"*

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### SUMMARY OF ACTIVITIES

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The highlights of activities for the Office of the Yap State Public Auditor for calendar year 2013 are presented below:

#### Financial Highlights:

Our overall budget for FY13 was \$221,659 consisting only of Compact Capacity Building Sector Grant funds. Actual expended plus encumbrances as of September 30, 2013 was \$160,126, with \$61,533 in unexpended balance.

Our approved budget for fiscal year 2014 is \$203,923; all from Compact Capacity Building Sector Grants. For the first quarter of FY14 ending December 31, 2013, \$76,011 has been allotted of which \$33,277 has been expended or encumbered.

#### Audits, Other Engagements and CID:

We were able to issue two financial audit reports and another two audit reports are already finished but the reports are still unissued. Additionally, we weren't able to audit on component unit due to the incompleteness of their books and records. We are still constantly following-up as to status of their records so that we could start the 2011 and 2012 audits, but as of December 31, 2013, not much headway was achieved with regards to their situation.

We also started two performance audit and two surprise cash count. The report on the surprise cash count were already released while for the performance audits, they still work in process.

For the CID, there were 18 cases that were closed or referred to the appropriate offices. Out of the 18, 14 were started in FY12.

Case Management System and investigation manual were developed and implemented during the calendar year.

The Audit Manager and the CID Investigator have received their CFE (Certified Fraud Examiner) certifications in FY13.

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### Planned Activities for Calendar Year 2014:

With the inclusion of the three component units under the Single Audit Contract, we have a total of six component units that we must audit every year before May 30<sup>th</sup>. The audits of the component units will take priority over other schedules and requested audits. To date, we are still in the fieldwork phase on two performance audit and right after we finish the mandatory units, we are planning to conduct two more performance audits.

### Staffing and Other Matter

In July and August, the Acting Public Auditor (Mr. Patrick Zacchini) and CID head (Sophia Pretrick) left our office since their contracts were finished. They were funded thru grants given by the Office of the Insular Affairs (OIA) and said grants were already used as of the mentioned months.

In 2013, one junior auditor and our admin assistant resigned coupled with the fact that the vacant senior auditor, who resigned in 2012, was not filled-up due to the lack of qualified candidates.

### Problems and Constraints

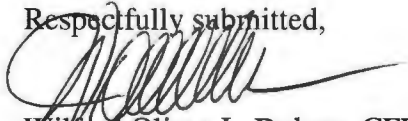
The main problem faced by OPA in 2013, was the filling out of vacancies. With the grant money for the audit manager and the CID head, already used-up, the office cannot get any qualified people to fill up the position because of budgetary constraints.

For the vacant senior auditor position, the position is still open for the simple reason that we weren't able to find anybody that will qualify to fill the post.

For the continuous training of OPA personnel, we've been doing some in-house training and availing of free trainings sponsored by PASAI (Pacific Association of Supreme Audit Institution) and to maximize the meager budgeted in travel for trainings conducted by APIPA and DOI/OIG.

With the current set-up on hand and the deadline for the single audit of May 30, 2014, there is a possibility that we might be encountering delays in the audit. But with teamwork and vigilant guidance from the lead auditors and the Public Auditor, we believe that we will be able to meet our deadlines.

Respectfully submitted,



Wilfred Oliver L. Dolosa, CFE

Yap State Public Auditor

January 20, 2014

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**FINANCIAL INFORMATION**

Fiscal Year ended September 30, 2013: Our approved budget for FY13 consisted of Compact Capacity Building Sector Grants of \$221,659. The detailed financial information below as compiled from the advices of allotment obtained from the Office of Planning and Budget and Fundware reports from Finance for the fiscal year ended September 30, 2013 is set forth hereunder.

<b>Description</b>	<b>Budget</b>	<b>Actual Expenditure</b>	<b>Prior Year Encumbrances</b>	<b>Current Year Encumbrances</b>	<b>Balance (Over)/Under</b>
Personnel	\$ 121,979	\$ 83,664	\$ -	\$ 0	\$ 38,315
Travel	41,085	19,843	-	0	21,242
OCE	35,980	24,355	-	9,052	2,573
Contractual	22,000	20,752	-	1,845	( 597 )
Fixed Assets	615	615	-	0	0
<b>Total</b>	<b>\$ 221,659</b>	<b>\$ 149,229</b>	<b>-</b>	<b>\$ 10,897</b>	<b>\$ 61,533</b>

The unexpended balance of \$61,533 for fiscal year 2013 can be broken down as follows:

- a. Personnel Budget \$ 38,315
  - aa. Salary of Public Auditor was not touched since the Acting PA's salary was funded by a separate grant other than the Compact. \$ 25,000
  - bb. Staff turn-over and planned salary increase which was never implemented. 13,315
  
- b. Travel \$ 21,242
  - aa. Unused repatriation and vacation travel expenses for the expatriate audit manager. \$ 12,200
  - bb. Savings in the various scheduled travel but was not used due to cost savings measure implemented by the office 9,042

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Quarter Ended December 31, 2013: Our budget for fiscal year 2014 of \$203,923 is funded entirely from Compact Building Sector Grants. The financial information below was accumulated using the Funware Reports from Finance as of December 31, 2013, representing allotments and expenditures to date:

Description	Year to Date Budget	Actual Expenditure	Prior Year Encumbrances	Current Year Encumbrances	Balance (Over)/Under
Personnel	\$ 32,191	\$ 24,523	\$ -	\$ 0	\$ 7,668
Travel	9,880	904	-	0	8,976
OCE	7,080	3,376	-	2,357	1,346
Contractual	26,860	2,116	-	0	24,744
Fixed Assets	0	0	-	0	0
<b>Total</b>	<b>\$ 76,011</b>	<b>\$ 30,919</b>	<b>-</b>	<b>\$ 2,357</b>	<b>\$ 42,734</b>

### AUDITS AND OTHER ENGAGEMENT ACTIVITIES

During 2013, Yap OPA released three final reports and 2 draft reports are currently on review before these will be issued.

- Public Transportation System, Financial Statements and Independent Auditor's Report for the years ended Sept. 30, 2013 and 2012.
- Gagil-Tomil Water Authority, Financial Statements and Independent Auditor's Report for the years ended Sept. 30, 2013 and 2012.
- Cash Count, Airport ( under Department of Public Works and Transportation)

Aside from these mentioned reports we have several ongoing performance/compliance audits be undertaken but due to manpower constraints and the 2013 single audits, we temporarily put it on hold and will resume said audits once we've finished the audit of the entities included in the Single Audit Report of FY 13.

### CASES AND INVESTIGATIONS CONDUCTED BY CID

In 2013, Compliance Investigation Division (CID) handled six cases of which one was referred to the Office of the Attorney General, two were referred to the department involved with management advisories, two were referred to appropriate agencies for further action, and was closed with no further action.

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### PLANNED AUDIT AND OTHER ENGAGEMENT ACTIVITIES FOR CALENDAR YEAR 2014

Annual Financial Audit Calendar – Of the nine component units of the State Government, three are audited annually under the Single Audit contract, and six are audited annually by the Yap OPA. The drafts for these audits need to be completed by May 31<sup>st</sup> for the inclusion in the Yap State audit report.

Requested Audits – In addition to the long list of audits requested by the Legislature several years back, we also have request for audits from departments. Currently, we have ongoing audits on hold pending the completion of the component units that will be included in the Single Audit Report.

### STAFF RECRUITMENT, DEVELOPMENT AND TRAINING

Staff Movement – During the year, the office lost three people thru resignation and contract completion. In July, Acting Public Auditor Patrick Zachinni finished his contract and went back to the U.S. In August CID Head Sophia Pretrick finished her contract and went back to Pohnpei. On the same month, Junior Auditor Kathleen Libian resigned in order for her to pursue her studies.

Currently, the office is without an Audit Manager, since the former Audit Manager was appointed as the Public Auditor of Yap State, a Senior Auditor and a Junior Auditor.

Though we are a bit short-handed at the moment, we still believe that all of our goals will be achieved thru teamwork. We are also in the process of updating office manual. Once the manual is finished it will be a great help especially to the new recruits. In addition, we hope to be able to conduct more frequent staff evaluations which will also aid in the development and retention of staff members.

Local Training Workshop – During the year, thru the guidance of the former Acting Public Auditor, we were able to conduct in house training coupled with some review sessions for CGAP (Certified Government Auditing Professional). The office also had some webinars and we were able to invite personnel from Office of the Inspector General – Hawaii Office for a three day training.

During the year, the Audit Manager and the CID Investigator Leelkan Southwick became Certified Fraud Examiners (CFE) and the office currently has 2 CFEs and two associate CFEs that will be taking the certification exam by next year.

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Off-Island Training Workshop- For 2013, in order for us to comply with Government Auditing Standards' continuing professional education requirements and to keep up with the constant changes in the auditing and accounting standards, we participated in various off-island seminars.

24<sup>th</sup> Annual ACFE Global Fraud Conference – CID Investigator Leelkan Southwick attended the conference on June 23 to 28 in Las Vegas, Nevada USA

PASAI's Accounting Standards training – Auditor Achilles Defngin attended the seminar held in Suva, Fiji on July 15 to 19, 2013.

PASAI's 16<sup>th</sup> Annual Congress – Public Auditor Wilfred Oliver L. Dolosa attended the congress in Guam on September 10 to 13, 2013.

2013 APIPA Annual Conference – The Public Auditor together with three auditors and one investigator attended the annual conference on Sept. 16 to 20, 2013 in Saipan, CNMI.

Investigative Training – CID Investigator together with ACFE Associate member Irene Laabrug attended the seminar conducted by OIG on September 23 to 24, 2013 in Guam.

ELDP Follow-up – ELDP pioneer Senior Auditor Bryan Dabugsiy attended the seminar held in Saipan, CNMI on November 14 and 15, 2013.