



ASSOCIATION OF PACIFIC ISLANDS PUBLIC AUDITORS

April 23, 2009

Mr. Wilfred Oliver L. Dolosa
Acting Yap State Public Auditor
Office of the Public Auditor
Federated States of Micronesia
State of Yap, P. O. Box 927
Colonia, Yap FM 96943

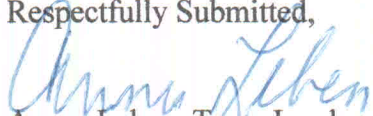
Dear Mr. Dolosa:

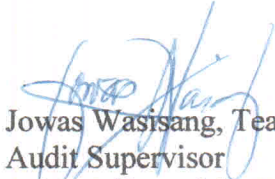
We have completed an external quality control review (Peer Review) of the Office of the Yap State Public Auditor for audit and attestation engagement reports issued during the period June 1, 2005 through December 31, 2008. Attached is a draft report stating our opinion concerning your organization's overall level of compliance with government auditing standards.


The contents of the draft report were discussed with you during the exit conference conducted on April 23, 2009. We are requesting your written comments to the draft report by May 8, 2009. Your response should indicate your concurrence or non-concurrence with our opinion contained in the draft report. Once we receive your comments, they will be incorporated into our final report, which we anticipate issuing on or before June 15, 2009.

If you have any questions or require additional information to address the draft report, please do not hesitate to contact any member of the Peer Review Team.

Respectfully Submitted,


Annes Leben, Team Leader
State Public Auditor
Pohnpei State Public
Auditor's Office, FSM


Jowas Wasisang, Team Member
Audit Supervisor
Palau Office of the Public
Auditor


Charles W. Hester
Team Member
APIPA Technical
Consultant

Attachment



ASSOCIATION OF PACIFIC ISLANDS PUBLIC AUDITORS

May 10, 2009

Mr. Wilfred Oliver L. Dolosa
Acting Yap State Public Auditor
Office of the Public Auditor
Federated States of Micronesia
State of Yap, P. O. Box 927
Colonia, Yap FM 96943

Dear Mr. Dolosa:

A peer review of the Office of the Public Auditor, State of Yap, Federated States of Micronesia has been completed for the period June 1, 2005 through December 31, 2008. In conducting the review, the standards and guidelines contained in the *Peer Review Guide* published in July 2006, by the Association of Pacific Islands Public Auditors (APIPA) were followed.

The internal quality control system of the audit organization was reviewed and tests were conducted in order to determine if the internal quality control system operated to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States. Due to variances in individual performance and judgment, compliance does not imply adherence to standards in every case, but does imply adherence in most situations.

Based on the results of the review, except for the deficiency noted below, the Office of the Public Auditor's internal quality control system provides reasonable assurance of compliance with *Government Auditing Standards* for audits and attestation engagements during the period June 1, 2005 through December 31, 2008.

The deficiency found in the internal quality control system was the lack of documentation of its quality control policies and procedures. This control deficiency resulted in recurring non-conformance with *Government Auditing Standards for Quality Control and Assurance* (§3.50 through §3.63).

Government Auditing Standards for Quality Control and Assurance (§3.51 through §3.53) requires that each audit organization must document its quality control policies and procedures and communicate those policies and procedures to its personnel. The quality control policies and procedures should collectively address: Leadership responsibilities for quality within the

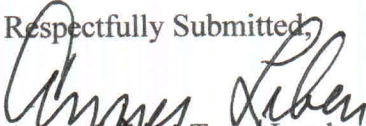
audit organization; Independence, legal, and ethical requirements; Initiation, acceptance, and continuance of audit and attestation engagements; Human resources; Audit and attestation engagement performance, documentation, and reporting; and Monitoring of quality. The *Standards* (§3.54) further states that the audit organization should document compliance with its quality control policies and procedures and maintain such documentation for a period of time sufficient to enable those performing peer reviews to evaluate the extent of the audit organization's compliance with its quality control policies and procedures.

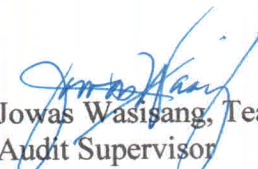
The Office of the Public Auditor has not formulated and adopted quality control policies and procedures. The prior two external peer reviews of this Office identified the lack of a comprehensive policies and procedures manual as the cause of several issues. The Office had agreed to establish quality control policies and procedures that comply with the requirements in *Government Auditing Standards*, but have not taken that action to date. The Office has informally adopted various policies and procedures (including some standard forms) to help ensure compliance with auditing standards on each assignment. However, this does not comply with the requirements of *Government Auditing Standards* and makes it difficult if not impossible to provide reasonable assurance that the Office and its personnel comply with professional standards and applicable legal and regulatory requirements. We recommend that the Public Auditor select, formally adopt, and implement a system of quality control that is designed to provide reasonable assurance that the organization and its personnel comply with *Government Auditing Standards* (§3.50 through §3.63). The system should provide for the annual analysis and summarization of its monitoring procedures, including the identification of any systemic issues needing improvement, along with recommendations for corrective action.


The above finding and recommendation have been discussed with the staff of Office of the Public Auditor for Yap State during the exit conference conducted on April 23, 2009. The Acting Yap State Public Auditor concurred with our finding and recommendation and will be implementing systemic improvements accordingly. In order to provide the reader with a fair and balanced discussion of the issue, the Acting Yap State Public Auditor's comments are attached to this letter and should be read in conjunction with our recommendation.

This report is to be made available to the public.

Respectfully Submitted,


Annes Leben, Team Leader
State Public Auditor
Pohnpei State Public
Auditor's Office, FSM


Jowas Wasisang, Team Member
Audit Supervisor
Palau Office of the Public
Auditor


Charles W. Hester
Team Member
APIPA Technical
Consultant

Attachment