



August 20, 2012

The Honorable Ronald C. Yow,
Yap State Public Auditor
Office of the Public Auditor
Yap State Government
P. O. Box 927
Colonia, FM 96943

Dear Mr. Yow:

We have completed a peer review of the Office of the Public Auditor for Yap State Government in the Federated States of Micronesia for the period January 1, 2009 through September 30, 2011. In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide* approved by the Association of Pacific Islands Public Auditors (APIPA).

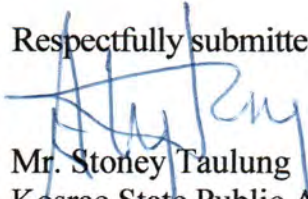
We reviewed the internal quality control system of your audit organization and conducted tests in order to determine if your internal quality control system operated to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States. 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 our review, it is our opinion that the Office of the Public Auditor's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for audits and attestation engagements during the period January 1, 2009 through September 30, 2011.

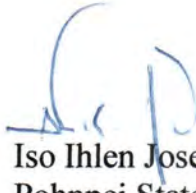
A separate letter to management has been prepared, which offers suggestions for further strengthening the internal quality control system. The management letter should be considered an integral part of the report.

The report, and the accompanying management letter, should be made available to the public.

Respectfully submitted,



Mr. Stoney Taulung
Kosrae State Public Auditor
Office of the Public Auditor
Federated States of
Micronesia



Iso Ihlen Joseph
Pohnpei State Public Auditor
Office of the Public Auditor
Federated States of Micronesia



Mr. Charles W. Hester
APIPA Peer Review
Consultant



August 20, 2012

The Honorable Ronald C. Yow,
Yap State Public Auditor
Office of the Public Auditor
Yap State Government
P. O. Box 927
Colonia, FM 96943

Dear Mr. Yow:

The external peer review of the Office of the Public Auditor for Yap State Government in the Federated States of Micronesia has been completed for audits issued during the period January 1, 2009 through September 30, 2011. A report has been issued dated August 20, 2012 stating the organization's overall level of compliance with Government Auditing Standards. This letter to management is to offer an observation and suggestions stemming from the peer review. This letter is to be read in conjunction with the opinion report.

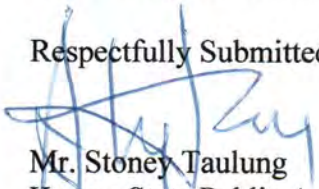
Quality Control. The Office of the Public Auditor has not formulated and adopted a written Audit Manual to document its quality control policies and procedures. The prior two external peer reviews of this Office identified the lack of a comprehensive policies and procedures manual as the cause of several issues. The Office had agreed to establish quality control policies and procedures that comply with the requirements in *Government Auditing Standards*. 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 to provide reasonable assurance that the Office and its personnel comply with professional standards and applicable legal and regulatory requirements.

In 2010 the Office contracted with a former Public Auditor to finalize and Audit Manual that would contain quality control policies and procedures. However, the Manual was not completed and approved by the end of the contract. The Office is currently in the process of finalizing the Audit Manual. We suggest that the Public Auditor expedite, formally adopt, and implement a finalized Audit Manual that is designed to provide reasonable assurance that the organization and its personnel comply with *Government Auditing Standards*.

The above suggestion has been discussed with management and staff of the Office of the Public Auditor during the exit conference conducted on August 17, 2012. The Public Auditor concurred with our observation and suggestion and will be implementing systemic improvements accordingly. In order to provide the reader with a fair and balanced discussion of the issues, the Public Auditor's comments are attached to this letter and should be read in conjunction with our suggestions.

In closing we would like to thank you and your staff for the hospitality and cooperation extended to us during our review.

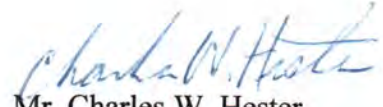
Respectfully Submitted,



Mr. Stoney Taulung
Kosrae State Public Auditor
Office of the Public Auditor
Federated States of Micronesia



Iso Ihlen Joseph
Pohnpei State Public Auditor
Office of the Public Auditor
Federated States of Micronesia



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APIPA Peer Review
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Attachment