



## Association of Pacific Islands Public Auditors

December 19, 2014

Achilles Defngin  
Acting Public Auditor  
Office of the Yap State Public Auditor  
P.O. Box 927  
Colona, Yap FM 96943  
Federated States of Micronesia

Dear Mr. Defngin:

We have completed a peer review of your Office of the Yap State Public Auditor for the period October 1, 2011 through September 30, 2014. In conducting our review, we followed the standards and guidelines contained in the *2014 Peer Review Guide* published 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 whether your internal quality control system operated to provide reasonable assurance of compliance with generally accepted *Government Auditing Standards* (GAGAS) 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, because of the deficiency noted below, the Office of the Yap State Public Auditor's internal quality control system was not suitably designed and operating to provide reasonable assurance of compliance with *Government Auditing Standards* for audits and attestation engagements during the period October 1, 2011 through September 30, 2014.

We offer the following observation and recommendation to help your organization achieve full compliance with *Government Auditing Standards*:

**Quality Control.** Standard 3.82 requires that each audit organization performing audits in accordance with GAGAS must establish and maintain a system of quality control that is designed to provide the audit organization with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements. The Standards (§3.84 & §3.85) go on to require that each audit organization should document its quality control policies and procedures and communicate those policies and procedures to its personnel. 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 monitoring procedures and peer reviews to evaluate the extent of the audit organization's compliance with its quality control policies and procedures. The form and content of such documentation are a matter of professional judgment and will vary based on the audit organization's circumstances. In addition, an audit organization

should establish policies and procedures in its system of quality control that collectively address:

- a. leadership responsibilities for quality within the audit organization,
- b. independence, legal, and ethical requirements,
- c. initiation, acceptance, and continuance of audits,
- d. human resources,
- e. audit performance, documentation, and reporting, and
- f. monitoring of quality.

In conducting our peer review of the Office of the Yap State Public Auditor, we observed that your office has not formulated and adopted a written Audit Manual to document its quality control policies and procedures. The prior three external peer reviews of your Office identified the lack of a comprehensive policies and procedures manual as the cause of several significant issues. Your Office had agreed to establish quality control policies and procedures that comply with the requirements in *Government Auditing Standards*.

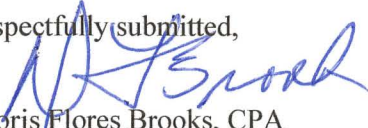
Your Office has informally adopted various policies and procedures (including some standard forms) to help ensure compliance with auditing standards on each assignment. However, this does not comply with the requirements of *Government Auditing Standards* and makes it difficult to provide reasonable assurance that your Office and its personnel comply with professional standards and applicable legal and regulatory requirements.


We recommend that your Office of the Yap State 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*.

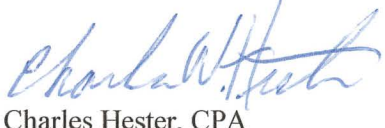
The above deficiency and recommendation has been discussed with management and staff of the Office of the Yap State Public Auditor during the exit conference conducted on November 6, 2014. In his response to our recommendation, dated November 14, 2014, the Public Auditor concurred with our observation and is in the process of implementing the recommendation. 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 recommendation.

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

Respectfully submitted,

  
Doris Flores Brooks, CPA  
Public Auditor  
Guam Office of Public  
Accountability  
Team Leader

  
Erwilne David  
Senior Auditor, Office of the  
National Public Auditor  
Federated States of Micronesia  
Team Member

  
Charles Hester, CPA  
APIPA Peer Review  
Technical Consultant  
Team Member

Attachment