



July 31, 2012

The Honorable Haser H. Hainrick,
National Public Auditor,
Office of the National Public Auditor
Federated States of Micronesia
P. O. Box PS-05
Palikir, Pohnpei, FM 96941

Haser
8.28.2012

Dear Mr. Hainrick:

We have completed a peer review of the Office of the National Public Auditor for the Federated States of Micronesia for the period October 1, 2008 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).

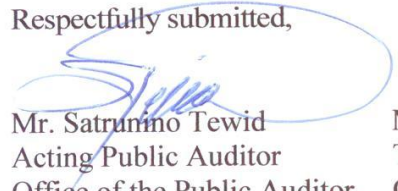
We reviewed the internal quality control system of your audit organization and conducted tests in order to determine if your internal quality control system operated to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States. 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 National 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 October 1, 2008 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. Saturnino Tewid
Acting Public Auditor
Office of the Public Auditor
Republic of Palau



Mr. Robert Dantini
Territorial Auditor
Office of the Territorial Auditor
American Samoa Government



Mr. Charles W. Hester
APIPA Peer Review
Consultant



July 31, 2012

The Honorable Haser H. Hainrick,
National Public Auditor,
Office of the National Public Auditor
Federated States of Micronesia
P. O. Box PS-05
Palikir, Pohnpei, FM 96941

Haser H. Hainrick
8.28.2012

Dear Mr. Hainrick:

The external peer review of the Office of the National Public Auditor for the Federated States of Micronesia has been completed for audits issued during the period October 1, 2008 through September 30, 2011. A report has been issued dated July 31, 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.

Continuing Professional Education (CPE). Auditors performing work under Government Auditing Standards (GAGAS §3.46), including planning, directing, and reporting should maintain their professional competence through continuing professional education. Therefore, auditors performing work under Government Auditing Standards are required to document the completion every 2 years of at least 80 hours of CPE that directly enhance their professional proficiency. Auditors should complete at least 20 hours of CPE in each of the 2-year period. One of the professional staff did not meet the 80 hours of CPE every 2 years requirement. In addition, one of the professional staff did not complete at least 20 hours of CPE in one year of the 2-year period. These auditors were routinely involved in all phases of an audit from planning through reporting.

We suggest that the National Public Auditor emphasize to all of the audit staff the need to fully comply with all of the Continuing Professional Education (CPE) requirements contained in Government Auditing Standards and in the Office's Audit Manual.

Audit Documentation. Our review of the audit documentation related to Audit Report Number 2010-04, determined that the audit discovered likely significant abuse or fraud related to the use of credit cards. Although the possibility of reporting this to appropriate parties with oversight responsibility or jurisdiction (as required by GAGAS §7.77-80) was discussed internally within the Office of the National Public Auditor, the discussions were not documented in the audit working papers.

We suggest that the National Public Auditor emphasize to all of the audit staff the importance of documenting in the working papers all discussions of key matters, especially those discussions pertaining to the possibility of reporting likely significant abuse or fraud to appropriate parties with oversight responsibility or jurisdiction.

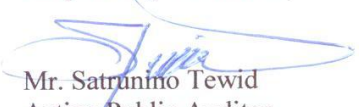
Quality Control and Assurance. We found that the Office of the National Public Auditor conducted and completed four (4) Inspection Reports using the Quality Standards for Inspection and Evaluation promulgated by the Council of the Inspectors General on Integrity and Efficiency (CIGIE). However, in reviewing the Office's Audit Manual we found that the Office had not formally adopted the CIGIE's Quality Standards for Inspection and Evaluation. Without the formal adoption of these or other equivalent standards, the Office of the National Public Auditor lacks 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 inspection standards.

We suggest that the National Public Auditor formally adopt the CIGIE's Quality Standards for Inspection and Evaluation as part of its Audit Manual.


The above suggestions have been discussed with management and staff of the Office of the National Public Auditor during the exit conference conducted on July 13, 2012. The National Public Auditor concurred with our observations and suggestions and will be implementing systemic improvements accordingly. In order to provide the reader with a fair and balanced discussion of the issues, the National 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. Satrunino Tewid
Acting Public Auditor
Office of the Public Auditor
Republic of Palau



Mr. Robert Dantini
Territorial Auditor
Office of the Territorial Auditor
American Samoa Government



Mr. Charles W. Hester
APIPA Peer Review
Consultant

Attachment



FEDERATED STATES OF MICRONESIA

Office of The National Public Auditor

P.O. Box PS-05, Palikir, Pohnpei FSM 96941

Tel: (691) 320-2862/2863 Fax: (691) 320-5482

CID Hotline: (691) 320-6768; E-mail: hhainrick@fsmopa.fm

Friday, July 27, 2012

The Honorable Saturnino Tewid
Acting Public Auditor/Peer Review Team Leader
Office of the Public Auditor
P.O. Box 850
Republic of Palau
Koror, PW 96940

Dear Mr. Tewid:

We thank the peer review team for reviewing the quality control system which was in place at the FSM National OPA for the period October 1, 2008 through September 30, 2011. We are pleased to know that based on your review you have found our audits in full compliance and our internal quality control system to be suitably designed and operating effectively to provide reasonable assurance of our compliance with GAS. Thank you also for offering the suggestions to further strengthen our control system. Our comments are provided below.

Continuing Professional Education (CPE)

For the first staff cited, we believe that he earned his CPE hours more than the minimum requirement. He just needs to do well in providing the required documentation to ascertain his attendance at the relevant training courses.

For the second staff cited, she fortunately had her baby but the timing prevented her from attending (and earning CPE hours from) a training course that we brought on island toward the end of the year.

Nonetheless, we will strive to do well in the future both in terms of acquiring the required CPE hours and in documentation.

Audit Documentation

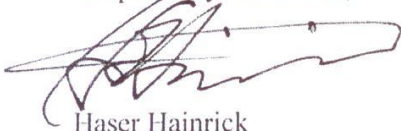
We will continue to implement this procedure just like we have been in the past. As we discussed with your team, we have also upgraded our procedures to include a Referral Form for matters discovered in an audit that should be referred to our Compliance Investigation Division. Furthermore, communicating with the investigation authorities regarding indications of possible fraud, waste and abuse will remain an integral part of our implementing procedures.

Quality Control and Assurance

The Standards for Inspections and Evaluations have been in used by the National OPA for the past several years. We have adopted the Standards and have been using them for the Inspections which we conducted in the past. In addition, the procedures for implementing the Standards have also been incorporated into our Audit Manual. In the coming days/weeks, we will reissue a new directive for the formal adoption of the Inspection/Evaluations standards. We will then package the Standards and the implementing procedures in order to have a stand-alone set of Manual to guide our actions in the future.

Thank you for the helpful comments and for performing our peer review. We appreciate the opportunity given to review and provide our written comment.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Haser Hainrick', written over a horizontal line.

Haser Hainrick
National Public Auditor



July 31, 2012

His Excellency Emanuel (Manny) Mori
President, Office of the President
Federated States of Micronesia
P. O. Box PS-53
Palikir, Pohnpei FM 96941


Dear President Mori:

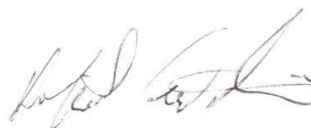
Attached for your reference is the final report on the Federated States of Micronesia's Office of the National Public Auditor pursuant to a Peer Review (external quality control review) conducted by our team of auditors from the Association of Pacific Islands Public Auditors (APIPA). A Peer Review of all audit offices issuing audit and attestation reports guided by Government Auditing Standards is required at least every three years. Because of this requirement, your National Public Auditor initiated and contracted with APIPA.

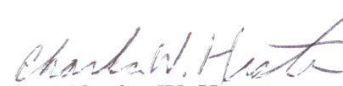
Your National Public Auditor's Office was determined to be in compliance with Government Auditing Standards for the period October 1, 2008 through September 30, 2011. The report now becomes public information and may be made accessible to any interested person(s). The working papers and other supporting documentation accumulated during our review will be maintained by the National Public Auditor's Office.

It was a privilege working with the staff of the National Public Auditor's Office, most especially Mr. Hainrick, the National Public Auditor. Each member of Mr. Hainrick's Office was most cooperative and helpful to the team and exemplifies the highest standards of the auditing profession.

Respectfully submitted,


Mr. Saturnino Tewid
Acting Public Auditor
Office of the Public Auditor
Republic of Palau


Mr. Robert Dantini
Territorial Auditor
Office of the Territorial Auditor
American Samoa Government


Mr. Charles W. Hester
APIPA Peer Review
Consultant

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CC: Mr. Haser Hainrick,
National Public Auditor, FSM

> Noted:
Hester
8-28-2012



July 31, 2012

The Honorable Isaac V. Figir
Speaker, Office of the Speaker
17th FSM Congress
P. O. Box Ps-.3
Palikir, Pohnpei FM 96941

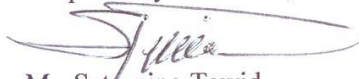
Dear Speaker Figir:

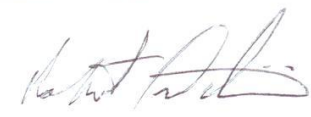
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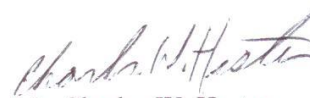
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Respectfully submitted,


Mr. Saturnino Tewid
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Office of the Public Auditor
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Office of the Territorial Auditor
American Samoa Government


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APIPA Peer Review
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CC: Mr. Haser Hainrick
National Public Auditor

*Noted:
Hainrick
8.28.2012*