



ASSOCIATION OF PACIFIC ISLANDS PUBLIC AUDITORS

October 31, 2005

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

Dear Mr. Hainrick:

We have completed an external quality control review of the Office of the National Public Auditor (ONPA), Federated States of Micronesia for audits issued during the period October 1, 2002 through August 31, 2005. We have issued a report stating our opinion concerning your organization's overall level of compliance with government auditing standards. We are issuing this companion letter to management to offer a suggestion for improvement. This letter should be read in conjunction with our opinion report.

The following suggestion is made for the purpose of strengthening your internal quality control systems:

Performance Audit Working Papers. During the period of our review the ONPA completed and issued a report on one Performance Audit. Our review of the working papers for the audit disclosed that it did not fully comply with all of the requirements contained in government auditing standards. The working papers did not contain sufficient evidence to demonstrate that the auditors had considered the results of previous audits in order to follow up on significant findings and recommendations that directly relate to the subject matter of the engagement undertaken.

We suggest that the National Public Auditor continue to emphasize to the audit staff the need to obtain sufficient evidence to demonstrate that they have considered the results of previous audits in order to follow up on significant findings and recommendations that directly relate to the subject matter of their engagement.

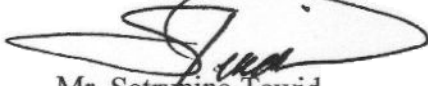
The above suggestion was discussed with you during the exit conference conducted on September 9, 2005. The National Public Auditor concurred with our suggestion, with some reservations. In order to provide the reader with a fair and balanced discussion of

Members
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of
Territory of American Samoa, Commonwealth of the Northern Marianas Islands,
Republic of the Marshall Islands, Federated States of Micronesia, Republic of Palau,
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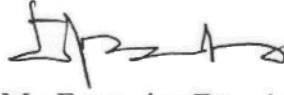
the issue, the National Public Auditor's comments are attached to this letter and should be read in conjunction with our suggestion.

In closing we would like to thank your Office for the warm reception and cooperation extended to us by all of your staff during our review.

Respectfully Submitted,



Mr. Saturnino Tewid
Public Auditor, Republic of Palau
Team Leader



Mr. Faumuina Francis Sefo
Acting Territorial Auditor,
American Samoa Government
Team Member



Mr. Charles W. Hester
APIPA Peer Review
Technical Consultant
Team Member

Attachment