



KOSRAE STATE GOVERNMENT

OFFICE OF THE PUBLIC AUDITOR
Strategic and Operational Plan
FISCAL YEAR 2018 to 2022

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Public Auditor, Kosrae State

December 29, 2017

The Honorable Lyndon H. Jackson
Governor
Kosrae State Government
Federated States of Micronesia FSM 96944

RE: Strategic and Operational Plan for FY2018 to FY2022, Office of the
Public Auditor, Kosrae State Government.

The Honorable Jackson

I am pleased to transmit to you a copy of the Strategic and Operational Plan for FY 2018 to 2022 for the Office of Public Auditor, Kosrae State.

The Strategic and Operational Plan is developed to be used as a guiding document in terms of prioritizing projects and programs as required in Chapter 4, Title 10 of the Kosrae State Code. The proposed Operational Budget summary is also included to justify the need for funding support for the five year period.

I look forward to discuss the Strategic and Operational Plan and the proposed Operational Budget with you or the Budget Review Committee.

Kulo Malulap,


Stoney S. Taulung
Public Auditor

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I. Introduction and Background

This Strategic Plan is developed to guide the performance of the Office of the Public Auditor to identify strategic opportunities and facilitate the realization of those opportunities and also identify challenges to overcome. It is a long range plan which has been developed in response to the planning requirement of the Fiscal Procedures Agreement concerning the economic assistance provided in the Amended Compact of Free Association between the United States and the Federated States of Micronesia (FSM). This Strategic Plan presents the office performance, operational plan and provides a detail breakdown on the operating budget for fiscal year 2018 and 2022.

The purpose of this Strategic Planning is to gain enough knowledge about departments, Offices, Entities and programs, services and functions with the audit universe to identify, prioritize and select value added subjects or issues for future audits.

The Office of the Public Auditor was created by virtue of Kosrae State Code Title 10 Chapter 4, which states that: "The Public Auditor shall inspect and audit personally, or by his duly authorized assistants, all accounts, books, and other financial records of the State Government, to include but not be limited to, every branch, department, office, political subdivision, board, commission, agency, other public legal entity (owned, or partially owned, by the State), whether they receive public funds or not, and nonprofit organizations that receive public funds from the State Government "and other laws promulgated thereafter."

The Office of the Public Auditor is staffed by 5 employees. The Office of the Public Auditor was structured to include three units namely the Audit Unit, Compliance & Investigation Unit and Administration Unit. Beginning in FY 2009, the Office of the Public Auditor is staffed with 5 regular employees and one (1) Consultant. The primary responsibility of the Office is to serve as the state premier watchdog to ensure that funding and properties of the state government are managed and expended accordingly. It is evident that significant portion of the State Government funds needs an independent assessment to determine whether government services and programs are carried out legally, effectively, efficiently, economically, ethically and equitably (as provided in the 2007 Government Auditing Standards). Portions of which remained unchecked from 2-3 years before FY 2009 based on the mentioned criteria. These include services mainly delivered by the Departments of Education, Health, Resources and Economic Affairs and other programs administered by Kosrae State departments and other agencies. Although some sections of government services have been audited by the Office of the Public Auditor, still there remained significant processes which were left unaudited. The Office was not able to cover these areas for examination due to lack of audit hours and lack of required training arising from budget constraints

The planning methodology adopted by the Office of the Public Auditor is based on the concept of issues and issue areas. The issue areas are broad categories of prime importance and they highlight the priorities of our office. The methodology also includes the formulation of annual audit work plans. Defining the work to be done during a given

fiscal year, the strategic plan identifies individual tasks; assign priorities; links task to the strategic areas; allocate staff among issues and issue areas and serves as a device for communicating with the officials. The audit work plan requires periodic update to reflect shifts in issues emphasis as well as changes in audit resources

II. The Mission, Vision, Values and Duties and Responsibilities of the Public Auditor Office.

The Office of the Public Auditor is committed to serve the citizens of Kosrae State by conducting independent audits and investigation that promote accountability, fiscal integrity in the State and Local Governments and to assist the Government in providing timely audit reports that will provide findings and recommendations to improve its operations and performance in terms of improved services, reduced costs and increasing public satisfaction.

Mission Statement

The Office of the Public Auditor shall perform high quality audit and investigation to provide timely, reliable and useful information for planning and decision making process.

Vision (wish)

Audit and Investigative Performance and Services will achieve a high level of performance, transparent and accountable government to support good Governance for the well being of the people.

Values (Principles)

The performance of the Office of the Public Auditor shall be recognized and respected through the following:

- ***Independence * Professional * Honesty***
- ***Integrity * Impartiality * Respectable***

Duties and Responsibilities of the Kosrae State Public Auditor Office

The Kosrae State Code, Section 10.4 specifies the duties and responsibilities of the Office of the Public Auditor. The OPA serve as the state premier watchdog to ensure that funding and properties of the state government are expended or managed accordingly. The Office is charged with a broad and comprehensive program of audits to deliver for the state government. The Office of the Public Auditor is authorized by law to conduct audit and inspect to evaluate the accuracy and effectiveness of management controls to direct projects and programs toward successful accomplishment. The following include specific responsibilities, which are designed to promote integrity and improve performance in government services and operations:

- shall inspect and audit transactions, accounts, books, and other financial records of the state government, to include but not limited to, every branch department, office, political subdivision, board, commission, agency, other public legal entity (owned, or partially owned, by the State), whether they receive public funds or not, and nonprofit organizations that receive public funds from the State Government “and other laws promulgated thereafter.”
- inspect and audit transactions, accounts, books, and other financial records associated with any project, program, and activity receiving funds in whole or in part from public funds of the State Government,
- perform audits as otherwise specifically required by the statutes,
- have the discretion to perform audits, or assist in the performance of audits, upon request by the States,
- have the exclusive audit jurisdiction over public funds of the State Government, but shall have the authority to contract for independent auditing services to be performed under his supervision in instances where specialized expertise is required.
- file a report at least once a year with the State Legislature and other reports as deemed necessary by the Public Auditor and all reports of the Public Auditor shall be made available to the general public.
- submit recommendations with audit reports which shall be confined to matters within the jurisdiction of the Public Auditor, including compliance or noncompliance with laws governing the expenditure of public moneys and the need for amendments or new laws to secure the efficient expenditure of public funds,
- keep a complete and accurate record or file or audit reports, inspections, investigations, releases, audit work papers and other materials pertaining to the work of the Office of the Public Auditor.

III. Summary of the Strategic Development Plan (SDP) Strategic Goals, Objectives, Activities and outputs as they are linked to the functions and roles of the Office of Public Auditor.

This section is not intended to highlight and to reprint only the SDP Strategic goals and objectives that are relevant to audit hence have commonalities to OPA mandates.

Strategic Goal 1: Responsible fiscal policies that support financial stability and economic development

- Activity 1.1 Maintain medium term sustainable fiscal position

Output: 1. Audited financial statements available by June 30th after financial year close out

Output: 2. Performance Audit made available after financial year close out.

Output: 2. Enactment of law protecting principles of fiscal responsibility

Strategic Goal 2: Adoption of best practices in the transparency of fiscal management.

- Activity 2.1 Development of good governance and fiscal transparency of fiscal management

- Activity 2.2 Past, current and future fiscal activity of the government made available to the public.

Output 1. Audited financial statements made available to the stakeholders and the leaders

Output 2. Performance Audits made available within six months of the end of the financial year.

- Activity 2.3 Assurance of quality of fiscal information

Output 1. Basis of accounting and standards complied with as indicated in audits (accrual/cash/GASB34, etc)

Output 2. Quality of data indicated including consistency between estimates

Output 3. Financial and performance audits to be conducted by an independent body

Strategic Goal 3: To enhance accountability in the Public Sector.

- Activity 3.1 The State's control environment is enhanced through the re-evaluation of policies, procedures, system controls and personnel and implementation of required changes.

- Output 1. The Office Procedures and Manuals are prepared by all relevant departments to ensure compliance with applicable laws and regulations.

- Output 2. 100% of outstanding audit findings are resolved within appropriate time period (9 months after the report issue date).

- Output 3. All government bank accounts are reconciled in a timely manner (45 days after month end).

- Output 4. All finance subsidiary ledgers are reconciled to the general ledger in a timely manner (45 days after month end).

- Activity 3.2 Emphasis on Manager's Accountability for performance audit

- Output 1. Performance Audit results/reporting is completed by an independent Auditor.

- Output 2. Periodic Peer Review is conducted to ensure compliance with audit standards.

- Activity 3.3 The Public reporting system is reviewed and updated

- Output 1. Financial and performance audit results are published for reporting to the stakeholders and the general public.

Strategic Goal 4: Improved Public Sector Management and resources allocation

- Activity 4.1 Results management and distribution

- Output 1 Legislation passed to establish performance audits to include the (Outcome, Outputs and Cost of delivery to compare with budget and prior year.

- Output 2 Performance audits made available within six months of the end of the financial year to be shared with the stakeholders and the public.

IV. The Office of the Public Auditor Goals, Objectives, Activities, and Output for the period starting 2018 to 2022.

- **Goal No. 1 To Improve the effectiveness of audit services**
- **Goal No. 2 To provide effective deterrence against, and investigation of, white color crime offenses;**
- **Goal No. 3 To enhance transparency in the public sector; and,**
- **Goal No. 4 To strengthen capacity building efforts for OPA.**

OPA Strategic Goal No. 1 To improve the effectiveness of audit services.

➤ **Activity 1:** Audit staff to efficiently utilize resources

Output: Plan and prepare an assignment schedule and supervise the audit assignment of appropriate staff.

Output: Communicate regularly to the OPA to ensure that annual audit process is progressing well.

Output: Improve public awareness program to the general public and the stakeholders on the single audit.

Output: Attend all meetings to be organized by Audit Questioned Costs Resolution Committee.

➤ **Activity 2:** Resolve audit findings and questioned costs reported in the performance audit

Output: To reduce the amount of questioned cost by at least 40% and to lower the number of audit findings.

Output: To establish and maintain a tracking system for audit findings and questioned cost.

Output: To provide guidance to every entity to ensure that they take appropriate action to reduce questioned cost.

➤ **Activity 3:** Increase the number of audit coverage to the State, Local and other recipients of the State and Compact Funds.

Objectives: To conduct as many as possible the number of performance, compliance and investigative audit of the State and local government and other recipients of the State and Compact funds.

Output: Complete not less than eight (8) performance, compliance and investigative audit during fiscal year 2019.

Output: Conduct consistent follow up to audit entities to ensure that appropriate measures are taken four months after the final audit reports are issued.

Output: Work with Legislative Body to enact legislation that will improve auditee's compliance with audit findings to improve fiscal responsibility.

OPA Strategic Goal No. 2: To provide effective deterrence against, and investigation of white color crime offenses.

➤ **Activity 1:** Inspect and investigate reports, as appropriate, white color crime cases

Objectives: To inspect and investigate tips, allegations and referrals concerning fraud, waste and abuse of government resources in an effective and efficient manner and make appropriate reporting thereof.

Output: Conduct inspection and investigation of up to (50%) of tips, allegations and referrals that are substantial and worth pursuing.

➤ **Activity 2:** Audit Referral to State Attorney General for Investigation

Output: Audit steps to be designed to provide reasonable assurance of detecting fraud, waste and abuse.

Output: Regulatory and allegation reviews, and

Output: Referral of fraud and illegal acts as soon as possible to State Attorney General and copy to the Governor and to Legislature.

➤ **Activity 3:** Upgrade and strengthen the capacity for fraud and financial investigators.

Objectives: To secure financial and human resources in order to facilitate relevant training and capacity building efforts for fraud and financial investigators.

Output: Attain required Continued Professional Education (CPE) credit hours by the fraud investigators.

Output: The current investigator to successfully pass the Certified Fraud Examination (CFE) to be administered by the US Association of Certified Fraud Examiner.

OPA Strategic Goal No. 3: To enhance transparency in the public Sector

- **Activity 1:** Disseminate audit results to the stakeholders and the general public.

Objectives: To establish a new office website and post all audit report immediately after officially release.

Output: Upload all OPA audit reports as soon as they are finalized and released.

- **Activity 2:** Public Awareness program

Objectives: To conduct public awareness and education programs in order to provide better understanding regarding the contribution of independent audit services.

Output: Publish Audit Reports through current affairs (Radio), press release and website.

OPA Strategic Goal No. 4: To strengthen capacity building efforts for the OPA.

- **Activity 1:** Strategic Planning exercise to define goals and objectives and to review and update Manuals, performance evaluation, incentives schemes, etc.

Objectives: To develop efficient and effective working environment within the OPA to improve staff productivity.

Output: Review and update the Strategic Plan document for the OPA.

Output: Develop Office manuals to be consistent with the revision in the 2011 Yellow Book

Output: Improve the employee performance evaluation system

Output: Enhance incentive program for OPA staff

- **Activity 2:** In-house training programs conducted by expatriate or professional staff for the resident auditors and administrative staff.

Objectives: To develop and enhance the human resources capacity of the OPA by leveraging the knowledge and experience of the expatriate staff.

Output: On the job training through the performance of compliance, financial and performance audit work.

Output: Develop in-house financial management system and conduct appropriate training for the administrative staff.

Output: Staff to earn a minimum of not less than 40 CPE hours during each fiscal year as required by the government auditing and investigation standards.

- **Activity 3:** Request for technical assistance from DOI, OIA, OIG and US Graduate School to provide specialist to provide training in the area of investigation.
- **Activity 4:** Enhance staff writing and accounting skills by enrolling them into COM FSM to expand their skills and knowledge in these areas.
- **Activity 5:** Professional Certification Program. Identify appropriate staff to attend to higher education to earn professional certification. This is intended for Senior Auditor staff.

IV. SDG Development Goal (SDG) as they linked to the functions of the Office of the Public Auditor and the SDP

a) Activity 1. Sustainable Development

Output: Reduce poverty into half by 2020

Output: Conduct cooperation performance audit jointly within the Pacific region to identify weakness and provide recommendations for improvement.

Output: Conduct follow to determine whether corrective actions are taken to improve the weaknesses.

Output: Recommend enactment to the existing laws to improve weaknesses

b) Activity 2 – Promote Economic Growth

Output: Conduct cooperative performance audit to identify weaknesses

Output: Audit results be used as basis for enacting new legislation

c) — Support global partnership for development

Goal 8 addresses the way developed countries can assist in developing countries in achieving the other goals through a combination of additional development assistance, improved access to markets, and debt relief. Donor countries also committed to strengthened focus on poverty reduction, education and health, in order to help developing countries realize the goals of the Millennium Declaration. Commitments and targets relevant to realization of the MDGs have also been adopted through the Doha Ministerial Declaration (November 2001).

Activity 1 - enhance harmonization and further advance global partnerships for development.

- Output 1: establishment of a definitive development framework (that reflects country development priorities for both the medium and long term), within which the MDGs would form a basis for monitoring development progress.
- Output 2: development of a consultative mechanism within developing country governments for enhanced engagement of development partners; and
- Output 3: implementation of institutional reforms that will enable increased reliance by development partners developing country financial and management systems.
- Output 4: Maintain good working relationship thru membership with APIPA and PASAI and continue to implement cooperative audits.

V. Proposed Budget for fiscal Year 2018 and 2022

The proposed budget is linked with the strategic goals, objectives, activities and the target outputs of the SDP and the Kosrae State Public Auditors Office indicating that the proposed budget for the OPA will complement the approved strategic direction of the State and National SDP.

The table below illustrates the approved and proposed budget for fiscal year 2018 to 2022. The proposed budget for 2018 show small increase primarily because of the creation of the office organizational structure and also the anticipated staff training required by government auditing and investigation standards. It is anticipated that reduction in operation cost will be made in response to reduction in US Compact Funding support. However, we will maintain the same level as we are required to meet auditing standards.

Key Performance Indicators

- 1) Number of financial and performance audits issued.
- 2) Number of corrected and/or future savings by the audited departments and agencies.
- 3) Incidence of non-compliance identified and reported by the audited entities.
- 4) The number of financial clients based on the annual audit plan.
- 5) Number of waste police crime reported.

VII. Audit Work Plan and Training Plan and Targeted Outcomes

VI. OPA Activity and Projects with Costs Linked to Key Activities

Particulars	Project Costs				FY 2022 proposed
	FY 2018 Approved	FY 2019 Proposed	FY 2020 Proposed	FY2021 Proposed	
(a) Increase Audit Hours - Personnel Cost for competent Auditor Staffs, to include new Auditors recruits	\$114,689	\$114,689	\$114,689	\$114,689	\$114,689
(b) Increase efficiency – Provision of training necessary to conduct audits effectively and efficiently	22,837	22,837	22,837	22,837	22,837
(c) Administrative, overhead costs and consumables to support operations of the Public Auditors Office	25,190	25,190	25,190	25,190	25,190
(d) Acquisition of office equipment necessary for auditors operations	11,624	11,624	11,624	11,624	11,624
Total	\$174,280	\$174,280	\$174,280	\$174,280	\$174,280

This section includes the OPA approve budget and also budget proposal for fiscal year 2018 and onward to FY2022. The propose budget illustrates that in almost every fiscal year the total budget remain constant as per instructions from BRC not to exit the budget ceiling from previous year. The table further illustrates that for each fiscal year, the audits hours is required to demonstrates how the funding will be spent in performing audit.

Key Performance Indicators

- a) Number of financial and performance audits issued;
- b) Amount of potential and/or future savings by the audited departments and agencies;
- c) Instances of non-compliance identified and resolved by the audited entity; and
- d) The number of audited clients based on the annual audit plan.
- e) Number of white color crime reported

VII. Audit Work Plan and Training Plan and Targeted Date

AUDIT WORK PLAN (FY-2018 – 2022)

Specific programs and projects targeted for audit during the Plan period are shown in the table below. Audits are determined based on the importance and the risk associated with the program as it relates to the overall performance of the Kosrae State Government. The Plan requires that we conduct 1 financial, 4 performance and 1 investigation or attestation engagements annually for the next 5 years.

PROGRAMS AND PROJECTS TARGETED FOR AUDIT

FY	Program	Audit Type	AIC	Supervisor	Milestone
2018	DOE	Performance	Alice	Audit Manager	7/1/2018
2018	Department of Health	Performance	Reed	Audit Manager	8/1/2018
2018	Travel Advance	Performance	alice	Audit Manager	9/1/2018
2018	KUA	Performance	Reed	Alice George	10/1/2018
2018	KIRMA	Performance	Alice	Audit Manager	11/1/2018
2018	Special Audit (10.205)	Finance	Reed	Audit Manager	12/1/2018
2018	Lelu	Performance	Alice	Audit Manager	12/1/2018
2019	Payrol Management	Finance	Elizabeth	Audit Manager	2/1/2019
2019	DOE (Compact Grant)	Performance	Reed	Alice George	4/1/2019
2019	KVP	Performance	alice	Audit Manager	6/1/2019
2019	DREA (Micro-Finance Fund)	Performance	Elizabeth	Audit Manager	7/1/2019
2019	Airport Departure Fees	Performance	Alice	Audit Manager	7/1/2019
2019	Special Audit (10.205)	Performance	Reed	Audit Manager	9/1/2019
2019	Malem	Performance	Alice	Audit Manager	11/1/2019
2020	DOE (Compact Grant)	Finance	Alice	Audit Manager	2/1/2020
2020	Department of Health	Performance	Elizabeth	Audit Manager	4/1/2020
2020	Public Safety	Performance	alice	Audit Manager	6/1/2020
2020	Historic Preservation	Performance	Reed	Alice George	7/1/2020
2020	Airport Project	Performance	Alice	Audit Manager	7/1/2020
2020	Special Audit (10.205)	Performance	Elizabeth	Audit Manager	9/1/2020
2020	Lelu	Performance	Alice	Audit Manager	11/1/2020
2020	US Federal Grant	Performance	Alice	Audit Manager	2/1/2020
2021	KIRMA OIA Grant	Performance	Reed	Audit Manager	4/1/2021
2021	KUA	Performance	alice	Audit Manager	6/1/2021
2021	State Court	Finance	Elizabeth	Alice George	7/1/2021
2021	Department of Health	Performance	Alice	Audit Manager	7/1/2021
2021	Special Audit (10.205)	Performance	Reed	Audit Manager	9/1/2021
2021	Tafunsak	Performance	Alice	Audit Manager	11/1/21
2022	Compact Grant	Performance	Elizabeth	Audit Manager	2/1/2022
2022	Public Works	Performance	Reed	Audit Manager	4/1/2022
2022	Department of Health	Performance	alice	Alice George	6/1/2022
2022	Tax System	Finance	Reed	Audit Manager	7/1/2022
2022	Budget Office	Performance	Alice	Audit Manager	7/1/2022
2022	Special Audit (10.205)	Performance	Reed	Audit Manager	9/1/2022
2022	Utwā	Performance	Alice	Audit Manager	11/1/2022

a) Training Plan

Staff Endorsement

We the undersigned acknowledge and having participated in the development of the Strategic and Business Plan for the Office of Public Auditor, Kosrae State Government.

By signing this document, we affirm our understanding and full commitment to work diligently to assist the Office of the Public Audit, Kosrae State in achieving the goals and objectives set forth in this Strategic and Business Plan.

1. Harry Jackson

2. Emma Balagot

3. Stoney S. Taulung

Implementing Agency/Office/Department and Contact Official

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