

REQUEST FOR PROPOSAL

RFP No.: SSA Audit 2024 - 02

**FOR QUALIFIED INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS
TO PERFORM
A SINGLE AUDIT OF
THE REPUBLIC OF PALAU
SOCIAL SECURITY ADMINISTRATION**

For Fiscal Year 2022 to 2024

Table of Contents

I.	Description of the Entity	3
II.	Audits and Fiscal Year	3
III.	Organization Structure and Management Information System	4
IV.	Funding	5
V.	Financial Information	6
VI.	Nature and Scope of Services Required	6
VII.	Mandatory Qualifications of the Auditor	7
VIII.	Period of Audit	8
IX.	Exit Conference	8
X.	Assistance Available to Auditors	8
XI.	Reports Required	8
XII.	Submission of Proposal	9
XIII.	Fee Proposal	10
XIV.	Time Requirements	10
XV.	Contractual Arrangements	11
XVI.	Report Review, Timing, and Number of Copies	11
XVII.	Working Papers	11

I. Description of the Entity

The Republic of Palau Social Security Administration (ROPSSA) was established when the Republic of Palau Public Law (RPPL) N0. 2-29 known as the Social Security Act of 1987 was enacted on May 28, 1987. The law was codified in Title 41 of the Palau National Code Annotated (hereinafter 41 PNCA). The law further established the Palau Social Security Trust Fund (the SS Fund). The SS Fund is descended from the Trust Territory Social Security System (TTSSS), established on July 1, 1968. The TTSSS ended when the Trust Territory of the Pacific Islands Government devolved into four separate entities. The SS Fund took over the Palau share of the assets and liabilities of the TTSSS. At that time, the assets of the SS Fund were \$4.4 million with 13,000 members. In Fiscal Year 1993, the SS Fund had its first actuarial valuation done, where it was determined that the SS Fund had \$8.7 million in assets and \$29 million in unfunded liability and 22,265 registered members. As at fiscal year 2020, the SS fund had \$114.9 million in total assets and deferred outflows of resources, Fiduciary net position of \$111.7 million and \$194.4 million in unfunded liability and 12,218 active members. The SS Fund is a defined benefit public retirement plan.

The National Healthcare Financing Act was established when the RPPL N0. 8-14 was enacted on May 7, 2010. The law was established under 41 PNCA Chapter 9. The ROPSSA Administrator is responsible for administering the HCF, subject to the supervision and oversight of the National Healthcare Governing Committee. The HCF is comprised of two health financing programs: the Medical Savings Account (MSA) and the National Health Insurance (NHI). As at fiscal year 2020, the HCF fund had \$20.0 million in total assets and deferred outflows of resources, Fiduciary Net Position of \$18.4 million and 16,567 members. HCF Fund is universal health insurance for all the people and residents of the Republic of Palau.

II. Audits and Fiscal Year

The Fiscal Year of the ROPSSA begins October 1 and ends September 30. The Fund has been audited by the firm of Deloitte & Touche for many years. The most recent Single Audit of the Fund available is for Fiscal Year 2020.

On Nov 29, 2022 an agreement was signed with Ernst & Young, LLP to audit and report on the financial statements and supplementary information of Republic of Palau Social Security Retirement Fund for the year ended September 30, 2021.

III. Organization Structure and Management Information System

The SS Fund is under the general supervision of a five-members board, the Social Security Board of Trustees (the Board), who are appointed by the President with the advice and consent of the Senate of the Republic of Palau. The Board appoints an Administrator who is responsible for the general administration of the SS Fund. The ROPSSA is organized into five functional areas: Information Systems, Finance and Accounting, Employer Service, Member Service and Healthcare Fund Services. ROPSSA collects employer and employee contributions to the SS Fund and HCF Fund and provides retirement, disability and death benefits to qualified members and their survivors. It further provides national health insurance and medical savings accounts to the members contributing to the Fund including members who are subsidized under the national government. In addition, ROPSSA is responsible for processing, monitoring and distributing benefit claims under the Prior Service Benefits Trust Fund (PSBTF) program.

The ROPSSA is currently operating on a stand-alone database system, a SQL program developed from the old ROPSSA FoxPro tailored program. The new computer processing system for contributions and benefits took nearly two years to develop and finally completed in December 2019. The Information Technology Manager (IT Manager) continues to monitor usage of the new system and report any limitations to a contracted programmer who is able to make any changes/ enhancements. Apart from the database system, ROPSSA utilized Abila MIP Fund Accounting system for all its accounting purposes. The ROPSSA uses accrual basis of accounting.

The ROPSSA currently employed 35 employees working under the direction of the Administrator for full operations of the Funds. Employees are hire in accordance to the ROPSSA personnel policy. The ROPSSA address and other contact information is as follow:

Social Security Administration
P.O. Box 679
Koror, Republic of Palau, PW 96940
Phone: (680) 488-2457
Fax: (680) 488-1470
E-mail: administration@ropssa.pw
Website: www.ropssa.pw
Website: www.ropscf.pw

IV. Funding

The SS contribution rate most recent increase occurred on October 1, 2017 when the new SS rate went from 6% to 7%. The SS contribution rate is 7% from employer and 7% from employee. A self-employed person pay 14% for being both employer and employee. The minimum taxable wages for each quarter is \$300 and a maximum taxable wage for earning test is \$3,000 per quarter. As of October 1, 2017, the maximum remuneration threshold was remove. Therefore, all wages are being assessed the SS contribution rate. Since 2013, the amendment to the law were mostly for increase of benefits and this has made the SS Fund to be more challenging for SS contributions to cover the benefit payout on annual basis. The Fund have had to draw from investment fund and other sources to maintain needed liquidity. The ROP national government further provides supplemental benefits in the form of appropriation to the ROPSSA on annual basis ranging from \$2.1 million in FY2018 to FY2020 with additional funding of \$660 thousand. For FY2020 specific for certain group of beneficiaries.

The Prior Service Trust Fund (PSTF) is fund by US DOI Grant and specific for the beneficiaries who were working under the Trust Territory era and currently received a small benefit under the Fund including their surviving beneficiaries.

The HCF contribution rate has not change since October 1, 2010 when HCF commenced and remain 2.5% for employees with a matching of 2.5% from employers. All remuneration is assessed the HCF rate.

V. Financial Information

In fiscal year 2020, the total contributions to SS Fund was \$19,465,562, HCF was \$7,692,642. The total payment to SS Fund beneficiaries was \$24,821,754; HCF was \$5,931,874 and PSBTF was \$105,650. The ROPSSA net assets at year-end were \$130,187,944. The total investment for SS Fund was \$108,485,278 and HCF was \$15,930,906. The ROPSSA approved administrative budget for FY 2021 was \$1,667,435.

The following is from ROPSSA’s audited financial statements of September 30, 2020:

Statement of Net Assets:

Total assets and deferred outflows of resources	\$ 135,036,218
Total liabilities and deferred inflows of resources	\$ <u>4,848,274</u>
Net assets held in trust for benefits & other purposes	\$ <u>130,187,944</u>

Statement of Changes in Net Assets as of September 30, 2020:

Total additions	\$ 36,054,466
Transfer from Republic of Palau	\$ 2,760,000
Total deductions	\$ <u>32,858,856</u>
Changes in net assets	\$ <u>5,955,610</u>

VI. Nature and Scope of Services Required

The Single Audit shall be performed in accordance with Government Auditing Standards and cover the entire operations ROPSSA, specifically ROPSSA’s financial statements, for the fiscal year, including the following:

A. Scope of the Audit

1. The audit shall be performed by an independent auditor. An “independent auditor” means (1) a State or local government auditor who meets the independence standards specified in the generally accepted government auditing standards or (2) a public accountant who meets such requirements.

2. The audit shall be performed in accordance with generally accepted government auditing standards covering financial and compliance audits. These standards mean the Standards for Audit of Government Organizations, Programs, Activities and Functions, developed by the Government Auditing Office (GAO) of the United States of America. The current edition, dated February 1994, including all amendments thereto, should be used as reference.

B. Requirement of the Auditor

OMB Circular A-133 specifies that the auditor shall determine whether:

1. The financial statements of the government, department, agency or establishment present fairly its financial position and results of its financial operations in accordance with generally accepted accounting principles (GAAP).
2. The Organization has internal accounting and other control systems to provide reasonable assurance that it is managing U.S. Federal Financial Assistance programs, if any, in compliance with applicable laws and regulations.
3. The Organization has complied with laws and regulations that may have material effect on its financial statements.

VII. Mandatory Qualifications of the Auditor

The following information must be submitted by all respondents:

1. An affirmation that the auditor is properly license for public practice as a certified public accountant or a public accountant. According to Generally Accepted Governmental Auditing Standards (GAGAS), public accountants must be licensed or working for a CPA firm to be eligible for engagement.
2. An affirmation that the auditor meets the independence requirements of the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, 1994 revision, including all amendments thereto, published by the U.S. General Accounting Office.
3. An affirmation that the respondent does not have a record of substandard audit work.
4. The respondent must submit a copy of most recent peer review report.
5. An affirmation that the respondent meets any other specific qualification requirements imposed by the Republic of Palau's Public Accountancy Act.

VIII. Period of Audit

The audit will cover three (3-years):

- FY 2022 beginning October 01, 2021 to September 30, 2022;
- FY 2023 beginning October 01, 2022 to September 30, 2023; and
- FY 2024 beginning October 01, 2023 to September 30, 2024.

IX. Exit Conference Requirements

The auditor shall meet from time to time with the Chief Financial Officer and the Administrator of the ROPSSA to discuss the progress of the audit and other related matters and concerns. Upon issuing a draft audit report, the auditor shall hold an exit conference with the ROPSSA Board of Trustees to discuss the report and related issues.

X. Assistance Available To Auditors

1. The Administrator of the ROPSSA will assign staff available to assist the auditor.
2. The staff can prepare schedules, reproduce documents, pull documents, etc.
3. The Office of the Attorney General is the legal counsel for the Republic and is available to discuss legal issues related to the audit.
4. All bank reconciliations will have been reconciled at the end of the fiscal year.
5. The ROPSSA will provide adequate working space for the auditor and staff, which will be within the vicinity of the records.
6. The U.S. Department of the Interior is the cognizant Federal Agency for the Single Audit.

XI. Reports Required

At the conclusion of the audit, the auditor is required to submit the following audit reports:

- (1) Report on the audit of Financial Statements in accordance with OMB Circular A-133,
- (2) Independent Auditors' Report on the Internal Control Structure, and
- (3) Independent Auditors' Report on Compliance with Laws and Regulations.

In addition, the audit reports should meet the following minimum requirements:

1. The audit report shall state that the audit was made in accordance with the provisions of OMB Circular A-133.
2. The audit report shall include at least:
 - a. The auditor's opinion report on the financial statements and on the schedule of Federal Financial Assistance, showing the total expenditures for each Federal Assistance Program as identified in the Catalog of Federal Domestic Assistance, and all other Federal Programs and grants which have not been assigned catalog numbers.
 - b. The auditor's report on the study and evaluation of internal control systems and the organization's significant internal accounting and administrative controls designed to provide reasonable assurance that the Retirement Funds are being managed in compliance with laws and regulations.
 - c. The auditor's report on compliance containing:
 - 1) A statement of positive assurance with respect to those items tested for compliance including compliance with laws, rules, and regulations pertaining to the Fund's Trust Funds. In addition, the auditor's report must disclose whether the organization has complied with laws and regulations that may have a material effect on the financial statement of the Fund.
 - 2) A statement of negative assurance on those items not tested
 - 3) A summary of all instances of noncompliance
 - 4) An identification of total amounts of costs questioned, if any, for expenditures of ROPSSA as a result of noncompliance.
 - 5) Other statements or reports to satisfy the Public, National, State and local governments' requirements.

XII. Submission of Proposal

Proposals must be post-marked, or submitted and received at ROPSSA Office no later 3:00 p.m., local time, June 14, 2024. Proposals arriving later than this time will not be considered.

Proposals must be delivered with an original and three (3) copies. The fee proposal should not be disclosed in the main proposal but should be submitted in a separate sealed envelope. Proposals must respond to all the structured criteria as contained in the Request For Proposal (RFP).

The ROPSSA reserves the right to:

1. Reject all proposals and reissue an amended RFP.
2. Request additional information from proposer.
3. Waive any non-material violation of rules contained in this RFP.
4. Negotiate a contract with the firm selected for the engagement.

The ROPSSA will not reimburse or pay for any costs incurred in preparing and submitting a proposal in response to this RFP.

XIII. Fee Proposal

The fee proposal should be submitted in a separate sealed envelope and the fee amount should not be disclosed anywhere in the proposal. The proposer will be expected to provide transportation, temporary housing and meals while performing the audits. State the fee not to exceed amounts proposed to complete all the work. Give your best estimate of all reimbursable (overhead) costs not to exceed amount for the same.

XIV. Time Requirements

The following dates and time shall be adhered to and remain unless waived in writing by ROPSSA Administrator:

1. All proposals must be received by the Administrator by June 14, 2024, at 3:00 p.m. Proposals received after this date and time will not be considered.
2. Proposals and bid opening and evaluation will be conducted on June 17, 2024 at the ROPSSA Office.
3. Contract will be awarded after July 1, 2024.
4. Preliminary audit work and related fiscal-year-end cut-off procedures may commence on 30th of September to 16th of October of each fiscal year.
5. Preliminary (Draft) Audit reports must be completed by 31st of March of each year to facilitate the finalization of the reports to meet the deadline on 30th of April of each year.
6. Final audit reports must be delivered by 15th of April of each year to meet the deadline requirements of A-133. These will be established during the negotiation with the firm awarded the contract.

XV. Contractual Arrangements

The contract shall be for a period of three (3) years. Billings and payments shall be in accordance with progress of work and must be submitted to the ROPSSA Administrator.

XVI. Report Review, Timing, and Number of Copies

The following conditions shall be adhered to concerning procedures of reporting, frequency, number of copies, special reporting, etc.

1. A draft audit report shall be submitted to ROPSSA Administrator, Clinton O. Ngemaes, for his review and response. According to the Public Auditing Act, the Auditee shall have 30 days to respond to the report and contents of the response shall be incorporated in the final report.
2. A copy of the draft report shall be submitted to the Office of the Public Auditor, P.O. Box 850, Koror, Palau for its review.
3. During the course of the audit, any instances or indications of fraud, waste and illegal Acts must be covered by a separate written report to the Office of the Public Auditor, P.O. Box 850, Koror, Palau 96940.
4. Management reports should be submitted as part of the audit report.
5. Twenty (20) copies of the final audit report shall be provided to the Office of the Public Auditor.

XVII. Working Papers

1. Working papers will be retained for at least three years.
2. Working papers will be available for examination by the Office of the Public Auditor, Republic of Palau, representatives of the cognizant Federal audit agency, and the General Accounting Office.