



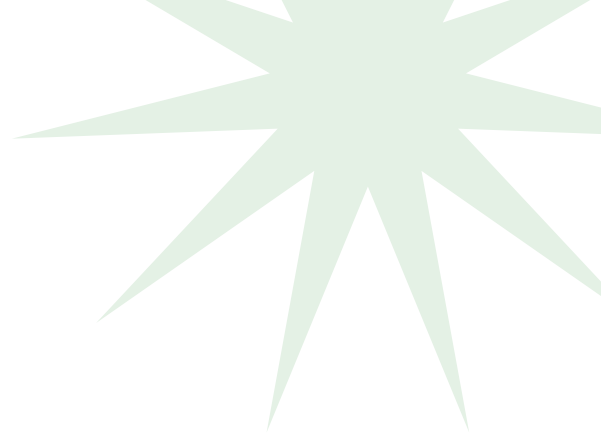
Island Government Finance Officers' Association Winter 2023 Report

Finance Leaders and professionals from U.S. Insular areas and Territories convened for the IGFOA Winter 2023 Conference in Honolulu, Hawaii.



December 12-14, 2023
Honolulu, Hawaii





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IGFOA**Executive Summary**

The Island Government Finance Officers' Association (IGFOA) convened for its Winter meeting in Honolulu, Hawaii, from December 12-14, 2023. The meeting was attended by representatives from the Commonwealth of Northern Mariana Islands, Guam, the Republic of Palau, the Republic of Marshall Islands, and the U.S. Virgin Islands, as well as participants from the Federated States of Micronesia, including Chuuk State, Kosrae State, Pohnpei State, and Yap State. The meeting provided an opportunity for Finance Officers to share insights, formulate action plans, and strengthen their regional approach to financial management.

Key objectives included providing updates on audits and collaborating to ensure that all regions are up to date with their audit requirements. These goals included:

- Sharing updates on each jurisdiction's single audits, Financial Management Information Systems (FMIS), the status of pandemic funding, and other major initiatives since the June 2023 GFOA conference.
- Discussing the current state of audit transitions in most jurisdictions, exchanging success stories, outlining "ten audit don'ts" and best practices for smoothly transitioning to new audit firms, and creating action plans for timely audits.
- Exchanging information on the latest Performer analyses, which are essential for assessing financial performance.
- Providing updates on Compact Renewal, vital for the jurisdictions of the Freely Associated States.
- Expanding discussions on Governmental Accounting Standards Board (GASB) lease reporting and presenting additional updates, especially on GASB 96 and other relevant topics.

The **conference agenda** has been included in this report as **Attachment 1**, and a complete list of conference participants can be found as **Attachment 15** of these proceedings.

Opening Remarks

Honorable Kaleb Udui, Jr – Minister of Finance, Republic of Palau

Good morning, everyone. It is nice to be here. This is a much bigger crowd than our other meetings, so it's very nice to have such a big audience and see everyone again. I am curious to know how many of you were in Portland for the last meeting. Unfortunately, I wasn't able to be there and to see this many people here means that it must have been good. Again, thank you for coming to this winter IGFOA. It's good to see many familiar faces, and I'm really excited to hear from everyone how things have been going for you since the last meeting I attended.



But I do have some notes here that I want to go through. It's an honor to be in front of you here and to join this meeting with you. It's also great to be able to welcome all of you here on behalf of our group. As part of that, we should talk about our blessings for the work and the events of this previous year. We are still faced with many challenges. And I'm sure you would agree with me on some of the challenges we're facing, like the continued weak economy, the struggle to provide for our people, and the uncertainty of our compact agreements. Surprisingly, this is something that keeps me awake. However, I still get many messages from our lawyers up in Washington, telling us what's the latest with the US Congress and our friends in the US Government trying to help us get these contracts through, which should be very meaningful for our future and one less thing for us to worry about. So, I'm watching that very closely.

I know some of you have had your national elections. Ours is coming up this year. So, we're excited about that. For those of us in finance, if we can do a good enough job, we may be here next time.

Also, for Debbie's sake, we're facing problems with our auditors and that's something that we're talking about today. We are starting to engage the new auditor, EY. They seem decent enough people, but we'll find out.

Also, I want to give thanks to our partners, I thank the Graduate School and the US Department of Interior as excellent partners. This partnership has been ongoing since I was with the government back in the '90s. I really appreciate the assistance that they give us. We've come far, but we still have a long way to go and a lot of things to adjust to. You can't just get one thing right; you must continue to adapt, and you need good partners for that. We do have that.

One thing that I want to see personally is that we engage with each other. That will also help us improve what we're doing for people. It's a blessing that we're all safe here. I know I'm recovering from a little flu thing that I picked up. Many people back home are taking leave because the custom kind of cold thing is back on the island. I heard somebody in Marshalls had COVID. This lady we are about to hire just returned from the States and was delayed because she had COVID. So, this is still a thing. We must be mindful of this threat to our islands and continue to be diligent and ready on the financial side to protect our communities from these threats.

I will speak just a little while longer. Kevin's about to come up here and take me off the stage. But let's have a good meeting. Let's share with each other as you always do. Continue strengthening our bonds and getting the most out of our time together. So, thank you again for the opportunity to welcome you today.

Ms. Marina Tinitali, Deputy Policy Director, Accountability Policy, Audit Liaison Officer, Emergency Management Coordinator US Department of Interior Office of Insular Affairs DOI/OIA

Good morning, everyone. It's very good to be in Hawaii for today's meeting since it was snowing in Baltimore. So, thank you very much for the timing of this conference, it makes me very happy. I am Marina Tinitali from the Office of Insular Affairs. I am going to be the deputy of policy. However, until they backfill my position, I'm still your liaison officer, your risk management coordinator, and the security officer for the office. So, lots of hats. I do my exercises every day, so my neck is nice and strong.



Welcome to this winter session of the Island Government Finance Officers Association. I look forward to everything that's going to happen this week. I look forward to the connections that will be made, and I encourage you to network with others, not just within your government, to learn about best practices, share some of the common issues you have, and talk about solutions. I do have some side meetings that I need to have because, as the audit coordinator and audit liaison officer, I am responsible for managing determinations and corrective actions to make sure that those are resolved. I'm very happy that throughout all these years, we're looking at improved processes, we're looking at improved opinions, less number of material findings, and less number of question costs. Of course, they still exist, and we need to find out why. If you have the procedures in place, why are there still errors? What's happening? And a lot of it might be training; it may be additional resources. I want to find out so that while I'm still in this position, I can help find resources to help you. And even if I'm not in this position, I will still help you.

I was very fortunate to get this job as an islander, as a former federal auditor, as a former worker in one of the territories and for the state of California, that it gave me a very unique perspective to talk about the challenges and creative ways you might have to do to make programs work in your areas. Because we'll be honest, these programs are not ready for the territories and the freely associated states. So, as long as I'm in the office, whoever they hire, I will make sure that they are aware that we have to be a bit creative when it comes to the islands. We want to make sure that you comply with the requirements and that you do get the work done, but then we accept ways that may not be common to how things are resolved in any of the 50 states.

I also want to pass on some information from our office, particularly from our technical assistance program personnel. They want to make sure that your countries and your governments are eligible for technical assistance program grants, so they really need to find out who is a point of contact person with each of your governments. So, if you're getting inquiries from the technical assistance Program Analyst from our office, I encourage you to provide that information because it will benefit your government and possibly give you additional resources. Tanya Joshua, who is the deputy of the Technical Assistance Program, was very afraid. She said Marina, I'm kinder than you, and I'm more diplomatic when I deliver messages. And I said, don't worry, when I'm at the microphone. I'll be you, and I'll be nice. Sometimes, I'm not so nice, but I want to be helpful. So, while I'm here, I also want to acknowledge that I have some colleagues. We have Martin Moore from our Hawaii field office in the room, and Martin is a COFA grant manager. He's also from Palau, and although we don't have a field representative in Palau, Martin is our expert when it comes to trying to help pull out some of the issues that they have to resolve. We will have Steve Savage here later in the day, hopefully. He is the lead for our Hawaii field office on all things COFA, so I just want to make sure that we do have the territories, but we also recognize our responsibilities to the freely associated states.

I want to thank you for all the work that you've done. I realized that a lot of you are new, and because of that, we have a recent government accountability audit. They mentioned that I don't always issue management determination letters on time. So, that is a fault of mine, and I want to make sure that I resolve that. I did provide information to the auditors that showed that through emails, these conferences that happen twice a year, other training, and other communication, there is no way that anyone can say that OIA is not following up on an issue. And so, when I see an audit report that says this has been resolved through no

follow-up for the last two or three years, I said no, I don't think so, and I gave GAO emails that show that we have these conversations at these conferences. And so, I will be going through a lot of these older audits; I realize that many of you were not in the position at the time. So, those letters that came to your government may not have ever passed your desk. However, I want to talk with you about ways that we can make sure that we resolve these issues and not have to question any costs. I also want you to keep in mind that even if something is cleared from the single audit report, it is still available to be reviewed to determine the eligibility of those costs.

On that note, I want to make sure that you enjoy these next few days and that you make the most of them. On behalf of the Office of Insular Affairs, our director, John Brewer, and, of course, our colleagues here at the Hawaii field office. Welcome to this year's session. Thank you.

Mr. Jason Aubuchon, Director, Pacific and Virgin Islands Training Initiatives, Graduate School USA

Hi, everybody. Welcome. Thank you to Minister Udui and Marina both for your welcoming remarks. Let me start by paying my respects and thanks to the elected representatives who are here from Pohnpei State, Yap State, the Marshalls, and other jurisdictions; thank you all for being with us. I know it's because you love your audits, and it's not because of Christmas shopping.

Typically, when we're here, for those of you who have been to previous IGFOA conferences, we cover a range of topics. We've talked about citizen-centric reporting, emerging GASB issues, and finance office performance measures. This is a very different agenda, and we are kind of trying something a little bit different for this winter meeting.



We're really narrowly focusing on the audits over the next two and a half days while we're together. It's strategic. It's a big challenge. It's something that we know is an emerging issue for the governments and something we feel quite strongly about at a time when accountability is changing, particularly in the Compact for the Freely Associated States. The audits have fallen further behind than they had previously, and we want to make sure that we are addressing the issue head-on and that we're doing our best to provide the resources so we can get everybody caught up. And we want to be sure that the direction everybody's heading is the right one. And those of you who have seen our charts before, we want the lines that show how many months late all the governments are, and we want that line not to go up but to go down. Up is bad, and down is good. So that's what the focus of our meeting is over the next two and a half days. We will spend a little bit of time talking about Performeters. We'll spend a little bit of time talking about Lease Accounting. So, there are a couple of things that we tucked in, but you'll find that a big chunk of the day tomorrow is really spent focusing on this challenge of the audits. And let me say, with deep sympathy, that the reason it's a really hard problem is because conditions change. We know that people need government, and there are capacity issues in all of the finance offices. It's harder than ever to recruit people and bring them in. We know that component units and international agencies are poaching talented people from within the finance offices and pulling them out. There are delays related to COVID. There are challenges related to transitioning to new financial management systems. There are challenges in transitioning to new auditors for many governments. So, you know, we're aware of what the difficulties and challenges are. And the best part about IGFOA is that it's a shared challenge. And so, one of the things that you'll hear is that this is a regional issue. It's not just one government that's fallen behind its many governments, which means that many governments can help each other get us all caught back up. So that's really the spirit of what we're trying to do over the next couple of days.

Let me take a brief minute to recognize and thank the many years of talent of people helping us in the room this week. We have Debbie Milks, who's been with us for at least since yesterday. I'm just going to say yesterday. She arrived yesterday. Kevin O'Keefe will be facilitating for us. I think everybody knows Kevin. He lived in Pohnpei for about nine years, and he's been around since the mid-90s. Jeanne Yamamura is in the back and will be helping with several sessions around the audits. Frank Crawford is with us. You know, all of the technical team that's working to support this week have been working for decades in the Islands, so there's a lot of knowledge and a lot of learned experiences that they'll be bringing to the table. Let me also recognize our planning team, which includes Ciara and Judy, who all worked very, very hard to make sure that your travel here was comfortable, that the room is organized, and that all the logistics are looked after and taken care of. That covers it. I'm really grateful to have you all with us. And I'm excited for what we're going to do over the next couple of days. So, thank you for joining us; we are eager to get started.

Agenda Reviews And Introductions

Kevin O'keefe

Mr. Kevin O'Keefe continued the meeting by expressing gratitude to Minister Kaleb Udui, Ms. Marina Tinitali, and Mr. Jason Aubuchon. He then proceeded to review the IGFOA agenda explaining that the meeting would focus predominantly on audits, specifically the updates on ongoing audits and the transitions within insular governments. Following this introduction, Mr. O'Keefe provided a detailed day-by-day review of the conference agenda.

IGFOA attendees were then asked to pair up with someone they had not met before and introduce their colleagues to the entire group.

The **conference agenda** has been included in this report as **Attachment 1** of these proceedings.

Insular Government Updates

Before starting the insular government update presentations, Ms. Debbie Milks, CPA, stressed the importance of open and honest communication among participants regarding audit issues. She noted that the diverse experiences and insights of the participants provided valuable information to share. Ms. Milks mentioned that to create a space where everyone could speak freely, Mr. Chris Wellesley, the audit representative from Ernst and Young, was intentionally absent. This was to ensure that participants felt free to express their views. Ms. Milks mentioned that she had reviewed everyone's presentations and identified specific areas for deeper discussion with the intention of making the session interactive and focused. She encouraged participants to engage with their peers and ask questions.

Ms. Milks then moderated presentations from representatives of eight insular government jurisdictions: Guam, Commonwealth of Northern Mariana Islands, U.S. Virgin Islands, Republic of the Marshall Islands, Republic of Palau, and the Federated States of Micronesia, including Chuuk State, Kosrae State, Pohnpei State, and Yap State. Each representative provided updates on their respective governments using a previously provided template. This template focused on key areas such as:

- Current Status and Timeline for Single Audit Issuance
- Select Performance Measures
- Financial Management Information System (FMIS) Status,
- Action Planning from Portland
- Government Challenges and Accomplishments

The **Insular Government Updates** can be found as **Attachments 2a-2i** of these proceedings.

Don't Drive the Auditor Crazy! Ten Issues to Avoid

Ms. Debbie Milks, CPA, presented “Don't Drive Your Auditor Crazy! Ten Issues to Avoid” at the IGFOA Conference. In her presentation, Ms. Milks addressed common challenges in accounting and auditing practices that can frustrate auditors and complicate the audit process. For example, Ms. Milks emphasized the need to align opening balances with the previous year's figures and to address discrepancies promptly. She highlighted an issue faced in audits which are adjustments proposed by auditors needing to be posted in the system that are frequently leading to imbalances. Ms. Milks advised against providing trial balances in non-editable formats (like PDFs), as this slows down the audit process.

Mr. Chris Wolseley, an auditor from Ernst & Young (Guam), provided additional guidance on how to manage audit adjustments and the importance of clear communication between auditors and clients. He emphasized the need to make sure that summaries in the general ledger match up with the detailed accounts to ensure accuracy.

Both Ms. Milks and Mr. Wolseley shared the importance of clearing negligible balances in accounts and maintaining effective communication, especially regarding accounting terminology between organizations and auditors. They also explained the complications caused by constant changes to the trial balance during an audit and the importance of providing stable and accurate figures. Efficient communication and timely responses to auditors' requests were emphasized as essential for a smoother audit process. They also underlined the importance of understanding the details and implications of audit adjustments, particularly in control accounts and avoiding common errors like incorrect account balances.

Don't Drive the Auditor Crazy! Ten Issues to Avoid has been included as **Attachment 3** of these proceedings.

Auditing Is A Team Sport: The Roles Of Auditors And Management

Mr. Chris Wolseley, CPA an Auditor at Ernst & Young (Guam) with extensive experience in the Pacific Islands, presented “Auditing is a Team Sport: The Roles of Auditors and Management.” His presentation emphasized the importance of cooperation between auditors and management in the auditing process.

Mr. Wolseley shared insights from his experiences with various governments in the Pacific. He stressed the critical role of management in auditing, which includes ensuring accurate and timely financial statements, maintaining strong internal controls, and adhering to relevant laws and regulations. Mr. Wolseley emphasized that it's important for management to handle these tasks on their own without relying on auditors.

He then focused on the responsibilities of auditors, which involve conducting independent reviews of financial statements to ensure their fairness and accuracy. He emphasized that auditors are responsible for providing an opinion on whether financial statements comply with standard accounting principles and for identifying significant errors potentially due to fraud.

A key theme in Mr. Wolseley's talk was the necessity of teamwork between auditors and management. This collaboration is particularly important when dealing with challenges like maintaining auditor independence and handling resource constraints, issues that have been heightened by recent events such as the COVID-19 pandemic and changes in audit firms.

Using a case study from the Republic of the Marshall Islands, Wolseley demonstrated how teamwork can effectively address and overcome significant delays in the auditing process. He stressed the importance of setting realistic deadlines for audits and keeping open lines of communication between auditors and management, advising against setting unachievable deadlines.

The presentation concluded with a Q&A session, where Wolseley answered questions about the auditing process. He reinforced the importance of collaboration, realistic planning, and clear communication between auditors and management. Mr. Wolseley closed by reiterating that effective auditing is best achieved through a team effort.

Auditing Is a Team Sport: The Roles of Auditor and Management has been included as **Attachment 4** of these proceedings.

Success Story – Lessons Learned Through Audit Firm Transition

Mr. Edward Birn, the Director of the Guam Department of Administration, shared a “Success Story - Lessons Learned through Audit Firm Transition.” He shared the process and challenges encountered during the transition to a new audit firm despite significant obstacles such as a typhoon and an outdated FMIS system. Mr. Birn explained that the obsolete system was particularly challenging as it made it difficult to extract financial data and produce a trial balance.

Mr. Birn then shared the overarching purpose of audits. He clarified that audits are not mere procedural formalities but are instrumental in generating meaningful financial statements, important for informed decision-making and strategic planning. He explained that to reduce the impact of these challenges, proactive measures were adopted, including issuing reports ahead of the audit. This strategy was aimed at keeping the public and legislature informed and avoiding any surprises regarding the financial situation.

Mr. Birn then highlighted the operational complexities of managing over 40 funds within the general fund and 82 special funds. He explained that these complexities required the development of a more efficient system to facilitate easier data compilation and analysis. An important piece of advice shared by Mr. Birn was the prioritization of accuracy over precision. He advised focusing on the accuracy of numbers rather than getting entangled in precise but potentially misleading details.

Another key point of discussion was the balance between centralization and decentralization within the department. Mr. Birn touched upon the improved internal communication with component units, which has been prioritized, especially for effective financial management and federal fund compliance. Compliance, particularly in allocating federal funds to appropriate departments, was flagged as a critical and ongoing issue.

Looking ahead, Mr. Birn expressed optimism regarding the implementation of a new system scheduled to start on January 15. This upgrade is expected to streamline processes significantly. He also discussed the need for legislative recognition of the compensation disparities between the central government and component units and stressed the importance of educating staff and legislators. He explained that an educational approach is important to understand better complex financial statements, which enables better informed decision-making.

Lessons Learned from GASB-87 (Lease Standard) Implementation, and Update on Future Standards

In his presentation, Mr. Frank Crawford, CPA, provided an overview of GASB-87, a major change in government lease accounting standards. He focused on how this standard requires governments to report lease liabilities and assets for those leasing (lessees), lease receivables, and deferred inflows for those renting out property (lessors).

Mr. Crawford also introduced GASB 96, which begins in fiscal 2023 and applies similar rules to software arrangements. He stressed the usefulness of spreadsheet tools his firm developed to make it easier to analyze and record journal entries under these standards. He mentioned that auditors now expect a detailed analysis of all lease and software agreements.

During his talk, Mr. Crawford shared his experiences working in the US Virgin Islands, Guam, and the Northern Mariana Islands.

Mr. Crawford transitioned his presentation by explaining the single audit process. He explained how federal funds are sorted into different 'risk buckets' for auditing. He described the Single Audit as a comprehensive audit for governments receiving federal funds, combining a financial statement audit with a compliance review of federal spending. This is required for governments spending over \$750,000 in federal funds in a year.

Mr. Crawford detailed how federal expenditures are categorized into four groups: large or small in size, and high or low in risk. He mentioned that the primary focus is on auditing large, high-risk programs, though they also pay attention to some smaller programs that carry high risks. He noted a specific threshold of \$197,500, below which programs are usually not included in this risk assessment. This approach is to ensure a thorough audit of major federal expenditures, checking both financial integrity and compliance in the use of federal funds by government entities.

The session '**Lessons Learned from GASB-87 (Lease Standard) Implementation and Update on Future Standards**' has been included as **Attachment 5** in these proceedings.

DAY 2

Updates from the United States Department of Interior, Office of Insular Affairs

Ms. Marina Tinitali, from the Office of Insular Affairs, provided an update from the US Department of Interior Office of Insular Affairs. Ms. Tinitali began by acknowledging the importance of the previous day's discussions. She explained that the Office of Insular Affairs, as the overseeing agency for audits, is responsible for reviewing a significant volume of reports, including those that address issues affecting multiple programs.

A significant focus of her update was on questioned costs and the findings of a recent Government Accountability Office (GAO) audit. She highlighted the office's approach to report review, involving the examination of each page of extensive documents. Despite the challenges, Ms. Tinitali stressed the office's commitment to supporting the audit process and the island governments in becoming more successful.

Ms. Tinitali also discussed the GAO's focus on questioned costs, particularly relevant in the context of renegotiations for the compact. She shared insights into the office's strategies for dealing with questioned costs, including maintaining detailed tracking spreadsheets that document problems, communications, and resolutions. These spreadsheets have proven essential in identifying trends and improving processes.

Ms. Tinitali's presentation also touched on the recurring issues noted in audits, such as procurement documentation gaps, delayed reports, and expenditures incurred after the performance period. Ms. Tinitali emphasized the need for improved communication between her office and those being audited to prevent repeat findings and facilitate efficient resolution.

Additionally, she addressed the role of the Office of Inspector General and its efforts in closing older reports, dating back to 2008, when information is no longer readily available. In her closing remarks, Ms. Tinitali requested the cooperation and patience of the attendees and expressed her commitment to resolving outstanding issues in collaboration with each island government.

Freely Associated States Compact Periods, Economic Performance, and Implications of Compact Renewal / Compact Non-Renewal

Mr. Kevin O'Keefe's presentation centered on the economic effects of the Compact of Free Association between the United States and the Freely Associated States (FAS) - the Republic of the Marshall Islands (RMI), the Federated States of Micronesia (FSM), and the Republic of Palau. He started by providing a history of the Compact and its financial impact on these countries. He stressed that future funding from the Compact is uncertain and depends on decisions made by the U.S. Congress.

During his presentation, Mr. O'Keefe discussed possible outcomes for renewal of the Compact. He highlighted three scenarios: negative, steady, and positive. With the negotiations appearing to focus on an optimistic outlook, he focused more on the positive scenario. He specifically pointed out that if the Compact is renewed favorably, the FSM could see a funding increase from \$101 million to \$140 million annually over the next 20 years. This kind of increase, he pointed out, could significantly impact these nations' financial stability.

Mr. O'Keefe also examined the current economic conditions in each country, particularly their reliance on tourism and fisheries. He provided specific examples, such as the way the COVID-19 pandemic led to a dramatic downturn in Palau's economy due to its heavy reliance on tourism. He noted a more than 25 percent reduction in their economy during COVID-19, illustrating the volatility and challenges in maintaining stable economic growth.

In addition to these points, O'Keefe addressed the importance of strategic financial planning and management in light of the potential Compact renewal. He emphasized the need for these nations to prepare for various economic challenges that might arise due to changes in Compact funding and global economic conditions.

Discussing the renewal of the Compact, O'Keefe pointed out substantial financial increases proposed for the FAS. For instance, he noted RMI's smoother economic path compared to FSM, with fewer negative years and lower volatility. However, he warned about the risks, like dependency on external funding and the need for prudent fiscal management.

Additionally, O'Keefe highlighted the critical role of government policies in shaping the economic future of these nations. He urged the FAS governments to consider reforms and policies that would enhance economic resilience and self-reliance, particularly in the face of fluctuating Compact funds and external economic pressures.

The session '**Freely Associated States Compact Periods, Economic Performance, and Implications of Compact Renewal / Compact Non-Renewal**' has been included as **Attachment 6** in these proceedings.

Navigating Fiscal Challenges: A Discussion on Modernizing Tax Systems in USVI, CNMI, and Guam

Mr. Kevin O'Keefe discussed tax systems and related fiscal challenges with participants from the US Virgin Islands (USVI), the Commonwealth of the Northern Mariana Islands (CNMI), and Guam.

Key issues included migration, budgetary constraints, revenue collection, tax information systems, and the impact of federal programs and funding. Mr. O'Keefe discussed various aspects of tax administration in these territories, emphasizing the need for modernization and efficiency in tax collection systems. He pointed out that different territories have diverse approaches to tax collection, with some having their tax collection integrated with their finance departments while others operate separate departments. Challenges such as manual processing, delays in check processing, and the need for technological upgrades in tax systems were highlighted.

Discussions also covered the financial implications of federal programs and grants in the territories. Mr. O'Keefe mentioned the impact of changes in federal funding, including the shift from direct government payments to program-based support, and how these shifts affect local budgets and financial planning.

Additionally, Mr. O'Keefe addressed the complexities of revenue forecasting, budgeting, and the necessity for accurate financial projections to guide legislative and executive decision-making. He emphasized the importance of having transparent and reliable financial data for planning and highlighted the challenges the territories face in balancing their budgets with various economic pressures.

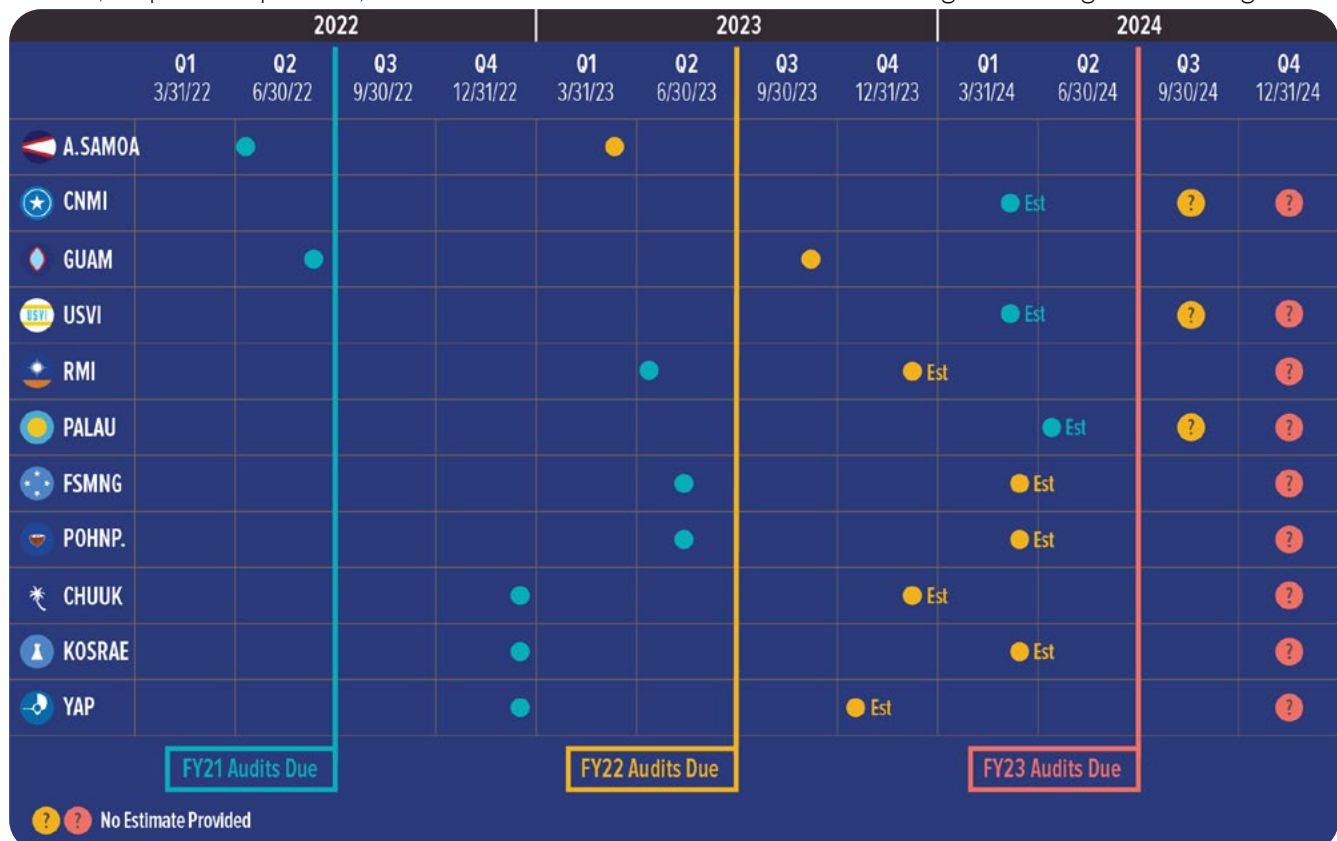
Insular Government Audit Finding and Response Strategies

Ms. Jeanne Yamamura and Ms. Debbie Milks presented "Insular Government Audit Findings and Response Strategies," focusing on addressing audit findings in insular governments.

Ms. Milks provided an analysis of audit timeliness and compliance findings across various governments. She emphasized the significance of timely and detailed corrective action plans to address key issues, which included:

- In FY 16, most audits were completed on schedule, except for one government that was delayed by 1.5 months. However, by FY 19, onset of the COVID-19 pandemic led to more significant audit delays, marking a shift in audit timeliness.
- A cumulative delay totaling 92 months in audit completions was observed across all governments. While these delays are substantial, it's still less severe than the delays experienced in FY 2003.
- It might be overly optimistic to expect that the Virgin Islands (VI) and the Commonwealth of the Northern Mariana Islands (CNMI) will complete their FY 21 audits by March.
- There is a noticeable correlation between the volume of funding received by governments and the number of compliance findings, particularly in cases like Guam and the Virgin Islands. Although higher funding tends to result in more findings, it does not justify non-compliance.
- Reconciliation and grant management have been identified as major concerns in the audits. For instance, in FY 2019, there were 144 findings with \$4 million in-question costs, which escalated to \$63 million across 109 findings by FY 2022.
- Addressing the varied reconciliation issues identified in different governments, Ms. Milks introduced a 'documentation' category, focusing particularly on missing documents in procurement and reconciliation. She emphasized the importance of thorough documentation for accurate financial reporting, a key responsibility of the Department of Finance.
- Procurement was identified as an area of concern in audits, often leading to questioned costs. Ms. Milks stressed the need for enhanced financial management practices to address these issues.

Developing practical corrective actions was a central discussion point of Ms. Yamamura's presentation. She highlighted the necessity for quick yet comprehensive responses to audit findings involving specific actions, responsible persons, and clear deadlines. Ms. Yamamura acknowledged challenges in forming and



implementing these plans across multiple departments for a coordinated response.

Ms. Yamamura discussed repeated findings, a common issue for many governments discussed in detail. She advocated for continuous process improvements and training to prevent future recurrence. She mentioned that addressing these repeated findings requires understanding the root causes and developing sustainable solutions.

Documentation and persistent follow-up were also identified as important elements in resolving audit findings. Ms. Yamamura stated that maintaining adequate records and using them effectively would significantly help in the resolution of issues. She also shed light on the role of auditors and grantor agencies, suggesting that clearly understanding their expectations and requirements is important for effectively resolving findings.

Ms. Yamamura concluded with best practice recommendations for resolving findings. Assigning a dedicated coordinator for corrective action and regular monitoring were suggested strategies.

The session “**Insular Government Audit Finding and Response Strategies**” by Debbie Milks and Jeanne Yamamura, CPA, has been included as **Attachments 7 and 8** of these proceedings.

Performer Updates – Latest Available

Mr. Frank Crawford’s presented Performer and A.F.T.E.R. Analyst Updates which provided an in-depth analysis of the financial performance of various governments.

The Performer provides valuable financial analysis and assessment to insular governments. Initially developed in 2001 for state and local governments, the scope and methodology of the Performer have since been adapted to meet the unique needs of the Pacific and Virgin Islands governments. Each year, the Performer provides a continuous, independent assessment of each insular government’s financial health and success based on audited financial statements.

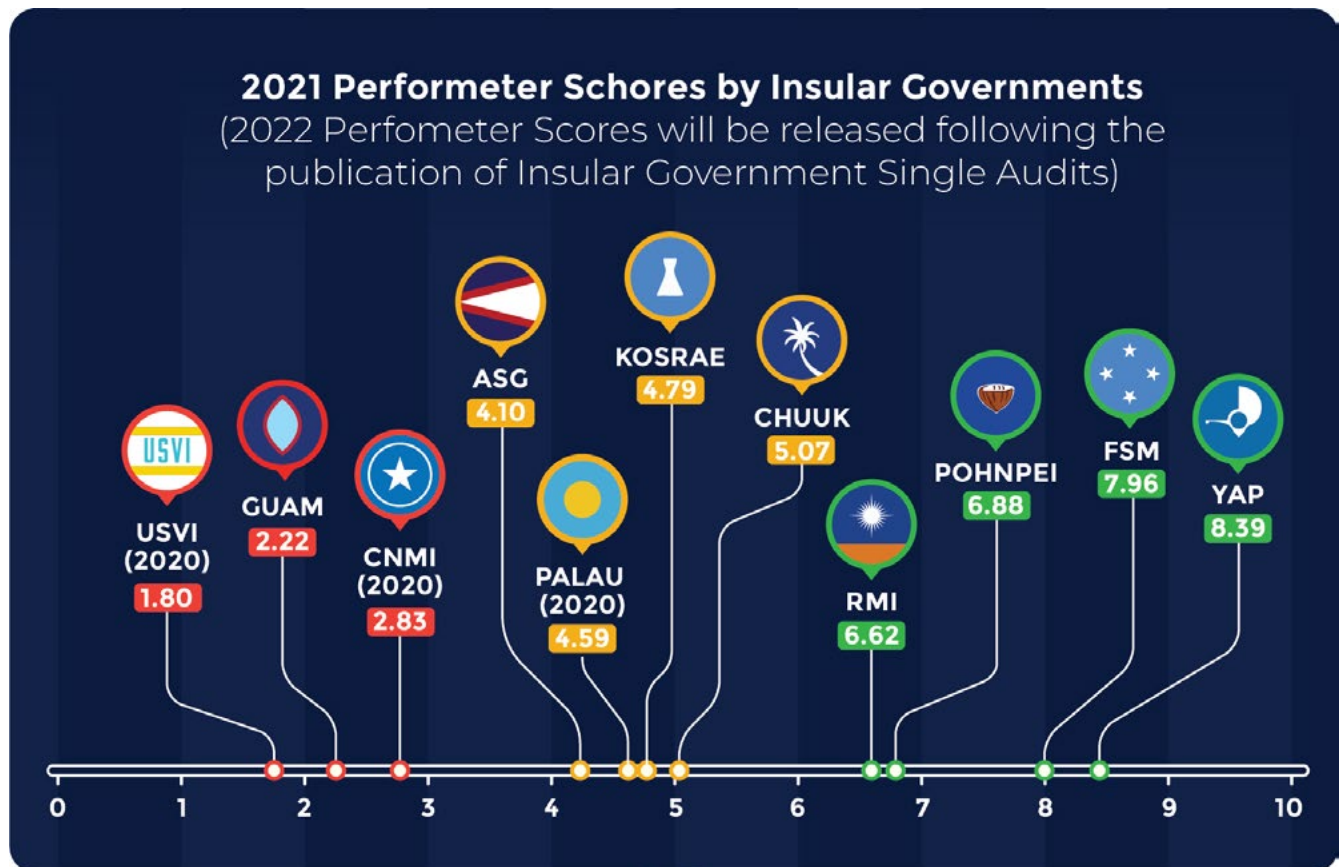
- Traditionally, the Performer has been utilized across insular governments to improve public awareness of each government’s fiscal health. The Performer is a unique tool customized for insular governments;
- The Performer provides over 20 years of data for each government to analyze financial trends— both positive and negative;
- Insular government finance officers regularly utilize the Performer to explain their government’s overall financial health to non-financial stakeholders, especially members of the legislative and executive branches;
- Since the Performer uses common metrics, Performer scores are broadly comparable across each of the insular governments;
- Each Performer contains an A.F.T.E.R. Analysis (Audit Findings, Timeliness and Exception Resolution), which details the timeliness and accuracy of financial statements by tracking the number and type of single audit qualifications, and the timelines of audit publication, for each government.

Mr. Crawford highlighted the importance of reliable and relevant financial statements for effective decision-making. He introduced the Performer scoring system, which evaluates financial health, performance, and sustainability, combining them into a comprehensive score between zero and ten. This score consists of different components, such as financial health at a specific date, performance over a fiscal year, and financial capability or sustainability.

Mr. Crawford also emphasized the significance of timely financial reporting, noting that outdated financial data lessens its impact on current decisions. He discussed challenges faced by governments, especially concerning pension and OPEB liabilities and their effects on financial health. He noted that the Performer, while effective in assessing financial conditions, cannot compare quality of life across regions.

The presentation included the A.F.T.E.R. Analysis, which tracks progress in addressing audit findings and question costs. Crawford mentioned that high Performer scores could be a result of limited spending, but this does not always reflect good governance or financial health.

Discussions in the presentation focused on the relevance of the Performer tool for simplifying complex financial data for non-accountants, like legislators, and its potential application in areas such as climate change impact assessment. Suggestions for updating the Performer model to include factors like inflation and economic changes were also discussed.



Specific highlights from the presentation for individual governments included:

- Chuuk: Achieved their highest Performer score ever, indicating significant improvement in financial management.
- Pohnpei: Displayed a zigzag pattern in scores, reflecting fluctuations in financial performance.
- Yap: Consistently high Performer score, suggesting good fiscal management.
- FSM National Government: Stable and high Performer scores, indicative of solid financial health.
- Palau: Experienced a decline in score due to decreased financial performance.
- Guam: Moderate performance with challenges in financial position and capacity.

- American Samoa: Fluctuating scores with a recent downward trend, showing challenges in financial management.
- RMI: Consistently stable scores, demonstrating consistent financial management practices.
- CNMI: Faced challenges in financial management as reflected in lower scores and significant question costs.
- The **2021 & 2022 Performer and A.F.T.E.R Analysis data** are included as **Attachment 9** of these proceedings.

Managing Audits

Ms. Debbie Milks and Ms. Jeanne Yamamura presented a session on “Managing Audits.” Their presentation focused on best practices in audit management, emphasizing the need for effective and efficient processes.

A key point they raised was the importance of appointing a dedicated audit coordinator. Unlike high-level finance directors, who are often preoccupied with other responsibilities, an audit coordinator should focus solely on overseeing communications with auditors and ensuring timely responses and deliverables from different departments.

Another significant aspect they discussed was the Prepared-by-Client deliverables. They noted that these lists, provided by auditors, often vary each year, especially with changes in audit types, like compliance audits, or due to shifts in the accounting software used by firms. The importance of maintaining an accurate trial balance was also highlighted, emphasizing ensuring that reconciliations align with the trial balance to prevent discrepancies during the audit.

Ms. Milks and Ms. Yamamura also advised managing payables and receivables. They suggested cleaning up old accounts and advocating for writing off outdated items, especially in cases where there has been no contact with the vendor for a significant period. They proposed using the statute of limitations as a criterion for writing off these old accounts.

Furthermore, they emphasized the need for prompt and efficient cooperation during audits. They recommended that department heads be informed in advance about the commencement of audits to ensure their teams provide timely assistance to auditor inquiries. Additionally, they stressed the importance of tracking documents provided to auditors to prevent any loss or confusion.

Overall, their presentation emphasized the importance of proactive management in the audit process, clear and timely communication, and the necessity of keeping financial records accurate and current. By sharing real-world examples, Milks and Yamamura highlighted the need for organizations to adapt to evolving audit requirements and ensure that their financial statements accurately reflect their financial status.

The session on “**Managing Audits**” has been included as **Attachment 10** of these proceedings.

Forum: Consolidation of Common Audit Issues & Potential Ways Forward

Facilitated by Kevin O'Keefe, the forum titled "Consolidation of Common Audit Issues – Potential Way Forward" convened panelists Frank Crawford, Jeanne Yamamura, Debbie Milks, and Chris Wolseley. This discussion focused on identifying and addressing audit issues specific to the different island governments and exploring potential solutions to these challenges. Key topics and insights from the forum included the following:

The forum highlighted the importance of continuous staff training within government finance departments. Emphasizing the necessity of training, which is often incentivized through potential salary increases, was important for addressing staff turnover. The panelists stressed the need for thorough documentation in the audit process, especially when dealing with multiple audit firms, to ensure the quality and effectiveness of auditors. Clear communication remains significant, particularly in engagement letters and regular meetings between governments and auditors.

In the panel discussion, a significant issue that emerged was the management and reporting of component units within government financial operations. The discussion highlighted challenges such as ensuring the timeliness and accuracy of financial reporting from these units. There were concerns about the autonomy of component units leading to complexities in accounting and a lack of coordination with central government functions. It was suggested that some component units might not need to be autonomous and could be more efficiently managed as part of the main government body. Participants discussed whether reassessing the independence of certain component units and possibly reintegrating them into the main government structure as an effective solution to improve operations and financial accountability.

Challenges in financial reconciliation and reporting were emphasized, and clean reconciliations before system conversions were discussed as critical to preventing the carryover of errors.

The legislature's role in the financial auditing process was identified as important. Simplifying financial information for non-accountant legislators was essential for informed decision-making, necessitating effective communication of complex financial data.

Staff training and retention within finance departments emerged as a notable challenge. The panel shared strategies for incentivizing training and ensuring that skilled staff remain post-training.

The forum addressed the challenge of calculating indirect cost rates without timely audits, which is a common dilemma in government finance. These strategies are important for maintaining financial stability and compliance during delayed audit processes.

Project management techniques in audits were proposed as a solution for meeting timelines and improving efficiency, requiring acknowledgment of existing problems and a commitment to a mutually agreed-upon audit timeline.

Lastly, the management of large accounts receivable and the importance of timely federal grant drawdowns were examined. The merit of reconciling old accounts receivable when transitioning to new systems was discussed, considering both accuracy and convenience.

A Case Study: Capacity Building in Palau

In the session, Minister Finance for Palau Kaleb Udoi, with an introduction by Kevin O'Keefe, addressed capacity-building challenges in the region and outlined initiatives designed to tackle these issues. Minister Udoi emphasized the importance of collaboration among governments to create training opportunities in finance, economics, and other related areas.

Emphasizing the value of early financial education, Minister Udoi stressed the need to teach financial literacy to children starting in elementary school and continuing through high school. For example, activities like school visits and career guidance have been implemented in Palau, focusing on engaging students in economics and finance.

Minister Udoi also discussed the Financial Leadership Development Program, which is a collaborative plan to increase the number of finance, economics, and accounting professionals. He explained that the program is intended to develop leadership skills and prepare the next generation of government and finance leaders.

Another key point explained was the importance of working with other regions, for example, hiring professionals from Fiji, for skill sharing and workforce development. Public-Private Partnerships (PPPs) were highlighted as a way to drive economic growth and respond to such needs. Minister Udoi also addressed the challenges of retaining talented professionals, particularly in areas needing more local higher education options. Emphasizing this concern, the need for effective strategies to attract and retain young professionals such as providing housing in the region was discussed,

Minister Udoi ended the session by stressing the need for ongoing improvements, working together regionally, and using new approaches to economic problems. He encouraged a focus on practical plans and strategies to sustain economic growth in the Pacific region.

Government Report-Outs and Next Steps

Ms. Debbie Milks, CPA, facilitated the "Government Report-Outs and Next Steps" session. Ms. Milks began by providing guidance to government officials on how to create detailed and measurable action plans. She emphasized the importance of detailing every aspect of their action plans, including who is responsible, when tasks should be completed, and what specific steps are needed. Ms. Milks also emphasized the need for flexibility when planning and advised attendees to ensure their readiness to add extra steps to their plans as situations change. A key part of her discussion was measuring progress, where she suggested setting clear goals, such as completing inventories in specific departments by specific deadlines. Ms. Milks reminded the participants to submit their action plans and to be ready to present after the working lunch meeting. The discussion ended with a reminder for immediate action, stressing the importance of quickly implementing government plans.

Each insular government presented its respective action plan, capturing updates from the 2023 Portland GFOA Conference proceedings and incorporating plans to be presented at the upcoming 2024 Orlando GFOA Conference. These plans highlighted focus areas for improvement, identified responsible parties, outlined required financial and technical support, and specified completion timeframes.

The **Government Report-Outs and Next Steps** have been included as **Attachments 11a -11i** of these proceedings.

Conference Wrap-Up

Mr. Jason Aubuchon provided a summary of upcoming events and initiatives. He announced the Summer GFOA Conference scheduled for June 9-12 in Orlando, with additional meetings for the island group on June 8 and June 13-14. The conference is expected to draw a large attendance, including finance officers from all over the United States. He reminded attendees to mark their calendars and mentioned that the US Department of Interior would sponsor two participants from each government and five from the Federated States of Micronesia. Mr. Aubuchon also discussed plans for a virtual IGFOA conference before the 2024 Orlando event to maintain momentum and provide updates on audit progress and other matters.

He then highlighted the success of the APIPA 2023 Conference held in the Marshall Islands, which had over four hundred participants and offered numerous courses and certifications. The next conference is planned for Palau in late August 2024.

Additionally, he spoke about the Executive Leadership Development Program (ELDP), which has 207 alumni across the Pacific and Virgin Islands. The ELDP focuses on leadership and management skills, with specific emphasis on the challenges faced in the government and finance sectors. The next recruitment for this program will start in the summer of 2024, and it includes both in-person and virtual sessions.

Mr. Aubuchon concluded by thanking the US Department of Interior, particularly Marina Tinitali, for their support, as well as other team members like Chris, Kevin, Debbie, Frank, Jeanne, and Mark. He gave special recognition to his team, including Monique Wedderburn, Ciara Santiago, and Judy Perry, for their excellence in organizing a successful conference. Participants were reminded to complete a conference evaluation. Mr. Aubuchon then introduced Mr. Casten Nemra, the Finance Minister of the Republic of Marshall Islands, to deliver the closing remarks of the conference.

The **Conference Close-Out Presentation** has been included as **Attachment 12** of these proceedings.

Closing Remarks

lawke, once again, it is always hard to come up with the last word and say the closing remarks, especially on behalf of all the good delegates and colleagues here and those who have been kind enough to put this together.

But I'll try to be quick. Let me, first of all, extend thanks to our Heavenly Father for all the blessings he's bestowed upon us, including bringing us here and enabling us to share among colleagues and with our friends who have been kind enough to share their expertise. I would also recognize everyone, including my good friend Minister Kaleb and Senators from the State of Pohnpei, who have contributed quite a bit. I know we have traditional leaders from the Islands and all the respective delegates, and of course, all the resource consultants and friends from DOI and the organizer, Graduate School, who have been kind enough to take part in one way or another.

It's fitting, perhaps, that I speak very briefly about IGFOA. As I mentioned earlier in my career in finance, I was one of the few who served and got to participate in IGFOA at that time, and you will recall that I was younger, thinner, with no white hair. Frankly, I had a full head of hair, but time has advanced, and we have come to face uncertainties and challenges, even our eyesight.

There are lots of friends I've also gotten to know through their respective island governments, whether from the USVI, Guam, or Saipan. Of course, there are the FSM States, the National Government, and Palau. And we get to do a lot of stuff together during the meeting of IGFOA and also afterward. We are coming back after so many years and being able to participate this time around. There have been a lot of similarities with the challenges. However, one thing I still find to be a common thread that I can vividly observe is strong motivation, passion, and commitment from all of us within our respective governments. Working with our colleagues and their expertise, it is essential to keep our island government's audits and all the budgets and planning continue to be where they need to be. Sometimes, we're not satisfied, and we often face challenges amidst our local circumstances, including politics, natural resources, and capacity-building challenges. Yet, we always show up to work and push through when we can. That is what I notice here, and I want to compliment each of you on the spirit I've noticed; it's something that I feel we all need to commend and appreciate.

It would be really remiss of me not to acknowledge those people who were kind enough to help us participants and not to take more time than necessary. To our consultants, please come and stand.

On behalf of the beautiful participants, we've prepared some small gifts as a token of appreciation for the hours, and I would ask my colleagues to please distribute the gifts. There is still more we need to do, but for now, I want to thank you all, on behalf of all of us, for your expertise, your excitement, and your contributions. Your life's work provides opportunities for further networking and confronting these challenges. Your motivation is inspiring, and I cannot thank you enough for the hard work you do. So, good job.

Yes, our US Department of Interior members, we won't forget you. A special thanks to our colleague coming all the way from Baltimore and amidst the busy politics of DC for your advocacy, helping us understand our challenges, and giving us a break when needed. On behalf of all the participants, thank you.

And last but not least, all our friends from Graduate School USA. For those who have already received our gift, please stand up here; we are excited to present these tokens of appreciation. Thank you for our logistics support in coming here safely; this beautiful town has facilitated quite a few gatherings and put all of us together with experts on topics that are not only valuable but also extremely relevant to us, like audits, for example. I cannot thank you enough. So, thank you, and good job.

So lastly, to all our participants, I want to emphasize the will and motivation among ourselves. As I said, everyone is trying to do their best despite limitations and challenges. But at the end of the day, we all want our government to be honorable, on time, and to conduct its affairs in a manner that complies with all the

rules and regulations because it is the right thing to do. At the end of the day, we all know that we're the steward of our limited resources. That's essentially what it is. We make sure that the money comes in the right way and that it is processed and expensed in the right way. Otherwise, if we're not on top of our job, we cannot be just with our limited resources. So, continue to be proud of what you do in Finance. Working in finance is a rare breed. There are always many complaints, but we smile and we move on. I know my team, and I'm sure all of us here are refreshed or sharpened, and we're eager to go back and do what needs to be done. And then we're proud to do the kind of work we do. So, in closing, have a very Merry Christmas and a safe trip back to your families and loved ones. It's good to meet you all. Take good care.

Conference Evaluations

At the end of the conference, each participant completed an evaluation. Participants rated the IGFOA sessions as timely and relevant (**4.65 out of 5.0**). The complete **conference evaluation**, along with the specific participant's comments, are included as **Attachment 14** of these proceedings.

CONFERENCE ATTACHMENTS



01

IGFOA Honolulu December 2023 Agenda



**2023
Winter Meeting**

AGENDA

December 12-14, 2023
Waikiki Beach Marriott Beach
Resort & Spa, Honolulu, Hawaii





IGFOA 2023 WINTER MEETING AGENDA

 **Waikiki Beach Marriott Resort & Spa**
2552 Kalakaua Avenue, Honolulu, Hawaii 96815

 **December 12-14, 2023**

THE GOALS OF THE 2023 WINTER IGFOA CONFERENCE ARE TO:

- 1** Share the status of each jurisdiction's single audits, FMIS update, status of pandemic funding, and other initiatives completed since the June 2023 GFOA conference in Portland.
- 2** Share the status of audit transitions affecting most jurisdictions, share a success story, and share "ten audit don'ts" for discussion, and best practices and discuss next steps in transitioning to new audit firms, and developing action plans to issue timely audits.
- 3** Exchange information on the latest available Performer analysis.
- 4** Share Compact Renewal Updates directly relevant to jurisdictions of the Freely Associated States.
- 5** Extend sharing of GASB lease reporting and present additional GASB updates, including GASB 96 and other matters.

MONDAY DECEMBER 11, 2023

1:30 p.m.



Meeting for Conference Organizers

Queensbreak Restaurant, 3rd Floor, Waikiki Beach Marriott Resort & Spa

Pre-conference meeting for conference organizers and presenters to discuss conference agenda and outcomes.

2:00 p.m to 4:00 p.m.



Conference Registration

























Lobby, Waikiki Beach Marriott Resort & Spa

Ciara Santiago will be available from 2:00 p.m. to 4:00 p.m. for sponsored IGFOA participants to pick up meal stipends in the lobby.



Grants Administrator, Somere Webber, from the U.S. Virgin Islands Office of Management and Budget

TUESDAY DECEMBER 12, 2023

7:00 a.m.		Buffet Breakfast <i>Waikiki Ballroom, Waikiki Beach Marriott Resort & Spa</i>
8:30 a.m.		Start of IGFOA Conference <i>Waikiki Ballroom, Waikiki Beach Marriott Resort & Spa</i> Welcoming Remarks <ul style="list-style-type: none">  Hon. Kaleb Udoi, Jr., Minister of Finance, Republic of Palau  Ms. Marina Tinitali, Deputy Policy Director, DOI/OIA  Mr. Jason Aubuchon, Director, Pacific & Virgin Islands Training Initiatives, Graduate School USA
9:00 a.m.		Introductions & Agenda Review <i>Mr. Kevin O'Keefe, Facilitator</i>
9:30 a.m.		Insular Government Updates <i>Ms. Deborah Milks, CPA; Mr. Kevin O'Keefe, Moderators</i> <p>Insular government presentations will feature the current status and latest information on:</p> <ul style="list-style-type: none">  Single Audit: Current Status and Timeline for Issuance  Select Performance Measures  FMIS Status  Action Planning from Austin  Government Challenges and Accomplishments <p>Presentations (7-10 minutes)</p> <ul style="list-style-type: none">  Guam  Commonwealth of the Northern Mariana Islands  U.S. Virgin Islands  Republic of the Marshall Islands
10:15 a.m.		Break
10:30 a.m.		Insular Government Updates (Continued) <p>Presentations (7-10 minutes)</p> <ul style="list-style-type: none">  Republic of Palau  Chuuk State, FSM  Kosrae State, FSM  Pohnpei State, FSM  Yap State, FSM
12:00 p.m.		Group Photo

12:15 p.m.



Lunch

Waikiki Ballroom, Waikiki Beach Marriott Resort & Spa

1:15 p.m.



Don't Drive Your Auditor Crazy! Ten Issues to Avoid

Debbie Milks, CPA

Including observations from: Chris Wolseley, Ernst & Young (Guam)

1:45 p.m.



Auditing is a Team Sport: The Roles of Auditors and Management

Mr. Chris Wolseley, CPA

Auditors and finance officers have distinct yet complementary responsibilities in the audit process. This session will clarify the role each party plays, emphasizing collaboration and mutual understanding to ensure audits are completed efficiently and on schedule to meet the mutual goal of issuing timely audits.

2:15 p.m.



Break

2:30 p.m.



Success Story—Lessons Learned through Audit Firm Transition

Mr. Edward Birn, Director of Administration, Guam

Challenges faced, what worked well, and what didn't work

General discussion, including observations from:
Chris Wolseley, Ernst & Young (Guam)

3:00 p.m.



Lessons Learned from GASB-87 (Lease Standard) Implementation, and Update on Future Standards

Mr. Frank Crawford, CPA

Analysis and discussion of the practical experiences and challenges encountered by island governments during the implementation of GASB-87 lease accounting, with insights into upcoming accounting standards, potential impacts and preparation strategies.

4:30 p.m.



Overview of Action Planning Process

5:00 p.m.


















Gather Questions; Adjourn for Day



Guam Director of Administration
Ed Birn with RMI representative
Ayako Yamaguchi-Eliou

WEDNESDAY DECEMBER 13, 2023

7:00 a.m.		Buffet Breakfast. <i>Waikiki Ballroom, Waikiki Beach Marriott Resort & Spa</i>
8:30 a.m.		Continuation of IGFOA Conference. <i>Waikiki Ballroom, Waikiki Beach Marriott Resort & Spa</i> Kevin O'Keefe Review results from Tuesday and overview of today's agenda
8:45 a.m.		Updates from DOI, Office of Insular Affairs Marina Tinitali, Deputy Policy Director, DOI/OIA
9:00 a.m.		Deep Dive on Audit Issues at the Jurisdictional Level <i>Each Group Paired with Debbie Milks, Frank Crawford, or Jeanne Yamamura</i>  Guam  CNMI  USVI Concurrent Session for FAS Jurisdictions (FSM States, RMI, Palau) Fiscal & Financial Accountability Implications of Compact Renewal Kevin O'Keefe, GSUSA Economist
10:15 a.m.		Break
10:30 a.m.		Deep Dive on Audit Issues at the Jurisdictional Level <i>Each Group Paired with Debbie Milks, Frank Crawford, or Jeanne Yamamura</i>  Palau  RMI  FSM State Governments Concurrent Session for Flag Jurisdictions (Guam, CNMI, USVI) Flag-specific training TBD or additional time in working groups.
11:45 a.m.		Lunch <i>Waikiki Ballroom, Waikiki Beach Marriott Resort & Spa</i>
1:15 p.m.		Performer Updates – Latest Available Frank Crawford, CPA New Performer scores have been calculated for each insular government (FY20 and/or FY21, depending on each government's single audit status). This session will review overall scores alongside progress on the Audit Findings, Timeliness of Audit Submission and Exception Resolution (A.F.T.E.R.) analysis.
2:45 p.m.		Break

3:00 p.m.	★	Forum: Consolidation of Common Audit Issues & Potential Ways Forward <ul style="list-style-type: none">✓ We've Fallen (Behind) ... and We Can't Get (Caught) Up!✓ Audit Quality Problems, too!✓ FMIS Issues: Best Practice and Lessons Learned✓ New Auditor
4:00 p.m.	★	Government Action Planning
4:45 p.m.	🚩	Gather Questions; Adjourn for Day

THURSDAY DECEMBER 14, 2023

7:00 a.m.	🍴	Buffet Breakfast <i>Waikiki Ballroom, Waikiki Beach Marriott Resort & Spa</i>
8:30 a.m.	★	Continuation of IGFOA Conference. <i>Waikiki Ballroom, Waikiki Beach Marriott Resort & Spa</i> Kevin O'Keefe Review results from Wednesday and overview of today's agenda
8:45 a.m.	🌴	Insular Government Audit Findings and Response Strategies Debbie Milks, CPA and Jeanne Yamamura, CPA Ms. Milks will share recent analysis of audit findings by category, and Ms. Yamamura will present on strategies to respond to audit findings.
10:15 a.m.	☕	Break
10:30 a.m.	★	Government Action Planning: Compile Action Steps
12:00 p.m.	🍴	Working Lunch <i>Waikiki Ballroom, Waikiki Beach Marriott Resort & Spa</i>
12:30 p.m.	★	Government Report-Outs and Next Steps
1:30 p.m.	★	Conference Wrap-Up <ul style="list-style-type: none">✓ Advancing Government Action Plans✓ Summary of Progress During this Session✓ Next Steps✓ Conference Evaluations
1:50 p.m.	💬	Closing Remarks Hon. Casten Nemra, Minister of Finance, Republic of the Marshall Islands
2:00 p.m.	🚩	Adjourn

PARTICIPANT LIST



CNMI



- ▼ **Daril Hermogenes**, *Grants Specialist*,
CNMI Office of Grants Management
- ▼ **Epiphania Cabrera**, *Administrator*,
CNMI Office of Grants Management
- ▼ **Nerissa Karakaya**, *COTR*,
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- ▼ **Pamela Marigmen**, *Senior Financial Analyst*,
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- ▼ **Ryan Camacho**, *Senior Technical Financial Analyst*,
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- ▼ **Tracy Norita**, *Secretary of Finance*,
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FSM – Kosrae State



- ▼ **Lipar George**, *Director*,
Department of Finance and Administration
- ▼ **Palokoa S. George**, *Accountant III*,
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FSM – Pohnpei State



- ▼ **Christina Elnei**, *Director*,
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- ▼ **Herold Ocampo**, *IT Specialist*,
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- ▼ **Kelly Keller**, *Financial Advisor*,
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FSM – Pohnpei State (Cont)



- ▼ **McGarry Miguel**, *Senator*,
Pohnpei State Legislature
- ▼ **Shelten Neth**, *Senator*,
Pohnpei State Legislature
- ▼ **Sonster Edgar**, *Senator*,
Pohnpei State Legislature
- ▼ **Stacy Nanpei**, *Budget Officer*,
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- ▼ **Stevick Edwin**, *Senator*,
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FSM – Chuuk State



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FSM – Yap State



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- Krystyna Ilagan, General Accounting Supervisor,**
Guam Department of Administration

Palau



- Chandler K. Ngirmeriil, Planning Analyst,**
Bureau Of Budget & Planning
- Darla Babauta, Chief of Finance & Accounting,**
Ministry of Finance
- Delorah Yoshiwo, Associate Budget Analyst,**
Bureau Of Budget & Planning
- Gail Rengiil, Director,**
Bureau of National Treasury
- Kaleb Udui, Minister,**
Ministry of Finance
- Olkeriil Kazuo, Associate Budget Analyst,**
Bureau Of Budget & Planning

Marshall Islands



- Ayako Yamaguchi-Eliou, PFM & Budget Specialist,**
Ministry of Finance
- Casten Nemra, Minister,**
Ministry of Finance
- Deeann Reimers, Assistant Secretary (Accounting, Admin & IT),**
Ministry of Finance
- Francine Jacklick, Secretary,**
Ministry of Health & Human Services
- Gerard Tareo, Internal Audit,**
Ministry of Finance
- Kanchi Hosia, Commissioner,**
Public School System
- Kecy Benjamin, Senior Budget Officer for Compact Funds,**
Ministry of Finance
- Sana Anien, Assistant Secretary (Budget, Procurement & Supply),**
Ministry of Finance

US Virgin Islands



- Clarina Modeste-Elliott, Assistant Commissioner,**
Department of Finance
- Rashown Soldiew, Reconciliation and Audit Manager,**
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- Jenifer O'Neal, Director,**
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US Department of the Interior



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- Martin Moore, Compact Grants Manager**
Office of Insular Affairs
- Stephen Savage, Lead Specialist,**
Office of Insular Affairs

Resource Consultants

- Chris Wolseley, CPA,**
Ernst & Young, Guam
- Debbie Milks, CPA,**
GSUSA
- Frank Crawford, CPA,**
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- Jeanne Yamamura, CPA,**
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- Kevin O'Keefe**
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PITI-VITI
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Government Presentation: CNMI





CNMI - CURRENT AUDIT TIMELINE

	AUDIT STATUS DATES	FY2021
1	Date the Trial balance was submitted to and accepted by the auditors	SUBMITTED: 6/23/2023 ACCEPTED: 07/14/2023
2	Were the audit adjustments entered and the opening balances agreed to the prior year ending? Who is responsible for these tasks?	Currently on-going SOF Office will be responsible party
3	Date the financial audit field work commenced (or scheduled)	10/02/2023
4	Any major PBC schedules & reconciliations still outstanding?	Voucher Payable
5	Status of component units: # on schedule & # behind	5 on schedule; 3 pending; 2 unlikely
6	Date of the approved extension request	March 31, 2024
7	Realistic estimated completion date	March 31, 2024
8	Date the compliance field work commenced (or is scheduled)	November 28, 2024
9	Do you expect to prepare the Financial Reports and footnotes in house, or do you plan to hire assistance?	In-house

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CNMI - GASB 87 REQUIREMENTS

Has your government developed the list of leases as required by GASB 87?

Yes, we have assigned a group from our procurement team to lead this project, and currently they are in the process of determining all the possible leases under GASB 87.

Have the appropriate accounting adjustment entries been made in your financial system?

In progress

Do you still have questions or unresolved determinations on any leases? If so, please detail the lease(s) and the issue.

We are still in the process of compiling all the transactions that can be considered as leases.

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CNMI - AUDIT PROCESS STRUCTURE

	AUDIT STATUS DATES	
1	What office (department) is responsible for selecting and contracting the audit firm?	OPA
2	Does the government have an <u>active</u> audit oversight committee? Who is on the committee?	DOF, OPA, and OGM
3	Have you assigned a financial audit coordinator who is responsible for monitoring auditor communications and audit progress? If so, what is their position?	Ryan Camacho and Pamela Marigmen, Senior Financial Analyst and Pacific Pact
4	Do you have a compliance audit coordinator who is responsible for monitoring auditor communications and audit progress? Do you have a coordinator to track and review compliance findings?	Ryan Camacho and Pamela Marigmen, Senior Financial Analyst, OGM, and Pacific Pact
5	Do you have regular status meetings with the auditor? Is it a requirement built into your audit contract?	Monthly updates
6	Does your public auditor assist with ensuring the component units have contracted with an audit firm and are staying on track with their audits?	Yes

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CNMI - LOOKING TO THE FUTURE

	AUDIT STATUS	FY2023 & FY2024
1	What fiscal years already have audit contracts?	FY2022 and FY2023
2	What is the date of your latest completed general fund bank reconciliation?	Completed: January 2022 Partially Completed: February 2022 up to November 2023
3	What account or fund is the most troublesome to reconcile on a regular basis? Why?	Special Revenue accounts
4	What major reconciliations are still outstanding for FY2023?	Beginning Balances
5	What skill set is most needed in your office to help complete the audit and reconciliation tasks?	Staff with accounting background

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CNMI- FMIS STATUS

What is the status of your FMIS project/system?

Currently, we are in the process of reconciling accounts and project fund balances.

What are the next steps and what is the general timeline for implementation?

We are moving away from the Expense Claims module in FY2024.

Do you have a budget for ongoing support and training?

No budget

Which modules are not implemented and are still needed?

None

Which modules have been purchased but not used?

None

5

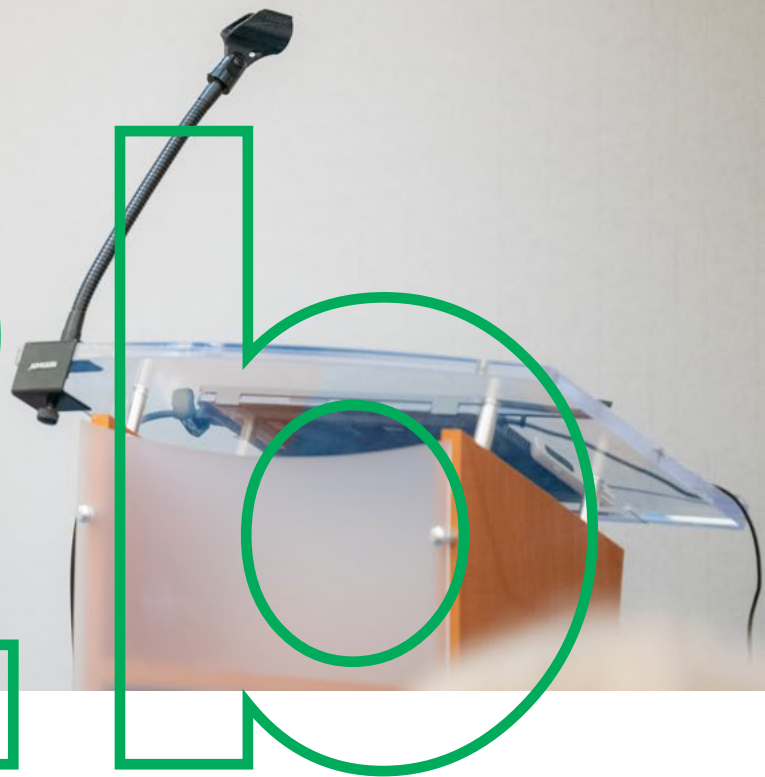
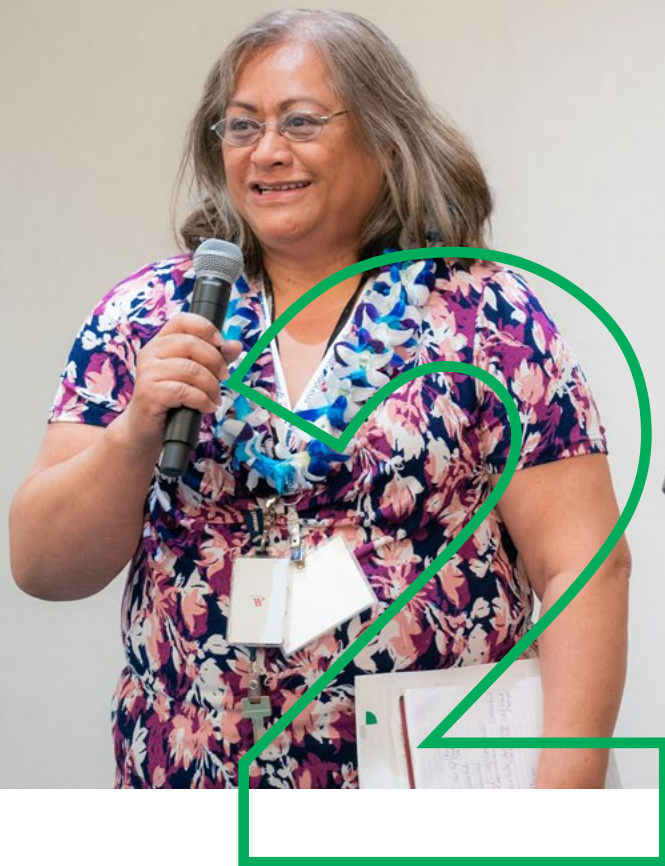
CNMI Department of Finance Performance Measures	Target	Prior Period -2 FY2022	Prior Period -1 FY2023	Current Period 0 FY2024	Trend	Notes	Audit issue?
Reduction in overdue travel advances	____% reduction from prior period	22 pending estimated and 504 pending actuals	122 pending estimated 1,115 pending actuals	199 pending estimated and 85 pending actuals			
Bank Reconciliations							
General Fund		Complete up to Dec 2021	Matched May 2022	Started last week			
Federal Fund		Complete up to July 2022	Matched up to March 2023	Started last week			

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CNMI Action Plan Progress


Task	Targeted Time Frame	Progress Notes	Updated time frame
Travel Advances	12/31/2023	Actively monitoring the progress of the travel section weekly. They have successfully deleted all the travel claims that did not materialize.	3/31/23
Bank Reconciliation	12/31/2023	Actively working with outside sources (accounting) to help the bank recon section be updated with their bank recons.	3/31/23



2b

Government Presentation: Chuuk, FSM






CHUUK STATE GOV'T. - CURRENT AUDIT TIMELINE

	AUDIT STATUS DATES	FY 2022
1	Date the Trial balance was submitted to and accepted by the auditors	June 06, 2023
2	Were the audit adjustments entered and the opening balances agreed to the prior year ending? Who is responsible for these tasks?	Yes. Accounting Advisor
3	Date the financial audit field work commenced (or scheduled)	October 30, 2023
4	Any major PBC schedules & reconciliations still outstanding?	None
5	Status of component units: # on schedule & # behind	1 Complete, 2 On schedule
6	Date of the approved extension request	December 31, 2023
7	Realistic estimated completion date	Before December 31, 2023
8	Date the compliance field work commenced (or is scheduled)	October 30, 2023
9	Do you expect to prepare the Financial Reports and footnotes in house, or do you plan to hire assistance?	In house

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 CHUUK STATE GOV'T.- GASB 87 REQUIREMENTS	
Has your government developed the list of leases as required by GASB 87?	Yes
Have the appropriate accounting adjustment entries been made in your financial system?	Yes
Do you still have questions or unresolved determinations on any leases? If so, please detail the lease(s) and the issue.	No
2	




CHUUK STATE GOV'T.- AUDIT PROCESS STRUCTURE

	AUDIT STATUS DATES	
1	What office (department) is responsible for selecting and contracting the audit firm?	FSM ONPA
2	Does the government have an <u>active</u> audit oversight committee? Who is on the committee?	No
3	Have you assigned a financial audit coordinator who is responsible for monitoring auditor communications and audit progress? If so, what is their position?	Yes. Accounting Advisor
4	Do you have a compliance audit coordinator who is responsible for monitoring auditor communications and audit progress? Do you have a coordinator to track and review compliance findings?	Yes
5	Do you have regular status meetings with the auditor? Is it a requirement built into your audit contract?	No
6	Does your public auditor assist with ensuring the component units have contracted with an audit firm and are staying on track with their audits?	Yes



CHUUK STATE GOV'T.- LOOKING TO THE FUTURE

	AUDIT STATUS	FY2023 & FY2024
1	What fiscal years already have audit contracts?	FY2023 & FY2024
2	What is the date of your latest completed general fund bank reconciliation?	October 31, 2023
3	What account or fund is the most troublesome to reconcile on a regular basis? Why?	Payroll Accounts
4	What major reconciliations are still outstanding for FY2023?	Payables, Receivables, Accruals
5	What skill set is most needed in your office to help complete the audit and reconciliation tasks?	Accounting skills, dedication to work.

 CHUUK STATE GOV'T.- FMIS STATUS	
What is the status of your FMIS project/system?	Rescinded
What are the next steps and what is the general timeline for implementation?	Unknown
Do you have a budget for ongoing support and training?	No
Which modules are not implemented and are still needed?	N.A.
Which modules have been purchased but not used?	N.A.

5

Chuuk State Gov't. Department of Finance Performance Measures	Target	Period	Prior Period -1	Current Period 0	Trend	Notes	Audit issue?
Reduction in overdue travel advances	____% reduction from prior period	Mntly	39%	4%		Most of the overdue travel advances were settled in September 2023.	No
Completion of Fixed Asset Inventory	100% completed and AJEs posted	Annual	100%	0%		FY2024 Fixed Asset Inventory will be conducted on April 2024	No
Bank Reconciliations completed on a timely basis	10 days after month end	Mnthly	5 days	5 days		Bank reconciliation is usually completed within ten days after the receipt of bank statements.	No
Reduction in invalid, outdated encumbrances	0% invalid encumbrance	Qtrly	75%	75%			No



Chuuk State Gov't. Action Plan Progress

[illegible]



2c

Government Presentation: Kosrae, FSM





KOSRAE STATE - CURRENT AUDIT TIMELINE

AUDIT STATUS DATES		FISCAL YEAR 2022
1	Date the Trial balance was submitted to and accepted by the auditors	FY2022 trial balance was submitted to E&Y on 07/18/23.
2	Were the audit adjustments entered and the opening balances agreed to the prior year ending? Who is responsible for these tasks?	Makoto Shinoda, financial advisor, is responsible for ensuring that the FY2022 beginning balances agree to the FY2021 audited balances.
3	Date the financial audit field work commenced (or scheduled)	The first on-site was performed for 4 days from 07/25/23 (Tue) to 07/28/23 (Fri).
4	Any major PBC schedules & reconciliations still outstanding?	FSM National Government has recently started reconciling receivables & unearned revenues with OIA for sector grants and with other federal agencies for non-Compact federal grants. After this reconciliation process is completed, we, Kosrae State, will need to perform the similar reconciliation process between us and FSM National Government.
5	Status of component units: # on schedule & # behind	Kosrae Utilities Authority's audit report was issued on 10/05/23. Kosrae Port Authority's audit report was issued on 11/01/23. Kosrae Housing Authority's audit is still ongoing.
6	Date of the approved extension request	12/31/23 if we are not mistaken. We have not received any official communication from FSM Public Auditor.
7	Realistic estimated completion date	Since we largely rely on the completion of the FSM National Government's reconciliation work with various federal grantor agencies before our reconciliation process begins, we cannot reasonably estimate our audit completion date. However, we wish to complete the audit before the end of February 2024.
8	Date the compliance field work commenced (or is scheduled)	We received samples for the federal compliance substantive tests on 11/06/23.
9	Do you expect to prepare the Financial Reports and footnotes in house, or do you plan to hire assistance?	Our DOFA provided its preliminary financial statements to E&Y in July 2023. Our financial advisor is a licensed CPA and a former Deloitte & Touche auditor who audited Kosrae State for several years before he joined us. Palokoa George is on a sector-funded training on how to prepare financial statements from a trial balance.
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KOSRAE STATE - GASB 87 REQUIREMENTS

Has your government developed the list of leases as required by GASB 87?	KSG provide the list of leases to EY.
Have the appropriate accounting adjustment entries been made in your financial system?	<p>Lease receivables/revenues</p> <p>Since we did not want to create additional G/L accounts (deferred inflow of resource, lease interest income and etc) at the fund level, and a portion of non-cash lease revenues decreases long-term debt, all lease receivables and revenues have temporarily been recorded at the government-wide level and seek advice from Simao Iehsi, E&Y auditor. We have not received any advice from him yet.</p> <p>Lease liabilities/expenses</p> <p>Kosrae State has implemented an accounting policy to recognize a lease liability and a right-of-use lease asset in the government-wide financial statements. Kosrae State recognizes lease liabilities with an initial individual value of \$25,000 or more with a lease term greater than one year. At the commencement of a lease, Kosrae State initially measures the lease liability at the present value of any remaining payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payments made. As of September 30, 2022, Kosrae State did not have any qualifying lease liabilities.</p>
Do you still have questions or unresolved determinations on any leases? If so, please detail the lease(s) and the issue.	We have been advised that E&Y's lease calculation and proposed adjustments will be provided to us for our review and approval. There were a couple of pending items that we recently provided to E&Y. We believe that E&Y is finalizing its lease calculation and proposed adjustments.

2



KOSRAE STATE - AUDIT PROCESS STRUCTURE

	AUDIT STATUS DATES	
1	What office (department) is responsible for selecting and contracting the audit firm?	FSM Public Auditor's office is the contractor for single audit. We do not agree with this arrangement. Each state should be able to select an audit firm.
2	Does the government have an <u>active</u> audit oversight committee? Who is on the committee?	FSM National Government re-established its Audit Findings and Questioned Costs Resolution Committee in FY2022 but it's been inactive since its re-establishment.
3	Have you assigned a financial audit coordinator who is responsible for monitoring auditor communications and audit progress? If so, what is their position?	Palokoa George (Administrator) and Makoto Shinoda (financial advisor) are responsible for all audit matters.
4	Do you have a compliance audit coordinator who is responsible for monitoring auditor communications and audit progress? Do you have a coordinator to track and review compliance findings?	Palokoa George (Administrator) and Makoto Shinoda (financial advisor) are responsible for all audit matters.
5	Do you have regular status meetings with the auditor? Is it a requirement built into your audit contract?	There are no such meetings with auditors, but the engagement partner and audit assistants regularly send follow-up emails to us.
6	Does your public auditor assist with ensuring the component units have contracted with an audit firm and are staying on track with their audits?	Probably, the audit coordinator of FSM Public Auditor's office communicates directly with component units if any significant matters arise.

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KOSRAE STATE - LOOKING TO THE FUTURE

	AUDIT STATUS	FY2023 & FY2024
1	What fiscal years already have audit contracts?	I believe we have two year audit contract for FY2021 and FY2022.
2	What is the date of your latest completed general fund bank reconciliation?	October 2023
3	What account or fund is the most troublesome to reconcile on a regular basis? Why?	<p>According to our financial advisor, the following accounts should have more attention than others:</p> <p>(1) Travel advances – There is no one assigned to follow up on unfilled travel vouchers. Our payroll staff started reconciling the advance accounts with assistance from our financial advisor.</p> <p>(2) Prepayments to suppliers – Our treasurer with assistance from our financial advisor started monitoring the prepayment accounts.</p> <p>(3) Federal receivables and unearned revenues</p> <p>(4) Congress of FSM grant receivables and expenditures - We are under reconciliation process with FSM National Government for the prior year disallowed expenditures.</p> <p>(5) Leases – I want to know whether we are collecting lease payments as expected and whether there are any issues that I should assist with the office of tax and revenues.</p>
4	What major reconciliations are still outstanding for FY2023?	See (1), (3), (4) and (5) above.
5	What skill set is most needed in your office to help complete the audit and reconciliation tasks?	Our financial advisor advised that there are only couple of staff with the accounting degree or formal accounting education and there should be a capacity building opportunity through on-the-job or formal training. He recently prepared a training plan for finance office staff, which was submitted to OIA for its review and approval.

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KOSRAE STATE - FMIS STATUS

What is the status of your FMIS project/system?	One vendor selected and contract is still under review by FSM DOJ.
What are the next steps and what is the general timeline for implementation?	Still not clear yet until contract is signed. Once the contract is signed, Bisan will proceed with inception planning and all.
Do you have a budget for ongoing support and training?	I believe the project will fund for support and training for the first 3 to 4 years.
Which modules are not implemented and are still needed?	Have not come to the implementation stage yet.
Which modules have been purchased but not used?	Have not come to the implementation stage yet.

5

Kosrae State Department of Finance Performance Measures		Target	Period	FY21	FY22	Trend	Notes	Audit issue?
Reduction in overdue travel advances	-----% reduction from prior period	Mnthly	\$61K	\$7K			The whole beginning balance of the General Fund travel advances (01-2210) was written off as bad debts.	No
Completion of Fixed Asset Inventory	100% completed and AJEs posted	Biannual	No	Yes			We were cited for not performing the required fixed asset inventory during the FY2021 audit. We subsequently performed a fixed asset inventory and we resolved the finding with OIA.	no
Bank Reconciliations completed on a timely basis	15 days after bank statement is received	Mnthly	Yes	Yes			Bank reconciliation was timely performed on major bank accounts.	no
Reduction in invalid, outdated encumbrances	0% invalid encumbrance	Qtrly	\$53K	\$29K			General Fund FY2021 - Out of \$53K as of 09/30/21, almost all relate to prior year. FY2022 - Out of \$29K as of 09/30/22, \$18K relates to prior years. We will continue to work with departments to cancel invalid encumbrances.	no

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Kosrae State Action Plan Progress


Task	Targeted Time Frame	Progress Notes	Updated time frame
1. Performance Evaluation Completed	August 2023	No performance evaluation made. Director met with division heads and performance evaluation form is pending with Financial Advisor to be completed.	By end of December 2023, performance eval is done and in file.
2. Unspent Federal Funds reduced	August 2023	Fund Status reports were provided to Departments/Offices	September 2023
3. Completion of Fixed Assets Inventory	September 2023	Physical inventory was completed on August 15, 2023	September 2023
4. Cleaning Invalid Encumbrances	September 2023	Major clean-ups of invalid encumbrances still continue until September 2023	December 31, 2023




2d

***Government Presentation:
Pohnpei, FSM***



 PSG - AUDIT PROCESS STRUCTURE		
	AUDIT STATUS DATES	
1	What office (department) is responsible for selecting and contracting the audit firm?	FSM National Public Auditor, FSM Government
2	Does the government have an active audit oversight committee? Who is on the committee?	Yes, used to be Secretary of Finance and the four State Directors.
3	Have you assigned a financial audit coordinator who is responsible for monitoring auditor communications and audit progress? If so, what is their position?	Chief of Finance is the audit coordinator, assisted by the Financial Advisor
4	Do you have a compliance audit coordinator who is responsible for monitoring auditor communications and audit progress? Do you have a coordinator to track and review compliance findings?	Chief of Finance, assisted by the Financial Advisor
5	Do you have regular status meetings with the auditor? Is it a requirement built into your audit contract?	We have a new auditor and so we are developing our communication strategies together
6	Does your public auditor assist with ensuring the component units have contracted with an audit firm and are staying on track with their audits?	Pohnpei public auditor audits PTA and Small Business, while BCM audits the Public Utility, Housing Authority and Port Authority. Only Public Utility is outstanding

 PSG - LOOKING TO THE FUTURE		
	AUDIT STATUS	FY2023 & FY2024
1	What fiscal years already have audit contracts?	2022 & 2023
2	What is the date of your latest completed general fund bank reconciliation?	Up to date
3	What account or fund is the most troublesome to reconcile on a regular basis? Why?	Payroll account, given the number of transactions
4	What major reconciliations are still outstanding for FY2023?	Up to date
5	What skill set is most needed in your office to help complete the audit and reconciliation tasks?	Accounting skills and spreadsheets, excel etc.
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PSG- FMIS STATUS

What is the status of your FMIS project/system?	FSM Government will present the status of the FMIS
What are the next steps and what is the general timeline for implementation?	October 01, 2024
Do you have a budget for ongoing support and training?	According to the consultants, World Bank is providing the training budget and support for all the FSM government staff
Which modules are not implemented and are still needed?	None yet, an inception report is pending from the Bisan consultants who came by in November. The contract is still not signed yet.
Which modules have been purchased but not used?	None

5

Pohnpei State Department of Finance Performance Measures	Target	Period	Prior Period -1	Current Period 0	Trend	Notes	Audit issue?
Reduction in overdue travel advances	___1_% reduction from prior period	Annual	371k	369k	Positively improving	Most of the travel advances were aged >than 5 years and older. Government should consider writing them off. After implementing the salary deduction, the problem stopped accumulating	
Completion of Fixed Asset Inventory	100% completed and AJEs posted	Annual or biannual				Up to Date	
Bank Reconciliations completed on a timely basis	__30_days after month end	Mnthly				Up to date	
Reduction in invalid, outdated encumbrances	0% invalid encumbrance	Annual				Year 2021 Encum. 418k verses 306k FY 2022	

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PNI--Action Plan Progress

FOCUS AREA for improvement:		Responsible Parties	Timeframe	Progress Report 12/4/23
ENCUMBRANCE CLEANING AND UPDATE		FA / COF / CERTIFICATION	6 Mo	Up to Date
TRAVEL ADVANCE CLEANING AND UPDATE		FA/COF/TA ACCOUNTANT	6 Mo	No more accumulating travel advance / every travel is pushed to payroll if TA not filed 15 days after travel
SUPPLY ADVANCE CLEANING AND UPDATE		FA/COF/PROCUREMENT/PAYABLE	6 Mo	Up to date
ACCOUNTS RECEIVABLE CLEANING AND UPDATE		FA/COF/FEDERAL PROGRAM COORDINATORS	6 Mo	Up to date
PRIOR YEAR QUESTIONS COST TO BE RESOLVED WITH IMPACTED FEDERAL AGENCIES		FA /COF	ASAP	Currently working with OIA for FY 2020, and FY21, HRSA questioned costs have been resolved for all years
COMPLETE GL POSTING FOR FIXED ASSET ADDITION AND DEPRECIATION		FA/PROPERTY MANAGEMENT	ASAP	Completed
COMPLETE FY 2022 AUDIT		COF/ALL	6/30/2023	Field Work will start 12/11/2023, New auditor
COMPLETE FIXED ASSED REVIEW AND SURVEY FOR FY 2023		PROPERTY MANAGEMENT	9/30/2023	Up to date



PSG-Performance Measure Trends


	Year			
Travel Advances Trend	2021	2022	2023	Trend
GF	295,064	295,110	286,074	-3%
Sector	41,907	28,225	17,699	-137%
All Others	<u>34,088</u>	<u>74,266</u>	<u>65,354</u>	48%
Total	371,058	397,601	369,127	-1%
Encumbrance Trend				
Total Enc	418,425	306,442		-37%




2e

Government Presentation: Yap, FSM



 YSG - CURRENT AUDIT TIMELINE	
	AUDIT STATUS DATES
1	Date the Trial balance was submitted to and accepted by the auditors
2	Were the audit adjustments entered and the opening balances agreed to the prior year ending? Who is responsible for these tasks?
3	Date the financial audit field work commenced (or scheduled)
4	Any major PBC schedules & reconciliations still outstanding?
5	Status of component units: # on schedule & # behind
6	Date of the approved extension request
7	Realistic estimated completion date
8	Date the compliance field work commenced (or is scheduled)
9	Do you expect to prepare the Financial Reports and footnotes in house, or do you plan to hire assistance?
1	Winter IGFOA 2023 December 12-14, 2023

 YSG - GASB 87 REQUIREMENTS	
Has your government developed the list of leases as required by GASB 87?	Yes
Have the appropriate accounting adjustment entries been made in your financial system?	Drafted journal entries are done. Waiting to discuss with auditors before posting to GL
Do you still have questions or unresolved determinations on any leases? If so, please detail the lease(s) and the issue.	Not so much.
2	



YSG - AUDIT PROCESS STRUCTURE

	AUDIT STATUS DATES	
1	What office (department) is responsible for selecting and contracting the audit firm?	Selection of Audit Firm is done at the National by The Office of the National Public Auditor
2	Does the government have an <u>active</u> audit oversight committee? Who is on the committee?	Probably being administer at the National and none at the State Level. Not Sure
3	Have you assigned a financial audit coordinator who is responsible for monitoring auditor communications and audit progress? If so, what is their position?	OAS Director/Financial Advisor & Chief of Finance
4	Do you have a compliance audit coordinator who is responsible for monitoring auditor communications and audit progress? Do you have a coordinator to track and review compliance findings?	There's no Compliance Audit Coordinator at the moment. OAS Director in conjunction with the Chief of Procurement & Property Management review all government procurements request to hopefully eliminate potential compliance findings.
5	Do you have regular status meetings with the auditor? Is it a requirement built into your audit contract?	No, Audit Contract are initiated by FSM ONPA.
6	Does your public auditor assist with ensuring the component units have contracted with an audit firm and are staying on track with their audits?	We are just now getting Test Samples for Field Work from the Auditor. Initial Deadline was 12/31/2023. However, FSM ONPA has requested the Audit Deadline to Extended to March, 2024.



YSG - LOOKING TO THE FUTURE

	AUDIT STATUS	FY2023 & FY2024
1	What fiscal years already have audit contracts?	Audit Contract were initiated at the National Public Auditor with Burger Comer Magliari (BCM). A three-year contract for FY22, FY23 & FY24.
2	What is the date of your latest completed general fund bank reconciliation?	September 30, 2023.
3	What account or fund is the most troublesome to reconcile on a regular basis? Why?	Accounts payable - All Funds: because FW OTDIST report cannot be backdated to September 30.
4	What major reconciliations are still outstanding for FY2023?	Basically everything, except for the bank recon of the General, Savings and Payroll accounts.
5	What skill set is most needed in your office to help complete the audit and reconciliation tasks?	People that are detail oriented and are eager to learn more than their normal everyday tasks.



YSG- FMIS STATUS

What is the status of your FMIS project/system?

This may be good question for the FSM National Government. Since 2018 until today we're not sure where we are and because of the existing antiquated system, YSG may be seeking other alternatives or options.

What are the next steps and what is the general timeline for implementation?

No Idea

Do you have a budget for ongoing support and training?

No

Which modules are not implemented and are still needed?

None

Which modules have been purchased but not used?

None

5

YSG Department of Finance Performance Measures	Target	Period	Prior Period -1	Current Period 0	Trend	Notes	Audit issue?
Reduction in overdue travel advances	__10__% reduction from prior period	Annual	1798.7	14174.6		With the FSM border closure in FY20 and FY21, government travel was virtually nonexistent. Weekly flights resumed to Yap in FY22 and the return of Govt travel, hence the increase in outstanding travel advances for the General Fund.	Untimely filing of expense vouchers, and lack of collection of outstanding advances make this a contentious account to reconcile.
Completion of Fixed Asset Inventory	100% completed and AJEs posted	Annual or biannual				New Chief of Procurement and Property Management on board. Hopefully, will be able to arrange for physical inventory of assets.	Fixed asset register still includes fully depreciated vehicles and equipment that are no longer operational or are nonexistent. A partial inventory was conducted in FY2019, and none since then.
Bank Reconciliations completed on a timely basis	60 days after month end	Mnthly				This task is currently being shared by the Financial Advisor and Chief of Finance. Missed opportunity for training, but currently no one seems willing to learn and able to take on the task.	
Reduction in invalid, outdated encumbrances	0% invalid encumbrance	Qtrly				Current FW Fund Status reports are no longer providing accurate information on encumbrances. The encumbrance summaries no longer tie to the details. General Fund has long list of old encumbrances that need to be reviewed for validity.	For the FY22 General Fund budgetary statement, we need to manually adjust the encumbrance reports to match details by dept/divisions.



2f

***Government Presentation:
Guam***





Ice Breaker

- Pair with someone you haven't met before and introduce yourselves to find out:
 - Name
 - Government/Jurisdiction
 - Job title
 - & **If you were an Olympic athlete... what sport?**
- You will introduce your new friend.

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GUAM - CURRENT AUDIT TIMELINE

AUDIT STATUS DATES		FY 2022
1	Date the Trial balance was submitted to and accepted by the auditors	February 9, 2023
2	Were the audit adjustments entered and the opening balances agreed to the prior year ending? Who is responsible for these tasks?	Yes, Accountant II (Ms. Alexa Magano)
3	Date the financial audit field work commenced (or scheduled)	March 2, 2023
4	Any major PBC schedules & reconciliations still outstanding?	No
5	Status of component units: # on schedule & # behind	15 Component Units Financial Audits Completed for all Uniformed Guidance Audit pending for GEDA and Guam Education Telecommunication Corporation

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GUAM - CURRENT AUDIT TIMELINE

AUDIT STATUS DATES		FY 2022
6	Date of the approved extension request	N/A
7	Realistic estimated completion date	Completed Audit 11/20/23
8	Date the compliance field work commenced (or is scheduled)	March 2, 2023
9	Do you expect to prepare the Financial Reports and footnotes in house, or do you plan to hire assistance?	In house

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GUAM – GASB 87 REQUIREMENTS

GASB STATUS		FY 2022
	Has your government developed the list of leases as required by GASB 87?	Yes
	Have the appropriate accounting adjustment entries been made in your financial system?	No, FY2022 AJEs are now in the process of being posted.
	Do you still have questions or unresolved determinations on any leases? If so, please detail the lease(s) and the issue.	Yes <ul style="list-style-type: none"> What is the rate to be used?

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GUAM- AUDIT PROCESS STRUCTURE

AUDIT STATUS DATES

1	What office (department) is responsible for selecting and contracting the audit firm?	Office of Public Accountability (OPA)
2	Does the government have an <u>active</u> audit oversight committee? Who is on the committee?	Yes. Guam Office of Public Accountability and DOA Internal Auditors
3	Have you assigned a financial audit coordinator who is responsible for monitoring auditor communications and audit progress? If so, what is their position?	Yes. DOA Chief Financial Officer and DOA Deputy Financial Manager
4	Do you have a compliance audit coordinator who is responsible for monitoring auditor communications and audit progress? Do you have a coordinator to track and review compliance findings?	Yes. DOA General Accounting Supervisor charged with Federal & Compliance
5	Do you have regular status meetings with the auditor? Is it a requirement built into your audit contract?	No
6	Does your public auditor assist with ensuring the component units have contracted with an audit firm and are staying on track with their audits?	Yes

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GUAM- LOOKING TO THE FUTURE

AUDIT STATUS

FY2023 & FY2024

1	What fiscal years already have audit contracts?	Audit contracts: handled by the Office of Public Accountability	
2	What is the date of your latest completed general fund bank reconciliation?	12/1/2023 for October 2023	
3	What account or fund is the most troublesome to reconcile on a regular basis? Why?	Settlement Account Issues: • Need Three way Match (vital check, bank statement, AS400)	• Timing Issues due to what is posted in the AS400 versus what shows in the bank statement.
4	What major reconciliations are still outstanding for FY2023?	• Settlement Account • Withhold Tax Account • Real Property	• Prugraman Salappe • Public Assistance • Pandemic Unemployment Assistance
5	What skill set is most needed in your office to help complete the audit and reconciliation tasks?	• Communication • Analysis of financial figures to prepare the Financial Statements • Strong reconciliation skills	

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GUAM- FMIS STATUS


FMIS STATUS

What is the status of your FMIS project/system?	Currently in our End User Training portion of the project for the ERP system. To go live in January 2024
What are the next steps and what is the general timeline for implementation?	Mock 2 to begin 12/11/23, dependent on the outcome will determine if we will be on time or delayed.
Do you have a budget for ongoing support and training?	Support and Training was embedded in our contract for next 5 years. Hypercare for 1 month and then the res
Which modules are not implemented and are still needed?	Grants Module, a Point of Sale (POS to replace the TPS), Budgeting
Which modules have been purchased but not used?	None

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Guam Department of Administration Performance Measures	Target	Period	Prior Period -1	Current Period 0	Trend	Notes	Audit issue?
Reduction in overdue travel advances	29.2% reduction from prior period	Quarterly	FY23 Q3 63% O/S \$10.2K	FY24 Q1 100% O/S \$4.3K			No
Completion of Fixed Asset Inventory	100% completed and AJEs posted	Annual or biannual	FY2022 100%	FY2023 100%			Yes
Bank Reconciliations completed on a timely basis	25 days after month end	Monthly	Aug-2023 21 Days	Sep-2023 17 Days			Yes
Reduction in invalid, outdated encumbrances	0% invalid encumbrance	Quarterly					No

 Guam - Action Plan Progress			
Task	Targeted Time Frame	Progress Notes	Updated time frame
FMIS:			
• Training/workshop with Performa	Feb-2023 to Feb-2028	<ul style="list-style-type: none"> Completed Mock 1 Training October 20 Completed User Acceptance Training November 17 Currently in the End User training 	Go Live in Jan-2024
• Grant Management Module Analysis	June 2023	<ul style="list-style-type: none"> Kick-off/Introduction with Performa Design phase meeting in December 	May-2024
Performance Evaluation			
• Complete Position Description Questionnaire (PDQ)	Sep-2023	Still on going	Jan-2024
• Mid year evaluations	Continuous	Still on going	
• Submit performance evaluations on time	Continuous	It is a work in progress	
9			

 Guam - Action Plan Progress			
Task	Targeted Time Frame	Progress Notes	Updated time frame
Fixed Assets:			
• Send listing of fixed assets to agencies	Continuous	<ul style="list-style-type: none"> Currently working with agencies for their point of contact for fixed assets. Will be sending their director's office with a listing of agencies fixed assets . 	
• Clean out the fixed assets listing	Continuous	Pending the out come of the agencies	
• Record Fixed Assets timely	Continuous	Still on-going	
Federal Grant			
• Submit Timely FFR	Continuous	Currently FFRs 85% of them have been submitted on time.	
• Reconciliation of Fed A/R (Quarterly)	Continuous	It is a work in progress, currently at 75% completed for FY23	
• Complete drawdown of funds	Continuous	Funds are being drawn on a weekly basis	
• Assist Agencies with Maximizing their grants	Continuous	Currently working with agencies to go over their grants, review the charges, make sure that they are not over spending, and having them include indirect cost.	
10			



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***Government Presentation:
Republic of Marshall Islands***





Government of the Republic of the Marshall Islands

Led By:



Minister Casten Nemra, Ministry of Finance

Asst. Secretary Deeann Reimers, Accounting & IT

Asst. Secretary Sana Anien, Budget & Procurement

PFM & Budget Specialist Ayako Yamaguchi-Eliou, MOF

Secretary Francyne Wase Jacklick, Ministry of Health

Commissioner Kanchi Hosia, Public School System

Internal Audit Gerard Tareo, MOF

Senior Budget Officer Kecy Benjamin, MOF



IAKWE!

IGFOA		GRMI CURRENT AUDIT TIMELINE
2	AUDIT STATUS DATES	FY22
1	Date the Trial balance was submitted to and accepted by the auditors	June 07, 2023
2	Were the audit adjustments entered and the opening balances agreed to the prior year ending? Who is responsible for these tasks?	FY21 audit adjustments (AJEs) were entered against the beginning balance of FY22. AJEs received in FY23 and the FY21 was closed. Prior yr ending balance were agreed with the opening balance.
3	Date the financial audit field work commenced (or scheduled)	July 05, 2023, halted for mid July and re-commenced mid November
4	Any major PBC schedules & reconciliations still outstanding?	Retention Payable and Leases Inventory (GASB 87)
5	Status of component units: # on schedule & # behind	(17)on sch & (6) Not provided TB for audit. (3) FY21-audit & (2)Not provided for audit.
6	Date of the approved extension request	Email to request extension dated June 21, 2023
7	Realistic estimated completion date	December 31st 2023 (In discussion with EY)
8	Date the compliance field work commenced (or is scheduled)	July 05, 2023 (same time as the financial audit field work)
9	Do you expect to prepare the Financial Reports and footnotes in house, or do you plan to hire assistance?	Not this year.



GRMI - GASB 87 REQUIREMENTS

1	Has your government developed the list of leases as required by GASB 87?	Yes and it is 90% complete.
	Have the appropriate accounting adjustment entries been made in your financial system?	No not yet. There will be a CAJE as soon as the lease inventory is finalized and calculation is done.
	Do you still have questions or unresolved determinations on any leases? If so, please detail the lease(s) and the issue.	Challenges in locating original leases from 20+ years ago (esp pertaining to Outer Islands & Ebeye)

3



GRMI - AUDIT PROCESS STRUCTURE

4	AUDIT STATUS DATES	
1	What office (department) is responsible for selecting and contracting the audit firm?	Office of the Auditor-General
2	Does the government have an <u>active</u> audit oversight committee? Who is on the committee?	There is an Audit Resolution Committee however, this committee meets when findings are identified. Members include Secretary of Finance, Assistant Secretary for Accounting (MOF), Chief Accountant (MOF), rep from MOEST, rep from MOHHS, rep from OAG. The Legislative Branch has a Public Accounts Committee whose role is to scrutinize audit reports.
3	Have you assigned a financial audit coordinator who is responsible for monitoring auditor communications and audit progress? If so, what is their position?	No. All communications from external auditors come through the office of the Secretary and Assistant Secretary for Accounting
4	Do you have a compliance audit coordinator who is responsible for monitoring auditor communications and audit progress? Do you have a coordinator to track and review compliance findings?	No. All communications from external auditors come through the office of the Secretary and Assistant Secretary for Accounting
5	Do you have regular status meetings with the auditor? Is it a requirement built into your audit contract?	On a needs basis. Exit meetings are required
6	Does your public auditor assist with ensuring the component units have contracted with an audit firm and are staying on track with their audits?	Normally, MOF is the one communicating with the CUs on audit status



GRMI - LOOKING TO THE FUTURE

	AUDIT STATUS	FY2023 & FY2024
1	What fiscal years already have audit contracts?	FY22 and FY23
2	What is the date of your latest completed general fund bank reconciliation?	September 2023
3	What account or fund is the most troublesome to reconcile on a regular basis? Why?	Capital Projects: 510100 (Public Infra), 410150 (ESN Capital), 410160 (Kwaj Infra Fund/KIF) or General Fund Account.
4	What major reconciliations are still outstanding for FY2023?	The schedules that support the Trial Balance are still in working progress such as Account Payable, Travel Advances, Fixed Assets, Retention Payable,
5	What skill set is most needed in your office to help complete the audit and reconciliation tasks?	More skilled persons/body to conduct recon procedures





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GRMI - FMIS STATUS

1	What is the status of your FMIS project/system?	Went live Oct 1, 2022 (Requisitions, Travel, Payment Requests, etc.) Payroll module implemented January 2023 (start of calendar year)
	What are the next steps and what is the general timeline for implementation?	Roll out to Ministries and Agencies (Decentralization) FY24 (2nd Qtr)
	Do you have a budget for ongoing support and training?	Yes
	Which modules are not implemented and are still needed?	All modules are live however, until the FY2023 trial balance and financial reports are generated, the government does not deem the system as "fully operational" yet. There are still outstanding production issues that need to be resolved (e.g., multi-funded PR)
	Which modules have been purchased but not used?	None

6

 Audit Related Performance Measures						
GRMI MOF Performance Measures	Target	Period	Prior Period - 1	Current Period 0	Trend	Notes
Completion of Fixed Asset Inventory	100% Completed	Once every two years	85%	In progress		Physical inventory of assets located in outer islands were not yet started. Data gathering and reporting is still in progress.
Bank Reconciliations completed on a timely basis	30 days after month end	Monthly	<30 days	<30 days		There were delays during the first two quarters of FY23 while having data migration to the new FMIS
Reduction in invalid, outdated encumbrances	25% invalid encumbrance	Quarterly	50%	In progress		Reduction for Period-1 as a result of data clean up prior to data migration. Period 0 (FY2023) validation is still ongoing.

 GRMI Action Plan Progress			
Task	Targeted Time Frame	Progress Notes	Updated Time Frame
FMIS Rollout	FY24 2Q	Phase 2 implementation (decentralization)	
Legislative Reform			
Procurement Act Amendment	FY24 3Q	New Procurement Law passed. Proposed amendment to be introduced once Nitijela reconvenes	
Procurement Regulations	FY24 3Q	Regulations supporting the new Procurement Law undergoing review	
Recruitment			
Vacancies	FY24 2Q	MOF Management actively engaging with PSC on hiring	
GASB Expert (WB PFM Project)	FY24 3Q	MOF Management has requested that the WB PFM project recruit a GASB Expert to provide long term hands-on/in-house training to the accounting staff	



2h

***Government Presentation:
Republic of Palau***





PALAU - CURRENT AUDIT TIMELINE

	AUDIT STATUS DATES	FY21
1	Date the Trial balance was submitted to and accepted by the auditors	10/11/23
2	Were the audit adjustments entered and the opening balances agreed to the prior year ending? Who is responsible for these tasks?	Yes, Gail, Darla, & Masato
3	Date the financial audit field work commenced (or scheduled)	Currently in planning stage, expected to commence early Jan 2024
4	Any major PBC schedules & reconciliations still outstanding?	No
5	Status of component units: # on schedule & # behind	7 on schedule 2 ongoing
6	Date of the approved extension request	N/A, requested extension in July 2023
7	Realistic estimated completion date	June 2024
8	Date the compliance field work commenced (or is scheduled)	Early January 2024
9	Do you expect to prepare the Financial Reports and footnotes in house, or do you plan to hire assistance?	Hire Assistance
1	Winter IGFOA 2023 December 12-14, 2023	



PALAU - GASB 87 REQUIREMENTS

Has your government developed the list of leases as required by GASB 87?	Currently compiling the lists of all Leases effective July 2021 to current for our FY22.
Have the appropriate accounting adjustment entries been made in your financial system?	No
Do you still have questions or unresolved determinations on any leases? If so, please detail the lease(s) and the issue.	1. How do we treat the no value lease agreements? 2. If lease expires in 1 year, but option to renew for the next 5 years?

2



PALAU - AUDIT PROCESS STRUCTURE

	AUDIT STATUS DATES	
1	What office (department) is responsible for selecting and contracting the audit firm?	Office of the Public Auditor with MOF Evaluation
2	Does the government have an <u>active</u> audit oversight committee? Who is on the committee?	Yes, The Office of the Public Auditor, by law, oversees the audit.
3	Have you assigned a financial audit coordinator who is responsible for monitoring auditor communications and audit progress? If so, what is their position?	No, The Office of the Public Auditor is in the process of establishing this oversight responsibility.
4	Do you have a compliance audit coordinator who is responsible for monitoring auditor communications and audit progress? Do you have a coordinator to track and review compliance findings?	This function will be embedded with the oversight responsibility
5	Do you have regular status meetings with the auditor? Is it a requirement built into your audit contract?	No. Only the required meetings, entrance, interim, exit.
6	Does your public auditor assist with ensuring the component units have contracted with an audit firm and are staying on track with their audits?	Yes

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PALAU - LOOKING TO THE FUTURE

	AUDIT STATUS	FY2023 & FY2024
1	What fiscal years already have audit contracts?	FY2021
2	What is the date of your latest completed general fund bank reconciliation?	Sept 2022
3	What account or fund is the most troublesome to reconcile on a regular basis? Why?	ACH/Merchant Account
4	What major reconciliations are still outstanding for FY2023?	Haven't started FY23 Recon
5	What skill set is most needed in your office to help complete the audit and reconciliation tasks?	Recon Clerk

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PALAU - FMIS STATUS

What is the status of your FMIS project/system?	Implemented, went live in FY20
What are the next steps and what is the general timeline for implementation?	Requested for ACFR module in person training (\$24k) for 5 days vs. remote at \$9k
Do you have a budget for ongoing support and training?	Yes but will end this Fiscal Year 2024 – Support and Training
Which modules are not implemented and are still needed?	Bid and Contract Module
Which modules have been purchased but not used?	Reporting module for the Annual Comprehensive Financial Report

5

PALAU Department of Finance Performance Measures	Target	Period	Prior Period -1	Current Period 0	Trend	Notes	Audit issue?
Reduction in overdue travel advances	25% reduction from prior period	Quarterly	Mar'23 70%	Sep'23 20%	↓	Employee Payroll Deduction	No
Completion of Fixed Asset Inventory	100% completed and AJEs posted	Annual or biannual	Apr'23 25%	Sep'23 99%	↑	Only 2 offices pending approval & signatures	No
Bank Reconciliations completed on a timely basis	10 days after month end	Mnthly	89%	89%	→	Difficulties identifying revenues / merchant transactions	No
Reduction in invalid, outdated encumbrances	0% invalid encumbrance	Annual	FY2022 27%	FY2023 30%	→		No



Palau - Action Plan Progress

Task	Targeted Time Frame	Progress Notes	Updated time frame
1. Work on recruiting and retaining staff (Leadership Training Program)	On-going	Minister Update	
2. FY21 Audit Completion	April 2024	Awarded Contract to EY, EY had proposed amendments, now under AG review. Fieldwork to start early Jan 2024	June 2024
3. Internal Audit Office	March 2024	Working with PEFA to create the Unit	FY2024
4. ARPA Grants	FY2024	Had final meeting with US Treasury and PNCC to address last remaining issues. Pending now is to submit new budget to reflect changes in Grant plan.	Dec 31, 2023



2i

***Government Presentation:
US Virgin Islands***





USVI - CURRENT AUDIT TIMELINE

	AUDIT STATUS DATES	FY2021
1	Date the Trial balance was submitted to and accepted by the auditors	03/31/2023
2	Were the audit adjustments entered and the opening balances agreed to the prior year ending? Who is responsible for these tasks?	Yes
3	Date the financial audit field work commenced (or scheduled)	06/01/2023
4	Any major PBC schedules & reconciliations still outstanding?	Workers Comp Actuarial Report
5	Status of component units: # on schedule & # behind	About 8 on schedule and 8 behind
6	Date of the approved extension request	December 31, 2023
7	Realistic estimated completion date	03/31/2023
8	Date the compliance field work commenced (or is scheduled)	11/30/2023
9	Do you expect to prepare the Financial Reports and footnotes in house, or do you plan to hire assistance?	Hire assistance

1 Winter IGFOA 2023 | December 12-14, 2023



USVI - GASB 87 REQUIREMENTS

Has your government developed the list of leases as required by GASB 87?	YES
Have the appropriate accounting adjustment entries been made in your financial system?	no
Do you still have questions or unresolved determinations on any leases? If so, please detail the lease(s) and the issue.	no



USVI - AUDIT PROCESS STRUCTURE

	AUDIT STATUS DATES	
1	What office (department) is responsible for selecting and contracting the audit firm?	Property & Procurement
2	Does the government have an <u>active</u> audit oversight committee? Who is on the committee?	Department of Finance and OMB work on the audits collaboratively
3	Have you assigned a financial audit coordinator who is responsible for monitoring auditor communications and audit progress? If so, what is their position?	As the Executive Assistance Commissioner, I coordinate and oversees the audit process along with the accounting & financial reporting director
4	Do you have a compliance audit coordinator who is responsible for monitoring auditor communications and audit progress? Do you have a coordinator to track and review compliance findings?	OMB Compliance Department and DOF work collaboratively to accomplish such task
5	Do you have regular status meetings with the auditor? Is it a requirement built into your audit contract?	We have weekly audit meetings with our auditors which is built into the cost
6	Does your public auditor assist with ensuring the component units have contracted with an audit firm and are staying on track with their audits?	No
3	Winter IGFOA 2023 December 12-14, 2023	



USVI - LOOKING TO THE FUTURE

	AUDIT STATUS	FY2023 & FY2024
1	What fiscal years already have audit contracts?	FY2022
2	What is the date of your latest completed general fund bank reconciliation?	09/30/2021
3	What account or fund is the most troublesome to reconcile on a regular basis? Why?	The major funds and bank accounts, i.e., general fund. Due to decentralization of processes, such as posting cash receipts and obtaining supporting documentations which causes delays in reconciling.
4	What major reconciliations are still outstanding for FY2023?	SEFA, Federal Receivables, Bank and Fund balance reconciliations
5	What skill set is most needed in your office to help complete the audit and reconciliation tasks?	Accounting knowledge to include analytical and reconciliation skills and knowledge of excel.
4	Winter IGFOA 2023 December 12-14, 2023	



USVI - FMIS STATUS

What is the status of your FMIS project/system?	Completed
What are the next steps and what is the general timeline for implementation?	N/A
Do you have a budget for ongoing support and training?	yes
Which modules are not implemented and are still needed?	N/A
Which modules have been purchased but not used?	N/A

5

USVI Department of Finance Performance Measures	Target	Period	FY' 2022	FY' 2023	Trend	Notes	Audit issue?
Reduction in overdue travel advances	The managing of travel advances and the amount due to GVI is decentralized and not managed through one system. We expect to launch the Concur Software that will reconcile travel advances and travel reimbursements.						
Completion of Fixed Asset Inventory	100% completed and AJEs posted	Annual or biannual	100%	65%	↑		
Bank Reconciliations completed on a timely basis	5 days after month end	Mnthly	2	3		Aiming for monthly reconciliation	
Reduction in invalid, outdated encumbrances	0% invalid encumbrance	Qtrly	39%	98%	↑	DOF is working with the agencies and department on cleaning up 2022 POs which are largely due to construction projects for Disaster Related, Federal Funds to include Asset Recovery Management funding.	

6



USVI Action Plan Progress

Task	Targeted Time Frame	Progress Notes	Updated time frame
FY 2021 Indirect Cost	8/31/2023	Draft rates have been submitted. Contracted firm and DOI negotiator are in discussions to move forward with the issuance of the FY 2021 rates.	12/31/2023
Completed FY 2020 Single Audit	06/30/2023	Completed 08/12/2023	



03

Don't Drive the Auditor Crazy Ten Issues to Avoid



Don't Drive Your Auditor Crazy!

Ten Issues to Avoid

Below are listed some very basic issues which are the government's problem to resolve, not the auditors. Presenting the auditors with these problems is likely to delay the audit and, if material, will result in an audit finding. Either they will hand back the problem or propose an audit adjustment which may or may not be the appropriate entry to make and could compound the issue in the next year. Better to either figure it out or make an adjustment to fix it.

1 Opening balances which do not agree with prior year's closing balances

One of the first things the auditor will check. If audit adjustments were posted after the final roll of prior year to the new year, isolate those and make a list for the auditor. Make sure the auditor has the list of combined accounts and combined funds. Don't make them try to figure it out.

2 Providing any schedule or financial statement in PDF form.

Remember that the auditors have software too. It is not helpful to ask the auditor to key in numbers which can be easily uploaded with an excel or database file. Ask them what format they prefer.

3 Due to/from accounts (pooled cash) which are not balanced

It may seem like a small problem to you on a trial balance, but have you ever seen due to/from accounts which are not balanced in the official financial statements? The auditor has to ensure these are balanced and will have to propose an adjusting entry. Just clear it up beforehand.

4 Funds which are not in balance

This goes without saying. If the debits and credits in every fund are not balanced, there is a major problem, beyond what the auditors think

5 Subledger detail which does not agree with the general ledger balance

As a general rule, if you cannot agree the subledger and general ledger, go with the subledger detail which can be supported. That detail is what the auditors will audit. This is true of receivables, travel advances, account payables, payroll payables, inventories and assets, encumbrances and continuing appropriations. If a general ledger balance cannot be supported with detail, make your own adjustments, don't expect the auditor to do it.

6 You are speaking a different language

This is especially true when changing software or auditors. An "account" may mean a very specific segment or the full list of the defining elements of the organization structure or chart of accounts. A "cost center" may be the segment associated with a specific grant or a program element or the "object class" From the start, provide a list of how you define your terms to the auditors and avoid a lot of confusion!

7 Leftovers in accounts and funds

Since audit adjustments are proposed in whole dollars, often minor balances are left. This happens with funds which are no longer active and have the same insignificant amounts year after year. Every fund, every account has to be managed in some way by the auditors. Clean up and clear out this stuff!

8 Obvious problems with accounts

At the very least, make sure your accounts are on the correct side of the balance sheet! Including those in the fund balance section.

9 Trying to hit a moving target

If you are still reconciling an account after turning the trial balance over to the auditors, the best practice is to a) make sure the auditors are aware and 2) track your changes so they can use them to propose an audit adjustment. Don't make a habit of it, don't do it on most of your accounts and don't do it multiple times during the audit process.

10 Lack of response and communications

Yes, there is guilt on both sides, but resolve that it will not be on yours this year. Ensure there is one person (or several with clearly defined responsibilities) who will ensure that audit requests not ignored nor put off. This person should have the ability to follow up within finance and with departments and external agencies. If the auditor asks for a schedule or statement which has already been provided, it may be easier just to provide it again or at the very least point to the date and recipient.

Don't passively wait to find out if the auditors and the audit are active. Consider a periodic (weekly, biweekly) check in. Ensure auditors are passing along audit findings and issues as they occur. Don't assume no news is good news!



04

Auditing is a Team Sport: The Roles of Auditors and Management

Auditing is a Team Sport: The Roles of Auditors and Management

IGFOA 2023 Winter Meeting
December 12 - 14, 2023



EY

Agenda

- ▶ Introduction
- ▶ Management's Responsibilities
- ▶ Auditor's Responsibilities
- ▶ Collaborative Efforts
- ▶ Key Differences
- ▶ Challenges and Pitfalls
- ▶ Case Study
- ▶ Conclusion

EY

Introduction



EY

Management's Responsibilities



EY

Management

- ▶ Financial Reporting: Preparation of accurate and timely financial statements.
- ▶ Internal Controls: Establishment and maintenance of effective internal control systems.
- ▶ Compliance: Ensuring adherence to relevant laws and regulations.

EY

Auditor's Responsibilities



EY

Auditors

- ▶ Independent Examination: Conducting an unbiased review of financial statements.
- ▶ Audit Opinion: Providing an opinion on the fairness of financial statements.
- ▶ Detecting Fraud: Identifying and reporting any instances of material misstatements caused by fraud.

EY

Collaborative Efforts



EY

Collaboration

- ▶ Communication: Ongoing dialogue between auditors and management for clarifications.
- ▶ Cooperation: Management providing necessary access and information to auditors.
- ▶ Continuous Improvement: Joint efforts to enhance financial reporting processes.

EY

Key Differences



EY

Differences

- ▶ Perspective:
 - ▶ Management focuses on day-to-day operations.
 - ▶ Auditors maintain an independent, external viewpoint.

- ▶ Accountability:
 - ▶ Management is accountable for the accuracy of financial statements.
 - ▶ Auditors provide assurance.

EY

Challenges and Pitfalls



EY

Challenges

- ▶ Conflicts of Interest: Auditors balancing the need for independence with management cooperation.
- ▶ Resource Constraints: Management balancing operational needs with auditor needs.

EY

Case Study



EY

Case Study

<u>FYE 9/30</u>	<u>Audit Report Date</u>	<u>DCF Deadline Met</u>
2007	Jun 2008	YES
2008	Jun 2009	YES
2009	Jun 2010	YES
2010	Jun 2011	YES
2011	Feb 2013	NO
2012	Jul 2013	NO
2013	Oct 2014	NO
2014	Feb 2016	NO
2015	Nov 2016	NO
2016	Jun 2017	YES
2017	Jun 2018	YES
2018	Jun 2019	YES
2019	Dec 2020	YES

EY

Case Study

<u>FYE 9/30</u>	<u>Date TB Provided</u>	<u>Audit Report Date</u>	<u>Months to Complete</u>
2014	9/1/2015	2/23/2016	5.8
2015	6/17/2016	11/18/2016	5.1
2016	1/15/2017	6/28/2017	5.5

EY

Conclusion



EY

Questions?

EY



05

Lessons Learned from GASB-87 (Lease Standard) Implementation and Update on Future Standards

GASB 96 – SBITA, GASB 94 – P3s and GASB 87 – Leases

Presented by:

Frank Crawford, CPA

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All 3 standards very similar, but different

- ▶ P3s (GASB 94)
- ▶ SBITAs (GASB 96)
- ▶ Leases (GASB 87)



What We Will Cover

Overview of these specific GASB standards
 Scope considerations
 Accounting for leases (lessee) and SBITAs (very similar)
 Identifying and documenting key provisions
 Outlays other than subscription payments
 Separating components and allocating contract prices
 Selection of discount rate
 Preparing required disclosures
 Similarity of P3s to leases
 87 issues arising in year 1 of implementation
 Common questions/issues



Terminology and Abbreviations

AICPA	American Institute of CPAs
BAML	Bank of America Merrill Lynch
CPE	Continuing Professional Education
EMMA	Municipal Securities Rulemaking Board's Electronic Municipal Market Access
FYE	Fiscal Year End
GASB	Governmental Accounting Standards Board
GAQC	Governmental Audit Quality Center
IG	Implementation Guide
IT	Information Technology
OAS	Option-Adjusted Spread
MD&A	Management discussion and analysis
PV	Present Value
SBITAs	Subscription-Based Information Technology Arrangements
SLGs	State and Local Governments



- Overview of these specific GASB Standards



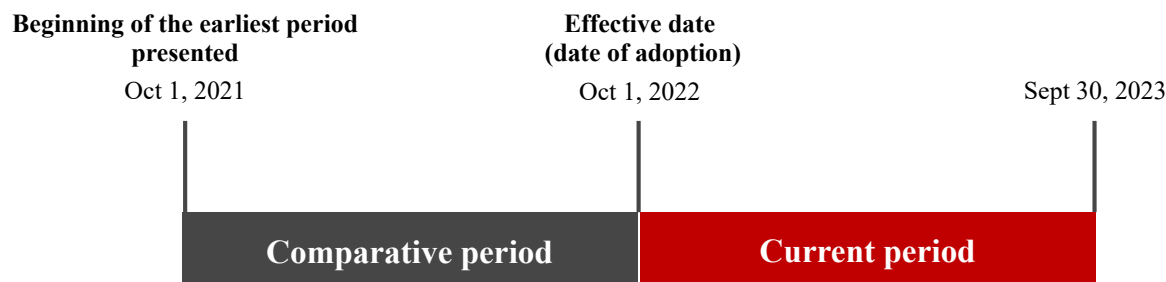
Scope and Timing

GASB Statement No. 87, <i>Leases</i>	GASB Statement No. 96, <i>Subscription-Based Information Technology Arrangements (SBITAs)</i>
Establishes a single reporting model for lease accounting based on the foundational principle that leases are financings of the right to use an asset.	Establishes standards of accounting and financial reporting for SBITAs by a government end user.
Effective for annual reporting periods beginning after June 15, 2021, and interim periods beginning the year after. Apply retroactively to all periods presented.	Effective for periods beginning after June 15, 2022. Apply retroactively to all periods presented
GASB Statement No. 96 amends GASB Statement No. 87 to exclude SBITAs from the scope of the Lease standard. Tangible capital assets associated with a SBITA that were recognized under GASB Statement No. 87 will be restated when GASB Statement No. 96 is adopted.	



SBITA Transition Considerations

- ▶ Following are relevant dates for a calendar year-end:



- ▶ Other considerations:
 - Use facts and circumstances that existed at the beginning of the earliest period restated, **NOT** the commencement date of the SBITA.



Definitions

Leases	SBITAs
A contract (e.g., an agreement between two or more parties that creates enforceable rights and obligations) that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction.	A contract that conveys control of the right to use another party's (a SBITA vendor's) IT software, alone or in combination with tangible capital assets (the underlying IT assets) , as specified in the contract for a period of time in an exchange or exchange-like transaction.
<p>In order to “convey control of the right to use of the underlying asset”, a contract should have both of the following:</p> <ul style="list-style-type: none"> • The right to obtain the present service capacity from use of the underlying asset • The right to determine the nature and manner of use of the underlying asset 	<p>In order to “convey control of the right to use of the underlying asset”, a contract should have both of the following:</p> <ul style="list-style-type: none"> • The right to obtain the present service capacity from use of the underlying IT asset • The right to determine the nature and manner of use of the underlying IT asset



Types of SBITAs

Short-Term SBITAs

- Maximum possible term at commencement of the subscription term of 12 months or less
- No recognition of subscription liability or subscription asset required
- Short term payments are expensed as incurred

All Other SBITAs

- Subscription liability and subscription asset are recognized at the commencement of the subscription term



Topics That Are The Same For Leases and SBITAs

- Lease/Subscription Term
- Short-Term Lease/SBITA
- General Recognition and Measurement
- Contracts with Multiple Components
 - Generally, account for lease (etc.) and non-lease (etc.) components as separate contracts and multiple underlying assets as separate lease (etc.) components
 - Allocate contract price to different components
- Modifications and Terminations



► Is This Contract in Scope?



What Is Excluded?



SBITAs
Contracts that solely provide IT support services
Contracts that convey control of the right to use another party’s combination of IT software and tangible capital assets that meets the definition of a lease in GASB Statement No. 87, <i>Leases</i> , in which the software component is insignificant when compared to the cost of the underlying tangible capital asset
Governments that provide the right to use their IT software and associated tangible capital assets to other entities through SBITAs
Contracts that meet the definition of a P3 in GASB Statement No. 94, <i>Public-Private and Public-Public Partnerships and Availability Payment Arrangements</i>
Licensing arrangements that provide a perpetual license to governments to use a vendor’s computer software, which are subject to Statement No. 51, <i>Accounting and Financial Reporting for Intangible Assets</i>



Relationship Between Leases and SBITAs

- All SBITAs meet definition of lease
- Accounting depends on what the underlying asset is:
 - Tangible capital assets alone – GASB Statement No. 87
 - IT software alone – GASB Statement No. 96
 - IT software in combination with tangible capital assets:
 - Software component is insignificant compared to cost of underlying tangible capital asset – GASB Statement No. 87
 - Otherwise – GASB Statement No. 96



Multifunctional Printer

Features include:

- Printing, copying, scanning, faxing, and other tasks
- Software to connect to an IT system



Intelligent Vehicles

- ▶ Features include:
 - Autopilot
 - Full self-driving capabilities



Website Subscriptions

- ▶ Including:
 - News services
 - Bloomberg
 - Morningstar



Laptops

- ▶ Features include:
 - Operating software
 - Microsoft 365



Cloud Computing Arrangements



Software

- ▶ Including:
- Microsoft 365
- QuickBooks Online
- ERP Software



What about Software that automatically renews?

- ▶ Overview of Accounting for Leases (Lessee) and SBITA

Initial Reporting

	Assets	Liability
Leases (Lessee)	Intangible right-to-use lease asset = Lease liability plus prepayments and any ancillary costs to place asset to use	Lease liability = PV of expected lease payments over lease term
SBITA (End User)	Intangible right-to-use subscription asset = Subscription liability + prepayments + capitalizable initial implementation costs	Subscription liability = PV of expected SBITA payments over SBITA term



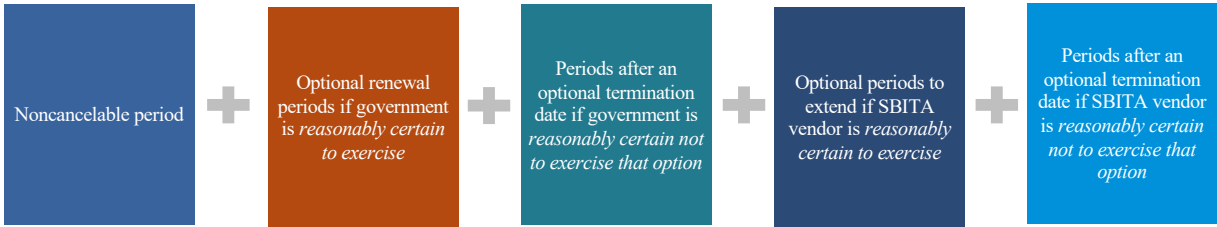
Subsequent Reporting

	Assets	Liability
Leases (Lessee)	Amortize lease asset over shorter of useful life of asset or lease term	Reduce lease liability by principal portion of lease payments Recognize (accrue) interest payable
SBITA (End User)	Amortize subscription asset over shorter of useful life of IT asset or SBITA term	Reduce subscription liability by principal portion of SBITA payments Recognize (accrue) interest payable



Identifying and Documenting Key Provisions

Subscription Term



The SBITA term excludes periods in which both the government and SBITA vendor have options to terminate regardless of probability.

Fiscal funding or cancellation clauses ignored *unless* reasonably certain of being exercised



Exposure Draft – IG 2023

- ▶ 4.7. Q—Is a licensing agreement for a vendor's computer software that automatically renews until cancelled a licensing agreement that provides a perpetual license?
- ▶ A—No. A provision under which a licensing agreement automatically renews until cancelled is an option to terminate the agreement at each renewal date. An agreement that includes an option to terminate is not a purchase, whereas a perpetual license is a purchase in which a government is granted a permanent right to use the vendor's computer software. Therefore, a licensing agreement for a vendor's computer software that automatically renews until cancelled does not provide a perpetual license.



Subscription Payments

Subscription payments include:	
Fixed payments	\$ 200,000
Variable payments that depend on an index or rate	150,000
Variable payments fixed in substance	—
Termination penalties ¹	—
(Subscription contract incentives) ²	(—)
Any other payments ¹	—
Total subscription payments	\$ 350,000

¹ Included only if reasonably certain to be exercised/required.

² Subscription contract incentives receivable from the SBITA vendor after commencement of the subscription term are ordinarily a reduction (offset) in the calculation of total subscription payments.



Initial Measurement of Subscription Liability

$$\begin{array}{c} \text{Subscription} \\ \text{Liability} \\ \text{\$309,950} \end{array} = \begin{array}{c} \text{PV of } \textit{Expected} \\ \text{SBITA Payments} \end{array}$$

Payment Date	Amount
At Signing - Deposit	\$ 50,000
Beginning of Year 2	\$ 50,000
Beginning of Year 3	\$ 50,000
Beginning of Year 4	\$ 50,000
Beginning of Year 5	\$ 50,000
End of Year 5	\$150,000

The security deposit is not a SBITA payment.



► Outlays Other Than Subscription Payments



Accounting for Stages of Implementation

Preliminary Project Stage	Initial Implementation Stage	Operational & Additional Implementation Stage
<ul style="list-style-type: none"> Outlays expensed as incurred 	<ul style="list-style-type: none"> Outlays should be capitalized as part of the subscription asset If no subscription asset is recognized (for example, short-term SBITA), outlays should be expensed as incurred 	<ul style="list-style-type: none"> Outlays expensed as incurred unless they meet specific capitalization criteria

Outlays related to the implementation of the SBITA can overlap or occur in multiple cycles and are recognized based on the nature and timing of the outlay (activity).

Stages of Implementation

Preliminary Project Stage	Initial Implementation Stage	Operation and Additional Implementation Stage
<ul style="list-style-type: none"> Conceptual formulation and evaluation of alternatives Determination of the existence of needed technology Final selection of alternatives for the SBITA 	<ul style="list-style-type: none"> Ancillary charges related to designing the chosen path, such as configuration, coding, testing, and installation associated with the government's access to the underlying IT assets Other ancillary charges necessary to place the subscription asset into service Initial implementation stage completed when the subscription asset is placed into service 	<ul style="list-style-type: none"> Maintenance, troubleshooting, and other activities associated with the government's ongoing access to the underlying IT assets Additional implementation activities, such as those related to additional modules that occur after the subscription asset is placed into service

Data conversion is considered an activity of the initial implementation stage **only** when necessary to place the subscription asset into service. Otherwise, considered an activity of the operation and additional implementation stage.

Training cost are expensed as incurred, regardless of the stage the costs are incurred

Old But Applicable Guidance – Z.51.22

- ▶ Q—Statement 51 provides guidance for the treatment of outlays associated with data conversion and user training activities for internally generated computer software. How should such outlays be accounted for when the activities are associated with the acquisition of computer software that is not considered internally generated?
- ▶ ...Outlays associated with **data conversion activities** should be capitalized as an ancillary cost of the acquired computer software only if those activities are determined to be necessary to make the software operational. Otherwise, such outlays should be expensed as incurred. **Outlays associated with user training should not be considered an ancillary cost of acquired computer software**, and, therefore, those outlays should be expensed as incurred.



- ▶ Separating Components and Allocating Contract Prices



Separating Components

Step 1: Identify separate components



- Contracts may contain multiple components (e.g., multiple pieces of equipment)
- If components have different subscription terms, they must be accounted for separately
- If underlying assets are in different major classes of assets for disclosure purposes, they must be accounted for separately **Disclosure of major classes of subscription assets is not required. Required for Leases only!**

Step 2: Identify any nonsubscription components



- Nonsubscription components must be separated from subscription components and accounted for separately
- Nonsubscription components should be accounted for under applicable nonsubscription guidance. Many times, these components are service contracts.

Step 3: Allocate the contract price



- Use prices for individual components that are included in the contract, as long as not unreasonable
- If contract doesn't include separate prices for individual components or they seem unreasonable, use judgment to determine the best estimate for allocation to each component, but always maximizing the use of observable information



Nonsubscription components include separate perpetual licensing arrangement (excluded from GASB Statement No. 96) and maintenance services for the IT assets.

Separating Components: Allocating Contract Prices



1 Identify stated prices in contract

2 Evaluate whether stated prices are "not unreasonable" (using professional judgment and maximizing use of observable inputs)

3 Assign contract prices that are "not unreasonable" to individual components (if they are only associated with an individual component)

4 Allocate remaining contract prices to applicable components, if practicable (allocate based on best estimates, maximizing use of observable inputs)

5 Measure subscription liability (lessee) using contract prices for each lease component

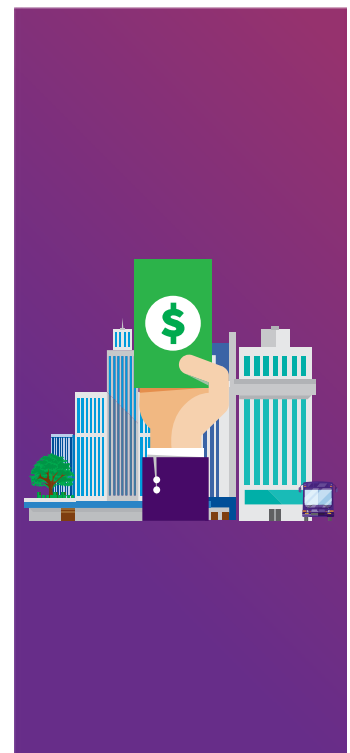


► Selection of Discount Rate



Discount Rate

- Most SBITAs do not explicitly state SBITA vendor's rate
 - Even if it does, may be difficult to evaluate whether stated rate is reasonable
- Most governments (end users) will use their incremental borrowing rate
 - Will not be one size fits all (different rates across subscriptions)
 - Should be based on facts and circumstances of subscription (payment amounts, payment structure, length of subscription, etc.)
 - Will be significant effort in year of adoption, as well as subsequent periods
 - Helpful to develop yield curve for transition date



Discount Rate: Determining Incremental Borrowing Rate

- Entity-specific rate that reflects the creditworthiness of a government
 - Start with debt issuance of government, debt issuance of a comparable government, or risk-free rate
 - Adjust for any financing specific items (credit rating, secured vs. unsecured, taxable vs non-taxable, collateral)
 - Adjust for specific terms (term, payment structure, payment amounts, geographical location)

BAML Ice Index has data on various government debt issuances, including different ratings, durations, types.



► Preparing Required Disclosures



Disclosures - SBITAs

- | | |
|--|---|
| <ol style="list-style-type: none"> 1 General description of SBITA arrangements 2 Total amount of subscription assets, related accumulated amortization, separate from other capital assets 3 Amount of variable payments not previously included in liability 4 Amount of other payments not previously included in liability 5 Principal and interest requirements to maturity | <ol style="list-style-type: none"> 6 Commitments under SBITAs before commencement date 7 Impairment loss and any related change in subscription liability |
|--|---|

For disclosure purposes, SBITAs may be grouped. Disclosure of major classes of subscription assets is not required. Required for GASB Statement No. 87.



For disclosure purposes, subscription liabilities are not considered debt that is subject to disclosures required in GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*.

Key Considerations For Disclosures

Summary of Significant Accounting Policies

- Modification to basis of accounting
- Modification to capital assets
- New SBITA policy
- Modification to deferred outflows of resources/deferred inflows of resources (if applicable)

Where to include the new required disclosures

- New SBITA note; or,
- Modifications to the capital assets, long-term debt, and commitments note



Example Disclosures

▶ *Intangible right-to-use lease and subscription IT assets*

- ▶ A summary of lease and subscription IT asset activity during the year ended June 30, 2023 is as follows:

	Balance beginning of year	Additions	Remeasurements	Deductions	Balance end of year
Lease assets:					
Buildings	\$				
Vehicles					
Equipment					
Total lease assets					
Less accumulated amortization:					
Lease assets:					
Buildings					
Vehicles					
Equipment					
Total accumulated amortization					
Total lease assets, net					
Subscription IT assets					
Less accumulated amortization					
Subscription IT assets, net					
Total lease and subscription IT assets, net	\$				



Note: In the year of implementation for GASB Statement No. 87 and 96, the balance at the beginning of the year *would not* include accumulated amortization.

Example Disclosures

▶ *Lease and subscription IT liabilities*

- ▶ A summary of the changes in the lease and subscription IT liabilities during the year ended June 30, 2023 is as follows:

	Balance beginning of year	Additions	Remeasurements	Deductions	Balance end of year	Amounts due within one year
Lease liabilities	\$					
Subscription IT liabilities						
Total	\$					



Example Disclosures

► **Capital assets**

- Capital asset activity for the year ended June 30, 2023 is as follows :

	Balance beginning of year	Additions	Deductions	Balance end of year
Capital assets being depreciated:	\$			
Building and building improvements				
Equipment				
Intangible assets				
Total capital asset being depreciated				
Less accumulated depreciation:				
Building and building improvements				
Equipment				
Intangible assets				
Total accumulated depreciation				
Total capital assets, net excluding lease and subscription IT assets	\$			
Lease and subscription IT assets, net (Note 7)				
Total capital assets, net as reported in the statement of net position				



Example Disclosures

► **Changes in long-term obligations**

- Changes in long-term obligations for the year ended June 30, 2023 are as follows :

	Balance beginning of year	Additions	Deductions	Balance end of year	Amounts due within one year
Bonds payable	\$				
General obligation bonds					
Special obligation bonds					
Revenue bonds					
Unamortized premiums					
Unamortized (discounts)					
Total bonds payable					
Other long-term obligations					
Certificates of participation					
Workers compensation					
Auto liability					
Pollution remediation obligations					
Net pension liability					
OPEB liability					
Total other long-term liabilities					
Total long-term obligations excluding lease and subscription IT liabilities	\$				
Lease and subscription IT liabilities (Note 7)					
Total long-term obligations as reported in the statement of net position					



▶ Common Questions



Does the entity have to go back to the inception of the SBITA?

- No, it is not required. SBITAs are recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year. However, if applied to earlier fiscal years, those assets and liabilities should be recognized and measured using the facts and circumstances that existed at the beginning of the earliest fiscal year restated



**Transition
Considerations**

In the year of implementation is beginning net position always restated?

- Yes. GASB Statement No. 96 states, changes should be applied retroactively by restating the financial statements for all prior fiscal years presented, if practicable. If restatement is not practicable, the cumulative effect should be reported as a restatement of beginning net position (or fund balance/fund net position) for the earliest fiscal year presented.



**Transition
Considerations**

If the financial statements are presented for a single year, does the MD&A need to be restated for the prior year?

- No. If single year financial statements are presented, the MD&A does not have to be restated for the prior year.



**Transition
Considerations**

How does the entity estimate the incremental borrowing rate if they don't have any debt?

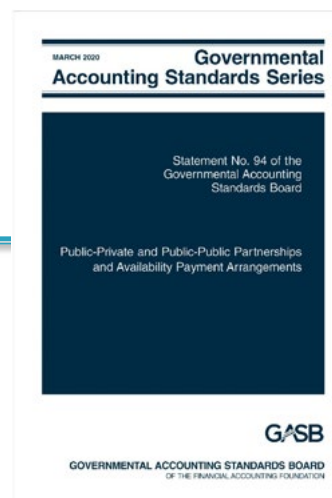
- Create or hire a firm to create a yield curve
- EMMA website
- BAML index
- Modify Treasury yield curve

Borrowing/
Discount rate



Public-Private and Public-Public Partnerships and Availability Payment Arrangements

Statement No. 94



P3s, APAs, and SCAs

What?

The Board issued guidance for public-private and public-public partnerships (P3s) that are not subject to Statements 60 or 87, and improvements to Statement 60

Why?

GASB research found that some P3 transactions are outside the scope of Statement 60 and identified opportunities to improve Statement 60's guidance for service concession arrangements (SCAs)

When?

Effective for reporting periods beginning after June 15, 2022



Definitions: PPPs and APAs

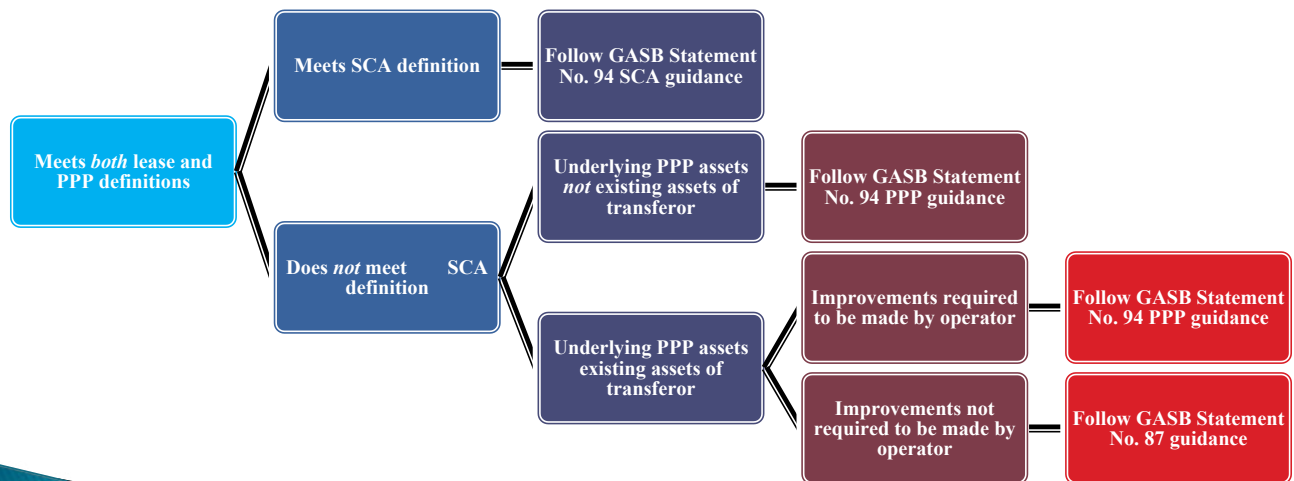
Public-private partnerships and public-public partnerships (P3s) are arrangements “in which a government (the transferor) **contracts with an operator** [governmental or nongovernmental] to **provide public services** by conveying control of the **right to operate** a nonfinancial assets, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction.”

Availability payment arrangements (APA):

- Government contracts with another entity to operate or maintain the government's nonfinancial asset
- Entity receives payments from the government based on the asset's availability for use
- Asset's availability may be based on the physical condition of the asset or the achievement of certain performance measures
- May include design, finance, construction, or service components



Relationship Between Leases and PPPs



APAs

An APA that is related to the design, finance, or construction of an infrastructure or other nonfinancial asset in which ownership of the asset transfers by the end of the contract would be reported as a financed purchase of the asset.

An APA that is related to operations would be accounted for as flows of resources (for example, expense) in the period to which the payments relate.

P3s

Although sounds similar to a lease, the definition contains characteristics that the Board believes describe transactions in which a government is doing more than purchasing or financing a nonfinancial asset or entering into an arrangement to purchase services.

The operator in a P3 provides public services.

A P3 conveys control of the right to operate a nonfinancial asset.



APAs

Transactions in which a government compensates an operator for activities that are related to designing, constructing, financing, maintaining, or operating a nonfinancial asset.

APAs are similar to P3s except that the government retains demand risk and responsibility for fee collection associated with the underlying asset.

Appendix C – Illustrations (state tollway, tunnel, & bridge)



Transferor Reporting

For all P3s, recognize:

- Receivable for installment payments to be received, if any
- Deferred inflow of resources for the assets recognized, including payments received from the operator at or before start of the P3 term

If underlying P3 asset is a new asset or an existing asset that has been improved...

- ...and the P3 is an SCA: also recognize the capital asset at acquisition value when placed into operation
- ...and the P3 is not an SCA: also recognize a receivable for the capital asset, measured at operator's estimated carrying value as of the future date of the transfer in ownership



Operator Reporting

For all P3s, recognize:

- Liability for installment payments to be made, if any

If underlying P3 asset is (a) existing asset or improvement or (b) new asset and the P3 is an SCA...

- ...also recognize an intangible right-to-use asset

If underlying P3 asset is a new asset and the P3 is not an SCA...

- Also recognize the underlying P3 asset until ownership is transferred
- And a liability for the underlying P3 asset, measured at the estimated carrying value as of the future date of the transfer



GASB 87: ...Are We Done Yet?



Topics

- ▶ General overview of GASB 87
- ▶ Areas of implementation issues
- ▶ Common Questions
- ▶ Open FAQ



SCOPE – Is It Still A Lease?

- ▶ Applicability:
 - GASB Statement 94 - P3s
 - GASB Statement 96 – SBITAs
 - See next slide
- ▶ Require a review of leases identified in previous year to determine appropriate classification with adoption of Statements 94&96



What is a lease?

A contract (e.g., an agreement between two or more parties that creates enforceable rights and obligations) that **conveys control** of the right to use another entity's **nonfinancial asset** (the underlying asset) as specified in the contract for a **period of time** in an **exchange or exchange-like transaction**.

- ▶ In order to “convey control of the right to use of the underlying asset”, a contract should have both of the following:
 - The right to obtain the present service capacity from use of the underlying asset
 - The right to determine the nature and manner of use of the underlying asset

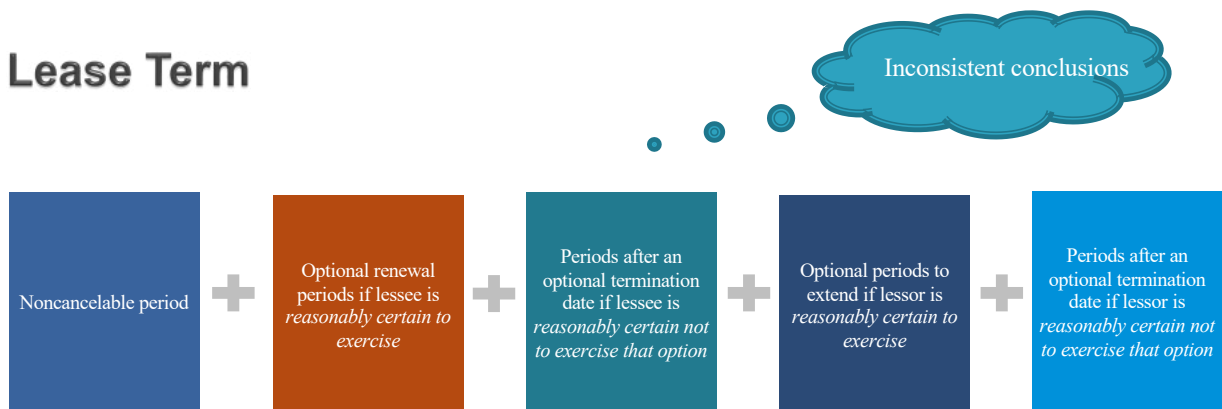


Completeness & the Population

- ▶ Start with existing population
 - Perform evaluation to determine if any impact from Stmts 94&96
 - Perform procedures to ensure evaluation of any new lease agreements
 - Perform procedures to identify any missed leases!
 - Never happens right!!!
 - Determine appropriate accounting (consideration of materiality, measurement)



Lease Term



The lease term excludes periods in which both the lessee and lessor have options to terminate regardless of probability.

Fiscal funding or cancellation clauses ignored *unless* reasonably certain of being exercised



Term vs Maximum Possible Term

- ▶ Lease Term – See previous slide
- ▶ Short-Term lease - Lease that has a “*maximum possible term*” under the contract, including any options to extend, of 12 months or less
 - Evaluation of 12 months or less (Q4.11 in IG 2021-1)
 - ...a three-year contract for the right to use a piece of equipment. However, the government only obtains the right to use the equipment from January through March for each of those three years...
 - Short-Term? Or Not Short-Term?



Short-Term Considerations

- ▶ GASB Statement No. 99
 - Par. 12 - ... a lease that previously had been determined to be short-term and that has been modified to extend the initial maximum possible term under the lease contract should be reassessed from the inception of the lease.
 - If reassessment is greater than 12 months – No Longer Short-Term!
 - Lease term to be assessed at the date of modification for measurement of receivable/liability



Reassessment of Lease Term

- ▶ Reassess the lease term only if one or more of the following occurs:
 - Lessee or lessor elects to exercise an option even though originally determined that the lessee or lessor would not exercise that option
 - Lessee or lessor elects to not exercise an option even though previously determined that the lessee or lessor would exercise that option
 - An event specified in the contract that requires an extension or termination of the lease takes place



Perpetual/Automatic Renewal

- ▶ Common question – “Period of Time” if a contract automatically renews and there is no specific end date, is this outside the scope of the lease definition?
 - No, provision under which the licensing agreement automatically renews until cancelled is an option to terminate
 - Proposed IG 2023-1



Term - Cancellable

- ▶ What is really *Cancellable*? Does probabilities matter?
 - If contract gives either party the option to cancel, even if it is highly unlikely that they wont, it is a cancellable period (Q4.15 in IG 2019-3)
- ▶ What if there is a termination penalty? What if penalty is significant? (Q4.15 in IG 2019-3)



Termination Options

- ▶ GASB 99 – application of par 12 of 87:
 - Option to terminate is an unconditional right that exists within the lease contract
 - Termination based on certain circumstances are not considered termination options:
 - Due to violation of contract provisions (terms and conditions)
 - Default on payment



Lease Termination

Lessee	Lessor
<ul style="list-style-type: none"> Reduce the carrying values of the lease asset and lease liability 	<ul style="list-style-type: none"> Reduce the carrying values of the lease receivable and deferred inflow of resources
<ul style="list-style-type: none"> Recognize a gain or loss for the difference 	<ul style="list-style-type: none"> Recognize a gain or loss for the difference
<ul style="list-style-type: none"> Exception: If the termination occurs because the lessee purchases the underlying asset, then the lease asset should be reclassified to the proper asset class 	<ul style="list-style-type: none"> Exception: If the termination occurs because the lessee purchases the underlying asset, then the carrying value of the underlying asset should be derecognized and included in the resulting gain or loss



Lease Modifications

Are both of the following conditions present?

- Modification gives the lessee an additional lease asset by adding one or more underlying assets that were not included in the original lease
- Increase in lease payments for the additional lease asset does not appear to be unreasonable

Yes

Account for amendment as a separate lease

No

Remeasure lease liability (lessee) or lease receivable (lessor)



Existing Leases – Don't set it and forget it!

- ▶ Don't just roll information to the next year!
- ▶ Determine if existing lease terms are still applicable:
 - Any leases terminated?
 - Any lease terms modified?
 - Type of modification
 - What about assumptions used to evaluate options?
 - Did assumption occur?
 - Did assumption not occur?
 - Did my basis of evaluation change? Do I care 😊



Common Issues - Statement Presentation

- ▶ Classified Format:
 - Current/Non-Current presentation
 - Required for enterprise funds
- ▶ Leased assets – not reported as capital assets
- ▶ Reclassification of current year payments
 - Payments made on leases are debt service
 - Principal & Interest
- ▶ Current year activity – Lessee
 - New leases result in recognition of an expenditures and other financing source



Common Issues - Note Disclosures

- ▶ Missing or inaccurate note disclosures, including –
 - Accounting policy descriptions
 - Capital assets – policies/thresholds inclusion of right to use assets (leased assets)
 - Deferred inflows of resources – existing disclosures not addressing those resulting from lessor agreements
 - Use of old lease language
 - Leasing arrangements – completeness of required disclosures
 - Lessee and Lessor
 - Regulated leases
 - Capital Asset Disclosures
 - Long-term Obligations
 - Over disclosing:
 - Are you an over disclosure?



Intra Entity/Related parties

- ▶ Leases with/between blended component units
 - Eliminations for internal leasing activity take place before the financial statements are aggregated
- ▶ Leases with/between discretely-presented component units
 - Treat like normal leases, but - present receivables and payables separately
- ▶ Leases between ISF and departments/governmental funds
 - Doesn't convey control of another legal entities assets – not within scope
 - (Q4.4 in IG 2021-1)
- ▶ Recognize substance of the transaction, when substance is significantly different from legal form
 - For example, intent of short-term agreement is long-term
 - Disclose the nature and extent of related-party leases



Materiality

- ▶ Year 2: Considerations:
 - Est. Materiality for year 2:
 - Reminder materiality considerations by aggregate (Q4.23 of IG 2019-3)
 - Receivables/Deferred inflows – Lessor
 - Capital Assets/Liabilities by Lessee
 - Capital Assets – (Q5.1 of IG 2021-1)
 - directing governments to capitalize the **collective** amount if material in total
 - Prior year leases determined to be immaterial
 - Consider Prior & Current year leases not recognized in the aggregate
 - Consider amounts by reporting unit as a preparer
 - Consider amounts by Opinion unit as an auditor



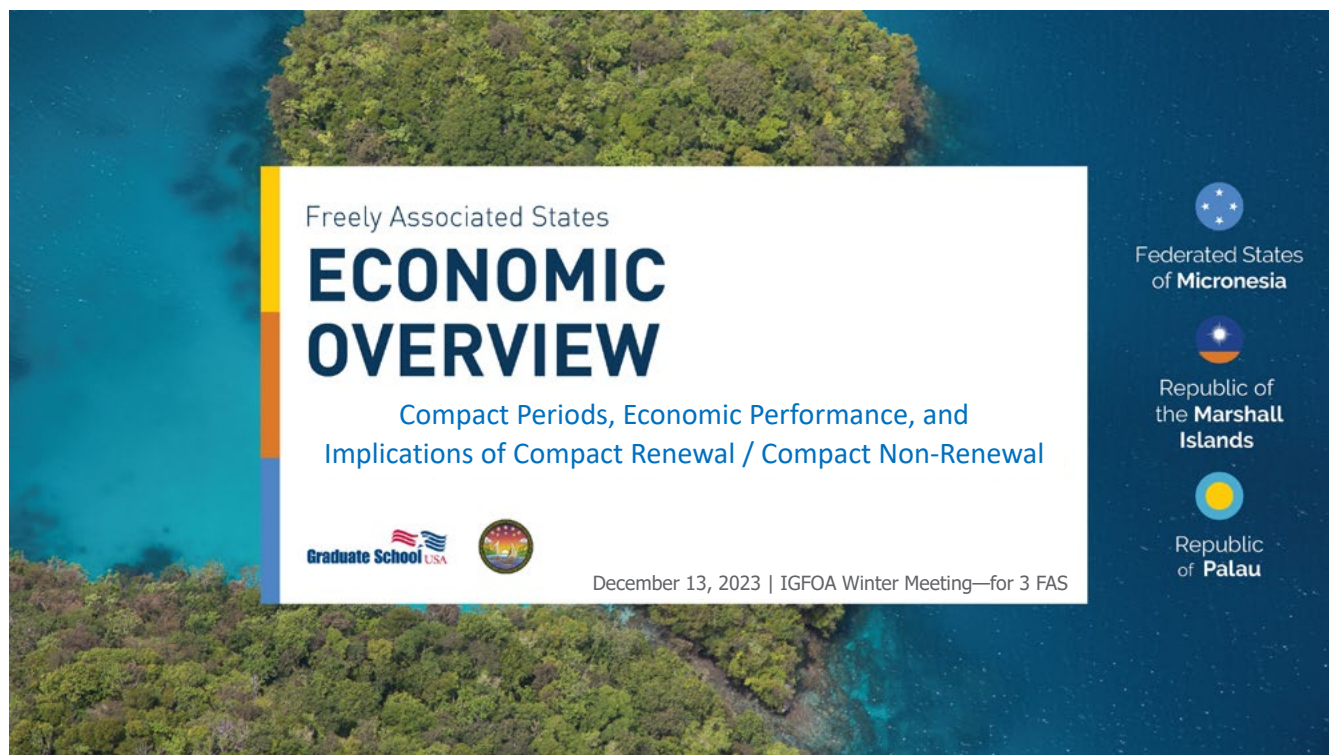
Questions?





06

Freely Associated States Compact Periods, Economic Performance, and Implications of Compact Renewal / Compact Non- Renewal



Looking Forward...



- We are now the 2.5 months into the 3rd Compact funding period for the FSM and RMI, and in the final Fiscal Year for Palau's 2010 Compact Review period...
- ...yet, we still have **two scenarios** to consider:

- ➡ With **(near-)** timely U.S. Congressional authorization & appropriation under the 2023 Compact Renewals;
--- or ---
- ➡ With **delay** of U.S. Congressional action on the 2023 Compact Renewals



Presentation Outline



1. Compact Periods & Economic Performance

2. Comparative FAS Economic Structures
3. Topline Features of 2023 Compact Renewals
4. A New and Happy Challenge: Upward Fiscal Adjustment
5. A Lingering Fiscal Risk: Delay in U.S. Congressional Action
6. Concluding Observations...

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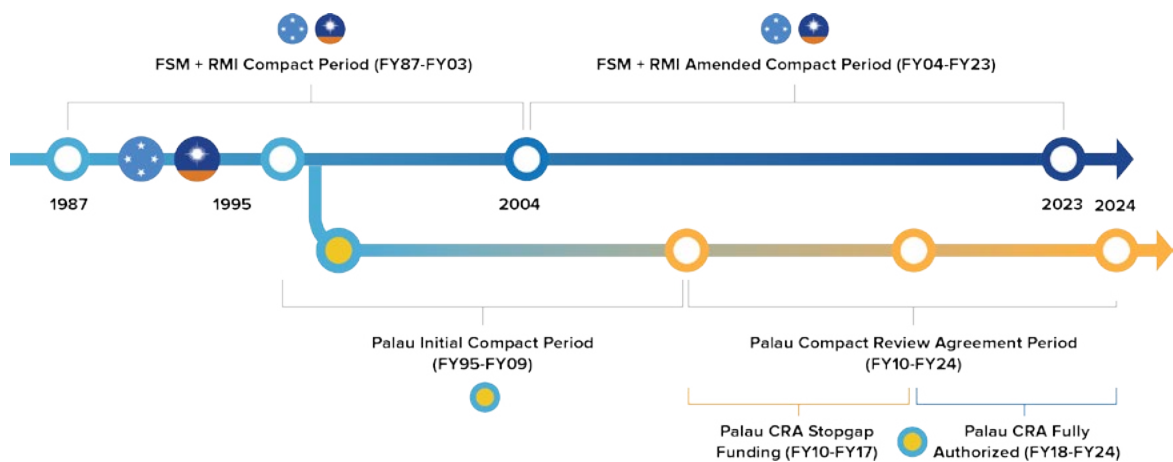


FAS Economic Overview
Federal Working Group for FAS

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1. FAS Compact Periods & Performance



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1. FAS Compact Periods & Performance



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1. FAS Compact Periods & Performance



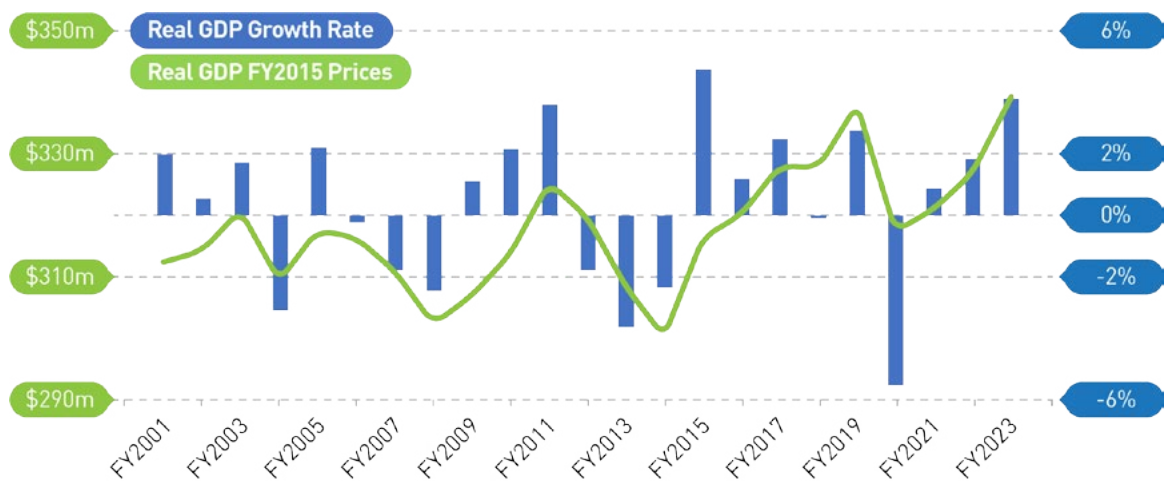
www.econmap.org



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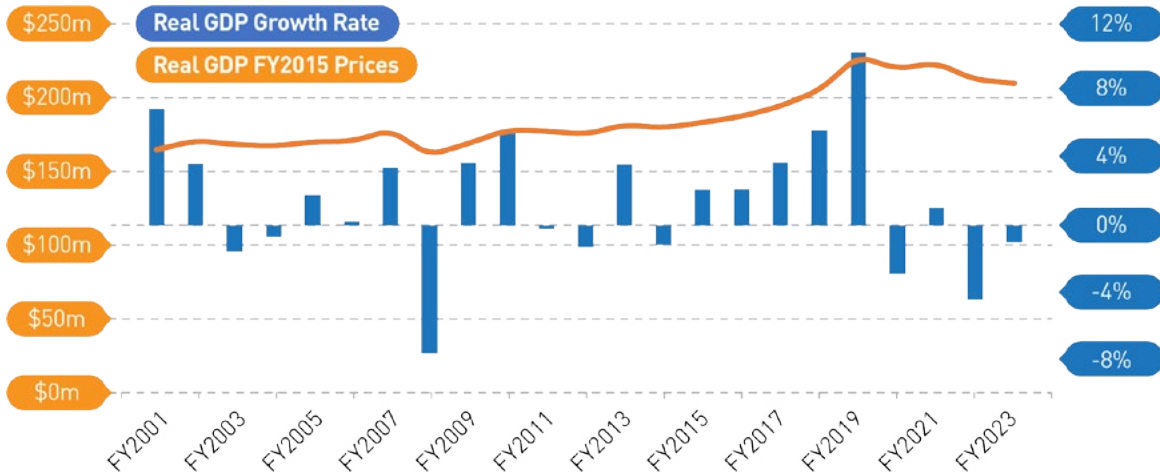
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→ FSM Economy Displays Volatility; Average Real GDP Growth 0.6% per year



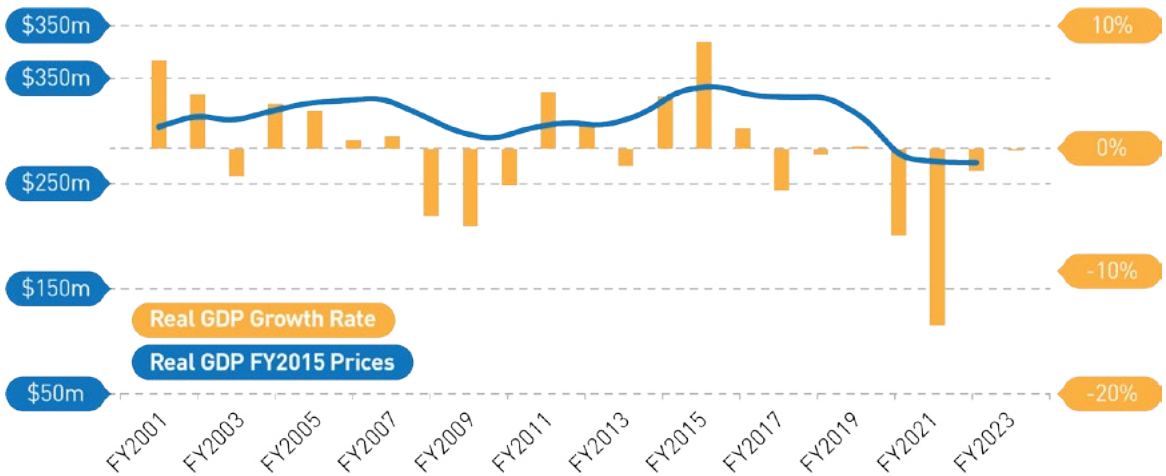
1. FAS Compact Periods & Performance

→ RMI Economy Less Volatile; Average Real GDP Growth 1.2% per year



1. FAS Compact Periods & Performance

→ Palau Economy Highly Volatile; Average Real GDP Growth -0.2% per year



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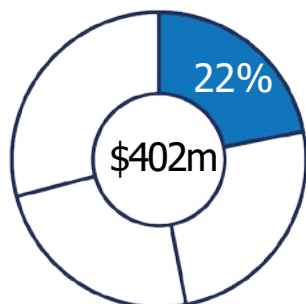


2. Comparative FAS Economic Structures

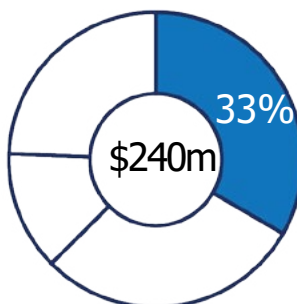


→ Institutional Structure of the Economy (FY17-FY19, 3-YR AVG)

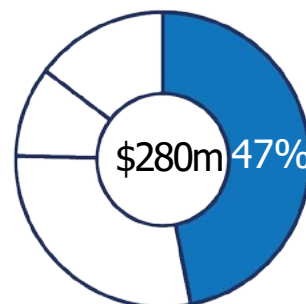
PRIVATE SECTOR as % of



FSM Private Sector



RMI Private Sector



Palau Private Sector



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FAS Economic Overview
Federal Working Group for FAS

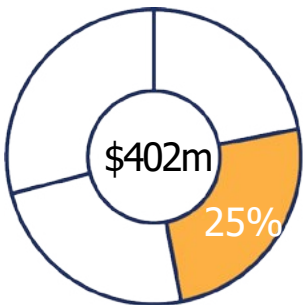
10

2. Comparative FAS Economic Structures

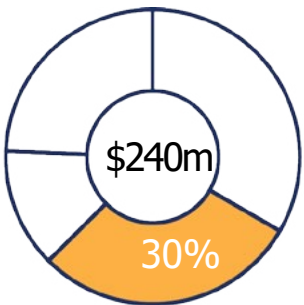


→ Institutional Structure of the Economy (FY17-FY19, 3-YR AVG)

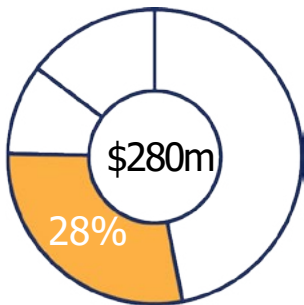
GOVERNMENT as % of GDP



FSM
Government



RMI
Government



Palau
Government

Graduate School USA

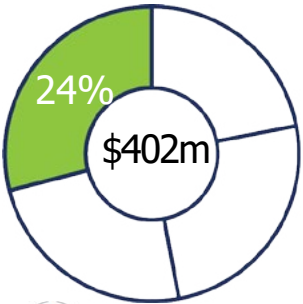


2. Comparative FAS Economic Structures

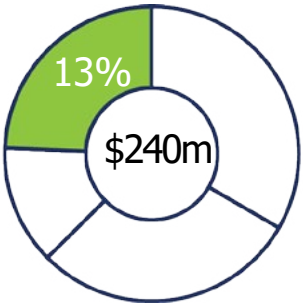


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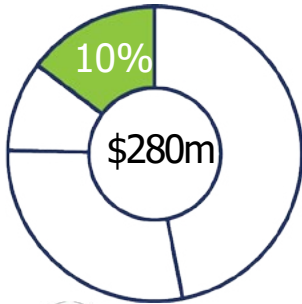
HOUSEHOLD PRODUCTION as % of GDP



Household Production



Household Production



Household Production

Graduate School USA

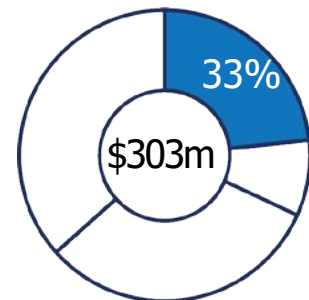


2. Comparative FAS Economic Structures

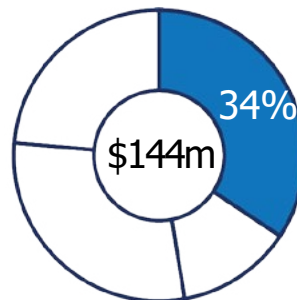


→ FAS Structure of Key Revenue Sources (FY17-FY19, 3-YR AVG)

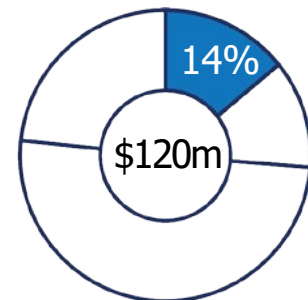
COMPACT REVENUES as % of



FSM Compact Revenues



RMI Compact Revenues



Palau Compact Revenues



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FAS Economic Overview
Federal Working Group for FAS

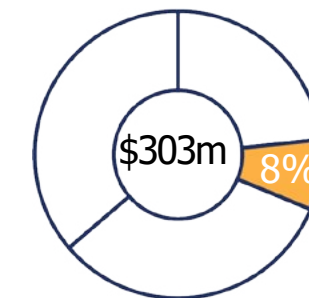
13

2. Comparative FAS Economic Structures

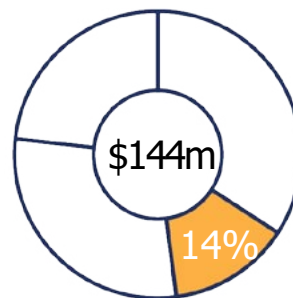


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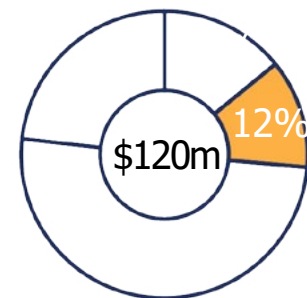
US FEDERAL PROGRAMS as % of REVENUES



FSM US Federal Programs



RMI US Federal Programs



Palau US Federal Programs



www.econmap.org



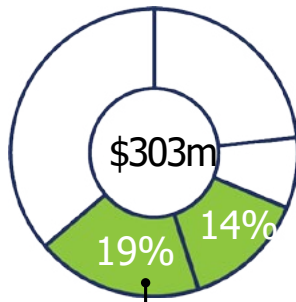
FAS Economic Overview
Federal Working Group for FAS

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Comparative FAS Economic Structures

→ FAS Structure of Key Revenue Sources (FY17-FY19, 3-YR AVG)

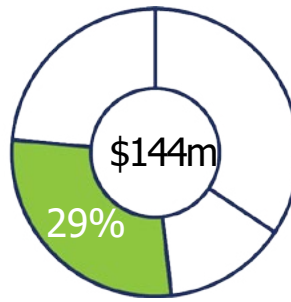
DOMESTIC TAXES as % of REVENUES



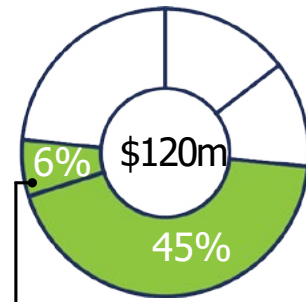
TAX DOMICILE



FSM Domestic Taxes



RMI Domestic Taxes



DEPARTURE TAXES



Palau Domestic Taxes

Graduate School USA



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3. CRA 2023: FSM



→ \$3.3 billion

- Designed to **start seamlessly** at end of the 2nd Compact period
- Annual grants at **\$140 million** per year in defined sectors
- No **annual adjustment**, negotiations resulted in replacing 2%...
- ... with \$500 million contribution to the **Compact Trust Fund** (\$250 million in each of FY2024 & FY2025)



3. CRA 2023: FSM, cont'd



- Treatment of the Compact Trust Fund as a **"Re-Purposed Fund"**
- Amended **Fiscal Procedures**
- Amended **Compact Trust Fund Agreement**
- Ongoing **Federal Programs & Services**



3. CRA 2023: RMI



→ \$2.3 billion

- Designed to **start seamlessly** at end of the 2nd Compact period
- Annual grants at **\$50 million** per year for 20 years in defined sectors with **2% annual adjustment**
- Health special grant at **\$8 million** per year for 20 years with no annual adjustment (and requiring RMI match)



3. CRA 2023: RMI



→ \$2.3 billion

- One-time grants of **\$239 million** in FY2024:

Strategic Health Dialogue	\$20 million
Climate Change Tech. Assistance	\$20 million
Environmental Studies	\$20 million
Environmental Programs	\$10 million
Transparency	\$10 million
Museum	\$5 million
Kwajalein Atoll Master Plan	\$132 million
Suppl. Education Grant catch-up	\$22 million





3. CRA 2023: RMI, cont'd



- ... with **\$700 million** "extraordinary needs" contribution to the Compact Trust Fund (\$200 million in each of FY2024-2026 & \$100 million in FY2027)
- Treatment of the Compact Trust Fund as a **"Re-Purposed Fund"**
- Amended **Fiscal Procedures**
- Amended **Compact Trust Fund Agreement**
- Ongoing **Federal Programs & Services**



3. CRA 2023: Palau



→ \$889 million

- Designed to start **one year before** the 2010 Compact Review period ends
- Annual grants at **\$30 million** per year for 20 years in defined sectors/uses with 2% annual adjustment
- Fiscal consolidation (**debt repayment**) of \$10 million annually for 6 years (FY2024-2029) with no annual adjustment
- ... with \$100 million contribution to the **Compact Trust Fund** (\$50 million in each of FY2024 & FY2025)





3. CRA 2023: Palau



→ \$889 million

- Treatment of the Compact Trust Fund as a **"Re-Purposed Fund"**
- Amended **Fiscal Procedures**
- Amended **Compact Trust Fund Agreement**
- Ongoing **Federal Programs & Services**



Presentation Outline

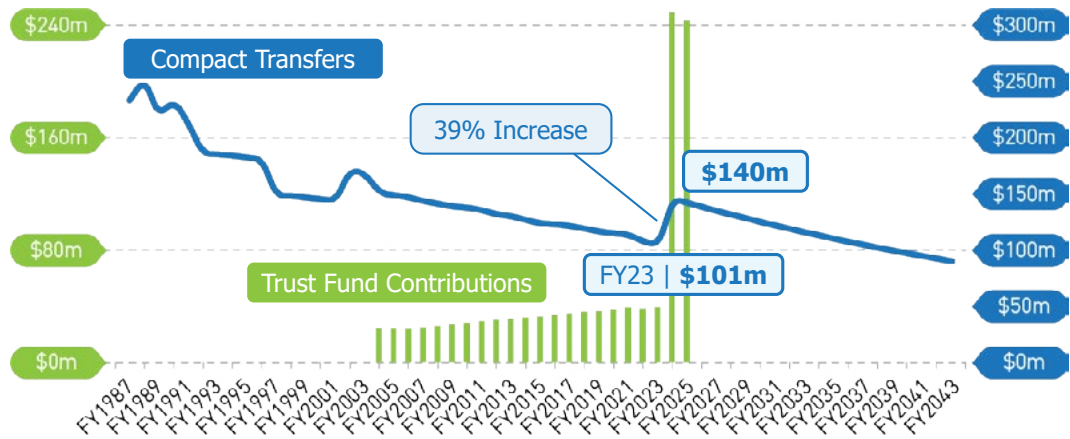


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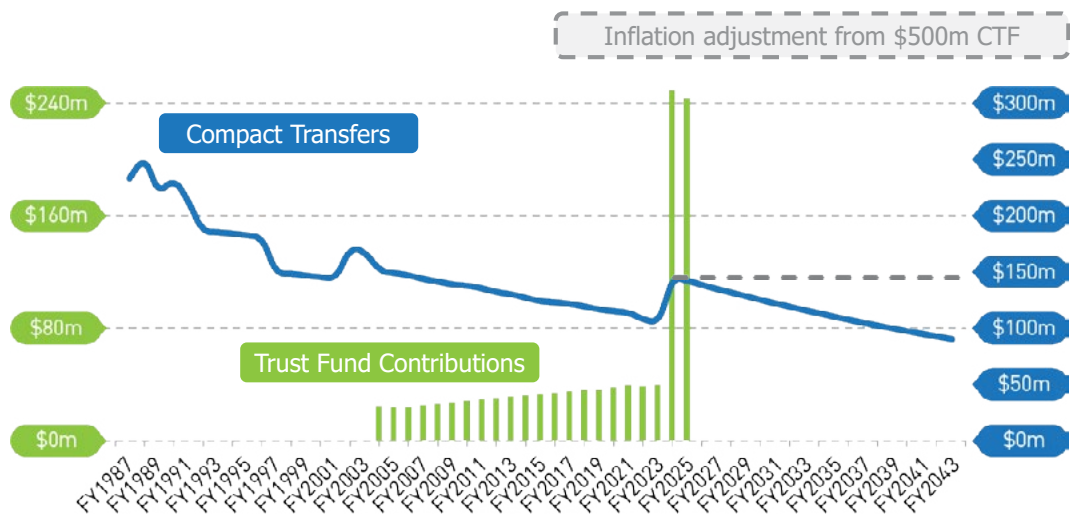
4. Upward Fiscal Adjustment: FSM

→ Assuming no Use of the Re-Purposed Compact Trust Fund & No Use of the \$500m Compact Trust Fund Contribution



4. Upward Fiscal Adjustment: FSM

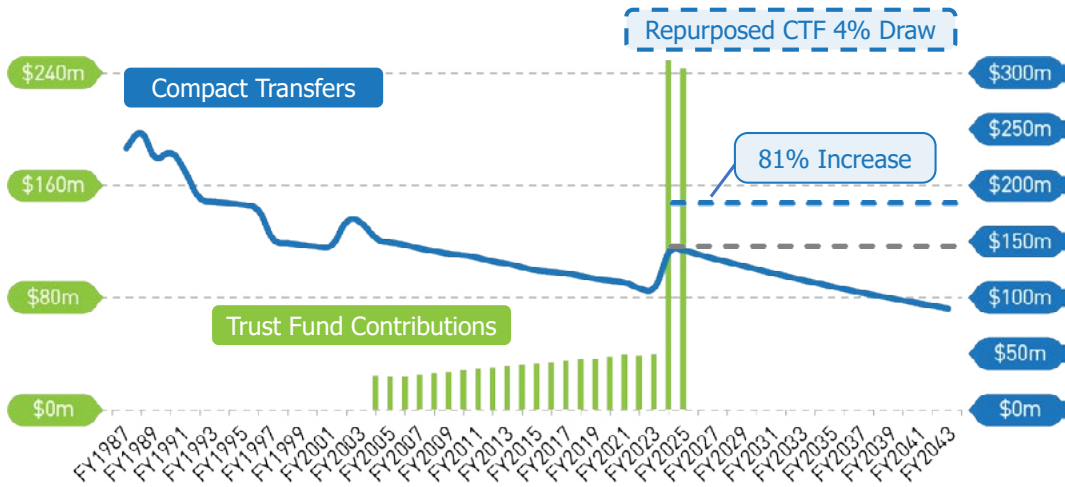
→ Assuming Only Use of the \$500m Fund Addition for Inflation Adjustment



4. Upward Fiscal Adjustment: FSM

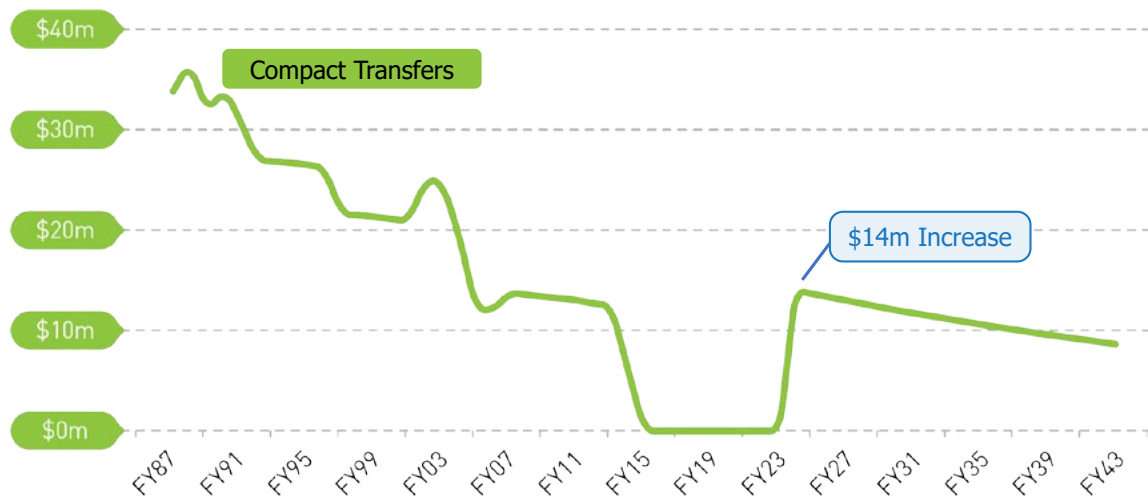


→ Assuming Use of the Re-Purposed CTF & Use of the \$500m CTF Addition for Inflation Adjustment



Upward Fiscal Adjustment: National

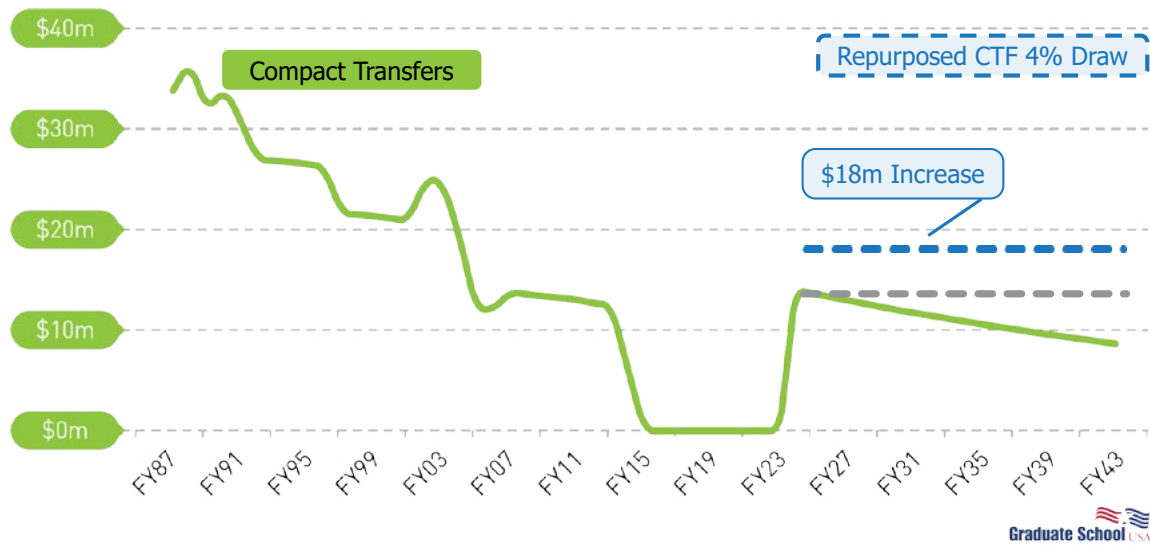
NAT



Upward Fiscal Adjustment: National

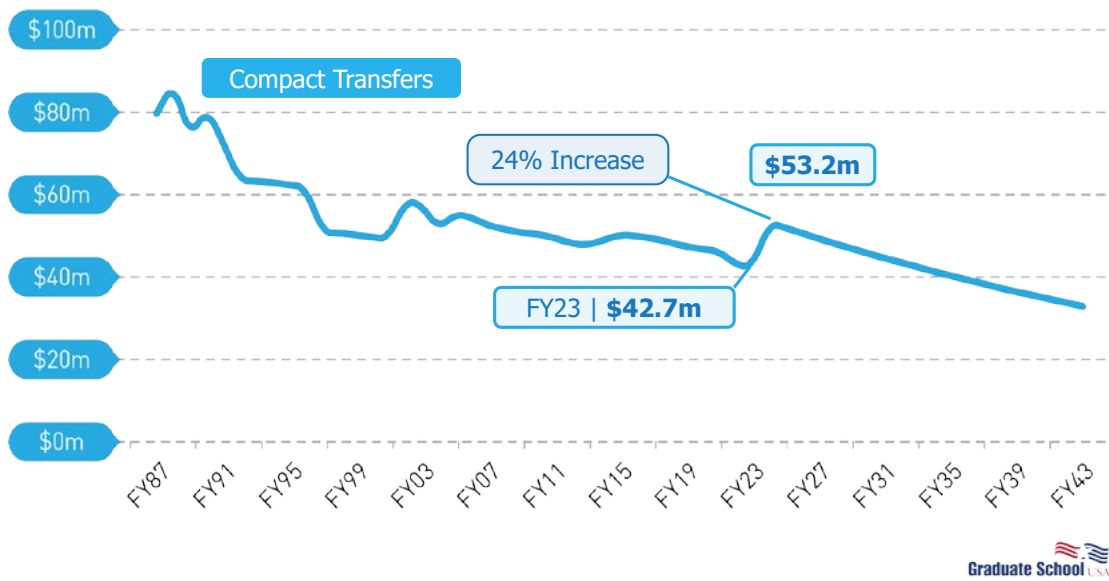
NAT

Assuming Use of the \$500m Fund Addition for Inflation Adjustment



Upward Fiscal Adjustment: Chuuk

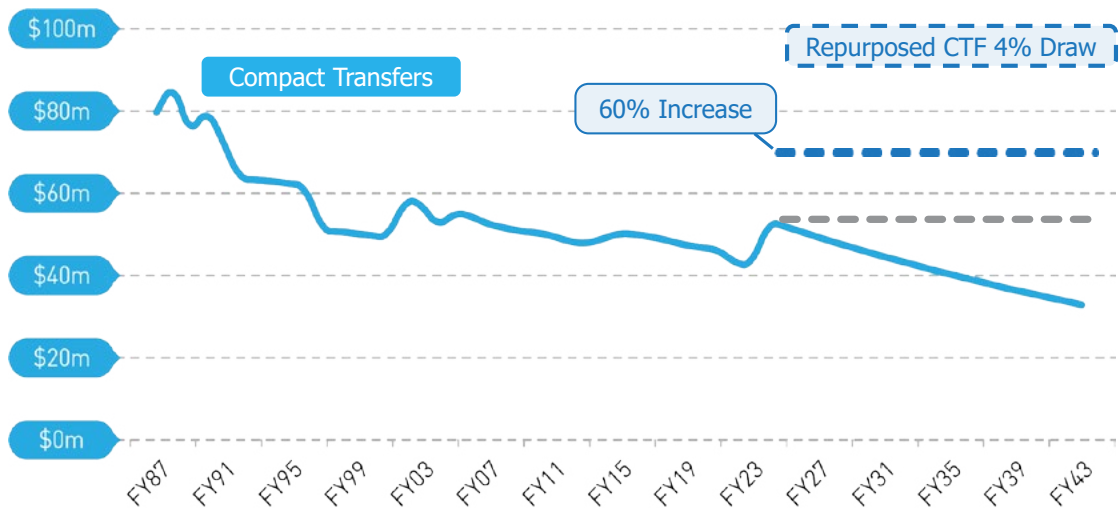
TKK





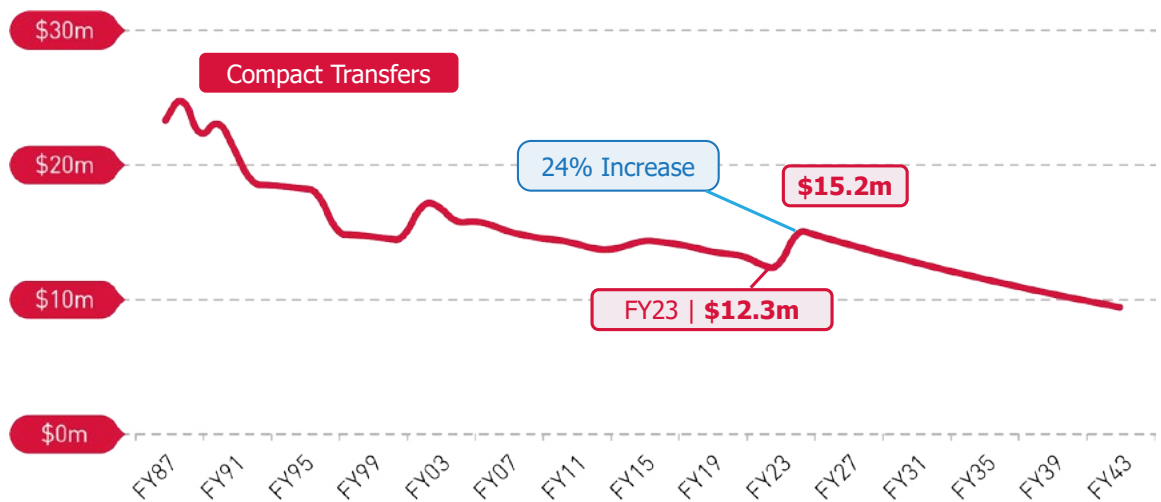
Upward Fiscal Adjustment: Chuuk

TKK



Upward Fiscal Adjustment: Kosrae

KOS

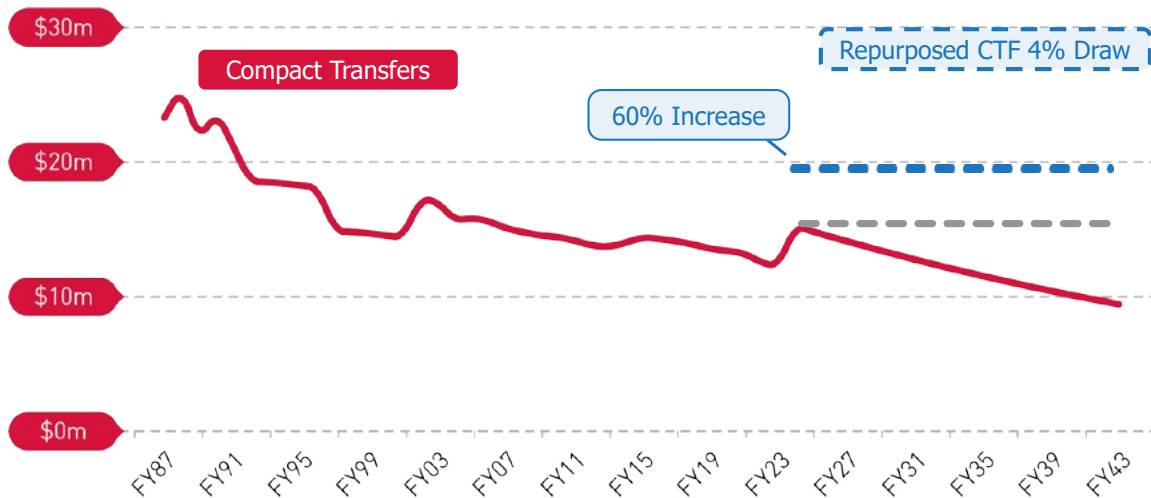




Upward Fiscal Adjustment: Kosrae

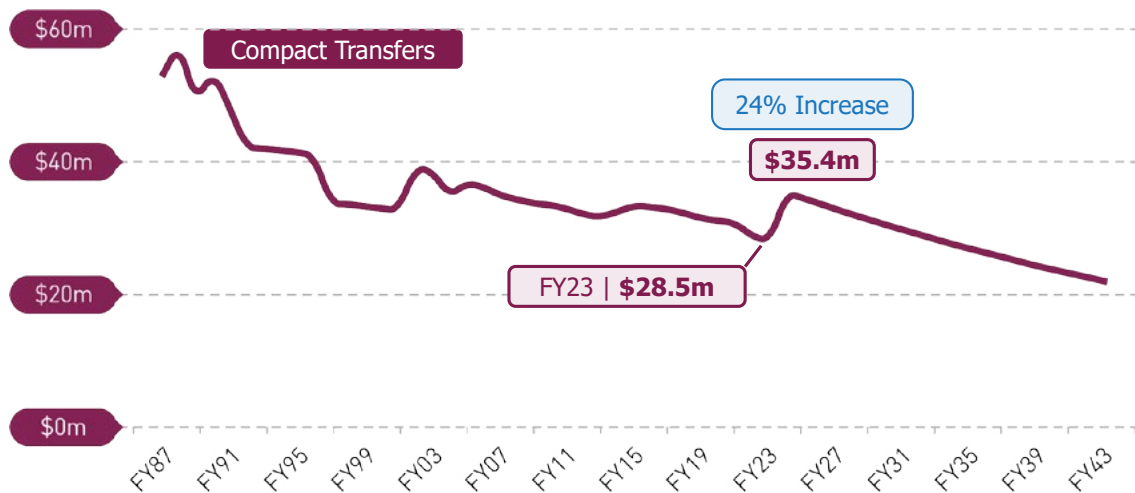
KOS

Assuming Use of the \$500m Fund Addition for Inflation Adjustment



Upward Fiscal Adjustment: Pohnpei

PNI

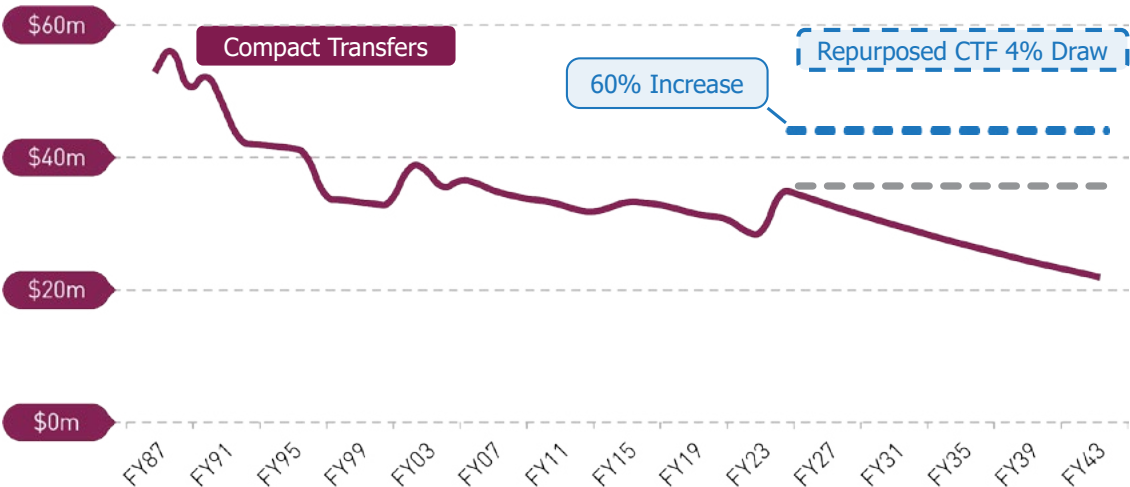




Upward Fiscal Adjustment: Pohnpei

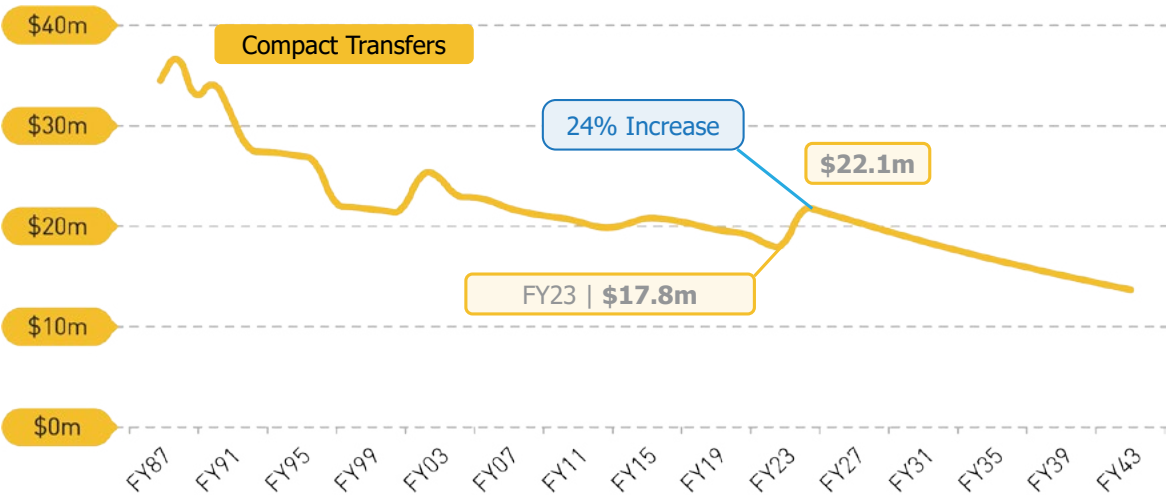
PNI

Assuming Use of the \$500m Fund Addition for Inflation Adjustment



Upward Fiscal Adjustment: Yap

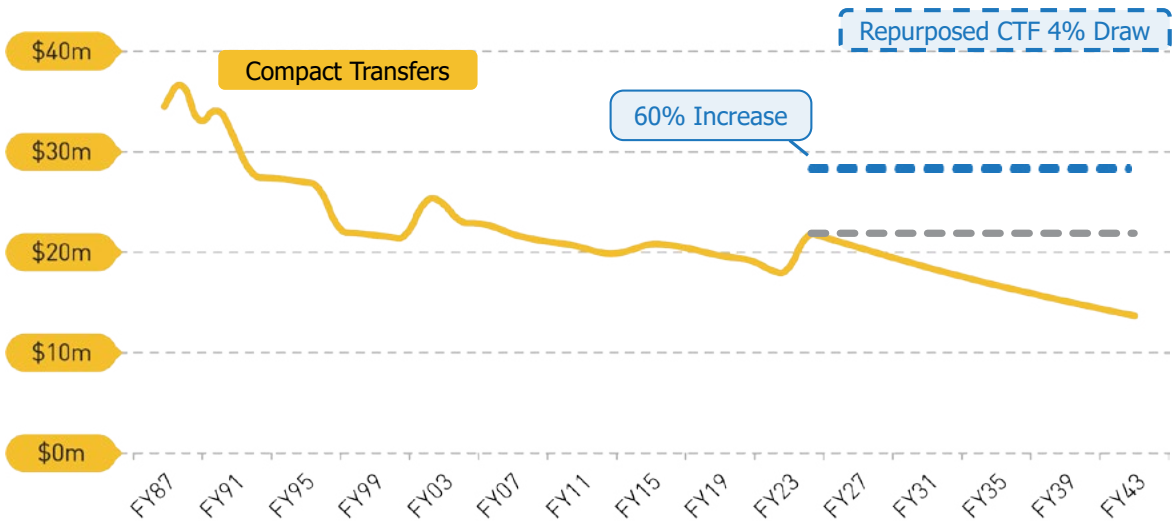
YAP



Upward Fiscal Adjustment: Yap

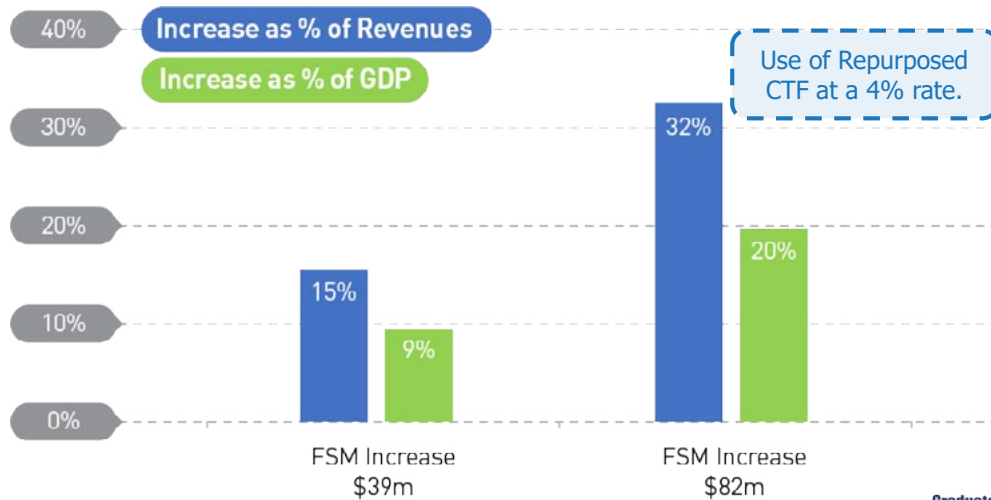
YAP

Assuming Use of the \$500m Fund Addition for Inflation Adjustment



4. Upward Fiscal Adjustment: FSM

→ Increase from FY23 to FY24



4. Upward Fiscal Adjustment²: FSM

→ 2023 Compact Renewal + Constitutional Revenue Sharing

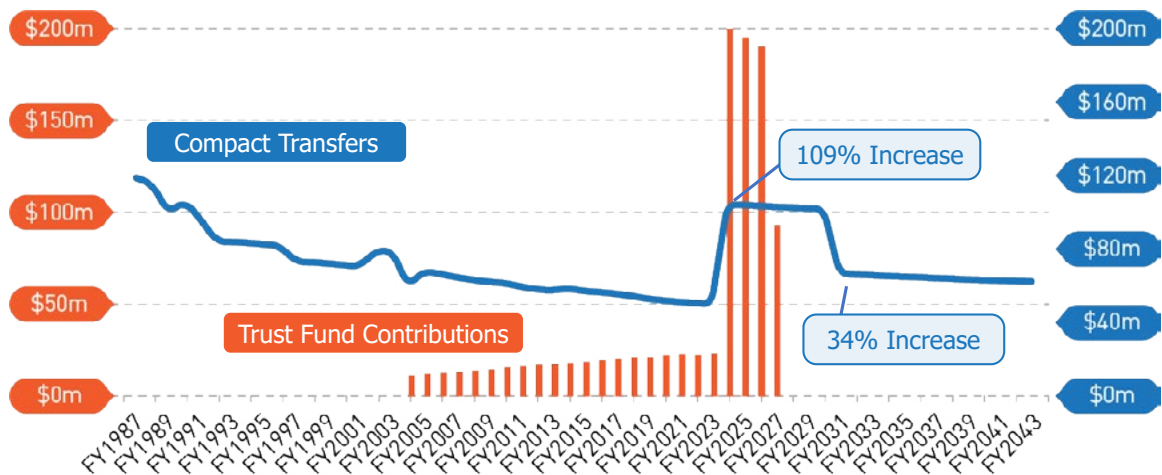
(\$ millions)	FY23* Total Rev est.	2023 CRA transfer change	FSM Constitutional RevShare change**	Combined revenue change	FY24 Total Rev est.	% Change FY24 v. FY23
National	\$188	\$14.00	\$(36.25)	\$(22.25)	\$165.75	-11.8%
Chuuk	\$39	\$10.47	\$15.30	\$25.77	\$64.77	66.1%
Kosrae	\$13	\$3.00	\$4.39	\$7.39	\$20.39	56.8%
Pohnpei	\$40	\$6.96	\$10.20	\$17.16	\$57.16	42.9%
Yap	\$23	\$4.36	\$6.36	\$10.72	\$33.72	46.6%

* estimated based on FY17-19 pre-Covid total revenues

**estimated if Compact revenue sharing formula is applied to 50% share to the states

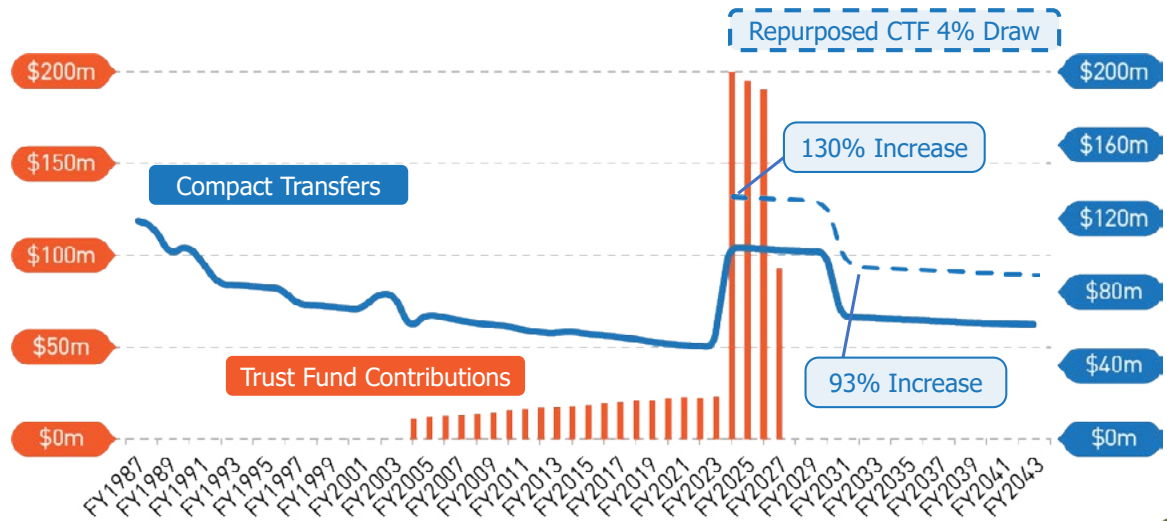
4. Upward Fiscal Adjustment: RMI

→ Assuming no GovRMI Use of the Re-Purposed Trust Fund or Special Use Fund



4. Upward Fiscal Adjustment: RMI

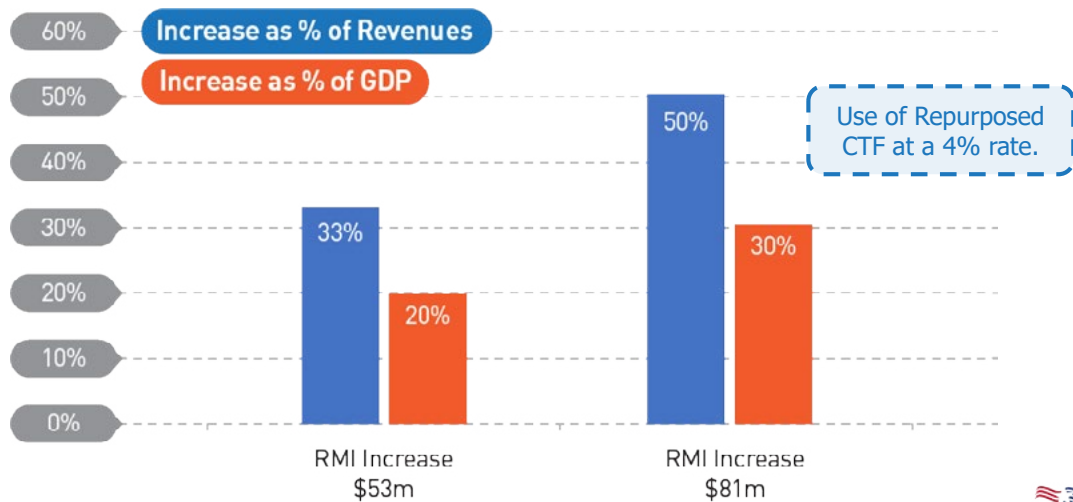
→ Assuming GovRMI Uses the Re-Purposed Trust Fund



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4. Upward Fiscal Adjustment: RMI

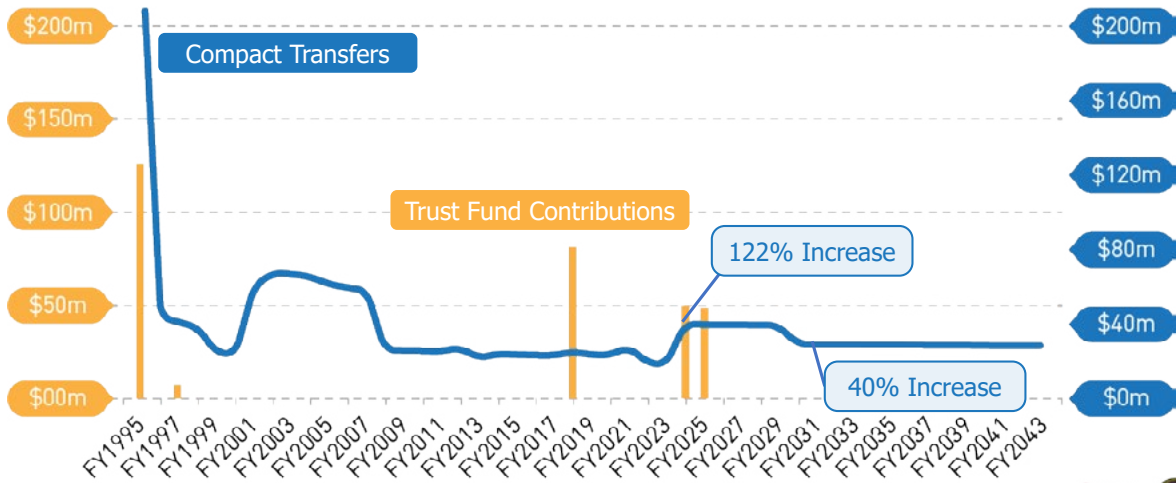
→ Increase from FY23 to FY24



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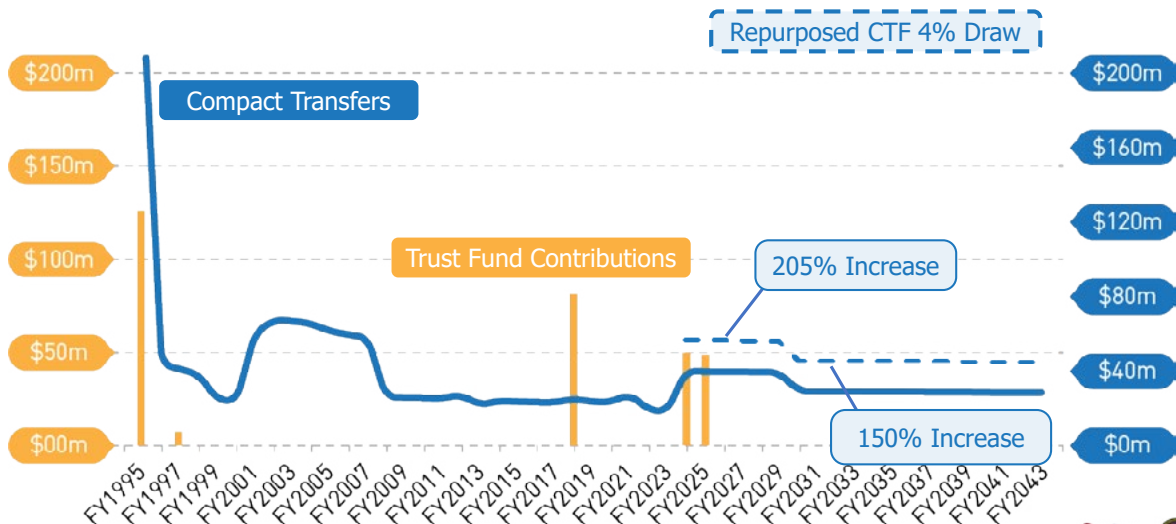
4. Upward Fiscal Adjustment: Palau

→ Assuming no use of the Re-Purposed Trust Fund



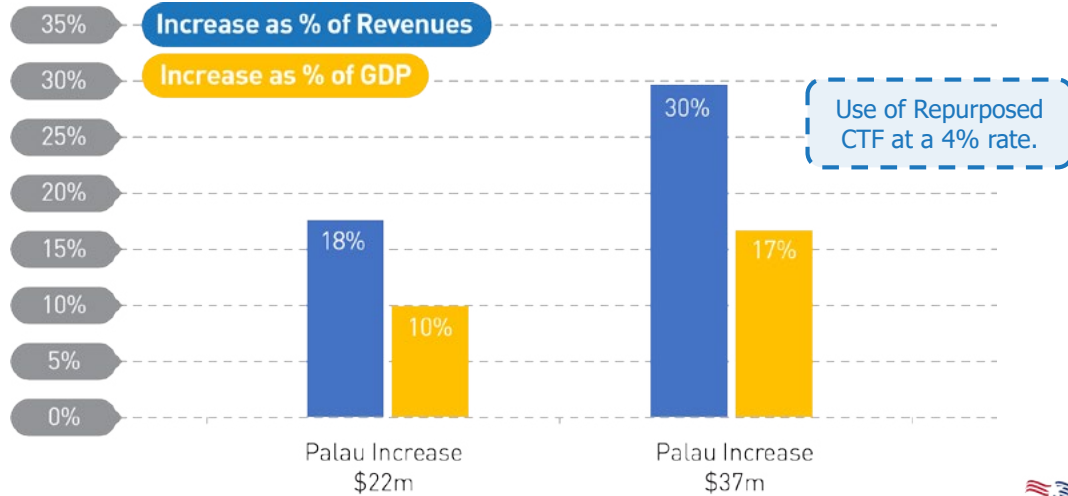
4. Upward Fiscal Adjustment: Palau

→ Assuming Use of the Re-Purposed Trust Fund



4. Upward Fiscal Adjustment: Palau

→ Increase from FY23 to FY24



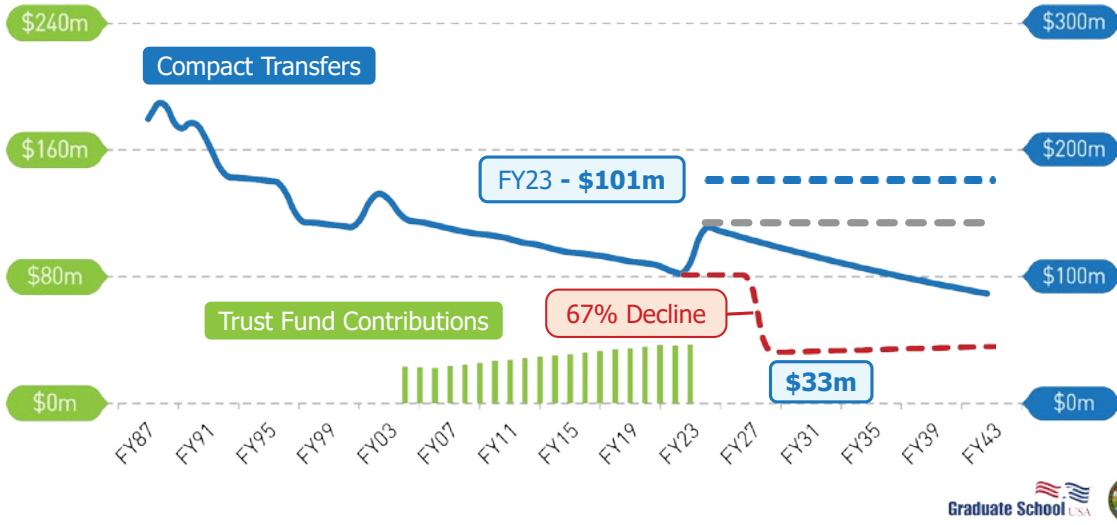
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5. Delay in U.S. Congressional Action



→ Declining Resource Transfers without Renewal



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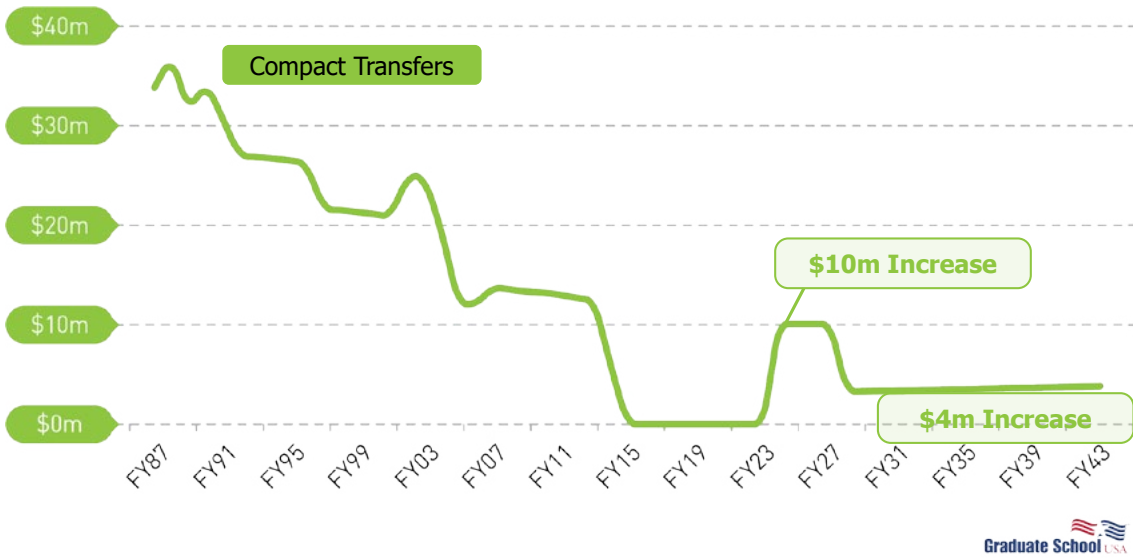
FAS Economic Overview
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Delay in U.S. Congressional Action

NAT

Declining Resource Transfers without Renewal



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Federal Working Group for FAS

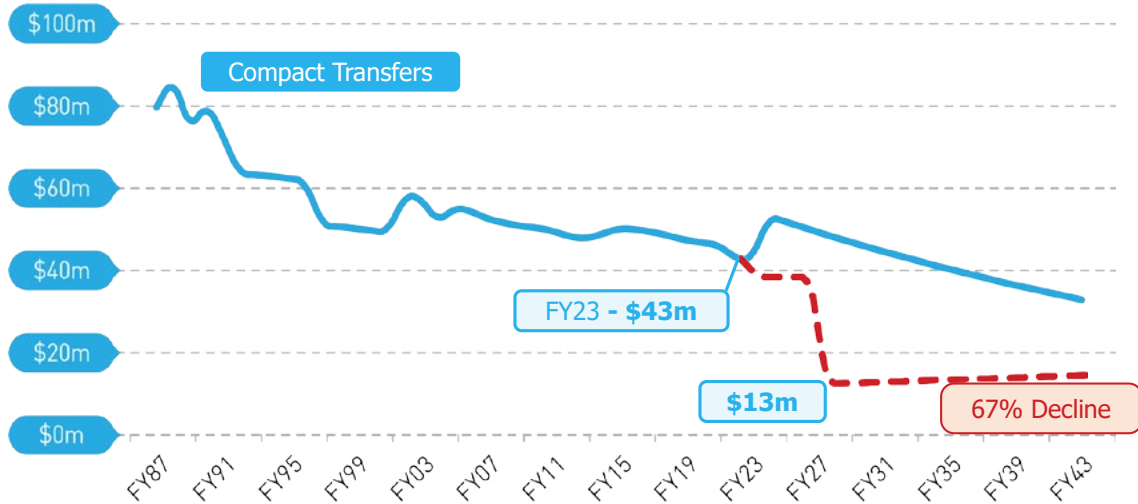
48



Delay in U.S. Congressional Action

TKK

Declining Resource Transfers without Renewal



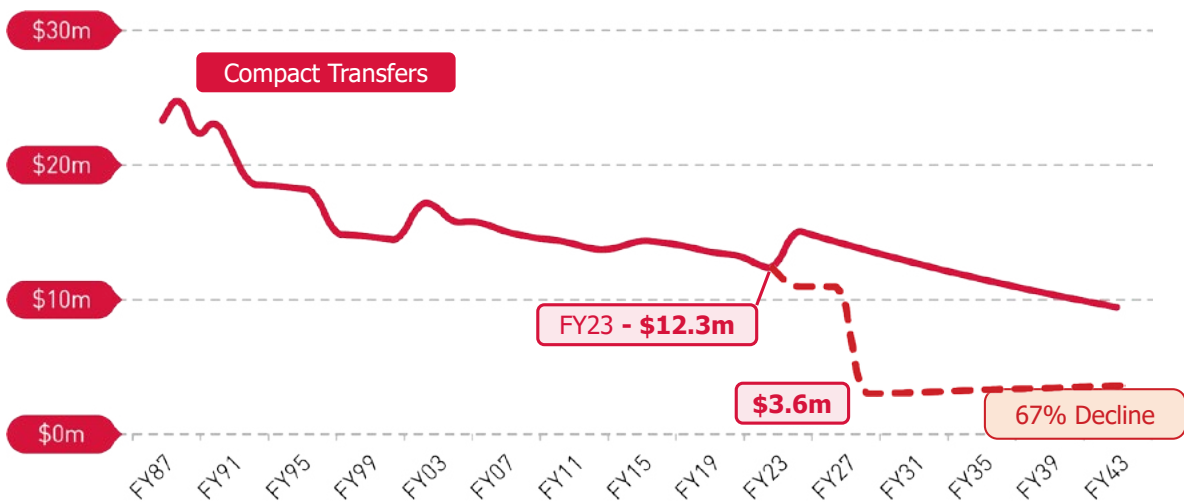
Graduate School USA



Delay in U.S. Congressional Action

KOS

Declining Resource Transfers without Renewal



Graduate School USA

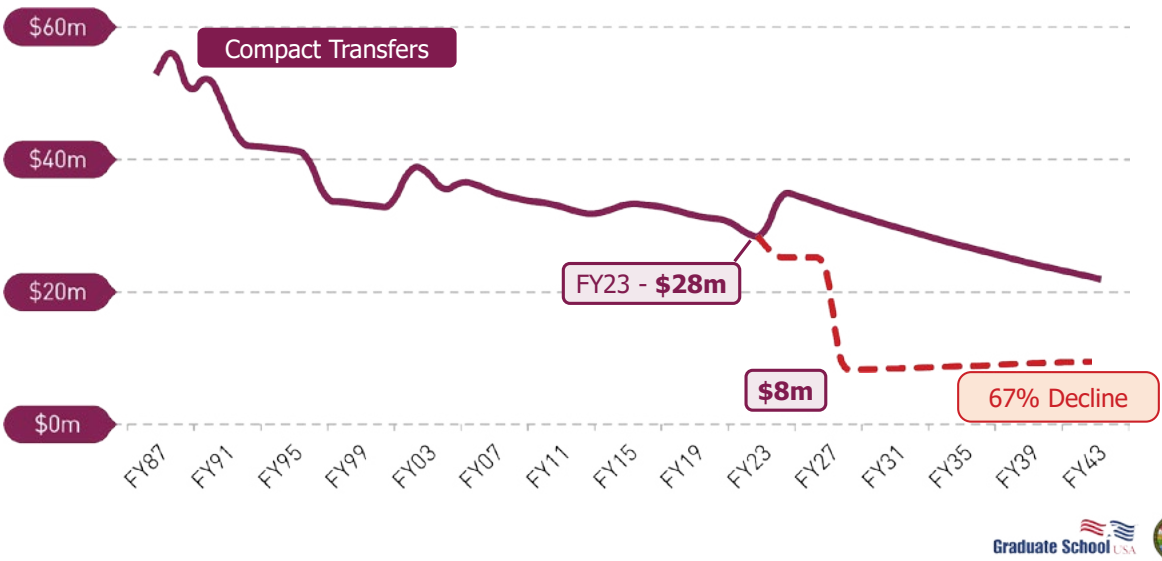




Delay in U.S. Congressional Action

PNI

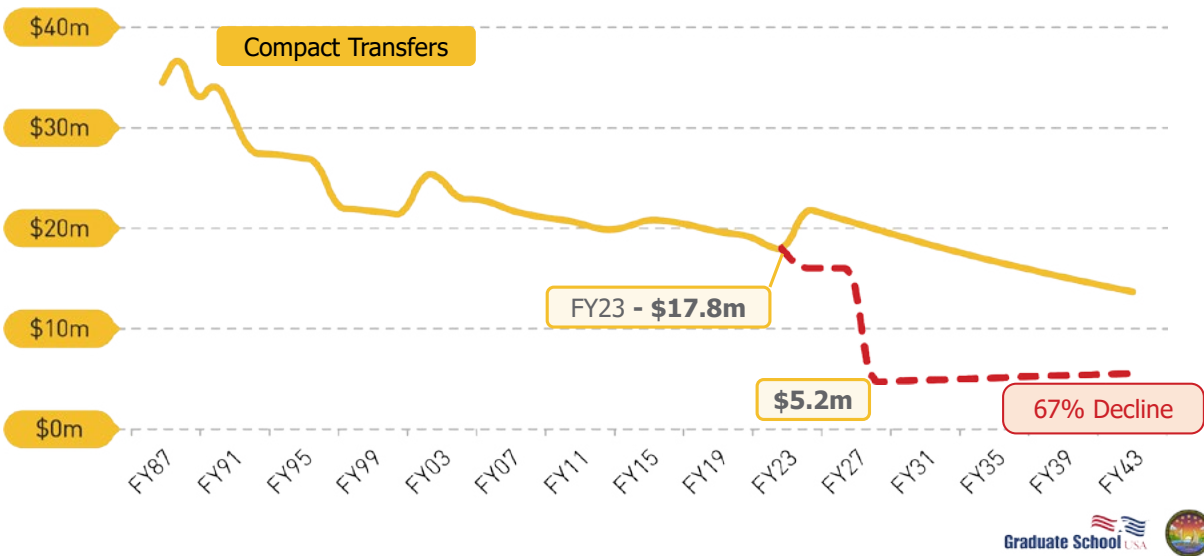
Declining Resource Transfers without Renewal



Delay in U.S. Congressional Action

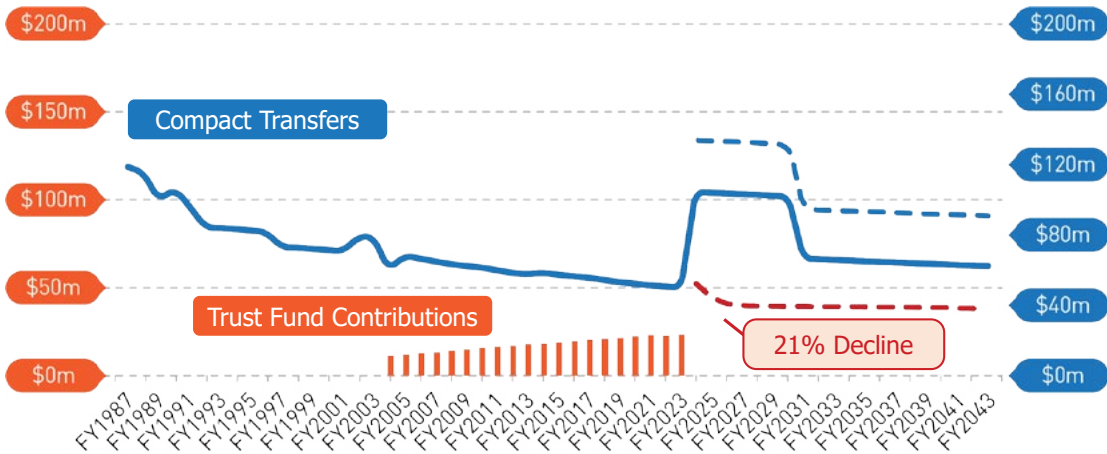
YAP

Declining Resource Transfers without Renewal



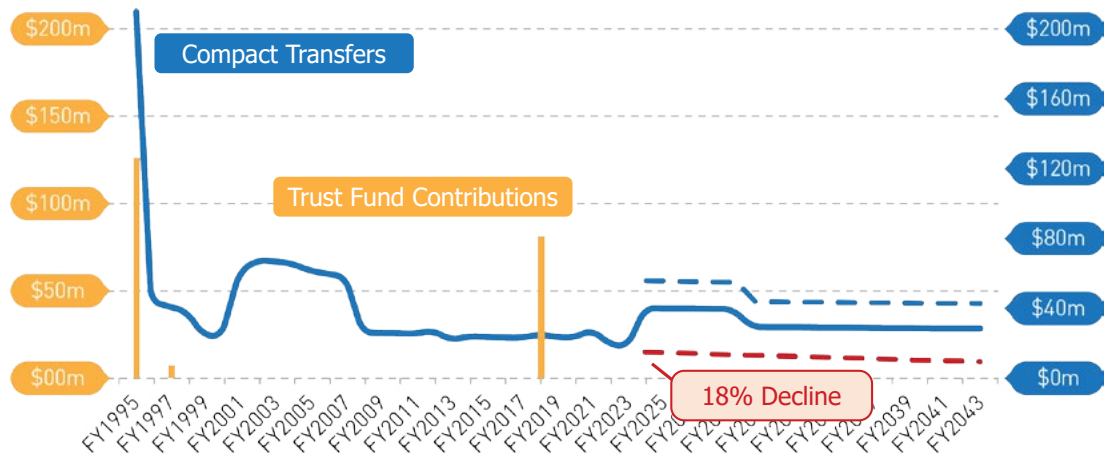
5. Delay in U.S. Congressional Action

→ Declining Resource Transfers without Renewal






5. Delay in U.S. Congressional Action

→ Declining Resource Transfers without Renewal



5. What's the Negotiated Outcome?



	GSUSA ADB Study: Renewal Scenario	Dec 2020 U.S. Offer	2023 Compact Renewal
 COMPACT EXTENSION – CURRENT PRICES	\$2.79 B	\$2.034 B	\$3.3 B
 COMPACT EXTENSION – CURRENT PRICES	\$1.29 B	\$570.14 M	\$2.3 B
 COMPACT EXTENSION – CURRENT PRICES	\$579 M	\$372.7 M	\$889 M
TOTALS	\$4.66 B	\$2.98 B	\$6.5 B

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6. Concluding Observations...



6. Concluding Observations



- Each FAS Compact Renewal is **different across many dimensions**—indicating the U.S. did not apply a one-size-fits-all approach
- Oversight approach is modified—with **sufficient differences** to require passage of time to determine costs, efficacy, and impact (“Too soon to tell”)
- Fiscal expansion vs. Fiscal compression & the need for each FAS to focus on its own **fiscal policy framework** & **development strategy**
- Extraordinary **near-term implications** for Palau & RMI; but especially for **all five FSM governments** due to the 2023 Compact Renewal coinciding with change in Constitutional revenue-sharing
- Extraordinary **near-term implications** for donor partner engagement → capacity supplementation and policy guidance



THANK YOU!

Time for Discussion and Questions



November 30, 2023 | US Federal Working Group for the FAS

Federated States
of **Micronesia**

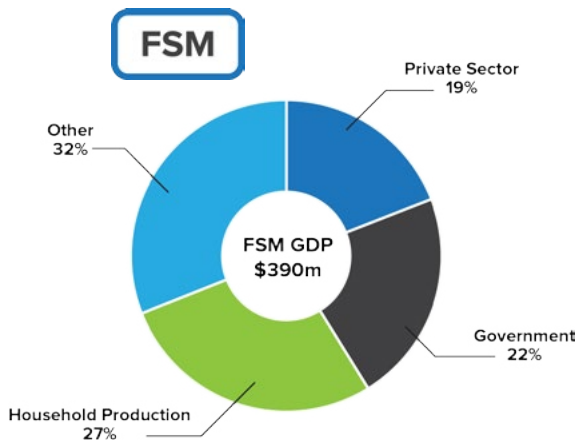
Republic of
the **Marshall**
Islands

Republic
of **Palau**



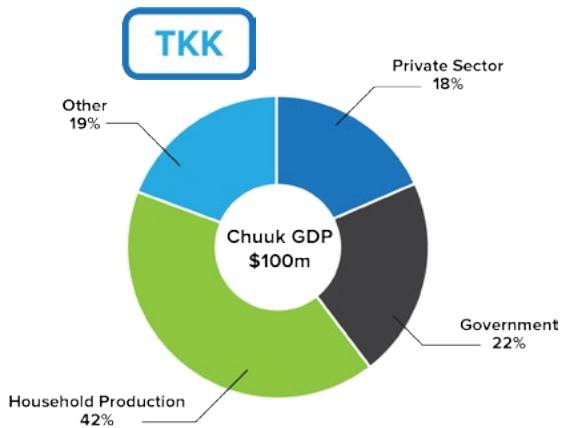
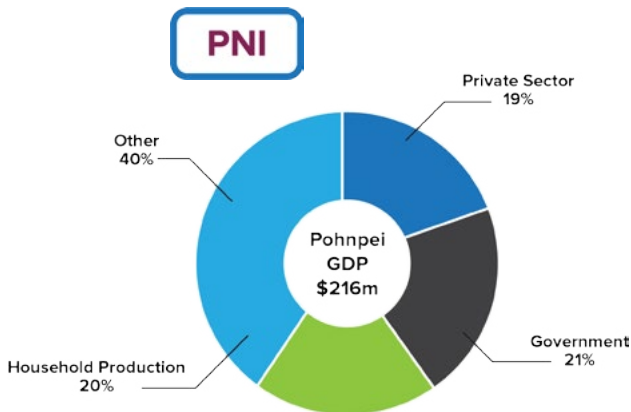
Comparative Economic Structures

GDP BY INSTITUTION – FSM NATIONAL - (FY17-FY19, 3-YR AVG)



Comparative Economic Structures

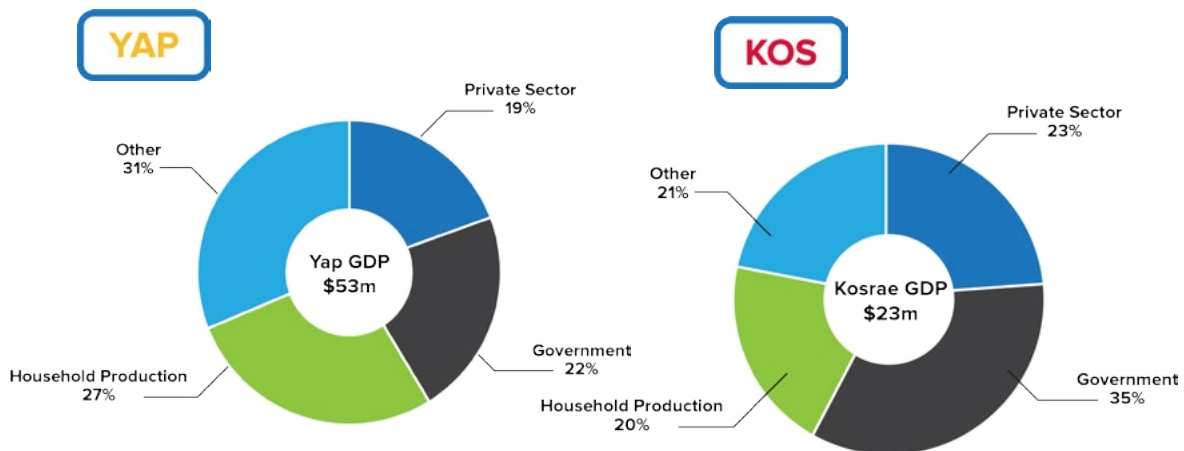
GDP BY INSTITUTION –POHNPEI & CHUUK - (FY17-FY19, 3-YR AVG)





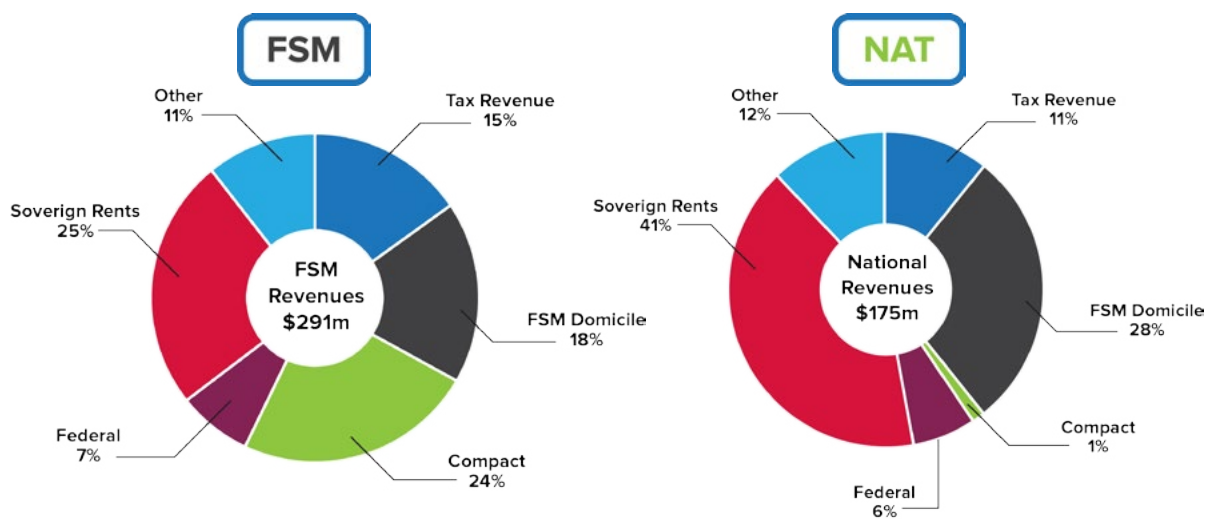
Comparative Economic Structures

GDP BY INSTITUTION – FSM AND POHNPEI - (FY17-FY19, 3-YR AVG)



Comparative Economic Structures

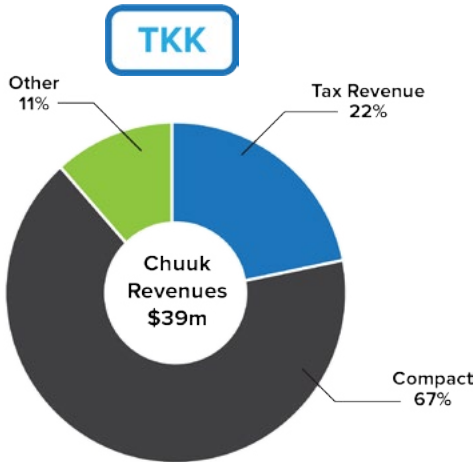
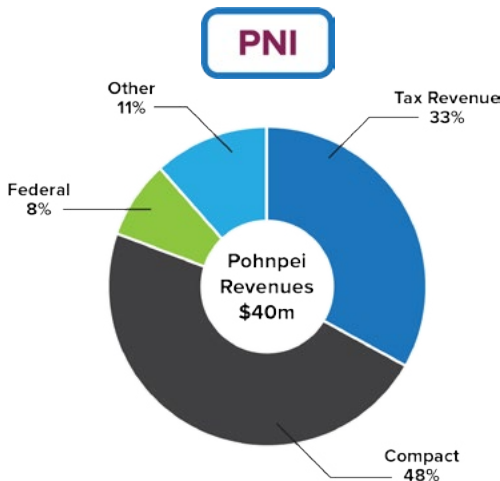
STRUCTURE OF KEY REVENUE SOURCES (FY17-FY19, 3-YR AVG)





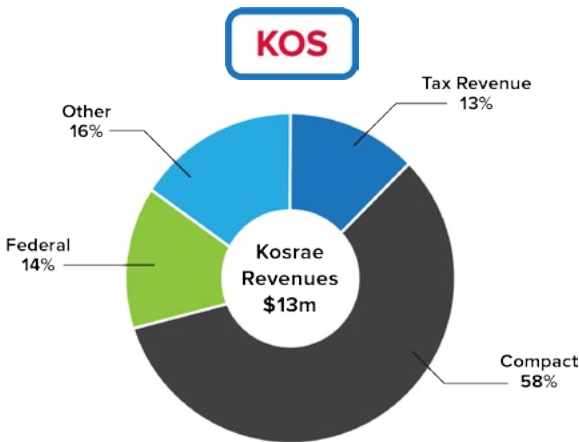
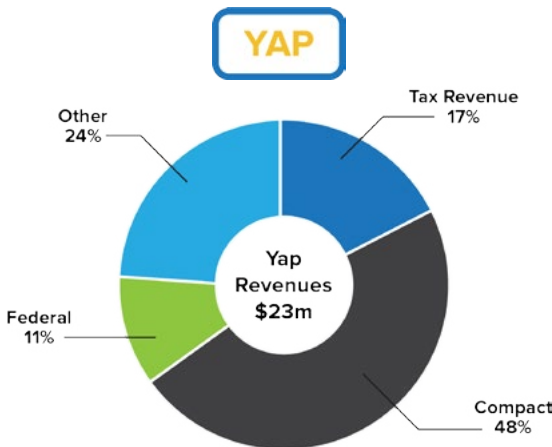
Comparative Economic Structures

STRUCTURE OF KEY REVENUE SOURCES (FY17-FY19, 3-YR AVG)



Comparative Economic Structures

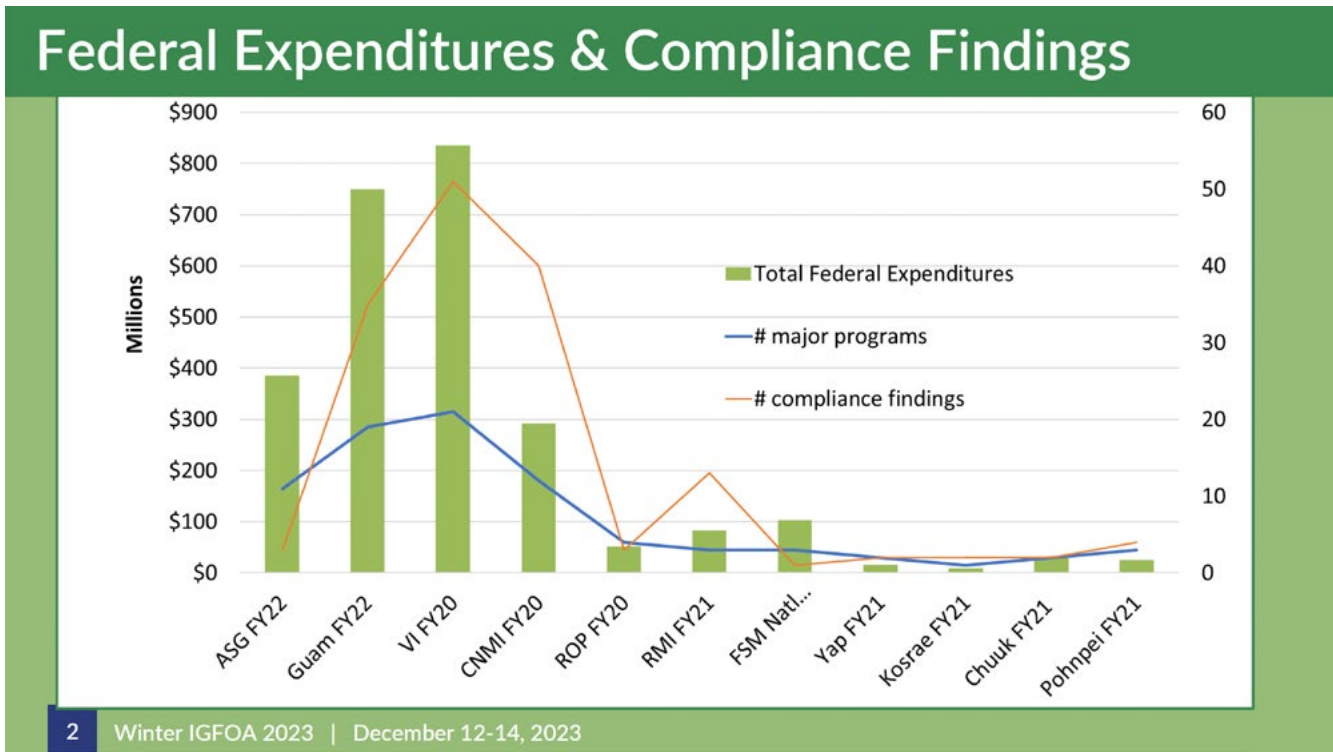
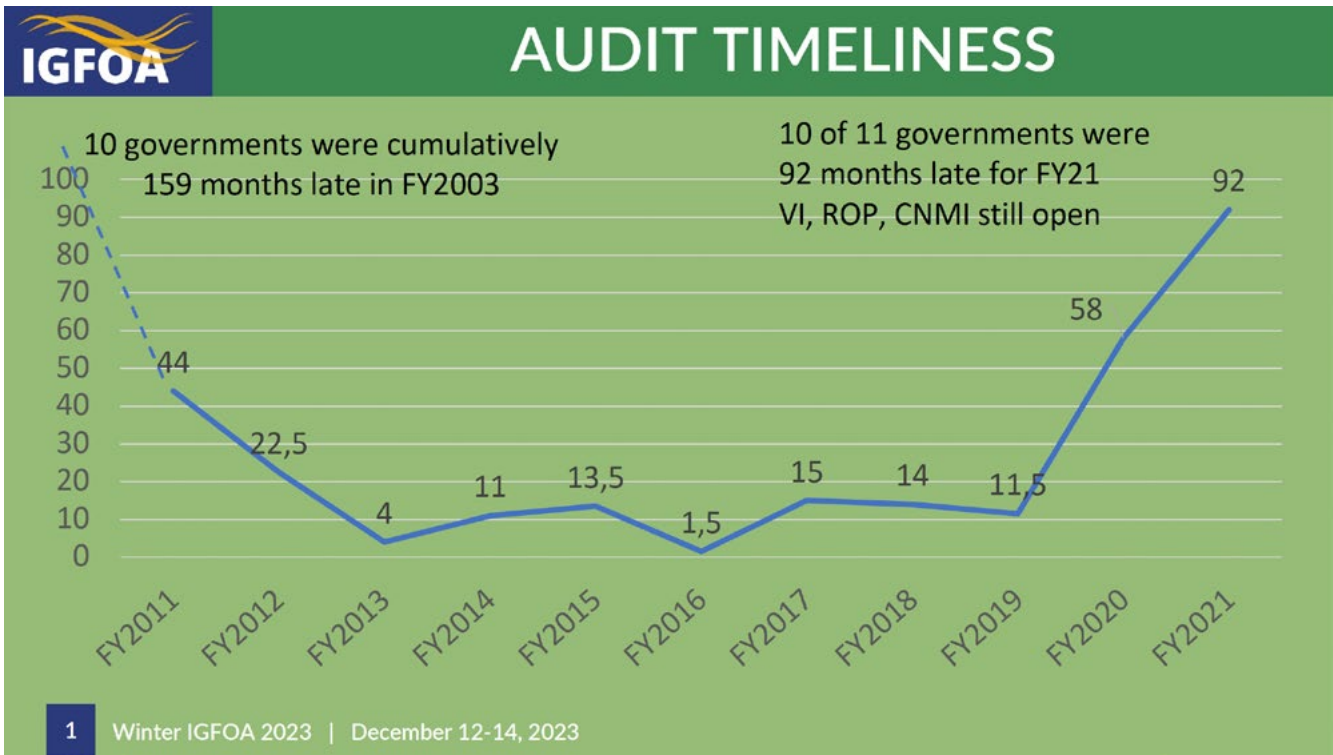
STRUCTURE OF KEY REVENUE SOURCES (FY17-FY19, 3-YR AVG)

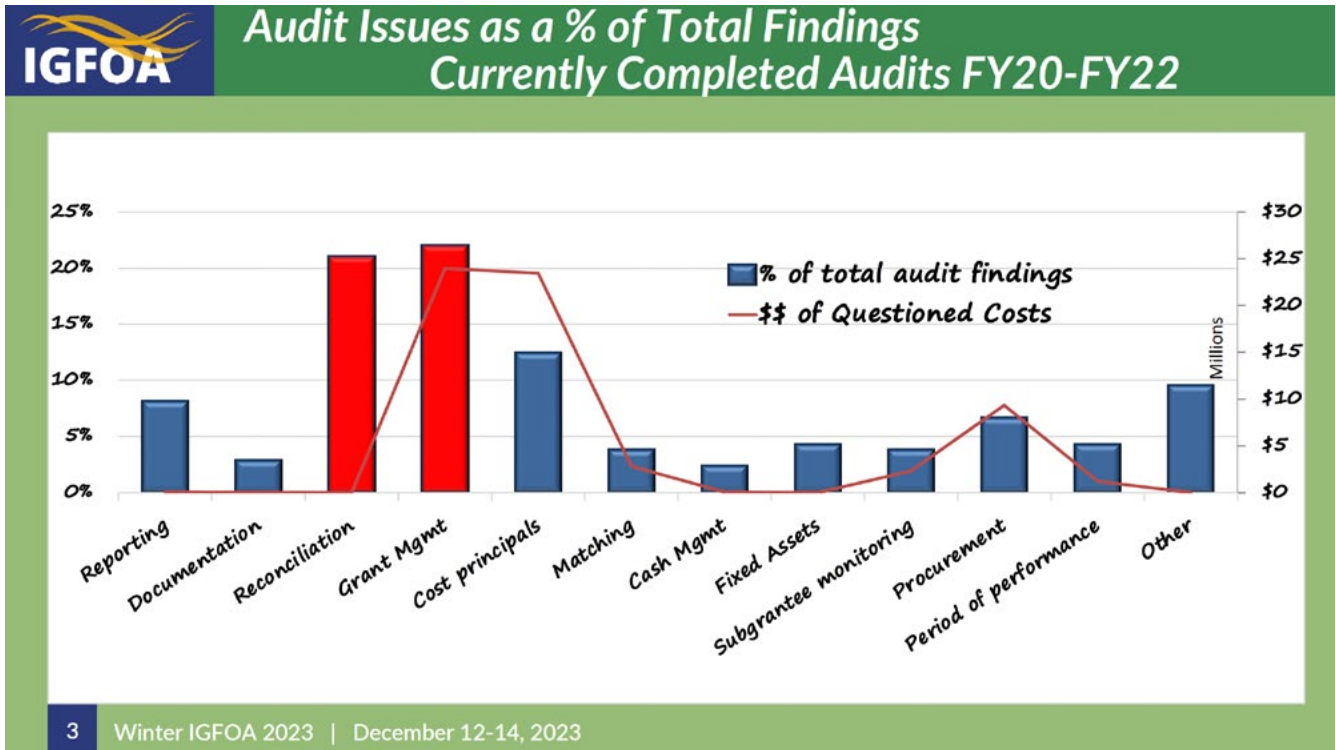




07

Insular Government Audit Finding Analysis







08

Insular Government Response Strategies

State of the Nation

- Repeated findings
- Material weaknesses
- Significant deficiencies
- Delayed audits

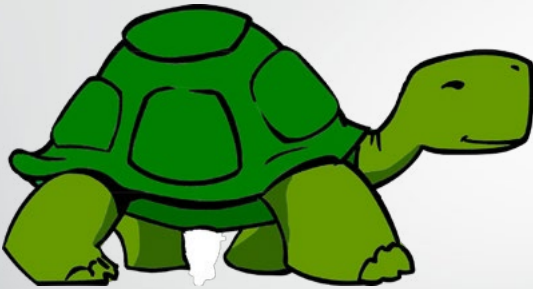
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1



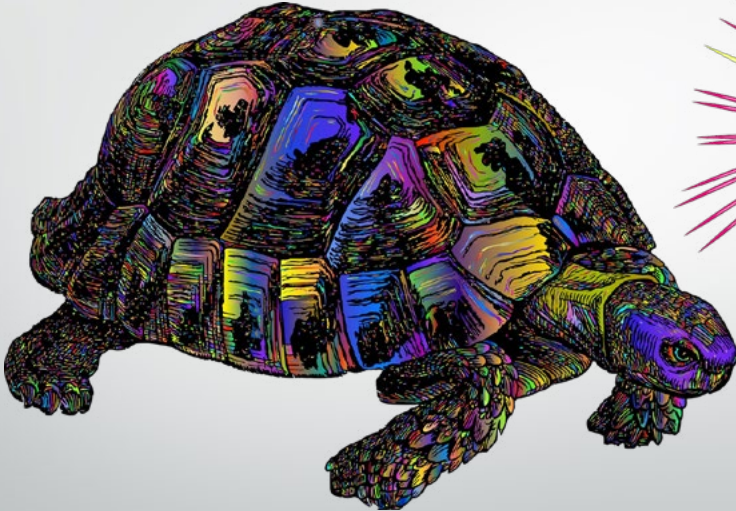
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2



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3



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4

Responding to IC Deficiencies and Findings

- Understand time frame for audit response
- Understand required elements in response
- Develop plan
- Determine how to address repeated findings

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Time Frame for Response

- Usually pretty short!!
 - Included with audit report
- Start as early as possible
 - Early notice of findings!!!



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Required Elements in Response

- Specified in Uniform Guidance



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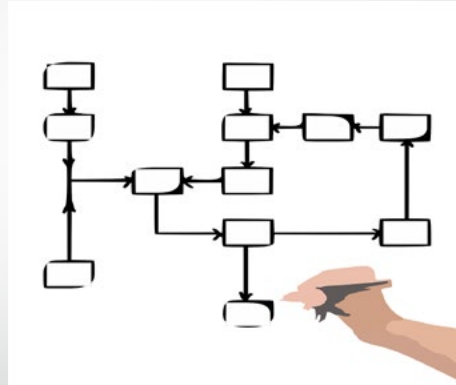
Uniform Guidance § 200.511 Audit Findings Follow-Up

- Auditee responsible for follow-up and corrective action on all audit findings
- Required:
 - Summary schedule of prior audit findings
 - Corrective action plan for each CY finding
 - Person responsible
 - Planned action
 - Estimated completion date

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- Coming up with a GOOD CAP is hard!
- It requires
 - Investigation
 - More investigation
- Identification of the problem
- Then coming up with a "fix"



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C

- Yes, we'll fix it (without a real plan)
- Yes, the new system will solve everything (overpromising)
- Yes, we'll take a look and get back to you ... sometime (under-promising)
- It wasn't really a finding (too late!)
- The weather has been quite nice lately (discussion of something else)
- It's not our fault (so we can't fix it)

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Who, What, When, How?

- Who is responsible for taking the planned actions?
- What are the planned actions?
- When will the planned actions occur?
- How will the actions be documented (deliverables)?
- Who will follow up with the auditors?

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CAP Development Process

- How are CAPs developed?
- When is the finding identified?
- Who is alerted?
- Who assists in CAP development?
- Who gets copies of the final CAP?
- Who follows up?

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To Begin

- Select a CAP “czar”
- Single agency and single person who is responsible for *managing* the CAP responses



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CAP Czar Responsible for

- Reading and grouping findings by type of issue
- Assigning the grouped findings to an appropriate team to research the issue and prepare the CAP
- Reviewing the CAP for adequacy and completeness
- Ensuring the CAP is acted upon
- Act as a single point of contact with the auditors as to the status of the CAP

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5-Step Process for Developing Effective CAPs

1. Problem identification and team creation
2. Problem discussion
3. Solution identification including cost-benefit analysis
4. Corrective action plan creation
5. Follow up

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Step 1: Problem Identification and Team Creation

- Consider the problem in light of the entire process
- State the problem or weakness
- Identify who needs to be involved

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Step 2: Problem Discussion

- What is happening and what are the effects?
- What is the underlying root cause?
- What should be happening? What are the regulatory requirements?

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Step 3: Solution Identification

- How can the problem be fixed? Brainstorm!
- Consider the regulatory requirements and available resources.
- What can reasonably be accomplished?
- Which CAPs are the most cost effective?

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Step 4: CAP Creation

- Select the best CAP
- Set achievable deadlines and targets
- Identify a responsible person who will make sure the CAP is done
- Determine how that person will report issues or problems
- Identify whether additional training is needed

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Step 5: Follow Up

- Monitor the progress of the plan
- Has it been implemented?
- Is it working?
- What documentation is needed?

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Common Repeated Findings

- Equipment and Real Property Management
 - Recordkeeping
 - Physical inventory
 - Reconciliation
 - Maintenance
- Reconciliations
- Procurement, Allowable Costs, Activities Allowed
- Period of Performance

***What is the problem and
what kind of approach is
needed to fix the problem?***

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Final thoughts



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How to clear audit findings

- Respond to the auditor finding
- Find out what they are really looking for
- Provide full backup for your numbers
- Always tie to the general ledger
 - May require reconciliation
- Make it as easy as possible for the auditor to see what you have done

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How to clear audit findings

- Qualifier
 - Missing documentation may still be considered missing
 - Required grantor approval may be late
- May only eliminate questioned costs

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Documentation

- Create folder to show auditor
- Include
 - Copy of original finding
 - Copy of new policy/procedure
 - Sample to show implementation OR
 - Copies of missing documents
 - Other documents PLUS narrative to explain your numbers/info

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When you say something like this

Corrective Action Plan

The Finance Office is currently developing policies and procedures to ensure future compliance in timely submission of final financial reporting to the grantor agency.

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You need to follow up and show
that you have done it!



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When the auditor just disagrees

- You can appeal for approval from the grantor
- Get it in writing
- Show it to the auditor
- Verify that the finding and questioned costs are cleared per the prior year findings summary

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Meeting with the Auditor

- If major program, show auditor during this year's audit
 - Get confirmation that the finding is cleared
 - Grantor has to clear the finding and questioned costs
- OR
- Provide copy of folder to audit coordinator and request that they set up meeting with auditor or show to auditor
 - Be careful – things get lost! – keep your own copies, follow up with coordinator
 - Coordinator – track info received, provided to auditor, findings cleared

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Clearing questioned costs

- Attempt to satisfy auditor
- Maybe you can avoid a finding!
- If not successful, attempt to satisfy grantor
- Provide explanation
- Obtain grantor agreement in writing

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Uniform Guidance Sec. 200.511 Audit findings follow up

(3) When the auditee believes the audit findings are no longer valid or do not warrant further action, the reasons for this position must be described in the summary schedule. A valid reason for considering an audit finding as not warranting further action is that all of the following have occurred:

(i) Two years have passed since the audit report in which the finding occurred was submitted to the FAC;

(ii) The Federal agency or pass-through entity is not currently following up with the auditee on the audit finding; and

(iii) A management decision was not issued.

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Clearing questioned costs

- Requirements
 - 2 years since auditing finding reported
 - Federal agency has not raised the issue
 - AND federal agency did not issue management decision
- Dept. head certifies that costs are not questioned
- Remove from questioned cost schedule
- If OIA-related finding, need written concurrence from OIA

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GAO United States Government Accountability Office
Report to Congressional Requesters

September 2023

FREELY ASSOCIATED STATES

Agencies Should
Enhance Procedures
to Address Millions of
Dollars in
Questionable
Spending

GAO-23-106160

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September 2023

FREELY ASSOCIATED STATES

Agencies Should Enhance Procedures to Address Millions of Dollars in Questionable Spending

What GAO Found

The Departments of Health and Human Services (HHS) and Interior did not consistently issue management decisions for audit findings related to grants to the Federated States of Micronesia (FSM), Republic of the Marshall Islands (RMI), and Republic of Palau within the time frame specified by federal regulation. Each country must annually obtain an audit—known as a single audit—of its use of grant funds and submit a report of the findings. Within 6 months, the agencies must issue a management decision for each finding—including expenditures the auditor questioned, known as questioned costs—clearly stating any expected corrective action. For single audits in fiscal years (FY) 2015 through 2019, HHS failed to issue seven of 11 decisions and Interior failed to issue seven of 12 decisions within the 6-month time frame. Both agencies attributed their failure to issue timely decisions to staffing gaps. Taking appropriate action, such as devoting needed staffing resources, to ensure they issue management decisions in the required time frame would help the agencies reduce the risk that the countries will fail to implement timely corrective actions.

- Agencies required to issue management decision within 6 months for each finding, including QC.
- HHS and Interior failed to issue decisions within 6-month time frame
- Failure attributed to staffing gaps

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Best Practices for Clearing Audit Findings

- Identify a coordinator for ALL findings and CAPs
- Group findings if they pertain to the same areas
- Investigate and develop CAPs
- Create a master plan for implementing and monitoring CAPs
 - Planned actions and deliverables
 - Responsible parties
 - Due dates
 - Monitoring

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09

2021 Performer[®] and A.F.T.E.R Analysis Update

2021 Performer® and A.F.T.E.R Analysis Update

Presentation to IGFOA Dec 2023
Prepared and Presented by Frank Crawford, CPA
Crawford & Associates, P.C.
www.crawfordcpas.com
frank@crawfordcpas.com
twitter: @fcrawfordcpa



1

Topics for today

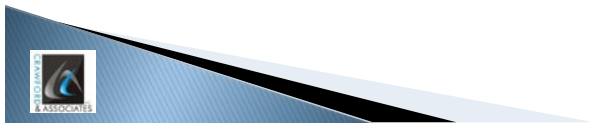
- ▶ A brief review of what the *Performer* and *A.F.T.E.R Analysis* is (and what it is not...)
- ▶ Review of factors and circumstances contributing to the 2021 scores and causes
- ▶ Provide an update on the most recent 2021 *Performer* scores and A.F.T.E.R. findings for 2021



2

A brief review...

- ▶ The *Perfometer* measures the **financial health and success** of a government using a scale that all users (including decision makers) can understand, 0–10, with 0 = poor, 5 = satisfactory, and 10 = excellent
- ▶ Uses financial ratios for the evaluation
- ▶ The evaluation is only as **reliable** as the information found in the annual audited financial statements, and most **relevant** when the information can be used in a timely manner
- ▶ Relevance and reliability are the key concepts in accountability



3

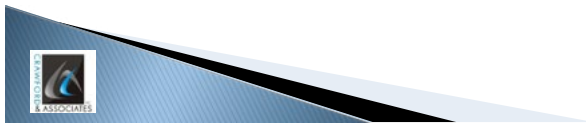
A brief review...

- ▶ In addition, we have continued to divide up the overall score by its 3 components which are Financial Position, Financial Performance, and Financial Capability (also known as Financial Sustainability) and reported the individual scores for each of the 3 components.



A brief review...

- ▶ With this additional separation of components of the score, each government can now see the weakest and strongest components of their overall score
- ▶ For example, an overall score of a 3.8 might actually consist of an excellent score of 10 on Financial Performance, a poor score of 1.5 on Financial Position, and a Financial Capability score of 3.6. The combinations of these scores are what drives the overall score of 3.8.
- ▶ Lastly, a small red, yellow and green number at the bottom right of each slide gives the reader some perspective of the score of each ratio.



5

A brief review...

- ▶ The A.F.T.E.R. Analysis is very simple analysis of the status of audit findings, the timeliness of the submission of the audit and the resolution of certain audit exceptions; this analysis can be used to track a government's progress towards eliminating its most significant findings and exceptions, along with tracking the timeliness of submission to the Federal Clearinghouse.



6

Factors and Circumstances for 2021

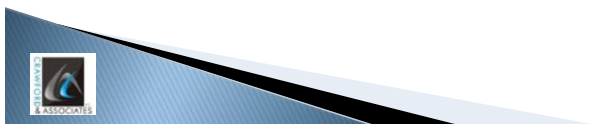
- ▶ Due dates for the 2021 single audit filings were stretched by 6 additional month extension from their normal 9 month period deadline to a new deadline of 15 months. Most of the governments took advantage of that extension.
- ▶ For 4 of the 8 governments (and three unknowns since the VI, CNMI and Palau haven't released FY 2021 yet), the fiscal year ending September 30, 2021 produced improved results, while the other 4 governments' scores were just slightly dropped.



7

Factors and Circumstances for 2021

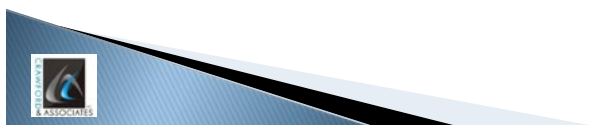
- ▶ Highlights
 - For all governments except the FSM and States, and the RMI, the impact of GASB 68's pension requirements in 2015 and GASB 75's OPEB requirements in 2018 (if applicable) still remain a significant factor, with many of the governments' pension and OPEB systems remaining severely underfunded
 - For the FSM National Government, the RMI, and Palau for FY 2020, the Social Security programs offered by the government remain at some of their lowest funding levels in the model's history, although most governments have now addressed their pension deficiencies in some manner with increased contributions.



Factors and Circumstances for 2021

► Highlights

- Chuuk achieved their first ever score above a 5, coming in at 5.07, going back all the way to the first score measured in 2003.
- Pohnpei continues their zig-zag, with 2017 and 2018 being in the high 6s, 2019 and 2020 in the mid 5s, and 2021 back to the high 6s. I hope the zag upward continues for a least one more year to hold true to form.
- Yap and FSM National continue their trade off of high scores, with Yap winning the battle this year with a score of 8.39 to FSM National's 7.96. By the way, Yap's 8.39 is the highest insular government score in the 22+ year history of the Performer.



Factors and Circumstances for 2021

► Highlights

- The RMI continues to remain the model of consistency, deviating no more than 1.5 points over the last 12 years, settling in with a 6.62 for 2021, a slight decrease from last year's 6.64. This is the 2nd highest score that the RMI has had in the history of the model, just behind last year's score.



Factors and Circumstances for 2021

► Highlights

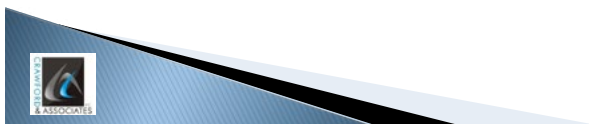
- All changes up or down in the Performer scores from 2021 were equal to or less than 25%
- Pohnpei takes the prize for the highest percentage increase in the overall score, with a 24% improvement during FY 2021.



Factors and Circumstances for 2021

► Highlights

- 3 of the 8 FY 2021 government financials received unmodified opinions, (formerly known as unqualified or clean opinions) on their financial statements, with 4 other additional governments only having 1 qualification each
- In FY 2021, no governments received unmodified (clean) opinions on both their Financial Statement audit and the audit of compliance with federal program monies (Single audit), although a couple of governments came close with only 1 single audit finding (FSM National, Kosrae)
- No government won the golden goose award with goose eggs (0s) all over their AFTER analysis in 2021, with a clean financial statement opinions, clean single audit opinions, no financial statement internal control or compliance findings, no grant internal control or compliance findings, and zero current and cumulative questioned costs. A couple of governments were very close with only one finding tripping them up
- Questioned costs seemed to spike on nearly everyone this year, probably due to the continued spending of the increased federal assistance that kept pouring in



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THE PERFORMETER

Current Scores Based on FY 21 Audit Data

A 7-10 SCORE INDICATES:

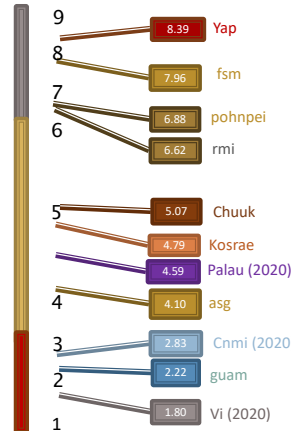
- repetitive positive performances for several years
- sufficient cash flows to pay vendors and employees
- relatively low tax and debt burdens per capita
- ability to consistently live within their means

A 4-6 SCORE INDICATES:

- lower than satisfactory levels of reserves
- satisfactory capital asset useful lives remaining
- moderate levels of tax and debt burdens per capita
- and the beginnings of cash flow issues that often delay on-time payments to vendors

A 0-3 SCORE INDICATES:

- significant unrestricted net position deficit and/or a deficit in their general fund unassigned fund balance
- a significant tax and/or debt burden per capita
- severe cash flow issues
- Making the deficit worse by incurring more expense than earning in revenue



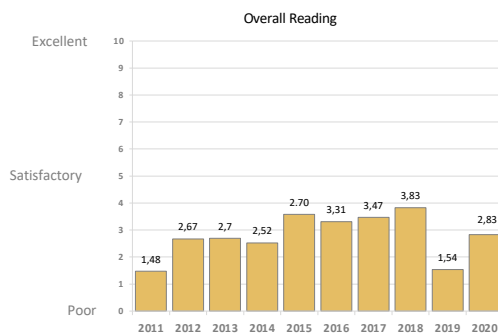
VITI Graduate School USA

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Performer® Reading

How Was Our Overall Financial Performance?



For the 2020 fiscal year, the readings by ratio category were as follows:

Financial Position	0.1
Financial Performance	8.5
Financial Capability	3.2

The 2020 reading of 2.83 indicates the evaluator's opinion that the Commonwealth of the Northern Marianas Islands Government's overall financial performance improved when compared to the prior period, due primarily to a \$58 million reduction of the net pension liability, which allowed the CNMI to post a positive reduction of their prior year net position deficit of \$24 million. Without this net pension liability reduction, the CNMI net position deficit would have instead grown by \$24 million.

FY 20 Overall Performer® Reading: **2.83**

Performer® Rating

2.83

14

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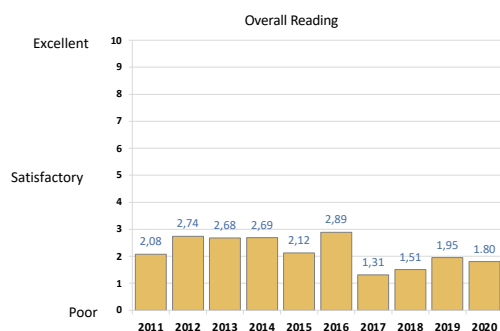
	2012	2013	2014	2015	2016	2017	2018	2019	2020
Number of F.S. Opinion Qualifications/Exceptions	3	7	2	5	5	5	3	4	5
Number of Major Federal Program Qualifications/Exceptions	8	7	8	8	6	6	6	4	4
Number of F.S. Findings									
A. Internal Control and Compliance	2	2	2	1	0	0	0	0	1
B. Internal Control Only	18	11	13	12	12	14	14	14	21
C. Compliance Only	0	0	0	0	1	1	0	0	0
TOTAL	20	13	15	13	13	15	14	14	22
Percentage of Findings Repeated	72.7%	100%	60%	85%	92%	80%	93%	93%	64%
Number of Single Audit Findings									
A. Internal Control and Compliance	28	0	2	22	18	9	10	11	14
B. Internal Control Only	0	29	36	0	0	0	0	0	26
C. Compliance Only	0	1	0	2	0	0	0	0	0
TOTAL	28	30	38	27	18	9	10	11	40
Percentage of S.A. Findings Repeated	96%	50%	39.5%	59%	61%	56%	55%	55%	20%
Number of months after Y/E the F.S. were Released	17	9	9	?	10	9	8	19	28
Number of Qualifications/Exceptions Related to C.U.	2	7	2	4	4	4	2	2	2
\$ of Questioned Costs-Current Year	\$6,620,692	\$10,288,891	\$3,754,204	\$3,200,953	\$16,067,272	\$1,393,892	\$369	\$3,739,720	\$47,874,171
\$ of Questioned Costs- Cumulative	\$35,559,217	\$45,848,108	\$26,187,584	\$17,114,454	\$31,568,469	\$21,722,238	\$20,317,045	\$24,056,765	\$69,822,065
\$ of Questioned Costs Resolved – Current Year	\$0	\$0	\$23,414,727	\$55,526	\$1,613,257	\$11,240,123	\$1,405,562	\$0	\$2,108,871

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Performer® Reading

How Was Our Overall Financial Performance?



For the 2020 fiscal year, the readings by ratio category were as follows:

Financial Position 0.8
Financial Performance 2.6
Financial Capability 2..5

The 2020 overall reading of 1.80 indicates the evaluator's opinion that the VI's overall financial health and performance slightly declined during the year.

The VI is still recovering from a number setbacks that it suffered in the previous three fiscal years, however that recovery will stretch over several years into the future.

FY 20 Overall Performer® Reading:

1.80

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	2014	2015	2016	2017	2018	2019	2020
Number of F.S. Opinion Qualifications/Exceptions	9	16	19	9	13	11	11
Number of Major Federal Program Qualifications/Exceptions	6	9	9	10	7	11	7
Number of F.S. Findings							
A. Internal Control and Compliance	0	0	0	0	0	0	0
B. Internal Control Only	12	12	12	13	13	13	13
C. Compliance Only	2	2	2	4	4	2	2
TOTAL	14	15	15	17	17	18	18
Percentage of Findings Repeated	100% (estimate)	100% (estimate)	100% (estimate)	100% (estimate)	100% (estimate)	100% (estimate)	100% (estimate)
Number of A-133 Findings							
A. Internal Control and Compliance	46	57	56	71	57	51	71
B. Internal Control Only	0	0	0	0	0	0	0
C. Compliance Only	0	0	0	0	0	0	0
TOTAL	46	57	56	71	57	51	71
Percentage of A-133 Findings Repeated	100%	84%	(100% estimate)	(100% estimate)	(100% estimate)	(100% estimate)	(100% estimate)
Number of months after Y/E the F.S. were Released	12	9	9	24	21	21	32
Number of Qualifications/Exceptions Related to C.U.	3	6	5	3	4	5	5
\$ of Questioned Costs-Current Year	\$1,172,427	\$348,349	\$0	\$163,394	\$283,945	\$278,600	\$280,277
\$ of Questioned Costs- Cumulative	Unable to determine	Unable to determine	Unable to determine	Unable to determine	Unable to determine	Unable to determine	Unable to determine
\$ of Questioned Costs Resolved – Current Year	Unable to determine	Unable to determine	Unable to determine	Unable to determine	Unable to determine	Unable to determine	Unable to determine

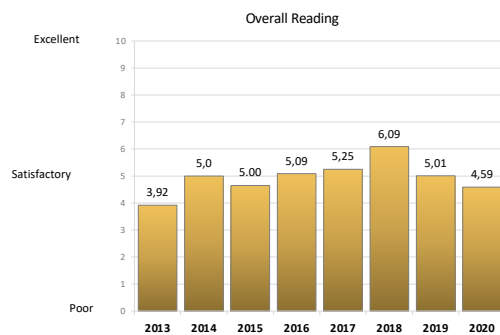
17

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Performer® Reading

How Was Our Overall Financial Performance?



For the 2020 fiscal year, the readings by ratio category were as follows:

Financial Position **5.99**
Financial Performance **0**
Financial Capability **4.90**

The 2020 reading of 4.59 indicates the evaluator's opinion that the Palau Government's overall financial health and performance decreased during the fiscal year ended September 30, 2020, and is no longer above satisfactory reading.

Palau has maintained a relatively consistent level of scoring over the past 12 years. However, Palau's overall financial health did decline during the 2020 fiscal year. The primary reasons for the almost satisfactory reading are the high level General Fund's level of unassigned fund balance, the low debt service load ratio, the high readings of current and quick ratios, and the high overall above satisfactory financial position reading. However, decline in financial performance ratios led to the decrease in the current year score.

FY 20 Overall Performer® Reading:

4.59

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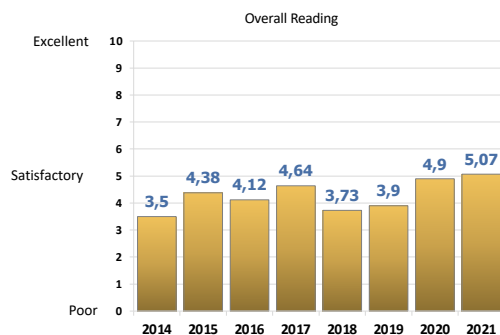
	2013	2014	2015	2016	2017	2018	2019	2020
Number of F.S. Opinion Qualifications/Exceptions	0	0	0	0	0	0	0	0
Number of Major Federal Program Qualifications/Exceptions	7	6	9	5	3	1	2	0
Number of F.S. Findings								
A. Internal Control and Compliance	0	0	0	0	1	3	1	1
B. Internal Control Only	3	3	1	1	5	0	3	1
C. Compliance Only	0	1	0	1	0	0	0	1
TOTAL	3	4	1	2	6	3	4	3
Percentage of Findings Repeated	0%	50%	0%	0%	33%	100%	75%	33%
Number of Single Audit Findings								
A. Internal Control and Compliance	19	9	17	11	7	3	3	3
B. Internal Control Only	0	0	0	0	0	0	0	0
C. Compliance Only	0	1	0	0	0	0	0	0
TOTAL	19	10	17	11	7	3	3	3
Percentage of S.A. Findings Repeated	47%	80%	29%	73%	43%	67%	0%	0%
Number of months after Y/E the F.S. were Released	10	9	9.5	9.5	9	9	16.5	31
Number of Qualifications/Exceptions Related to C.U.	0	0	0	0	0	0	0	0
\$ of Questioned Costs-Current Year	\$183,006	\$72,875	\$354,018	\$97,206	\$0	\$174,130	\$44,448	\$250,000
\$ of Questioned Costs- Cumulative	\$2,690,163	\$826,527	\$753,136	\$319,767	\$314,686	\$488,816	\$359,134	\$512,429
\$ of Questioned Costs Resolved – Current Year	\$247,141	\$1,936,511	\$427,409	\$204,848	\$57,338	\$0	\$174,130	\$44,448

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Performer® Reading

How Was Our Overall Financial Performance?



For the 2021 fiscal year, the readings by ratio category were as follows:

Financial Position 0.87
Financial Performance 10.0
Financial Capability 7.80

The 2021 reading of 5.07 indicates the evaluator's opinion that Chuuk Government's overall financial health and performance was considered just above satisfactory as of and for the fiscal year ended September 30, 2021, and represents an increase from the reading of the prior year.

Chuuk's improvement of debt to asset ratio, change in net position, intergenerational equity, low debt and taxes margins, and low debt service load contributed to the improvement in the overall score. The size of the unrestricted net position deficit, the size of the General Fund unassigned fund balance deficit, and insufficient current and quick ratios remain the primary reasons for the reading of the current year.

FY 21 Overall Performer® Reading:

5.07

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	2013	2014	2015	2016	2017	2018	2019	2020	2021
Number of F.S. Opinion Qualifications/Exceptions	2	2	2	1	1	1	1	1	1
Number of Major Federal Program Qualifications/Exceptions	1	1	0	0	0	0	1	1	1
Number of F.S. Findings									
A. Internal Control and Compliance	0	0	0	0	0	0	0	0	1
B. Internal Control Only	5	2	2	2	2	3	3	3	1
C. Compliance Only	0	0	0	0	0	0	0	0	0
TOTAL	5	2	2	2	2	3	3	3	2
Percentage of Findings Repeated	60%	100%	100%	100%	100%	67%	100%	100%	100%
Number of Single Audit Findings									
A. Internal Control and Compliance	3	2	4	1	0	1	3	3	1
B. Internal Control Only	1	1	0	0	1	0	0	0	0
C. Compliance Only	0	0	0	0	0	0	0	0	0
TOTAL	4	3	4	1	1	1	3	3	1
Percentage of S.A. Findings Repeated	25%	50%	25%	100%	100%	100%	33%	33%	0%
Number of months after Y/E the F.S. were Released	9	9	9	9	9	9	15	15	15
Number of Qualifications/Exceptions Related to C.U.	0	0	0	0	0	0	0	0	0
\$ of Questioned Costs-Current Year	\$194,238	\$114,918	\$55,292	\$0	\$0	\$0	\$32,532	\$32,532	\$0
\$ of Questioned Costs- Cumulative	\$194,238	\$309,156	\$364,448	\$364,448	\$0	\$0	\$32,532	\$32,532	\$0
\$ of Questioned Costs Resolved – Current Year	\$0	\$0	\$0	\$0	\$364,448	\$0	\$0	\$0	\$32,532

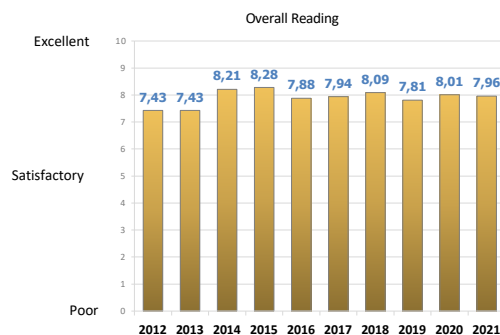
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Performer® Reading

How Was Our Overall Financial Performance?



For the 2021 fiscal year, the readings by ratio category were as follows:

Financial Position 7.8
Financial Performance 10
Financial Capability 7.3

The 2021 reading of 7.96 indicates the evaluator's opinion that the Federated States of Micronesia Government's overall financial health and performance remained steady and consistent when compared to the prior period, and continues to be considered well above satisfactory.

The FSM National Government's continued consistency and improvements in intergenerational equity, debt to assets, taxes and debt per capita amounts, and high levels of current and quick ratios are the significant factors in the well above satisfactory reading of the current period.

FY 21 Overall Performer® Reading:

7.96

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	2014	2015	2016	2017	2018	2019	2020	2021
Number of F.S. Opinion Qualifications/Exceptions	0	0	0	0	0	0	0	0
Number of Major Federal Program Qualifications/Exceptions	6	1	0	0	2	0	0	1
Number of F.S. Findings								
A. Internal Control and Compliance	0	0	0	0	0	0	0	2
B. Internal Control Only	1	1	1	0	0	0	0	2
C. Compliance Only	0	0	0	0	0	0	0	0
TOTAL	1	1	1	0	0	0	0	4
Percentage of Findings Repeated	100%	100%	100%	0%	0%	0%	0%	0%
Number of Single Audit Findings								
A. Internal Control and Compliance	12	5	2	1	2	1	1	1
B. Internal Control Only	0	0	0	0	0	0	0	0
C. Compliance Only	0	0	0	0	0	0	0	0
TOTAL	12	5	2	1	2	1	1	1
Percentage of S.A. Findings Repeated	16.7%	0%	50%	0%	0%	100%	100%	0%
Number of months after Y/E the F.S. were Released	9	9	9	9	9	15	15	19
Number of Qualifications/Exceptions Related to C.U.	0	0	0	0	0	0	0	0
\$ of Questioned Costs-Current Year	\$580,807	\$28,936	\$0	\$0	\$0	\$0	\$0	\$145,945
\$ of Questioned Costs- Cumulative	\$4,223,602	\$4,257,599	\$27,391	\$27,391	\$0	\$0	\$0	\$145,945
\$ of Questioned Costs Resolved – Current Year	\$0	\$33,580	\$4,230,168	\$0	\$27,391	\$0	\$0	\$0

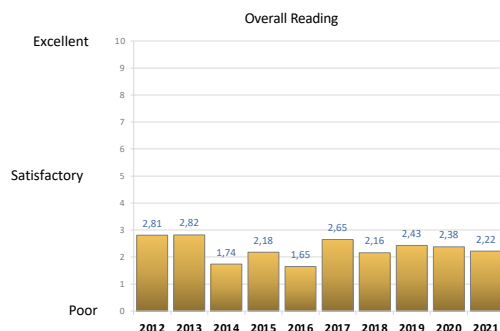
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Performer® Reading

How Was Our Overall Financial Performance?



For the 2021 fiscal year, the readings by ratio category were as follows:

Financial Position	0.79
Financial Performance	5.84
Financial Capability	<u>2.38</u>
Overall	2.22

The 2021 reading of 2.22 indicates the evaluator's opinion that the Government of Guam's overall financial health and performance declined slightly when compared to the reading of the previous year.

The primary reasons for the slight decline was the decrease in the revenue dispersion ratio, capital asset condition ratio, intergenerational equity, and the change in net position ratio.

FY 22 Overall Performer® Reading:

2.22

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	2014	2015	2016	2017	2018	2019	2020	2021
Number of F.S. Opinion Qualifications/Exceptions	0	0	0	0	0	0	0	0
Number of Major Federal Program Qualifications/Exceptions	7	4	4	4	4	2	6	15
Number of F.S. Findings								
A. Internal Control and Compliance	0	0	0	0	0	0	0	1
B. Internal Control Only	3	1	0	0	1	2	2	4
C. Compliance Only	0	0	0	0	0	0	0	1
TOTAL	3	1	0	0	1	2	2	5
Percentage of Findings Repeated	33%	0%	0%	0%	0%	50%	50%	60%
Number of Single Audit Findings								
A. Internal Control and Compliance	6	8	9	7	3	6	16	26
B. Internal Control Only	1	0	0	0	0	0	0	0
C. Compliance Only	0	0	0	0	0	0	0	0
TOTAL	7	8	9	7	3	6	16	26
Percentage of S.A. Findings Repeated	14%	12.5%	33%	71%	100%	33%	31%	35%
Number of months after Y/E the F.S. were Released	9	9	8	9	9	11	8	9.5
Number of Qualifications/Exceptions Related to C.U.	0	0	0	0	0	0	0	0
\$ of Questioned Costs-Current Year	\$46,293	\$348	\$432,056	\$135,451	\$549,023	\$1,113,368	\$1,113,516	\$41,688,920
\$ of Questioned Costs- Cumulative	\$99,764	\$14,798	\$432,056	\$567,507	\$694,425	\$1,662,391	\$2,975,907	\$44,664,827
\$ of Questioned Costs Resolved – Current Year	\$10,077	\$0	\$85,314	\$14,450	\$348	\$145,402	\$0	\$0

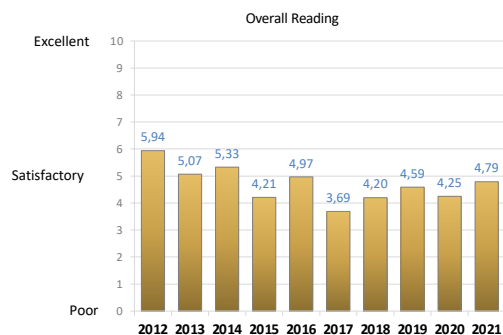
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Performer® Reading

How Was Our Overall Financial Performance?



For the 2021 fiscal year, the readings by ratio category were as follows:

Financial Position	2.2
Financial Performance	8.2
Financial Capability	6.2

The 2021 overall reading of 4.79 indicates the evaluator's opinion that Kosrae's overall financial health and performance improved from the previous period and remains slightly below the satisfactory reading.

Kosrae's current year rating increase is due primarily to the increase in intergenerational equity, the increase in the quick ratios, and the increase in change in net position ratio.

FY 21 Overall Performer® Reading:

4.79

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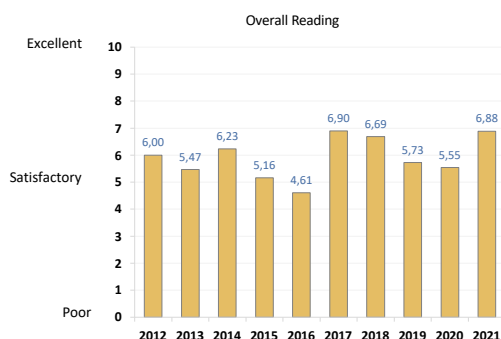
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	2014	2015	2016	2017	2018	2019	2020	2021
Number of F.S. Opinion Qualifications/Exceptions	0	0	0	0	0	0	0	0
Number of Major Federal Program Qualifications/Exceptions	0	0	0	0	0	0	0	1
Number of F.S. Findings								
A. Internal Control and Compliance	0	1	0	0	0	0	0	0
B. Internal Control Only	0	0	0	0	0	0	0	1
C. Compliance Only	0	0	0	0	0	0	0	0
TOTAL	0	1	0	0	0	0	0	1
Percentage of Findings Repeated	0%	0%	0%	0%	0%	0%	0%	0%
Number of Single Audit Findings								
A. Internal Control and Compliance	0	0	0	0	0	0	0	2
B. Internal Control Only	0	0	0	0	0	0	0	0
C. Compliance Only	0	0	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0	0	2
Percentage of S.A. Findings Repeated	0%	0%	0%	0%	0%	0%	0%	0%
Number of months after Y/E the F.S. were Released	9	9	9	8	8.5	15	15	15
Number of Qualifications/Exceptions Related to C.U.	0	0	0	0	0	0	0	0
\$ of Questioned Costs-Current Year	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$219,936
\$ of Questioned Costs- Cumulative	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$219,936
\$ of Questioned Costs Resolved – Current Year	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

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Performer® Reading

How Was Our Overall Financial Performance?



For the 2021 fiscal year, the readings by ratio category were as follows:

Financial Position 5.6
Financial Performance 10
Financial Capability 6.9

The 2021 overall reading of 6.88 indicates the evaluator's opinion that Pohnpei's overall financial health and performance improved when compared to the prior period.

Pohnpei's overall financial health improved during the 2021 fiscal year and maintained an above satisfactory reading. The primary reasons for the improvement in the reading are the increase in the change in net position, increase in intergenerational equity, the low debt service load ratio, its low tax and debt burdens per capita, its low debt to assets ratio, the positive unrestricted net position and improvement in the level of unassigned fund balance.

FY 21 Overall Performer® Reading:

6.88

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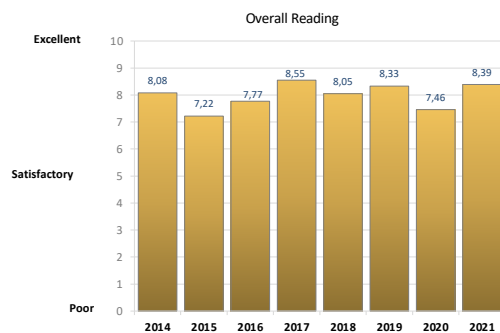
	2014	2015	2016	2017	2018	2019	2020	2021
Number of F.S. Opinion Qualifications/Exceptions	0	0	1	1	1	1	1	1
Number of Major Federal Program Qualifications/Exceptions	1	1	0	0	0	2	2	2
Number of F.S. Findings								
A. Internal Control and Compliance	0	0	0	0	0	0	0	0
B. Internal Control Only	1	1	2	1	1	2	2	1
C. Compliance Only	0	0	0	0	0	0	0	0
TOTAL	1	1	2	1	1	2	2	1
Percentage of Findings Repeated	0%	0%	0%	100%	100%	50%	50%	100%
Number of Single Audit Findings								
A. Internal Control and Compliance	4	4	0	1	1	7	7	4
B. Internal Control Only	0	0	1	0	0	0	0	0
C. Compliance Only	0	0	0	0	0	0	0	0
TOTAL	4	4	1	1	1	7	7	4
Percentage of S.A. Findings Repeated	25%	25%	100%	100%	0%	14%	14%	50%
Number of months after Y/E the F.S. were Released	9	9	9	9	9	15	15	19
Number of Qualifications/Exceptions Related to C.U.	0	0	0	0	0	0	0	0
\$ of Questioned Costs-Current Year	\$541,593	\$368,539	\$0	\$0	\$0	\$735,506	\$735,506	\$961,312
\$ of Questioned Costs- Cumulative	\$663,275	\$1,032,816	\$1,032,816	\$584,803	\$584,803	\$1,320,309	\$1,320,309	\$1,842,195
\$ of Questioned Costs Resolved – Current Year	\$0	\$0	\$0	\$448,013	\$0	\$0	\$0	\$439,426

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Performer® Reading

How Was Our Overall Financial Performance?



For the 2021 fiscal year, the readings by ratio category were as follows:

Financial Position **10.0**
Financial Performance **8.3**
Financial Capability **6.8**

The 2021 overall reading of 8.39 indicates the evaluator's opinion that the Government of Yap's overall financial health and performance improved during the year and remains well above satisfactory.

Yap's overall unrestricted net position, the General Fund's level of unassigned fund balance, intergenerational equity, low tax and debt burdens per capita, an excellent debt-to-asset ratio, and excellent current and quick ratios are the primary reasons for the well above satisfactory rating.

FY 21 Overall Performer® Reading:

8.39

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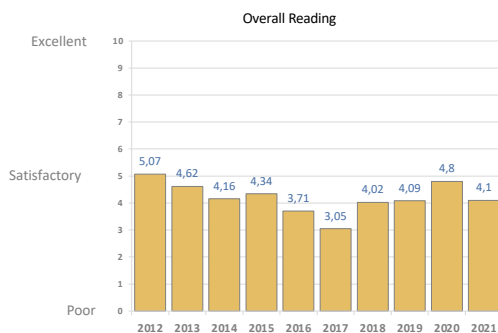
	2014	2015	2016	2017	2018	2019	2020	2021
Number of F.S. Opinion Qualifications/Exceptions	2	2	2	1	1	1	1	1
Number of Major Federal Program Qualifications/Exceptions	2	1	1	1	1	1	0	0
Number of F.S. Findings								
A. Internal Control and Compliance	0	0	0	1	1	1	0	0
B. Internal Control Only	1	1	0	0	0	0	1	1
C. Compliance Only	0	0	2	0	0	0	0	0
TOTAL	1	1	2	1	1	1	1	1
Percentage of Findings Repeated	100%	100%	50%	100%	100%	100%	100%	100%
Number of Single Audit Findings								
A. Internal Control and Compliance	5	3	4	2	2	2	0	0
B. Internal Control Only	0	0	0	0	0	0	0	0
C. Compliance Only	0	0	0	0	0	0	0	0
TOTAL	5	3	4	2	2	2	0	0
Percentage of S.A. Findings Repeated	0%	67%	25%	0%	50%	50%	0%	50%
Number of months after Y/E the F.S. were Released	9	9	9	9	9	15	15	15
Number of Qualifications/Exceptions Related to C.U.	2	2	2	1	1	1	1	1
\$ of Questioned Costs-Current Year	\$129,385	\$30,354	\$74,514	\$95,055	\$375,880	\$174,758	\$0	\$0
\$ of Questioned Costs- Cumulative	\$993,644	\$1,023,998	\$1,098,512	\$277,044	\$652,924	\$645,693	\$645,693	\$174,758
\$ of Questioned Costs Resolved – Current Year	\$0	\$0	\$0	\$916,523	\$0	\$7,231	\$0	\$470,935

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Performer® Reading

How Was Our Overall Financial Performance?



For the 2021 fiscal year, the readings by ratio category were as follows:

Financial Position 2.92
Financial Performance 4.65
Financial Capability 5.31

The 2021 reading of 4.1 indicates the evaluator's opinion that the American Samoa Government's overall financial health and performance remained relatively consistent during the year, but did decline overall and remains at a level below satisfactory. Several financial position ratios saw their multi-year improvement that began in FY 2018 stopped, including the unrestricted net position deficit and the quick ratio.

FY 2021 Overall Performer® Reading:

4.1

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	2013	2014	2015	2016	2017	2018	2019	2020	2021
Number of F.S. Opinion Qualifications/Exceptions	1	4	8	3	3	4	2	2	1
Number of Major Federal Program Qualifications/Exceptions	11	10	4	2	2	5	1	1	0
Number of F.S. Findings									
A. Internal Control and Compliance	3	1	1	1	1	1	0	0	0
B. Internal Control Only	4	7	6	5	4	2	3	3	2
C. Compliance Only	0	0	0	0	0	0	1	1	1
TOTAL	7	8	7	6	5	3	4	4	3
Percentage of Findings Repeated	57%	87.5%	86%	100%	100%	100%	50%	50%	100%
Number of Single Audit Findings									
A. Internal Control and Compliance	5	5	2	4	0	4	3	3	2
B. Internal Control Only	5	3	4	0	3	0	1	1	2
C. Compliance Only	0	0	0	0	1	0	0	0	0
TOTAL	10	8	6	4	4	4	4	4	2
Percentage of S.A. Findings Repeated	90%	50%	33%	100%	50%	50%	50%	50%	100%
Number of months after Y/E the F.S. were Released	9	9	7	7	8	7	7	7	7.5
Number of Qualifications/Exceptions Related to C.U.	1	0	2	1	1	2	0	0	1
\$ of Questioned Costs-Current Year	\$0	\$279,912	\$0	\$0	\$0	\$881,844	\$0	\$0	\$0
\$ of Questioned Costs- Cumulative	Unable to determine	Unable to determine	Unable to determine	Unable to determine	Unable to determine	Unable to determine	Unable to determine	Unable to determine	Unable to determine
\$ of Questioned Costs Resolved - Current Year	Unable to determine	Unable to determine	Unable to determine	Unable to determine	Unable to determine	Unable to determine	Unable to determine	Unable to determine	Unable to determine

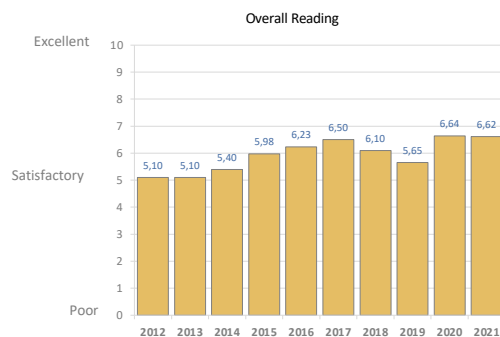
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Performer® Reading

How Was Our Overall Financial Performance?



For the 2021 fiscal year, the readings by ratio category were as follows:

Financial Position **4.4**
Financial Performance **10**
Financial Capability **7.6**

The 2021 overall reading of 6.62 indicates the evaluator's opinion that the RMI's overall financial health and performance remained consistent when compared to the prior period.

The RMI's overall financial health remained relatively stable during the 2021 fiscal year and remains above satisfactory. The primary reasons for the above satisfactory reading are the low debt service load ratio, its low tax and debt burdens per capita, its high intergenerational equity, its low debt to assets ratio, intergenerational equity, and the change in net assets. This becomes the eleven consecutive year that the RMI has scored above a 5.

FY 21 Overall Performer® Reading:

6.62

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	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Number of F.S. Opinion Qualifications/Exceptions	0	0	0	0	0	0	0	0	0	4
Number of Major Federal Program Qualifications/Exceptions	2	2	2	2	2	1	2	2	2	3
Number of F.S. Findings										
A. Internal Control and Compliance	0	0	0	1	0	0	0	0	0	0
B. Internal Control Only	4	7	6	6	1	3	2	2	3	4
C. Compliance Only	0	1	3	1	2	0	0	1	0	0
TOTAL	4	8	9	8	3	3	2	3	3	4
Percentage of Findings Repeated	75%	75%	78%	88%	67%	33%	50%	50%	67%	75%
Number of Single Audit Findings										
A. Internal Control and Compliance	7	3	4	12	9	8	9	5	3	13
B. Internal Control Only	0	4	0	0	0	0	0	0	1	0
C. Compliance Only	0	0	0	0	0	0	0	0	0	0
TOTAL	7	7	4	12	9	8	9	5	4	13
Percentage of Single Audit Findings Repeated	100%	100%	100%	42%	89%	100%	75%	80%	75%	23%
Number of months after Y/E the F.S. were Released	10	12	17	14	9	9	9	15	20.5	17.5
Number of Qualifications/Exceptions Related to C.U.	0	0	0	0	0	0	0	0	0	4
\$ of Questioned Costs-Current Year	\$35,857	\$71,294	\$318,321	\$626,246	\$67,261	\$188,885	\$398,764	\$1,399,371	\$4,518,402	\$1,950,832
\$ of Questioned Costs- Cumulative	\$7,441,820	\$2,355,004	\$2,673,325	\$3,297,321	\$1,917,560	\$1,951,064	\$2,518,629	\$3,702,459	\$8,220,861	\$10,171,693
\$ of Questioned Costs Resolved – Current Year	\$0	\$5,158,110	\$0	\$1,650	\$1,447,662	\$155,381	\$0	\$215,941	\$0	\$0

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Questions?





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Managing the Audit

Managing the Audit

Jeanne H. Yamamura, CPA, Ph.D.

Managing the Audit

- Audit coordinator
- Trial balance
- PBC deliverables
- Audit inquiries and assistance

IGFOA - Winter 2023

2

Audit Coordinator

- Managing the government side of the audit
- Notifying everyone when fieldwork begins
- Maintaining the PBC status list
- Getting early warning from auditors re findings
 - Coordinate response with departments
- Maintaining component unit audit status list
- Maintaining findings followup status list

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Trial Balance

- Develop process for creating trial balance
 - Make sure it balances!!
- Ensure reconciliations tie to TB numbers
- Determine responsibility for input of audit AJEs

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PBC Deliverables

- Ensure understanding of exactly what has been requested
- Verify delivery date and ability to meet date
- Check to make sure balances tie to trial balance
- Set up process to address any errors identified while preparing PBCs

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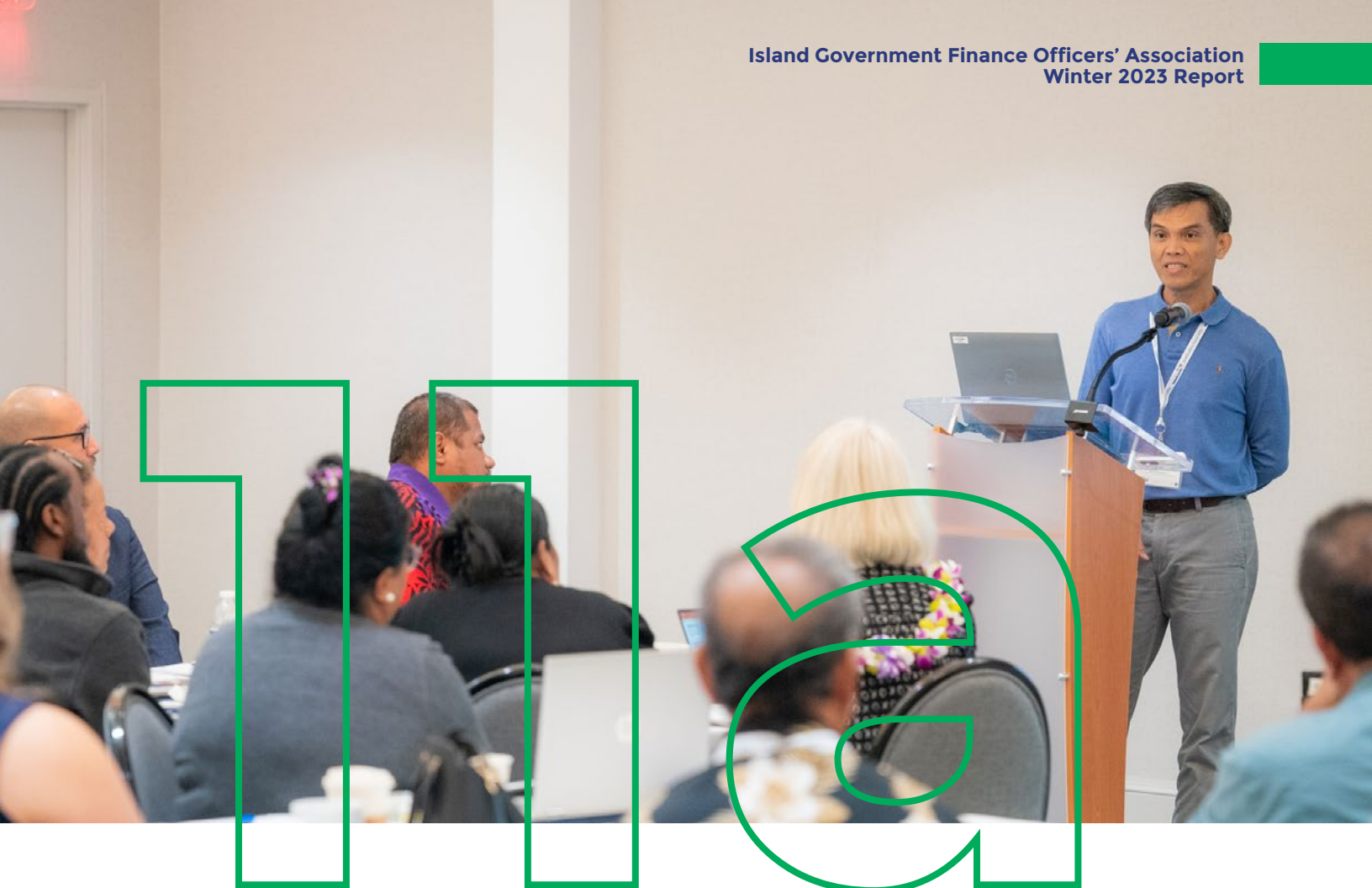
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Audit Inquiries and Assistance

- Dept. heads – notify staff when fieldwork begins
 - Request timely response to auditor inquiries and requests for assistance
- Determine process to follow when problems arise
 - Notify audit coordinator?
- Track, if possible, what has been provided to auditors

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11a

**Government Action Plan:
CNMI**



IGFOA ACTION PLAN (for: ORLANDO 2024)

Jurisdiction: CNMI

Time period: December 2023 (Honolulu) through June 2024 (Orlando, FL)

Page 1 of 1

Draft Date: 12/14/2023

FOCUS AREA for improvement:	# ____ of ____	FY2021 Audit	Remarks	Responsible Parties	Financial & Technical Support (\$)	Timeframe
Key Tasks:	>	Schedule meeting with EY to improve communication with EY. - Follow up on the high-level overview (bi-weekly with the Lead auditor/Monthly with Partner) - Confirm the realistic deadline for the completion of the FY21 audit		SOF Office		31/12/23
	>	Determine Expectations: a. Hire CPA firm to review FS prepared by EY b. Timing expectations: Imposed Deadlines	As confirmed with EY (through Chris in the IGFOA), EY will be preparing the FS. Contract amendment, if needed	SOF Office		31/1/24
	>	Schedule of weekly/bi-weekly meeting with OGM, SOF Office, and Pacific Pact before cabinet meeting for any audit issues - Establish the communication channel for the FY21 audit		SOF Office, OGM, Pacific Pact		ASAP
	>	Meet with the component units for their audit updates		SOF Office		31/1/24

FOCUS AREA for improvement:	# ____ of ____	FY2022- FY2023 Audit	Remarks	Responsible Parties	Financial & Technical Support (\$)	Timeframe
Key Tasks:	>	Audit committee will determine milestone to catch up for the FY22 and FY23 to be ready before we propose concurrent to EY - Completing reconciliations and clean up of the accounts - Closing the fiscal year books		SOF Office, OGM, OPA		29/2/24
	>	Discuss with EY if its reasonable to perform a concurrent audit (FY22 and FY23) a. Contract amendment, if needed		DOF/OPA		30/6/24
	>	Monitor progress of the GASB 87 Procurement Team - Schedule a bi-weekly meeting		SOF Office		31/12/23

FOCUS AREA for improvement:	# ____ of ____	Other Areas	Remarks	Responsible Parties	Financial & Technical Support (\$)	Timeframe
Key Tasks:	>	Apply for a grant for staff training(s) and capacity building: a. Procurement - Leases and Fixed Asset -Allocate resources b. Bank Recon -Allocate resources c. Travel Section -Allocate resources		OGM		15/3/24
	>	Review of the revolving funds beginning balances in FY22 (migration from IDE to Munis) - proposed adjustment, if needed	Currently in Progress	SOF Office and Financial Services		30/6/24
	>	Conduct staffing assessment		All departments		31/1/24
	>	Document and implement encumbrance policy		Financial Services		31/3/24
	>	Review process of drawdown decentralization		SOF Office and Federal Section		31/1/24

2023 IGFOA highlighted topics: > Follow-up from prior action plans (esp. Portland)

- > Audit improvement tasks
- > Audit transition tasks
- > FMIS status/transition

- >Emerging GASB matters: GASB 87 leases; GASB 96; GASB 94
- >Consider actions to optimize federal grant utilization
- >Tax reform and/or tax information system tasks
- ++ Others as relevant



11b

***Government Action Plan:
Chuuk State, FSM***



IGFOA ACTION PLAN (for: ORLANDO 2024)

Jurisdiction: Chuuk State Government

Time period: December 2023 (Honolulu) through June 2024 (Orlando, FL)

Page ___ of ___

Draft Date: 12/14/2023

FOCUS AREA for improvement: # ___ of ___		Responsible Parties	Financial & Technical Support (\$)	Measurement	Timeframe
Key Tasks:	>				
	>	To make the files more organized.	Hire new staff.	100%	Before end of FY2024
	>	To continue cleaning up invalid encumbrances/travel.	Fund certification staff	50%	Before end of FY2024
	>	To verify invalid accounts payable.	Accounts payable staff	100%	Before end of FY2024

FOCUS AREA for improvement: # ___ of ___		Responsible Parties	Financial & Technical Support (\$)	Measurement	Timeframe
Key Tasks:	>				
	>				
	>				
	>				

2023 IGFOA highlighted topics: > Follow-up from prior action plans (esp. Portl: >Emerging GASB matters: GASB 87 leases; GASB 96; GASB 94
 > Audit improvement tasks
 > Audit transition tasks
 > FMIS status/transition
 > Consider actions to optimize federal grant utilization
 > Tax reform and/or tax information system tasks
 ++ Others as relevant



11C

**Government Action Plan:
Kosrae State, FSM**



IGFOA ACTION PLAN (for: ORLANDO 2024)

Jurisdiction: _____ Time period: December 2023 (Honolulu) through June 2024 (Orlando, FL) Page ____ of ____

Draft Date: _____

FOCUS AREA for improvement:		Audit Improvement		Responsible Parties	Financial & Technical Support (\$)	Timeframe
#	of	Key Tasks:				
>		Account and Report GASB 87 Standard		Director, FA & TA	\$ 6.250	Jan-March 2024
>		Track and monitor lease payment collection		Tax Administrator, Financial Advisor & DREA	\$ 3.250	Jan-March 2024
>		Provide Monthly Report as mandated by law		Tax Administrator & Financial Advisor	\$ 3.000	Jan-March 2024
>		Address Transition Issues - with Audit		Director, FA & Audit Coordinator		ASAP

FOCUS AREA for improvement:		Tax Improvement/Reform		Responsible Parties	Financial & Technical Support (\$)	Timeframe
#	of	Key Tasks:				
>		Establish a Taskforce		Governor & Speaker		January to March 2024
>		Assess and recommend areas for improvement		Taskforce	Will need \$ support	April to December 2024
>		Recruit Consultant		Taskforce	Will need \$ support	April. 2024
>		Collaborate with FSM Tax Reform Taskforce		State Taskforce & FSM Tax Reform taskforce		April to December 2024

2023 IGFOA highlighted topics: > Follow-up from prior action plans (esp. Portl) > Emerging GASB matters: GASB 87 leases; GASB 96; GASB 94
 > Audit improvement tasks
 > Audit transition tasks
 > FMIS status/transition
 > Consider actions to optimize federal grant utilization
 > Tax reform and/or tax information system tasks
 ++ Others as relevant



11d

***Government Action Plan:
Pohnpei, FSM***



IGFOA ACTION PLAN (for: ORLANDO 2024)

Jurisdiction: _____

Time period: December 2023 (Honolulu) through June 2024 (Orlando, FL)

Page ____ of ____

Draft Date: _____

FOCUS AREA for improvement:		# ____ of ____	Responsible Parties	Financial & Technical Support (\$)	Timeframe
Key Tasks:	FMIS transition Continue >	>	It/COF/program coordinators		30/6/24
		>	Director Elnei		30/6/24
		>	Chief of Finance COF/program coordinators		30/6/24
		>	FA/COF		30/6/24

FOCUS AREA for improvement:		# ____ of ____	Responsible Parties	Financial & Technical Support (\$)	Timeframe
Key Tasks:	Audit Improvement >	>	Education/Finance		5/1/24
		>	Executive / Legislature		24/3/24
		>	COF and FA		24/3/24
		>	COF and FA		24/4/24

- 2023 IGFOA highlighted topics:
- > Follow-up from prior action plans (esp. Portland)
 - > Audit improvement tasks
 - > Audit transition tasks
 - > FMIS status/transition
 - > Emerging GASB matters: GASB 87 leases; GASB 96; GASB 94
 - > Consider actions to optimize federal grant utilization
 - > Tax reform and/or tax information system tasks
 - ++ Others as relevant



11e

**Government Action:
Yap, FSM**



IGFOA ACTION PLAN (for: ORLANDO 2024)

Jurisc Yap State Government

Time period: December 2023 (Honolulu) through June 2024 (Orlando, FL)

Page ____ of ____
Draft Date: ____

FOCUS AREA for improvement:		Audit Improvement	Responsible Parties	Financial & Technical Support (\$)	Timeframe
Key Tasks: Recruitment of Staff Reconciliation On the Job Training Fixed Asset Inventory	>				
	>	Hire Chief Accountant & Accountant IV	Chief of Finance	\$40,000.00	30/5/24
	>	Distribute responsibilities for G/L Reconciliation among relevant staff	Financial Advisor/Chief of Finance		30/6/24
	>	Train new staff to understand how particular task effect the G/L	Financial Advisor		2/30/2024
	>	Conduct Physical Inventory	Chief of RPPM		30/9/24
FOCUS AREA for improvement:		Audit Transit	Responsible Parties	Financial & Technical	Timeframe
Key Tasks: Fieldwork Audit Exceptions Audit Engagement-FY23	>				
	>	Provide audit samples and requested documents to Auditor	Financial Advisor, Chief of Finance		31/1/24
	>	Work with auditor to resolve all potential finding/question cost	Financial Advisor, Chief of Finance		28/2/24
	>	Provide all required documents to Auditor	Financial Advisor, Chief of Finance		30/6/24
FOCUS AREA for improvement:		FMIS	Responsible Parties	Financial & Technical	Timeframe
Key Tasks: Leave W/B Project Research Funding	>				
	>	Communicate intention to FSM?	OAS Director		
	>	Identify alternative FMIS	OAS Director		
	>	Identify, secure & Send out RFP if Necessary	OAS Director	3M	
	>				
	>				
	>				
	>				

2023 IGFOA highlighted topics: > Follow-up from prior action plans (esp. Portland)

- > Audit improvement tasks
- > Audit transition tasks
- > FMIS status/transition

- >Emerging GASB matters: GASB 87 leases; GASB 96; GASB 94
- >Consider actions to optimize federal grant utilization
- >Tax reform and/or tax information system tasks
- ++ Others as relevant



11f

***Government Action Plan:
Guam***



IGFOA ACTION PLAN (for: ORLANDO 2024)

Jurisdiction: Guam

Time period: December 2023 (Honolulu) through June 2024 (Orlando, FL)

Page ____ of ____

Draft Date: 12/14/23

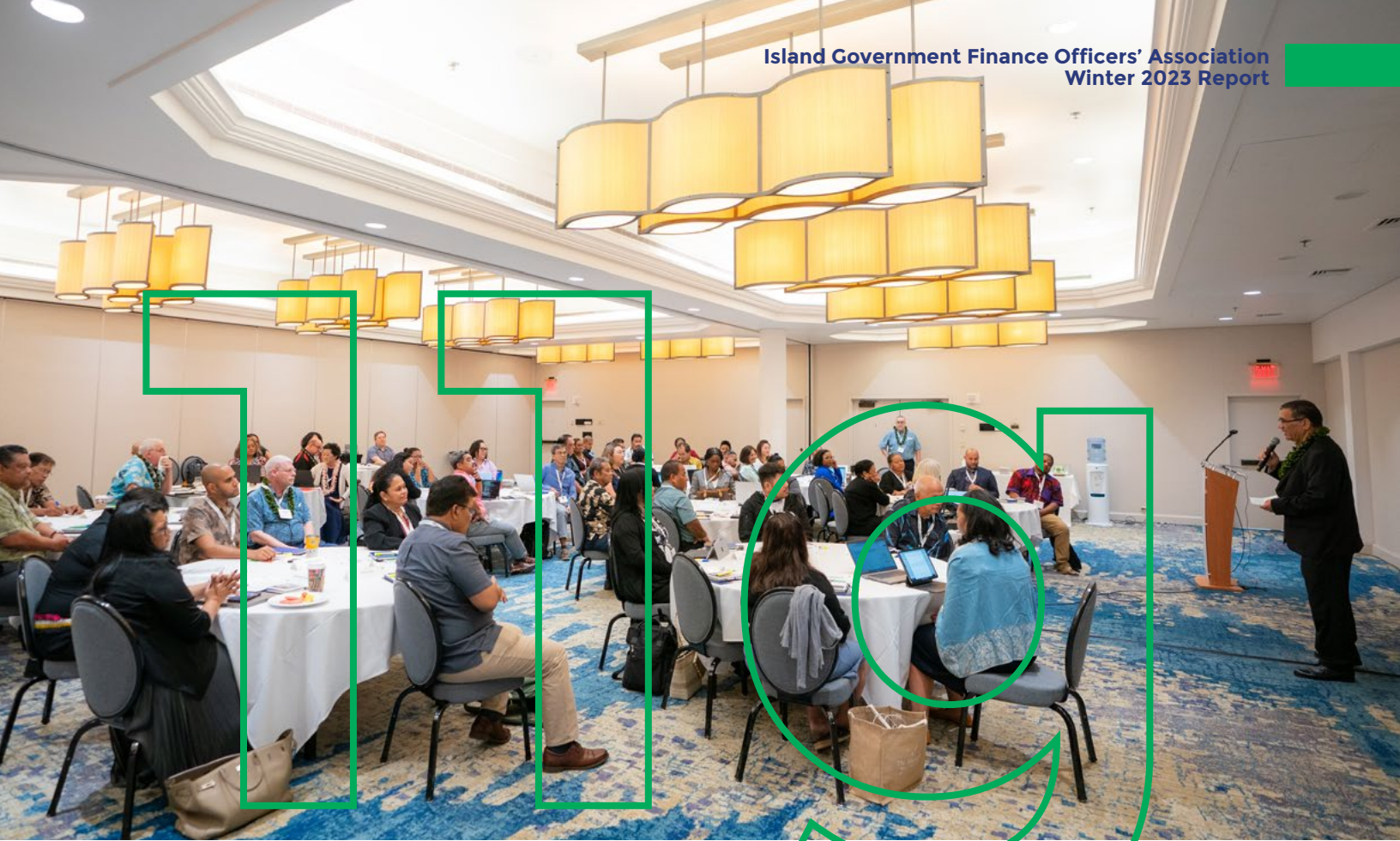
FOCUS AREA for improvement:		Audit Remediation	Responsible Parties	Financial & Technical Support (\$)	Timeframe
Key Tasks:	# 1 of 4	> Establish Tracker of all Audit Findings by Audit Type	Krys/TR/Goody	-	Continuously
	>	> Identity and Engage Audit Issue Owners	Krys/TR/Goody	-	Continuously
	>	> Follow up Progress of Audit Remediation (Quarterly)	TR/Goody	-	Continuously
	>	> Monthly Status Meetings			

FOCUS AREA for improvement:		Performance Evaluations	Responsible Parties	Financial & Technical Support (\$)	Timeframe
Key Tasks:	# 2 of 4	> Complete PDQ (Position Description Questionnaire)	Supervisors/Head of Sections	-	Jan-24
	>	> Do internal mid year evaluation	Supervisors	-	Continuously
	>	> Submit completed Evaluation timely	Supervisors/Head of Sections	-	Continuously
	>	> Identify Top/High Potential Performers & Document Realistic Development Plans	Supervisors/Head of Sections	-	Continuously

FOCUS AREA for improvement:		FMIS	Responsible Parties	Financial & Technical Support (\$)	Timeframe
Key Tasks:	# 3 of 4	> Successfully Implement FMIS			
	>	> General Ledger, Accounts Receivable, HR, and Payroll.	Head of Sections	0	Continuously
	>	>			
	>	>			

FOCUS AREA for improvement:		Bank Reconciliation	Responsible Parties	Financial & Technical Support (\$)	Timeframe
Key Tasks:	# 4 of 4	> Timely Completion of all GL Reconciliations (High Risks Accounts Daily / Weekly / Rest of Bank GLs	Helen/ AR section	0	Continuously
	>	>			
	>	>			
	>	>			

2023 IGFOA highlighted topics: > Follow-up from prior action plans (esp. Portl) > Emerging GASB matters: GASB 87 leases; GASB 96; GASB 94
> Audit improvement tasks
> Audit transition tasks
> FMIS status/transition
> Tax reform and/or tax information system tasks
++ Others as relevant



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**Government Action Plan:
Republic of Marshall Islands**



IGFOA ACTION PLAN (for: ORLANDO 2024)

Jurisdiction: Guam

Time period: December 2023 (Honolulu) through June 2024 (Orlando, FL)

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Draft Date: 12/14/23

FOCUS AREA for improvement:		Audit Remediation	Responsible Parties	Financial & Technical Support (\$)	Timeframe
Key Tasks:	# 1 of 4	Establish Tracker of all Audit Findings by Audit Type	Krys/TR/Goody	-	Continuously
	>	Identity and Engage Audit Issue Owners	Krys/TR/Goody	-	Continuously
	>	Follow up Progress of Audit Remediation (Quarterly)	TR/Goody	-	Continuously
	>	Monthly Status Meetings			

FOCUS AREA for improvement:		Performance Evaluations	Responsible Parties	Financial & Technical Support (\$)	Timeframe
Key Tasks:	# 2 of 4	Complete PDQ (Position Description Questionnaire)	Supervisors/Head of Sections	-	Jan-24
	>	Do internal mid year evaluation	Supervisors	-	Continuously
	>	Submit completed Evaluation timely	Supervisors/Head of Sections	-	Continuously
	>	Identify Top/High Potential Performers & Document Realistic Development Plans	Supervisors/Head of Sections	-	Continuously

FOCUS AREA for improvement:		FMIS	Responsible Parties	Financial & Technical Support (\$)	Timeframe
Key Tasks:	# 3 of 4	Successfully Implement FMIS			
	>	General Ledger, Accounts Receivable, HR, and Payroll.	Head of Sections	0	Continuously
	>				
	>				

FOCUS AREA for improvement:		Bank Reconciliation	Responsible Parties	Financial & Technical Support (\$)	Timeframe
Key Tasks:	# 4 of 4	Timely Completion of all GL Reconciliations (High Risks Accounts Daily / Weekly / Rest of Bank GLs)	Helen/ AR section	0	Continuously
	>				
	>				
	>				

2023 IGFOA highlighted topics: > Follow-up from prior action plans (esp. Portl >Emerging GASB matters: GASB 87 leases; GASB 96; GASB 94
> Audit improvement tasks
> Audit transition tasks
> FMIS status/transition
> Tax reform and/or tax information system tasks
++ Others as relevant



11h

***Government Action Plan:
Republic of Palau***



IGFOA ACTION PLAN

Jurisdiction: **Palau** Time period: December 2023 (Honolulu) through June 2024 (Orlando, FL) Page 1 of 1
Draft Date: 12/14/2023

FOCUS AREA for improvement: FY21-FY24 Single Audits			
# 1 of 4	Responsible Parties	Financial & Technical Support (\$)	Timeframe
Key Tasks:			
1 Signed engagement with EY (Expected Completion Jun-2024)	MOF/AG		sign 12/18/2023
2 RFP for FY2022-2024 Single Audit	MOF/OPA		award RFP by Apr-24
a. Hire consultant to help reconcile all Balance sheet accounts (FY22-24)	MOF/BNT		Jan-24
3 Complete audits in 6-months intervals until caught up for FY2025	MOF/BNT		Jun-25
4 Recruit Internal Auditor	MOF Minister		Ongoing

FOCUS AREA for improvement: Public Financial Management (PFM) Roadmap			
# 2 of 4	Responsible Parties	Financial & Technical Support (\$)	Timeframe
Key Tasks:			
1 Implementation of PFM Roadmap - based on PEFA assessment	MOF Bureau		3-7 yrs.
a. Recruit Internal Auditor- review of current work to inform the next step	MOF Minister		Sep-23
b. Designate SOE Coordinator to ensure compliance	Minister's Office		Dec-23

FOCUS AREA for improvement: Implementation of the Palau Development Plan & Fiscal Responsibility Act			
# 3 of 4	Responsible Parties	Financial & Technical Support (\$)	Timeframe
Key Tasks:			
1 Integration of PDP & CRA Projects into the budget process	MOF BBP		Ongoing for FY25
a. Budget book	MOF BBP		Ongoing for FY25

FOCUS AREA for improvement: Financial Leadership Development Program			
# 4 of 4	Responsible Parties	Financial & Technical Support (\$)	Timeframe
Key Tasks:			
1 To sign MOU with Ministry of Education and Palau Community College	MOF		Jun-24
2 Public-Private Apartments (Palau Development Plan)	MOF	ADB	Jan-24
3 Recruit candidates for SY 2025	MOF		Jan-24

2023 IGFOA highlighted topics: > Follow-up from prior action plans (esp. Portland)
> Audit improvement tasks
> Audit transition tasks
> FMIS status/transition
> Emerging GASB matters: GASB 87 leases; GASB 96; GASB 94
> Consider actions to optimize federal grant utilization
> Tax reform and/or tax information system tasks
++ Others as relevant



11i

**Government Action Plan:
US Virgin Islands**



IGFOA ACTION PLAN (for: ORLANDO 2024)

Jurisdiction: US Virgin Islands

Time period: December 2023 (Honolulu) through June 2024 (Orlando, FL)

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Draft Date: 12/13/2023

FOCUS AREA for improvement: # ___ of ___		Responsible Parties	Financial & Technical Support (\$)	Timeframe
Key Tasks:	> Complete FY 2022/2023 SEFA	OMB FGMU	perform FY20-22 Single Audit	30/4/24
	> Complete FY 2022 Single Audit	OMB FGMU	perform FY20-22 Single Audit	31/5/24
	> Complete FY2022/2023 Indirect Cost	OMB FGMU	DOI/ eCivis contractor	30/4/24
	> Implement Plan for Daily Bank Reconciliations	DOF Treasury	E&Y, Tyler Munis	31/3/24

FOCUS AREA for improvement: # ___ of ___		Responsible Parties	Financial & Technical Support (\$)	Timeframe
Key Tasks:	> Improve daily cash management	DOF, OMB	E&Y	30/4/24
	> Complete Corrective Action Plan for Financial Audit FY 2021	OMB FGMU	Collab w/ depts to improve findings	30/4/24
	> Complete Corrective Action Plan for Single Audit FY 2021	OMB FGMU	Collab w/ depts to improve findings	30/4/24
	> Train fiscal officers for basic and governmental accounting	DOF Commissioner	Graduate School, UVI Cell	30/9/24

2023 IGFOA highlighted topics: > Follow-up from prior action plans (esp. Portland)
 > Audit improvement tasks
 > Audit transition tasks
 > FMIS status/transition

>Emerging GASB matters: GASB 87 leases; GASB 96; GASB 94
 >Consider actions to optimize federal grant utilization
 >Tax reform and/or tax information system tasks
 ++ Others as relevant



12

GFOA Close-Out Presentations



What's Next? IGFOA...

- IGFOA Summer 2024 - ORLANDO
 - IGFOA June 8th and 12th, 2024
 - GFOA June 9th to 12th, 2024
- Group Reservations at Hilton Doubletree by SeaWorld
- IGFOA Session Content—TBD, but...
 - Updates on Audit Progress
 - Take-Aways from GFOA Sessions
 - New/Emerging Issues?
- Expect a Close-Out Email
 - Presentation files, plans, contact info, photos...



1 Winter IGFOA 2023 | December 12-14, 2023



What's Next? IGFOA...

Intermediate Virtual IGFOA Meeting?

- Updates on action plans
- Updates on audit progress
- Discussion of challenges/roadblocks
- Early April, week of April 1st?

2 Winter IGFOA 2023 | December 12-14, 2023



APIPA 2023 – Majuro, RMI

Hosted by the RMI Office of the Auditor General with support from PITI-VITI (DOI/OIA)

8
INSTRUCTORS

20
COURSES

406
PARTICIPANTS

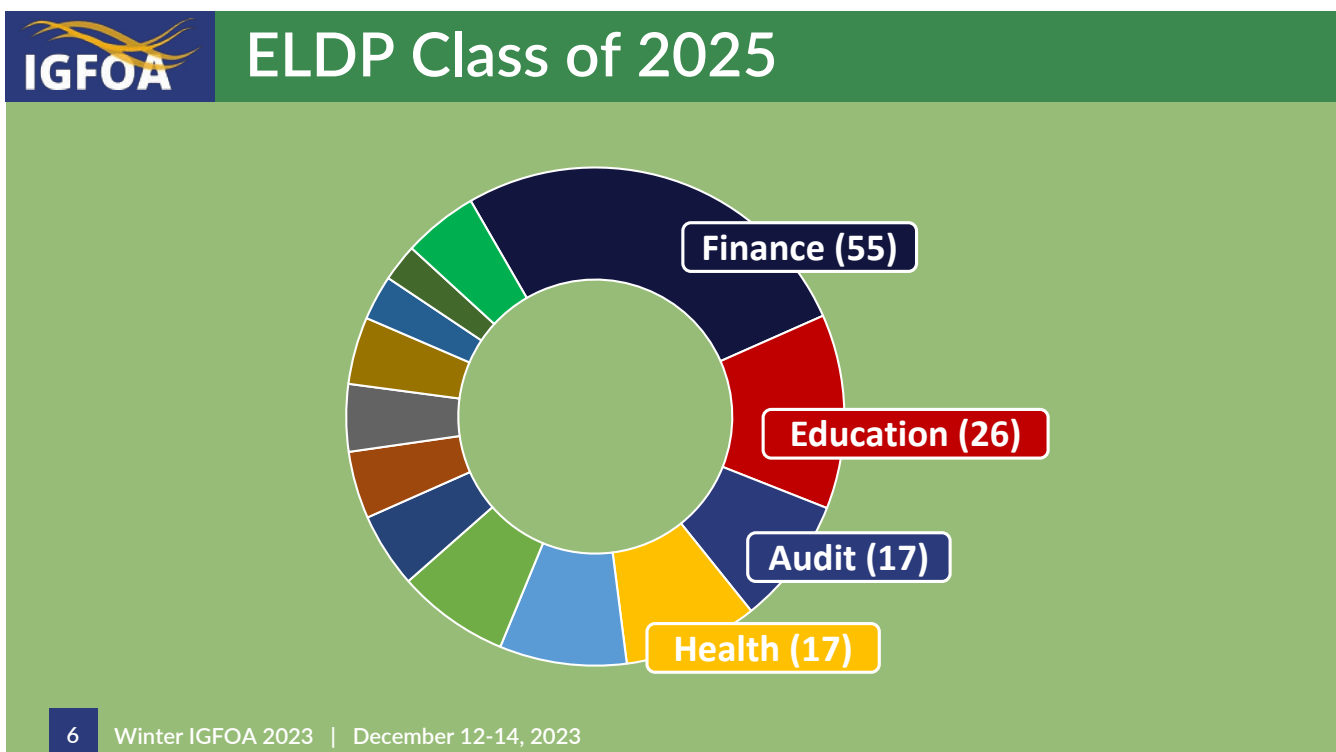
2,190
CERTIFIATES

13,804
CPES



APIPA 2024 - PALAU

- Hosted by Palau Public Auditor (Nino and Staff)
- Schedule for mid-late August (dates TBD)
- **apipa2024.org** will be live with a coming soon page and conference details once they're available.
- Courses in Finance and Audit tracks
- Expected participation from Interior OIG



6 Winter IGFOA 2023 | December 12-14, 2023



ELDP Class of 2025

- Recruiting will start summer of 2024
- Three, one-week, in-person sessions, with virtual sessions in between.
- Focus on leadership, management, policy analysis and reform, individual and team development, etc.
- Individual Leadership Develop Plans, mentors, coaching...
- **ENCOURAGE APPLICANTS!**



13

IGFOA Evaluation Results



2023 WINTER CONFERENCE EVALUATION RESULTS

This document presents the summarized results of evaluations completed by 40 participants who attended the 2023 Island Government Finance Officers (IGFOA) Winter Conference held in Honolulu, Hawaii from December 12-14, 2023.

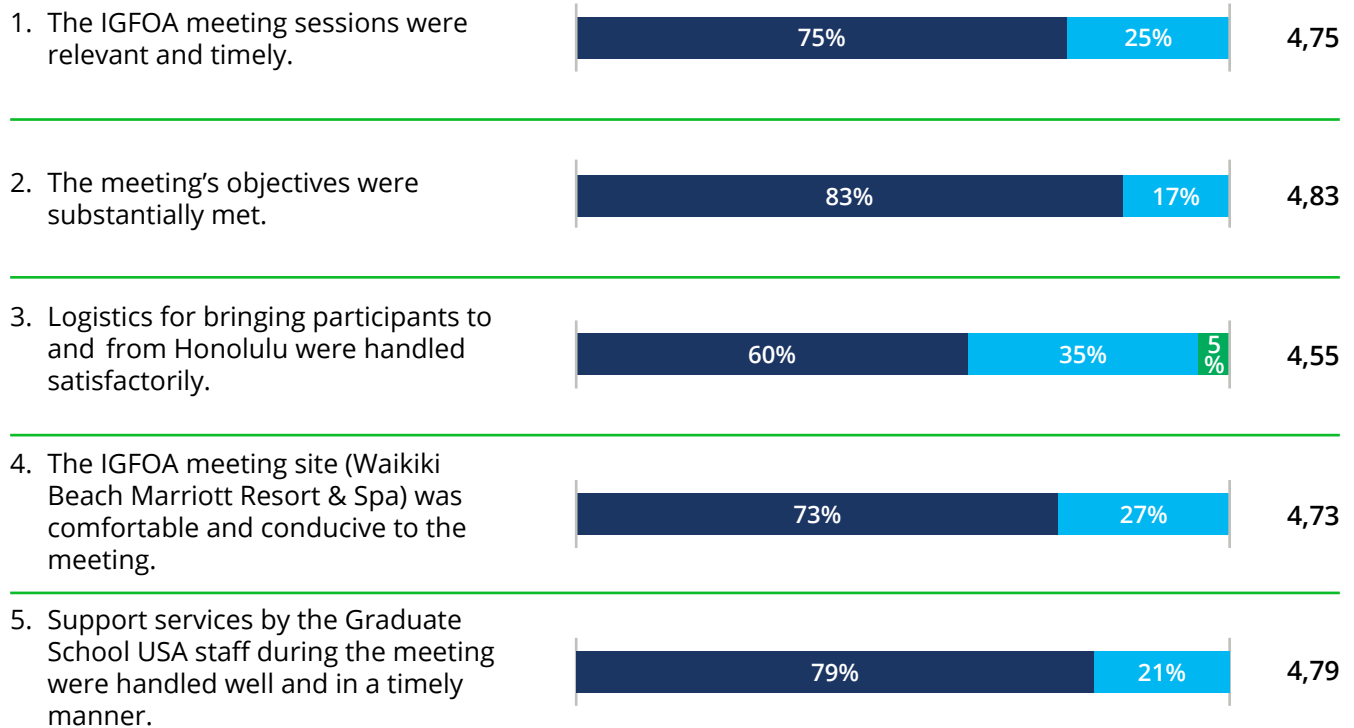
Strongly Agree

Agree

Neutral

Disagree

Strongly Disagree



Excellent

Very Good

Average

Fair

Disappointing



Excellent

Very Good

Average

Fair

Poor

7a. Insular Government Updates [Debbie Milks and Kevin O'Keefe]	78%	19%	3%	4,75
7b. Don't Drive Your Auditor Crazy! Ten Issues to Avoid [Debbie Milks]	78%	19%	3%	4,75
7c. Auditing is a Team Sport: The Roles of Auditors and Management [Chris Wolseley]	78%	22%		4,78
7d. Success Story - Lessons Learned through Audit Firm Transition [Edward Birn]	59%	36%	5%	4,54
7e. Lessons Learned from GASB-87 (Lease Standard) Implementation and Update on Future Standards [Frank Crawford]	62%	30%	8%	4,54
7f. Updates from Department of Interior, Office of Insular Affairs [Marina Tinitali]	82%	18%		4,82
7g. Fiscal & Financial Accountability Implications of Compact Renewal [Kevin O'Keefe].	79%	21%		4,79
7h. Performer Updates [Frank Crawford]	75%	15%	5% 5%	4,60
7i. Forum: Consolidation of Common Audit Issues & Potential Ways Forward [Kevin O'Keefe]	70%	25%	5%	4,65
7j. Insular Government Audit Findings and Response Strategies [Debbie Milks and Kevin O'Keefe]	80%	17%	3%	4,78

8. What sessions of the IGFOA Meeting were the most relevant and meaningful to you?

All things related to audit; Compact session.

Insular government audit findings and response strategies.

Audit issues, how to get caught up, auditor roles and updates.

Panel discussions with auditors. We got to hear & ask questions that were relative and useful to know for our own countries.

The most relevant for me was the discussions on how to be successful with the audit.

Jeanne's session and presentation on Audits and GASB 87.

Strategy session; Performer; COFA review, and country presentations.

Auditing is a team sport and Implications of Compact.

All.

All audit sessions.

Insular government updates; and don't drive our auditor crazy.

Auditing as a team sport really resonated with me.

Auditing is a team sport; and the role of auditors and management.

Breakout sessions.

GASB 87. This is very helpful since this is new to us. From the conference, I can go back and work with the team to continue finalizing the inventory.

All the sessions were relevant to me as an observer, and one met all needs to follow the audit rules and regulations. But the planning session was pretty good as it gave us the opportunity to work a plan of improvement for our government agency.

Audit challenges and requirements.

The session that was relevant and meaningful to me was the session that we discussed the audit report.

I found the Performer very useful as it shows how and where we needed improvement.

The clearing audit findings session was the most relevant to me.

Steps to creating a corrective action plan.

All sessions joined.

All.

Auditing is a team sport. Most use to think that auditing is an auditing job.

Auditing is a team sport; Forum; and Government updates.

All of it.

I'm new in finance, so all sessions were relevant and meaningful.

Audit issues to avoid; Roles of auditors and management; Breakout session.

Various presentations and meeting individually to discuss own issues and solutions.

Single audit findings are not necessarily impossible. It was helpful to learn about other island experiences.

Audit is a team sport; Forum; and don't drive your auditor crazy.

All of the sessions were relevant and meaningful to me.

Update from DOI. Implications of Compact Renewals.

This is the first IGFOA attended, and I think all the sessions are relevant and somewhat meaningful to my work.

All the audit discussions were relevant, and I value the audit response. The more it will help me prepare and respond better to the auditor.

Performer.

All sessions that discussed bank recon and audits.

All were relevant/useful.

Audit preparations and participation with audit projects.

9. What are the two most important items that you learned during the week, and how will you apply each when you return home?

Audit coordinator; Work with legislature branch on how to ensure CU's comply with audit standards.

Internal controls and compliance.

CAP-correcting action plan, review all P/Y and GASB 87 - Lease to compile list of all leases and see if it meets the lease definition and next steps.

Types of things to avoid with your auditors - I'm fairly new so this was good information. Behind on the audit so knowing what to do and meeting Chris was great for when we get back.

Communication with auditors. Our team will conduct meetings with the auditor to establish the communication and expectations.

Recon of bank statements and expediting the audit for 2021.

Perspective on audit reporting and direct access to auditor rep. for perspectives.

Starting a CAP and implementing a CAP.

Incentive and training.

Recommendations through the ERP & will develop a focus group with Guam and CNMI

Implementation of GASB 87 and working together with the auditor.

Action planning helps us focus on audit findings and government report outs.

The issues regarding incumbrances and travel advance. Will work with finance to clear up their issues.

Insular government updates

Audit Coordinator - who is responsible for coordinating the audit?

Compliance - will make sure to follow closely this concept. Question Cost - will keep in mind what is allowed and follow award guidelines.

Directly engage with the auditor and the CPAs on complex issues.

The two important items that I learned from this workshop was the GASB 87 and the audit report.

Solutions shared by other governments similar to our own issues and strategies started to improve the audit.

How to write a CAP and how to clear audit findings. Now I can write a CAP and advise others to write a CAP and can better contribute to clearing findings.

Perfometer.

Eligible for technical assistance and recruit experts to your state governments.

Important to have regular meetings with the auditors. Communication is very important.

Helping where you can, team player. Action plan, what we are to do moving forward.

Communication with auditor to achieve goals. Networking with regional partners to increase capacity and develop growth and sustainability.

All of it.

Perfometer and don't drive auditor crazy.

Auditor communication, engagement, and commitment.

Preparing a CAP, I will collaborate with our sister agencies to develop a plan. Not driving our auditors crazy.

Single audit approach; Audit timing; Useful in identifying how to approach the agency directors to make the discussion more relevant.

What not to do that would drive EY crazy. I would share those 10 points with management. Also, although we may think we know our roles it would be great to share that with the management team, so they have a better understanding of each of our roles.

All the 10 sessions were very important to me. However, these following sessions were the most important as follows: Don't drive your auditor crazy, and Auditing is a team sport.

FMIS transition updates from neighboring islands; Audit status of other governments.

Audit field work timeframe (e.g. When my office supposed to complete budget comparison schedule).

The discussion on the FMIS. There is an urgent need to fund a replacement for our old system that keeps crashing. Insular government audit finding, and response strategies is also the most important topic of the conference.

The roles of finance and auditors. Upon returning home, I would do all I can to assist finance as I now understand the hardships, they go through to get ready for an audit.

Taking necessary steps to address audit findings and providing timely responses/updates.

My role as head of department and respect to preparing and working with auditors.

GASB 87 - KSG needs to get familiar on the new audit requirements; PBC - work with college back home on how to deal with auditors.

10. What sessions or aspects during the week were the least relevant and meaningful to you?

Communication, cooperation, and continuous improvement.

All were meaningful.

The compact.

Fiscal and financial accountability; Implications of compact renewal.

Performers.

All sessions were very useful.

GASB updates and that relevant info.

Audit.

Action plan.

We know that reconciliations are essential. It would be helpful (difficult, I know) to discuss what information is relevant to audit implementation and what is not.

They were all relevant.

All were relevant.

Auditing is a team sport.

I think all sessions and aspects are relevant and meaningful.

Anything unrelated to bank reconciliations and audits (for revenue/adjustments).

11. Please list any measurable achievement your government has made as a result of being represented at IGFOA conferences.

Recon efforts; Legislative reform; FMIS implementation and guidance.

All performance measures, especially bank recon, TA, and encumbrances.

We can focus with our action plan. Upon revisiting our action plan from last May 2023, we can see that we have completed most of them.

Raised level of auditor engagement on high-level meetings.

Group problem solving (team building) and perspective of other island situations/activities.

Fiscal framework.

No QC, though audit finding is still there but no cost associated to the findings.

Reduction of overdue travel advances and keeping the audit on track.

How I will use what we learned in my line of work by cleaning the outstanding.

More accountability of funds used. Better knowledge for participants to do the work.

Action plan and recognition of similar challenges with other respective governments.

Identifying areas that needed immediate attention.

Know how to perform bank recons more quickly.

Learning from others of their problems and how they dealt with it gives us the lesson to apply.

As a senator, learned a lot from the sessions and will seek participation in the future.

Improve on audit reports.

Bank reconciliation.

Everything.

Response to audit findings.

Development of performance measures.

Collaborating to reconcile SEFA & federal receivables.

One on one meeting with OIA/DOI staff is always helpful at this level. Misunderstanding of federal practices in common.

The action planning portion helps to see where we are at. Clearer picture of where we stand with our audits compared to other places.

Bank reconciliation and up to date as well as other areas improve a lot.

Have answers to present to department heads about action plans.

Reduced question costs; Planned bank recon (although sometimes not going according to plan); Frequent update on financial health to state lending.

Correcting issues and knowing how to move forward and policies and procedures to put in place.

Able to reflect about where we stand and where we need to be.

Network established, know right people to whom we lease with, especially in resolving audit findings/question costs.

Performer measures.

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12. Please provide any other comments concerning the IGFOA Meeting that will make future conference and meetings more meaningful and enjoyable.

Offer training on recon.

More panel discussions so that we can go over problems and recommendations.

Maybe there could be an introduction of a new skill per IGFOA meeting, such as working on PIVOT tables on each participants laptop.

Engage more success story presentations and team exercises (mixed groups) on topics/challenges of current issues and relevance.

Mainstream accounting/auditing! It can work if we figure out how to package it (reporting).

Continue what you've been doing. Keeping us updated and refocused on best practices.

Performance improvement; financial performance/management; and compliance training.

Overall, this was a very useful/meaningful meeting.

Meeting ended and handled very well.

None.

RMI looks forward to more conferences like GFOA to improve audits.

Audits.

Encourage more law makers to join.

These are helpful and meaningful every year. Get inputs on what topics to provide discussion on from the principals.

Inform the participants what to focus on before meeting.

Best conference ever!

We need to revisit Performer factors. I do not want to undermine the hard work of our staff with seemingly no change.

It was good. I always enjoy myself.

Thank you for a job well done!

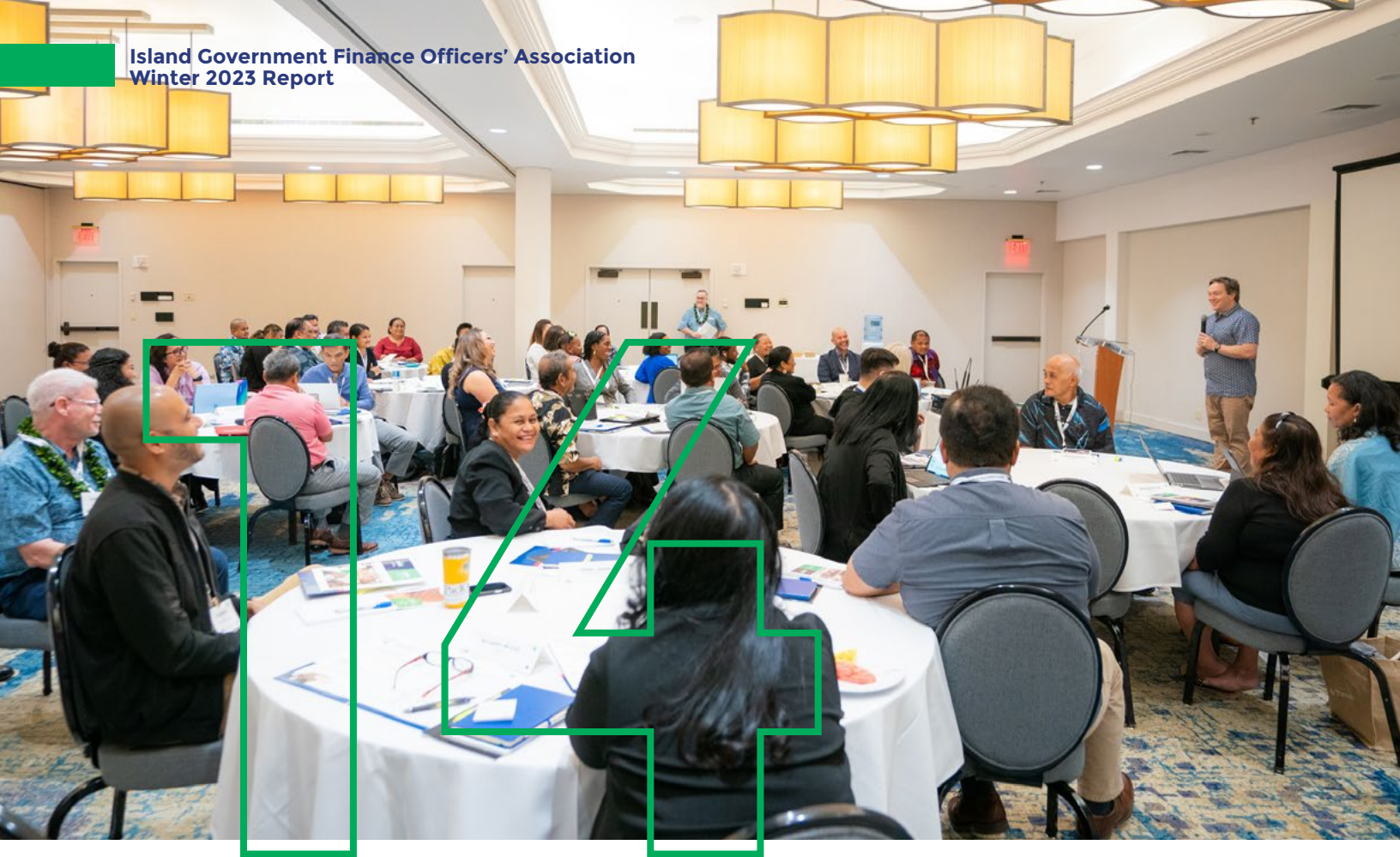
Since this is my first time for this kind of meeting, all I can say is that all the presentations are all very good and informative.

More break in the afternoon, especially after a good lunch.

I would recommend spreading the sessions out to five days and ending the sessions mid-day around noon.

Perhaps advance notice of action plan exercise so that we individually have time to think it through and to develop a realistic plan.

To invite people other than finance.



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