

TERRITORY OF AMERICAN SAMOA

SINGLE AUDIT REPORT

SEPTEMBER 30, 2007

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CONTENTS

	<u>Page</u>
GENERAL PURPOSE FINANCIAL STATEMENTS:	
Independent Auditors' Report on Basic Financial Statements	*
Independent Auditors' Report on Internal Control Over Financial Reporting and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	1
FEDERAL FINANCIAL ASSISTANCE PROGRAMS:	
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	4
Independent Auditors' Report on Schedule of Expenditures of Federal Awards	8
Schedule of Expenditures of Federal Awards	10
Notes to Schedule of Expenditures of Federal Awards	26
Schedule of Findings and Questioned Costs	
Primary Government	28
American Samoa Community College	49
American Samoa Medical Center Authority	53
Management's Corrective Action Plan	
Primary Government	56
American Samoa Community College	62
American Samoa Medical Center Authority	63
Status of Prior Year Findings	
Primary Government	64
American Samoa Community College	67
American Samoa Medical Center Authority	69

*Incorporated by reference

INTERNAL AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Governor of the Territory of American Samoa

We have audited the basic financial statements of the Territory of American Samoa (The Territory) as of and for the year ended September 30, 2007 and have issued our report thereon dated August 15, 2008, which was qualified because:

- With respect to the primary government we were unable to satisfy ourselves about:
 - i. the amount of the due to/from other funds - pooled cash;
 - ii. the accuracy of physical inventory records;
 - iii. the balance of immigration bond deposits received and recorded;
 - iv. the accuracy of the beginning fund balances.
- With respect to the discretely presented component units, we were not able to satisfy ourselves about:
 - i. the financial position and activities of the American Samoa Telecommunication Authority.

We did not audit the financial statements of the following fiduciary fund and component units:

- American Samoa Government Employee Retirement Fund, a fiduciary fund, which statement reflects assets comprising 100 percent of total assets at September 30, 2007 of the related Fiduciary Fund-Pension Trust totals and 100 percent of the additions to the plan assets of the Fiduciary Fund Types-Pension Trust for the year then ended.
- American Samoa Power Authority, American Samoa Community College, and American Samoa Telecommunications Authority, which statements reflect 99.39 percent of assets and 92.77 percent of operating revenues of discretely presented component units.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Separate Independent Auditors' Reports On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*, were issued by other auditors of the American Samoa Power Authority, American Samoa Telecommunications Authority, American Samoa Community College, and American Samoa Government Employee Retirement Fund.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered The Territory's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Territory's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of The Territory's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects The Territory's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of The Territory's financial statements that is more than inconsequential will not be prevented or detected by The Territory's internal control. These conditions were considered in determining that the system of financial accounting and reporting in operation for The Territory for the year ended September 30, 2007 was inadequate. There were significant failures in the operation of the internal control structure related to general accounting and grants administration. We consider the deficiencies described in the accompanying schedule of findings and questioned costs Finding Nos. 07 FS-1 through 07 FS-7 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by The Territory's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that all of the significant deficiencies described above are material weaknesses.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether The Territory's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Finding Nos. 07 FS-1 through 07 FS-7. The effects of the instances of noncompliance have not been corrected in the 2007 basic financial statements of The Territory.

The Territory's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit The Territory's response and, accordingly, we express no opinion on it.

Because of the limitations on the scope of our audit caused by items discussed in paragraph one, we issued a qualified opinion on the general purpose financial statements.

This report is intended solely for the information and use of the Governor and management of The Territory and officials of the Department of the Interior and other federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

RC Holsinger Associates, P.C.

Wexford, Pennsylvania
August 15, 2008

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Governor of the Territory of American Samoa
Pago Pago, American Samoa

COMPLIANCE

We have audited the compliance of the Territory of American Samoa (The Territory) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2007. The Territory's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of The Territory's management. Our responsibility is to express an opinion on The Territory's compliance based on our audit.

We did not audit the financial statements of the following fiduciary fund and component units:

- American Samoa Government Employee Retirement Fund, a fiduciary fund, which statement reflects assets comprising 100 percent of total assets at September 30, 2007 of the related Fiduciary Fund-Pension Trust totals and 100 percent of the additions to the plan assets of the Fiduciary Fund Types-Pension Trust for the year then ended.
- American Samoa Power Authority, American Samoa Community College, and American Samoa Telecommunications Authority, which statements reflect 92.77 percent of assets and 99.39 percent of operating revenues of discretely presented component units.

The financial statements of the American Samoa Government Employee Retirement Fund, American Samoa Telecommunications Authority, American Samoa Power Authority and American Samoa Community College were audited by other auditors whose reports thereon have been furnished to us, and our report on the basic financial statements, insofar as it relates to the amounts included for them, is based solely upon the reports of the other auditors.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Territory's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of The Territory's compliance with those requirements.

As described in Finding Nos. 07 USDA-1 through 07 USDA-3, 07 DOT-1 through 07 DOT-3, 07 DOE-1 and 07 DOE-2, 07 DOI-1 through 07 DOI-5, 07 07 PR-1 and 07 PR-2 in the accompanying schedule of findings and questioned costs, The Territory did not comply with requirements regarding:

- Activities allowed or unallowed
- Eligibility
- Financial reporting
- Cash management
- Allowable costs/cost principles
- Administrative requirements
- Standards for financial management systems
- Grant payment requirements
- Claims for advances and reimbursements
- Equipment and real property management
- Retention and access requirements for records
- Special provisions
- Procurement and suspension and disbarment
- Matching, level of effort, earmarking
- Davis-Bacon Act

that are applicable to its major federal programs listed in Part I of the accompanying schedule of findings and questioned costs. Compliance with such requirements is necessary, in our opinion, for The Territory to comply with the requirements applicable to that program.

The system of financial accounting and reporting in operation for The Territory for the year ended September 30, 2007, was inadequate. There were significant failures in the operation of the internal control structure related to general accounting and grants administration. We noted evidence of a failure of identified control in preventing or detecting misstatements of accounting information and a lack of appropriate management oversight, review and approval of transactions.

Because of the significance of the items noted in the preceding paragraph and in the schedule of findings and questioned costs, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on The Territory's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2007. The scope of our work was also not sufficient to enable us to express, and we do not express, an opinion on the items not tested.

The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs.

INTERNAL CONTROL OVER COMPLIANCE

The management of The Territory is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered The Territory's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Territory's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in The Territory's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding Nos. 07 USDA-1 through 07 USDA-3, 07 DOT-1 through 07 DOT-3, 07 DOE-1 and 07 DOE-2, 07 DOI-1 through 07 DOI-5, 07 PR-1 and 07 PR-2 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider Finding Nos. 07 USDA-1 and 07 USDA-2, 07 DOE-1 and 07 DOE-2, 07 DOI-1, 07 DOI-3 and 07 DOI-4, 07 PR-1 and 07 PR-2 to be material weaknesses.

The Territory's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit The Territory's response and, accordingly, we express no opinion on it.

No federal awards under major programs were received by the American Samoa Government Employee Retirement Fund.

This report is intended solely for the information and use of the Governor and management of The Territory and officials of the Department of the Interior and other federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

RC Holsinger Associates, P.C.

Wexford, Pennsylvania
August 15, 2008

INDEPENDENT AUDITORS' REPORT ON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the basic financial statements of the Territory of American Samoa (The Territory) as of and for the year ended September 30, 2007 and have issued our report thereon dated August 15, 2008, which was qualified because:

- With respect to the primary government we were unable to satisfy ourselves about:
 - i. the amount of the due to/from other funds - pooled cash;
 - ii. the accuracy of physical inventory records;
 - iii. the balance of immigration bond deposits received and recorded;
 - iv. the accuracy of the beginning fund balances.
- With respect to the discretely presented component units, we were not able to satisfy ourselves about:
 - i. the financial position and activities of the American Samoa Telecommunication Authority.

We did not audit the financial statements of the following fiduciary fund and component units:

- American Samoa Government Employee Retirement Fund, a fiduciary fund, which statement reflects assets comprising 100 percent of total assets at September 30, 2007 of the related Fiduciary Fund-Pension Trust totals and 100 percent of the additions to the plan assets of the Fiduciary Fund Types-Pension Trust for the year then ended.
- American Samoa Power Authority, American Samoa Community College, and American Samoa Telecommunications Authority, which statements reflect 99.39 percent of assets and 92.77 percent of operating revenues of discretely presented component units.

The financial statements of the American Samoa Government Employee Retirement Fund, American Samoa Power Authority, American Samoa Telecommunications Authority, and American Samoa Community College were audited by other auditors whose reports thereon have been furnished to us, and our report on the basic financial statements, insofar as it relates to the amounts included for them, is based solely upon the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. This schedule is the responsibility of the management of the Territory of American Samoa and its component units.

The American Samoa Power Authority files a separate single audit report with the Federal Audit Clearinghouse and have issued a separate report dated February 29, 2008. Accordingly, none of American Samoa Power Authority expenditures of federal awards are included in the accompanying schedule of expenditures of federal awards.

The American Samoa Telecommunications Authority did not provide a schedule of expenditures of federal awards, therefore, none of its expenditures of federal awards are included in the accompanying schedule of expenditures of federal awards.

No federal funds were received by the American Samoa Government Employee Retirement Fund.

The scope of our work and the work of other auditors was not sufficient to enable us to express, and we do not express an opinion on the accompanying schedule of federal awards for the year ended September 30, 2007.

The Territory of American Samoa did not comply with the compliance requirements governing the administration of federal award programs. No adjustment has been made to the amounts reported in the schedule of expenditures of federal awards for any potential loss or disallowance of federal awards that may result because of this noncompliance.

This report is intended solely for the information and use of the Governor and management of the Territory of American Samoa and officials of the Department of Interior and other federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

RC Holsinger Associates, P.C.

Wexford, Pennsylvania
August 15, 2008

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2007

<u>Federal Grantor / Program Title</u>	<u>CFDA No.</u>	<u>Total Grant Approp.</u>	<u>FY 2007 Expenses Sept. 30, 2007</u>
DEPARTMENT OF AGRICULTURE:			
Food Stamp Program	10.551	*	
9/30/04		\$ 5,738,056	\$ 17,563
9/30/05		5,600,000	(272,263)
9/30/06		5,695,650	7,424
9/30/07		4,803,870	<u>4,653,878</u>
			4,406,602
National School Lunch Program	10.555	*	
9/30/05		12,519,967	1,020,784
9/30/06		13,174,685	4,374,076
9/30/07		14,686,295	<u>7,451,741</u>
			12,846,601
Special Supplemental Nutrition Program for Women, Infants & Children	10.557	*	
9/30/04		6,161,153	(10)
9/30/06		7,318,272	185,321
9/30/07		7,537,337	<u>7,171,825</u>
			7,357,136
State Administrative Expenses for Child Nutrition	10.560		
9/30/05		283,326	140
9/30/06		317,777	<u>91,948</u>
			92,088
Nutrition Education & Training Program	10.564		
9/30/06		199,935	<u>73,446</u>
Cooperative Forestry Assistance	10.664		
9/30/05		125,000	76
9/30/06		220,000	140,127
9/30/07		111,000	<u>16,926</u>
			157,129
Total Department of Agriculture			<u>\$ 24,933,002</u>
DEPARTMENT OF COMMERCE:			
Interjurisdictional Fisheries Act of 1986	11.407		
9/30/07		\$ 138,048	<u>\$ 138,033</u>
Coastal Zone Management Administration Awards	11.419		
9/30/05		1,190,352	34,612
9/30/06		986,000	220,136
9/30/07		1,000,001	<u>541,702</u>
			796,450
Financial Assistance for National Centers for Coastal Oceans	11.426		
9/30/05		650,034	314,035
9/30/06		132,465	(365)
9/30/07		200,583	<u>150,025</u>
			463,695

*Denotes a major federal financial assistance program. See Note 3.

See notes to schedule of expenditures of federal awards.

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
SEPTEMBER 30, 2007

<u>Federal Grantor / Program Title</u>	<u>CFDA No.</u>	<u>Total Grant Approp.</u>	<u>FY 2007 Expenses Sept. 30, 2007</u>
Marine Sanctuary Program 9/30/06	11.429	\$ 575,100	\$ <u>178,687</u>
Pacific Fisheries Data Program 9/30/06	11.437	225,878	5,293
9/30/07		84,000	60,145
9/30/08		84,000	<u>16,021</u>
			81,459
Unallied Management Projects 9/30/05	11.454	70,018	<u>5,471</u>
Total Department of Commerce			\$ <u>1,663,795</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:			
Community Development Block Grants/Special Purpose Grants Insular Areas	14.225		
9/30/00		* \$ 106,600	\$ 106,575
9/30/01		82,400	1,545
9/30/02		655,440	589,140
9/30/04		808,392	127,705
9/30/05		3,254,024	3,092,624
9/30/06		84,853	<u>33,739</u>
			<u>3,951,328</u>
Total Department of Housing and Urban Development			\$ <u>3,951,328</u>
DEPARTMENT OF INTERIOR:			
Rural Fire Assistance 9/30/07	15.242	\$ 4,000	\$ <u>3,662</u>
Sport Fish Restoration 9/30/06	15.605	841,636	25,677
9/30/07		702,802	<u>496,907</u>
			522,584
Fish & Wildlife Management Assistance 9/30/02	15.608	120,844	13,244
9/30/03		193,084	2,781
9/30/05		143,960	14,583
9/30/06		857,709	93,265
9/30/07		1,146,177	<u>1,073,230</u>
			1,197,103

*Denotes a major federal financial assistance program. See Note 3.

See notes to schedule of expenditures of federal awards.

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
SEPTEMBER 30, 2007

<u>Federal Grantor / Program Title</u>	<u>CFDA No.</u>	<u>Total Grant Approp.</u>	<u>FY 2007 Expenses Sept. 30, 2007</u>
Economic & Political Development of the Territories & the Trust Territory of Pacific Islands	15.875	*	
Basic Operating Grant:			
General Government Operations		\$ 8,759,000	\$ 8,759,000
High court - chief justices salaries		330,000	330,000
High court - operating		<u>527,000</u>	<u>527,000</u>
Total Basic Operating		9,616,000	9,616,000
Construction Improvement Program 9/30/97-9/30/07		4,933,756	<u>4,933,756</u>

*Denotes a major federal financial assistance program. See Note 3.

See notes to schedule of expenditures of federal awards.

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
SEPTEMBER 30, 2007

<u>Federal Grantor / Program Title</u>	<u>CFDA No.</u>	<u>Total Grant Approp.</u>	<u>FY 2007 Expenses Sept. 30, 2007</u>
Operations and Maintenance Program 9/30/97-9/30/07		\$ 529,786	\$ <u>529,786</u>
Other			
9/30/04		29,200	441
9/30/05		712,506	68,300
9/30/06		976,500	354,431
9/30/07		521,035	<u>278,385</u>
			<u>701,557</u>
			15,781,099
Historic Preservation Fund Grants-In-Aid	15.904		
9/30/04		378,048	20,726
9/30/05		379,421	60,372
9/30/06		379,741	241,775
9/30/07		381,952	<u>63,141</u>
			<u>386,014</u>
Total Department of Interior			<u>\$17,890,462</u>
DEPARTMENT OF JUSTICE:			
State & Local Domestic Preparedness Technical Assistance	16.010		
9/30/03		\$ 5,408,000	\$ 84,424
9/30/04		5,876,000	<u>218,954</u>
			303,378
Services for Trafficking Victims	16.320		
9/30/05		337,500	<u>103,247</u>
VOTIS - Construction	16.506		
9/30/05		49,986	<u>11,008</u>
Juvenile Justice & Delinquency Prevention Allocation to States	16.540		
9/30/03		7,876	41
9/30/04		138,145	16,727
9/30/05		296,475	127,101
9/30/06		53,270	<u>2,251</u>
			146,120
NCHIP Program	16.554		
9/30/04		425,000	<u>25,367</u>

*Denotes a major federal financial assistance program. See Note 3.

See notes to schedule of expenditures of federal awards.

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
SEPTEMBER 30, 2007

<u>Federal Grantor / Program Title</u>	<u>CFDA No.</u>	<u>Total Grant Approp.</u>	<u>FY 2007 Expenses Sept. 30, 2007</u>
Crime Victims Assistance	16.575		
9/30/04		\$ 259,000	\$ 138,980
9/30/05		189,117	62,329
9/30/06		247,450	<u>69,730</u>
			271,039
Byrne Formula Grant Program	16.579		
9/30/03		469,597	<u>36,274</u>
Violence Against Women Formula Grants	16.588		
9/30/04		739,411	318,643
9/30/05		1,638,473	536,198
9/30/06		676,026	316,605
9/30/07		206,000	<u>3,460</u>
			1,174,906
RSAT for State Prisoners	16.593		
9/30/03		216,837	37,284
9/30/05		133,299	<u>66,594</u>
			<u>103,878</u>
Total Department of Justice			\$ <u>2,175,217</u>
DEPARTMENT OF LABOR:			
Senior Community Service Employment Program	17.235		
9/30/07		\$ 973,437	\$ 182,370
9/30/08		1,088,125	<u>649,689</u>
			832,059
WIA - Adult Program	17.258		
9/30/05		67,345	14,921
9/30/06		125,576	65,157
9/30/07		71,684	<u>22,190</u>
			102,268
WIA - Youth Activities	17.259		
9/30/03		80,120	8,199
9/30/05		174,279	16,066
9/30/06		206,852	91,942
9/30/07		169,415	<u>75,103</u>
			191,310

*Denotes a major federal financial assistance program. See Note 3.

See notes to schedule of expenditures of federal awards.

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
SEPTEMBER 30, 2007

<u>Federal Grantor / Program Title</u>	<u>CFDA No.</u>	<u>Total Grant Approp.</u>	<u>FY 2007 Expenses Sept. 30, 2007</u>
WIA - Dislocated Workers	17.260		
9/30/03		\$ 10,288	\$ 5,748
9/30/05		129,153	9,430
9/30/06		114,810	61,945
9/30/07		147,958	<u>85,530</u>
			<u>162,653</u>
Total Department of Labor			\$ <u>1,288,290</u>
DEPARTMENT OF TRANSPORTATION:			
Airport Improvement Program	20.106	*	\$ 7,828,766
			\$ 9,648,895
Highway Planning & Construction	20.205		
9/30/00		642,850	49,560
9/30/01		2,419,601	55,076
9/30/02		7,674,699	9,815
9/30/03		200,000	44,229
9/30/04		5,040,543	1,237,255
9/30/05		1,773,938	331,827
9/30/06		465,000	<u>186,650</u>
			1,914,412
National Motor Carrier Safety	20.218		
9/30/06		390,630	159,406
9/30/07		350,000	<u>156,776</u>
			316,182
Formula Grants for Other than Urbanized Areas	20.509		
9/30/02		179,032	<u>9,334</u>
State and Community Highway Safety	20.600		
9/30/06		1,367,317	344,737
9/30/07		1,438,173	<u>338,413</u>
			683,150
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		
9/30/06		66,207	4,112
9/30/07		66,207	<u>49,328</u>
			<u>53,440</u>
Total Department of Transportation			\$ <u>12,625,413</u>

*Denotes a major federal financial assistance program. See Note 3.

See notes to schedule of expenditures of federal awards.

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
SEPTEMBER 30, 2007

<u>Federal Grantor / Program Title</u>	<u>CFDA No.</u>	<u>Total Grant Approp.</u>	<u>FY 2007 Expenses Sept. 30, 2007</u>
GENERAL SERVICES ADMINISTRATION:			
Election Reform Payments	39.011		
9/30/03		\$ 1,000,000	\$ 122,172
9/30/04		2,319,361	74,144
			<u>196,316</u>
Total General Services Administration			\$ <u>196,316</u>
NATIONAL FOUNDATION OF ARTS & HUMANITIES:			
Promotion of the Arts - Partnership Agreements	45.025		
9/30/07		\$ 253,155	\$ 223,104
Total National Foundation Arts & Humanities			\$ <u>223,104</u>
ENVIRONMENTAL PROTECTION AGENCY:			
Environmental Protection Consolidated Grants - Program Support	66.600		
9/30/04		\$ 9,698,627	\$ 2,040,266
Total Environmental Protection Agency			\$ <u>2,040,266</u>
DEPARTMENT OF ENERGY:			
State Energy Program	81.041		
9/30/06		\$ 230,000	\$ 28,377
9/30/07		170,000	170,000
			<u>198,377</u>
Total Department of Energy			\$ <u>198,377</u>
FEDERAL EMERGENCY MANAGEMENT AGENCY:			
Supplemental/Emergency Operations Center Funding	83.563		
9/30/04		\$ 4,112,270	\$ 92,474
Total Federal Emergency Management Assistance			\$ <u>92,474</u>
DEPARTMENT OF EDUCATION:			
Special Education - State Grants	84.027	*	
9/30/06		\$ 6,124,504	\$ 1,733,833
9/30/07		6,122,495	4,038,978
			<u>5,772,811</u>
Rehabilitation Services - Basic Support	84.126		
9/30/05		867,728	4,028
9/30/06		837,488	166,738
9/30/07		874,921	712,918
			<u>883,684</u>

*Denotes a major federal financial assistance program. See Note 3.

See notes to schedule of expenditures of federal awards.

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
SEPTEMBER 30, 2007

<u>Federal Grantor / Program Title</u>	<u>CFDA No.</u>	<u>Total Grant Approp.</u>	<u>FY 2007 Expenses Sept. 30,2007</u>
Centers for Independent Living	84.132		
9/30/06		\$ 154,046	\$ 5,257
9/30/07		194,914	<u>173,430</u>
			178,687
Rehabilitation Services - Client Assistance Program	84.161		
9/30/05		84,344	3,331
9/30/06		83,800	42,788
9/30/07		83,800	<u>32,892</u>
			79,011
Independent Living - State Grants	84.169		
9/30/06		27,953	2,955
9/30/07		27,952	<u>22,157</u>
			25,112
Independent Living Services for Older Individuals Who Are Blind	84.177		
9/30/06		40,000	8,483
9/30/07		40,000	<u>19,262</u>
			27,745
Grants for Infants and Families with Disabilities	84.181		
9/30/05		598,452	98,453
9/30/06		592,467	436,487
9/30/07		592,467	<u>49,842</u>
			584,782
Byrd Scholarship	84.185		
9/30/07		60,000	<u>60,000</u>
Safe and Drug Free Schools and Communities - State Grants	84.186		
9/30/06		900,459	337,340
9/30/07		835,459	<u>606,137</u>
			943,477
Supported Employment Services for Individuals With Severe Disabilities	84.187		
9/30/06		37,125	8,211
9/30/07		37,125	<u>24,716</u>
			32,927
Assistive Technology	84.224		
9/30/06		219,459	<u>85,519</u>

*Denotes a major federal financial assistance program. See Note 3.

See notes to schedule of expenditures of federal awards.

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
SEPTEMBER 30, 2007

<u>Federal Grantor / Program Title</u>	<u>CFDA No.</u>	<u>Total Grant Approp.</u>	<u>FY 2007 Expenses Sept.30, 2007</u>
DOE- TFASEG	84.256		
9/30/06		\$ 494,732	\$ 264,202
9/30/07		1,167,294	<u>615,466</u>
			879,668
Occupational & Employment Information State Grants	84.346		
9/30/03		379,347	<u>10,204</u>
Reading First State Grants	84.357		
9/30/06		1,652,906	686,537
9/30/07		1,633,283	674,143
9/30/08		1,633,283	<u>1,902</u>
			1,362,582
Literacy & School Libraries	84.364		
9/30/07		26,563	<u>26,563</u>
Consolidated Grants to Insular Areas	84.922	*	
9/30/06		16,838,940	6,067,525
9/30/07		15,918,758	10,490,724
9/30/08		313,872	<u>73</u>
			<u>16,558,322</u>
Total Department of Education			<u>\$27,511,094</u>
DEPARTMENT OF HEALTH & HUMAN SERVICES:			
Public Health & Social Services Emergency Fund	93.003		
9/30/05		\$ 143,795	\$ 325
9/30/06		350,097	<u>220,656</u>
			220,981
Special Program for Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044		
9/30/07		1,332,013	<u>1,332,013</u>
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086		
9/30/07		450,000	<u>343,378</u>
Maternal & Child Health Federal Consolidated Programs	93.110		
9/30/06		125,000	19,182
9/30/07		159,644	<u>71,865</u>
			91,047
Tuberculosis Aids Control Programs	93.116		
9/30/05		103,766	1,599
9/30/06		117,211	45,987
9/30/07		49,204	<u>45,596</u>
			93,182

*Denotes a major federal financial assistance program. See Note 3.

See notes to schedule of expenditures of federal awards.

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
SEPTEMBER 30, 2007

<u>Federal Grantor / Program Title</u>	<u>CFDA No.</u>	<u>Total Grant Approp.</u>	<u>FY 2007 Expenses Sept.30, 2007</u>
Protection & Advocacy for Mentally Ill Individuals	93.138		
9/30/04		\$ 219,700	\$ (2,000)
9/30/05		217,900	(4,595)
9/30/06		215,800	67,061
9/30/07		115,800	<u>30,342</u>
			90,808
Projects for Assistance in Transition from Homelessness (PATH)	93.150		
9/30/06		50,000	<u>31,047</u>
Community Health Center Planning	93.224		
9/30/07		488,278	238,217
9/30/08		499,278	<u>238,821</u>
			477,038
Traumatic Brain Injury - State Demonstration Grant Program	93.234		
9/30/05		20,000	1,762
9/30/06		20,000	<u>14,146</u>
			15,908
Substance Abuse & Mental Health Services	93.243		
9/30/06		80,353	2,859
9/30/07		1,384,195	<u>691,277</u>
			694,136
State Planning Grant Health Care Access for the Uninsured	93.256		
9/30/04		600,900	(2,042)
9/30/05		667,941	<u>109,789</u>
			107,747
Immunization Grants	93.268		
9/30/06		258,400	113,776
9/30/07		373,004	<u>130,192</u>
			243,968
Centers for Disease Control - Investigations, Surveillance and Technical Assistance	93.283		
9/30/06		675,848	44,965
9/30/07		1,021,610	705,898
9/30/08		827,826	<u>70,157</u>
			821,020
Promoting Safe and Stable Families	93.556		
9/30/07		86,317	<u>80,735</u>
Low-Income Home Energy Assistance Program	93.568		
9/30/06		195,982	5,330
9/30/07		221,121	<u>208,690</u>
			214,020

*Denotes a major federal financial assistance program. See Note 3.

See notes to schedule of expenditures of federal awards.

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
SEPTEMBER 30, 2007

<u>Federal Grantor / Program Title</u>	<u>CFDA No.</u>	<u>Total Grant Approp.</u>	<u>FY 2007 Expenses Sept.30, 2007</u>
Community Services Block Grant	93.569		
9/30/04		\$ 100,000	\$ 1,396
9/30/05		622,779	107,587
9/30/06		787,255	537,533
9/30/07		74,549	<u>21,578</u>
			668,094
Childcare and Development Block Grant	93.575		
9/30/05		50,000	1,859
9/30/06		2,579,288	31,067
9/30/07		2,759,321	<u>2,631,490</u>
			2,664,416
Head Start	93.600		
9/30/06		2,584,737	190,949
9/30/07		2,801,392	2,413,339
9/30/08		2,264,532	<u>137,534</u>
			2,741,822
Election Assist. Individual Disability	93.617		
9/30/03		500,000	<u>33,343</u>
P&A - Help America Vote Act	93.618		
9/30/04		35,000	813
9/30/06		70,000	<u>6,308</u>
			7,121
Development Disabilities - Basic Support	93.630		
9/30/04		173,561	(3,261)
9/30/05		250,775	(2,114)
9/30/06		552,399	121,279
9/30/07		566,064	<u>360,606</u>
			476,510
Social Services Block Grant	93.667		
9/30/05		927,717	6,251
9/30/07		919,237	<u>865,791</u>
			872,042
Child Abuse and Neglect State Grants	93.669		
9/30/06		45,000	1,902
9/30/07		45,000	<u>42,790</u>
			44,692
Diabetes, Endocrinology and Metabolism Research	93.847		
9/30/07		163,826	<u>27,148</u>
National Bioterrorism Hospital Preparedness Program	93.889		
9/30/07		1,164,794	<u>175,797</u>

*Denotes a major federal financial assistance program. See Note 3.

See notes to schedule of expenditures of federal awards.

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
SEPTEMBER 30, 2007

<u>Federal Grantor / Program Title</u>	<u>CFDA No.</u>	<u>Total Grant Approp.</u>	<u>FY 2007 Expenses Sept.30, 2007</u>
HIV Care Grants	93.917		
9/30/06		\$ 50,000	\$ 5,931
9/30/07		51,979	<u>13,650</u>
			19,581
Research Studies of AIDS and HIV Infection in Selected Population Groups	93.943		
9/30/06		174,435	<u>76,824</u>
Human Immunodeficiency Virus / Acquired Immunodeficiency Virus Syndrome Surveillance	93.944		
9/30/06		6,720	214
9/30/07		174,435	<u>109,052</u>
			109,266
Block Grants for Prevention & Treatment of Substance Abuse	93.959		
9/30/05		331,288	(100)
9/30/06		249,366	2,765
9/30/07		328,123	<u>318,400</u>
			321,065
Preventive Health Service - Sexually Transmitted Disease	93.977		
9/30/06		63,247	18,241
9/30/07		63,247	<u>35,335</u>
			53,576
Cooperative Agreement for State-Based Diabetes Control	93.988		
9/30/06		58,378	29,208
9/30/07		58,378	<u>29,118</u>
			58,326
Preventive Health & Health Services Block Grant	93.991		
9/30/05		64,860	20,424
9/30/06		51,808	<u>15,801</u>
			36,225
Maternal & Child Health Services Block Grant	93.994		
9/30/05		527,373	37,405
9/30/06		505,457	465,953
9/30/07		191,113	<u>50,671</u>
			<u>554,029</u>
Total Department of Health & Human Services			<u>\$ 13,796,905</u>

*Denotes a major federal financial assistance program. See Note 3.

See notes to schedule of expenditures of federal awards.

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
SEPTEMBER 30, 2007

<u>Federal Grantor / Program Title</u>	<u>CFDA No.</u>	<u>Total Grant Approp.</u>	<u>FY 2007 Expenses Sept.30, 2007</u>
DEPARTMENT OF HOMELAND SECURITY:			
Boating Safety Financial Assistance	97.012		
9/30/06		\$ 415,481	\$ (3,102)
9/30/07		767,087	<u>509,782</u>
			506,680
Pre-Disaster Mitigation Competitive Grants	97.017		
9/30/06		3,192,206	<u>304,156</u>
Crisis Counseling Program	97.032		
9/30/05		718,431	<u>4,606</u>
Disaster Grants - Public Assistance	97.036		
9/30/07		1,811,412	<u>1,811,412</u>
TEMCO/FEMA	97.042		
9/30/05		454,033	6,203
9/30/06		464,029	<u>156,109</u>
			162,312
Citizen Corps	97.053		
9/30/06		50,210	<u>8,712</u>
Hazard Mitigation	97.054		
9/30/04		237,097	<u>125,736</u>
Homeland Security Grant Program	97.067		
9/30/05		2,814,747	225,902
9/30/06		2,115,000	<u>15,010</u>
			240,912
State Homeland Security Program	97.073		
9/30/05		2,530,000	<u>46,802</u>
Total Department of Homeland Security			<u>\$ 3,211,328</u>
AMERICAN SAMOA MEDICAL CENTER AUTHORITY (attached)			\$ 15,959,507
AMERICAN SAMOA COMMUNITY COLLEGE (ASCC) (attached)			<u>\$ 9,879,035</u>
TOTAL 2007 FEDERAL AWARDS EXPENDED			<u>\$137,635,913</u>

*Denotes a major federal financial assistance program. See Note 3.

See notes to schedule of expenditures of federal awards.

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
SEPTEMBER 30, 2007
AMERICAN SAMOA MEDICAL CENTER AUTHORITY

Federal Grantor / Program Title		CFDA No.	Grant Awards	Federal Expenditures
DOI/OIA				
Basic Operating grant	10/01/06 - 9/30/07	15.875*	\$ 13,264,000	\$ 13,264,000
Capital Improvement Projects	10/01/01 - 9/30/02		1,539,000	60,483
	10/01/02 - 9/30/03		1,624,500	17,307
	10/01/03 - 9/30/04		1,900,000	245,800
	10/01/04 - 9/30/05		1,467,750	259,421
	10/01/05 - 9/30/06		1,710,000	533,612
Capital Improvement Projects Operations and Maintenance				196,962
Total Department of Interior				\$ 14,577,585
Department of Health and Human Services				
Pass-through from American Samoa Government - Community Services Block Grant				
Pediatric Ward Renovation		93.569	\$ 654,600	\$ 607,726
Family Planning (1 12 8011)	7/01/06 - 6/30/07	93.217	359,364	270,944
	7/01/07 - 6/30/08	93.217	349,155	-
Total Department of Health and Human Services				\$ 878,670
HRSA				
Bioterrorism Preparedness		93.003	\$ 458,000	\$ 32,744
		93.003		3,432
Total HRSA				\$ 36,176
National Institute of Health				
American Samoa Community Cancer Network	5/01/06 - 4/30/07	93.399	\$ 341,740	\$ -
	5/01/07 - 4/30/08	93.399	349,960	277,468
Total National Institute of Health				\$ 277,468
Pass-through grants from American Samoa Government				
Block Grant for Mental Health	10/01/05 - 9/30/06	93.575	\$ 70,000	\$ 51,966
Block Grant for EMS for children	3/01/07 - 2/29/08	93.127	115,000	115,000
Total EMSC				\$ 166,966
Pass-through grants from University of Hawaii				
Cancer Outreach Programs		93.399		\$ 22,642
Total grants from University of Hawaii				\$ 22,642
Total				\$ 15,959,507

*Denotes a major federal financial assistance program. See Note 3.

See notes to schedule of expenditures of federal awards.

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
SEPTEMBER 30, 2007
AMERICAN SAMOA COMMUNITY COLLEGE

<u>Federal Grantor / Program Title</u>	<u>CFDA No.</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture:		
Agricultural Development in the American Pacific	10.200	\$ 24,185
HLPI - Healthy Living in the Pacific Islands	10.200	464
Hatch	10.203	686,419
Hatch Multi-state Research Fund	10.203	5,788
Water Quality Coordination- Arizona	10.303	12,871
UC-DAVIS-Western Plan Diagnostic Network	10.304	3,404
CARIPAC	10.308	7,592
Expanded Food and Nutrition Education Program	10.500	97,894
Farm Safety	10.500	23,662
Integrated Pest Management	10.500	18,338
Smith Lever Formula Funds	10.500	693,395
Sustainable Agricultural Research Education - PDP (A)	10.500	4,705
Water Quality Initiative	10.500	(77)
WSU - Reducing Risk for American Samoa Farmers	10.500	25,296
Cooperative Lands Forest Health MGMT	10.664	18,003
Forest Resource Management	10.664	500
Forestry Health Management	10.664	45,317
Forestry Stewardship Program	10.664	35,338
McIntire Stennis - Forestry Research	10.664	16,018
Natural Resource Conservation Education (NRCE)	10.664	4,056
SNTI / RNGR	10.664	2,144
Urban & Community Forestry	10.664	70,010
		<u>1,795,322</u>
U.S. Department of Education:		
Adult Basic Education -ABE	84.002A	232,048
Federal Supplemental Educational Opportunity Grant Program	84.007	77,823
ACG	84.008	5,054
University Affiliated Program - DOE Work Study	84.027	49,623
American Samoa Teacher's Education Program	84.027A	248,532
Federal Work Study	84.033	102,088
Title IV - Student Support Services	84.042A	262,809
Upward Bound Program (UBP)	48.047A	246,956
Federal Pell Grant Program	84.063 *	3,635,953
Technical Improvement Grant - Congressional Grant	84.116	293,735
Gear-up Program	84.334	626,409
Early Childhood Educator Professional Development	84.349	6,609
ANA - Samoan Studies Institute	93.612	197,483
Service Learning - Hawaii Compat Mini Grant	94.005	12,881
CSBG - Adult Education	N/A	7,625
		<u>6,005,628</u>
U.S. Department of Health and Human Services:		
American Samoa Community Cancer Network	93.399	109,327
Family Support University Center of Excellence	93.631	9,138
University Affiliated Program	93.632	126,823
		<u>245,288</u>

*Denotes a major federal financial assistance program. See Note 3.

See notes to schedule of expenditures of federal awards.

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
SEPTEMBER 30, 2007
AMERICAN SAMOA COMMUNITY COLLEGE

<u>Federal Grantor / Program Title</u>	<u>CFDA No.</u>	<u>Federal Expenditures</u>
U.S. Department of Commerce:		
Tilapia & Giant Clam Aquaculture	11.417	\$ 680
Community Services Block Grant - Nursing	93.569	9,434
ASCC/ASG - Social Services Division	N/A	176
ASCC Seeds Capacity Building	N/A	24,249
NOAA EDU Part	N/A	29,991
Demonstrating Conservation Practice Innovations	N/A	11,268
R-ARCH	N/A	<u>4,496</u>
		<u>80,294</u>
U.S. Department of Small Business Administration:		
Small Business Development Center	59.037	189,751
BOH/SBDC	N/A	<u>4,500</u>
		<u>194,251</u>
U.S. Department of Interior:		
ASFS-NPS	15.AAW	180
Electrical Project	15.875 *	27,887
Plumbing Project	15.875 *	15,840
CIP - 2005	15.875 *	22,675
Classroom Renovation	15.875 *	2,728
DOI Supplement	15.875 *	1,358,000
Technical Assistance	N/A *	<u>130,942</u>
		<u>1,558,252</u>
		<u>\$ 9,879,035</u>

*Denotes a major federal financial assistance program. See Note 3.

See notes to schedule of expenditures of federal awards.

TERRITORY OF AMERICAN SAMOA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2007

NOTE 1 - ACQUISITION/ORGANIZATION

The Schedule of Expenditures of Federal Awards is prepared using the modified accrual basis of accounting.

NOTE 2 - REPORTING ENTITY

The Territory of American Samoa (The Territory), for purposes of the financial statements, includes all of the funds of the primary government as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. The Schedule of Expenditures of Federal Awards includes the federal financial assistance received by its component units, The American Samoa Community College, and LBJ Tropical Medical Center. The Title IV Student Financial Assistance Programs are audited by other auditors and reported on separately. The American Samoa Power Authority Schedule of Expenditures of Federal Awards have not been included since the Authority files a separate single audit report with the Federal Audit Clearinghouse. Federal financial assistance received by the Development Bank of American Samoa, an organization related to The Territory, is not included in the Schedule of Expenditures of Federal Awards.

NOTE 3 - MAJOR PROGRAMS

The major programs included in the accompanying Schedule of Expenditures of Federal Awards are as follows:

<u>CFDA No.</u>	<u>Program</u>	<u>Total Grant Expenditures</u>
10.551	Food Stamp Program	\$ 4,406,602
10.555	National School Lunch Program	12,846,601
10.557	Special Supplemental Nutrition Program for Women, Infants and Children	7,357,136
14.225	Community Development Block Grants/Special Purpose Grants Insular Areas	3,951,328
15.875	DOI - Economic and Political Development of the Territories and Trust Territory of Pacific Islands	15,781,099
20.106	Department of Transportation - Airport Improvement Program	9,648,895
84.027	Department of Education - Special Education Program	5,772,811

TERRITORY OF AMERICAN SAMOA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
SEPTEMBER 30, 2007

NOTE 3: MAJOR PROGRAMS - Continued

84.922	Department of Education - Consolidated Grants Administration	\$ <u>16,558,322</u>
	Total for Primary Government	\$ 76,322,794
10.203	American Samoa Community College	692,207
10.500	American Samoa Community College	863,213
15.875	American Samoa Community College	1,427,130
84.007	American Samoa Community College	77,823
84.033	American Samoa Community College	102,088
84.063	American Samoa Community College	3,635,953
84.334	American Samoa Community College	626,409
15.875	American Samoa Medical Center Authority	<u>14,577,585</u>
	Total major programs tested	\$ <u>98,325,202</u>
	Total federal expenditures	\$ <u>137,635,913</u>
	Percentage of federal expenditures tested	<u>72%</u>

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2007

PART I - SUMMARY OF AUDITORS' RESULTS

1. The independent auditors' report on the general purpose financial statements was a qualified opinion.
2. Reportable conditions in internal control over financial reporting were identified, all of which are considered to be material weaknesses.
3. Instances of noncompliance considered material to the financial statements were disclosed by the audit.
4. Reportable conditions in internal control over compliance with requirements applicable to major federal awards programs were identified, some of which are considered to be material weaknesses.
5. The independent auditors' report on compliance with requirements applicable to major federal award programs disclaimed an opinion.
6. The audit disclosed findings required to be reported by Office of Management and Budget (OMB) Circular A-133.

7. The Territory's major programs were:

<u>Program</u>	<u>CFDA No.</u>
USDA - Food Stamp Program	10.551
USDA - National School Lunch Program	10.555
USDA - Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557
HUD - Community Development Block Grants/Special Purpose Grants Insular Areas	14.225
DOI - Economic and Political Development of the Territories and Trust Territory of Pacific Islands	15.875
DOT - Airport Improvement Program	20.106
DOEd - Special Education Program	84.027
DOEd - Consolidated Grants Administration	84.922

8. A threshold of \$3,000,000, was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.
9. The organization did not qualify as a low-risk auditee as the term is defined in OMB Circular A-133.

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2007

American Samoa Government
All Programs - Entity-wide

Questioned
Costs

07 FS-1

Requirement: The requirement of the Common Rule for the Uniform Administrative Requirements for Grants and Cooperative Agreements with State and Local Governments (the Common Rule) that relate to standards for financial management and internal control (Subpart C .20) state that the grantee must have sufficient internal control systems and accounting procedures to demonstrate that federal funds have not been used for unauthorized purposes.

Condition: There were significant failures in the operation of the internal control structure within the general accounting division of the Treasury Department. We base this conclusion on the following observations:

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- During the fiscal year September 30, 2007, and the period subsequent to date of the audit report, we became aware of various reviews by different federal agencies. These reviews have resulted in the proposed material questioned costs and these reviews also indicated the lack of controls over spending of federal funds.
- During our accounts payable out-of-period liabilities search, we noticed several items for which an incorrect determination relating to which fiscal year they needed to be recorded. This resulted in a material adjustment to the financial statements. This also resulted in incorrect amounts being included on the grants spreadsheet.
- Bank reconciliations of the high court operations were not always completed and approved on a timely basis.
- In an examination of payroll transactions, 20 out of 60 time cards to support information input into computer were not provided.
- Of the 470 items selected for testing expenditures for compliance of the major grant programs, The Territory was not able to provide documentation for 65 (14% of total) items.
- Through the confirmation of cash accounts, it was discovered that there was a bank account being used to process operations of the government that was not recorded on the trial balance. This account is under the control of another department outside of Treasury.
- Trial balances were not closed or reconciled in a regular or timely manner throughout or at the year end.
- Control systems failed to detect postings to improper periods, unallowable costs, missing documentation required for payment processing and expenditures exceeding budget.

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2007

Cause: The internal control failures in the daily operations of the general accounting division of the Treasury Department are attributed to:

- The Territory has not had a Chief Territorial Auditor for the last year. With this vacancy, no reviews have been completed to identify internal control failures and make recommendations for improving controls.
- Without a regular and timely closing process during the fiscal year, accounting personnel do not detect and correct errors in a reasonable timeframe
- The internal control activities are not monitored to determine if established control activities are functioning as intended.

Effect: Internal controls are not operating as intended to prevent material misstatements from occurring and being detected. Work prepared by accountants and clerks working in the General Accounting department is not being reviewed in a timely manner. Bank reconciliations, general ledger account reconciliations, journal entries and other recordkeeping activities are not being performed, summarized, and reviewed in a manner to prevent and detect errors. We believe this finding represents a reportable condition and a material weakness in internal control. We have, however, not identified any specific questioned costs associated with this finding.

Recommendation: It is crucial to the operation of the internal control structure that preventative and detective controls be developed, monitored and maintained by qualified and competent personnel. Accountants and clerks within general accounting should be adequately trained and supervised; account reconciliations, journal entries, and other transactions should be appropriately reviewed and approved; and financial data should be accurately summarized on a timely basis.

07 FS-2

Requirement: The Common Rule governing equipment (Subpart C .32) requires the grantee to maintain property records and to take a physical inventory of the property and reconcile the results with the property records at least once every two years.

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2007

Condition: There are deficiencies in the internal control structure design of The Territory's System of General Fixed Assets. From a sample of 60 items purchased during the fiscal year and classified under the modified accrual basis of accounting in the general ledger as an asset, we made the following observations:

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- Eleven items were not supported by any records (P31409, P32124, P31006, P30744, P30924, Q100955, P33678, P33559, P31669, A30819, and P31838).
- Twelve items did not have the proper information in order to be located for the audit (00014178, 00013160, 00013373, 00013666, 00013559, JE98020653, 00014165, 00013466, GD70000295, GD7000095Z, 187958400-269, 00014047).
- Five items listed on the property cards do not match the invoiced amount (P30821, P31578, P30738, P31413, and P32021).
- Although a physical inventory was conducted within the last two years as required by the Common Rule, this inventory did not reconcile with the property records and the general ledger.

Cause: We noted significant failures in the operation of the internal control structure related to the tracking, recording and monitoring of government assets. We base this conclusion on the following:

- Departments have the ability to bypass the central procurement office in the purchase of items from grant funds. These purchases are then not reported to the Office of Property Management for recording and tracking.
- There is no formal reconciliation between fixed asset purchases and the assets posted to the property management system.
- There is a lack of policies and procedures to insure compliance with Executive Order 01-1998 that requires a physical inventory to be completed within 30 days of the end of the fiscal year.

Effect: Management is unable to monitor the use of equipment to ensure compliance with the Common Rule and federal grantor requirements. Noncompliance with laws and regulations governing federal assistance may occur and not be detected. We believe this finding represents a reportable condition and material weakness in internal control. However, we have not identified any specific questioned costs associated with this finding.

Recommendation: The Territory should implement procedures that ensure that all department personnel administering grants are knowledgeable about federal grant administration and the requirements to properly account for fixed assets.

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2007

07 FS-3

Requirement: The Common Rule requirements that relate to post-award requirements (Subpart C) provide the structure for the administration of federal financial assistance programs.

Condition: The Territory does not maintain an adequate system of internal controls to ensure compliance with the following requirements:

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- Allowable costs and cost principles - Items were charged to grant expenditures that were not an allowable cost.
- Administrative requirement - There were multiple instances of failures in the eligibility procedures, financial procedures and overall management of grant funds to insure compliance and adherence to the grant requirements.
- Claims for advances and reimbursements - Claims for reimbursements were not supported with documentation in sufficient detail to show that the requests were for reimbursement of allowable expenditures.

Cause: The structure for the administration of federal financial assistance programs is decentralized. Departmental personnel are responsible for complying with financial and administrative requirements of the grant programs assigned to their departments.

As a result of our visits to each department and our observations and inquiries of the department personnel, we have concluded that, in general, department personnel are not well versed in the administrative and financial requirements of the programs within their departments. Many of the administrative requirements related to federal financial assistance programs are detailed and specific in scope and require specialized knowledge and rigorous controls to ensure compliance.

Effect: Noncompliance with laws and regulations governing federal financial assistance may occur and not be detected. We believe this finding represents a reportable condition and material weakness in internal control. However, we have not identified any specific questioned costs associated with this finding.

Recommendation: The Territory should implement procedures to be sure that department personnel responsible for the administration of the grant programs are trained and knowledgeable about all of the requirements of grant administration. The individual given responsibility must also have a level of authority to direct activity to ensure compliance with laws, grant guidelines, and the Common Rules.

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2007

07 FS-4

Requirement: An adequate internal control structure would imply that control issues identified in previous years would be addressed and solved. Each of the conditions noted in Finding Nos. FS-1 through FS-3 above has been described in previously issued reports. The recommendations made in those reports, as well as those issued by federal agencies, have not been adequately addressed by The Territory. It is The Territory management's responsibility to establish and maintain an adequate internal control structure.

Condition: The recommendations made in previous single audit reports, as well as reports issued by federal agencies, have not been adequately addressed by The Territory.

\$ -

Cause: The cause of unresolved findings is related to the issues surrounding the control environment as well as a lack of understanding and urgency by management to ensure that appropriate actions are taken to resolve findings.

Effect: By not addressing findings, The Territory is maintaining a system of internal control that is not effective and has material weaknesses. Additionally, if findings are not addressed in one year, they tend to carry over into following years. We believe this finding represents a reportable condition and material weakness in internal control. However, we have not identified any specific questioned costs associated with this finding.

Recommendation: The Territory should immediately address and resolve any and all findings identified in this year and previous years.

07 FS-5

Requirement: Budgetary requirements are established by law and are required to be followed. Numerous departments and functions of the general fund exceeded the budget appropriation.

Condition: A budget overrun totaling \$8,637,508 occurred. A breakdown by department and function is included in the notes to the financial statements in the general purpose financial statements for the year ended September 30, 2007.

\$ -

Cause: The cause of the overruns is due to a lack of adherence by management to established budgets.

Effect: Budget overruns affect future appropriations and expenditures. We believe this finding represents a reportable condition and material weakness in internal control. However, we have not identified any specific questioned costs associated with this finding.

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2007

Recommendation: The Territory should comply with budgets and appropriations. Management should be held accountable for overruns.

07 FS-6

Requirement: The Common Rule governing retention and access requirements for records (Subpart C .42) requires records to be retained for three years.

Condition: The records of The Territory have not been maintained in an organized manner. Items selected for review could not be documented as described in 07 FS-1.

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Cause: The cause of the above condition is a lack of formal procedures regarding the maintenance and storage of records.

Effect: Documentation may be misplaced, lost, destroyed, and this occurrence may not be detected. We believe this finding represents a material instance of noncompliance and a material weakness in internal control.

Recommendation: We recommend that The Territory implement procedures and allocate the facilities to ensure the retention and retrieval of records, in an orderly and timely manner.

07 FS-7

Requirement: OMB Circular A-87 cost principles for insurance and indemnification establishes allowable cost principles for self-insurance programs. It requires contributions to reserves to be based on sound actuarial principles using historical experience and reasonable assumptions. Reserve levels must be analyzed and updated at least biennially for each major risk being insured and take into account any reinsurance, coinsurance, etc.

Condition: The Territory established an internal service fund on October 1, 2001 to operate a self insured program for Workers Compensation insurance. At the time of creating the fund The Territory established the "premium" to be contributed by all those who participate in the program based upon prior experience. At September 30, 2004 The Territory established a reserve for future claims for the first time based upon awarded settlements. Although The Territory has revised this reserve for September 30, 2006 and 2007, The Territory did not prepare an analysis to determine if the rates being charged to participants were reasonable.

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TERRITORY OF AMERICAN SAMOA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2007

Cause: There is a lack of understanding of the requirements for internal service funds as established by the OMB Circular A-87. The Territory did not previously establish reserves for claims and did not have an understanding of the reserve levels. Upon establishment of the reserve no analysis was performed to determine if the "premium" rate is reasonable. We believe this finding represent a material instance of noncompliance and a material weakness in internal control.

Effect: Since establishment of this fund in 2001, this internal service fund has accumulated a fund balance of approximately \$2.2 million after reserving for future claims of approximately \$0.6 million. It appears that the "premiums" being charged to grants are excessive. We believe this finding represents a material instance of noncompliance and a material weakness in internal control.

Recommendation: The Territory should review the "premium" rates being charged to participating funds in terms of claims submitted and adjudicated but not paid, submitted but not adjudicated and incurred but not submitted. Based upon this analysis, The Territory should adjust the rates charged to reflect the actual experience of the internal service fund. They should also establish procedures to insure "premium" rates are reviewed biennially.

Department of Agriculture
National School Lunch Program
CFDA #10.555

07 USDA-1

Requirement: OMB Common Rule Section 42 requires that financial records, supporting documents and other records pertinent to an award shall be retained for a period of three years from the date of submission of the last expenditure report.

Condition: We selected a sample of 54 transactions from the expenditure activity of this program and found the following exceptions:

\$ 9,908

- Eight items were not supported with any required documents (00014066, 00013785, 00013748, GD70000142, P30337, P28716, P30337, 00014112).
- One item was not supported with an invoice (T07976).
- One item was not supported with the Department of Agriculture's list of approved local farmers (Q103799).
- One item was not charged correctly to an account, amount and period (T07976).

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2007

Cause: These missing documents are due to the lack of adherence to the accounting documentation procedures required by Common Rule. Internal controls over documentation are incomplete and ineffective.

Effect: The lack of invoices, lists of approved local providers, and documents in entirety make it impossible to determine that the sample items were properly approved and actually received by The Territory.

Recommendation: The Territory should develop and implement policies and procedures based upon the Common Rule for the proper and efficient maintenance of records to support each transaction. A method of monitoring should also be established to ensure that the procedures are effective.

Special Supplemental Nutrition Programs for
Women, Infants, and Children
CFDA #10.557

07 USDA-2 Requirement: OMB Common Rule 42 requires that financial records, supporting documents and other records pertinent to an award shall be retained for a period of three years from the date of submission of the last expenditure report.

Condition: We selected a sample of 34 transactions from the expenditure activity of this program and found the following exceptions:

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- Seven items were not supported with a purchase order (Q98179, Q107333, Q107928, Q100405, Q102813, Q99635, Q100406).
- Three items were not supported with a receiving report (Q98179, Q100405, Q100406).
- One item was not supported with a vendor invoice (Q100406).

Cause: These missing documents are due to the lack of adherence to the accounting documentation procedures required by the Common Rule. Internal controls over documentation are incomplete and ineffective.

Effect: The lack of supporting documentation makes it impossible to determine that the sample items were properly approved and actually received by The Territory.

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2007

Recommendation: The Territory should develop and implement policies and procedures based upon the Common Rule for the proper and efficient maintenance of records to support each transaction. A method of monitoring should also be established to ensure that the procedures are effective.

07 USDA-3 Requirement: OMB Common Rule 42 requires that financial records, supporting documents and other records pertinent to an award shall be retained for a period of three years from the date of submission of the last expenditure report.

Condition: We selected 60 participant files from a list of coupons issued to test the eligibility determination process. From this sample we noted the following:

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- Four files did not contain a completed application form (#5, 36, 56, 59).
- Three files did not contain a certification sheet (#4, 58, 59).
- One file did not contain an income verification (#15).
- One file did not contain a copy of the birth certificate (#27).
- One file did not contain a signed signature form (#58).

Cause: The condition of this finding is due to the lack of formal documented guidelines for the requirements of the client eligibility files.

Effect: The missing information in the client files makes it impossible to determine if the participants met all of the eligibility requirements to participate in the program.

Recommendation: The Territory should implement policies and procedures to insure that all records related to Federal grants are retained in accordance with the Common Rule. Management should monitor the files periodically to determine that these policies and procedures are followed and conduct programs to train staff on document requirements.

Department of Transportation
Airport Improvement Program
CFDA #20.106

07 DOT-1 Requirement: Cost Accounting Standards Board (CASB) requirements state that all parties take into account the probable costs of implementation, including inflationary effects, if any, compared to probable benefits; the advantages, disadvantages, and improvements anticipated in the pricing and administration of, and settlement of disputes concerning, contracts; the scope of, and alternatives available to, the action proposed to be taken.

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2007

Condition: We selected 23 transactions from the expenditure activity of this program and found the following exceptions: \$ -

- Seven items qualified for CASB however, there was no documentation readily available during audit fieldwork indicating the CASB standards were taken into consideration (#37491, #37492, #37493, #37920, #38101, #38379, #38563).

Cause: Internal controls over documentation procedures are incomplete or ineffective. The Territory was able to subsequently provide sufficient documentation to demonstrate that CASB standards were considered.

Effect: CASB standards documentation not filed with the project gives the appearance that standards are not being followed. Well organized files demonstrate quickly that internal controls are being followed timely.

Recommendation: The Territory should develop and implement policies and procedures regarding proper and efficient accounting of records to provide support for each transaction.

07 DOT-2

Requirement: The Territory's procurement policy states that purchases over \$10,000 are to be competed to obtain a fair and reasonable price. This to provide The Territory with the best possible chance to procure and item at lowest cost and/or best value. The Territory's acquisition regulation also states that the contract award be clearly documented.

Condition: We selected 23 transactions from the expenditure activity of this program and found the following exceptions: \$ -

- Three items contained no support documenting the rationale behind contractor selection (#38679, #36687, #37100).
- Two items contained no support documenting how contract solicitation was handled (#37491, #38096).
- Ten items were supported by the contract file stating that solicitation was done in the newspaper, however, the file did not provide a receipt for the cost of the listing nor a copy of the listing itself. Without one of the two it cannot be verified that the solicitation of the contract was adequate (#38679, #36687, #38101, #38379, #38563, #37100, #37492, #37493, #37656, #37920).

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2007

Cause: The contract file does not contain sufficient documentation of the purchase being competed, rationale for other than full and open competition, documentation supporting a sole-source award, or documentation of negotiation to obtain a discounted price. The Territory eventually was able to gather the documents and demonstrated how contract solicitation was handled and determination for contractor selection.

Effect: Neglecting/circumventing procurement policy results in increased risk of overpayment for goods and/or services and increased risk of fraudulent charges. By failing to document the procurement process (i.e. documenting open competition, support for sole-source award, or negotiation to obtain a discount price) it cannot be assured that the item was procured at the lowest cost/best value.

Recommendation: The Territory should develop and implement policies and procedures based upon procurement policies to require the contract files for competitive bids, of purchases for goods or services exceeding \$10,000, to contain all the documentation necessary that demonstrates how contract solicitation was handled and determination for contractor selection.

07 DOT-3

Requirement: Under the Davis Bacon Act (est. 1931) all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor (40 USC 3141-3144, 3146 and 3147 (formerly 40 USC 276a-276a-7)). Non-federal entities shall include in their construction contracts subject to the Davis Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis Bacon Act and the Department of Labor regulations. This includes a requirement for the contractor or subcontractor to submit to the federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance. This is often done using Option Form WH-347 which includes the required statement of compliance (OMB No. 1215-0149).

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2007

Condition: We selected 23 transactions from the expenditure activity of this program and found the following exceptions: \$ -

- Four items qualified under the Davis Bacon Act. For these four items, no documentation was provided establishing labor rates for the corresponding period's payroll. Therefore it cannot be determined if these items were in compliance with the Davis Bacon Act (#38097, #37491, #38096, #37656).
- Two items violate the Davis Bacon Act since for these two payroll periods labor rates were not updated to meet the July 24, 2007 wage increase to \$4.10/hour (#38379, #38563).

Cause: Missing documentation is due to the lack of adherence to the accounting documentation procedures requested by the Davis Bacon Act or the contract file not maintaining the appropriate documentation of adherence to the Davis Bacon Act. Internal controls over documentation procedures are incomplete or ineffective. The Territory was able to subsequently provide us with the documentation that the four items were missing.

Effect: Contractors or subcontractors found to have disregarded their obligation to employees, or to have committed aggravated or willful violations while performing work on a Davis Bacon covered project may be subject to contract termination and/or debarment from future contracts up to three years. In addition, contract payments may be withheld in sufficient amounts to satisfy liabilities for unpaid wages and liquidated damages that result from overtime violations of the Contract Work Hours and Safety Standards Act.

Recommendation: The Territory should develop and implement policies and procedures regarding proper and efficient maintenance of records to provide support for each transaction and compliance.

DOE Special Education
CFDA #84.027

07 DOE-1

Requirement: OMB Common Rule 42 requires that financial records, supporting documents and other records pertinent to an award shall be retained for a period of three years from the date of submission of the last expenditure report.

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2007

Condition: We selected 13 transactions from the expenditure activity of this program and found the following exception: \$ -

- One item was not supported with a receiving report (P31532).

Cause: These missing documents are due to the lack of adherence to the accounting documentation procedures required by the Common Rule. Internal controls over documentation are incomplete and ineffective.

Effect: There is an inability to verify compliance due to the possible misplacement, loss, destruction or non-occurrence of supporting information. The lack of purchase orders, invoices and receiving reports make it impossible to determine that the sample items were properly approved and actually received by The Territory.

Recommendation: The Territory should develop and implement policies and procedures based upon the Common Rule for the proper and efficient maintenance of records to support each transaction. A method of monitoring should also be established to ensure that the procedures are effective.

07 DOE-2 DOE Consolidated Grant
CFDA #84.922

Requirement: OMB Common Rule 42 requires that financial records, supporting documents and other records pertinent to an award shall be retained for a period of three years from the date of submission of the last expenditure report.

Condition: We selected 36 transactions from the expenditure activity of this program and found the following exceptions:

- Ten items were not supported with a receiving report (P33062, P31916, P32820, Q106797, P33038, P32831, P32657, P32647, P32485, Q105265).
- One item was not supported with an invoice (P30294).
- Two items were not supported with a purchase order (Q106797, Q105265).

Cause: These missing documents are due to the lack of adherence to the accounting documentation procedures required by the Common Rule. Internal controls over documentation are incomplete and ineffective.

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2007

Effect: There is an inability to verify compliance due to the possible misplacement, loss, destruction or non-occurrence of supporting information. The lack of purchase orders, invoices and receiving reports make it impossible to determine that the sample items were properly approved and actually received by the Territory.

Recommendation: The Territory should develop and implement \$ - policies and procedures based upon the Common Rule for the proper and efficient maintenance of records to support each transaction. A method of monitoring should also be established to ensure that the procedures are effective.

Government Operations
Basic Operating Grant
CFDA #15.875

07 DOI-1

Requirement: OMB Common Rule 20 requires that accounting records must be supported by such source documentation as cancelled checks, accounts payable vouchers, paid bills, purchase orders, payroll time and attendance records, contracts and sub grant documentation, etc.

Condition: We selected 44 transactions from the expenditure activity of this program and found the following exceptions: \$ -

- Fifteen items were not supported with a purchase order (checks #2364, 2374, 2383, 2393, 2402, 2409, 2420, 2421, 2428, 2438, 2439, 2447, 2448, 2504, 2515).
- Twenty-two items were not supported with a vendor invoice nor receiving report (checks #2360, 2364, 2383, 2393, 2402, 2406, 2409, 2420, 2421, 2428, 2439, 2447, 2448, 2454, 2460, 2462, 2479, 2481, 2484, 2486, 2497, 2515).

Cause: Missing documentation is due to the lack of adherence to the accounting documentation procedures requested by the Common Rule. Internal controls over documentation procedures are incomplete or ineffective.

Effect: There is an inability to verify documentation due to the possible misplacement, loss, destruction, or non-occurrence. We believe this finding represents a material instance of non-compliance.

Recommendation: The Territory should develop and implement policies and procedures regarding proper and efficient accounting of records to provide support of each transaction.

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2007

Government Operations
Construction in Progress
CFDA #15.875

07 DOI-2 **Requirement:** The Territory's procurement policy states that purchases over \$10,000 are to be competed to obtain a fair and reasonable price. This is to provide The Territory with the best possible chance to procure an item at lowest cost and/or best value.

Condition: Purchase Order P31199, a 2007 Ford F-550 (VIN #1FDXA56P77EB41712), was purchased on 11-16-06 by The Territory for \$53,968 and was paid for in full on 3-20-07 with check #097765. Purchase Order #C56351 is the first payment in the amount of \$47,145 on a construction contract for the completion of the Dispensary for the period of 8-30-07 to 9-5-07. Purchase Order #1CP554731 in the amount of \$83,558 was to pay for work performed. These payments are above the \$10,000 procurement limit and no evidence was provided that the contracts were competitively bid to assure lowest cost/best value. \$ -

Cause: There is no documentation of the purchase being competed, rationale for other than full and open competition, documentation supporting a sole-source award, or documentation of negotiation to obtain a discounted price. Without any of the above it cannot be concluded that The Territory paid a fair and reasonable price for the item procured.

Effect: Neglecting/circumventing procurement policy results in increased risk of overpayment for goods and/or services and increases risk of fraudulent charges. By failing to document the procurement process (i.e. documenting open competition, support for sole-source award, or negotiation to obtain a discounted price) it cannot be assured that the item was procured at the lowest cost/best value.

Recommendation: The Territory should develop and implement policies and procedures based upon procurement policies to require competitive bids for purchases of goods or services exceeding \$10,000. Sole source is allowed when appropriate.

07 DOI-3 **Requirement:** OMB Common Rule 42 requires that financial records, supporting documents and other records pertinent to an award shall be retained for a period of three years from the date of submission of the last expenditure report.

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2007

Condition: We selected 13 transactions from the expenditure activity of this program and found the following exceptions: \$ 44,205

- Five items were not supported with any documentation (#1C56241, #2C56241, #P33167 for \$2,820, #P30688, #P33167 for \$975).

Cause: These missing documents are due to the lack of adherence to the accounting documentation procedures required by the Common Rule. Internal controls over documentation are incomplete and ineffective.

Effect: There is an inability to verify compliance due to the possible misplacement, loss, destruction or non-occurrence of supporting information. The lack of purchase orders, invoices and receiving reports make it impossible to determine that the sample items were properly approved and actually received by The Territory.

Recommendation: The Territory should develop and implement policies and procedures based upon the Common Rule for the proper and efficient maintenance of records to support each transaction. A method of monitoring should also be established to ensure that the procedures are effective.

Territorial Office of Fiscal Reform
Construction in Progress
CFDA #15.875

07 DOI-4 Requirement: OMB Common Rule 20 requires that accounting records must be supported by such source documentation as cancelled checks, accounts payable vouchers, paid bills, purchase orders, payroll time and attendance records, contracts and sub grant documentation, etc.

Condition: We selected 50 transactions from the expenditure activity of this program and found the following exceptions: \$ 242,956

- One item was not supported with a purchase order (#38214).
- Eleven items were not supported with a receiving report (#36716, #36722, #38335, #38534, #35654, #36238, #36838, #36321, #37247, #35651, #36806).
- Five items were not supported with enough information to test (#988447, #36619, #988482, #988445, #36618).
- Two items were not supported with any documentation (#36386, #36469).

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2007

Cause: Missing documentation is due to the lack of adherence to the accounting documentation procedures requested by the Common Rule. Internal controls over documentation procedures are incomplete or ineffective.

Effect: There is an inability to verify documentation due to the possible misplacement, loss, destruction, or non-occurrence. We believe this finding represents a material instance of non-compliance.

Recommendation: The Territory should develop and implement policies and procedures regarding proper and efficient accounting of records to provide support for each transaction.

07 DOI-5

Requirement: Under the Davis Bacon Act (est. 1931) all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor (40 USC 3141-3144, 3146 and 3147 (formerly 40 USC 276a-276a-7)). Non-federal entities shall include in their construction contracts subject to the Davis Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis Bacon Act and the Department of Labor regulations. This includes a requirement for the contractor or subcontractor to submit to the federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance. This is often done using Option Form WH-347 which includes the required statement of compliance (OMB No. 1215-0149).

Condition: We selected 50 transactions from the expenditure activity of this program and found the following exception:

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- One item was not supported with labor rates to prove compliance with the Davis Bacon Act (#35763).

Cause: Missing documentation is due to the lack of adherence to the accounting documentation procedures requested by the Davis Bacon Act. Internal controls over documentation procedures are incomplete or ineffective.

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2007

Effect: Contractors or subcontractors found to have disregarded their obligation to employees, or to have committed aggravated or willful violations while performing work on a Davis Bacon covered project may be subject to contract termination and/or debarment from future contracts up to three years. In addition, contract payments may be withheld in sufficient amounts to satisfy liabilities for unpaid wages and liquidated damages that result from overtime violations of the Contract Work Hours and Safety Standards Act.

Recommendation: The Territory should develop and implement policies and procedures regarding proper and efficient accounting of records to provide support for each transaction and compliance.

Payroll

07 PR-1

Requirement: OMB Common Rule Section 42 requires that financial records, supporting documents and other records pertinent to an award shall be retained for a period of three years from the date of submission of the last expenditure report.

Condition: We selected a sample of 60 employees files, timesheets, and scantron cards to test that hours recorded in the payroll register agreed to the timesheet and scantron; withholding status in file agreed to payroll register; annual leave accrual code in file agreed to payroll register; information on withholding form agreed to personnel file and information on withholding form agreed to payroll register and found the following exceptions:

\$ -

- One timesheet did not agree with the payroll register and scantron (Sample #35).
- Eight items when the withholding status in file did not agree to the payroll register (Sample #6, #9, #14, #22, #25, #41, #44, #46).
- Six items when the annual leave accrual code in file did not agree to the payroll register (Sample #2, #8, #15, #35, #39, #40).
- Fifteen items when the information on withholding form did not agree to the personnel file (Sample # 2, #5, #7, #8, #15, #18, #19, #22, #23, #32, #34, #41, #42, #44, #54).
- Nine items when the information on withholding form did not agree to payroll register (Sample #14, #15, #18, #19, #22, #23, #25, #46, #48).
- Eight files were missing withholding forms (Sample #3, #6, #9, #13, #17, #33, #38, #55).

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2007

Cause: The Territory does not have a consistent policy to retain the timecards or other source documentation of hours worked. The supervisors maintain individual discretion to discard the timecards because no consistent policy exists that requires all departments to retain the timecards, or other source documents, for a specific length of time.

Effect: We were unable to test a sample of timecards, withholding forms and scantrons, to ensure the payroll registers reflected the information recorded on the original document. We believe this finding represents a material instance of noncompliance and a material weakness in internal control.

Recommendation: The Territory should review and update its record retention policy to comply with requirements set forth by OMB Common Rule Section 42.

07 PR-2

Requirement: OMB Common Rule 20 requires that accounting records must be supported by such source documentation as cancelled checks, accounts payable vouchers, paid bills, purchase orders, payroll time and attendance records, contracts and sub grant documentation, etc.

Condition: We selected a sample of 60 employees files, timesheets and scantron cards, to test that the time and attendance information reported at the department level was properly reflected on the payroll register and found the following exceptions:

\$ -

- One scantron card could not be located (Sample #29).
- Twenty timesheets were not provided (Sample #1, #3, #6-8, #10, #11, #17, #21, #22, #24, #32, #37-39, #41, #54, #55, #57, #58).
- Two timesheets show signed time in but not signed time out (Sample #13, #15).

Cause: Missing documentation is due to the lack of adherence to the accounting documentation procedures required by the Common Rule 20. Internal controls over documentation procedures are either missing or ineffective. Furthermore, departments are not pressed to update, in entirety, all documents and related forms.

Effect: There is an inability to verify documentation due to the possible misplacement, loss, destruction or non-occurrence of current withholding forms. We believe this finding represents a material instance of non-compliance. Furthermore, inaccurate information was found in the payroll registers due to lack of timely updates in the personnel files.

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2007

Recommendation: The Territory should establish and document appropriate policies and procedures regarding proper and efficient accounting records to provide support for each transaction.

Total Questioned Costs	\$ <u>297,069</u>
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TERRITORY OF AMERICAN SAMOA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2007

		Questioned Costs
07 ASCC-1	<p>Requirement: Internal controls should be in place over the preparation of the financial statements, including the footnote disclosures, which would prevent or detect a misstatement in the financial statements.</p> <p>Condition: We noted that as of September 30, 2007, the College maintained a stale check account which housed approximately \$109,000 in stale, uncleared checks dating back to 2005. We also noted that the College had written-off, as a prior period adjustment, approximately \$130,000 of these stale, uncleared checks which were dated from 1997 to 2004. It was also noted that the written-off stale checks were not voided. Because of the age of these written-off stale checks, it was impractical for the College to research and resolve each of these aged items.</p> <p>Effect: With the maintenance of such a large balance of unresolved and outstanding stale checks, the College risks the material misstatement of its financial statements. In addition, there may remain a resolved issued with vendors and/or grantors that may financially put the College at risk.</p> <p>Recommendation: We recommend that the College review, reconcile and resolve its stale check account in a timely manner. By performing these procedures in a timely manner, the College would be able to prevent the growth of its stale check account and resolve any issues with its stale checks without extreme difficulties or impracticalities.</p>	\$ -
07 ASCC-2	<p>Requirement: Under OMB Circular A-133 Compliance Supplement, Part 3: Compliance Requirements, Section F: Equipment and Real Property Management, "equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records".</p> <p>Condition: We noted that the College does not completely reconcile its physical inventory of its equipment to its equipment recorded on the College's accounting records.</p> <p>Effect: The College is not in compliance with federal requirements and risks maintaining inaccurate records of its equipment.</p> <p>Recommendation: We recommend that the College reconcile its periodic physical inventories of its fixed assets to its accounting records.</p>	\$ -
07 ASCC-3	<p>Requirement: Under OMB Circular A-133 Compliance Supplement, Part 3: Compliance Requirements, Section I: Procurement and Suspension and Debarment, "institutions of higher education... shall use procurement procedures that conform to applicable Federal law and regulations and standards identified in OMB Circular A-110".</p>	

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2007

Condition: We noted that the College was not in full conformity with the procurement procedures described in OMB Circular A-110. In particular, the College did not establish written procurement procedures that adhered to the recommended requirements of OMB Circular A-110, nor did it maintain sufficient support of the basis of contractor selection \$ - for all applicable contractors.

Effect: The College is not in compliance with federal requirements.

Recommendation: We recommend that the College review OMB Circular A-110 and make any changes to its current procurement procedures to ensure that it is in compliance with all applicable requirements.

07 ASCC-4 **Requirement:** Under OMB Circular A-133 Compliance Supplement, Part 3: Compliance Requirements, Section I: Procurement and Suspension and Debarment, “non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred”. As of November 26, 2003, covered transactions include, “only those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria are considered “covered transactions”... All nonprocurement transactions (i.e. subawards to subrecipients) are considered covered transactions”.

Condition: We noted that the College did not maintain supporting documents verifying that its qualifying contractors were not suspended, debarred or otherwise excluded. \$ -

Effect: The College may be contracting with suspended or debarred contracts; and as such may not be in compliance with Federal requirements.

Recommendation: We recommend that the College verify that all qualifying contractors are not suspended, debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (EPLS - <http://epls.arnet.gov>)* maintained by the General Services Administration (GSA) or collecting a certification from the entity. Such verification should be maintained by the College as proof of verification.

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2007

07 ASCC-5 **Requirement:** OMB Circular A-133 Compliance Supplement Part 3: Compliance Requirements, Section L requires that various financial reports be submitted. The federal grantors require the College to submit, on a periodic basis, reports detailing reimbursement requests, disbursement outlays, cash on hand, and the like.

Condition: For the year ended September 30, 2007, the College was late in submitting several required federal reports to the correspondencing grantors. \$ -

Effect: The College is not in compliance with federal and/or grantor requirements which could cause future funding suspensions and/or reductions.

Recommendation: We recommend the College to adhere to federal financial reporting requirements by implementing a monitoring system to ensure that all required federal financial reports are done in a timely manner.

U.S. Department of Education
Federal Pell Grant Program
CFDA No. 84.063

07 ASCC-6 **Requirement:** The Federal Student Aid Handbook, Volume 6, Chapter 4, issued by the U.S. Department of Education, stipulates that the students' work schedules must not conflict with their class schedules.

Condition: We noted two instances where the student work schedule conflicted with their class schedule. \$ -

Effect: The College is not in compliance with Federal Work Study allowability requirements.

Recommendation: We recommend that management review the students' work schedules and class schedules for any conflicts. Management also could work closer with the student's supervisor to ensure that they are not working during a scheduled class time even if the class is cancelled for the day. Management could provide the supervisor with the student class and to ensure compliance.

07 ASCC-7 **Requirement:** The Federal Student Aid Handbook, Volume 5, Chapter 2, issued by the U.S. Department of Education, stipulates that when a student withdraws the College has 14 days to issue the credit balance of a student's account from the date of Return calculation is conducted.

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2007

Condition: We noted during our audit that two of the withdrawals we tested were calculated incorrectly. Because these calculations happened while the College was on the reimbursement payment method no excess financial aid was received the College. The overpayment to the students occurred because the student accounts have been credited with the full \$ - tuition and no adjustment had been made for the withdrawal.

Effect: The College over paid the student.

Recommendation: We recommend that management review and ensure that student's credit balances is calculated correctly before making an over payment.

Total Questioned Costs	<u>\$ -</u>
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TERRITORY OF AMERICAN SAMOA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2007

Questioned
Costs

Department of Interior
Capital Improvement Projects
CFDA #15.875

07 LBJ-1

Requirement: Circular A-110 stipulates that grantees are required to implement a free and competitive bid process for all purchases exceeding the small purchase threshold fixed at 41 U.S.C. 403 (11). Grantees are required to provide procurement records that include a basis for contractor selection and a basis for award cost or price for all purchases exceeding the small purchase threshold.

Condition: We selected 37 transactions from the expenditure activity of this program and found the following exception:

\$ 350,573

- 13 of the 37 sample items represented contracts awarded without competitive bidding as required by the ASG Administrative Code - Title 10. In every case, the justification and authorization for awarding a contract without bidding was not documented in file (#58584, #59037, #59047, #63059, #59033, #63308, #59551, #59118, #62734, #61189 for \$2,440, #61189 for \$750, #62261, #63858).

Cause: There is no documentation of the purchase being competed, rationale for other than full and open competition, documentation supporting a sole-source award, or documentation of negotiation to obtain a discounted price. Without any of the above it cannot be concluded that LBJ paid a fair and reasonable price for the item procured.

Effect: Neglecting/Circumventing procurement policy results in increased risk of overpayment for goods and/or services and increases risk of fraudulent charges. By failing to document the procurement process (i.e. documenting open competition, support for sole-source award, or negotiation to obtain a discounted price) it cannot be assured that the item was procured at the lowest cost/best value.

Recommendation: LBJ should develop and implement policies and enforce procedures based upon procurement policies to require competitive bids for purchases of goods or services exceeding \$10,000. Sole source is allowed when appropriate.

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2007

07 LBJ-2

Requirement: Under the Davis Bacon Act (est. 1931) all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor (40 USC 3141-3144, 3146 and 3147 (formerly 40 USC 276a-276a-7)). Non-federal entities shall include in their construction contracts subject to the Davis Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis Bacon Act and the Department of Labor regulations. This includes a requirement for the contractor or subcontractor to submit to the federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance. This is often done using Option Form WH-347 which includes the required statement of compliance (OMB No. 1215-0149).

Condition: We selected 37 transactions from the expenditure activity of this program and found the following exception:

\$

-

- Two transactions qualified under the Davis Bacon Act. For these two transactions, no documentation was provided establishing labor rates for the corresponding period's payroll. Therefore it cannot be determined if these transactions were in compliance with the Davis Bacon Act (#59551, #59118).
- Two transactions violate the Davis Bacon Act since for these two payroll periods labor rates were not updated to meet the July 24, 2007 wage increase to \$4.10/hour (#63768, #63308). The workers were still being paid the old rate of \$4.00/hour.

Cause: Missing documentation is due to the lack of adherence to the accounting documentation procedures requested by the Davis Bacon Act. Internal controls over documentation procedures are incomplete or ineffective.

Effect: Contractors or subcontractors found to have disregarded their obligation to employees, or to have committed aggravated or willful violations while performing work on a Davis Bacon covered project may be subject to contract termination and/or debarment from future contracts up to three years. In addition, contract payments may be withheld in sufficient amounts to satisfy liabilities for unpaid wages and liquidated damages that result from overtime violations of the Contract Work Hours and Safety Standards Act.

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2007

Recommendation: LBJ should develop and implement policies and procedures regarding proper and efficient accounting of records to provide support for each transaction and compliance.

07 LBJ-3

Requirement: OMB Circular A-87 stipulates that a cost is only allocable to a particular cost objective if the goods procured are chargeable or assignable to such cost objectives in accordance with the relative benefits received.

Condition: We selected 37 transactions from the expenditure activity of this program and found the following exception: \$ 58,623

- Eighteen transactions were not supported by documentation tracing to the benefit received from the purchase of these goods (#63059, #62734 for \$8,879, #62399, #59583 for \$4,127, #62411, #59664 for \$2,557, #60699, #62070, #59583 for \$1,510, #63315, #58562, #62730, #59664 for \$260, #62261 for \$160, #59925, #62734 for \$123, #63858, #62261 for \$40).

Cause: Missing documentation is due to the lack of adherence to the accounting documentation procedures requested by OMB Circular A-87. Internal controls over documentation procedures are incomplete or ineffective.

Effect: It cannot be derived what benefit is received from the purchase of these goods therefore these procurements cannot be traced to a particular cost objective and should be considered unallocable.

Recommendation: LBJ should develop and implement policies and procedures regarding proper and efficient accounting of records to provide support for each transaction.

Total Questioned Costs \$ 409,196

TERRITORY OF AMERICAN SAMOA
MANAGEMENT'S CORRECTIVE ACTION PLAN
YEAR ENDED SEPTEMBER 30, 2007

Finding 07 FS-1

ASG acknowledges this finding. Treasury's financial management team will continue to address the stated internal control deficiencies. Currently, a senior staff member has been identified to follow through with the audit corrective action plan. Discussions have been held with auditors as to the proper way of recording out-of-period liabilities. The bank account cited is being reconciled outside of Treasury; Treasury will request (again) that the account be under its control. Treasury is requesting help from the Governor's Office for more storage space to properly store and maintain documents. All bank accounts are now under the control of Treasury therefore this bulleted finding will not be in the next audit. Continued improvement measures remain the goal of Treasury management.

Contact: Gaea P. Failautusi, Treasurer, Department of Treasury
Phone: 684.633.4155

Finding 07 FS-2

ASG acknowledges this finding and will work closely with the Office of Property Management to resolve this finding.

Contact: Gaea P. Failautusi, Treasurer, Department of Treasury
Phone: 684.633.4155

ASG acknowledges this finding. Reporting financial and status/progress reports have improved immensely. Treasury Grant personnel continue to inform and assist departments that are in noncompliance of the cash management requirements of their deficiencies. Grant personnel will continue to train and review to ensure post-aware requirements are met.

Contact: Gaea P. Failautusi, Treasurer, Department of Treasury
Phone: 684.633.4155

Finding 07 FS-4

ASG acknowledges this finding. A single audit committee has been established to take action to reduce and resolve the audit findings. The committee is currently comprised of the following: Chief of Accounting, Grants Manager, Finance Manager, Accounts Payable Manager, Disbursing Manager and senior staff member responsible for the ASG single audits. The committee will also include members from Property Management, Procurement and the Budget Office. The committee will discuss single audit issues, follow through on the corrective action plan, and update staff and management.

Contact: Gaea P. Failautusi, Treasurer, Department of Treasury
Phone: 684.633.4155

Finding 07 FS-5

ASG acknowledges this finding and will work closely with the Budget Office to resolve this finding.

Contact: Gaea P. Failautusi, Treasurer, Department of Treasury
Phone: 684.633.4155

TERRITORY OF AMERICAN SAMOA
MANAGEMENT'S CORRECTIVE ACTION PLAN
YEAR ENDED SEPTEMBER 30, 2007

Finding 07 FS-6

ASG acknowledges this finding. Treasury has implemented policies and procedures for storage, copying and release of all supporting documentation from the Disbursing Office. However Treasury realizes the importance of checking its policies and procedures every so often to ensure documentation is received and kept properly; this will be part of the corrective action plan. Treasury also realizes the need for more storage space for better records maintenance and is requesting assistance from the Governor's Office in this matter as Department of Public Works has moved from the EOB out to Tafuna, opening up the second floor.

Contact: Gaea P. Failautusi, Treasurer, Department of Treasury
Phone: 684.633.4155

Finding 07 FS-7

ASG acknowledges this finding and will look into resolving this issue.

Contact: Gaea P. Failautusi, Treasurer, Department of Treasury
Phone: 684.633.4155

07 USDA-1, 07 USDA-2

ASG acknowledges these findings. Treasury has implemented policies and procedures for storage, copying and release of all supporting documentation from the Disbursing Office. However Treasury realizes the importance of checking its policies and procedures every so often to ensure documentation is received and kept properly; this will be part of the corrective action plan. Treasury also realizes the need for more storage space for better records maintenance and is requesting assistance from the Governor's Office in this matter as Department of Public Works has moved from the EOB out to Tafuna, opening up the second floor.

Contact: Gaea P. Failautusi, Treasurer, Department of Treasury
Phone: 684.633.4155

07-USDA-3

AS WIC concurs with this finding. Policies and regulations related to Federal grants are in place and retained in accordance with Common Rule. AS WIC management and program reviewer are working closely to review and monitor participant files periodically to determine and ensure policies are followed. Management is also conducting programs to train staff on document requirements. At the start of May 2008, AS WIC has transitioned from a paper filing system to a management information system by adopting the Arizona in Motion (AIM) system. As a result, the AIM System has greatly improved the eligibility determination process and overall program operations. Local agency staff is now able to use this new system to certify participants, document health information, assign food packages, document nutrition education and handle appointment scheduling on the computer. Each Eligibility Worker was provided with a WIC University Training Manual and is assigned a unique password. Chapter 3 of the training manual describes the initial certification process and the steps involved in certifying a client. All data and documentation including income verification is entered on the screen. Proof of residency and identification is checked.

TERRITORY OF AMERICAN SAMOA
MANAGEMENT'S CORRECTIVE ACTION PLAN
YEAR ENDED SEPTEMBER 30, 2007

07-USDA-3 - Continued

A printout of the client Rights and Obligation/Consent Form is given to the Authorized Representative or client for signature. This is the only paper work that is computer generated that will end at the Issuance Unit and is placed in the daily file. With the implementation of AIM System, all client files are now electronic. Moreover, staff is encouraged to utilize State Plan to view formal guidelines for WIC certification process and contact supervisor or Assistant Director for clarification on regulations regarding the certification process. In-Service trainings are routinely conducted to improve staff competencies and program knowledge. Attendance is mandatory and a log is kept of names of participants.

Contact: Mae Reed, Assistant Director, Special Supplemental Nutrition Programs for Women,
Infants and Children, Department of Human and Social Services
Phone: 684.633.2618

07 DOT-1:

TOFR disputes this finding in regards to reference numbers: #37492, #37493, #37920, #38101, #38379, and #38563. The reference numbers all belong to a vendor who was awarded the contract through the bidding process with the Office of Procurement.

Contact: Salu Tuigamala, Deputy Director, Territorial Office of Fiscal Reform
Phone: 684.699.1329

07 DOT-2:

TOFR acknowledges the first two bullets of this finding and disputes the ten items cited for bullet three. Items referenced #38101, #38379, #38563, #37492, #37493, #37656 and #37920, all belonging to the same vendor, were documented with the newspaper clipping and SEB letter for award recommendation. Sources were scanned and emailed to RCHA.

Contact: Salu Tuigamala, Deputy Director, Territorial Office of Fiscal Reform
Phone: 684.699.1329

07 DOT-3:

TOFR acknowledges this finding and will look into resolving this issue.

Contact: Salu Tuigamala, Deputy Director, Territorial Office of Fiscal Reform
Phone: 684.699.1329

TERRITORY OF AMERICAN SAMOA
MANAGEMENT'S CORRECTIVE ACTION PLAN
YEAR ENDED SEPTEMBER 30, 2007

07 DOE-1, DOE-2:

ASG acknowledges these findings. Treasury has implemented policies and procedures for storage, copying and release of all supporting documentation from the Disbursing Office. However Treasury realizes the importance of checking its policies and procedures every so often to ensure documentation is received and kept properly; this will be part of the corrective action plan. Treasury also realizes the need for more storage space for better records maintenance and is requesting assistance from the Governor's Office in this matter as Department of Public Works has moved from the EOB out to Tafuna, opening up the second floor.

Contact: Gaea P. Failautusi, Treasurer, Department of Treasury
Phone: 684.633.4155

07 DOI-1:

ASG acknowledges this finding. Treasury has implemented policies and procedures for storage, copying and release of all supporting documentation from the Disbursing Office. However Treasury realizes the importance of checking its policies and procedures every so often to ensure documentation is received and kept properly; this will be part of the corrective action plan. Treasury also realizes the need for more storage space for better records maintenance and is requesting assistance from the Governor's Office in this matter.

Contact: Gaea P. Failautusi, Treasurer, Department of Treasury
Phone: 684.633.4155

07 DOI-2:

The Office of Procurement acknowledges the finding and prior to the official drafting of the single audit report, sent documentation and rationale to RCHA for their review.

Contact: Seui Laau Sr, Chief Procurement Office, Office of Procurement
Phone: 684.699-1170

07 DOI-3:

ASG acknowledges this finding. Treasury has implemented policies and procedures for storage, copying and release of all supporting documentation from the Disbursing Office. However Treasury realizes the importance of checking its policies and procedures every so often to ensure documentation is received and kept properly; this will be part of the corrective action plan. Treasury also realizes the need for more storage space for better records maintenance and is requesting assistance from the Governor's Office in this matter as Department of Public Works has moved from the EOB out to Tafuna, opening up the second floor.

Contact: Gaea P. Failautusi, Treasurer, Department of Treasury
Phone: 684.633.4155

TERRITORY OF AMERICAN SAMOA
MANAGEMENT'S CORRECTIVE ACTION PLAN
YEAR ENDED SEPTEMBER 30, 2007

07 DOI-4:

TOFR disputes this finding and provides the following explanations:

- The one item (#38214) was a payment made to the Office of Procurement. ASG payments made to Procurement are not processed through purchase orders but through stub requisition forms. The same forms are also used as receiving reports.
- For the eleven items cited as to lacking receiving reports, TOFR uses the invoices as receiving reports. Direct voucher numbers are on the invoices. All invoices are signed signifying receipt of items on the invoice.
- Items #988447, #988482, #988445 are employee labor cost entries. Support documents to these job costing entries (JCE) are copies of each employee's timesheets showing project allocation along with copies of their paychecks. The timesheets & paychecks are filed separately from the JCEs and would have been provided if requested during the time of audit. Items #36618 and #36619 are checks to ASG Treasury and US Treasury for two DOE bathroom monitors. See explanation below.
- These two items were checks cut to ASG Treasury and US Treasury to pay taxes for DOE Bathroom monitors. The back up for these checks are the entire year's worth of payments for each bathroom monitor which take up four drawers of file cabinet space. Had the auditors requested, they would have been provided the backup.

Contact: Salu Tuigamala, Deputy Director, Territorial Office of Fiscal Reform
Phone: 684.699.1329

07 DOI-5:

TOFR acknowledges this finding and will look into resolving the issue.

Contact: Salu Tuigamala, Deputy Director, Territorial Office of Fiscal Reform
Phone: 684.699.1329

07 PR-1:

Treasury acknowledges this finding and will work closely with Human Resources and the various departments to resolve these issues.

Contact: Gaea P. Failautusi, Treasurer, Department of Treasury
Phone: 684.633.4155

TERRITORY OF AMERICAN SAMOA
MANAGEMENT'S CORRECTIVE ACTION PLAN
YEAR ENDED SEPTEMBER 30, 2007

07 PR-2:

ASG acknowledges this finding. Treasury has implemented policies and procedures for storage, copying and release of all supporting documentation from the Disbursing Office. However Treasury realizes the importance of checking its policies and procedures every so often to ensure documentation is received and kept properly; this will be part of the corrective action plan. Currently devotion is being made to file all ASG payroll documentation by employee in alphabetical order. Treasury also realizes the need for more storage space for better records maintenance and is requesting assistance from the Governor's Office in this matter as Department of Public Works has moved from the EOB out to Tafuna, opening up the second floor.

Contact: Gaea P. Failautusi, Treasurer, Department of Treasury
Phone: 684.633.4155

TERRITORY OF AMERICAN SAMOA
MANAGEMENT'S CORRECTIVE ACTION PLAN
YEAR ENDED SEPTEMBER 30, 2007

07 ASCC-1

Recommendation will be implemented. Quarterly closing is currently being done to review, reconcile, and resolve the stale check account.

07 ASCC-2

Recommendation will be implemented.

07 ASCC-3

Recommendation will be implemented. Procedures to be written up and documentation of selected contractors will be maintained and attached to awarding contractors.

07 ASCC-4

Recommendation will be implemented. A checklist of all required documents and rules and regulations will be attached to all awarded contracts. The Procurement Officer will be responsible for verifying the entity online with GSA and documentations will be attached to contracts totaling or exceeding \$25,000.

07 ASCC-5

Recommendation will be implemented. We now have adequate and qualified staff to prepare and submit all required federal reports on-time.

07 ASCC-6

Recommendation will be implemented. Management will work harder and closer with supervisors to make sure the Federal Work Study allowability requirements are followed both by the students and management.

07 ASCC-7

Recommendation will be implemented. Management will review credit balances of withdrawal students' policy more careful and create step by step procedures to calculating the correct refund for the students.

TERRITORY OF AMERICAN SAMOA
MANAGEMENT'S CORRECTIVE ACTION PLAN
YEAR ENDED SEPTEMBER 30, 2007

07-LBJ-1

LBJ procurement policy is still intact. Competitive Bidding for goods and service exceeding \$10,000.00 is a normal practice at LBJ and sole source is an exception to the rule. Sole source may come to play with the proper documentation only in cases where the benefit exceeds the costs. Costs in this case include real as well as opportunity costs. LBJ will continue to improve its procurement policy by assigning a staff accountant in the Finance Division to manage all purchases relating to this policy.

Contact: Rickie Lee Nader.
Phone: 684 633 4048

07-LBJ-2

The Davies Bacon Act has been a normal part of transacting business with all Capital Improvement Projects at LBJ. Assigning the task of verifying and organizing the proper documentations of these projects to a particular staff accountant will improve and maintain its integrity at all time.

Contact : Rickie Lee Nader
Phone: 684 633 4048

07-LBJ-3

LBJ has improved its systems and controls in accordance with widely accepted generally Accounting Principle. We have improved our facility to accommodate the needs for maintaining proper storage for our documents. This year LBJ will fill the position of a Controller and staff accountant to ensure that we have enough people to man the system. We believe that a good system and an improved facility is not enough to run a proper operation unless we have the relevant skills to run it. We plan to do an on going on the job training and staff development through out the future to assure effective and efficient systems and controls are in place so we get the best returns on our investments.

Contact: Rickie Lee Nader
Phone: 684 633 4048

TERRITORY OF AMERICAN SAMOA
STATUS ON PRIOR YEAR FINDINGS
YEAR ENDED SEPTEMBER 30, 2007

	2006 Finding	Status
06 FS-1	There were significant failures in the operation of the internal control structure within the general accounting division of the Treasury Department.	<p>With a Controller hired at the start of the fiscal year, the following actions were taken to better internal controls at Treasury:</p> <ul style="list-style-type: none">• Training for key personnel emphasizing OMB Circulars, other federal regulations, laws of The Territory, and other generally accepted accounting principles.• Policies have been distributed that bank accounts must be opened through Treasury and with a legal purpose. All accounts outside of Treasury should be closed or placed under Treasury custody.• Monthly reconciliation procedures and period deadlines are implemented for timely closings. Monthly closing is the 20th of the following month.• In regards to unallowable costs, controller oversight is present for all expenditures. Management must sign off on expenditures.• Devotion is being made to avoid past spreadsheet miscalculations, properly accounting for funds at cut-off dates, and any booking differences.
06 FS-2	There are deficiencies in the internal control structure design of The Territory's General Fixed Assets.	Treasury continues to work in conjunction with the Procurement Office and its Office of Property Management (OPM) to better track assets and to establish appropriate thresholds for asset tracking and to better enable tracking of any asset purchases where the Procurement Office is not used. However, there are improvements still to be made regarding General Fixed Assets.

TERRITORY OF AMERICAN SAMOA
STATUS ON PRIOR YEAR FINDINGS
YEAR ENDED SEPTEMBER 30, 2007

	2006 Finding	Status
06 FS-3	The Territory does not maintain an adequate system of internal controls to ensure compliance with The Common Rule that related to post-award requirements for the administration of federal funds assistance programs.	<p>The following actions were taken during fiscal year 2007.</p> <ul style="list-style-type: none"> • Greater oversight of the accounting processes have considerably reduced the amount of costs which may not be allowable under federal rules. • Training of staff on federal rules, local laws and other policies in an effort to ensure compliance. • Written policies implemented requiring that financial and status/progress reports are current and such reporting matches the computerized financial system. • Policies implemented in Accounts Payable and Disbursing requiring for proper supporting documentation before releasing payments. These policies are placed to decrease advance payments and provide full accounting and tracking of payments to avoid disallowed costs.
06 FS-4	Recommendations made in previous single audit reports and reports filed by the federal agencies have not been addressed adequately by The Territory.	During fiscal year 2007, divisional managers under the direction of the Controller took action to reduce continued similar findings.
06 FS-5	Budgetary requirements are established by law and are required to be followed. Numerous departments of the general fund exceeded appropriations.	It is the intent of Treasury to hold discussions with the Budget Office to understand why overrides occur within the system when departments exceed their appropriations. Treasury and Budget will work together to educate other departments on the need for compliance with budgetary matters.
06 FS-6	The Common Rule governing retention and access requires records be retained for three years. The Territory's records have not been retained in an organized manner.	Written policies and procedures have been developed for the proper storage, copying and release of all supporting documentation from the Disbursing Office. The next step for Treasury is to find more storage space for better records maintenance for all documentation, payroll included.

TERRITORY OF AMERICAN SAMOA
STATUS ON PRIOR YEAR FINDINGS
YEAR ENDED SEPTEMBER 30, 2007

	2006 Finding	Status
06 FS-7	OMB Circular A-87 cost principles for insurance and indemnification established allowable cost principles for self-insurance programs. No analysis has been prepared to assure that the premium rate for the Worker's Compensation Internal Service Fund is reasonable.	Treasury has not addressed this finding yet.
06 USDA-1, 06 USDA-2, 06 USDA-3	Per the Common Rule, Grantees are responsible for managing day to day operations of a grant.	Corrective actions implemented. These findings have been resolved.
06 USDA-4, 06 USDA-5	Internal controls for proper documentation are lacking.	Written policies and procedures have been developed for the proper storage, copying and release of all supporting documentation from the Disbursing Office. The next step for Treasury is to find more storage space for better records maintenance for all documentation, payroll included.
06 DOE-1, 06 DOE-2, 06 DOI-1	Missing sources show noncompliance with OMB Common Rule 42 which require all supporting documents pertinent to an award be retained for three years from the date of the last expenditure report.	Written policies and procedures have been developed for the proper storage, copying and release of all supporting documentation from the Disbursing Office. The next step for Treasury is to find more storage space for better records maintenance for all documentation, payroll included.
06 ICP-1	The Territory has not complied with the provision of the OMB Circular A-87 requiring the submission annually of its IDCRP.	The Territory has submitted IDC and currently awaits approval rates. Personnel have received training on IDC and are presently working on the IDCRP for fiscal year 2009.
06 PR-1, PR-2	Proper documentation for payroll is lacking.	Written policies and procedures have been implemented where all ASG departments are required to send all original payroll documentation to Treasury for payroll processing. The documentation will be retained at Treasury. Timecards and or supporting documentation will be signed by the employee and maintained at Treasury. The next step for Treasury is to find more storage space for better records maintenance.

TERRITORY OF AMERICAN SAMOA
STATUS ON PRIOR YEAR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	2006 Finding	Status
06 ASCC-1	Accounting software was unable to create accurate and up-to-date aging reports for accounts receivable and accounts payable.	Recommendations were implemented. The College's accounting software was updated during fiscal year 2007 and provides for accurate accounts receivable and accounts payable aging reports.
06 ASCC-2	A stale check account was maintained which housed approximately \$272,000 in stale uncleared checks dating back to 1997.	As of September 30, 2007, the stale check account was down to approximately \$109,000. Refer to Schedule of Findings and Questioned Costs, Finding 07 ASCC-1 for current year's findings regarding the stale check account.
06 ASCC-3	Financial reports were not filed on time or were not filed with the awarding agency.	Recommendations were not implemented. Refer to Schedule of Findings and Questioned Costs, Finding 07 ASCC-5 for current year's findings regarding financial reporting to Federal grantors.
06 ASCC-4	Reported salary, taxes and benefits were based on budget and not by actual time spent.	Recommendations were implemented. Employees fill out time sheets that allow them to allocate their time to the appropriate program for which their time was spent.
06 ASCC-5	Payroll certifications for construction contractors were not in accordance with the Davis Bacon Act.	Recommendations were implemented. The College includes the appropriate Davis Bacon Act and verifies that applicable contractors and/or subcontractors comply with such requirements. It was also recommended that the College consider using the Optional Form WH-347, which includes the required statement of compliance (OMB No. 1215-0149) to verify the contractor and/or subcontractor compliance to the Act.
06 ASCC-6	Matching requirements for Federal formula funds were not met.	Recommendations were implemented. Waivers of matching requirements were received for all applicable Federal grants.
06 ASCC-7	One instance was noted where a student's work schedule conflicted with their class schedule.	Two instances of noncompliance were noted for the current year. Refer to Schedule of Findings and Questioned Costs Finding 07 ASCC-6 for current year's findings.

TERRITORY OF AMERICAN SAMOA
STATUS ON PRIOR YEAR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	2006 Finding	Status
06 ASCC-8	There is noncompliance with federal requirements for the return of Title IV funds.	Refer to Schedule of Findings and Questioned Costs Finding 07 ASCC-7 for current year's findings.

TERRITORY OF AMERICAN SAMOA
STATUS ON PRIOR YEAR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

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| 06 LBJ-1 | LBJ has not complied with the provision of the OMB Circular A-112 requiring free and competitive bid process for all purchases exceeding the small purchase threshold fixed at 41 U.S.C. 403(11). | Free competitive Bidding is a well established concept with LBJ. Every employee that involve directly with procurement has been made aware of the requirement of compliance with Federal rules and regulations. LBJ has recently established and formed a strict centralized approach to enforce its procurement policies and procedures. |
| 06 LBJ-2 | LBJ has not implemented sufficient policies to ensure that proper suspension and debarment certifications are obtained for all entities receiving aggregate grant funds of \$100,000 or more. | LBJ has taken a step further in order to centralize the documentations of all its dealing with contractors and vendors by appointing one staff accountant to handle all administrative functions pertaining to the Chief Procurement Officer. |
| 06 LBJ-3 | OMB Common Rule 20 requires accounting records to be supported by source documentation. Missing sources signify a lack of adherence to the rule. | LBJ is still working on improving the demands, filing and the application of proper methods for handling and storing our documentations. This function is also centralized to assure compliance with rules and regulations. |