



ISLAND GOVERNMENT FINANCE OFFICERS' ASSOCIATION

CONFERENCE REPORT

SAN FRANCISCO, CALIFORNIA • JUNE 1-6, 2013



Graduate School USA

Graduate School USA: Pacific & Virgin Islands Training Initiatives
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ISLAND GOVERNMENT FINANCE OFFICERS' ASSOCIATION (IGFOA)

Annual Meeting

The Westin San Francisco Market Street

San Francisco, California

June 1 – 6, 2013

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EXECUTIVE SUMMARY

Since 2000, the summer meeting of the Island Government Financial Officers' Association (IGFOA) has immediately followed the annual conference of the Government Finance Officers Association. The theme for the 107th Annual Conference of the GFOA was "Bridges to Financial Sustainability."

The objectives of the IGFOA Meeting were to:

- Review key issues and ideas presented during the GFOA Conference and discuss how they apply to the insular governments;
- Review the progress of the insular government's single audits and attempts to measure finance office performance and develop cash management plans;
- Discuss areas of federal grant management and administration with federal government representatives from Region IX department and agencies;
- Review recent GASB announcements and requirements while reviewing GASB-54 implementation plans; and
- Build government specific plans to address single audit improvement, enhance finance office performance measures and process improvement, and developing cash management plans.

Given the proximity of Region IX representatives in the San Francisco area, a key goal of this year's conference was to provide an opportunity for federal program administrators to address financial management issues with fiscal officers from within the insular areas. The meeting therefore began Saturday, June 1, 2013, with an all-day session, and then continued on Wednesday afternoon, June 5, 2013, following the conclusion of the formal GFOA.

With official welcoming remarks deferred to the Wednesday session, the IGFOA opened with presentations from each of the island delegations. Presentation templates were shared with each of the insular areas in advance of the meeting, with presentations focusing on the status of each government's single audit, and an update on the finance office performance measures. The graphic audit overviews clearly showed the dramatic improvement that most of the governments have made in timeliness and the number of financial statement and federal program qualifications. For the most part progress has been steady, with downward (positive) trends.

Excepting the USVI and the CNMI, all of the insular governments expressed that they are on track for a timely FY2012 audit. The RMI and ASG expect to issue within a month of the June 30 deadline. The USVI expects to issue their FY2011 audit in June, 2013 and the FY2012 audit in December, 2013. The CNMI just recently issues FY2011 and has not estimated their issuance date for FY2012.

At the December 2011 IGFOA meeting, the IGFOA participants voted on and agreed to a specific set of six measures:

- Timeliness of bank reconciliations,
- Reduction in overdue travel advances,
- Accuracy of estimated revenues compared to actual collections,
- Completion of the fixed asset physical inventory,
- Completion of a documented cash management plan, and
- Number of days to process an invoice.

Two additional measures were voted on and included from the December 2012 meeting:

- Reconciliation of grant receivables, and
- Timeliness of the SF425 reports

Each government was to determine its own targets and develop plans to collect the performance data and, if necessary, corrective action plans to address issues with the process being measured. Debbie Milks reviewed the progress of each government in developing and using performance measures. The members discussed the difficulties in collecting and reporting the measures consistently and agreed to continue reporting the measures on a regular basis at least through the December IGFOA Conference.

Specifically, governments were asked to:

- Present a report on the current year audit status, including a chart to illustrate each government's progress in audit improvement;
- Provide an update for each of the five Finance Office Performance Measures, including:
 - ◆ Fixed Asset Physical Inventory
 - ◆ Travel Advance Collections
 - ◆ Bank Reconciliations
 - ◆ Invoice Processing Days
 - ◆ Federal Grant Receivable Reconciliations
 - ◆ Timeliness of SF425 Federal Reports
- Provide an update on the development and maintenance of government-specific Cash Management Plans

Ms. Debbie Milks described why the IGFOA asked representatives from the City of Palo Alto to speak to the group. While there are significant differences in the demographics of Palo Alto and the insular governments—median home price at \$1.2M and only 61% of the budget is spent on salaries and benefits—there are also some remarkable similarities: the City manages the airport, utilities and emergency services and is challenged by budget shortfalls for infrastructure and pension needs. Most importantly, the City administration has set high standards for clean and timely audits, use of performance measures, citizen engagement, and open data for government financial information.

Mr. Lalo Perez, the Chief Financial Officer of the city of Palo Alto noted that the City faces challenges with their pension fund deficit, unfunded infrastructure needs, staffing, and projected budget deficits. He and his staff established management practices to help guide their decisions when addressing both routine and difficult challenges. Mr. Joe Saccio, Assistant Director, Administrative Services Department provided an overview of the City's cash management structure. He also provided a copy of the cash management spreadsheet used by Palo Alto to track all sources and uses of cash on a daily basis.

Marina Tinitali, Accountability and Insular Policy Specialist, U.S. Department of Interior/Office of Insular Affairs, provided the IGFOA group with her observations on best practices for preventing and resolving grant findings. She noted that the grant program managers are the first line of defense and thus should be aware of and responsible for the terms and conditions of the grant. The finance offices are generally responsible for the financial processes and must ensure that internal controls are in place for disbursements, drawdowns, reporting and documentation. She suggested that a best practice would be to establish an inter-governmental association of grant and program financial staff. A single point of contact to coordinate grant applications and communications is a recommended best practice for the insular governments.

On Wednesday, the finance officers met with United States Federal Region IX representatives for an all-day session. Welcoming remarks were provided by Benita Manglona, Director, Department of Administration, Guam, on behalf of the Island Government Finance Officers' Association, and by Herb Shultz, Regional Director, US Department of Health and Human Services, Region IX; Chairman, Federal Regional Council, on behalf of the Region IX Federal Representatives.

A panel discussion was held to discuss common and recurring grants management issues. The panel was moderated by Ms. Deborah Milks, with a panelist from both Region IX and the insular area discussing each issue, followed by general question and answer. The issues covered included:

- Procurement
- Period of Availability
- Audit Resolution
- Reporting

Several rapporteurs captured notes from each of the sessions, which have been attached to this document. In addition, conference participants organized themselves into small groups to discuss each of the four issues. The results of those discussions are also included as an attachment. Generally speaking, participants highlighted the need for improved communication, frequent training, and the hiring of appropriately skilled personnel.

Prior to the GFOA Conference, IGFOA participants selected specific GFOA sessions they were willing to attend and summarize for their fellow IGFOA members. Their reports highlighted the most important issues identified during the sessions and the points most relevant to the island governments. Recurrent themes included clarifying budget presentations for public consumption, recovering from economic crises, interdepartmental cooperation, lean process improvement, new technology, and improved actuarial services in light of changing GASB standards. Complete notes on each of the sessions have been attached to this document.

Frank Crawford delivered a presentation entitled "GASB Update: Government Financial Reporting Landscape Continues to Change." In his presentation, Mr. Crawford briefed participants on the continued "changing landscape" of Government Financial Reporting.

The session dealt specifically with the ever-changing state and local government financial reporting landscape, as it morphs into something nearly unrecognizable to the casual user, preparers, auditors and sophisticated users. In this session, Mr. Crawford reviewed several standards, including many that will become effective for the fiscal year ending September 30, 2013 financial statements and audits. Specifically, participants reviewed statements 63 (Statement of Net Position) and 65 (Items Previously Reported as Assets and Liabilities). Mr. Crawford also addressed other standards, although not yet effective, that will impact financial reporting for years to come such as statements 67 and 68 (new pension standards for both the pension plans and the employer). Lastly, Mr. Crawford reviewed the GASB's future agenda to get an idea of what to expect in the years to come.

At the conclusion of each IGFOA conference, the members agreed to incorporate specific best practices into their finance operations and to report on their progress at the next meeting. In the section on Government Action Planning, each government reported on the areas where they will focus their efforts and identified who will be responsible for ensuring they are complete.

The IGFOA members will continue working on their major projects: development of cash management plans and finance office performance measures. In addition, each government will emphasize resolution of the issues discussed with the Federal Region IX representatives. A reporting format will be developed to summarize the efforts of the IGFOA finance members to reach out and work with their Federal Grant management colleagues. It is expected that this report will be shared with the Federal Regional Council.

Conference evaluations were distributed to the group. Participants rated the conference very positively, 4.7 on a 5-point scale, and thanked the Graduate School and OIA for supporting the conference and for their continued commitment to financial improvement in the islands.

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BACKGROUND

In 1999 the Department of Interior's (DOI) Office of Insular Affairs (OIA) and insular government financial management officials decided to form the Island Government Finance Officers Association (IGFOA). The purpose of IGFOA was to promote improved financial management in the insular governments. The IGFOA was incorporated in the Commonwealth of the Northern Mariana Islands and its by-laws were approved in 2001.

Since 1999, IGFOA members have met at least annually to participate in professional development and networking activities and to establish an agenda for financial management improvement. The conferences also provided a forum for participants to discuss common issues and strategies, and to develop a shared agenda for training, organizational development, and technical assistance.

For the past few conferences IGFOA has focused on a series of initiatives sponsored by its membership—performance measurement and improvement, implementing GASB standards, and how to do more with current resources and staff.

CONFERENCE GOALS

Since 2000, the summer meeting of the Island Government Financial Officers' Association (IGFOA) has immediately followed the annual conference of the Government Finance Officers Association. The theme for the 106th Annual Conference of the GFOA was "Winds of Change: Public Finance in Transition." Several components of these 'Winds of Change' affect staff in insular area finance offices—greater accountability and transparency, stress on performance management and improvement, new GASB standards and requirements and their application in government finance, and increased fiscal austerity and the impacts it has on staff and operations. The summer 2012 IGFOA conference focused on these 'Winds of Change' and their impact on the government finance offices.

A complete conference agenda has been included as Appendix A of this report. Generally, the objectives of the IGFOA meeting were to:

- Review key issues and ideas presented during the GFOA Conference and discuss how they apply to the insular governments;
- Review the progress of the insular government's single audits and attempts to measure finance office performance and develop cash management plans;
- Discuss areas of federal grant management and administration with federal government representatives from Region IX department and agencies;
- Review recent GASB announcements and requirements while reviewing GASB-54 implementation plans; and
- Build government specific plans to address single audit improvement, enhance finance office performance measures and process improvement, and developing cash management plans.

Given the proximity of Region IX representatives in the San Francisco area, a key goal of this year's conference was to provide an opportunity for federal program administrators to address financial management issues with fiscal officers from within the insular areas. The meeting therefore began Saturday, June 1, 2013, with an all-day session, and then continued on Wednesday afternoon, June 5, 2013, through Thursday, June 6, 2013, following the conclusion of the formal GFOA.

Twenty IGFOA participants representing all of the insular areas attended the conference. (See Appendix B for the Participant List.)

INSULAR GOVERNMENT UPDATES: THE SINGLE AUDIT AND FINANCE OFFICE PERFORMANCE MEASUREMENT PROJECT

Government Single Audit Status

Prior to the conference, each government was asked to prepare a brief presentation on its progress on the IGFOA sponsored financial improvement activities; 7 finance office performance measures and development of cash management plans. The member governments also reported on the status of their government's single audits and provided trend data showing their audit improvement over time.

(The slides for each government are in Appendix C.)

Each insular government presents a chart of the timeliness and quality of their audit from FY2003 through to FY2012. The graphic presentations clearly show the dramatic improvement that most of the governments have made in timeliness and the number of financial statement and federal program qualifications. For the most part progress has been steady, with downward (good) trends.

Excepting the USVI and the CNMI, the insular governments are on track for a timely FY2012 audit. The RMI and ASG expect to issue within a month of the June 30 deadline. The USVI expects to issue their FY2011 audit in June, 2013 and the FY2012 audit in December, 2013. The CNMI just recently issues FY2011 and has not estimated their issuance date for FY2012.

Most of the governments expect the same or fewer financial statement and federal program qualifications on their FY2012 audits.

Audit timeliness and quality often depends upon a few key staff in finance and administration. Those key individuals manage the accounting and audit process to ensure that the office can produce a clean trial balance in a timely manner, that reconciliations are completed, that the appropriate staff or office responds to the auditors' requests and they follow up on outstanding items. Unfortunately, those key staff may be sought out by other employers and/or subject to political change in the government. While the audit trends are generally positive, we have noted that a change to a negative trend is often the result of the loss of those key individuals.

Finance Office Performance Measurement Project

At the June 2010 meeting the IGFOA took on a project to measure the performance of the finance operations. For that year and at subsequent meetings, each office determined and presented their individually chosen measures and targets. While the understanding of the process and the performance presentations generally showed some improvement, the progress was uneven and the variety of measures made it difficult to address best practices as a group. At the December 2011 meeting, the IGFOA participants voted on and agreed to a specific set of measures:

- Completion of a documented cash management plan
- Timeliness of bank reconciliations,
- Reduction in overdue travel advances,
- Number of days to process an invoice
- Accuracy of estimated revenues compared to actual collections,
- Completion of the fixed asset physical inventory.

Two additional measures were added in December 2012

- Timeliness of Federal reporting
- Reconciliation of Federal Grant receivables

Each government was to determine its own targets and develop plans to collect the performance data and, if necessary, corrective action plans to address issues with the process being measured. (The status of performance measurement data is summarized in Appendix D.)

The performance measurement project is designed to help the finance offices realize the major benefit of measuring performance, which is to highlight those important areas in the finance

operations which need improvement. The government finance offices have, in part, started implementing plans to address problems.

The development of **Cash Management Plans** is one of the areas where the group has requested assistance. The U.S. flag territories are required to submit the Treasury-State Agreement for use of federal funds. That agreement is not a comprehensive plan, but is a starting point articulating the drawdown methods and schedules for major grants. The IGFOA staff developed a template which includes the elements of a good, comprehensive cash management plan. In their presentation slides the IGFOA members noted their progress towards completing those plans.

Timely bank reconciliations are a bedrock measure for every finance office. The measure of timeliness is usually 30 days after the receipt of the bank statement. Some of the more progressive finance offices are reconciling daily, on line, and complete the reconciliation within days after the end of the month.

These best practices have been shared among the offices.

Most of the island governments (the exception being the USVI) issue a fairly substantial dollar amount of **individual travel advances** for travel funded by federal grants. Since the expenditure for the travel should not be recorded until the traveler has filed an expense report, the governments lose federal funds when grants expire and advances are still outstanding. The governments have started to show some progress towards managing these advances. The measurement results highlighted the total dollars tied up in advances and the percent of those dollars which are overdue. Now that a baseline has been established for each government, the true value of the measurement and management's response to the measure will show in future presentations.

It is difficult for some of the offices to pull the appropriate data directly from their automated systems to measure the **number of days to process an invoice**. Some offices use an average based upon a smaller selection of transactions. The measure is the number of days from the date of the invoice to the date of the check, but the dates vary due to late submission of the invoice from the vendor (well after the invoice date). The measure has been narrowed from the original agreement to include only those invoices which are paid with federal funds, since availability of cash should not be a factor in the process. Most of the offices have established targets between 3 and 7 days.

Most of the governments have a bi-annual requirement for completing a **fixed asset physical inventory** and most are on target to complete the inventory. GovGuam, after many years of incomplete attempts to pull together fixed asset data has implemented a plan with outside assistance. The USVI Department of Finance has no control over the Department of Property and Procurement which is tasked with the physical inventory. The alternative measurement proposed by the USVI is to ensure that all new assets are properly added to the new fixed asset module in their FMIS.

The measurement of **the accuracy of estimated revenues** is more closely linked to the financial health of the government than the efficiency of the finance operations. Often it is the Budget Office or a Legislative office which is responsible for estimating the revenues prior to the current year budget call.

Since every IGFOA member government reported they have balanced budget requirements, deficits are caused by either overestimating revenues or overspending. The results of the accuracy rates indicate that most of the governments estimate fairly closely and that they are as likely to underestimate as to overestimate. Several suggestions were made as to how to refine the measurement, such as indicating when a revenue shortfall is expected and filled by short term financing or how responsive the government is to modifying the pace of expenditures.

The two new measures selected by the group indicate a focus on the activities around **federal grant financial management**. The members reported on whether they had in place the monitoring systems to determine if their federal grant reports were timely and the federal receivable reconciled.

FINANCE OFFICE BEST PRACTICES: PALO ALTO, CALIFORNIA

Ms. Debbie Milks described why the IGFOA asked representatives from the City of Palo Alto to speak to the group. While there are significant differences in the demographics of Palo Alto and the insular governments; median home price at \$1.2M and only 61% of the budget is spent on salaries and benefits, there are also some remarkable similarities; the City manages the airport, utilities and emergency services and is challenged by budget shortfalls for infrastructure and pension needs. Most importantly, the City administration has set high standards for clean and timely audits, use of performance measures, citizen engagement, and open data for government financial information.

Mr. Lalo Perez, the Chief Financial Officer of the city of Palo Alto noted that the City faces challenges with their pension fund deficit, unfunded infrastructure needs, staffing, and projected budget deficits. He and his staff established management practices to help guide their decisions when addressing both routine and difficult challenges. The full presentation is available as Appendix E.

- Regular citizens survey of the population of 65,000 to assess quality of city services.
 - ◆ The citizens give high importance and grades to the library, recreation and community centers
 - ◆ Low marks and weaknesses include infrastructure and street repair
- Use of performance measures to guide decisions on departmental services
 - ◆ The emergency response data from the Fire Department shows that very few of the emergency calls are for fire. Most are medical rescue calls.
 - ◆ The Administrative Services department was able to shift 2.5 positions from Accounts Payable by utilizing purchasing cards.

- Use of long range financial forecasting to enable the City to quickly address the potential budget deficits shown in the latter years.
- Use of the audit and audit findings as a training tool for what may be systemic problems. The most current audit finding showed the staff needed to “look”; not simply “post”.
- Use of “open data” technology for government. Citizens can access specific departmental and divisional information, including ability to drill down to check registry.

Some demographic highlights of Palo Alto

- Relatively small in size at 65,000 population, but runs its own utilities, emergency response services and airport.
- General Fund revenue is at \$160 million. 50% of revenue is tax-based, which is relatively low.
- Median home price is \$1.2 million. Assessed valuation due to restrictions in property tax increases is \$600,000. Big difference in cost depending on purchase date.
- Salaries and benefits only 61% of budget, which is relatively low. 15% of budget pays for recreation: arts center, children’s center, museum
- Total budget, including enterprise funds, etc., is \$465 million. Enterprise funds represent \$285 million of the overall budget.
- 1,018 employees overall, 577 employed by the general fund. Since FY2004 108 positions have been eliminated.
- Internal auditor’s office typically prepares 100 recommendations per year, which creates a significant amount of work.

Mr. Joe Saccio, Assistant Director, Administrative Services Department provided an overview of the City’s cash management structure. He also provided a copy of the cash management spreadsheet used by Palo Alto to track all sources and uses of cash on a daily basis. (See Appendix XXX)

Mr. Saccio noted the best practices in his cash management system:

- Remember the chief objectives of cash management
 - ◆ Ensuring adequate cash is available to cover outlays
 - ◆ Maximizing cash balances to earn interest on idle funds
 - ◆ Safeguarding all cash transactions from fraud (external and internal)
- Track the balances daily and agree to the bank statement.
- Capture all sources of revenues, taxes, grants, fees and earnings.
- Identify recurring needs such as payroll as well as variable needs such as infrastructure payments.
- Use history to guide you, but do not ignore changes or new revenues or expenditures.

- Know the timing of all major seasonal remittances and cash outflows.

SYSTEMATIC SOLUTIONS FOR RESOLVING GRANT MANAGEMENT FINDINGS IN THE INSULAR AREAS

Marina Tinitali, Accountability and Insular Policy Specialist, U.S. Department of Interior/Office of Insular Affairs, provided the IGFOA group with her observations on best practices for preventing and resolving grant findings. She noted that the grant program managers are the first line of defense and thus should be aware of and responsible for the terms and conditions of the grant. The finance offices are generally responsible for the financial processes and must ensure that internal controls are in place for disbursements, drawdowns, reporting and documentation. She suggested that a best practice would be to establish an inter-governmental association of grant and program financial staff. The finance office can help this association with current procedures and processes affecting grants. This is one step to address the need to improve communications across the board—between the programs, finance, and the federal grantors. She also noted that the new payment system allows the governments to designate a point person to coordinate grants on the grantee side. A single point of contact to coordinate grant applications and communications is a recommended best practice for the insular governments.

Ms. Tinatali reviewed the elements to properly develop a Corrective Action Plan for an audit finding. She suggested remembering the acronym BAD (now meaning “good”!) when writing the corrective action plan.

- **B**alanced
- **A**ccurate
- **D**etailed

She also noted that it is important to understand the Cause of the finding and to look beneath what the auditors have noted as the Cause. For example, if the Cause is “The reconciliation was not prepared”, the questions the corrective action plan should consider include:

- Is there a procedure?
- Was the task assigned to an individual staff?
- Do they know it?
- Does anyone follow up to ensure the task is completed correctly?

FEDERAL REGION IX COORDINATION: WELCOMING REMARKS

Benita Manglona, Director, Department of Administration, Guam

Benita Manglona, Director of the Guam Department of Administration, welcomed the group to San Francisco on behalf of the IGFOA. Ms. Manglona thanked Mr. Shultz for leading the federal delegation and assisting with the coordination of federal issues. She also thanked the Graduate School, and the Department of the Interior, for their support in coordinating these meetings—particularly in this age of accountability. Ms. Magnola commented on a previous GFOA session that addressed fiscal distress in governments, and was pleased to note that progress had been made in Guam to take remedial steps. In Guam, the current administration entered into government with a \$300 million deficit that has now been remediated. Guam also expects to file their first CAFR upon the completion of the audit this month. Ms Manglona expressed her appreciation for the training and support from the Graduate School in support of our financial transparency and efficiency.

Herb Shultz, Regional Director, US Department of Health and Human Services, Region IX; Chairman, Federal Regional Council

Herb Shultz, Regional Director, US Department of Health and Human Services, Region IX; Chairman, Federal Regional Council also welcomed the group to San Francisco. Mr. Schultz was appointed over three years ago by President Obama and serves Region IX for HHS, inclusive of the insular areas. As Chairman of the Federal Regional of Council, Mr. Shultz expressed his pleasure at seeing representatives from the insular areas gathered together in San Francisco.

Mr. Shultz described the Federal Regional Council, of which he is chair, as the only one of its kind in the United States. The FRC doesn't create policy, but rather works with elected and appointed officials to deal with cross-cutting issues. FRC has focused on an active outer-Pacific committee to address regional issues of concern. The FRC works actively with folks who have come from the insular areas, including advocating for the rights and needs of those from the Pacific.

The primary issue that the FRC has faced has involved grants management and financial accountability. On behalf of the FRC, Mr. Shultz expressed his desire to provide technical assistance to make sure that everything possible is being done to facilitate federal programs. The FRC Outer Pacific Committee produces an annual compendium of all federal grants. Mr. Shultz expressed his desire to learn about similar issues from the perspective of the insular areas. At a higher level—not on a per-agency or per-government basis—Mr. Shultz expressed his desire to discuss the challenges around these issues. Many of the federal people represented at the meeting have the ability to take issues back to our principals to influence policy in the region.

The FRC has been honored twice to have the Micronesian Chief Executives Summit meet with Region IX, to engage in similar issues. Finally, Mr. Shultz expressed his appreciation to the Graduate School USA for convening this group. Mr. Shultz expressed hi hope that this meeting be considered a continuation of a dialogue that will be ongoing for some time. In June, the FRC will be meeting again, as they do monthly, during which they hope to address information gleaned from this meeting. Mr. Shultz asked for candor regarding both opportunities and

challenges—the “good” and the “ungood”—and assured the group that, as federal representatives, many are here to provide assistance as intergovernmental partners.

John Maykoski, Vice President for Training and Program Management, Graduate School USA

John Maykoski, Vice President for Training and Program Management, Graduate School USA, also welcomed the group. Mr. Maykoski expressed his thanks for the efforts made by all to be together for this meeting. Mr. Maykoski thanked the Department of the Interior, who supports the Graduate School USA and enables meetings like these. Mr. Maykoski also thanked representatives from federal agencies for making time to join the meeting. Finally, Mr. Maykoski recognized the presence of Pohnpei Governor John Ehsa, as well as representatives from the Virgin Islands, who face similar issues.

Mr. Maykoski noted that several people present at the meeting were also present in 2007 when a Federal Grants Management Conference was convened in San Francisco to address many of these same issues. While many of the faces have changed, Mr. Maykoski noted that we do have continuity in the conversation. Department of the Interior Office of Insular Affairs Director Pula challenged the group in 2007 to focus on communications—whether they be fiscal, cross-cultural, or otherwise. Mr. Maykoski noted that we all have responsibilities to address these things, as they can inhibit our ability to work accountably to each other. Although a lot has happened over the past six years, there has been progress on several of the issues raised six years ago, while others are coming back to the fore. Finally, Mr. Maykoski suggest that the group also acknowledge the current fiscal environment, which has changed dramatically over the last six years—including pressures on budgets, constrained resources, focus on performance, and accountability to US taxpayers, to name a few.

Marina Tinitali, Department of the Interior Office of Insular Affairs

Ms. Marina Tinitali welcomed everyone on behalf of the Department of the Interior's Office of Insular Affairs, and specifically, on behalf of office Director Nikolao Pula, and Director of Technical Assistance Charlene Leizear. Ms. Tinitali noted that, in 2007, OIA sponsored a conference that brought together finance and federal personnel for timely discussions. Although OIA hasn't been able to convene a follow-up meeting since that time, given budget constraints, Ms. Tinitali expressed her desire that the group continue to focus on communications. She also expressed her office's commitment to continue the trend to bring people together as time and resources permit.

FEDERAL REGION IX COORDINATION: PANEL DISCUSSION

Deborah Milks, Background

Ms. Deborah Milks provided some background and information regarding the panel discussion. Her slides are included as Attachment F. The primary goal of the panel is to facilitate conversation on each of several issues. Rapporteurs captured challenges and opportunities as they were enumerated. Those challenges are available in Attachment G. The issues surrounding federal grants include common problems and issues that have been recurring since the late seventies. While they aren't insolvable, they do need to be continually addressed, especially as personnel changes occur. Federal grants represent a huge part of the budgets and economies of the island governments. From the Federal perspective, many of the islands fall below the radar as small amounts of funding. However, from the perspective of pacific islands, these grants represent a significant flow of funds.

Ms. Milks noted that IGFOA has been tracking audit finding issues since 2003. Her presentation identified common issues from the latest audits of all seven governments, which were similar to issues also identified by both the federal and insular representatives here today.

Topic 1: Procurement

Juliet Jimmy, Assistant Secretary for Treasury, FSM Department of Finance

Each government has their own financial management procurement requirements, as well as separate federal procurement regulations. In most cases, since insular governments are small, they often have very limited selections. One of the major issues occurs when a federal program requests the procurement of supplies and materials for which there are not many on-island vendor options. Insular governments typically require the submission of three price quotations to the finance office. For the FSM, issues typically come up regarding documentation and not usually regarding any misunderstanding of the issues. The FSM does try to work with Federal Program people to ensure that they're compliant with regulations. Local procurement regulations are typically geared towards General Fund appropriations. The FSM does try to work with the program agencies to make sure they have appropriate levels of documentation on file. Finally, for small purchases, there often isn't sufficient selection in the islands. The FSM usually tries to post bids on our PIO website, but often don't get any response, in which case the FSM usually requests that they provide documentation, although it's not easy to document non-responsiveness.

Although grant managers are usually good with email correspondence, the FSM often faces issues with their auditors to ensure that procurement has been maximized and bids sufficient distributed. We do use email as documentation of procurement, but we often run into issues with our auditors.

Phil Maestri, Director, Risk Management Service, US Department of Education

Mr. Maestri noted that his initial involvement in the island areas was as a result of high-risk issues, over the past fifteen years. DOE now tries to focus on providing more technical assistance than program oversight. Rather than trying to solve differences of opinion, they try to provide assistance. DOE finds issues with regard to procurement, which, from the DOE perspective, represents the single biggest issue of abuse in the islands. Mr. Maestri noted his collection of insular government officials in orange suits, behind bars, as a result of abuse of procurement. DOE considers this a critical issue, because it's so easy to abuse. So much of federal funds, except for payroll, are procurement based.

- One of the biggest challenges is finding people with the knowledge, qualifications and experience, to run a solid procurement process. Without those people in place, opportunities for fraud exist. This is especially concerning as political administrations change.
- Most governments have good policies in place, but they're dusty and on the shelf and not regularly utilized.
- Planning is critical for federal expenditures, but even more so in the islands where off-island purchases and delivery need to be accommodated.
- Often vendors are unscrupulous, and try to take advantage of the islands and the nature of shipping constraints.
- Things that are purchased don't always get tracked: Computers, vehicles, etc. Auditors like to see fixed assets.

The FSM does do fixed asset inventories each year, so we do have a fixed asset register that gets audited, we take auditors on-site to check and follow-up on these issues.

Mr. Maestri commented that the first rules they look for are within insular government, then we look to federal regulations. The FAR, or federal agency-specific procurement guidelines, tend to exist readily.

The issue of prior approval requirements exists for many of the federal programs. Often, requirements get communicated to the grant person but not necessarily the fiscal officer. Often times, federal programs are restricted by legislation from US Congress, and program officers are required to implement law.

Topic 2: Period of Availability

Yazmin Escorcía, Division of Fiscal and Administrative Services, US Department of Labor

Period of Performance represents the allowable time that a grant is active. Programmatic requirements, reporting of outcome and expenditures, and drawing down cash, all need to

happen within this period. When thinking about individual programs and people, consider the cost of staffing. DOL is always working to connect program outcomes to program expenditures. Implementation of a work plan, including development of a budget for a five-year plan, is critical to continued funding. During the period of performance, DOL has encountered challenges around communications especially. The program office is often compartmentalized from finance offices. However, the program offices are responsible for fiscal reporting as well, to account for federal funds. Ideally, DOL would like to see quarterly reports on outcomes and expenditure of funds. DOL often sees low cash draw-downs with inaccurately reported expenditures.

Joaquin Blanco, Financial Analyst, CNMI Office of Management and Budget

Several lessons learned include pre-planning for off-island purchases, and procurement that can take a long time to arrive in the islands. It's also important to make sure that there's enough funding in grants to last for the entire period, and that expenditure rates are sustainable. Grant managers often ask that a close-out process be undertaken at the end of grants. The CNMI grants management office was established by law, with the hope that oversight will take place and that technical support can be given to program offices.

Most finance offices (except for Guam) don't review performance reports from agencies before being submitted to the federal programs. Sometimes, the program performance is reporting on a timeframe that's different from fiscal reporting. Documentation of an extension from a Federal Agency is also critical to have on-hand to show to auditors. Finally, payment of off-island vendors can be an issue, since (in the RMI's example) there is often inconsistencies. Other islands indicated that they specify terms of payment in their RFPs.

Topic 3: Audit Resolution

Marina Tinitali, Accountability and Insular Policy Specialist

Finance offices need to be aware of all audits, particularly if they are on high-risk. That said, DOI recognizes that there are related responsibilities between fiscal officers and program managers. Ms. Tinitali noted that US federal representatives generally acknowledge that there are varying levels of communication and education, and that often people in the program office don't understand the bigger picture that includes finance. It's important to have an audit liaison officer to coordinate efforts on the ground. Often, issues can be found in-house before external auditors are aware of it. There should be an association of financial managers within federal agencies to coordinate funds and compliance. Some areas have internal associations of financial managers, such as the Marshall Islands. It's important to connect. In some governments, no applications can go into grants.gov without first being cleared by a coordinating agency. Internal coordinative agencies can be very effective, and can allow for the timely and accurate exchange of information. Within the finance offices, there is a lot of

control which creates opportunities for compliance. From DOI's perspective, we'd like for internal agencies to catch their own mistakes before external auditors do.

Deborah Gottlieb, Director, US Virgin Islands Office of Management and Budget

In the VI, managing federal grants is a shared responsibility between OMB and the Department of Finance. The Office of the Governor often coordinates responses to audit findings. The VI is the furthest behind in terms of audit timeliness, but is very close to catching up. One lesson learned is that getting caught up can be very challenging, although the VI is making steady progress in this regard. The VI does have other challenges, including new financial management systems, capacity constraints, changing auditors, and high-risk status that results from having delayed audits. There are also challenges in developing indirect cost rates with the National Business Center. Again, delayed audits contribute to this challenge.

Topic 4: Reporting

Michael Cabral, General Accounting Supervisor, Guam Department of Administration

Previously, Guam faced staffing issues with management of federal grant reporting, with only several staff members to handle a heavy workload. However, recently those reporting requirements have been moved to program agencies. In Guam, the finance office doesn't currently track the timeliness of reporting since it's the responsibility of program people—and since reports are typically submitted online. Another issue involves the requirement that reports be signed by a Director. Sometimes they will not sign until Finance signs. However, Guam has recently upgraded their FMIS to track the issue of expenditures to the grantor, and is requiring that the grantee also go through that system. Currently, Finance doesn't know whether reports have been issued timely. One issue is whether the grantee is providing other reports to the grantor agency. Some systems allow you to attach the audits to reports.

John McCarroll, Director, Pacific Islands Office, US Env Protection Agency, Region IX

For EPA, grants management is largely working in the insular areas. There have been some issues, but no EPA grantees have gone to jail, there haven't been any high-risk grantees. The most important factors that make grants management work in the Pacific are (1) working closely with your counterpart, and (2) making use of the omnibus territories act. At EPA we're structured to work with our counterparts, including having individuals assigned to each of the flag territories. Those individuals have frequent contact with grantees and counterparts, and typically visit on-site several times per year. Since grants are cooperative agreements, they have a strong structural role to be a partner in making sure that the grant works. The Omnibus Territories Act (OTA) is a Congressional Declaration of Policy with Respect to the Insular Areas. The OTA is a powerful tool to give flexibility to insular areas, including such things as waiving matching requirements, and encouraging the provision of technical assistance and in-kind assistance. With regard to procurement with Guam Water, EPA has an agreement to use the

grant to fund a contract that helps build capacity and improve operations. This contractor identified procurement as a barrier to success, and spent significant time training on standard operating procedures. The recurrently challenges of expertise, qualifications, knowledge and experience, all continue to exist. But generally speaking, EPA grants have gone well.

SMALL GROUP PLANNING AND REPORT-OUTS

Following, the panel discussions, conference participants organized themselves into small groups to discuss each of the four issues. The results of those discussions are also included as an attachment. Generally speaking, participants highlighted the need for improved communication, frequent training, and the hiring of appropriately skilled personnel.

In addition, individual appointments were arranged between federal grants managers and insular area fiscal representatives, regarding program-specific discussions.

GFOA CONFERENCE REVIEW AND DISCUSSION

Prior to the GFOA Conference, IGFOA participants selected specific GFOA sessions they were willing to attend and summarize for their fellow IGFOA members. Their reports highlighted the most important issues identified during the sessions and the points most relevant to the island governments.

Building a Better Budget Document (Joaquin Blanco, Office of Management and Budget, CNMI)

Mr. Blanco noted that the criteria laid out by the GFOA best practices could be useful to the insular governments and their citizens' understanding of the impact of budgetary decisions. The GFOA goal is continual improvement of budget documents using all the elements of a good budget, including:

- Easy to understand presentation
- A tool to communicate information to citizens and the importance of clarifying that communication
- Goals, strategies, priorities and performance measures
- Organizational information
- Financial data for 3 years, revenue sources, expenditures by function and category
- Capital and operational expenditures
- Long range plans and statistical data for future trends
- The GFOA website includes a section of best practices: 27 criteria for a better budget document; governments can have their budget documents reviewed by volunteers.

Managing Fiscal Distress: Opportunities and Lessons Learned & A 12-Step Program for Recovering from Financial Distress (Benita Manglona, Director of Administration, GovGuam and Debra Gottlieb, Director of Management and Budget, VI)

Virtually all of the insular governments are experiencing some level of financial distress. These two sessions as well as the session on presenting financial bad news were relevant to the IGFOA members.

Ms. Manglona and Ms. Gottlieb agreed that the real life examples in the second of these two sessions provided valuable lessons to other governments in fiscal distress. These cities' fiscal recoveries were patterned after the GFOA 12-step model to recover from financial distress. The take away lessons include:

- Need buy-in and involvement from all stakeholders; employees, the community, politicians
- Need leadership...if your governor/mayor/council etc is not on board, reform will not happen
- There is a distinction between financial sustainability and financial resiliency (ability to weather storm)
- Governments have a problem of everyone running from bad news; nobody wants to take responsibility for bad news
- You can give bad news, but you also need to give hope. Remember you don't get points for predicting rain, but for building the ark.
- Don't lose your credibility...once you've lost it, it's gone. Just be honest.
- After addressing the short term solutions, be sure to address long term reforms.
- For a review of particular financial ratios that indicate that a government is going to fail: www.publicsectorcredit.org

Presenting Financial Information in Tough Economic Times (Matthew Grady, Controller, Department of Treasury, ASG)

Mr. Grady presented the highlights of this session which focused on how to tell the fiscal story to stakeholders:

- When you have a negative message to get out, establish some guiding principles about your decision-making.
- Have a communication plan so that people can get information directly. Remember the quote from Eisenhower: "Plans are nothing, planning is everything"
- Establish a theme and tell a consistent story
- Go easy on Powerpoint, Graphs, Charts, etc...don't inundate your audience, don't use jargon and don't use humor for a serious subject.

*Improving Finance Department Performance through Interdepartmental Cooperation
(Ruth Wong, Controller, Ministry of Finance, ROP)*

It was noted that interdepartmental cooperation is a major need for the governments to be able to resolve many of the long standing audit exceptions which relate to grants. The program managers and the finance officers can learn from these five steps which were discussed:

- Create norms and have people involved
- Educate, don't expect that people already know
- Make it easy—use checklists
- Provide feedback so people know how they're doing
- Establish a continuum of consequences: hold people accountable

What You Need to Know about Actuarial Services Right Now (Thomas Paulino, General Accounting Supervisor, Department of Administration, Gov Guam and Matthew Grady)

Actuarial services are especially important to understand in the light of underfunded pension plans and the changes in how these liabilities are treated in the governments' financial statements. Mr. Paulino and Mr. Grady highlighted the following steps:

- Consult the GFOA website for recommended best practice for procurement of actuarial services
- When procuring, be sure to include key decision-makers when putting together a proposal (labor union, pension staff, employers, etc)
- Be inclusive when developing an RFP so the actuary can better address your situation: demographics, economy, inflation assumptions, return rate, etc. Be sure to get a return on your money.
- Include a 30 year projection, a stress test, and various economic scenarios in your actuary's deliverables
- Consider that a major factor in actuarial services is communication skills

Technologies for Financial Transparency: What's Out There? (Cora Ada, Interim Chief Financial Officer, Commonwealth Healthcare Corporation)

Ms. Ada remarked that the CHC has recognized the need for financial transparency and has established a website at www.chcc.gov.mp. Financial transparency best practices include:

- Use of websites to share good information with the public and to corporate members
- Use of websites enable governments to share information graphically

Balancing Workload with the Right Technology for Treasury Management (Muriel Fenton, Director of Accounting, VI)

Ms. Fenton noted that session focused on a specific type of system for treasury and cash management.

A Perennial Challenge: Preventing Fraud in Revenue Collections (Connie Agulto, Treasurer, CNMI)

Ms. Agulto said that that the session included examples of common fraud circumstances and some surprising information:

- Check fraud is still the most common
- UCC: the Uniform Commercial Code: change where companies (including governments) can be held accountable for altered checks if not taking proper measures to avoid fraud.
- A stop payment is not going to do any good if not conducting reconciliations or having controls in place.
- Anybody can commit fraud in any given circumstances: the highest fraud is among rich employees...there is always a need for strong internal controls
- Don't assume your system can't be beaten, especially by your own employees
- Often fraudsters are 60 and over, 58% of fraud is among women

Improving Results with Lean Government & Lean Process Improvement: A New Role for the Budget Office? (Jack Yakana, FSM Congress Budget Officer)

The Lean process is a proven method to improve processes in industry and governments. It focuses on internally driven solutions and an iterative process. The major focus is customer needs, not monetary savings, although a more efficient process often results in savings. A lean project would:

- Eliminate steps in processes
- Focus on process improvement: should be customer focused & employee driven,
- Tie into performance management because if you don't measure it you can't quantify improvement
- Work best with high-volume, low-variability processes (like purchase requisitions)
- Focus on efficiency...not savings
- Use lean tools; creating a culture of organization
- Ensure follow up to the initial sessions

Streamlining the Purchase to Pay Cycle (Clarence Samuel, Chief of Accounting, Ministry of Finance, RMI)

One of the performance measures that the IGFOA group has selected is the length of time it takes to process an invoice paid with federal funds.

Mr. Samuel remarked that the most notable take away from this session is that the use of credit cards can streamline purchasing processes. However, the governments should be aware of the example of FEMA giving credit cards after Katrina without adequate controls, leading to fraud and misuse.

Looking a Gift Horse in the Mouth: Improving Grant Management (Venetta Stanley, Grants Analyst, Department of Treasury, ASG)

The insular governments rely heavily on federal grants and lack of good grant management continues to be a major source of audit exceptions. Ms. Stanley presented the following best practices from this session:

- Stay aware, continue ongoing training on how to do things
- Establish a project plan, maintain a process to address personnel issues
- Document grant procedures
- Maintain processes for sub recipient monitoring
- Focus on finance office performance
- Follow the 5 steps of compliance
- Learn to say “no.” When applying for a grant, there are some grants that are simply not worth the money.
- Don’t rely upon compliance by the grace of God. Internal controls exist and are written, and it may be possible to administer a grant without breaking the rules, but monitoring is required. Reading the document is a good start.

GASB UPDATE: GOVERNMENT FINANCIAL REPORTING LANDSCAPE CONTINUES TO CHANGE (FRANK CRAWFORD)

Frank Crawford delivered a presentation entitled “GASB Update: Government Financial Reporting Landscape Continues to Change.” His complete presentation has been included with this document as Appendix H. In his presentation, Mr. Crawford briefed participants on the continued “changing landscape” of Government Financial Reporting.

The session dealt specifically with the ever-changing state and local government financial reporting landscape, as it morphs into something nearly unrecognizable to the casual user, preparers, auditors and sophisticated users. In this session, Mr. Crawford reviewed several

standards, including many that will become effective for the fiscal year ending September 30, 2013 financial statements and audits. Specifically, participants reviewed statements 63 (Statement of Net Position) and 65 (Items Previously Reported as Assets and Liabilities). Mr. Crawford also addressed other standards, although not yet effective, that will impact financial reporting for years to come such as statements 67 and 68 (new pension standards for both the pension plans and the employer). Lastly, Mr. Crawford reviewed the GASB's future agenda to get an idea of what to expect in the years to come.

HOMEWORK AND EXPECTATIONS

At the conclusion of each IGFOA conference, the members agreed to incorporate specific best practices into their finance operations and to report on their progress at the next meeting. In the section on Government Action Planning, each government reported on the areas where they will focus their efforts and identified who will be responsible for ensuring they are complete.

The IGFOA members will continue working on their major projects: development of cash management plans and finance office performance measures. In addition, each government will emphasize resolution of the issues discussed with the Federal Region IX representatives. A reporting format will be developed to summarize the efforts of the IGFOA finance members to reach out and work with their Federal Grant management colleagues. It is expected that this report will be shared with the Federal Regional Council.

Grants & Federal Regional Council Issues

- From a Committee of Administrative Officers (Grant managers)
- Develop Training and Communications through the Committee
- Provide Procurement checklists
- Provide Guidelines for prior approval requirements
- Develop a Drawdown schedule to share with the Committee
- Complete the Federal Grant disbursement procedure to share with the Committee
- Determine the best practice to ensure the general ledger agrees with Federal reporting

GOVERNMENT ACTION PLANNING

Republic of the Marshall Islands

- Continue with development of Cash Management plan (Clarence)
- Cash management focus on drawdowns (Clarence)
- Develop a stronger focus on lean process as a cross-cutting issue (Clarence)
- Procurement and Purchase to payment (Clarence)
- Continue monthly meetings with grant personnel (Kayo)

- Performance Measures continued (Clarence)

Federated States of Micronesia

- Continued work on cash management, including documented drawdown process (including investment management). (Juliet)
- Improve invoice payment. Lean process target of 7 days, but currently showing 13 days. (Juliet)
- Grants Management: No current committee; will establish a new committee to conduct training by mid-July (Kensley, Juliet)
 - ◆ Will first identify issues (ie federal program compliance, AO concerns, etc)
- Continuation of Performance Measures (Juliet)
- Organization with the States to collect performance measures, in spite of non-participation

Republic of Palau

- Cash management plan continued (Caryn)
- Grants (Caryn)
 - ◆ Meeting with the program grant managers to explain issues and findings
- Performance Measures (Caryn)

Guam

- Cash management plan (Tom)
 - ◆ Add all 160 cash accounts to the bank account template
- Performance Measures (Tom)
- Grants (Michael, with Grant Management Branch)
 - ◆ Will start a committee to meet quarterly
 - ◆ Training has been conducted previously and will be revived (how to use system, SF-245s, audit findings, GL, etc.)
 - ◆ Need to track federally purchased assets and maintain fixed asset inventory

CNMI

- Cash management (Connie): Will start work on plan and will work towards establishing a completion date.

- Grant Management FRC: (Joaquin Blanco) Review applications, procurement, periods of availability, etc.
- Performance Measures (Joaquin): Plan to track them regularly and use them as a management tool.

US Virgin Islands

- Cash Management: (Ms Fenton, Ms Payne)
 - ◆ Policies are in place and have been distributed to the agencies
- Grants Management
 - ◆ Over 100 people managing federal grants
 - ◆ Will focus on agency account reconciliations, especially disbursements and drawdowns
 - ◆ Will encourage agencies to form a unit and create a grant committee
 - ◆ Agencies aren't currently monitoring grants—only after issues arise. Need new coordination to work together to resolve audit findings.
 - ◆ Shared responsibility between OMB and Finance
- Performance Measures (Ms Fenton)
 - ◆ Reinstate monthly monitoring

CLOSING REMARKS

In closing, Stephen Latimer thanked participants for their active participation at GFOA, with the Federal Representatives. Mr. Latimer thanked the consultants, Ms. Milks and Mr. Crawford, for their contributions as well. Mr. Latimer indicated that the Graduate School will be following up on the action plans, as well as regular PITI-VITI program activities. Conference reports will be completed with a few weeks and distributed to participants.

CONFERENCE EVALUATION

At the end of the conference, participants completed an evaluation rating the conference on several dimensions and providing comments to open-ended questions (see Appendix I for a full Summary of the Conference Evaluations). On the key evaluative dimensions, the participants rated the conference extremely highly. On a scale of 1 - 5, with 5 being the highest score and 1 being the lowest score, the average ratings were:

1. (4.76) The GFOA Conference sessions were relevant and timely.
2. (4.71) The IGFOA meeting sessions were relevant and timely.
3. (4.71) The meeting's objectives were substantially met.

4. (4.71) Logistics for bringing participants to and from San Francisco were handled satisfactorily.
5. (4.88) The IGFOA meeting site (Westin) was comfortable and conducive to the meeting.
6. (4.82) Support services by the Graduate School USA staff during the meeting were handled well and in a timely manner.

APPENDIX A – AGENDA

**Island Government Finance Officers' Association
Meeting Agenda
Westin San Francisco Market Street Hotel
San Francisco, California
June 1 – 6, 2013**

The theme for the 107th Annual Conference of the GFOA is “Bridges to Financial Sustainability.” Several components of crossing ‘Bridges to Financial Sustainability’ involve engaging staff in finance office initiatives, continuing to ensure accountability and transparency, and keeping up to date with GASB announcements and requirements and their application in government finance. Another “Bridge to Financial Sustainability” is the need to effectively manage US federal grants. This IGFOA meeting will continue to focus on efficiency and effectiveness in finance office operations.

The objectives of the IGFOA Meeting are to:

- Review key issues and ideas presented during the GFOA Conference and discuss how they apply to the insular governments;
- Review the progress of the insular government’s single audits and attempts to measure finance office performance and develop cash management plans;
- Discuss areas of federal grant management and administration with federal government representatives from Region IX department and agencies;
- Review recent GASB announcements and requirements while reviewing GASB-54 implementation plans; and
- Build government specific plans to address single audit improvement, enhance finance office performance measures and process improvement, and developing cash management plans.

Saturday, June 1

8:30 – 9:00 am

Overview of IGFOA Meeting and Introductions

Olympic Room, Westin San Francisco Market Street Hotel

9:00 – 11:00 am

Island Government Presentations

Single Audit Update, Finance Office Performance Measures,
and Cash Management Plans

Guam

CNMI

American Samoa

US Virgin Islands

Federated States of Micronesia

Republic of the Marshall Islands

Republic of Palau

11:00 – 12:00 pm

Finance Office Best Practices: Palo Alto, CA

Mr. Lalo Perez, Chief Financial Officer

Mr. Joe Saccio, Assistant Director, Office of Administrative
Services

City of Palo Alto, CA

Questions & Answers

12:00 – 1:00 pm

Lunch

1:00 – 1:30 pm

**Systematic Solutions for Resolving Grant Management
Findings in the Insular Areas**

Marina Tinitali, Accountability and Insular Policy Specialist,
U.S. Department of Interior/Office of Insular Affairs

Questions and Answers

1:30 – 2:30 pm

**Planning for Meeting with Region IX Officials and GFOA
Conference**

2:30- 4:00 pm

Packet pickup for GFOA Conference

Moscone Conference Center

Sunday, June 2

1:30 pm

GFOA Conference Concurrent Sessions Begin

Moscone Conference Center

6:00 – 8:00 pm

GFOA Conference Welcome Reception

Fort Mason Festival Pavilion

Shuttle buses to pick up in front of the Westin San Francisco
Hotel starting at 5:45 pm

Monday, June 3**6:00 – 6:45 pm****Check-In on GFOA Conference****Olympic Room – Westin San Francisco Market Street Hotel****Wednesday, June 5****12:10 pm****GFOA Conference Ends****12:30 pm****Group Lunch with Region IX Counterparts**

Westin San Francisco Market Street Hotel

1:30 – 1:45 pm**Opening of IGFOA Meeting****Metropolitan 1 Room** – Westin San Francisco Market Street Hotel**Welcome Remarks:**

Benita Manglona, Director of Administration, Guam

Ken Shapiro, Executive Officer, Office of the Regional Director, U.S. Department of Health and Human Services, Region IX

Jack Maykoski, Vice President for Training and Program Management, Graduate School USA

1:45 - 2:00 pm**Review agenda and introductions****2:00 – 3:00 pm****Panel Discussion: What is and isn't working in the administration of Federal Grants in the Insular Areas**

Moderator: Debbie Milks

Region IX Panelists:

John McCarroll, Director, Pacific Islands Office, US Environmental Protection Agency

Phil Maestri, Director, Risk Management Service, US Department of Education

Marina Tinitali, Accountability and Insular Policy Specialist, US Department of Interior

Yazmin Escorcia, Employment and Training Administration, US Department of Labor

IGFOA Panelists:

Michael Cabral, General Accounting Supervisor, Department of Administration, Guam

Joaquin Blanco, Financial Analyst, Office of Management and Budget, CNMI

Debra Gottlieb, Director, Office of Management and Budget, US Virgin Islands

Juliet Jimmy, Assistant Secretary for the National Treasury, FSM National Government

Questions and Answers / Discussion

3:00 – 3:15 pm

Break

3:15 – 4:00 pm

Federal Grants Administration Coordination

Small working groups to develop strategies for addressing common areas of concern in grants administration

Report Outs

4:00 – 5:30 pm

Individual meeting between IGFOA Members and Region IX Representatives

7:00 pm

IGFOA Group Dinner

Meet in front of the Westin San Francisco Hotel on Third Street at 7:00 pm

Thursday, June 6

8:30 – 8:45 am

Review results from Wednesday's discussions and overview of today's agenda

8:45 – 9:30 am

GFOA Conference Review and Discussion

Debbie Milks

9:30 – 10:45 am

GASB Updates

Frank Crawford, CPA

10:45 – 11:00 am

Break

11:00 – 12:00 pm

Ask the Auditor

Debbie Milks, Frank Crawford, and Marina Tinitali

GASB 54 Implementation: What worked Well and What Didn't

Debbie Milks and Frank Crawford

12:00 – 1:15 pm

Working Lunch (To Be Provided)

Action planning to address (1) audit improvement; (2) finance office performance measures; (3) cash management plans; (4) other

1:15 – 2:00 pm

Government Report Outs

2:00 – 2:30 pm

Conference Wrap-up

- **Advancing the plans**
- **Summary of progress during this session**
- **Next steps**
- **Conference evaluation**

2:30 pm

Adjourn

APPENDIX B - PARTICIPANT LIST

ANNUAL CONFERENCE OF THE Island Government Finance Officers' Association (IGFOA) in conjunction with the Government Finance Officers' Association (GFOA) Conference San Francisco, California June 1 - 6, 2013

PARTICIPANT LIST

American Samoa

Matthew Grady, Controller, Department of Treasury
Alexandria Banse, Accountant, Department of Treasury
Venetta Stanley, Grants Analyst, Department of Treasury

CNMI

Asuncion "Connie" Agulto, Treasurer, Department of Finance
Joaquin Blanco, Financial Analyst, Office of Management and Budget
Cora Ada, Interim Chief Financial Officer, Commonwealth Healthcare Corporation

Guam

Benita Manglona, Director, Department of Administration
Thomas Paulino, General Accounting Supervisor, Department of Administration
Michael Cabral, General Accounting Supervisor, Department of Administration

FSM National Government

Kensley Ikosia, Secretary, Department of Finance
Juliet Jimmy, Assistant Secretary for the National Treasury
Jack Yakana, FSM Congress Budget Officer

Republic of the Marshall Islands

Clarence Samuel, Chief of Accounting, Ministry of Finance

Republic of Palau

Elbuchel Sadang, Minister of Finance

Ruth Wong, Controller, Ministry of Finance
Caryn Koshiba, Systems Accountant, Ministry of Finance

U.S. Virgin Islands

Representative to be Determined, Department of Finance
Debra Gottlieb, Director, Office of Management and Budget

U.S. Department of Interior/Office of Insular Affairs

Marina Tinitali, Accountability and Insular Policy Specialist

Graduate School USA

Jack Maykoski, Vice President for Training and Program Management
Stephen Latimer, Program Manager
Jason Aubuchon, Project Manager

Resource Consultants

Deborah Milks, CPA
Frank Crawford, CPA
Jeanne Yamamura, CPA
Lalo Perez, Chief Financial Officer, City of Palo Alto, CA
Joe Saccio, Assistant Director, Office of Administrative Services, City of Palo Alto, CA

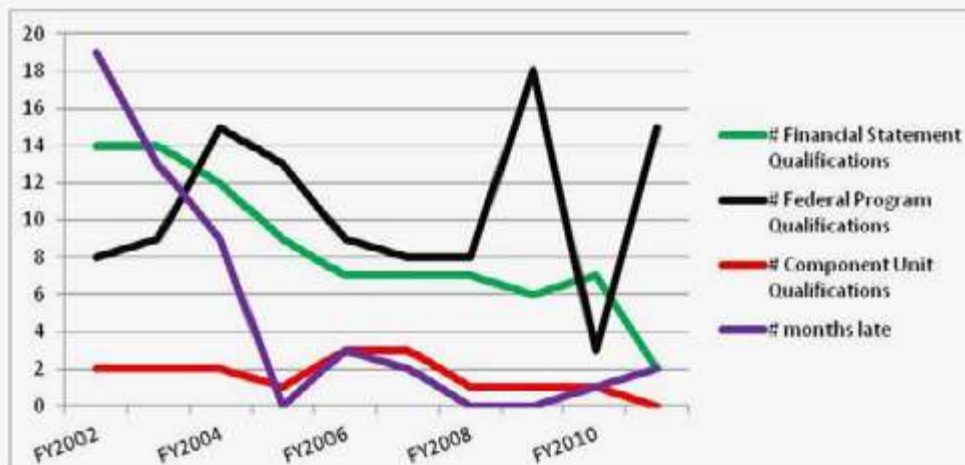
APPENDIX C1 – ASG STATUS REPORT

AMERICAN SAMOA GOVERNMENT

*Government Status Update
IGFOA San Francisco
June 2013*

FY12 Audit Status

<i>Expected completion date</i>	<i>Any major issues you had to address for the audit</i>	<i>Any expected changes in audit qualifications or findings?</i>
7/15/13	<i>Delays in component audits.</i>	No.



Cash Management Plan Checklist

Document	Completed?	Reference (regulation #, procedure, etc)
Government Cash Policy	Yes	Cash Receipts Policy, Grants Division Policy
Bank Account Template	Yes	
General Cash Procedures	Yes	Cash Receipts Policy, Grants Division Policy
Treasury State Agreement (territories only)	Yes	
Average Clearance Pattern		
Federal Cash drawdown tracking sheet	Yes	
Federal Cash drawdown procedures	Yes	Grants Division Policy
Cash Internal Control checklist	NA	To be included in revised Grants Division Policy

Performance Measures

(Provide information for those measures which you have NOT selected to present in slides 6 & 7)

<i>Fixed asset physical inventory</i>	<i>Travel Advance Collections</i>	<i>Bank Reconciliations</i>	<i>Invoice Processing Days</i>
Was the physical inventory completed as of 9-30? Yes	% of travel advances over 30 days as of 4-30-13.	What is the status of your bank reconciliations as of 4-30-13? Completed	How many days does it take to process a federal invoice (average for FY12 & FY13)?
Any fixed asset findings on the audit? TBD	How much improvement is this over the % as of the previous year?	Any audit issues related to bank reconciliations? No	What is your target # of days? 3-5 days
Does your government have a plan to complete the fixed asset inventory, if not yet completed?	Any new policies or procedures initiated to collect advances?	Any action steps initiated to ensure timely reconciliations? NA	What does your office do to reduce the time it takes to get an invoice from a department into finance for processing? Implementing paperless purchasing process.

Performance Measures

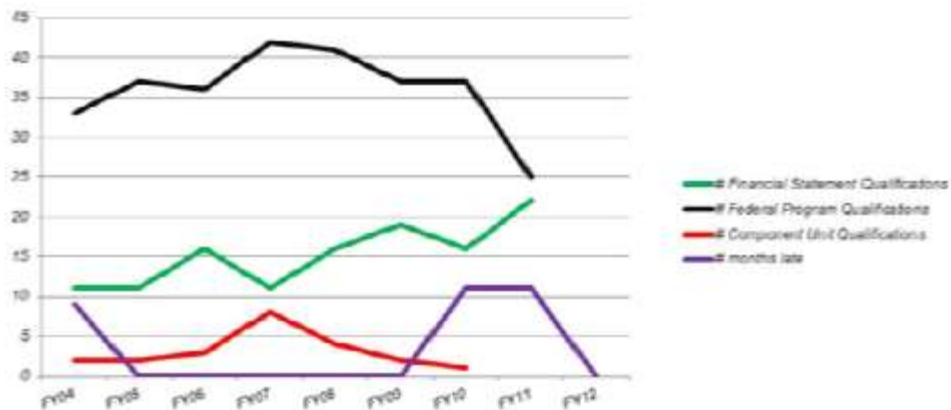
<i>Federal Grant Receivable Reconciliation</i>	<i>Timeliness of SF425 federal reports</i>	
<i>What method is used to track federal receivables?</i> <i>Grants Spreadsheet</i>	<i>Does your office have a tracking spreadsheet for SF 425 reports due/over due?</i> <i>No</i>	
<i>Are federal receivables recorded in the general ledger?</i> <i>Yes</i>	<i>Does a manager regularly review to insure reports are timely?</i> <i>Yes</i>	
	<i>What are the primary issues that cause reports to be late?</i> <i>Lack of training/supervision of department program managers.</i> <i>Poor communication between departments and grants division.</i>	

APPENDIX C2 – CNMI STATUS REPORT



FY12 Audit Status

<i>Expected completion date</i>	<i>Any major issues you had to address for the audit</i>	<i>Any expected changes in audit qualifications or findings?</i>
<i>Not Sure</i>	<i>So far, getting it started</i>	<i>Not Sure</i>



Cash Management Plan Checklist

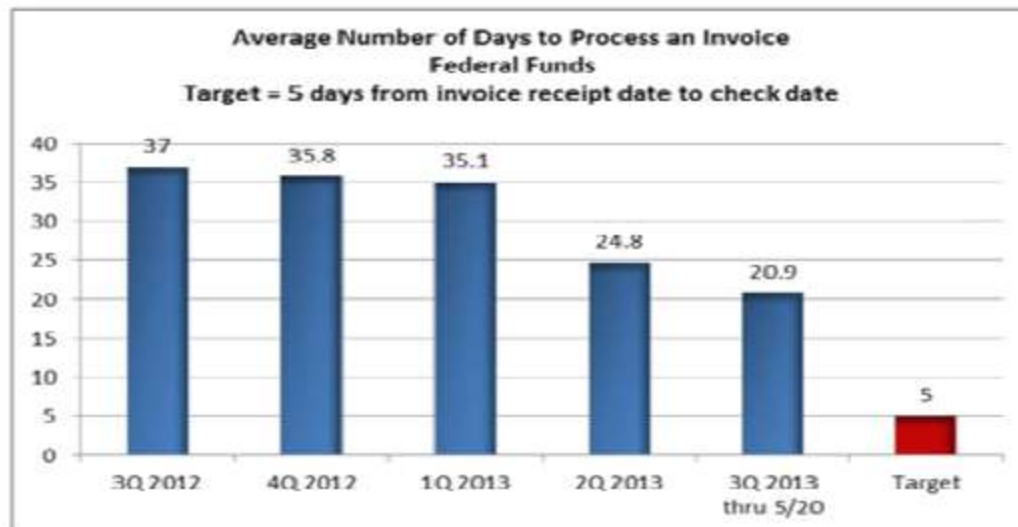
Document	Completed?	Reference (regulation #, procedure, etc)
Government Cash Policy	No	
Bank Account Template	No	
General Cash Procedures	No	
Treasury State Agreement (territories only)	No	
Average Clearance Pattern	No	
Federal Cash drawdown tracking sheet	Yes	Federal Receivables log sheet
Federal Cash drawdown procedures	Yes	Upon processing of payment vouchers, F&A prepares the reimbursement request – Treasury then draws funds.
Cash Internal Control checklist	No	

Performance Measures

Fixed asset physical inventory	Travel Advance Collections	Federal Grant Receivable Reconciliation	Timeliness of SF425 federal reports
Was the physical inventory completed as of 9.30? <i>No.</i>	% of travel advances over 30 days as of 4.30.13 <i>Per Director of F&A, unable to generate report that will show info.</i>	What method is used to track federal receivables? <i>The federal receivables log sheet.</i>	Does your office have a tracking spreadsheet for SF425 reports due/over due? <i>Nothing in place, however, the federal section supervisor has a tracking spreadsheet that she gives her staff on a quarterly basis of what grants are due for reporting.</i>
Any fixed asset findings on the audit? <i>Yes</i>	How much improvement is this over the % as of the previous year? <i>None</i>	Are federal receivables recorded in the general ledger? <i>Yes, on a daily basis we get a print-out of the federal account bank statement and deposits are identified and recorded in the general fund.</i>	Does a manager regularly review to insure reports are timely? <i>Yes.</i>
Does your government have a plan to complete the fixed asset inventory, if not yet completed? <i>Yes. Will start re-agencies with audit findings and finish off rest of govt. Process simplified with privatization of hospital.</i>	Any new policies or procedures initiated to collect advances? <i>A directive was issued by SCF giving travelers 15 days upon return to file vouchers. Failure to do so will initiate an aggressive payroll deduction.</i>		What are the primary issues that cause reports to be late? <i>Short staff.</i>

Performance Measures

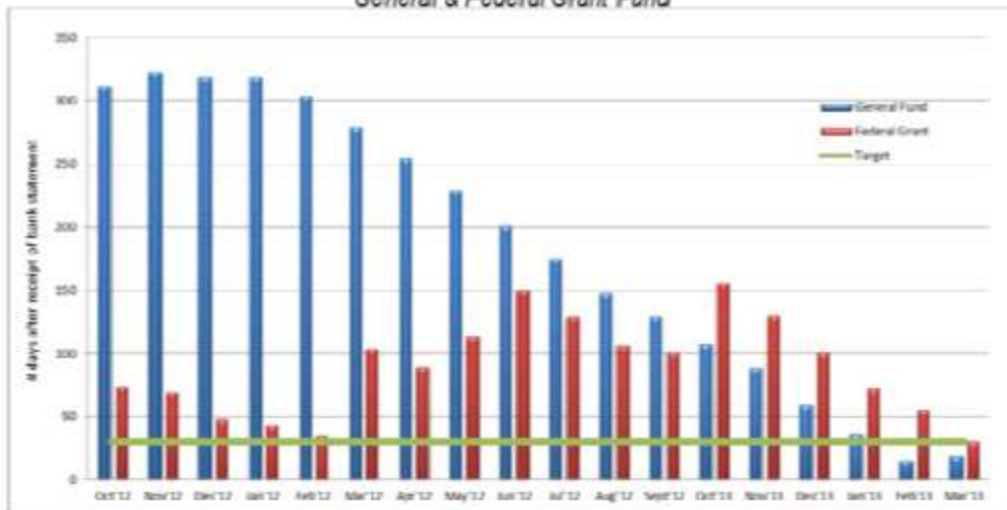
Invoice Processing Days <i>Will be presented on slide 7</i>		Bank Reconciliations <i>Will be presented on slide 6</i>
How many days does it take to process a federal invoice (average for FY12 & FY13)?		What is the status of your bank reconciliations as of 4-30-13? <i>Done up thru 03/31/13. Currently working on April 2013</i>
What is your target # of days?		Any audit issues related to bank reconciliations? <i>Yes. Delays due to shortage of staffing.</i>
What does your office do to reduce the time it takes to get an invoice from a department into finance for processing?		Any action steps initiated to ensure timely reconciliations? <i>Training and full staffing.</i>



Why is measure important? *Shows how we are performing *Insures public service is un-interrupted *Insures reimbursement from Feds *Helps achieve clean audits
 *Vendors are happy

What will it take to achieve our target? *Procure better scanners & computers for AP
 *Hire one staff to help with scanning *Cooperation from agencies

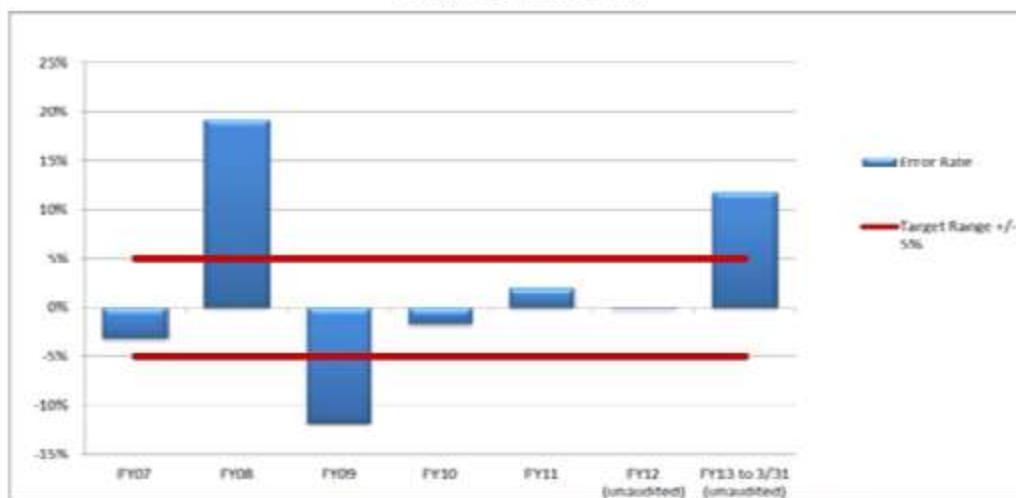
Bank Reconciliation General & Federal Grant Fund



Why is measure important? "Shows how we are performing" "Balances verified" "Allows for quicker action on errors – prevent loss" "Helps achieve clean audits"

What will it take to achieve our target? "Reached target already – need to continue current efforts"

Actual vs Estimated Revenues Target 5% accuracy rate



Why is measure important? "Shows how we are performing" "Prevents deficits" "Helps achieve clean audits"

What will it take to achieve our target? "Make necessary adjustments during course of fiscal year"

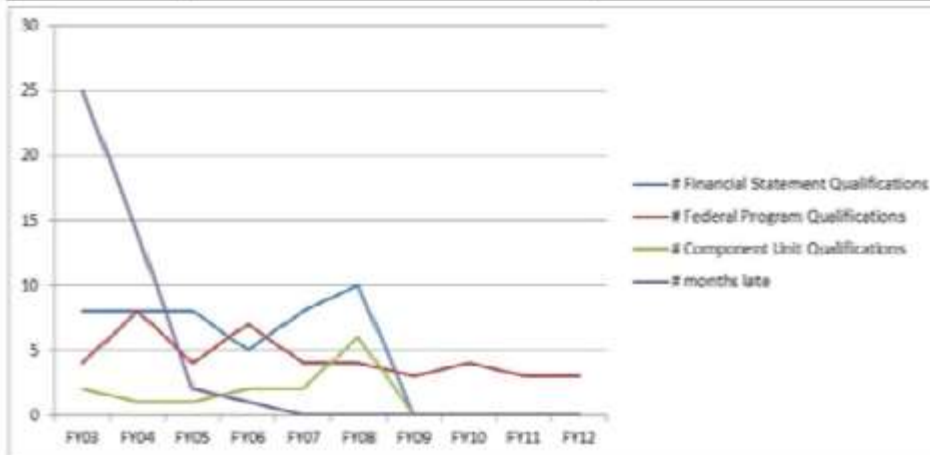
APPENDIX C3 – FSMNG STATUS REPORT

FSM NATIONAL GOVERNMENT

Government Status Update
IGFOA San Francisco
June 2013

FY12 Audit Status

Expected completion date	Any major issues you had to address for the audit	Any expected changes in audit qualifications or findings?
June 30, 2013	NO	NO



Cash Management Plan Checklist

Document	Completed?	Reference (regulation #, procedure, etc)
Government Cash Policy	NO	
Bank Account Template		
General Cash Procedures	NO	
Treasury State Agreement (territories only)	NA	
Average Clearance Pattern	Yes for AIP	
Federal Cash drawdown tracking sheet	YES	
Federal Cash drawdown procedures	YES	
Cash Internal Control checklist	NO	

Performance Measures

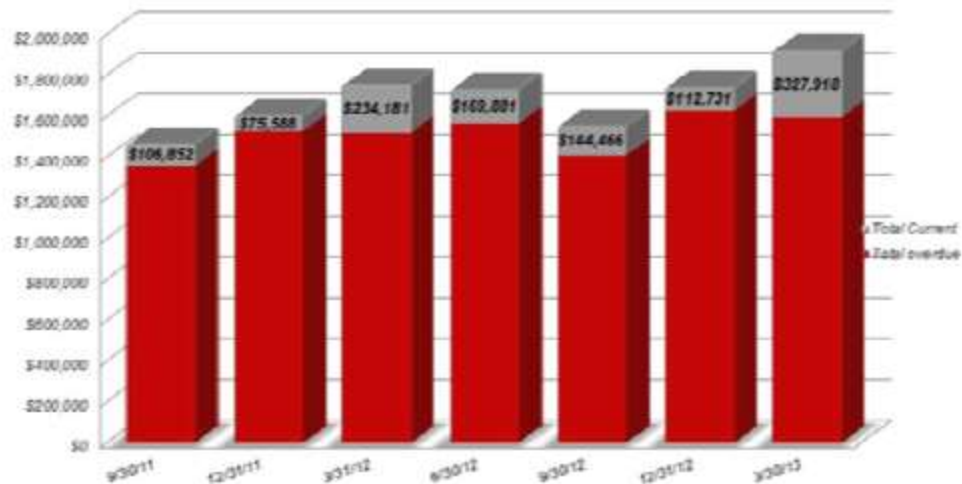
(Provide information for those measures which you have NOT selected to present in slides 6 & 7)

Fixed asset physical inventory	Travel Advance Collections	Bank Reconciliations	Invoice Processing Days
Was the physical inventory completed as of 9-30? NO FY12 80% completed as of Sept 30, 2013 100% Completed as of Nov 27, 2012 FY13-67% completed	% of travel advances over 30 days as of 4-30-13.	What is the status of your bank reconciliations as of 4-30-13? COMPLETED APRIL	How many days does it take to process a invoice (average for FY12 & FY13)?
Any fixed asset findings on the audit? Yes: Periodic reconciliation and maintenance procedures. Starting in FY12, periodic reconciliation is done monthly.	How much improvement is this over the % as of the previous year?	Any audit issues related to bank reconciliations? NO	What is your target # of days?
Does your government have a plan to complete the fixed asset inventory, if not yet completed? 33% FY13 - Scheduled Trips to Chuuk in July Korae and Yap in August	Any new policies or procedures initiated to collect advances?	Any action steps initiated to ensure timely reconciliations? NA	What does your office do to reduce the time it takes to get an invoice from a department into finance for processing?

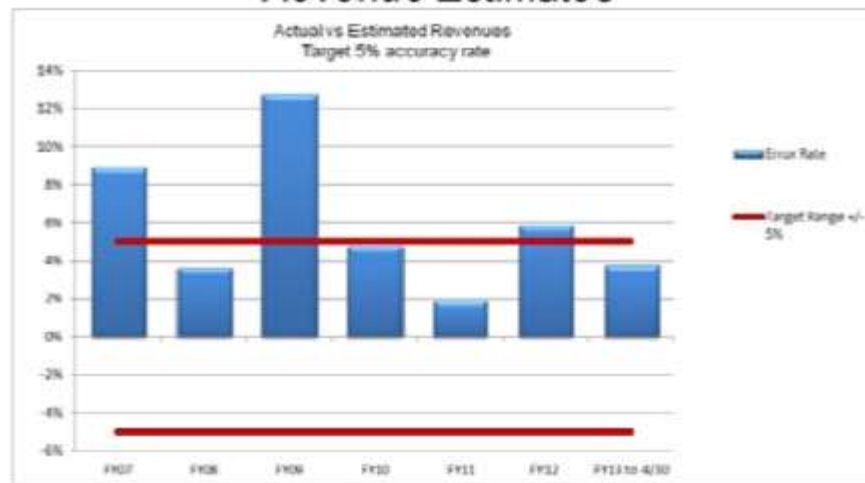
Performance Measures

<i>Federal Grant Receivable Reconciliation</i>	<i>Timeliness of SF-425 federal reports</i>	
What method is used to track federal receivables? Revenue vs expense	Does your office have a tracking spreadsheet for SF425 reports due/over due? NO	
Are federal receivables recorded in the general ledger? Yes.	Does a manager regularly review to insure reports are timely? NO	
	What are the primary issues that cause reports to be late? OUTSTANDING ENCUMBRANCES	

FSM NATIONAL GOVERNMENT
Travel Advances Current and Overdue
 Target = 100% current



FSM National Government Revenue Estimates



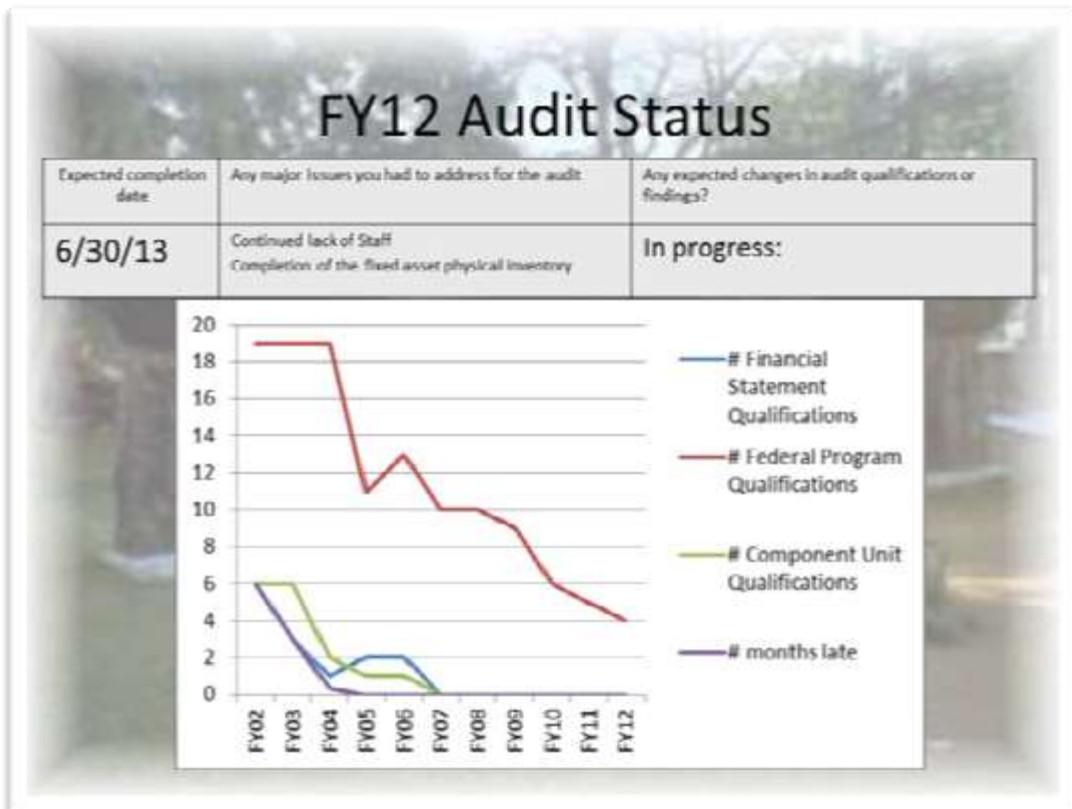
WHY IS MEASURE IMPORTANT?

- **EFFECTIVENESS OF EXISTING
POLICIES/PROCESSES/PROCEDURES**
- **EFFICIENCY OF SERVICES**
- **PERFORMANCE OF DIVISION/STAFF**

WHAT WILL IT TAKE TO ACHIEVE TARGET

- *CONTINUE TO ENFORCE CURRENT
PROCEDURE IN PLACE*
- *WORK WITH AG OFFICE TO AMMEND
FINANCIAL MANAGEMENT REGULATION*

APPENDIX C4 – GUAM STATUS REPORT



Cash Management Plan Checklist

Document	Completed?	Reference (regulation #, procedure, etc)
Government Cash Policy	Draft	Section 3
Bank Account Template	Completed	Appendix D
General Cash Procedures	Draft	Section 3
Treasury State Agreement (territories only)	FY2012 - Done	Section 3(l)(e)
Average Clearance Pattern	See above	Section 3(l)(e)
Federal Cash drawdown tracking sheet	No	New federal software will accomplish this.
Federal Cash drawdown procedures	Draft	Appendix C
Cash Internal Control checklist	Draft	Appendix A & B

Performance Measures

Fixed asset physical inventory

Was the physical inventory completed as of 9-30?

No, DOA is still in the process of completing the physical inventory.

Any fixed asset findings on the audit?

We expect that DOA will have a repeat finding for failing to complete the physical inventory.

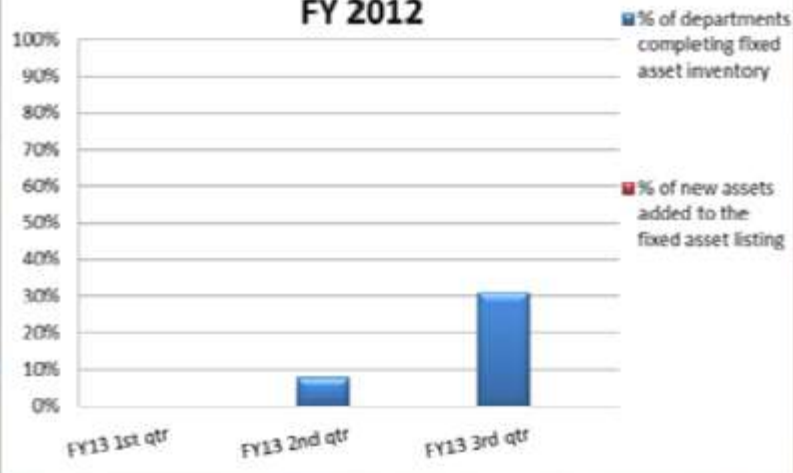
Does your government have a plan to complete the fixed asset inventory, if not yet completed?

As of March we were 38% complete and expect to be finished by November 2013.

We are about 90% complete with DYA, DOC, BSP.

The three largest agencies DPHSS, GFD, and GPD just started.

Government of Guam Completion of Fixed Asset Inventory FY 2012



Performance Measures

Travel Advance Collections

% of travel advances over 30 days as of 3-31-13.

73% of all travel was over 30 days aged.

How much improvement is this over the % as of the previous year?

Our aged travel advances increased by 12% between March 2011 and March 2012.

Cause: High staff turnover, limited resources

Any new policies or procedures initiated to collect advances?

We have hired one new accountant to oversee the travel section.

Implemented a new policy. After 2 attempts to get the employee to travel, we start communicating with the director of the agency. We expect this policy to increase the rate of travel clearances.

DOA Circular – Holding of payroll checks, will not process travel until prior travel is cleared.



Performance Measures

Bank Reconciliations

What is the status of your bank reconciliations as of 3-31-13?

All bank reconciliations were completed as of 4/30/2013.

Any audit issues related to bank reconciliations?

None noted.

Any action steps initiated to ensure timely reconciliations?

In prior years, we have moved to reconciling the large accounts (General Fund Checking and Payroll) on a daily basis using our online access.

In addition, we hired an accountant to aid in the bank reconciliation branch.



Performance Measures

Invoice Processing Days

How many days does it take to process a federal invoice (average for FY12 & FY13)?

Based on a 100% test, the average days to process a federal invoices (from the date received to the issuance of a check) is 13.5 days.

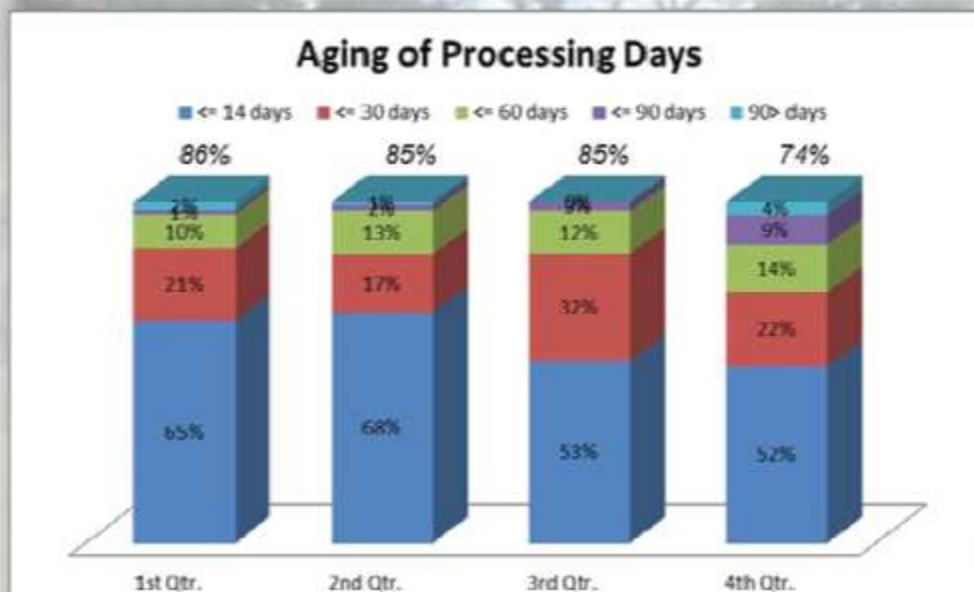
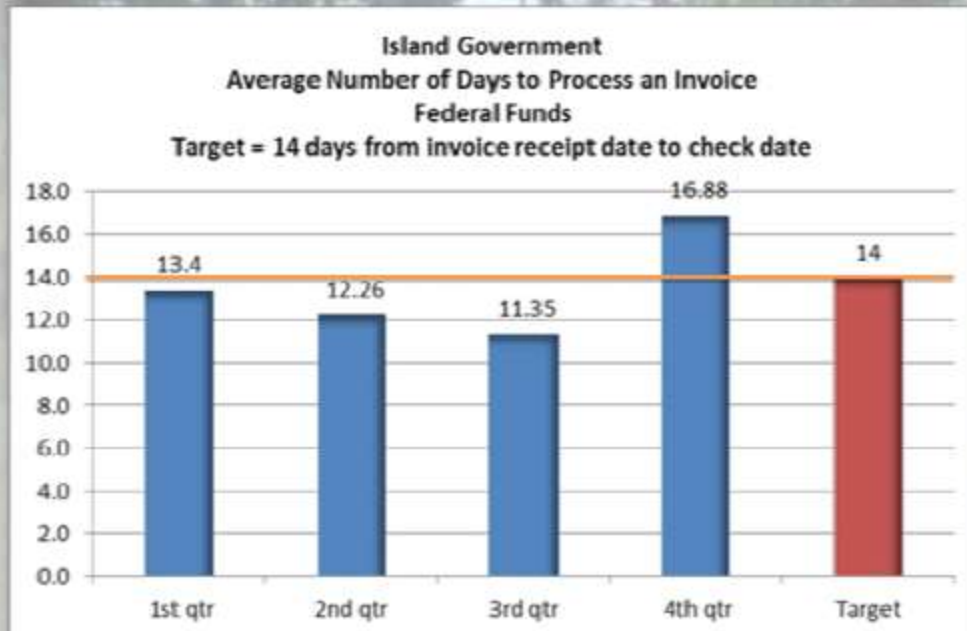
What is your target # of days?

Our target is now 14 days. This timeframe encompasses time lapse between the receipt date to check issuance.

Alternatively, we are considering tracking the date of the drawdown to the date we issue the payment.

What does your office do to reduce the time it takes to get an invoice from a department into finance for processing?

We will start encouraging our vendors to start using EFTs. Notices and the forms will be sent with every check cut to a vendor.



We are also considering as performance measure to pay out 90% of the federal invoices within 30 days.

Performance Measures

Federal Grant Receivable Reconciliation

What method is used to track federal receivables?

The Department of Administration uses the FGIA subsidiary ledgers to track all federal receivables under the executive branch purview.

Are federal receivables recorded in the general ledger?

Yes by U.S. Agency.

Performance Measures

Timeliness of SF425 federal reports

Does your office have a tracking spreadsheet for SF425 reports due/over due?

No, we do not have a tracking spreadsheet. However, our Accounting System is capable of tracking the report due date and date completed.

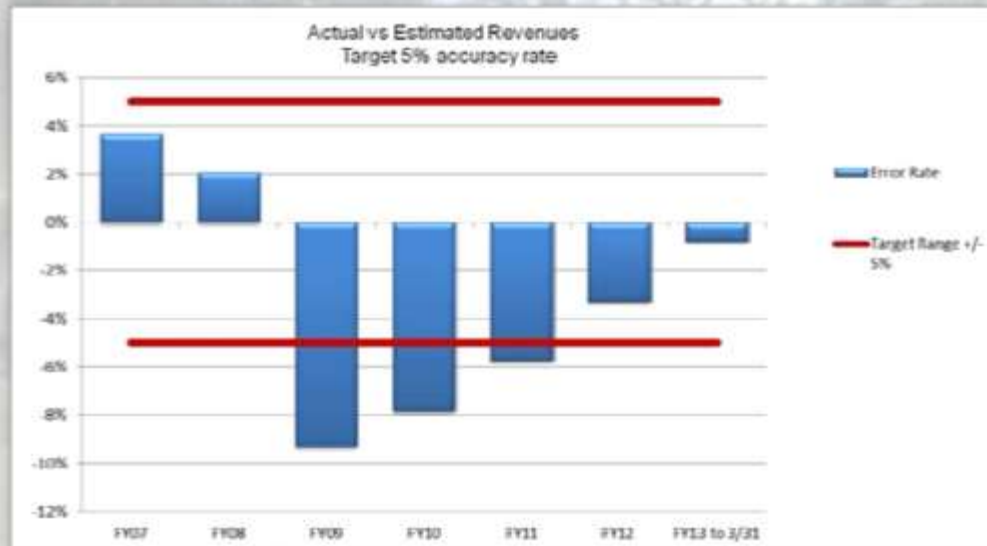
Does a manager regularly review to insure reports are timely?

No, Accounting is not responsible for issuing the FFR. This is the responsibility of the GovGuam Agencies. However, we review each report prior to submittal.

What are the primary issues that cause reports to be late?

The GovGuam Agencies are directly responsible, DOA's responsibility is to provide support and advise. However, we will be issuing an Accounting Directive to address this issue and will implement an automated tracking system within our FGIA. This would allow us to generate ad hoc reports and send notices to the agencies when deadlines are missed.

New software will automatically create the FFR and will be able to track the submittal of the reports.



GovGuam has gotten better at revenue projections.

Target to Actual for FY2012

Measure	FY2012 Target	Actual
Completion of the fixed asset physical inventory FY12 additions	100% of all agencies tagged each quarter	38% of total agencies
Completion of the fixed asset physical inventory prior year inventory	25% of agencies tagged each quarter for a 100% compliance by 5/31/13 (see schedule)	38% of total agencies
Reduction in overdue travel advances	25% reduction by 9/30/12	Increase of 12% from last year
Bank Reconciliation	30 days from the receipt of the bank statement	92% on time reconciliations
% accuracy of the revenue estimates	(none)	<1% variance
Completion of a cash management plan	Completed amended filing by March 2013	Draft completed 12/27/12
# days it takes to process an invoice	95% within 5 days	95% within 30 days

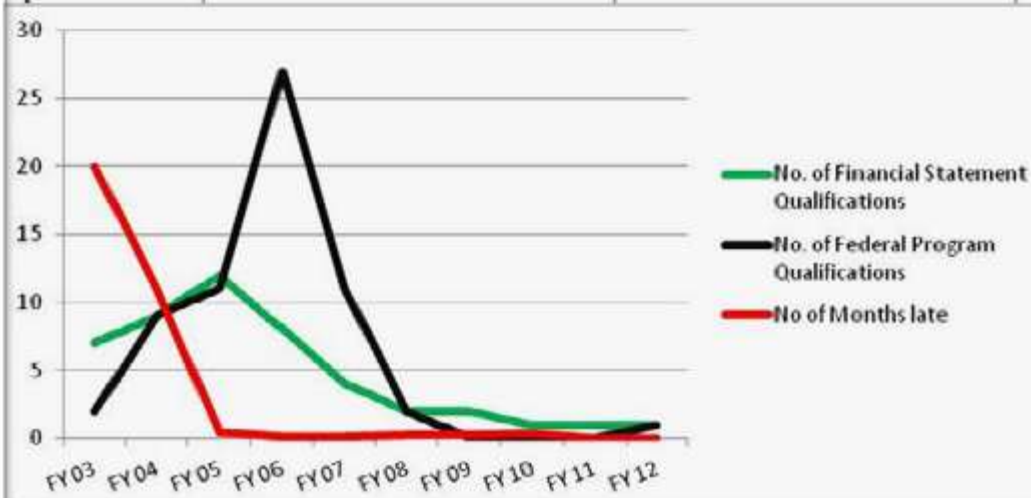
APPENDIX C5 - KOSRAE STATUS REPORT

KOSRAE STATE GOVERNMENT

Government Status Update
IGFOA San Francisco
June 2013

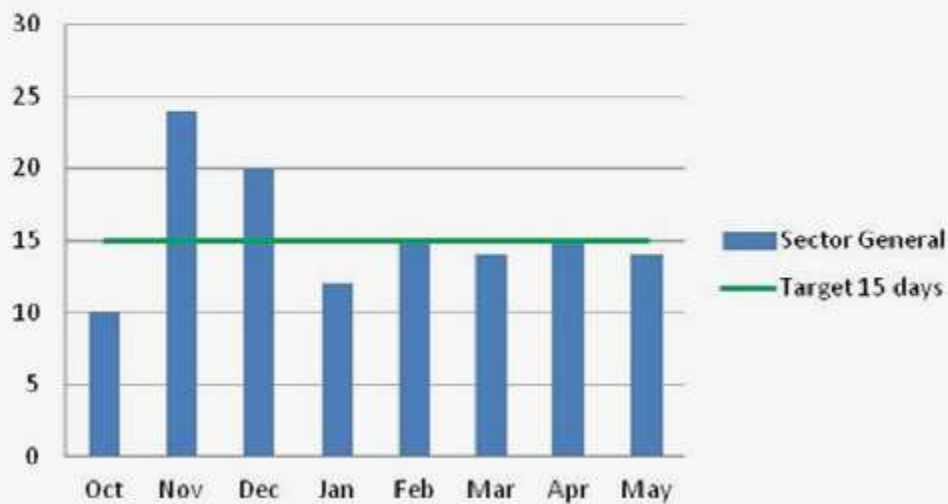
Kosrae State FY12 Audit Status

Expected completion date	Any major issues you had to address for the audit	Any expected changes in audit qualifications or findings?
6-30-13	The audit was issued over 2 weeks <u>before</u> the deadline	



Kosrae State Government Bank Reconciliation

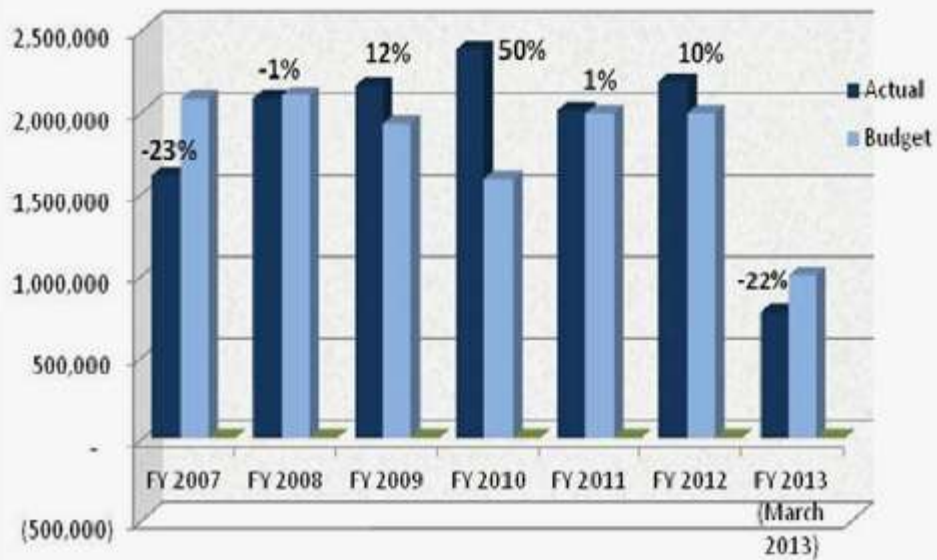
Sector General Account FY13



Kosrae State Government Travel Advance Current and Overdue



Kosrae State Government Revenue Estimates



APPENDIX C6 - RMI STATUS REPORT

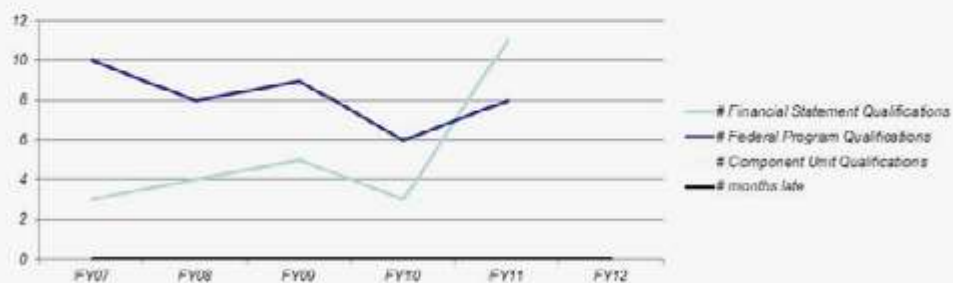
RMI GOVERNMENT

Government Status Update
IGFOA San Francisco
June 2013

FY12 Audit Status

<i>Expected completion date</i>	<i>Any major issues you had to address for the audit</i>	<i>Any expected changes in audit qualifications or findings?</i>
June 30, 2013	<i>Additional personnel Delayed in commencing of F-Y12 Audit</i>	

	FY07	FY08	FY09	FY10	FY11	FY12
# Financial Statement Qualifications	3	4	5	3	11	
# Federal Program Qualifications	10	8	9	6	8	
# Component Unit Qualifications	0	0	0	0	0	
# months late	0	0	0	0	8	



Cash Management Plan Checklist

<i>Document</i>	<i>Completed?</i>	<i>Reference (regulation #, procedure, etc)</i>
<i>Government Cash Policy</i>	<i>In-progress</i>	<i>SOP, FMA, Cash Mgmt</i>
<i>Bank Account Template</i>	<i>Yes</i>	<i>SOP</i>
<i>General Cash Procedures</i>	<i>Yes</i>	<i>SOP, FMA, Cash Mgmt</i>
<i>Treasury State Agreement (territories only)</i>	<i>Not yet completed</i>	
<i>Average Clearance Pattern</i>	<i>In-progress</i>	
<i>Federal Cash drawdown tracking sheet</i>	<i>In-progress</i>	<i>SOP & Fed. Manual Handbook</i>
<i>Federal Cash drawdown procedures</i>	<i>Yes</i>	<i>SOP & Fed. Manual Handbook</i>
<i>Cash Internal Control checklist</i>	<i>Yes</i>	<i>SOP, FMA</i>

APPENDIX C7 - PALAU STATUS REPORT



FY12 Audit Status

Expected completion date	Any major issues you had to address for the audit	Any expected changes in audit qualifications or findings?
August 2013	1) Adjustments that delayed submission of the Trial Balance. 2) Submission of documents supporting TB.	-Finding of Question costs to be lesser than previous year



Cash Management Plan Checklist

Document	Completed?	Reference (regulation #, procedure, etc)
Government Cash Policy	90%	*(Internal Control & Procedures Manual -ROP)To be updated and amended and it is 90% completed. Will be 100% completed in December 2013
Bank Account Template	90%	*Same as above
General Cash Procedures	90%	*Same as above
Average Clearance Pattern	Yes	To be amended to meet the average clearance of target days.
Federal Cash drawdown tracking sheet	Yes	Tracking sheet exist and it is used
Federal Cash drawdown procedures	90%	*Same as above
Cash Internal Control checklist	90%	*Same as above

Performance Measures

Federal Grant Receivable Reconciliation	Timeliness of SF425 federal reports	Comments
What method is used to track federal receivables? - Financial Management Information System (FMIS) 240-P	Does your office have a tracking spreadsheet for SF425 reports due/over due? - Yes	
Are federal receivables recorded in the general ledger? -Yes	Does a manager regularly review to insure reports are timely? -Yes, However it is not really enforced at the moment, therefore we will enforce it within this administration.	
	What are the primary issues that cause reports to be late? 1) Narrative progress reports 2) Outstanding Encumbrances	-In order to improve, finance should periodical or make schedule to meet with agencies in order to stress the importance of timely reporting their grants status -What is practice now is when agency does not meet the requirement we basically deactivate their accounts in FMIS.

Republic of Palau Property Management (RPPM) Physical Inventory Schedule FY2013

MONTH	DAY	MINISTRY
April	15-19	ALL BOARDS AND COMMISSION: FIC, council of chiefs, OERC, EQPB, Ethics, FIB, PEC, PNAA, PNOC, parole board, scholarship board, ppl, sp, public auditor
April	22-26	Pres, vp, judiciary, oek, mos, all offices at Ngerulmud
April	29-30	MCCA
May	1-3	MOF
May	7-10	MOJ
May	13-29	MOH
May-June	30-14	MPHC
June-July	17-3	MOE
July	4-19	MNRET
July-August	22-16	Finalize reconciliation & send out to re-check un-located
August	19-30	Update Inventory Departmental Reply regarding "INI"
September	3-30	Finalize RPPM purchase orders, inventory, etc.
September	30	CLOSING ACTIVITY

Completion of Fixed Asset Inventory FY2012



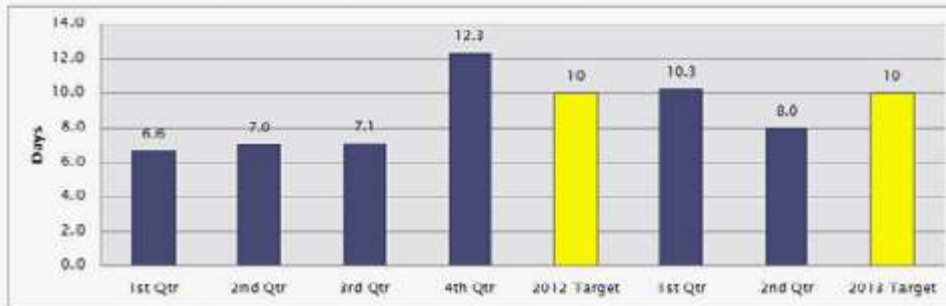
Why is measure important?

-To properly account for the acquisition and disposal of fixed assets.

What will it take to achieve our target?

1) To establish procedures to periodically reconcile fixed assets.

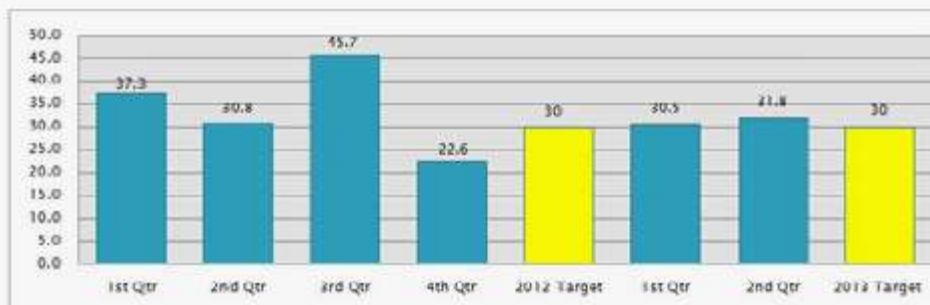
FY 2012
Average Number of Days to Process an Invoice
Federal funds & Other Grants
Target = 10 days from invoice receipt date to check date



Why is measure important? – "This measure indicates whether the government is complying with its federal obligations and local government law. (Our practice require that invoices are paid within 10 days of invoice date or according to contract terms.)

What will it take to achieve our target? – "Continued focus on adherence to established processes, for example 1)emphasize to vendors and departments that invoices should be delivered to the finance office on quickly to ensure timely payment; 2) timely entry of expenditure of transactions and 3)successful employment and implementation of lean government initiatives.

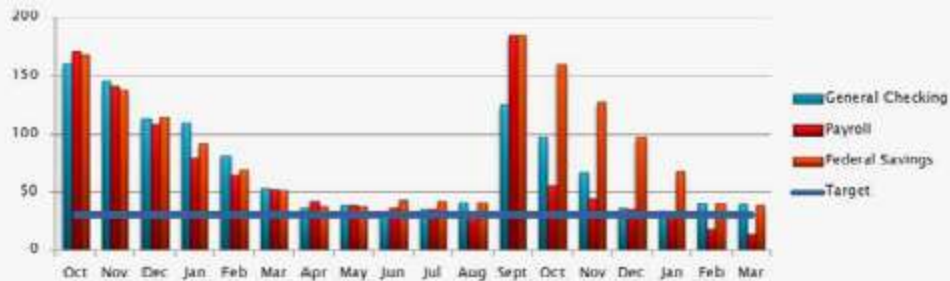
FY2012 through March2013
Average # of days to pay an invoice (all vendors)



Why is measure important? – "This measure indicates whether the government is complying with its federal obligations and local government law. Our practice require that invoices are paid within 30 days of invoice date or according to contract terms; Finance office has adopted a target to pay invoices within 30 days.

What will it take to achieve our target? – "Continued focus on adherence to established processes, for example 1)emphasize to vendors and departments that invoices should be delivered to the finance office on quickly to ensure timely payment; 2) timely entry of expenditure of transactions and 3)successful employment and implementation of lean government initiatives.

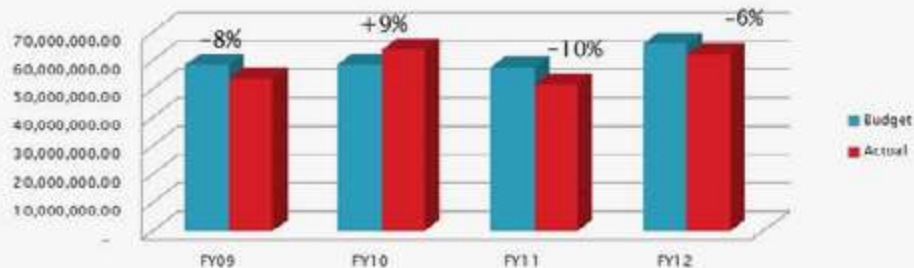
FY2012 to March 2013 Timeliness of Bank Reconciliations Target=30 days after receipt of the Bank Statement



Why is measure important? – Bank Reconciliation is a critical function of Government internal control system to ensure that bank service charges, errors, and other reconciling items are detected and recorded to agree the cash balance per book to bank balance.

What will it take to achieve our target?–Ensure that bank recon is performed on a monthly basis by timely closing the monthly books on the 10th of the month and 100% completion of bank recon by the end of each month.

Actual vs. Budgeted Revenues Target 10% Accuracy Rate



Why is measure important? –to determine the accuracy of revenues for budgeting purpose.

What will it take to achieve our target?

1) To report revenues on monthly basis to the budget office and work with them on meeting the target rate with the government officials.

Travel Advances Current & Overdue



Why is measure important? -To know if the overdue amounts are being collected effectively.

What will it take to achieve our target?

- 1) Strictly enforce Travel Advance Policies on Payroll deduction.
- 2) Reconciling travel advance on a monthly basis.

THANK YOU & SULANG
FOR YOUR ATTENTION!!!



APPENDIX C8 – VIRGIN ISLANDS STATUS REPORT



Performance Measures for FY 2013 (Summary)

TRAVEL ADVANCE COLLECTIONS	BANK RECONCILIATIONS	CASH MANAGEMENT	INVOICE PROCESSING DAYS	REVENUE ESTIMATES	FIXED ASSET INVENTORY
% over 30 days as of 4/30/2013.	Last month completed as of 4/30/2013 for Payroll Account	Cash plan completed?	Able to meet your target?	(Prepare table and graph of estimated vs actual for FY07 through 2 nd qtr FY13)	% inventory completed as of 4/30/2013
See Explanation.	March 2013	Yes	Yes		No information from Property and Procurement.
Expected % over 30 days at 4/30/2013	Last month completed as of 4/30/2013 for general account.	Average clearance pattern calculated?	Able to calculate the # of days?		% expected to be completed at 4/30/2013
See Explanation.	March 2013	Four (4) days	See Table.		No information from Property and Procurement.
Were new procedures initiated after June meeting?	Expected to be current for 4/30/2013	If not, expected completion date	Were new procedures initiated after June meeting?		If not, expected completion date.
No Exploratory assessment currently on the way.	June 2013	N/A	No Updated Current Policy		N/A

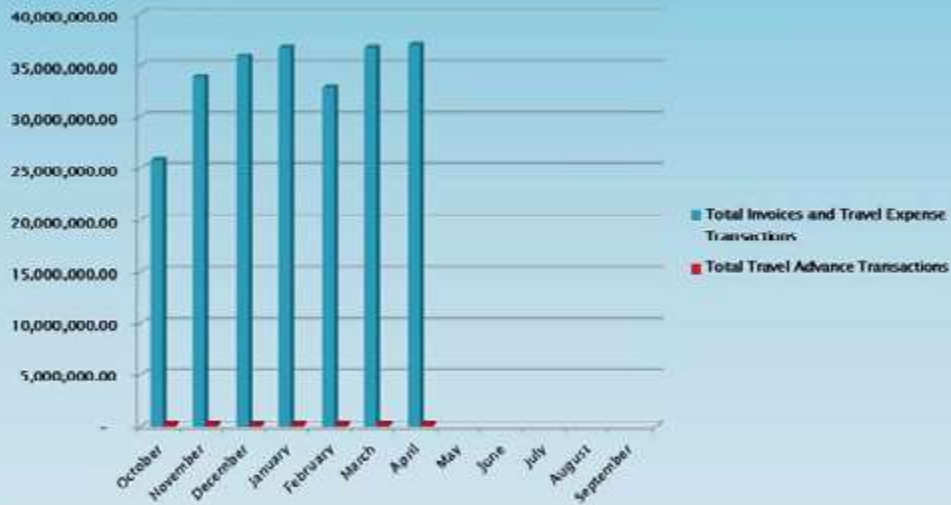
Travel Advances (Current Situation)

- For FY 2013 between October 2012 through April 2013, the Department of Finance processed approximately \$239M of regular invoice (General/Federal Funds) and travel expense transactions, which included \$1.46M in travel expenses and travel advances.
- Without the presence of a Prepaid Travel Expense Account, it is unachievable for the Government of the Virgin Islands to effectively track the reimbursement for travel advances after a predetermined amount of days for business travel.

Travel Expense/Advances (FY 2012 Status)



Travel Expense/Advances - as of April 2013)



Finance Office Performance Measures

5

Cash Management Plan

Fiscal Year 2013 Cash Management Plan

		Y/N*	Completion Date
Current calculation of average clearance pattern?			
General account	11 days		
Payroll account	4 days		
Written cash management plan for federal funds?			
		Y	5/15/2013
Given to the auditors?			
Available for Treasury and Federal Grant staff?		Y	5/15/2013
FY12 Treasury State agreement filed with US Treasury? (flag territories only)			
		Y	5/15/2013

Finance Office Performance Measures

6

Number of days to Process a Requisition and Invoice.

The data was gathered from accumulating information for one week per month, then averaged to represent each quarter of the fiscal year. Targets were not met in the last two respective quarters due to unforeseen circumstances.

	REQUISITION ENTRY DATE	PO CONVERSION DATE	INVOICE DATE	DATE RECEIVED IN FINANCE	CHECK DATE or DATE SENT TO VENDOR	RD - PO DATE = # DAYS TO PROCESS RQ	CHK - INV DATE = # DAYS TO PAY INVOICE
Federal Funds							
Average 1st qtr	10/04/2012	10/10/2012	10/01/2012	10/15/2012	10/17/2012	5 DAYS	2 DAYS
Average 2nd qtr	3/06/2013	3/11/2013	2/23/2013	3/14/2013	3/18/2013	4 DAYS	2 DAYS
Local Funds							
Average 1st qtr	10/08/2012	10/12/2012	9/30/2012	10/16/2012	10/18/2012	5 DAYS	1 DAY
Average 2nd qtr	3/11/2013	3/14/2013	2/28/2013	3/18/2013	3/20/2013	4 DAYS	2 DAYS

Finance Office Performance Measures

7

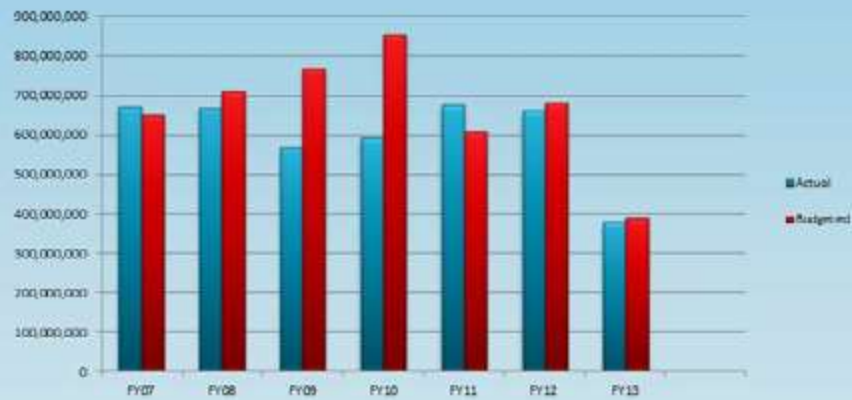
Revenue Estimates vs. Actual

Period	Actual	Amended Budget	Difference	Error rate
FY07	672,329,000	650,546,000	21,783,000	3%
FY08	668,538,000	710,300,000	-41,762,000	-6%
FY09	569,446,000	768,137,000	-198,691,000	-26%
FY10	592,476,839	854,000,000	-261,523,161	-31%
FY11	675,788,506	608,383,000	67,405,506	11%
FY12	661,683,600	682,500,000	-20,816,400	-3%
FY13	379,926,204	388,744,494	-8,818	-2%

Finance Office Performance Measures

8

Revenue Estimates vs. Actual (cont'd.)

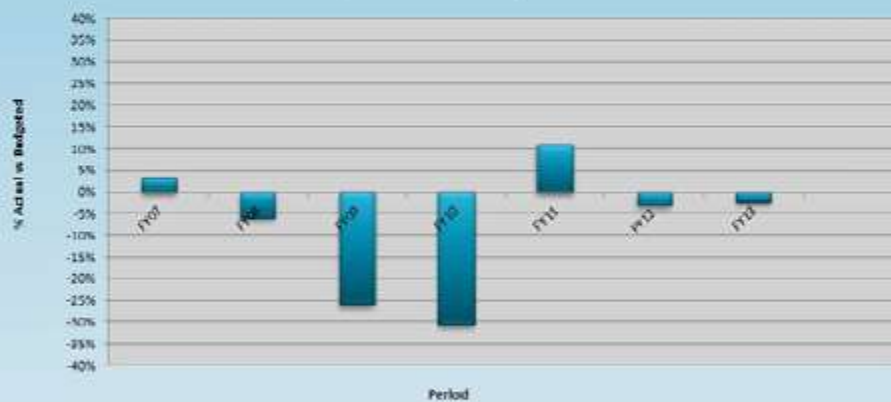


Finance Office Performance Measures

9

Revenue Estimates vs. Actual (cont'd.)

Government of the Virgin Islands
Actual vs Budgeted General Fund Revenues
Target = 5% accuracy



Finance Office Performance Measures

10

Fixed Asset Inventory

- A report on the status of an annual fixed asset inventory has not been communicated to the Department of Finance by the Department of Property & Procurement.
- Calvert stated in June that he would attempt to use the data present on the Fixed Asset Module as a substitute, but he was unable to perform that function due to him needing further verification of the government's CIP projects by the Department of Public Works.
- Calvert continues to be challenged with the accuracy of the data in the Fixed Assets module, because payments are still not always flagged correctly, and CIP projects have not verified.

Government of the Virgin Islands Summary of Targets

Measure	Target
Completion of the fixed asset physical inventory	100% completed by the end of the 1 st Quarter of each fiscal year
Reduction in overdue travel advances	Virgin Islands Gov't does not record travel advances (Prepaid)
Bank Reconciliation	Target - Within 30 days after each month end
% accuracy of the revenue estimates	(none)
Completion of a cash management plan	100% completed within 30 days after each quarter end
# days it takes to process an invoice	2 days from receipt of transaction in workflow queue (internal measure) Within 30 days of invoice date (external measure)
Status of Audit for FY 2011 & FY 2012	Estimated completion date for FY 2011 June 2013 Estimated completion date for FY 2012 - December 2013

Questions???



APPENDIX C9 - YAP STATUS REPORT

YAP STATE GOVERNMENT

Government Status
Update June 2013

FY12 Audit Status

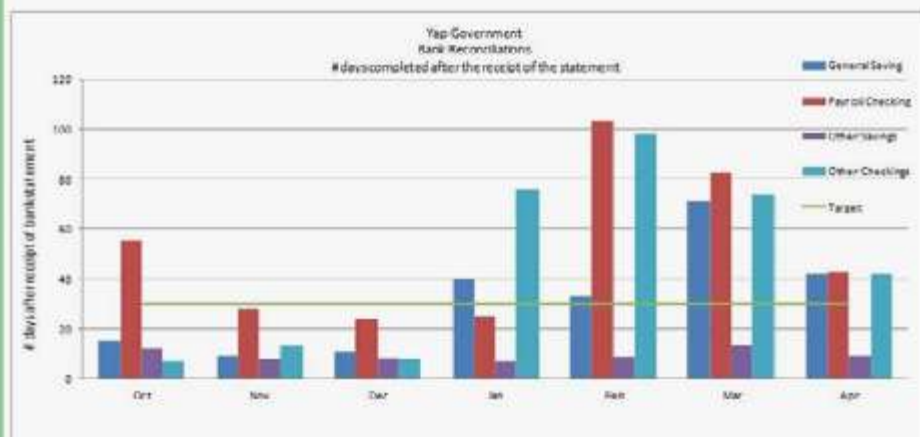
Expected Completion Date	Likely to be Unqualified?	Expected # total findings	Likely # repeat findings	Cumulative Questioned Costs
June 30, 2013	Financial Adverse – lacking two component units' financial statements: GTWA & YFA A-133 Significant Deficiencies	Financial 04 A-133 02	Financial 02 A-133 02	\$822,143



Performance Measures

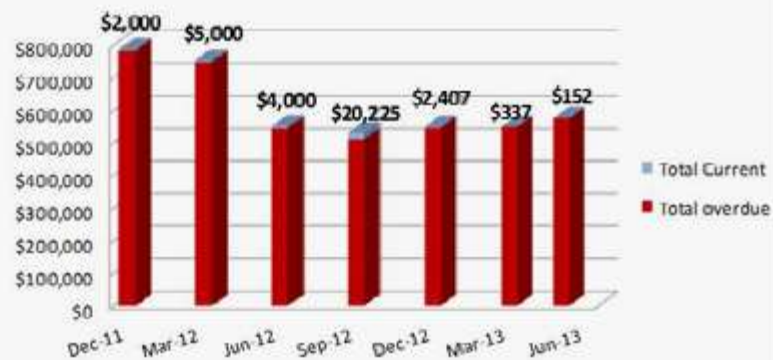
Fixed asset physical inventory	Travel Advance Collections	Bank Reconciliations	Invoice Processing Days
Was the physical inventory completed as of 9-30?	% of travel advances over 90 days as of 5-31-13.	What is the status of your bank reconciliations as of 5/31/13?	How many days does it take to process an invoice (average for FY12 & FY13)?
Physical inventory completed and report distributed in December 2012	90.9%	All accounts for were reconciled for the month of March 2013.	Not measured
Any fixed asset findings on the audit?	How much improvement is this over the % as of the previous year?	Any audit issues related to bank reconciliations?	What is your target # of days?
No.	None	None in the FY12 audit.	Not measured
Does your government have a plan to complete the fixed asset inventory, if not yet completed?	Any new policies or procedures initiated to collect advances?	Any action steps initiated to ensure timely reconciliations?	What does your office do to reduce the time it takes to get an invoice from a department into finance for processing?
Next physical inventory will take place in FY2014	Travel authorization not processed for those with outstanding advances unless payroll allotment commences.	Regular monitoring ensures that staff put in extra effort to stay current on recons.	None specified now.

Bank reconciliations



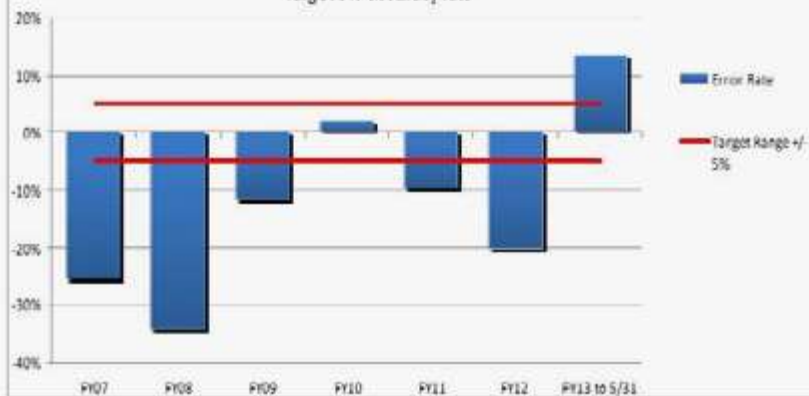
Travel Advances

Yap State
Travel Advances Current and Overdue
Target = 100% current



Actual vs. Estimated Revenues

Actual vs. Estimated Revenues
Target 5% accuracy rate



APPENDIX D - FISCAL MANAGEMENT IN THE CITY OF PALO ALTO, LALO PEREZ

Island Government Finance Officers' Association Annual Meeting

San Francisco, CA

Lalo Perez, CFO

Joe Saccio, Asst. Director, ASD

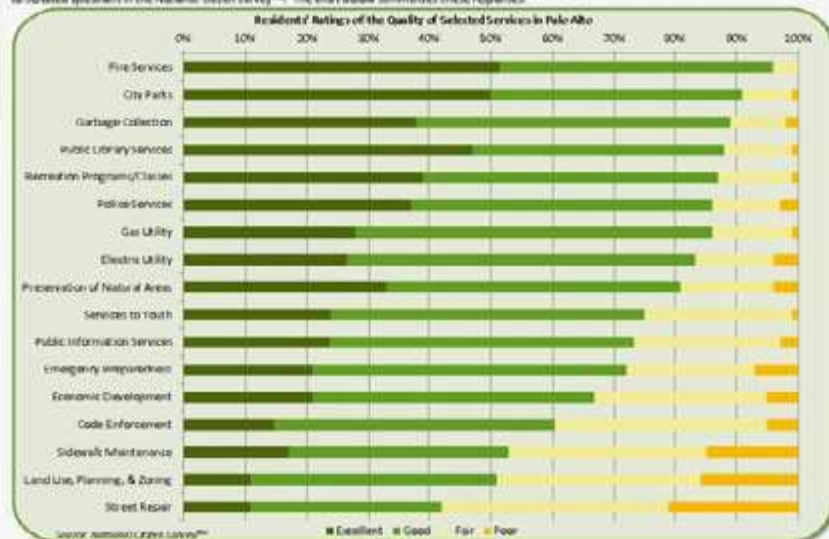
June 1, 2013



Background

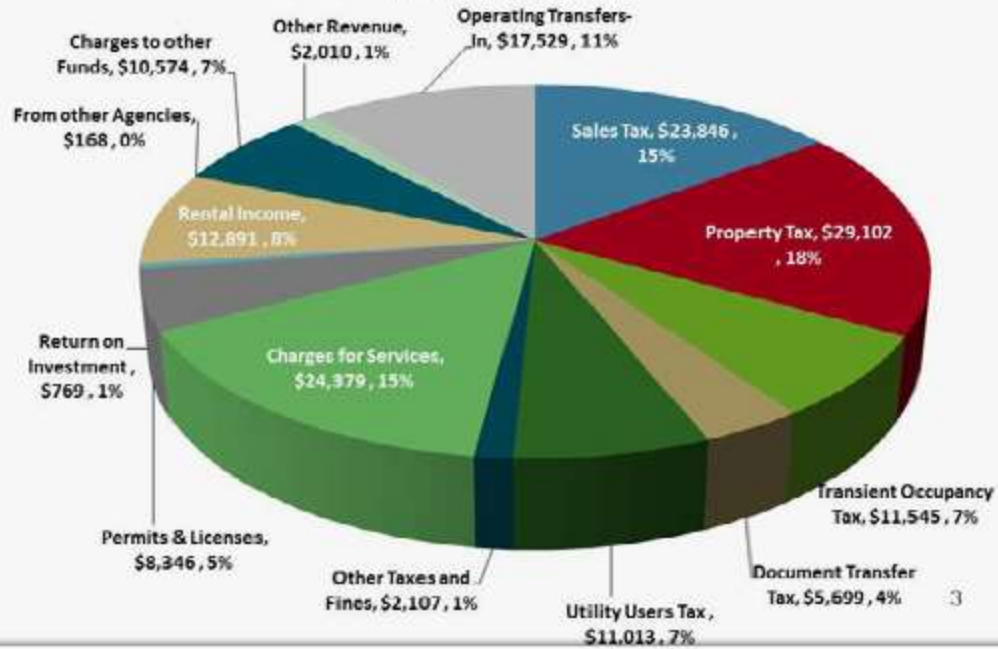
QUALITY OF CITY SERVICES

Residents continue to generally give favorable ratings to the quality of service offered by the City of Palo Alto. This assessment is based upon residents' responses to selected questions in the National Citizen Survey™. The chart below summarizes these responses.

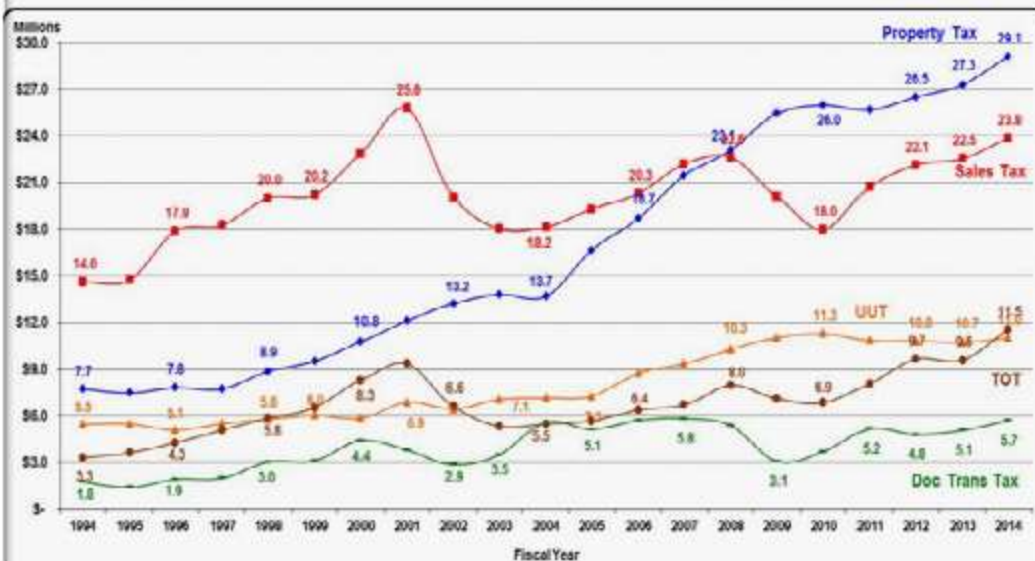


General Fund Revenue by Type

\$160 Million

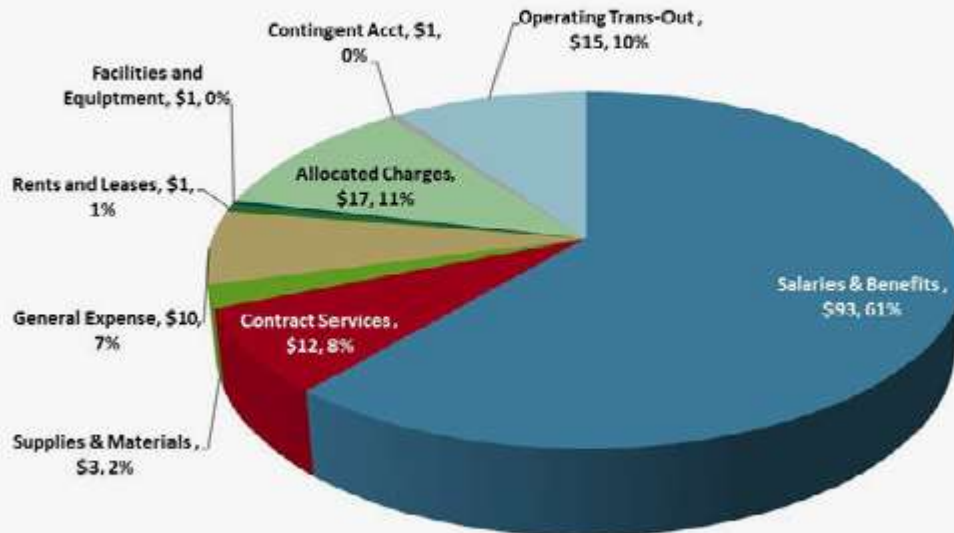


General Fund Major Revenues



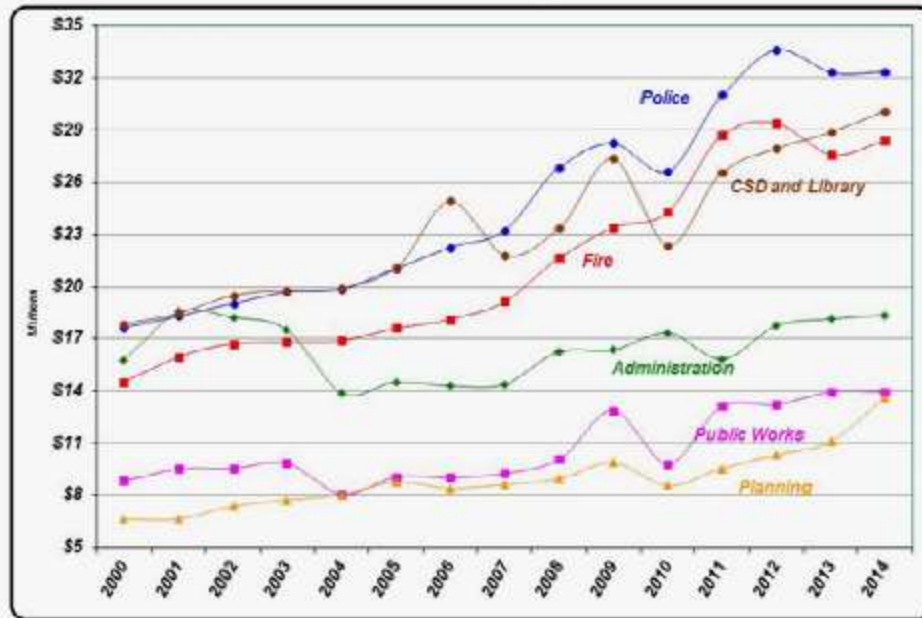
General Fund Expense by Category

\$159.8 Million



5

General Fund Expenditures



6

Citywide Budget Summary (in millions)

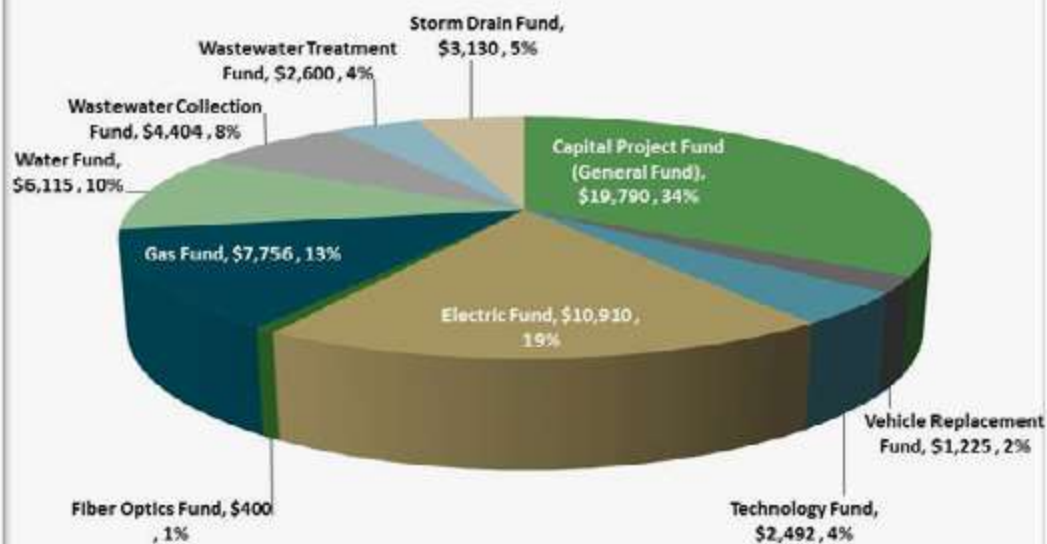
	Operating	Capital	Total	Percent of Total
General Fund	\$159.8	\$18.5	\$178.3	38%
Enterprise Funds	\$263.8	\$23.3	\$287.1	62%
Total	\$423.6	\$41.8	\$465.4	100%

This table does not include Internal Service Fund expense.



7

Capital Projects by Fund \$60 Million



8

Citywide Position Changes

Proposed Operating Budget, pp. 328-346

	<i>GF</i>	<i>ENT</i>	<i>Other*</i>	<i>Total</i>
<i>FY 2013 Adopted FTE</i>	578.06	357.82	78.47	1,014.35
<i>Midyear Changes</i>	1.65	-	(0.65)	1.00
<i>FY 2013 Adjusted FTE's</i>	579.71	357.82	77.82	1,015.35
<i>Reallocations</i>	(1.86)	(6.12)	7.98	-
<i>Eliminations/Adds</i>	(1.05)	1.85	2.20	3.00
<i>Net FY 2014 Proposed Changes</i>	(2.91)	(4.27)	10.18	3.00
 <i>FY 2014 Proposed Budget**</i>	 576.80	 353.55	 88.00	 1,018.35

*Other Funds are Internal Service Funds and the Capital Fund

**Includes 2 Library Frozen FTE

Citywide FTE in FY 2011 was 1,078.50 FTE

9

City Challenges

- Pension and Healthcare Obligations total unfunded liabilities of \$382 million
- Infrastructure Needs well over \$200 million
- Over 108 FTE reduced since 2004 in general services (currently 576 general service and 1,018 citywide FTE) – less staff – equal or higher work levels
- 10 year Long Range Financial Forecast call for budget deficits totaling \$35 million over the last 8 years of the forecast

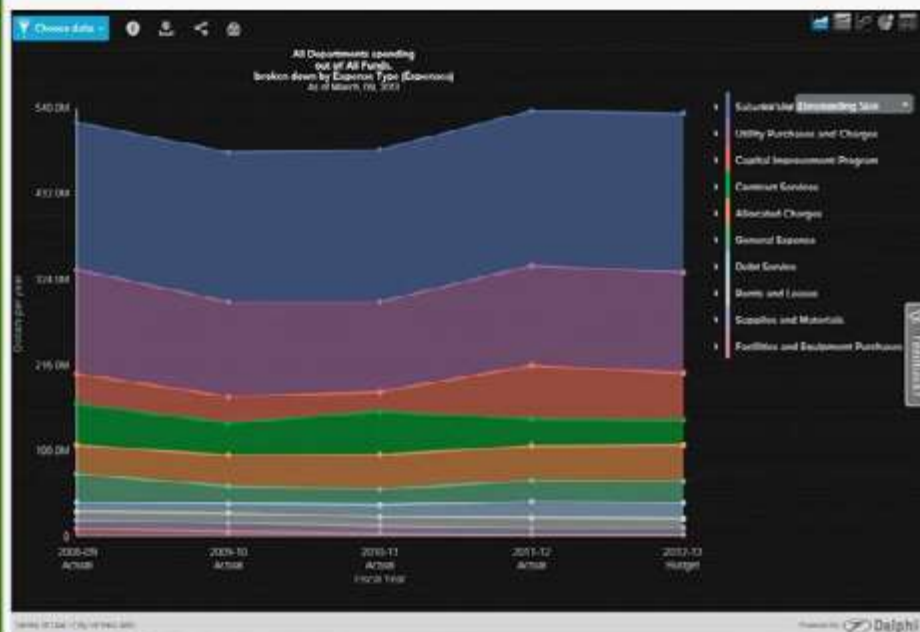


CITY OF
PALO ALTO

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City Operations

- Internal Auditor: annual audits and impacts
- Use of technology: Open Data; Open Budget
- Services Efforts and Accomplishments
- Performance Measures
- Single Audit: recent experience
- 9 Enterprise Funds: Airport, Electric, Gas, Fiber, Refuse, Storm Drain, Water, Wastewater Collection and Waste Water Treatment
- Community Outreach and Engagement



KEY OBJECTIVES

- Fire response time will be within 8 minutes 90% of the time.
- Basic Life Support (BLS) medical response times will be within 8 minutes 90% of the time.
- Advanced Life Support (ALS) response times will be within 12 minutes 90% of the time.

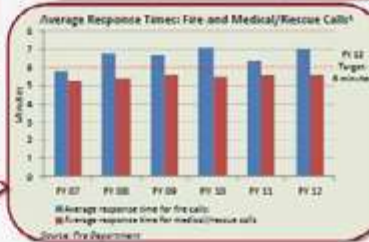
The Fire Department had an average on-duty staffing of 31 during the day and 25 at night. In FY 2012, the Department had 70 line personnel certified as emergency medical technicians (EMT) and 40 certified paramedics. In addition, three EMTs from the Department's Basic Life Support (BLS) transport program provided inter-facility transports and offered a downgrade option to the 511 system.

In FY 2013, the Fire Department met its average response time target for medical/rescue calls but not fire calls.



Footnote:
1. Response time is from receipt of 911 call to arrival on scene; does not include dispatch or travel, not completed incidents, or mutual aid calls.
2. Response time to paramedic calls for service within 12 minutes.

Emergency Response



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DEPARTMENT GOALS

- Ensure the City of Palo Alto's short and long-term financial status is healthy and sound.
- Provide timely and accurate financial transactions.
- Ensure public funds and assets are invested prudently and are well-managed.
- Implement performance management programs to support and enhance communication, accountability, and positive outcomes.

Did You Know?

The City of Palo Alto launched an online "Open Budget" in partnership with Delphi Solutions to provide easy, visual access to the City's budget data for the last five years. The new Open Budget tool can be accessed at:

<http://data.cityofpaloalto.org/openbudget>

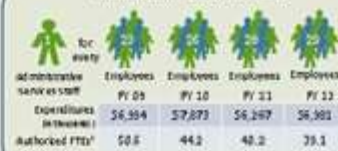
Number of Purchasing Documents Processed and Number of Purchasing Card Transactions



Footnote:
1. FY amounts and spending reported are for the fiscal year as reported by the City.

Administrative Services Department

Administrative Services Spending



Cash and Investments and Rate of Return



CITY OF
PALO ALTO

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Single Audit

- **Issue:** Grant revenue was not properly recorded in revenue accounts in the General Ledger.
- **Cause:** Grant revenue was coded as a credit to an expense account rather than to a revenue account. This reduced the net expense for the project to zero.
- **Results:** Revenues and expenses were understated. SEFA schedule was incomplete. Major program for Single Audit purposes was omitted from the scope of the audit.
- **Corrective Action:** Closer review of project cost balances. Discussion with project manager. Periodic review of credits in expense accounts. Outreach and training for department personnel who administer grants.

Topics

- Cash Management: Goals and Tracking Sources and Uses
- Why CPA has "Idle" Cash
- Investing "Idle" Cash

Cash Flow Management

- Chief objectives of cash management include:
 - Ensuring adequate cash is available to cover outlays
 - Maximizing cash balances to earn interest on idle funds
 - Safeguarding all cash transactions from fraud (external and internal)
- Timing is of the essence in managing cash and achieving goals
 - Know the timing of all major seasonal remittances and cash outflows. In CPA, property and sales tax revenues are paid unevenly during the year. Expenses are mainly driven by biweekly payroll, but commodity payments e.g. water, gas and electric vary significantly throughout the year
 - Use history to guide you, but do not ignore changes or new revenues or expenditures

Cash Flow Management

- Identify and monitor all cash inflow
 - Utilize all sources of information to track incoming cash: e.g., federal government, state and county remittances; bank statements...
 - Palo Alto tracks, on a daily basis, all cash sources: e.g., sales, property, and hotel taxes; utility payments; commercial deposits such as credit card payments; interest earnings; investment maturities; cash received at various transaction sites
 - Capture all sources on a spreadsheet and identify each source separately!

Cash Flow Management

- Identify and Monitor all cash outflow
 - Identify all your sources of information: e.g., payroll reports; ACH transactions such as pension and benefit payments; wires; bank statements; Accounts Payable runs...
 - CPA tracks all costs: e.g., salaries and benefits; contract expenses; commodity payments (electric, gas...); debt service; purchase card expenses...
- Capture all sources on a spreadsheet and identify each source separately!



CITY OF
PALO ALTO

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Cash Flow Management

- Reconcile your spreadsheet of transactions to your bank statement on a daily basis
 - Be aware of 1 day and 2 day floats and reserve sufficient cash to cover expense
- CPA uses a detailed Cash Management Spreadsheet
- There's a bit of art in performing cash management, but rely on the data and trends to guide you



CITY OF
PALO ALTO

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Cash Flow Management

- "Idle" Cash
 - What is it?
 - Why does PA have so much of it - \$441 million as of March 2013?
- Palo Alto owns its utilities
 - Every day we collect monthly payments for water, gas, electric, storm drain, wastewater collection and refuse services providing the City with a steady cash stream
 - These payments plus our tax revenues, fees for services, fines... provide more than adequate cash to cover expenses
- Maximize amount of "idle" cash and maximize it's use

Cash Flow Management

- What to do with "Idle" Cash ?
 - Keep in bank account?
 - Sweep into non-bank, liquid money market holding treasury bills and bonds(e.g., Fidelity Fund)
 - Sweep into pooled accounts such as county or State pools (PA sends excess funds to highly liquid State "Local Agency Investment Fund (LAIF)
 - Invest funds via broker in longer-term securities e.g., certificates of deposit, treasury instruments, agency securities such as Fannie Mae, Federal Home Loan Bank which have federal backing

Cash Flow Management

- When investing cash always abide by following in priority order
 1. Safety
 2. Liquidity
 3. Yield

Cash Flow Management

- Conclusions
 - Cash is king
 - Timing is critical
 - It's all in the details
 - Maximize use of idle cash, but remember that safety of cash is paramount. Once you lose money, it's time to find a new job
- Questions?

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Assistant Director

City of Palo Alto

Administrative Services Department

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Joe.Saccio@cityofpaloalto.org

URL: cityofpaloalto.org/asd














APPENDIX E – PERFORMANCE MEASURES SUMMARY

ISLAND GOVERNMENT FINANCE OFFICERS' ASSOCIATION		
Timely Completion of the FY12 Audit		
Status as of June 2013		
 AMERICAN SAMOA	+	Estimated July 2013
 CNMI	×	Just issued FY11 audit
 FSM: NATIONAL	✓	
 FSM: KOSRAE	✓	
 FSM: POHNPEI	✓	
 FSM: CHUUK	✓	
 FSM: YAP	✓	
 GUAM	✓	
 MARSHALL ISLANDS	+	Estimated July 2013
 PALAU	+	Estimated August 2013
 US VIRGIN ISLANDS	×	FY 11 to be issued June 2013

ISLAND GOVERNMENT FINANCE OFFICERS' ASSOCIATION		
FY11 Unqualified Financial Audit Reports		
Status as of June 2013		
 AMERICAN SAMOA	2 Qualifications	
 CNMI	2 Component Unit Qualifications	
 FSM: NATIONAL	YES	
 FSM: KOSRAE	YES	
 FSM: POHNPEI	YES	
 FSM: CHUUK	1 Qualification	
 FSM: YAP	1 Qualification	
 GUAM	YES	
 MARSHALL ISLANDS	YES	
 PALAU	YES	
 US VIRGIN ISLANDS	NO (not yet issued)	

ISLAND GOVERNMENT FINANCE OFFICERS' ASSOCIATION			
Does the government have a documented, comprehensive cash management plan?			
	December 2012	June 2013	
 AMERICAN SAMOA	+	+	Submitted Treasury State Agreement
 CNMI	?	×	Treasury State agreement late
 FSM: NATIONAL	×	+	Some tracking sheets and procedures completed
 FSM: KOSRAE	×	×	
 FSM: POHNPEI	×	×	
 FSM: CHUUK	×	×	
 FSM: YAP	×	×	
 GUAM	+	✓	Reqmts completed in draft
 MARSHALL ISLANDS	×	+	Some reqmts of the plan not yet completed.
 PALAU	?	✓	Most reqmts completed in draft
 US VIRGIN ISLANDS	+	+	Submitted Treasury State Agreement

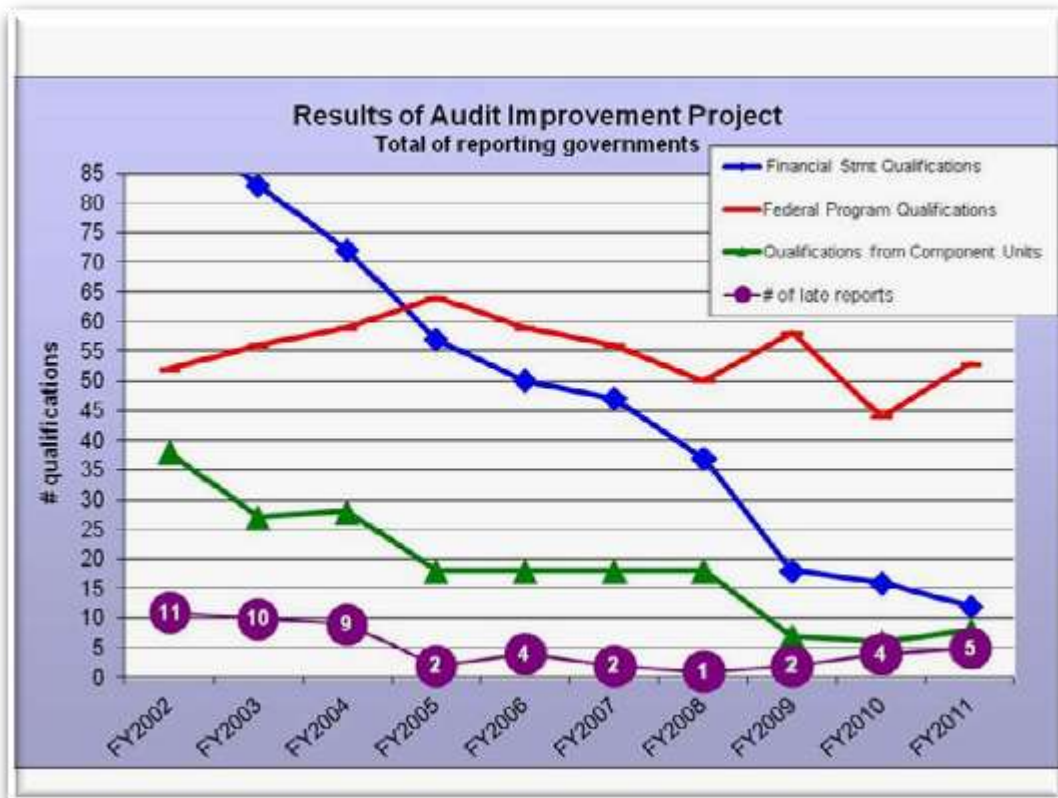
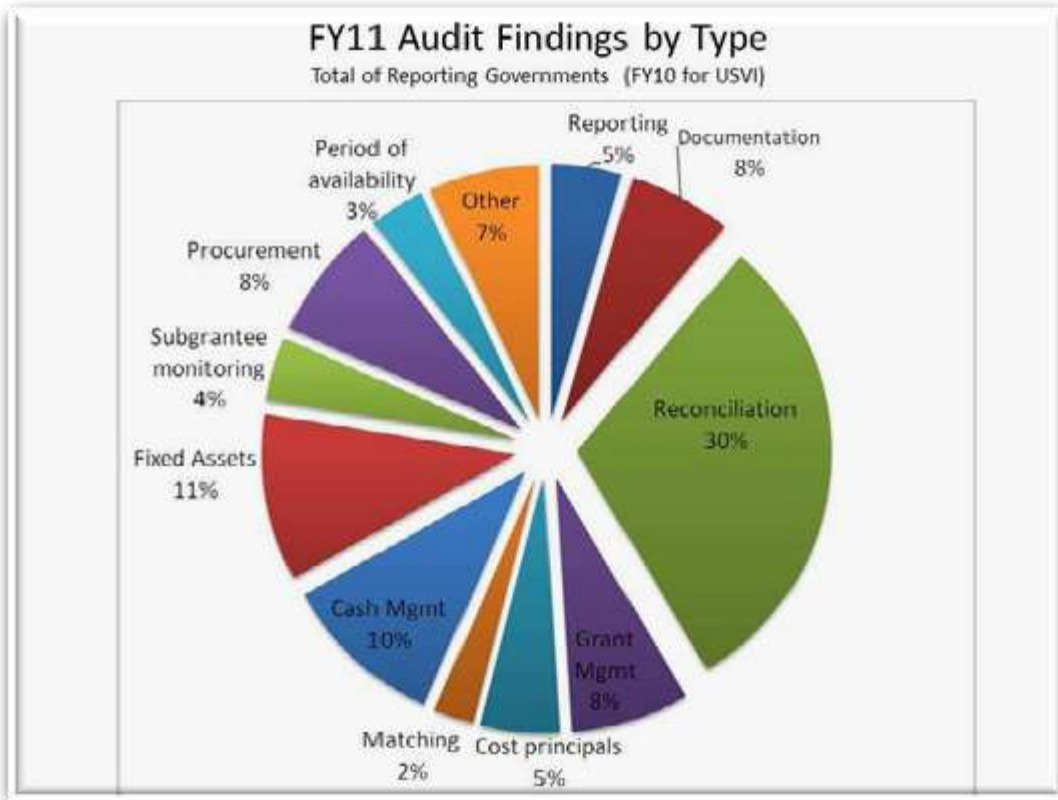
ISLAND GOVERNMENT FINANCE OFFICERS' ASSOCIATION			
Are Travel Advances Collected?			
	% of overdue advances (over 30 days old)		
	December 2012	June 2013	Progress
 AMERICAN SAMOA	Not reported	Not reported	?
 CNMI	Not reported	Not reported	?
 FSM: NATIONAL	87%	76%	↑
 FSM: KOSRAE	53%	80%	↓
 FSM: POHNPEI	84%	Not reported	?
 FSM: CHUUK	41%	Not reported	?
 FSM: YAP	0%	0%	→
 GUAM	88%	73%	↑
 MARSHALL ISLANDS	Not reported	Not reported	?
 PALAU	76%	77%	→
 US VIRGIN ISLANDS	n/a	n/a	n/a

ISLAND GOVERNMENT FINANCE OFFICERS' ASSOCIATION			
Is the fixed asset physical inventory current ?			
	December 2012	June 2013	FY11 Audit Finding?
 AMERICAN SAMOA	YES	YES	Y
 CNMI	NO	NO	Y
 FSM: NATIONAL	80%	YES	Y
 FSM: KOSRAE	YES	Not reported	N
 FSM: POHNPEI	YES	Not reported	Y
 FSM: CHUUK	Partial	Not reported	Y
 FSM: YAP	YES	YES	N
 GUAM	NO	38% completed 100% by November	Y
 MARSHALL ISLANDS	NO	Not reported	Y
 PALAU	Not reported	50% completed, 100% by August	Y
 US VIRGIN ISLANDS	NO	NO	Y (FY09)

ISLAND GOVERNMENT FINANCE OFFICERS' ASSOCIATION		
Are the Major Bank Reconciliations Timely?		
	December 2012	June 2013
 AMERICAN SAMOA	YES	YES
 CNMI	NO	YES
 FSM: NATIONAL	YES	YES
 FSM: KOSRAE	YES	YES-Sector acct
 FSM: POHNPEI	YES	Not reported
 FSM: CHUUK	YES	Not reported
 FSM: YAP	YES	Very close
 GUAM	YES	YES
 MARSHALL ISLANDS	All but adjustments	Not reported
 PALAU	NO	YES
 US VIRGIN ISLANDS	Very close	YES

ISLAND GOVERNMENT FINANCE OFFICERS' ASSOCIATION		
# days to process an invoice paid with federal funds		
	December 2012	June 2013
 AMERICAN SAMOA	3-5 days	<i>Not reported</i>
 CNMI	35 days	21 days
 FSM: NATIONAL <small>All funds</small>	14 days	13 days
 FSM: KOSRAE	<i>Not reported</i>	<i>Not reported</i>
 FSM: POHNPEI	30 days	<i>Not reported</i>
 FSM: CHUUK	<i>Not reported</i>	<i>Not reported</i>
 FSM: YAP	<i>Not reported</i>	<i>Not reported</i>
 GUAM	1.67 days	5 days
 MARSHALL ISLANDS	14 days	<i>Not reported</i>
 PALAU	12.3 days	10 days
 US VIRGIN ISLANDS <small>Internal process only</small>	4 days	2 days

APPENDIX F – AUDIT FINDINGS BY TYPE



APPENDIX G – RAPPORTEUR NOTES

RAPPORTEUR NOTES ON FEDERAL GRANTS COORDINATION PANEL, REPORT-OUTS FROM SMALL GROUP ACTIVITIES

Opportunities

- Use of technology to minimize abuse in procurement
- Development of programs to attract and retain talent, or to grow and nurture the local talent
- GPS tracking for assets acquired to minimize abuse (location)
- Harmonization of program management, finance and treasury for accurate quarterly reporting
- A Uniform standard payment approach for off-island vendors
- Access to information about program activity should be shared between departments and divisions
- Familiarization with Omnibus Territory Act (OTA) at government-wide level
- Appointment of an “audit liaison officer” to coordinate single audit issues.

Challenges

- Various regulations for procurement among states and federal agencies
- Limited materials required by Feds, limited vendors available on-island
- Action taken not documented
- Feds require price quotes; islands don't have since using general funds
- No response to RFPs put out in islands
- No documentation of price quotes and bids; no documentation of who asked for bids
- Procurement biggest issue in abuse of funds from federal agencies
- Finding people to run procurement offices and make sure that effective controls are in place
- Recruiting, training procurement staff and retaining them through changes in administration
- Deviation from policies
- Off-island purchases and need to plan ahead within the period of performance
- Unscrupulous vendors
- Inventory documentation: procurement, not just purchases: where do they go?
- Financial statement audits, need to develop registry systems

- Program rules (feds) complex—prior approval requirements
- Complexity comes from Congress
- Marrying costs with activities in program
- Communication to Treasury and finance from program
- Ideally finance needs program to report quarterly on expenditures
- Reconciliation of program with finance system report
- Program people report to the feds separately from the finance people
- Proof of extensions to the next reporting period—must be documented
- Shipping issues—payment terms
- Appointment periods not in line with personnel or period of the grant
- Program people are unclear of grant expiration date
- If program people report directly to feds, Finance doesn't have access
- Finance unsure if reports are submitted on time
- Multiple departments involved in tracking audits on islands
- Acting and grants management skills lacking among grantees
- Expertise in managing subcontractors and consultants
- Hard for program people to see the big picture—why tracking funds are important
- Auditors that are avoided by program people
- No Association of Financial Managers to insure program managers communicate
- Timely and accurate exchange of information between finance officers and program agencies
- Enforcement of process of accounting and reporting: stop findings before they occur in audits
- Assignment of accountability for responsibilities
- Staying current on audits
- New financial management systems & audit firms
- Reduction in force—effects of brain drain

GROUP REPORT-OUTS

[Group 1] PROCUREMENT

- No additional procurement requirements, but if they did it would be communicated through the grant terms and conditions.
- See CFR
- Checklist of requirements especially with sole source
- Currently drafting policies and procedures for procurement offices
- Finance offices should be asking for prior approval.

[Group 2]

- 3-way communication between the grantor, grantee, and finance offices
- Accountability
 - ◆ Grantee to monitor their program management
 - ◆ Share reports to finance offices
 - ◆ Reconcile with finance offices
- Hire right personnel and people; provide training
- Fund management system (software)
- Drawdown policies

[Group 3]

- Aligning dollars and risk with reporting responsibilities
- Control tools: Users agency reconciliation has been a separate topic
- Communication: process and training
- Association of (on-island) finance managers and controllers, to share ideas about how to help each other with reporting.
- Issue of “penalty of law”

[Group 4] AUDIT FINDINGS

- [Program-specific audits] Island finance is not included in audits until after audit is issued
- Finance would like to be involved prior to audit issuance
- If not, then would like to be provided audit during the audit resolution process

APPENDIX H – GASB UPDATES

GASB Update: Government Financial Reporting Landscape Continues to Change

IGFOA Conference 2013

Presented by Frank Crawford, CPA
President, Crawford & Associates, P.C.

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[@fcrawfordcpa](https://twitter.com/fcrawfordcpa) (twitter)



Overview

- ▶ ***Recent and imminent pronouncements***
 - *Statement 60 on Service Concession Arrangements*
 - *Statement 61 on The Financial Reporting Entity*
 - *Statement 62 on FASB and AICPA Pre-1989 Cod.*
 - *Statement 63 on Statement of Net Position*
 - *Statement 65 on the "project formerly known as deferrals" (think Prince)*
 - *Statement 66 on Technical Corrections*
 - *Statements 67 & 68 on Pensions*
 - *Statement 69 on Government Combinations*
 - *Statement 70 on Nonexchange Financial Guarantees*
- ▶ ***Forthcoming Exposure Drafts***
 - *Fair Value Measurement and Application*
 - *Conceptual Framework: Measurement Approaches*



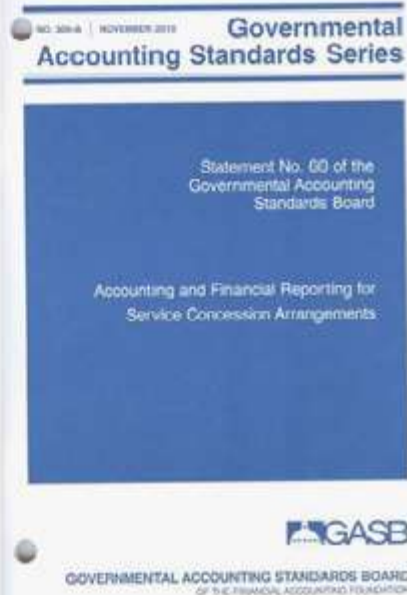
Effective Dates

- ▶ December 31, 2012
 - Statement 60—Accounting and Financial Reporting for Service Concession Arrangements
 - Statement 62—Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements
 - Statement 63—Reporting Deferred Outflows, Deferred Inflows and Net Position
- ▶ June 30, 2013
 - Statement 61—The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)
- ▶ December 31, 2013
 - Statement 65—Items Previously Reported as Assets and Liabilities
 - Statement 66—Technical Corrections—2012, an amendment of GASB Statements No. 10 and No. 62
- ▶ June 30, 2014
 - Statement 67—Financial Reporting for Pension Plans
 - Statement 70—Financial Guarantees
- ▶ December 31, 2014
 - Statement 69—Government Combinations and Disposals of Government Operations
- ▶ June 30, 2015
 - Statement 68—Accounting and Financial Reporting for Pensions



3

GASB Statement 60— Service Concession Arrangements Issued November 2010



4

Service Concession Arrangements

- ▶ Statement addresses service concession arrangements (SCAs)
- ▶ SCAs are a *type* of public-private or public-public partnership
- ▶ The term public-private partnership is used to refer to a variety of:
 - Service arrangements (outsourcing a service)
 - Management arrangements (outsourcing mgmt)
 - SCAs (last type before being a privatization)



5

Accounting and Financial Reporting For Service Concession Arrangements

What is a service concession arrangement?

- Public-private or public-public partnership
- An arrangement between a transferor (a government) and an operator (governmental or nongovernmental) in which:
 - 1) the transferor conveys to an operator the right and related obligation to provide public services through the operation of a capital asset in exchange for significant consideration, such as an up-front payment, installment payments, a new facility (constructed by the operator), or improvements to an existing facility
 - 2) the operator collects and is compensated by fees from third parties



6

Accounting and Financial Reporting For Service Concession Arrangements

What is a service concession arrangement? (continued)

•An arrangement between a transferor (a government) and an operator (governmental or nongovernmental) in which:

- 3) the transferor is entitled to significant interest in the service utility of the facility at the end of the arrangement (a residual interest)
- 4) The transferor determines or has the ability to modify or approve:
 - What services the operator is required to provide
 - To whom the operator is required to provide the services
 - The prices or rates that can be charged for the services



7

Examples of SCA's

- ▶ Toll roads
- ▶ Airports
- ▶ Hospitals
- ▶ Prisons
- ▶ City swimming pools
- ▶ Golf courses
- ▶ College and university bookstores and/or cafeterias
- ▶ Sanitation services



8

Benefits of SCAs

- ▶ May provide government with the ability to leverage existing infrastructure and other public assets to generate additional resources in the form of up-front payments from the operator for the right to operate such assets
- ▶ May be used to facilitate construction and financing of new infrastructure and other public assets and transfer the risks associated with their construction and maintenance to a private entity
- ▶ May be used to provide services to the general populace in a more efficient and cost-effective manner



9

Statement No. 60

- ▶ Effective Date
 - Effective for financial statements for periods beginning after December 15, 2011
 - Earlier application is encouraged
 - The provisions generally would be required to be applied retroactively for all prior periods presented.



10

C.U. at the OK61 CORRAL Implementing GASB 61 – The Financial Reporting Entity



11

GASB 61 – Reminder - When do we have to implement?

- ▶ High Noon is Fast Approaching

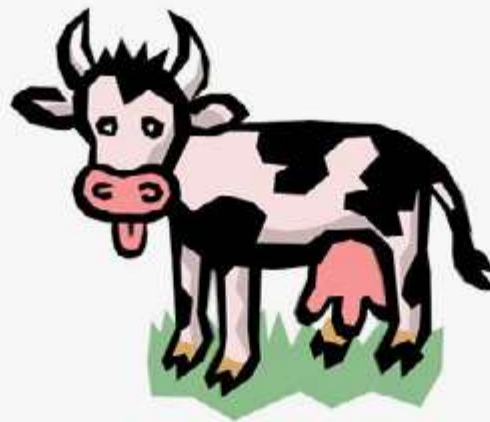


- ▶ Effective for Periods beginning after June 15, 2012
(FYE 6-30-13 or 9-30-13)



12

Here is a close up of that cow, just in case you were wanting to see more of it...



13

GASB 61 - Overview

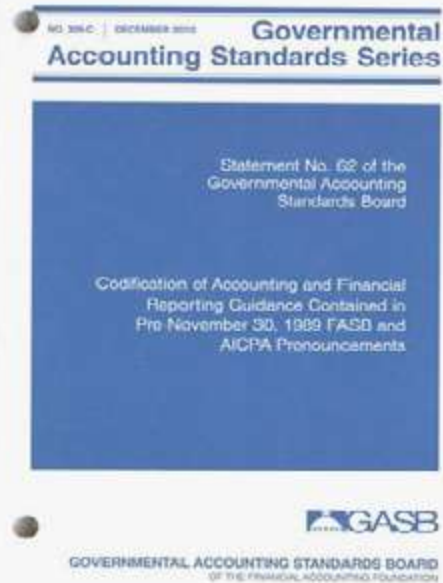
Areas with the most impact:

- ▶ When to include an entity as a component unit;
- ▶ How to report an entity that has been determined to be a component unit (blending v. discretely presenting);
 - With special rules for Special Purpose Governments engaged only in business-type activities;
- ▶ The accounting of equity interests in legally separate organizations;
- ▶ A note about note disclosures
- ▶ The reporting of Major component units



14

Statement 62 –
FASB and AICPA
Pre-1989 Cod.
Issued
December 2010



15

Codification of Pre-November 30, 1989 FASB and AICPA Pronouncements

Overview of the Project:

- ▶ Since FASB introduced its codification, its original pronouncements are nonauthoritative
- ▶ Paragraph 17 of Statement 34 requires application of pre-November 30, 1989, FASB pronouncements, unless they conflict with or contradict GASB pronouncements

16

Scope and Applicability

- ▶ Applies to accounting and financial reporting for governmental activities, business-type activities, and proprietary funds
- ▶ Statement 20 is superseded
 - All applicable pre-November 30, 1989 FASB and AICPA pronouncements are contained in the GASB's codification
 - All potentially applicable post-November 30, 1989 non-GASB standards would be "other accounting literature"
 - Can be adopted as long as not considered conflicting with GASB Statements



17

Effective Date

- ▶ Effective for financial statements for periods beginning after December 15, 2011
- ▶ Earlier application is encouraged
- ▶ Accounting changes adopted to conform with the provisions of the Statement should be applied retroactively by restating financial statements, if practical, for all prior periods presented.



18

GASB 63 and 65:
The GASB Projects Formerly Known as
"Deferrals"(think Prince...)



18

GASB Statement 63 – Reporting
Deferred Outflows, Deferred Inflows
and Net Position



20

Background

- Initiated in May 2010
- Concepts Statement 4 identifies 5 elements that make up a statement of financial position:
 - Assets
 - Liabilities
 - Deferred outflows of resources
 - Deferred inflows of resources
 - Net *position*
- Differs from composition required by Statement 34, assets, liabilities and net assets



21

Definitions

- Deferred outflows of resources
 - A consumption of net assets by the government that is applicable to a future reporting period
 - Has a positive effect on net position, similar to assets
- Deferred inflows of resources
 - An acquisition of net assets by the government that is applicable to a future reporting period
 - Has a negative effect on net position, similar to liabilities
- Net position
 - The residual of all elements presented in a statement of financial position
 - = assets + deferred outflows – liabilities – deferred inflows



22

Display Requirements

- ▶ Deferred outflows should be reported in a separate section following assets
- ▶ Deferred inflows should be reported in a separate section following liabilities
- ▶ Net position components resemble net asset components under Statement 34, but include the effects of deferred outflows and deferred inflows
 - Net investment in capital assets
 - Restricted
 - Unrestricted
- ▶ Governmental funds will still continue to report fund balance, but will use the new elements when applicable



28

Sample City
Statement of Net Position
December 31, 20X3

	Primary Government			
	Governmental Activities	Business- Type Activities	Total	Component
ASSETS				
Cash and cash equivalents	\$11,712,820	\$10,516,820	\$22,229,640	\$209,938
Investments	28,250,291	64,370	28,314,661	7,428,892
Derivatives instruments used to hedge	1,040,482	-	1,040,482	-
Receivables (net)	11,707,850	1,800,815	13,508,665	4,047,760
Internal balances	313,768	(313,768)	-	-
Investment in joint ventures	322,140	128,676	450,816	83,407
Capital assets:	2,309,256	-	2,309,256	-
Land, improvements, and construction in progress	28,435,025	6,408,159	34,843,184	751,238
Other capital assets, net of depreciation	141,587,735	110,880,000	252,467,735	3,689,547
Total capital assets	170,022,760	117,288,159	287,310,919	37,440,786
Total assets	226,158,195	171,392,607	397,550,802	49,603,660
DEFERRED OUTFLOWS OF RESOURCES				
Accumulated decrease in fair value of hedging derivatives	-	127,520	127,520	-
LIABILITIES				
Accounts payable and accrued expenses	7,236,243	699,292	7,935,535	1,803,332
Accounts receivable (from vendors)	1,433,599	-	1,433,599	38,911
Forward contract	-	127,520	127,520	-
Long-term liabilities:				
Due within 1 year	9,256,000	4,426,268	13,682,268	1,426,450
Due in more than 1 year	87,302,378	24,487,373	111,789,751	27,166,531
Total liabilities	96,994,220	29,612,833	126,607,053	29,622,832
DEFERRED INFLOWS OF RESOURCES				
Accumulated increase in fair value of hedging derivatives	1,040,482	-	1,040,482	-
Deferred service concession arrangement receipts	-	4,467,536	4,467,536	-
Total deferred inflows of resources	1,040,482	4,467,536	5,508,018	-
NET POSITION				
Net investment in capital assets	100,711,288	70,882,574	171,593,862	15,006,202
Restricted for:				
Transportation and public works	10,855,737	-	10,855,737	-
Debt service	3,970,829	1,431,996	5,402,825	-
Historic and community redevelopment	6,545,629	-	6,545,629	-
Other purposes	1,433,599	-	1,433,599	492,445
Unrestricted (deficit)	(4,567,385)	8,314,410	3,747,025	2,838,760
Total net position	\$124,206,182	\$80,638,980	\$204,845,162	\$19,137,407



29

Disclosures

- ▶ Provide details of different types of deferred amounts if components of the total deferred amounts are obscured by aggregation on the face of the statements
- ▶ If the amount reported for a component of net position is significantly affected by the difference between deferred inflows or outflows and their related assets or liabilities—provide an explanation in the notes



25

Current and Future Standards with Deferred Outflows/Inflows

- ▶ **CURRENT:**
 - Statement 53 – Accounting and Financial Reporting for Derivative Instruments
 - Statement 60 – Service Concession Arrangements (this year)
- ▶ **FUTURE:**
 - Statement 65 (the deferrals, think Prince thing)
 - Statements 67 and 68 - Pension Plans – (Plan and Employer)
 - Statement 69 (Government combinations)



26

Effective Date

- ▶ Effective for financial statements for periods beginning after December 15, 2011
- ▶ Earlier application is encouraged
- ▶ Accounting changes adopted to conform to the provisions of this Statement should be applied retroactively by reclassifying the statement of net position and balance sheet information for all periods presented
- ▶ In the first year, you should disclose the nature and effect of any reclassifications
- ▶ If you don't reclassify this information for the prior periods presented, you should disclose why



27

***GASB Statement 65 - Items
Previously Recognized as Assets
and Liabilities that may now be
recognized as something else, or
they may not be***

I liked the “Prince” title better...



28

How about either of these...?



29

Project Approach

- ▶ Review balances to see if they meet the definition of an asset or a liability as defined in Concepts Statement 4
- ▶ If not, do they meet the definition of a deferred outflow or deferred inflow of resources
- ▶ Concepts Statement 4 provides that recognition of a deferred inflow or outflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after due process



30

Project Approach

- Statement 53—requires the reporting of a deferred outflow or inflow of resources for the changes in fair value of hedging derivative instruments.
- Statement 60—requires the reporting of a deferred inflow of resources by a transferor government in a qualifying service concession arrangement.
- ▶ This statement amends the financial reporting elements previously classified as assets and liabilities to be consistent with the definitions in Concepts Statement 4.



31

Definitions you haven't seen yet

▶ **Assets**

-Resources with present service capacity that the government presently controls

▶ **Outflow of resources (expenses)**

-A consumption of net assets by the government that is applicable to the reporting period

▶ **Liabilities**

-Present obligations to sacrifice resources that the government has little or no discretion to avoid

▶ **Inflow of resources (revenues)**

-An acquisition of net assets by the government that is applicable to the reporting period



32

Some Items That Retain the Classification as an Asset

- Prepayments
- Grants paid in advance of meeting eligibility requirements (other than timing)
- Rights to future revenues acquired from outside the reporting entity
- “Regulatory” assets (capitalized incurred costs)
- Pension asset (Plan net assets exceed total liabilities)



23

Some transactions in which the resulting item should be reported as a deferred outflow of resources (currently classified as assets)

- Grant paid in advance of meeting timing requirement
- Deferred amounts from the refunding of debt (debits)
- Costs to acquire rights to future revenues (intra-entity)
- Deferred loss from sale-leaseback



34

Some transactions in which the resulting item should be reported as an outflow of resources (currently classified as assets)

- Debt issuance costs (other than insurance)
- Initial direct costs incurred by the lessor for operating leases
- Acquisition costs for risk pools
- Loan origination costs



35

Some Items That Retain the Classification as a Liability

- Resources received in advance of an exchange transaction
- Derived tax revenue received in advance (income tax, bgrt)
- Premium revenues (risk pools)
- Grants received in advance of meeting eligibility requirements (other than timing)
- Refunds imposed by a regulator



36

**Some transactions in which the resulting item should be reported
as a deferred inflow of resources
(currently classified as liabilities)**

- Grants received in advance of meeting timing requirement
- Other taxes (involuntary nonexchange) received in advance (prop. taxes)
- Deferred amounts from refunding of debt (credits)
- Proceeds from sales of future revenues
- Deferred gain from sale-leaseback
- "Regulatory" credits (gains or other reductions)
- "Unavailable" revenue in governmental funds



37

**Some transactions in which the resulting item should be
recognized as an inflow of resources
(currently classified as liabilities)**

- Loan origination fees (excluding points)
- Commitment fees (after exercise or expiration)



38

Effective Date

- ▶ Effective for financial statements for periods beginning after December 15, 2012
- ▶ Earlier application is encouraged
- ▶ Accounting changes adopted to conform to the provisions of this Statement should be applied retroactively by restating financial statements, if practical, for all periods presented



39

Governmental Accounting Standards Series



GOVERNMENTAL ACCOUNTING STANDARDS BOARD
OF THE NATIONAL ACCOUNTING FOUNDATION

Statement 67
Financial Reporting for Pension
Plans



Governmental Accounting Standards Series



GOVERNMENTAL ACCOUNTING STANDARDS BOARD
OF THE NATIONAL ACCOUNTING FOUNDATION

Statement 68
Accounting and Financial
Reporting for Pensions

40

*Statement No. 68, Accounting and
Financial Reporting for Pensions*

an amendment of GASB Statement No. 27



41

The Big Changes

- ▶ Portion of the total pension liability not covered by plan assets will be recognized as a liability—the *net pension liability* (NPL)
- ▶ Discounting using the long-term expected rate of return will be limited to the extent that assets are expected to be available to cover future benefit payments
- ▶ One required approach to cost allocation—entry age, as a level percentage of payroll—rather than 12 options



42

Highlights

- ▶ Scope limited to pensions provided through trusts that meet certain criteria
- ▶ Revises recognition, measurement, disclosure requirements for all employers
 - Liability
 - Measured net of pension plan's fiduciary net position
 - Fully recognized in accrual-basis financial statements
 - Changes in the liability
 - Some recognized as expense in the period of the change
 - Others recognized as deferred outflows/inflows of resources with expense recognized over defined future periods
- ▶ Effective for FYs beginning after June 15, 2014



43

Scope & applicability

- ▶ Defined benefit and defined contribution pensions provided through trusts that meet the following criteria:
 - Employer/nonemployer contributions irrevocable
 - Plan assets dedicated to providing pensions
 - Plan assets legally protected from creditors
- ▶ Excludes all OPEB
- ▶ Applies to employers and nonemployer contributing entities that have a legal obligation to make contributions directly to a pension plan
 - Special funding situations
 - Other circumstances



44

Defined benefit pensions

- Liabilities to the pension plan (payables)
- Liabilities to employees for pensions
 - “Net pension liability” (NPL)
 - Total pension liability (TPL), net of pension plan’s fiduciary net position
 - TPL = actuarial present value of projected benefit payments attributed to past periods
 - Fiduciary net position as measured by pension plan
 - Single/agent employers recognize 100 percent of NPL
 - Cost-sharing employers recognize proportionate shares of collective NPL



45

Defined contribution pensions

- Pension expense for amounts defined by benefit terms as attributable to the reporting period
 - Net of forfeited amounts removed from employee accounts
- Liability for difference between pension expense and contributions
- Note disclosures
 - Descriptive information about plan, benefit terms, contribution rates, amount of expense, amount of forfeitures, amount of liability
- Nonemployer contributing entities with legal requirements to contribute directly to pension plan also addressed



46

Effective date and transition

- ▶ Fiscal years beginning after June 15, 2014
- ▶ Beginning deferred outflows/deferred inflows of resources balances all or nothing at initial implementation
- ▶ RSI schedules prospective if information not initially available



47

Statement No. 67, Financial Reporting for Pension Plans

an amendment of GASB Statement No. 25



48

Highlights

- ▶ Scope limited to defined benefit and defined contribution pension plans administered through trusts that meet certain criteria (same as criteria in Statement 68)
- ▶ Few changes from Statement 25 for financial statement recognition
- ▶ Notes/RSI changes primarily to reflect changes in measurement of liabilities of employers



49

Highlights (cont.)

- ▶ Notable changes in note disclosures/RSI
 - Annual money-weighted rate of return (10 years in RSI)
 - RSI for single-employer and cost-sharing pension plans (10 years):
 - Schedule of changes in NPL by source
 - Components of NPL/related ratios
 - Schedule of actuarially determined contributions
 - Aggregated employer-related information not required for agent pension plans
- ▶ Effective for FYs beginning after June 15, 2013
- ▶ RSI schedules prospective (except for contribution schedule, if presented), if information not initially available



50

Looking ahead



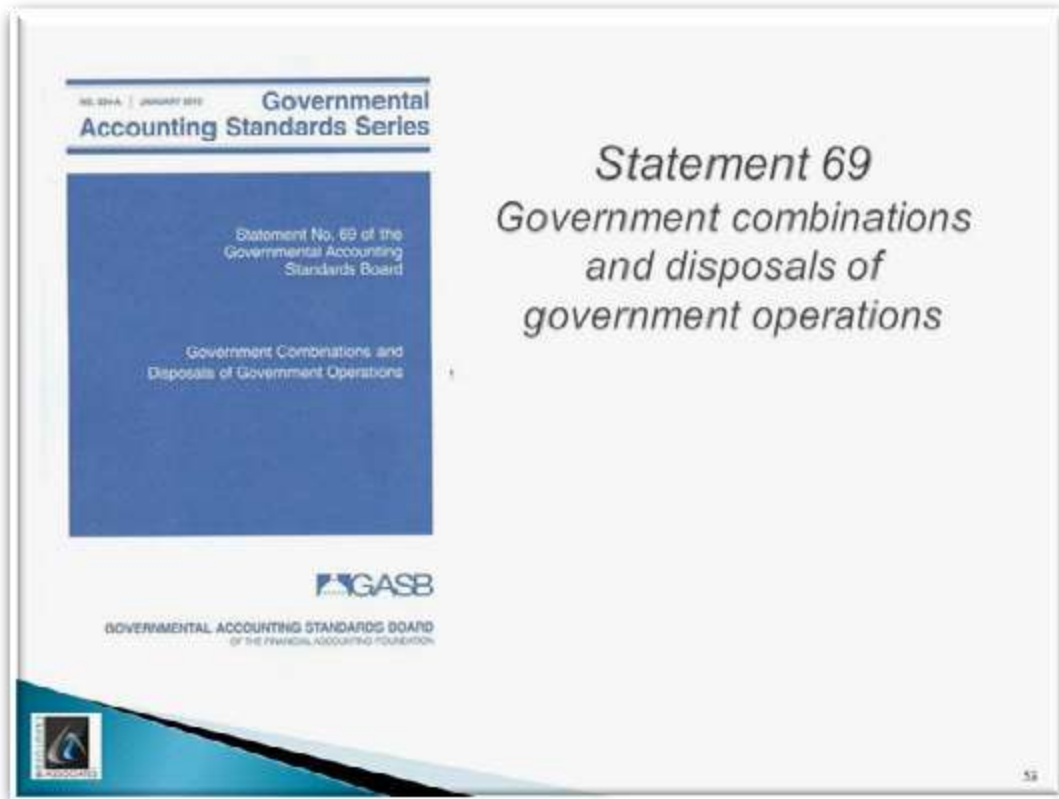
51

2013 and beyond

- ▶ One or more Implementation Guides
 - Initial guidance tentatively scheduled for Q2 2013
- ▶ Phase 2 of project
 - OPEB and pensions not within scope of Statements 67/68



52



Combinations, Transfers & Disposals

- ▶ What: new standards for mergers, acquisitions, and transfers and disposals of operations
- ▶ Why: becoming more common, but no government-specific guidance
- ▶ When: fiscal years ending December 31, 2014 and later



Scope and Terminology

- 55 ▶ Combinations in which no consideration is provided
 - Government mergers
 - Transfers of operations
- ▶ Combinations in which consideration is provided
 - Government acquisitions
- ▶ Disposal of government operations
- ▶ Not included:
 - Assets and liabilities comprising less than an operation
 - Obtaining control of another organization that remains a legally separate entity (already addressed in Statement 14)
 - Acquisition of equity interest (already addressed in Statement 14)



Acquisitions

- ▶ Acquisition date is the date on which the acquiring government gains control of the assets and becomes obligated for the liabilities of the acquired government
 - Generally the “closing date” – when the acquiring government provides consideration – though governments may designate a different date
- ▶ Assets, liabilities and deferrals should be measured at *acquisition value*—a market-based entry price
 - Entry price is assumed to be based on an orderly transaction entered into on the acquisition date
 - Acquisition value represents the price that would be paid for similar assets, having similar service capacity, or discharging liabilities assumed as of acquisition date



Accounting for the Difference between Acquisition Value and Consideration

▶ *Consideration > Acquisition Value*

- *Deferred outflow of resources*
- *Attribute deferral systematically and rationally*
- *Length of attribution period is a matter of professional judgment but may consider, for example:*
 - *Estimated service lives of capital assets*
 - *Expected length of acquired contracts*
 - *Estimated remaining service life of acquired technology*



17

Accounting for the Difference between Acquisition Value and Consideration

▶ *Acquisition Value > Consideration*

- *Excess net position generally would reduce noncurrent assets (if reduced to zero, additional amount would be a special item)*
- *May instead reduce contribution received (when seller accepts a lower price)*



18

GASB Statement No. 70

*Accounting and Financial Reporting for Nonexchange
Financial Guarantee Transactions*



59

Issue

- Governments occasionally extend or receive financial guarantees on obligations of other entities without receiving or paying equivalent value for the guarantees (nonexchange financial guarantees)
- Current guidance in GASB Statement No. 62 is based on private sector guidance (exchange transactions)
 - FASB Statement No. 5
 - FASB Interpretation No. 14
 - FASB Interpretation No. 34



60

Scope

- Applies to governments that:
 - Extend a nonexchange financial guarantee on an obligation of another party (a government, not-for-profit, private entity, or an individual)
 - Receive a guarantee from another party on its obligations
- Does not apply to:
 - Financial guarantees provided as part of an exchange transaction, including guarantees related to special assessment debt



61

Recognition

- An extended nonexchange financial guarantee should be recognized as a liability when qualitative factors indicate that it is more likely than not (more than 50%) that a payment will be required to be made as a result of the guarantee
- Qualitative factors include, but are not limited to:
 - Initiation of bankruptcy or financial reorganization
 - Breach of debt contract on guaranteed obligation
 - Other indicators of financial difficulty



62

Recognition

- When similar nonexchange financial guarantees (groups or portfolios) are extended, governments should assess qualitative factors or relevant historical data, if any, in relation to the likelihood of making a payment on one or more of the guarantees within the group instead of in relation to each individual guarantee
- Liabilities are recognized under the modified accrual basis of accounting when normally expected to be liquidated with expendable available financial resources (when guarantee payments are due and payable)



63

Recognition

- Governments receiving nonexchange financial guarantees should recognize revenue when released as an obligor
- Recognition guidance for nonexchange financial guarantees extended and received within the same reporting entity:
 - Recognition of a receivable equal to the amounts recognized as a liability if any of the following:
 - Guarantor is a blended component unit and the issuer is the primary government
 - Guarantor is a primary government and the issuer is a blended component unit
 - Both guarantor and issuer are blended component units of the same primary government
 - Otherwise, recognition is the same as if the guarantee were between outside entities



64

Measurement

- When a liability is to be recognized, it should be measured at:
 - The best estimate of the discounted present value of the future outflows expected to be incurred
 - If no best estimate but a range exists, the minimum amount of that range



65

Disclosures

- For all extended nonexchange financial guarantees by type:
 - Description of the guarantees identifying:
 - Legal authority and limits
 - Relationship to entity or entities issuing the guaranteed obligation
 - Length of time of the guarantee
 - Arrangements for recovering guarantee payments made
 - Amount of guarantees outstanding
- When liabilities recognized or payments made during the period:
 - Description of timing and recognition of measurement
 - Reconciliation of amounts recognized (beginning of the year balance, increases, decreases, and end of the year balance)
 - Cumulative amounts paid on the guarantee
 - Amounts expected to be recovered



66

Disclosures

- Received Nonexchange Financial Guarantees by type of Obligation
 - Name of guarantor
 - Amount of guarantee
 - Length of time of guarantee
 - Amount of guarantee payments made by guarantor during period
 - Cumulative amounts of guarantee payments made on outstanding obligations
 - Description of requirements to repay guarantor
 - Amount of outstanding requirements to repay guarantor



67

Upcoming Exposure Drafts

***Fair Value measurement and
application***

***Conceptual framework:
measurement***



68

June 2013 Exposure Drafts

- ▶ Fair value ED will address what should be measured at fair value and how fair value should be measured
- ▶ Measurement ED will address (1) the two primary approaches—initial amounts and remeasured amounts and (2) attributes—such as historical cost, and fair value
 - Recognition concepts will be exposed next year



69

Current Agenda Projects

- ▶ GAAP Hierarchy
- ▶ Other Postemployment Benefits
- ▶ Pension Implementation Guides



70



Website Resources

Meeting the needs of constituents is one of the GASB's key goals. In support of this goal, the GASB makes a variety of resources available through its website, www.gasb.org, including up-to-date information and resources addressing:

- ▶ Current projects
- ▶ Recent proposals and final pronouncements
- ▶ Free copies of proposals and final pronouncements
- ▶ Educational resources
- ▶ Resources for users.

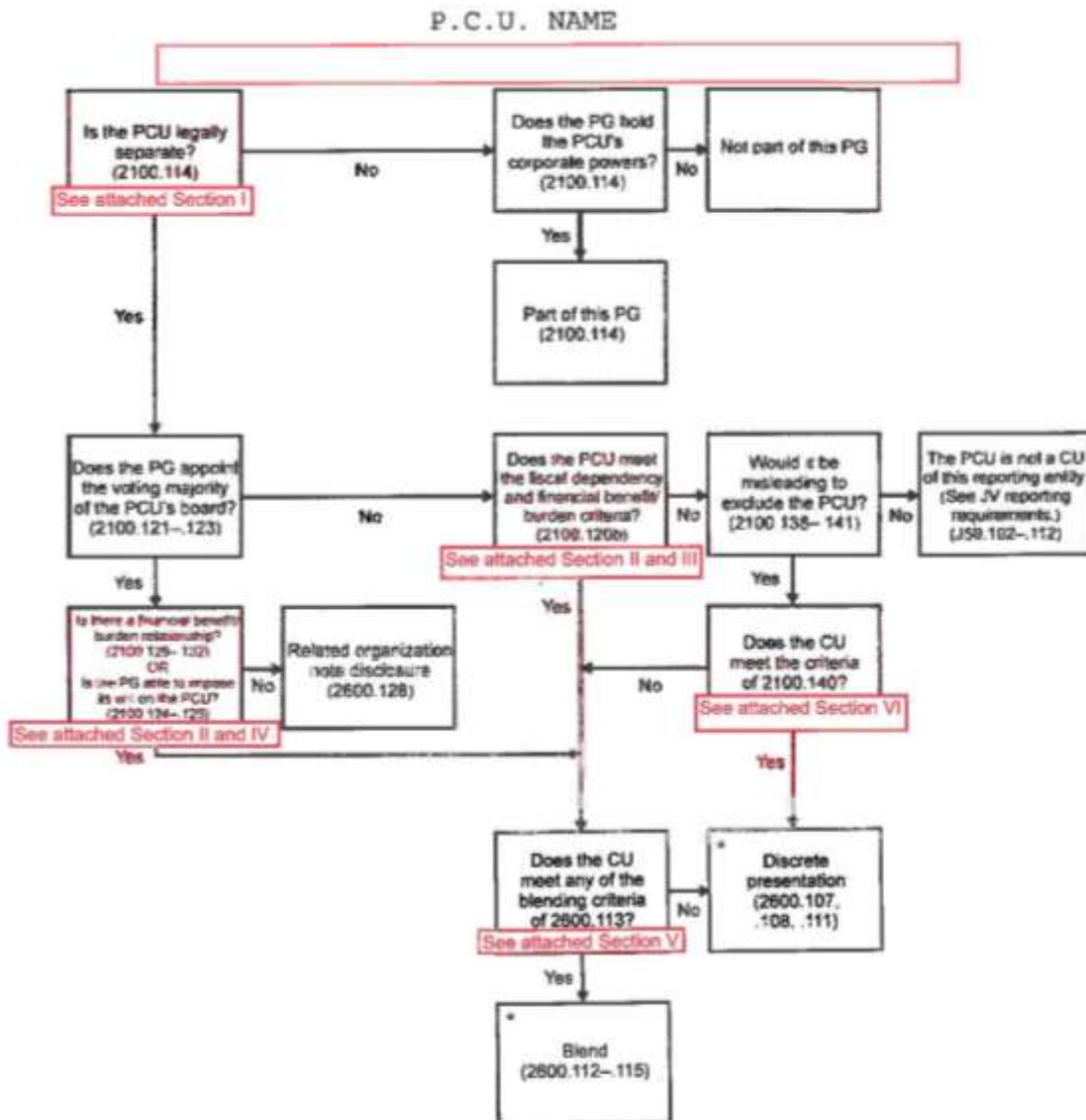


Questions??

Follow me on Twitter!
[@fcrawfordcpa](https://twitter.com/fcrawfordcpa)



APPENDIX H2--GASB 61 FLOWCHART



Note: A potential component unit for which a primary government is financially accountable may be fiscally dependent on and have a financial benefit or burden relationship with another government. An organization should be included as a component unit of only one reporting entity. Professional judgment should be used to determine the most appropriate reporting entity (paragraphs .120b and .133--137). A primary government that appoints a voting majority of the governing board of a component unit of another government should make the disclosures required by Section 2600, paragraph .128, for related organizations. [GASBS 61, ¶168]

APPENDIX H3 - GASB 61 QA BLANK

GASB 61 FACTORS IN DETERMINING COMPONENT UNIT STATUS

PG = Primary Government

PCU = Potential Component Unit

CU = Component Unit

		PCU NAME	PCU NAME	PCU NAME	PCU NAME	PCU NAME
		Y/N	Y/N	Y/N	Y/N	Y/N
I. LEGALLY SEPARATE:						
1	Created as a body corporate or a body corporate and politic or otherwise possesses corporate powers - indicated by:					
	A. Does it have the ability to have a name?					
	B. Does it have the right to sue and be sued in its own name without recourse to a state or local governmental unit?					
	C. Does it have the right to buy, sell, lease, and mortgage property in its own name?					
	CONCLUSION: Is the PCU legally separate? (Several YES answers to the above. Use judgment)					

II. FINANCIAL BENEFIT/BURDEN RELATIONSHIP:

1	Is the PG legally entitled to or can otherwise access the PCU's resources?					
2	Is the PG legally obligated or otherwise assumed the obligation to finance deficits of, or provide financial support to the PCU?					
3	Is the PG obligated in some manner for the PCU's debt?					
4	Are there other legal entitlements or obligations of a financial nature between the PG and the PCU?					
	CONCLUSION: Is there a financial benefit/burden relationship? (Any YES answer to the above)					

III. FISCAL DEPENDENCY:

1	Can the PCU determine its budget without another government having authority to approve and modify that budget?					
2	Can the PCU levy taxes or set rates or charges without approval by another government?					
3	Can the PCU issue bonded debt without approval by another government?					
CONCLUSION: Is the PCU fiscally dependent on the PG? (Any NO answer to the above)						

IV. IMPOSITION OF WILL:

1	Does the PG have the ability to remove appointed members of the PCU governing board at will?					
2	Does the PG have the ability to modify or approve the budget of the PCU?					
3	Does the PG have the ability to modify or approve rate or fee changes affecting revenues, such as water usage rate increases?					
4	Does the PG have the ability to veto, overrule, or modify the decisions (other than those in 2 & 3 above) of the PCU's governing body?					
5	Does the PG have the ability to appoint, hire, reassign, or dismiss management of the PCU?					
6	Are there any other conditions that exist indicative of imposition of will that are substantive in nature?					
CONCLUSION: Can the PG impose its will on the PCU? (Any YES answer to the above)						

V. BLENDED CRITERIA:

1	Is the PCU's governing body the same or substantively the same as the governing body?					
	AND either:					
	A. Is there a financial benefit/burden? (see Section III for items to consider)					
	B. Does management of the PG have operational responsibility for the PCU?					
2	Does the PCU provide services entirely or almost entirely to the PG or otherwise exclusively or almost exclusively benefits the PG?					
3	Is the PCU's total debt outstanding, including leases, expected to be repaid entirely or almost entirely with resources of the PG?					
CONCLUSION: Is this a blended component unit? (Any YES answer to 1 thru 3 above)						

VI. GASB 39 DISCRETE CRITERIA:

1	Is the CU a tax-exempt organization?					
2	Are the economic resources received or held by the CU entirely or almost entirely for the direct benefit of the PG, its component units or its constituents?					
3	Is the PG or its other CU's entitled to or has the ability to otherwise access, a majority of economic resources received or held by the CU?					
4	Are the economic resources received or held by the CU for the PG or its other CU's, significant to the PG?					
CONCLUSION: Is this a discrete CU under GASB 39? (Answer YES to ALL of the above)						

APPENDIX I – CONFERENCE EVALUATION SUMMARY

Government Finance Officers Association (GFOA) Conference Island Government Finance Officers' Association (IGFOA) Meeting

Pacific Islands Training Initiative Virgin Islands Training Initiative

San Francisco, CA
June 1 – 6, 2013

EVALUATION SUMMARY (17 Evaluations Completed)

To ensure that conferences and meetings that the Graduate School USA conducts for the PITI and VITI programs are as responsive as possible, please take a few minutes to fill out this evaluation. Your input and comments will be very useful to us in planning future events.

On a scale of 1 - 5, with 5 being the highest score and 1 being the lowest score, please rate the GFOA Conference and IGFOA Meeting by circling the appropriate number.

GFOA Conference

1) The GFOA Conference sessions were relevant and timely.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
76%	24%	0%	0%	0%

Score: 4.76

2) What sessions of the GFOA Conference would you suggest should be followed up by PITI/VITI through training and/or other types of seminars?

- GASB and Financial Reporting Requirements
- Actuarial Pension Liability / Lean Government / Grants Management

- CAFR related to the six month time set. This training provided great ideas on how to make the audit process streamlined.
- Performance Measurements
- Procurement checklist/procedure. Grants Management.
- Grant Management / Lean Government
- Grant Management Best Practices / Budget Sessions
- Budgeting, Audit, and Grants Management
- Fraud Prevention / Detection
- Accounting and Auditing Standards Updates / Financial Recovery
- Resolution of Grant Findings and Assistance with developing the cash management plans
- Reporting referred outflows and inflows / Improving financial performance through interdepartmental cooperation / Grant Management / Lean Government / GASB Updates / Performance Measures
- Lean Process
- Budgeting, Grants Management
- Streamlining Audit Process

IGFOA Meeting

3) The IGFOA meeting sessions were relevant and timely.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
71%	29%	0%	0%	0%

Score: 4.71

4) The meeting's objectives were substantially met.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
71%	29%	0%	0%	0%

Score: 4.71

5) Logistics for bringing participants to and from San Francisco were handled satisfactorily.

Strongly	Strongly
----------	----------

Agree	Agree	Neutral	Disagree	Disagree
71%	29%	0%	0%	0%

Score: 4.71

6) The IGFOA meeting site (Westin) was comfortable and conducive to the meeting.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
88%	12%	0%	0%	0%

Score: 4.88

7) Support services by the Graduate School USA staff during the meeting were handled well and in a timely manner.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
82%	18%	0%	0%	0%

Score: 4.82

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

- Meeting with federal officials / Updates on how other insular areas are resolving their various issues
- The session with the federal representatives discussing what is and isn't working with grants management in the insular territories
- GASB Updates / Meeting with federal program people. (Panel Discussion)
- Lean Government / GASB Updates / Performance Management / Meeting with Region IX Counterparts
- Performance Measurement / GASB Updates
- Grants Management: Panel Discussion with Federal Grants Personnel / One on One discussions with Federal Representatives / Areas addressing Audit/Cash Management
- COSO Session / Travel (Getting Intentional) / Tax Collection / Presentation off Financial Information
- Grants Management
- Procurement Issues / Travel Advances / Cash Management Plan / Performance Measures / GASB Update

- Budget and Audit
- Fraud / Tax Collection
- Meeting with federal agencies / Break out sessions / Group discussions on best practices
- GASB Updates
- GASB Updates
- Lean Government: Review the process and eliminate waste, confine improvement not to save money but improve of doing things to satisfy the customers.
- All of them
- All sessions
- All

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

- Learning more from the agencies about federal grants reporting and ensuring it ties to the general ledger. Working more closely with Treasury to complete the cash management plan.
- Grants Management -- establish a grant procedure manual; tracking spreadsheet report. Performance Measure -- hold people accountable for their actions / communication / proactive with people involved
- Building a better budget – follow the guidance. I thought the session really was straight forward and very useful. Financial Transparency – The ability to report with robust information with the use of technology.
- Internal Control Framework – setup periodic monitoring with managers and staff. Communicate clearly department goals and objectives and hold employee accountable.
- New GASB Requirements / Financial Report on Pensions
- Policy implementation to follow through and document procedures. Encourage training for finance officers, promote constant communication / open communication between program managers and finance officers
- Performance Based Budgeting and Lean Government Process. I will try to implement them.
- Budget best practices and better documentation. That we have many federal grant audit findings that basically should be very easy to avoid if we follow terms/conditions.
- GASB Implementation Guidance / Need for increase finance and program cooperation
- Reporting Deficiency / Draw down tracking procedure / Will meet with Grace Edrosa, supervisor for federal grants to discuss and plan how to track reporting SF425 & drawdown. Need log book.
- Cash Management and Detection of Fraud

- Planning / Check List
- GASB Update / Financial Recovery Update / Fraud Deterrence
- The need to develop financial policies / 12 steps to Financial Resiliency
- Cash Management, Policy & Procedures / Management of Grants in all aspects
- 5 steps for compliance – to apply for the Bureau of National Treasury and all departments
- Teamwork and Communication. Most of the trainings I attended really stressed the importance of these two items. We can only do so much without teamwork. We can't accomplish our goals and without communication, we can't achieve our goal.

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

- Cannot think of a session that I did not learn anything relevant to me and my work.
- There weren't any sessions or aspects that weren't relevant and meaningful. But the least relevant was GASB updates since our external auditor provides similar information.
- Meetings with Region IX Feds. Very nice gesture, good to put faces to names, but overall not real meaningful.
- The distress training in GFOA. Conference on that topic is just not very useful.
- Island Government Presentations: Still important but is more of a benchmark. Should be a summary and discussion on how to approve.
- I think they're all relevant to me as far as my position is concerned but not enough time to join and be part of, sort of conflicting with the time.
- Information Technology and its relation to Treasury
- Most of the topics were relevant but sometimes it is the choice of speakers or delivery of the presentation that is a problem.
- Due to limited resources, improvements in the technical side is least. CNMI will need to work with that they have for now.
- Fiscal Distress, 1st session
- None (X2)

11) Please provide any other comments concerning the GFOA Conference and the IGFOA Meeting that will make future conferences and meetings more meaningful and enjoyable.

- GFOA Conference and IGFOA meeting provides significant ideas in helping shape island government operation. Also, emphasize the importance of having procedures/guidelines that can keep operation efficient and effective. In addition, meeting the Feds—having/knowing a face to the name.

- More education about managing federal grants. More one on one information with federal representatives. Great understanding of Performance Measures.
- Having the IGFOA start on Saturday was a smart idea because it spread the meeting and was less monotonous.
- Keep doing what you're currently doing – You all seem to know exactly what we need.
- Very informative and fun. Keep up the great work and effort!
- Hoping more key people in government can attend these conferences.
- There are a lot of sessions that are relevant to my daily operations. Tools that can be modified and applied to improve processes. For the IGFOA, I find the networking very helpful as to best practices. To see what other island governments are doing that can be applied to my own government.
- None – I thought it was excellent and organized. Couldn't ask for more.
- Perhaps open up the opportunity to fully fund two key staff in finance aside from Governor, Minister or Secretary level.
- I really appreciate the opportunity to participate in both GFOA and IGFOA. However, I would like to go back to the original schedule so that I could participate in GFOA pre-conferences.
- The GFOA Conference is too large. The IGFOA conference could be held closer to the islands and include federal program managers.
- Keep up the good work.
- I really enjoyed my time in San Francisco. Although, it was too cold for me, it's a beautiful place. Oh and Westin BEDS and PILLOWS, are amazing. We should continue to live in Westin Hotels for future conferences and meetings.
- None

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