HONOLULU, HAWAII

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Island Government Finance Officers' Association

Graduate School USA, Pacific & Virgin Islands Training Initiatives (PITI-VITI)

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ISLAND GOVERNMENT FINANCE OFFICERS' ASSOCIATION (IGFOA)

Winter Conference Waikiki Beach Marriott Resort Honolulu, Hawaii December 3 – 5, 2013

Table of Contents

Executive Summary	3
Background	11
Conference Goals	11
Welcoming Remarks	12
Keynote Address: The Honorable Neil Abercrombie, Governor of the State of	
Hawaii	
Government Updates	15
Federal Grants Coordination	21
Panel Discussion: Best Practices for Managing Federal Grants in the Insular Areas	23
Guest Speaker: Comments on Public Health Grants in the Insular Areas	26
GASB Update: Changing the Light Bulb	27
DOI/OIA Update: 2014 Budget Request	30
Leadership in the 21 st Century	32
The Influence of Temperament on Leaders and Managers	32
ELDP: Status and Recent Program Evaluation	35
Small Group Work	36
2012 'Performeter' and 'A.F.T.E.R. Analysis' Update	38
Summary of Single Audit Results for FY2011-FY2012: Audit Trends in the U.S. Insular Governments	
GASB Statements 67 and 68: New Pension Accounting and Financial Reporting	
Standards	
Developing a Lean, Mean Finance Office Machine	43
Stump the Chumps: Q&A with CPAs and Auditors	
Government Action Planning	48
Renort Out	48

Annendices

Appendices	
Appendix A—Conference Agenda	55
Appendix B—Performance Measures Summary	60
Appendix C1—Guam Government Update	64
Appendix C2—Commonwealth of the Northern Mariana Islands Government	
Update	70
Appendix C3—Federated States of Micronesia National Government Update .	75
Appendix C4—Chuuk Government Update	79
Appendix C5—Pohnpei Government Update	84
Appendix C6—Yap Government Update	88
Appendix C7—Kosrae Government Update	94
Appendix C8—Republic of the Marshall Islands Government Update	99
Appendix C9—Republic of Palau Government Update	103
Appendix C10—U.S. Virgin Islands Government Update	107
Appendix C11—American Samoa Government Update	113
Appendix D—Federal Grants Coordination Talking Points	130
Appendix E—GASB Update: Changing the Light Bulb	132

Appendix K—GASB Statements 67 and 68: New Pension Accounting and Financial

Reporting Standards......207

ISLAND GOVERNMENT FINANCE OFFICERS' ASSOCIATION (IGFOA)

Winter Conference
Waikiki Beach Marriott Resort
Honolulu, Hawaii
December 3 – 5, 2013

EXECUTIVE SUMMARY

The Island Government Finance Officers' Association (IGFOA) has met at least annually every year since 1999 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.

During recent conferences, the IGFOA has focused on improving financial, accounting and budgeting practices. The current conference presented trainings on strengthening federal grants coordination and leadership skills. Participants were also updated on new GASB accounting principles and exchanged best practices on improving finance office performance, cash management and single audits. Finally, the forum provided the opportunity to develop action plans for implementing the new accounting standards and enhancing communication and fiscal capabilities, office performance and financial oversight.

The IGFOA Executive Committee built the agenda for the conference based on input solicited from IGFOA members, feedback from previous conferences, and current issues facing government accounting. The goals of the December 2013 IGFOA conference were to:

- Present and discuss best practices in federal program coordination, finance office performance improvement, single audit improvement, and cash management;
- Review new GASB accounting principles and standards and develop a plan for the implementation of these principles;
- Provide training to IGFOA members on leadership skills and federal program coordination;
- Exchange information on the latest "Performeter" analysis; and
- Build government-specific plans to implement new GASB standards, improve communication and fiscal capabilities with federal program managers, enhance finance office performance measures, and develop cash-management plans.

The 28 IGFOA participants represented nearly all of the insular areas, including most of the FSM; the government of Kosrae submitted an update but was not able to send an official to the conference.

Elbuchel Sadang, Minister of Finance for the Republic of Palau, Jack Maykoski, Vice President for Training and Program Management for the Graduate School USA, and Nikolao Pula, Director of the U.S. Department of the Interior's Office of Insular Affairs (DOI/OIA), welcomed the participants to the 2013 IGFOA winter conference. Minister Sadang emphasized that this event would offer many opportunities to learn how to deal with the difficulties in managing government finances, and he challenged each representative to share their knowledge and thoughts with one another.

Mr. Maykoski of the Graduate School recognized that many of the participants had come there on their own, saying that "it really speaks to the commitment you have to good governance." He also acknowledged the Department of the Interior for all of its support.

Director Pula emphasized how essential these IGFOA meetings are to the Office of Insular Affairs. He noted that some of the participants, such as those from the U.S. Virgin Islands, were attending this conference for the first time. He also expressed gratitude to the Graduate School for coordinating these meetings and for the many resources they provide. In particular, Mr. Pula commented on the value of the leadership and finance training that the Graduate School organizes, and he asked the attendees to take those concepts back to their governments.

Mr. Pula paid tribute to Tom Bussanich, Director of the Budget and Grants Management Division of the DOI/OIA, recognizing him for over 20 years of service. He described the key role Mr. Bussanich has played in evaluating what the insular governments are doing and the support that the Graduate School provides for them.

Mr. Pula concluded his remarks with some words of inspiration. Building on a theme of sharing and finding balance, he offered a quotation from St. Augustine and an ancient Samoan proverb.

The Honorable Neil Abercrombie, Governor of the State of Hawaii, delivered the keynote address during the opening day luncheon. Referring to the IGFOA participants as "brothers and sisters" of the islands, the governor talked about the economic woes Hawaii faced when he took office. He described the very difficult—and unpopular—decisions he and his finance team made, which included 5 percent cuts in wages, reductions in benefits, and a freeze on capital improvements. He then discussed the positive results these sacrifices ultimately produced, including an \$800 million budget surplus. In addition, Governor Abercrombie highlighted several areas of economic growth in Hawaii, particularly agriculture. He then encouraged the IGFOA participants to "take an honest appraisal" of their island finances and to "make informed decisions for your people."

Before the conference, each government was asked to prepare a brief presentation on its progress on the IGFOA-sponsored financial improvement activities. During the conference, the IGFOA members summarized the status of their government's single audits and implementation of performance measures.

Timeliness of the single audit remains a major issue with two of the 11 insular governments, and six of the governments received unqualified financial audits. The IGFOA members have recognized the difficulty of addressing repeated qualifications and have begun a project to work

with federal program coordinators and their departments to better communicate financial issues affecting federal grants.

Some of the governments continue to struggle with timeliness issues regarding bank reconciliations. In addition, despite multiyear efforts to reduce the total dollars in outstanding advances and improve filing of travel expenses, there has been little progress. Fixed asset inventory is another stubborn, long-standing issue in the insular governments. Since 2005, most of the governments have had audit findings related to cash management. To address this issue and improve processes, the IGFOA developed a cash plan template and has monitored progress on the individual cash management plans.

At the conclusion of the June 2013 IGFOA meeting in San Francisco, the group agreed to begin documenting efforts at training and communications with their local federal program managers. The members reported on their efforts in the last six months and more importantly, with their future plans.

Mark Anderson, Administrator for Hawaii's Office of Federal Awards Management, delivered a talk on federal grants coordination. Using the situation in Hawaii for illustrative purposes, Mr. Anderson explained how his office has worked to improve the processes and systems for managing the \$1.7 billion in federal grants that the state receives.

He shared some of the techniques his office used to assess the state's federal grants management systems and target problem areas, such as documenting current processes and putting things in writing, reading all old single audits, doing "detective" work, and talking to federal grant managers.

Mr. Anderson said that his office is working to replace its financial accounting system to create a trusted source of information for federal grant awards.

He concluded with some valuable lessons learned in their efforts to improve federal grants coordination, including: key partners in government (comptrollers, budget analysts) have to "buy into" the process or the changes won't be adopted; try to work on very specific goals, such as financial reporting; and stay in touch with your federal government contacts through monthly phone calls or emails.

Following Mr. Anderson's presentation, Deborah Milks, CPA, moderated a discussion on best practices for managing federal grants. The panel featured: Katherine Kakigi, Financial Manager, Department of Administration, Guam; Sheryl Sizemore, Grants Administrator, Office of Grants Management, CNMI; Caryn Koshiba, Chief, Division of Finance and Accounting, Palau; and Mr. Anderson.

Topics of discussion included:

- Tracking and reconciling federal grants receivables
- Best practices on compliance
- Decentralizing the reporting system
- Developing a new database

- Grantees hiring their own financial managers
- · Communication and training between the finance office and program managers

Toward the end of the panel discussion, Bill Gallo, Associate Director for Insular Area Support for the U.S. Centers for Disease Control and Prevention, briefly addressed the IFGOA members. Mr. Gallo, who is a member of JEMCO and JEMFAC, said he understands the challenges faced in implementing federal grants in the insular areas.

In his remarks, Mr. Gallo discussed the issue of carry over, emphasizing the critical need for jurisdictions to use all of their federal aid each year. Mr. Gallo also talked about the importance of the ministries of finance and health working together on federal grants, which would benefit all of government. Regarding public health, Mr. Gallo urged the jurisdictions to focus on disease prevention. So much of the financial resources—which are declining—are being devoted to end-of-life and tertiary care. However, governments should consider taxes on unhealthy foods and sugar-sweetened beverages, for example, and put those funds into healthy lifestyle initiatives, he said.

Frank Crawford provided a review of recently effective or soon-to-be effective GASB accounting standards. Using a "change the light bulb" riddle to help illuminate his point, Mr. Crawford emphasized that substantial changes are coming in terms of how state and local governments are required to report their annual financial statements. His presentation offered insight into GASB Standards 60-63 and 65-70.

Tom Bussanich, Director of the Budget and Grants Division of DOI/OIA, provided an update on the 2014 budget request. He began by summarizing the impact of recent budget developments in Washington, D.C. Mr. Bussanich commented that OIA funds have been exempted from the sequestration and that "Compact money can't be touched." However, the department will be keeping a close eye on spending and travel, and in the future they may have to lay off some people.

During his talk, Mr. Bussanich explained that about 98 percent of OIA's budget is financial assistance, which aims to empower insular communities by:

- Improving quality of life through capital improvements and public services
- Creating economic opportunity; and
- Promoting efficient and effective governance.

The last item on that list is particularly important to the OIA mission, said Mr. Bussanich. When a government strengthens its efficiency and effectiveness, it creates opportunities for economic development, he said.

In his talk, Mr. Bussanich showed a pie chart of the OIA 2014 budget request of nearly \$688 million, which represented the following:

- Permanent Mandatory \$595.7 million
 - ◆ Compacts of Free Association \$281 million

- ◆ Fiscal Payments (Guam Section 30, VI Rum Taxes) \$314.6 million
- Discretionary Assistance \$32.1 million
 - General Technical Assistance \$17.5 million
 - Maintenance Assistance Fund \$1.1 million
 - Brown Tree Snake Control \$3.5 million
 - Coral Reef Initiative \$1 million
 - ◆ Empowering Insular Communities \$3 million
 - Compact Impact Disc. \$3 million
 - Federal Services \$2.8 million
 - Enewetak \$236,000
- Current Mandatory \$27.7 million
 - Covenant CIP \$27.7 million
- Directed Appropriations \$22.8 million
 - American Samoa Operations \$22.8 million
- OIA S&E \$9.3 million
 - Office of Insular Affairs \$9.3 million

Mr. Bussanich summarized his presentation with several remarks, which included:

- The most significant thing is that the budget is not stagnant in discretionary assistance.
- The OIA is still able to provide technical assistance in a variety of ways. It is not growing, but they are able to reach marginal areas.
- General technical assistance remains the focus.

Resource consultant Gerald Bradley "Brad" Dude reviewed highlights from a leadership training that he had held with senior government officials in American Samoa and Palau. Content for these sessions included overviews and discussions on basic leadership principles, such as managing change, management vs. leadership, team development, temperament, influence and personal power.

After his brief discussion on leadership, Mr. Dude offered a demonstration on the influence of temperament on leaders and managers. This talk was based on training that had been provided to Executive Leadership Development Program (ELDP) graduates, coaches, mentors and invitees during sessions in American Samoa, Guam, Saipan, Pohnpei, Majuro, Palau and Kosrae. These interactive and highly experiential sessions gave attendees a new perspective on leadership self-awareness. In addition, the lessons focused on reducing conflict with colleagues, co-workers, managers and executives. A question-and-answer period was held at the conclusion of each session.

Mr. Dude provided an overview of this training to the participants of the IGFOA winter conference. He explained that leadership in the 21st century is all about influence. The old days of command and control are outdated, he said. "Now it's all about building trust and relationships." He then walked the participants through a "rapid-fire" discussion of the four "Basic Elements"—Earth, Air, Fire and Water—in an effort to answer the question "How do we develop relationships and trust?"

Jason Aubuchon, Program Manager for the Graduate School USA, and Mr. Dude presented a summary of an evaluation of the impact of the Executive Leadership Development Program (ELDP) on its graduates. The evaluation was conducted from November 3 to December 5, 2013, in American Samoa, Guam, Saipan, Pohnpei, Majuro, Kosrae and Palau.

The presentation included the results of an ELDP graduate questionnaire and key findings from group interviews conducted with 41 of the 49 Micronesian and American Samoan participants (84 percent).

Mr. Aubuchon offered the following key findings from the ELDP evaluation:

- the need for an ELDP "champion," especially to aid in follow-up activities and support;
- a concern that there are not enough ELDP graduates to boost national leadership capacity;
- consideration should be made for delivering an entire ELDP for a single government; and
- efforts should be made to ensure that the ELDP has focused successfully on selfawareness and dealing effectively with others.

After the ELDP evaluation presentation, the IGFOA participants broke up into small groups to discuss the following three questions:

- 1. How can your government support and follow up on the efforts of ELDP graduates? (e.g., meetings, presentations to departments and ministries, etc.)
- 2. How can your government recruit ELDP participants from across all ministries and departments?
- 3. How do you establish an effective succession planning process, and what role can ELDP graduates and future graduates play in that process?

In his session entitled "2012 'Performeter' and 'A.F.T.E.R. Analysis' Update," Mr. Crawford offered a review of the financial health and success of the islands collectively as well as the respective "Performeter" score for each government.

In general, most of the governments reported an increase in their overall score due to improved economic conditions, cost cutbacks and containment, and investment earnings. In addition, a review of each government's A.F.T.E.R. analysis was performed, with many noting

improvements in the amount of questioned costs and the number of qualifications and audit findings.

Deborah Milks, CPA, presented an overview of audit trends throughout all 11 insular governments. In her talk, Ms. Milks covered four key topics: financial statement qualifications, federal program qualifications, qualifications from component units, and the number of late reports.

In addition, Ms. Milks discussed the U.S. insular government audit findings by type, including the following primary problem areas:

- Reconciliation (20.9 percent)—Nine governments had problems with this on their balance sheets, which is too high.
- Record keeping (13.6 percent)—In 2005, all 11 governments had problems with this. In 2008, it dropped to eight.
- Procurement (9.9 percent)—Seven governments still struggle with this problem.
- Cash management (9.4 percent)--Surprisingly, this one has come down.
- Fixed assets (8.9 percent)—Back in the 1980s, this was a major issue—and it still is.

Mr. Crawford gave a presentation on the chilly subject of the status of each government's pension trust fund or social security trust fund. The news was mostly unfavorable, as all of the plans appeared to have significant unfunded liabilities, totaling roughly \$5.5 billion for the group as a whole.

The new accounting standards—GASB Statements 67 and 68—will require each government to report its unfunded pension liabilities in its government-wide financial statements starting in FY2015. Specific issues at hand in each government's plan were also discussed, along with potential solutions and thoughts concerning actions moving forward.

Ms. Milks presented an interactive discussion entitled "Developing a Lean, Mean Finance Office Machine." She explained that the purpose of streamlining procedures is to save money and time—not to fire people. Ms. Milks described the steps in developing a lean system, which include holding a three-to-five-day event, using a facilitator, identifying problems, using a variety of tools to pinpoint improvements, and following up and implementing the procedures.

"Lean" differs from other improvement efforts in that it focuses on rapid change, tends to be more gradual than radical, emphasizes doing over planning, targets what matters through measures, and involves the people who are part of the process.

Ms. Milks then asked the conference participants to break up into groups by government and identify processes that could be improved and all the steps necessary to implement the changes. Responses from the small group work covered hiring, purchase orders, travel advances, and procurement.

The winter conference also included a question-and-answer session with the following CPAs and auditors: Ms. Milks, Mr. Crawford and Marina Tinitali, Accountability and Insular Policy Specialist with the DOI/OIA.

Questions discussed during the session related to the following topics: unfunded liability for pension plans, component units, fixed assets, the effect of cost-of-living increases and raises on contributions and entitlements, and losses on investment portfolios.

During a box lunch session, the IGFOA member government representatives assembled in small groups to develop action plans based on five main topics:

- 1. Audit improvement (What you are going to do? Who is going to do I and by what date?)
- 2. Cash management plans
- 3. Accounting standards updates (may include pensions)
- 4. Federal grants coordination
- 5. Leadership management training

Two of the government groups, Palau and American Samoa, summarized their action plans for FY2014 through PowerPoint presentations. The remaining groups detailed their plans verbally.

At the conclusion of the government presentations, Stephen Latimer, the conference facilitator and Program Manager with the Graduate School USA, recognized all of the ministers, directors, finance officers and guests for attending the winter IGFOA conference. Mr. Latimer acknowledged that the conference would not have been possible without the funding of the DOI/OIA. He extended special thanks to Ms. Tinitali of the Office of Insular Affairs.

Treasurer Falema'o Pili of American Samoa thanked the OIA for hosting his agency. He said it was his first time attending the conference. Although he had not initially planned on coming, he heeded calls from the Governor and Director Nikolao Pula to join the meeting.

Mr. Pili said that during the previous few days he was able to "rub shoulders" with colleagues and learn more about the U.S. government, which will help him see what direction the ASG should take. He said he would like to see how much they are able to accomplish in terms of their action plan by the next conference. "We have gained so much and will go back with so much," said Mr. Pili.

The conference attendees received certificates at the end of the meeting. The next IGFOA conference will be held in Minneapolis, Minnesota, in May 2014.

CONFERENCE REPORT ISLAND GOVERNMENT FINANCE OFFICERS' ASSOCIATION (IGFOA) Winter Conference Waikiki Beach Marriott Resort Honolulu, Hawaii

December 3 – 5, 2013

BACKGROUND

In 1999 the Department of Interior's (DOI) Office of Insular Affairs (OIA) and insular government financial management officials formed 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 (CMNI), 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.

During recent conferences, the IGFOA has focused on enhancing financial, accounting and budgeting practices and incorporating new government pension accounting standards. The current conference presented trainings on strengthening federal grants coordination and leadership skills. Participants were also updated on new GASB accounting principles and exchanged best practices for improving finance office performance, cash management and single audits. In addition, they discussed ideas for eliminating findings related to federal grants. Island government representatives also presented updates on several key ongoing issues, including the status of single audits and finance office performance measures. Finally, the forum provided the opportunity to develop action plans for implementing the new GASB standards, increasing communication and fiscal capabilities with federal program managers, streamlining finance office processes and improving cash management. (See Appendix A for the complete conference agenda.)

CONFERENCE GOALS

The IGFOA Executive Committee built the agenda for the conference based on input solicited from IGFOA members, feedback from previous conferences, and current issues facing government accounting. The goals of the December 2013 IGFOA conference were to:

 Present and discuss best practices in federal program coordination, finance office performance improvement, single audit improvement, and cash management;

- Review new GASB accounting principles and standards and develop a plan for the implementation of these principles;
- Provide training to IGFOA members on leadership skills and federal program coordination;
- Exchange information on the latest "Performeter" analysis; and
- Build government-specific plans to implement new GASB standards, improve communication and fiscal capabilities with federal program managers, enhance finance office performance measures, and develop cash-management plans.

The 28 IGFOA participants represented nearly all of the insular areas, including most of the FSM; the government of Kosrae submitted an update but was not able to send an official to the conference (see Appendix Q, Participant List).

WELCOMING REMARKS

Elbuchel Sadang, Minister of Finance for the Republic of Palau, Jack Maykoski, Vice President for Training and Program Management for the Graduate School USA, and Nikolao Pula, Director of the U.S. Department of the Interior's Office of Insular Affairs (DOI/OIA), welcomed the participants to the 2013 IGFOA winter conference.

Minister Sadang opened the meeting by recalling that 15 years ago he had been present when the IGFOA was first established and that now he felt honored to stand at the podium welcoming everyone to this very important meeting. He commented on the opportunities this event would offer for the participants to learn how to deal with the difficulties of managing government finances, and he challenged each representative to share their knowledge and thoughts with one another. He closed by expressing his hopes for a fruitful conference.

Vice President Maykoski of the Graduate School greeted the group by thanking each participant for attending. He recognized that many of them had come there on their own, saying that "it really speaks to the commitment you have to good governance." He also acknowledged the Department of the Interior for all of its support.

Building on the comments that Minister Sadang had expressed about how we learn from our successes and failures, Mr. Maykoski encouraged everyone to exchange ideas and take those lessons home.

On behalf of the Department of the Interior's Office of Insular Affairs, Director Pula expressed a warm aloha. He thanked the ministers, directors and secretaries for their leadership and efforts in the Joint Economic Management Committee (JEMCO) and Joint Economic Management and Fiscal Accountability Committee (JEMFAC) and the trust funds.

Director Pula also acknowledged how essential these IGFOA meetings are to the Office of Insular Affairs. He noted that some of the participants, such as those from the U.S. Virgin

Islands, were attending this conference for the first time. He also expressed gratitude to the Graduate School for coordinating these meetings and for the many resources they provide.

In particular, Director Pula commented on the value of the leadership and finance training that the Graduate School organizes, and he asked the attendees to take those concepts back to their governments. He also thanked the participants for leaving their work and attending the conference.

Director Pula paid tribute to Tom Bussanich, Director of the Budget and Grants Management Division of the DOI/OIA. Recalling how Mr. Bussanich had begun his career as a Peace Corps officer in Chuuk, Director Pula recognized him for over 20 years of service to the DOI. "He is one of the most hardworking people in my office," the director said. He acknowledged the key role Mr. Bussanich has played in evaluating what the insular governments are doing and the assistance that the Graduate School provides for them.

Director Pula concluded his remarks with some words of inspiration. He described this conference as a search for better training, something of value, even truth. He shared a quote from St. Augustine: "The truth is neither mine, nor his, nor another's, but belongs to us all, whom thou callest to partake of it." Director Pula explained that St. Augustine, "who was a great sinner before he became a great saint," was warning us not to claim exclusive possession of the truth "lest we be deprived of it." Rather, he said, we should learn and share with one another.

Building on this theme of sharing, Director Pula ended with a Samoan quote: "Pii pii ama, vae vae manava." He explained that this instructs us to find balance by holding onto the outrigger (ama). He continued by saying that vae vae means sharing or giving and that manava signifies the womb, where life originates. So with that, he told the participants to "share your breath or your blessing" and to "hold onto the outrigger to balance yourselves—and to balance your books."

KEYNOTE ADDRESS

The Honorable Neil Abercrombie, Governor of the State of Hawaii, delivered the keynote speech during the opening day luncheon. Governor Abercrombie addressed the members of the IGFOA conference as "brothers and sisters" of the insular areas. He said that "island people survive and thrive only if they are in tune with what nature has provided" and are aware of "our limitations as human beings."

The governor acknowledged that the participants' presence at the conference showed their commitment to future generations on their islands. Commenting on the challenges of building strong economies and educational systems in the 21st century, Governor Abercrombie said that some "very tough decisions" are going to have to be made.

Recalling the condition of Hawaii's economy when he took office three years ago, the governor described it as a ship about to "capsize." Today the state has a surplus of over \$800 million, he said, but he added that he is "about the most unpopular governor in U.S. history."

"We are in the canoe together," said Governor Abercrombie. "If you don't put your paddle in the water and pull deep, you won't make it to the reef or shore."

He then went on to outline some of the key decisions they made to shave Hawaii's state deficit, which included:

- Curbing labor expenses by \$200 million, including 5 percent cuts in wages and reductions in benefits, which produced immediate results;
- Freezing capital improvement projects, even though interest rates were low and the building trades were "chomping at the bit" to "turn those projects loose"; and
- Changing pension rules regarding eligibility and contributions to retirement funds.

Admitting how hard it was to trim salaries, the governor said that if they hadn't made the cuts, the state would have had to lay off 1,500 teachers.

By making those sacrifices, the governor said, Hawaii's financial situation improved dramatically, its credit rating rose from "stable" to "positive," and the state was ultimately able to increase salaries and restore benefits.

Looking forward, the governor highlighted some of the economic ventures being developed in Hawaii, including ocean research, fisheries and astronomy technology.

Describing the importance of agriculture to the insular islands, he said emphatically that "we gotta stop importing our food." The governor went on to explain how farmers in Hawaii are becoming more business-savvy. They have moved from pineapple and sugar to avocadoes, coffee and specialty crops like Manoa lettuce. Hydroponic, pesticide-free techniques are being employed as well. Demand is increasing dramatically, particularly with high-end retailers like Whole Foods and exclusive restaurants. Tourists are looking for locally-grown, island cuisine, too. Online orders are also on the rise. "More kids are trying to get into tropical agriculture than ever before," he said.

Governor Abercrombie recalled how naysayers remarked that "people won't pay more" for locally-grown produce. His response was, "Yes, they will because they know that money is going to stay in Hawaii."

Encouraging the conference finance officers to make tough budget decisions in their own governments, Governor Abercrombie said, "You can do this." People are going to get mad at you, he said. "But the only thing we are entitled to is to sacrifice for each other."

"Keep the DOI as allies and supporters," the governor advised. "(Washington) D.C. can help us as Island people."

In conclusion, Governor Abercrombie said, "We have to be strong with our people." The smartest thing he did, said the governor, was listen to his finance and budget staff. "We only have so much time on this earth," he mused. The most important thing you can do is to "make informed decisions for your people," the governor said. "Take an honest appraisal, not just to survive but to thrive."

Following the governor's speech, Gerald Shea, Fiscal Program Specialist in the Honolulu office of the DOI/OIA, was recognized upon his retirement. A former Peace Corps officer in Chuuk, Mr. Shea was honored for his work with the Graduate School, his decades of service with the OIA and his assistance in the financial recovery of Chuuk. "The best thing has been getting to know you all," Mr. Shea said.

GOVERNMENT UPDATES

Before the 2013 winter conference, each government was asked to prepare a brief presentation on its progress on the IGFOA-sponsored financial improvement activities. During the meeting in Honolulu each of the IGFOA member governments presented a summary of the status of their single audits and implementation of their finance office performance measures. (The slides for each government's presentation are in Appendices C1 through C11.)

Status of Single Audits

Timeliness of the Single Audit remains a major issue with two of the 11 insular governments, the CNMI and the USVI. However, both governments have begun their FY2013 audits and have indicated that they are on track to complete FY2013 within the nine-month deadline. The governments which were slightly late for FY2012 expect to complete their FY2013 audits by June 30, 2014, or earlier (see Table 1 below).



As in the previous two years, six of the governments received unqualified financial audits (see Table 2 below). The qualifications on the Yap state audit relate to component units. In addition to the issue of timeliness, the CNMI and the USVI continue to struggle with a higher level of financial statement uncertainty, which is reflected in the number of qualifications. As those governments address timeliness, their issues with quality should decrease.



Table 3 shows the number of federal program qualifications for each government over the last three audits. The IGFOA members have recognized the difficulty of addressing these repeated qualifications and have begun a project to work with federal program coordinators and their departments to better communicate financial issues affecting federal programs. Some of the federal qualifications are program related and do not fall within the normal business of the finance office. However, the added attention to federal issues should contribute to better managed program offices.



Status of Implementation of Performance Measures

For two years, the IGFOA members have collected data on a specific set of 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
- Number of days to process an invoice

Last year the members added two more measures:

- Timeliness of the SF425 (federal program) reports
- Reconciliation of the federal accounts receivable

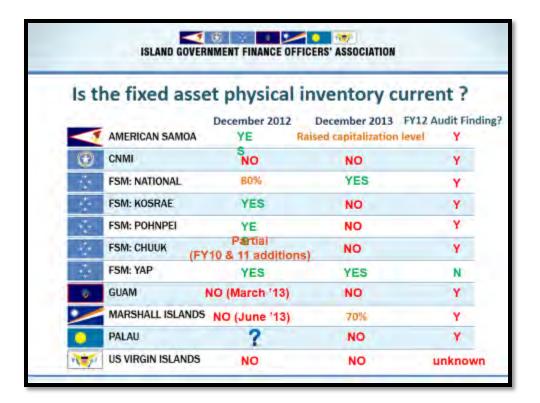
Some of the governments continue to have some timeliness issues with bank reconciliations. Surprisingly, they still have difficulty with getting automated data from the bank and/or having daily access to their bank details, contributing to late reconciliations. In addition, the month-to-month reconciliations are not consistent, with the emphasis on the fiscal year-end rather than on a monthly closing (see Table 4 below).



Despite multiyear efforts to reduce the total dollars in outstanding advances and increase the timeliness of filing, there has been little progress to show for those efforts (Table 5). Guam and the Republic of Palau are the exceptions. During the last year both governments have applied improved procedures and shown the willingness to enforce travel regulations, resulting in major improvement in the balance of advances. Until the other governments apply that same institutional willingness to actually resolve the issue, there is little hope for improvement. (The USVI does not advance travel funds beyond the per-diem allowance.)



Fixed asset inventory (Table 6, below) is another stubborn, long-standing issue in the insular governments. Ten of the 11 governments had fixed asset findings on their FY2012 audits. Besides the lack of a completed, reconciled, physical inventory, they were cited for the lack of fixed asset maintenance plans and ongoing procedures to maintain a fixed asset listing for items purchased with federal funds.



Cash Management Plans

Repeatedly, since FY2005 most of the IGFOA governments have had audit findings related to cash management. The findings indicate that the island governments do not have documented cash policies and procedures and are at fault for violating the federal restrictions against holding federal cash for an "excessive" period of time. To address this issue and improve cash management processes, the IGFOA developed a cash plan template and has monitored progress on the individual cash management plans (see Table 7). In FY2012, Guam no longer has a cash management finding. Coincidentally, Guam has developed a fully documented cash management plan, including a timely Treasury State Agreement. As the data indicate, other governments have a significant opportunity for improvement in this area.



Summary of Federal Program Communications

At the conclusion of the June 2013 IGFOA meeting in San Francisco, the group agreed to begin documented efforts at training and communications with their local federal program managers. The members reported on their activities in the last six months and, more importantly, with their future plans. It was noted that the trainings could be split into two categories: one that focuses primarily on the U.S. federal government program requirements and usually involves an off-island trainer; and a second, which focuses on local systems, reports and procedures. It was agreed that the governments need to work on both categories with their local program managers.

FEDERAL GRANTS COORDINATION

Mark Anderson, Administrator for Hawaii's Office of Federal Awards Management, delivered a talk on federal grants coordination. Using the situation in Hawaii for illustrative purposes, Mr. Anderson explained how his office has worked to improve the processes and systems for managing the \$1.7 billion in federal awards upon which "Hawaii's economy depends."

"A lot of good people manage federal grants in broken systems," said Mr. Anderson. "It works, but it takes a toll on people." Improving these systems can relieve that suffering, he said. Strengthening grant management also boosts accountability and transparency, he added.

Mr. Anderson discussed Governor Abercrombie's "Fair Share Initiative," which involved:

- 1. Using federal funds more efficiently, and
- 2. Increasing the amount of federal funds the state receives.

Some of the techniques his office used to assess the state's federal grants management systems and target problem areas included:

- Documenting current processes and putting things in writing;
- Reading all old single audits;
- Doing "detective" work;
- Getting a general idea of what the state agencies were doing;
- Determining who handles the paperwork at different stages;
- · Talking to federal grant managers; and
- Looking at accounting and financial reports of federal funds.

They also had to work with the state Legislature on how it appropriates federal awards, said Mr. Anderson.

One of the key areas his office focused on involved identification, which included:

- Identifying which awards the state receives each year;
- Pinpointing which departments and programs get these awards;
- Determining how much aid they can expect to collect each year;
- Creating symbols to distinguish each award;
- Working to show that the majority of grant money can be tracked in an appropriations bill; and
- Tracking the process when one state agency gives funds to another.

Mr. Anderson recommended that the conference participants look at the Federal Funds Information for States website at www.ffis.org. Although the site requires a subscription, he said, most states use it, and it's very helpful in determining the impact of federal budget decisions like the recent sequestration.

He also said that his office is working to replace its financial accounting system, which is "really old," runs only once a day and has limited fields. Staff met with grant managers to solicit ideas, and a request for proposal has been issued. However, implementing the new system will take up to five years. He said the new system will create a trusted source of information for federal grant awards.

Mr. Anderson concluded with some key lessons learned in their efforts to improve federal grants coordination:

The top political leaders have to adopt the reform goals.

- Key partners in government (comptrollers, budget analysts) have to "buy into" the process or the changes won't be adopted.
- Small changes can lead to big changes.
- Stay in touch with your federal government contacts through monthly phone calls or emails.
- Do your detective work: How do things currently work? Who are the key players? How can we make things better?
- Try to work on very specific goals, such as financial reporting.
- Learn from departments that have good financial management systems.

(Please refer to Appendix D, Federal Grants Coordination Talking Points, for more information on Mark Anderson's presentation.)

PANEL DISCUSSION

Best Practices for Managing Federal Grants in the Insular Areas

Following Mr. Anderson's presentation on improving grants coordination, Ms. Deborah Milks, CPA, moderated a discussion on best practices for managing federal grants. The following members were on the panel:

- Katherine Kakigi, Financial Manager, Department of Administration, Guam
- Sheryl Sizemore, Grants Administrator, Office of Grants Management, CNMI
- Caryn Koshiba, Chief, Division of Finance and Accounting, Palau
- Mark Anderson, Administrator, Office of Federal Awards Management, Hawaii

During the discussion, Ms. Kakigi shared some of the problems Guam experienced when it decentralized its reporting system and some of the measures used to address these issues. First, she gave an overview:

- The government of Guam manages about 800 grants valued at \$300 million per year and spread across 21 agencies.
- Reporting is decentralized.
- There are four staff members and one system.
- Accounting is responsible for drawdowns and disbursements, so there are no cash management issues.
- The system works on an accrual or cash basis.

Then Ms. Kakigi highlighted some of the challenges and solutions:

- When they began decentralizing, they received lots of phone calls, which prevented staff members from performing their regular duties.
- They decided to compile the questions and hold quarterly trainings, which included setting up a computer lab for the financial management system.
- Staff members spent time with each program coordinator to teach them how to complete their quarterly reports.
- Unfortunately, now they are losing staff, so they are back to answering questions by phone.
- However, they are able to create a report menu based on the grant award and specific award amount, so they just have to plug in the numbers.

Ms. Kakigi said she hopes that one day they can start centralizing their reporting again. Ms. Milks pointed out that while each program submits its own reports, cash management is still centralized.

During the follow-up questions, Ms. Kakigi was asked how each agency manages submission of its own reports if they have multiple contributors. "Our signature is not required," she replied, although the Treasurer does sign off on cash management agreements.

Another question involved tracking and reconciling federal grants receivables: "Does someone have a process or best practice to keep that amount as low as it can be?" Ms. Kakigi shared the situation in Guam:

- Federal invoices are processed Monday through Friday.
- Over the weekend, the system interfaces with those receivables.
- Drawdowns are performed on Tuesday and Wednesday mornings (because of the time difference).
- The bank reconciles with the branch, which is trained to determine which deposits are from federal grantors, and then they give them to another branch for coordination.

Ms. Sizemore shared some best practices on compliance from the CNMI's Office of Grants Management, which include:

- To help with compliance, they determine how much time is left on a grant, how much money is spent, and why money isn't being spent.
- The office assigned each agency a grant manager, who knows the grant inside and out.
- It's important to get the people who have their "hands on the grant" involved because they understand what the grant is for and whether the funds are being spent in a timely manner.
- Since there is so much information, they started with FY2013 and are working forward.

- Although they were able to pull out financial information, a lot of grants were not represented because a dollar amount was not attached.
- In many cases, they found no standard operating procedures for grants. SOPs are critical and need to be established for both sides—the agencies as well as the grantors.
- Also, there seemed to be a general lack of foundational knowledge, so they are working toward having a certified grants manager by 2013.

In addition, Ms. Sizemore highlighted the development and use of a new database:

- Built on Access, the new system was finished in late September.
- They have not yet seen any gaps, although they have found some instances where cooperative agreements were not in place.
- To remedy this, they have assigned this responsibility to one person in the grants office.
- They are drawing information from CNMI's Financial Management Information System.
- Information exists because each time an agency receives a grant, they set up an allotment form in the system.
- The database is currently being used only by the grants management office.
- However, each agency typically has that information, such as the total amount of grants, already on its books.

Falema'o Pili, Treasurer of American Samoa, brought up the issue of grantees hiring their own financial managers. He said the ASG has a hard time working with them when it comes to coding, the appropriate use of charts of accounts, and general systems and accounting concerns. Now the Treasury is looking closely at whether the accounts are correct. They are also training staffers to look for appropriate information, such as line items for supplies. "We often end up backpedaling and changing it after the fact," said Mr. Pili. "From the financial management side, we need to work with these programs closely."

Ms. Sizemore, from the CNMI, said they work directly with grant awards, which they run through as line items. As changes are made, they flow through the grants office. Any alterations they are likely to make with classification codes don't get past the office of grants management, she said. They review whether the change they want is in compliance with the terms and conditions of the grant.

Ms. Milks summarized the need for communication and training between the finance office and program managers, saying that the issue of communication between agencies within our own governments is a completely "solvable solution." There is a need to change the dynamic of the finance officer as "gatekeeper" and the goal of the programs as "see what we can get away with," she said.

Ms. Cathy Saelua, Director of the Office of Planning and Budget for American Samoa, said that when agencies get their awards, her office requires them to submit information such as statements and budget details. These must be signed by the director of the Treasury before

they are entered into the system. This information is required, she said, and if they don't get it, they return the submission to the agency for compliance.

GUEST SPEAKER

Bill Gallo of CDC Discusses Public Health Grants in the Insular Areas

Toward the end of the panel discussion, Bill Gallo, Associate Director for Insular Area Support for the U.S. Centers for Disease Control and Prevention, stopped by to briefly address the IFGOA members. Mr. Gallo is a member of JEMCO and JEMFAC and has a lot of public health program experience.

As a representative of a federal agency, Mr. Gallo said he knows first-hand how federal grant programs tend to work better for states of five million people. He also understands the challenges faced in implementing them in the insular areas. "CDC hired me to bridge that gap," he said. However, he did acknowledge that progress has been made at the Department of Health and Human Services in streamlining and consolidating grants, making them more applicable to the unique circumstances of smaller jurisdictions like the Pacific Islands.

In his remarks, Mr. Gallo addressed the issue of carry over. "I have to explain to CDC why the U.S. insular areas are in great need of federal assistance but are still carrying over up to one third of their money and not spending it by the end of the grant year," he said. He stressed the value of making sure that the jurisdictions use all of their federal aid each year.

Mr. Gallo also talked about the importance of the ministries of finance and health working together on federal grants. He referenced the National Public Health Improvement Initiative, which provides support to implement performance and improvement management practices and systems in state, local, tribal and territorial health departments. Mr. Gallo said he would like to see a pilot program in which the ministries of finance and health collaborate on pinpointing problem areas and streamlining the different steps in the system. "It could benefit all of government," he said.

Regarding public health in the islands, Mr. Gallo said that it's "really important" to focus on disease prevention. So much of the financial resources—which are declining—are being devoted to end-of-life and tertiary care, he said. However, governments should consider taxes on unhealthy foods and sugar-sweetened beverages, for example, and put those funds into healthy lifestyle initiatives, he said.

Mr. Gallo also encouraged the conference participants to share stories of success between jurisdictions regarding public health efforts. He said that the CDC is working to provide training on how to make things work more efficiently as well.

In response to a question about funding the administrative support required to manage federal grants, Mr. Gallo said that if their government has an indirect cost agreement with the U.S.,

they should explore using those resources to pay for services to manage the federal grant. In cases where an insular area has no such agreement, Mr. Gallo advised the finance officers to include direct costs for business services in their federal grant proposal.

GOVERNMENTAL ACCOUNTING STANDARDS BOARD UPDATE

Changing the Light Bulb

Frank Crawford provided an update on recently effective or soon-to-be effective GASB accounting standards. Using a "change the light bulb" riddle to help illuminate his point, Mr. Crawford emphasized that substantial changes are coming in terms of how state and local governments are required to report their annual financial statements. His presentation offered insight into GASB Standards 60-63 and 65-70.

Four of the standards became effective with the fiscal year ending September 30, 2013. They are:

- GASB Statement 60 Service Concession Arrangements
- GASB Statement 61 The Financial Reporting Entity Omnibus
- GASB Statement 62 Codification of Pre-1989 FASB and AICPA Pronouncements
- GASB Statement 63 Reporting Deferred Inflows, Deferred Outflows and Net Position

GASB Statement 60 addresses Service Concession Arrangements (SCAs). An SCA is a type of public-private or public-public partnership. Public-private partnerships can be a:

- Service arrangement, in which an entity is hired to operate a government-owned asset,
- Management arrangement, in which an entity is hired to manage a government-owned asset, or
- SCA, in which the government gets a significant asset in exchange for signing an agreement with another entity.

The required components of an SCA are:

- Transferor (insular government) conveys to an operator the right and related obligation to provide services to the public through the operation of a capital asset, in exchange for significant consideration
- Operator collects and retains fees from third parties
- Insular government is entitled to significant interest in the service utility of the capital asset at the end of the agreement
- Insular government determines or has the ability to modify or approve:
 - Services the operator is required to provide
 - To whom services will be provided

Prices or rates that will be charged

Some examples of SCAs would be:

- Operator designs and builds a facility and obtains right to collect fees from third parties
- Operator provides significant consideration in exchange for right to access existing facility and collect fees from third parties for usage
- Operator designs and builds facility, finances construction costs, provides services, collects fees, and conveys facility to Insular government at end of arrangement
- Toll roads/bridges
- Bookstore/cafeteria operations
- Golf courses
- Prisons
- Hospitals
- Parking lots
- Administration buildings
- Convention centers
- Public education
- Garbage collection
- Landfills
- Public safety police and fire operations

GASB Statement 61, The Financial Reporting Entity Omnibus, is a re-write of GASB-14. The Statement defines whether autonomous or semi-autonomous agencies need to be treated as component units and included in consolidated reporting. The general effect of this standard should be to reduce the number of component units the finance offices need to consolidate into their financial reporting.

GASB Statement 62, Codification of Pre-1989 FASB and AICPA Pronouncements, is essentially a GASB "housekeeping" statement. It brings commercial standards into GASB which were previously included in GASB by referencing FASB statements. Since FASB is being incorporated into an international standards entity, the items referenced must now be explicitly included in the GASB statements.

Mr. Crawford devoted special attention to GASB Statement 63. Much of the discussion focused on the newly created Statement of Net Position and the impact of the new elements of deferred outflows and deferred inflows on financial statements. He defined these terms as:

- 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

Mr. Crawford explained other key points regarding "display requirements," which included:

- 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

In addition, Mr. Crawford shared the following tips regarding 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

Mr. Crawford also reviewed four additional accounting standards that take effect with the close of the fiscal year ending September 30, 2014:

- GASB Statement 65 Items Previously Reported as Assets and Liabilities
- GASB Statement 66—Technical Corrections—2012, an amendment of GASB Statements
 No. 10 and No. 62
- GASB Statement 67 Accounting for the Pension Plan
- GASB Statement 70 Nonexchange Financial Guarantees

Although GASB Statement 65 does not take effect until FY2014, Mr. Crawford recommended that the IGFOA members apply that standard in FY2013.

Two other standards covered in his presentation will be implemented with the fiscal year ending September 30, 2015:

- GASB Statement 68 Employer Pension Accounting
- GASB Statement 69 Government Combinations and Disposals of Operations

(For more details regarding Mr. Crawford's presentation, see Appendix E, GASB Update: Changing the Light Bulb.)

DOI/OIA UPDATE: 2014 BUDGET REQUEST

Tom Bussanich, Director of the Budget and Grants Division of DOI/OIA, offered an update on the 2014 budget request. He began with some insight into the impact of recent budget developments in Washington, D.C. Although the federal government was shut down during the first few weeks of FY2014 because Congress was unable to pass a deficit reduction plan, the DOI/OIA was able to keep some staff members working because a portion of its money is permanently appropriated. He said he hopes that Congress will reach a budget agreement, but he thinks that the U.S. will end up with another continuing resolution. Mr. Bussanich did say that OIA funds have been exempted from the sequestration and that "Compact money can't be touched." However, the department will be keeping a close eye on spending and travel, he said, adding that in the future, they may have to lay off some people.

Given the precarious situation in Washington, Mr. Bussanich described the federal budget as an "exercise in fantasy." He prefaced his budget presentation by saying that "if you look through this, the only real numbers here are the 2013 numbers."

Mr. Bussanich then presented a summary of the 2014 OIA budget request. The permanent mandatory portion, which is over \$595 million, is "enormous," he said. This figure represents an increase of nearly \$51 million from 2013. He commented that the OIA is running about \$700 million worth of resources through its office.

During his talk, Mr. Bussanich explained that about 98 percent of OIA's budget is financial assistance, which aims to empower insular communities by:

- Improving quality of life through capital improvements and public services
- Creating economic opportunity; and
- Promoting efficient and effective governance.

The last item on that list is particularly important to the OIA mission, said Mr. Bussanich. When a government strengthens its efficiency and effectiveness, it creates opportunities for economic development, he said.

In his presentation, Mr. Bussanich showed a pie chart of the OIA 2014 budget request of nearly \$688 million, which illustrates the following:

Permanent Mandatory - \$595.7 million

- ◆ Compacts of Free Association \$281 million
- Fiscal Payments (Guam Section 30, VI Rum Taxes) \$314.6 million
- Discretionary Assistance \$32.1 million
 - General Technical Assistance \$17.5 million
 - Maintenance Assistance Fund \$1.1 million
 - ◆ Brown Tree Snake Control \$3.5 million
 - Coral Reef Initiative \$1 million
 - Empowering Insular Communities \$3 million
 - Compact Impact Disc. \$3 million
 - ◆ Federal Services \$2.8 million
 - ◆ Enewetak \$236,000
- Current Mandatory \$27.7 million
 - Covenant CIP \$27.7 million
- Directed Appropriations \$22.8 million
 - American Samoa Operations \$22.8 million
- OIA S&E \$9.3 million
 - Office of Insular Affairs \$9.3 million

Mr. Bussanich offered the following comments regarding the budget and other relevant issues:

- Covenant CIP These funds are distributed using competitive criteria based on financial
 management and single audits. Some areas benefit more because they practice better
 financial management. He told the IGFOA conference participants that "the work you do
 is very important to the amount of money they receive."
- Maintenance Assistance Fund They will be looking at things like deferred maintenance and the general condition of schools to make recommendations on new construction.
- Technical Assistance Many of these activities are fixed each year. In 2013, they were able to award \$11 million to all insular areas. The amount for 2014 will be "more limited." The Graduate School provides a huge amount of support for OIA.
- By December 31, 2013, he hopes to know how much they will be able to grant for next year.
- Compact Impact Compliance is always a big issue.
- They were able to get \$5 million solely for education, but a general lack of resources for 2014 may result in a reduction.
- A chief legislative goal is a 15-year agreement with the Republic of Palau. They
 negotiated this agreement more than three years ago. It's an interesting idea because of

this budget, which provides a different outlook. This is a major issue that affects OIA, and the U.S. State and Defense departments.

• The relocation of the Captain Morgan distillery in St. Croix has greatly increased the amount of taxes collected in the USVI.

Mr. Bussanich summarized his presentation with several remarks, which included:

- The most significant thing is that the budget is not stagnant in discretionary assistance.
- The OIA is still able to provide technical assistance in a variety of ways. It is not growing, but they are able to reach marginal areas.
- General technical assistance remains the focus.
- Because the U.S. Census was completed fairly recently (in 2010), OIA was able to cuts costs for the enumeration, from \$1.3 million to \$500,000, this year.
- In the past, \$1 million of that \$1.3 million had come from technical assistance, which officials were not happy about.

(Please refer to Appendix F, DOI/OIA Update, for the slides used in this presentation.)

LEADERSHIP IN THE 21ST CENTURY

During the IGFOA winter conference, resource consultant Gerald Bradley "Brad" Dude reviewed highlights from a leadership training that he had held with senior government officials in American Samoa and Palau.

That training was offered in only those locations due to plane schedules. Two half-day sessions were conducted in American Samoa and a half-day session was completed in Palau for approximately 15 attendees at each site.

Content for these sessions included overviews and discussions on basic leadership principles, such as managing change, management vs. leadership, team development, temperament, influence and personal power.

THE INFLUENCE OF TEMPERAMENT ON LEADERS AND MANAGERS

After his brief discussion on leadership, Mr. Dude offered a demonstration on the influence of temperament on leaders and managers. This talk was based on training that had been provided to Executive Leadership Development Program (ELDP) graduates, coaches, mentors and invitees during full-day sessions in American Samoa, Guam, Saipan, Pohnpei and Majuro. A half-day session was provided in Palau and a two-hour session in Kosrae (due to plane schedules).

These interactive and highly experiential sessions offered attendees a new perspective on leadership self-awareness. In addition, the lessons focused on reducing conflict with colleagues,

co-workers, managers and executives. A question-and-answer period was held at the conclusion of each session.

Mr. Dude gave an overview of this training to the participants of the IGFOA winter conference. The following material offers highlights from his presentation.

Based on a survey of 75,000 people from around the world conducted during the past 20 years, Mr. Dude listed the top characteristics of the best leaders:

- 1. Honest
- 2. Forward thinking or visionary
- 3. Competent
- 4. Inspiring

Then, drawing on information from a book entitled "Five Levels of Leadership" by John Maxwell, Mr. Dude summarized several primary reasons people follow leaders. These include:

- 1. Position in the organization They follow because they believe that they must. There is an implied threat: If they don't follow, they will get fired. (This is an unfavorable level of leadership.)
- 2. Permission They want to follow because they trust the leader. The leader has built a good relationship with them.
- 3. Success They want to follow because this leader has a proven track record at work. This leader has built trust and strong relationships.
- 4. People development They follow because of what the leader has done for them. People know that this leader will put them in a position in which they can develop more knowledge and skills.
- 5. Respect They follow because of who the leader is and what he or she stands for. (This is the top of the ladder.)

"That's the thing about leadership," said Mr. Dude. "It doesn't show up until later." He went on to explain that leadership in the 21st century is all about influence. The old days of command and control, hierarchy, are outdated, he said. "Now it's all about building trust and relationships."

He said one of the keys to success is tailoring the style to the particular circumstances. A "tool" that works in Majuro may not work in the Marshall Islands, said Mr. Dude. Leaders must ask themselves, "How can I apply this in my particular situation?"

Mr. Dude then summarized an eight-hour workshop on temperament in about 30 minutes. He called this session "The Basic Elements." He offered several definitions of temperament, including "the aspect of personality concerned with emotion." Afterward, he discussed two other key words:

- 1. Dominant Controlling, bossy, powerful, arrogant
- 2. Inferior Weak, quiet, passive, intimidated, submissive

He then walked the participants through a "rapid-fire" discussion on the four Basic Elements in an effort to answer the question "How do we develop relationships and trust?" He started with some background on the subject, which included:

- About 2,500 years ago, the ancient Greek physician Hippocrates wanted to know how behavior was linked to health.
- Poor behavior reflected an imbalance of fluids in the body.
- Research led to four basic types of behaviors.
- Now there are over 500 models of temperament, like Myers Briggs and True Colors.

Mr. Dude and his colleague developed a program called "What Makes You Tick and What Ticks You Off." They use four basic elements, which he defined in the following terms:

- 1. Earth They love to be organized, always plan things, and have a real problem with time. They come to meetings early and bring work, so they won't waste time. They show a lot of respect and want to protect their organization. Very judgmental, parental and detailed, they are good proof-readers. They love agendas, graphs and organizational charts. They follow old policies and rules until they are officially changed. (42 percent)
- 2. Air They are visionary and look to the future. People get in the way of their perfect plans. Competency is very important. Almost 90 percent of CEOs in U.S. are Airs. They like to be precise: "I don't see the logic in your report." They work well alone and are sometimes oblivious to others' feelings. They hate redundancy and repeating things. They expect people to know what to do. They don't care much about rules. You get into trouble with them when they don't think you are competent. (6 percent)
- 3. Fire They look at the world much like Earths do, but people are puzzling to them. They love life and being active all the time. They hate to wait in line or to be told what to do. They are innovative, creative and fun-loving. A lot of pro athletes are Fires. In meetings, they crack jokes, often saying things they should not. They tend to be messy and like to have toys. They don't care about organizational goals but are good trouble-shooters. Good entrepreneurs, they don't have to be leaders. If you are a slow leader, they are

- going to push you. Integrity is a huge issue with them. "Government typically kills off Fires," said Mr. Dude. (40 percent)
- 4. Water This is the "Kumbaya" group. They love people, harmony and working together. They will fight the bureaucracy for the sake of the workers. They will sacrifice themselves for the organization. They are very passionate about issues. They love self-help, training and lectures. Great team players, they love to solve problems. (There are a lot of Waters in Micronesia, said Mr. Dude.) If you give negative feedback to Waters, they are crushed for weeks. They are very sensitive. As a leader, be careful with Waters. It's very hard for them to trust you if they see you breaking the rules. Waters believe that if they work hard, good will come. (12 percent)

Mr. Dude explained that although each of us possesses a little bit of all four qualities, everyone has a dominant temperament. He then shared the following:

- When you are operating in your dominant temperament, you feel in control, powerful, self-confident.
- In your second temperament, you feel pretty confident. But under pressure, you will revert to your first temperament.
- When you are in your third temperament, you do not feel much change either way.
- The fourth one is your "shadow" temperament, your opposite.

When you encounter someone at work who expresses your "shadow" temperament, you typically view them as inferior. But because that is their dominant temperament, they feel confident. These are the ones people have the most problem with in their organization, he said.

(To read more about Brad Dude's presentation, please see Appendix G, The Influence of Temperament on Leaders and Managers.)

EXECUTIVE LEADERSHIP DEVELOPMENT PROGRAM (ELDP)

Status and Recent Program Evaluation

During the winter conference, Jason Aubuchon, Program Manager for the Graduate School USA, and Mr. Dude presented a summary of an evaluation of the impact of the Executive Leadership Development Program (ELDP) on its graduates. The evaluation was conducted from November 3 to December 5, 2013, in American Samoa, Guam, Saipan, Pohnpei, Majuro, Kosrae and Palau.

The presentation included the results of an ELDP graduate questionnaire and key findings from group interviews conducted with 41 of the 49 Micronesian and American Samoan participants (84 percent).

By way of background, Mr. Aubuchon explained that the ELDP is a four-week program that takes place over the course of a year. They receive about 100 applications for 30 slots. Applicants submit a resume, letter of intent and letter of support from their supervisor. Participants are selected by a panel. At the end of the program, each participant presents a capstone project in Hawaii. The assessments can be tough and critical, "but that's part of the point," said Mr. Aubuchon.

So far, of the 69 students who have graduated from the course, 27 (40 percent) of them were from within finance circles, nine were from commerce, and five were from foreign affairs. Thirty-five were women, and 34 were men. Ninety-two percent of the graduates are still working for their government offices; 8 percent have left government.

Mr. Aubuchon offered the following key findings from the ELDP evaluation:

- the need for an ELDP "champion," especially to aid in post-course follow-up activities and support;
- a concern that there are not enough ELDP graduates to make a difference in national leadership capacity;
- consideration should be made for delivering an entire ELDP for a single government; and
- efforts should be made to ensure that the ELDP has focused successfully on selfawareness and dealing effectively with others.

During the presentation, four graduates who were participating in the IGFOA conference shared these comments about their ELDP experiences:

- The training has helped them in their new supervisory roles and in dealing with the different temperaments in their organizations.
- They would encourage both young and older employees to participate in the program.
- It's a very good program, particularly for those who plan to stay in government.
- The training has helped in both their professional and personal lives.
- It has given them the confidence to face challenges in a new job.
- It gave one participant the boost to earn a master's degree in one year after the program.

(For more details on this presentation, see Appendix H, ELDP: Status and Recent Program Evaluation.)

SMALL GROUP WORK

Ideas for Addressing Leadership and Management Issues in the Finance Office

After the ELDP evaluation presentation, the IGFOA participants broke up into small groups to discuss three questions:

- 1. How can your government support and follow up on the efforts of ELDP graduates? (e.g., meetings, presentations to departments and ministries, etc.)
- 2. How can your government recruit ELDP participants from across all ministries and departments?
- 3. How do you establish an effective succession planning process, and what role can ELDP graduates and future graduates play in that process?

The following is a summary of the responses government representatives offered for Question 1:

- A memorandum of understanding should be established between the ELDP and the state. The message should come from the top to support government efforts.
- Graduates should give a presentation on what they learned from the program.
- Graduates should be assigned a project that showcases what they've learned.
- Grads should be included in government decision-making processes.
- There needs to be an awareness of who the ELDP graduates are and which agencies they represent.
- Graduates should give presentations within and across departments describing what they experienced in the course.
- Returning graduates are not well-known to the individual islands.
- Workgroups among graduates should be created to make people aware that the graduation has taken place.
- Create incentives for the graduates to encourage them to continue working on the island and also to coordinate with human resources to create training sessions for the rest of the government workforce.

In response to Question 2, regarding recruiting ELDP participants from various agencies, the small groups gave numerous answers, including:

- Meetings should be held across departments to inspire them to apply.
- The government should play an active role in both recruitment and the selection from the pool of qualified applicants.
- The Human Resources Department should be involved in the process.
- One agency should be responsible for disseminating information about the program on each island.
- Information should be disseminated throughout the government.

- The government should use its own criteria and have a screening process.
- The government should be able to identify workers who are capable and willing to learn.
 Candidates would be selected from within that group or offered the opportunity to apply according to established criteria.
- Departments should make their own selections.
- Work with the public information officer at the executive level; share information at the Cabinet level and give Cabinet members the opportunity to nominate people.
- Graduates should work with the media to share their experiences to motivate, influence and inspire other people.

Finally, in response to Question 3 (establishing an effective succession planning process), participants shared these suggestions:

- There should be a slot for each territory—three or four—so that the government can have a role in deciding who the qualified individuals are and how they participate in the program.
- A service requirement should be established for graduates of the program.
- Give incentives to ELDP graduates to stay in government; work from within existing HR systems to offer specific incentives—monetary or otherwise.
- People getting ready to retire should train other persons. Procedures should be documented.
- Cross-train younger employees. They should be able to learn and have confidence to carry on when they ascend to the appropriate positions.
- If you don't know what the goal is in your workforce and don't have a plan for what
 you're trying to accomplish, you should work to define what you want to get out of your
 graduates.

In closing, a participant remarked that the true sign of leadership is to share the knowledge and wisdom.

2012 'PERFORMETER' AND 'A.F.T.E.R. ANALYSIS' UPDATE

In this session Frank Crawford, CPA with Crawford and Associates, offered an overview of the 2012 financial health and success of the islands collectively as well as the respective "Performeter" score for each government.

In general, most of the governments reported an increase in their overall score due to improved economic conditions, cost cutbacks and containment, and investment earnings. In addition, a review of each government's A.F.T.E.R. analysis was performed, with many noting improvements in the amount of questioned costs and the number of qualifications and audit findings.

Mr. Crawford opened his presentation with an explanation of "Performeter":

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

Mr. Crawford said he developed the Performeter so that he could analyze this financial information and enable governments to track their score and compare themselves to other governments of similar size. "Many of you have a decade worth of this analysis," he said. "This stuff gets pulled from your audit and financial statements. Now that most of you are getting clean opinions, you are getting a real number and can track it year to year." He added that now he is "getting this number into the hands of those who make financial decisions for our governments."

Mr. Crawford then defined the "A.F.T.E.R. Analysis":

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

He offered the following overall general assessment of the financial health of the governments:

- For most, the fiscal year ending September 30, 2012, was a good year financially; it
 featured a year of continued recovery from lower scores in the prior periods, which had
 primarily resulted from the 2008 economic turndown.
- Most governments edged their scores upward—a few of them significantly—by
 continuing expense reductions that were instituted in prior years, and also by earning
 some additional revenues from either new streams of revenue, or additional revenues
 from existing sources (unrestricted investment earnings in many cases).
- Pension plan or social security entitlement program woes continue for all, some to a much greater extent than others.
- Fund balance deficits and net assets deficits increased for some, decreased for others, with a few remaining relatively stagnant.

In terms of factors and circumstances for 2012, Mr. Crawford stated that:

- Most governments, even when considering component units, are receiving unqualified (clean) opinions on their financial statements.
- A few are even receiving unqualified opinions on their compliance with federal program monies (single audit).
- A few even have no questioned costs, or very little questioned costs.
- And finally, a few have achieved their highest scores ever, or at least the highest in the last several years.

(For additional information on this presentation, including specifics for each IGFOA member government, please refer to Appendix I, 2012 'Performeter' and 'A.F.T.E.R. Analysis' Update.)

SUMMARY OF SINGLE AUDIT RESULTS FOR FY2011-FY2012

Audit Trends in the U.S. Insular Governments

Deborah Milks, CPA, offered an overview of audit trends throughout all 11 insular governments. In discussing the key topics covered in her presentation, she offered the following comments:

- Financial statement qualifications "These issues just don't want to go away."
- Federal program qualifications These "hit a plateau as well. The people in this room are not necessarily the individuals responsible for those federal grants."
- Qualifications from component units There was a huge reduction in component units. A
 lot of the issues related to financials are component units.
- Number of late reports "I realize we have 'late' and then we have 'really late.' Only two
 governments are really late. You know who you are, and you are catching up."

Ms. Milks displayed a pie chart of U.S. insular government audit findings by type. She pointed out that record keeping, reconciliation, cash management and fixed assets have been the primary problems with single audits since 2003.

She then shared comments regarding the key problem areas:

- Reconciliation (20.9 percent)
 - The one that bothers her the most.
 - It can be solved with the "people in this room."
 - Finance can resolve this problem without worrying about other Cabinet officials.
 - Nine governments had problems with this on their balance sheets—that's way too high.
- Record keeping (13.6 percent)
 - Auditors have "certain buckets that things fall into."

- In the details of the findings, the problem was not procurement but locating the documents to back up "what you did."
- In 2005, all 11 governments had problems with this. In 2008, it dropped to eight.
- Procurement (9.9 percent)
 - ◆ This involves not following the rules for small purchases.
 - Seven governments still struggle with this problem.
- Cash management (9.4 percent)
 - Surprisingly, this one has come down.
 - Shining a light on it may have helped.
- Fixed assets (8.9 percent)
 - Back in the 1980s, this was a major issue—and it still is.
 - American Samoa has used a good best practice to raise the threshold and get rid of things that "you don't have to count."
 - "If it's not on some fixed asset somewhere, then you are continuing to dig a hole if you don't get it recorded in your system."

(For more details on Ms. Milks' presentation, please see Appendix J, Audit Trends in the U.S. Insular Governments.)

GASB STATEMENTS 67 AND 68

New Pension Accounting and Financial Reporting Standards

Frank Crawford, CPA, gave a presentation on the chilly subject of the status of each government's pension trust fund or social security trust fund. The news was mostly unfavorable, as all of the plans appeared to have significant unfunded liabilities, totaling roughly \$5.5 billion for the group as a whole.

The new accounting standards will require each government to report its unfunded pension liabilities in its government-wide financial statements starting in FY2015. Specific issues at hand in each government's plan were also discussed, along with potential solutions and thoughts concerning actions moving forward.

Mr. Crawford highlighted the following points regarding the scope and applicability of the new standards:

- 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

He then reviewed key elements of GASB Statement 67, Financial Reporting for Pension Plans:

- An amendment of GASB Statement 25
- Scope is 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 will primarily reflect changes in the measurement of liabilities of employers
- 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

Mr. Crawford described GASB Statement 68, Employer Accounting and Financial Reporting for Pensions, as an amendment of GASB Statement 27. He then discussed several concepts relating to Statement 68, including:

- Reporting of net pension liability
- Definition of Liability according to Concepts Statement No. 4
- Defined benefit pensions
- Changes in NPL, including:
 - TPL exceptions
 - Investment earnings exception
 - Involvement of nonemployer contributing entities
- Defined contribution pensions

In reference to Statement 68, Mr. Crawford also shared the following information concerning the effective date and transition:

- Fiscal years beginning after June 15, 2014
- Beginning deferred outflows/deferred inflows of resources balances will also need to be restated, along with all other elements
- RSI schedules prospective if information not initially available

(Please refer to Appendix K, GASB Statements 67 and 68, for additional information on Mr. Crawford's presentation.)

DEVELOPING A LEAN, MEAN FINANCE OFFICE MACHINE

Deborah Milks, CPA, presented an interactive discussion on streamlining processes in the finance office. She explained that the purpose of developing more efficient procedures is to save money and time—not to fire people.

Ms. Milks offered the following definition of "lean government":

- A set of principles and tools that help people "learn to see" and eliminate waste
- Enables agencies to work more effectively and efficiently by identifying and eliminating waste in government processes
- Less time, lower cost, greater quality

She then described how Lean works:

- Facilitated by Lean professional/trainer
- Involves problem identification/planning
- Includes a three-to-five-day "event"
- Uses a variety of "tools" to identify improvements
- Requires follow-up and implementation

In addition, Ms. Milks shared how Lean differs from TQM, BPR and other "flavor of the month" improvement efforts:

- Focuses on rapid, immediate, real-time change
- Tends to be more gradual than radical
- Emphasizes doing over planning
- Keeps all eyes on what matters through measures
- Involves the right people—staff and customers who are part of the process

She also said that Lean can solve the following problems:

- Backlog of review and approval actions
- Slow and inefficient human resource and hiring processes

Inefficient grant and contract management processes

Ms. Milks then offered the following step-by-step guide to Lean:

- Determine if the agency is ready
- Select a process
- Choose a leader and a team, communicate
- Decide which tools to use
- Hold a Lean "event," communicate
- Change, measure, communicate
- Follow up, measure, communicate

Ms. Milks then asked the conference participants to break up into groups by government and identify processes that could be improved and all the steps necessary to implement the changes. Responses from the small group work included:

- Hiring Takes a long time, sometimes six to 12 months, to get staff hired. If the position
 is funded by a grant, they have to request an extension. Determined that they must work
 with Human Resources to address this. Paperless system can allow them to review the
 processes and forms easier. Solution also involves training and coordination at all levels
 of government—finance, budget, procurement.
- Purchase orders They can't accomplish department goals if it takes two weeks to get copy paper, for example. Solution involves better training of employees and access to enter purchase requisitions. Measure how long it currently takes and determine how long it should take.
- Travel advances Requirements are not being enforced by the state finance officers. It's
 important to get a champion for this cause to avoid backlash. Also, in some areas, travel
 advances require the signature of the president. Could look at streamlining the process
 and determining whether it could be signed at the Cabinet level.
- Procurement Processing purchase orders is a function of budget, which is set by the national treasury. It's an appropriation control feature. Need to reduce the time it takes, but would require shifting of funds.

At the end of the session, the groups shared the following potential barriers to success in implementing a Lean program:

- Trying to do too much in a relatively short period of time
- Lack of management support
- Short-cutting things and not going through the steps

- Strategic misalignment; it may take a bigger event. If you are trying to bring other
 departments into the fold, it may be unrealistic to assume they will immediately buy into
 the idea.
- People don't like change

Despite all the potential challenges and excuses, the participants were encouraged to "just do it"!

(The slides from Ms. Milks' presentation are available in Appendix L, Developing a Lean, Mean Finance Office Machine.)

STUMP THE CHUMPS

A Q&A with CPAs and Auditors

The winter conference included a question-and-answer session with the following CPAs and auditors: Deborah Milks, CPA; Frank Crawford, CPA; and Marina Tinitali, Accountability and Insular Policy Specialist with the DOI/OIA.

A summary of the questions posed by the conference participants and the answers provided by the panel is presented below:

- Regarding unfunded liability for the pension plans and the fact that the negative figure
 will now be recorded on the financial statements, what kind of effect will this have? Will
 people become immune to these brackets (negative numbers)?
 - No one really knows the true impact.
 - The focus should be that it is not a new problem; it was just not in the math.
 - ◆ It will be even across sectors—private, public, U.S. government.
 - In the creditor community, we don't think this will change how you will be rated.
 - ◆ There may be some flashback from the credit side.
 - ◆ This will be a very noticeable issue--\$1.9 billion instead of \$350 million.
 - Put in as much detail as you can.
 - When Ford and GM looked at their pension systems, it affected shareholder prices, everything, negatively. That spurred action. They modified the plan, maybe to a 401K plan, to make earnings come back. Perhaps once the negative number is in the math of the government, they will do something about it. Now it's a big deal.
- Who will record the liability? Is it the plan's liability?
 - ◆ The bulk of the unfunded liability will go to the employees, everyone involved in that program.

- The retirement fund looks great on paper. The reason is that the trust fund cannot be liable for anything it's never received. This money is not in the trust fund.
- It's not the pension plan's liability, it's the participating employer's liability.
- What if someone switched over to a component unit?
 - Whenever you hire an employee, you bring their baggage with them—unused sick leave, vacation—when you hire them. You can't take an employee without taking their baggage.
 - ◆ There is no set rule. It's a management decision.
- What about the FSM government system?
 - The FSM government retirement, social security system, operates something like a pension plan.
 - The national government and states contribute.
 - There is no state and local government accounting that addresses as social benefit plan.
 - No state or local government in the U.S. has a social security plan—only the federal government does.
 - No one has addressed GASB, and they won't because they ask, "Who does this apply to?" (It only applies to FSM and RMI.)
 - There is one big fund called the Social Security Retirement Fund because it's not just a government fund.
 - We have no idea what the estimated liabilities of this plan are.
 - FSM and RMI need to address this before they run out of money.
- How do Fiji and Tonga respond? Shouldn't there be a common sense approach?
 - The International Public Sector Accounting Standards Board (IPSASB) sets all government accounting standards that are not U.S., almost like a cash basis.
 - It would be a step backwards from GASB.
 - There is nothing to prohibit the freely associated states.
 - It's not in the math, just a disclosure.
- Regarding fixed assets, if we complete the inspection in tagging fixed assets, would we be allowed to remove the audit finding?
 - The findings are probably in capital assets that do not go anywhere. Why waste all this time checking laptops and lawnmowers? Just check on the 900 miles of asphalt road or the 15 buildings. Focus on the 20 percent that is \$5,000 and up.

- There may be an incorrect capitalization of capital assets. Knowing that the auditors love to nit-pick, they are going to write it up. It's still going to be a finding.
- If it's federally funded, then you must show it. It's a compliance issue.
- Is there a target date for no question costs by the end of the year?
 - Most findings don't include question costs.
 - Let us know right away before it becomes a question finding.
 - There is no target date.
 - The target is zero question costs.
- Would you recommend that we do an extra study? My governor will ask, "How did you get those numbers?"
 - ◆ Those numbers came right out of your most recent actuarial evaluation.
 - It's conducted on an annual basis, so it's always a year behind.
 - The next evaluation will probably be received in January or February but will go through September 2013.
 - It will follow the new GASB Statement 67 rules.
 - Two different actuarial firms will look at the data and come up with two different estimates.
 - One idea is to do "sensitivity," 7 percent return instead of 3 percent. Run those numbers or contribute 100 percent of what you need.
 - This sensitivity is part of the actuarial. It has to be a disclosure. It will give you an idea for every 1 percent increase in contributions, this is what you can expect.
 - You have to do something and do it really quick.
- What percentage is required for pensions? With cost-of-living and raises, will that number rise?
 - If you do nothing, that number will increase—unless you have an amazing investment return.
 - If you issue debt, pension bonds, of \$500 billion and deposit that into the trust fund, then that number will go away.
- We are having problems with contributions. Right now the government is considering increasing taxes and the retirement age. How can we fix this?
 - The only way to fix this is to increase employee or employer contributions or find money to invest in the retirement fund.
 - You need the fund to continue to grow to pay for future retirees.
 - You must increase contributions or decrease the outflow.

- Cut out the COLA or increase the retirement age.
- In a social security program, you can adjust the entitlement.
- New employees could get less than what older retirees were promised.
- There is a finite time before the fund will run out of money.
- How does loss on the investment portfolio impact that formula?
 - It has a huge impact.
 - ◆ They are designed to earn an average of 8 percent per year. Some years it may be 22 percent. But the flip side is that when investments earn 6 percent, you must contribute more money.
 - In reality, the contribution amount should be a number that floats based on what was earned the previous year.

GOVERNMENT ACTION PLANNING

During a box lunch session, the IGFOA member government representatives assembled in small groups to develop action plans based on five main topics:

- 1. Audit improvement (What you are going to do? Who is going to do I and by what date?)
- 2. Cash management plans
- 3. Accounting standards updates (may include pensions)
- 4. Federal grants coordination
- 5. Leadership management training

The participants were advised that if they cannot attend the next IGFOA conference, they should turn this plan over to someone who can join the forum in Minneapolis, MN, in May 2014. "If you are hiding your accomplishments under a bushel basket, we can't report it back to DOI," they were told.

REPORT OUT

Two of the government groups, Palau and American Samoa, summarized their action plans for FY2014 through PowerPoint presentations. The remaining groups detailed their plans verbally. The following is a summary of each action plan.

Republic of Palau:

Audit Improvement

- Period of Availability
 - BNT Modify RQ form to include budget period (expiration)
 - BBP Enter budget period in DILOG
 - BPSS Directive requiring attestation by Program Managers of grant requirements (consistent with Grants Coordination procedures)
- Reporting
 - BNT Directive requiring monthly reconciliation and provision of financial reports to program activities without access to the FMS
- Audit Resolution
 - MOF Establishment of Audit Committee to coordinate with OPA

Cash Management

• BNT Finalize cash flow requirements in coordination with BBP

Accounting Standards Update

 Working Committee submits proposed amendments to the CSPP including moving from a DB to a DC plan

Federal Grants Coordination – government groups

Issuance BPSS Directive and establishment of Audit Committee

Leadership Training

- BPSS Designation as focal point for disseminating ELDP information and establishment of screening guidelines including service requirement
- BPSS Adopt policies and procedures recognizing and providing incentives for ELDP graduate retention and assignments

Commonwealth of the Northern Mariana Islands:

- Audit Improvement—Governor has formed an Audit Task Force, effective December 2013, headed by Sheryl Sizemore. ATF mandated by Governor to finish by December 31, 2014, and tasked with addressing outstanding findings.
- Cash Management—Secretary of Finance working to finalize SOPs. Should be completed by March 2014.
- Accounting Standards—Tasked to Finance with involvement from directors of Finance and Accounting, Treasury Department, and Procurement and Supply Director, to be completed April 2014.

- Federal Grants Coordination—This should be an offshoot of the Audit Task Force.
 Outstanding findings are focused on federal grants. Twelve-month time period, with
 Office of Grants Management undertaking the task of preparing SOPs; that also has a 12-month time period. Hope to have 30-35 certified grant managers before April 2014.
- Leadership Training—ELDP, working on addressing succession planning, immediate and ongoing.

U.S. Virgin Islands:

- Audit Improvement—Muriel Fenton, Director of Accounting, Department of Finance, will serve as point person, so that audit requests will go through her. She will document responsibilities. Finance will ultimately be responsible to finalize the audit, hopefully by Dec. 31, 2013, and the next audit by June 2014. Corrective Action Plan to update needed areas.
- In communication with the Federal Grants Management Unit of OMB to begin team
 meetings in January 2014 with grant managers from other agencies. Looking for
 improvements in areas to manage the grants better. Hope that the training will improve
 fiscal responsibility.
- Cash Management—With Treasury and within their control. Most elements are already in place and just need to be finalized.
- Accounting Standards—Regarding the issue of the future of the pension, we have had
 important meetings with the Legislature and others and are on our way in terms of
 increasing awareness to the agencies and community so that they know we can't just do
 nothing. Some folks are retiring and not receiving pension checks; this trend can't
 continue.
- Federal Grants Coordination—Focusing on training through OMB.
- Leadership—We do have ELDP participants from finance, but none of them are currently
 in finance. We'd like to focus on succession planning. Once we bring all the leaders
 together to plan and discuss issues, we'll try to improve in areas in which we are
 deficient.

Republic of the Marshall Islands:

- Audit Improvement and Cash Management—We combined these issues and aim to complete both of these within the next six months, by June 2014, thanks to Guam's willingness to share their Cash Management Plan. Clarence Samuel, Assistant Secretary of Accounting, will work on this.
- Need to improve internal processes, especially travel advances and drawdowns.

- Need to undertake a debt sustainability assessment, working with Pacific Island Forum countries and PFTAC.
- Leadership—Realize importance of ELDP; however, want to ask ELDP graduates to join monthly or quarterly fiscal officers meeting.
- Federal Grants Management—Four federal grants managers within line ministries procurement, accounts payable, accounting and budget. Kayo Yamaguchi-Kotton, Assistant Secretary for Budget, is responsible.
 - Clean encumbrances
 - Upcoming deadlines
 - Revising rates of expenditures and drawdowns
 - Remind them of common mistakes and address any issues—audit related, or fixed asset related
 - Might need \$400 to \$500 for printing costs
 - Also, would like to address cash management and audit issues associated with the SEG grant.
- Federal Handbook to be developed by 2014, with a deadline earmarked for May 2014.
 Identified areas with Special Education and Region IX people. Incorporating information to strengthen the handbook, working with line ministries. Estimate \$500 to issue and print booklets.
- Monthly reporting is a serious weakness, especially within Budget. No template has been established. Will develop a template for reporting purposes that will feed into better productivity.
- Need for training and capacity building, including webinars, conference announcements, etc.
- Fixed Assets—Inventory every two years but not completed and reported fully. Schedule of annual fixed assets has been created, but also need to give proper tools to those who conduct the physical counts (scanner).
- Need to update the Procurement Act, deliverables associated with audit.

Guam:

- Focus on long-standing fixed asset finding. New project leader has been assigned.
 Timeline has been established.
- Cash Management Plan—Able to provide an award to automate cash flow requirements. Want to balance this with bank reconciliations to provide timely cash reports to the administration.
- Accounting Standards—Director of Finance responsible. Will issue circular to inform autonomous agencies that they will assume their respective share of the pension liability.

- Federal Grants—Automating financial reports, which we expect to launch mid-February of 2014. Ken Borja to take the lead.
- Leadership Training—Able to successfully hold a training that was required by the Director to be attended. Planned to target program managers to attend; ended up with 27 attendees.

Federated States of Micronesia:

- Audit Improvement—Address common problem of fixed assets. Each government will
 address this by using best practices from each government, which will be used to solve
 audit problems. Also work to revive the Audit Committee, which would meet annually to
 address audit problems as questioned costs are rising.
- Cash Management Plan—Draft plan exists but needs to be revived.
- Federal Coordination—Review the process and standardize SOPs. Juliet Jimmy, Assistant Secretary for the National Treasury, to lead this process.
- Leadership Training—Identify champions to advocate for the program within each government.
- National Succession Planning—Want to give options to the Secretary. Identified several
 individuals as potential successors. Currently in discussion with HR to put staff through
 finishing their education and obtaining degrees.

American Samoa:

- Audit Improvement
 - Monthly closing—Issue monthly financial statements
 - ◆ Bank reconciliations—Grant reports closed on a monthly basis
 - Digitize monthly statements
 - Reconcile and close books every month
 - Ensure federal reports are closed every month
 - Clear encumbrances that are expended
 - Issue monthly reports to departments and program managers
 - Account analysis
 - Standardize processes and procedures
 - Train all levels, core agencies and department financial officers
 - Set due date for 15th of every month
 - Point of contact—Department of the Treasury, Treasurer; Budget Office, Director;
 Procurement, CPO; and Grants Accounting, Jerome Ierome
 - Target date—December 12, 2013
- Cash Management

- Revise reimbursement process
- Maximize cash flow, minimize cost reimbursement
- Collection of in arrears
- Goal is to collect at least 50 percent back into our GL of Grants ARs
- Hire Cash Management to facilitate this project
- Establish policies and procedures
- Point of contact—Department of the Treasury, Treasurer; Grants Accounting, Jerome
- Target date—January 2014
- Accounting Standards Update
 - Implement new GASB standards of inflow, outflow, modified and unmodified and deferred accounting and reporting
 - Point of contact—Department of the Treasury, Treasurer
 - Target date—ASAP
- Federal Grants Coordination and Government Groups
 - Correlate between grantor, grant award and grantee
 - Standardize process and procedures
 - Train and execute all appropriate parties
 - Point of contact—Department of the Treasury, Treasurer; Budget Office, Director;
 Procurement, CPO; and Grants Accounting, Jerome Ierome
 - Target date—January 2014; meet every two months
- Leadership Training
 - Identify type of training based on Strategic Training Plan
 - Coordinate with mandated agency to ensure training schedule
 - Prioritize objectives to set training plan
 - Coordinate all core agencies to implement training
 - Standardize processes and procedures
 - Point of contact—Department of the Treasury, Treasurer; Budget Office, Director;
 Procurement, CPO; and Grants Accounting, Jerome Ierome
 - Target date—January 2014

At the conclusion of the government presentations, Stephen Latimer, the conference facilitator and Program Manager with Graduate School USA, recognized all of the ministers, directors, finance officers and distinguished guests for attending the winter IGFOA conference. Mr. Latimer acknowledged that the conference would not have been possible without the funding of the DOI/OIA. He extended special thanks to Marina Tinitali, Accountability and Insular Policy Specialist for the Office of Insular Affairs.

Treasurer Falema'o Pili of American Samoa thanked the OIA for hosting his agency. He said it was his first time attending the conference. Although he had not initially planned on coming, he heeded calls from the Governor and Director Nikolao Pula to join the meeting.

Mr. Pili said that during the previous few days he was able to "rub shoulders" with colleagues and learn more about the U.S. government, which will help him see what direction the ASG should take. He said he would like to see how much they are able to accomplish in terms of their action plan by the next conference. "We have gained so much and will go back with so much," said Mr. Pili.

The conference attendees received certificates at the end of the meeting. The next IGFOA conference will be held in Minneapolis, Minnesota, in May 2014.

APPENDIX A – AGENDA

Island Government Finance Officers' Association Meeting Agenda December 3 – 5, 2013 Waikiki Beach Marriott Resort Honolulu, Hawaii

The goals of the December 2013 IGFOA conference are to:

- Present and discuss best practices in federal program coordination, finance office performance improvement, single audit improvement, and cash management.
- Review new GASB accounting principles and standards and develop a plan for the implementation of these principles
- Provide training to IGFOA members on leadership skills and federal program coordination
- Exchange information on the latest *Performeter* analysis
- Build government specific plans to implement new GASB standards, improve communication and fiscal capabilities with federal program managers, enhance finance office performance measures, and develop cash management plans.

Monday, December 2

2:00 – 4:00 pm Conference Registration

Registration table located outside the Kona Moku Ballroom

Tuesday, December 3

7:00 – 8:15 am **Breakfast**

Kona Moku Ballroom, Salon C

8:30 – 9:00 am <u>IGFOA Conference</u>

Kona Moku Ballroom, Salons A and B

Welcome Remarks:

Elbuchel Sadang, Minister of Finance, Palau

Jack Maykoski, Vice President for Training and Program

Management, Graduate School USA

	Nikolao Pula, Director, Office of Insular Affairs, U. S. Department of Interior
9:00 – 9:30 am	Review agenda and introductions Stephen Latimer, Facilitator
9:30 – 10:15 am	Keynote Address Speaker to be Determined
	Questions and Answers
10:15 – 10:30 am	<u>Break</u>
10:30 – 12:00 pm	Government Updates: Status of Single Audits, Finance Office Performance Measures, Communications with Federal Program Managers, and Cash Management Plans Moderator: Debbie Milks, CPA
	Presentations (10 minutes each):
	American Samoa
	Commonwealth of the Northern Mariana Islands
	Federated States of Micronesia
	Chuuk
	Pohnpei
	Yap
	Guam
	Republic of the Marshall Islands
	Republic of Palau
	U.S. Virgin Islands
12:00 – 12:15 pm	Group Photo
12:15 – 1:15 pm	<u>Lunch</u> Kona Moku Ballroom, Salon C
1:15 – 1:45 pm	Federal Grants Coordination Presenter: Mark Anderson, Administrator, Office of Federal Awards Management, State of Hawaii
1:45 – 3:00 pm	Panel Discussion: Best Practices for Managing Federal Grants in the Insular Areas Panelists:

Kathrine Kakigi, Financial Manager, Department of Administration, Guam Sheryl Sizemore, Grants Administrator, Office of Grants Management, CNMI Caryn Koshiba, Chief, Division of Finance & Accounting, Palau Mark Anderson, Administrator, Office of Federal Awards Management, Hawaii **Questions and Answers** 3:00 – 3:15 pm Break 3:15 - 3:45 pm **Government Break Out Sessions** Government working groups to develop ideas for eliminating findings related to federal grants. (Break Rooms: Honolulu Room, Kou Room, Kona Moku Ballroom) 3:45 - 4:45 pm **Government Accounting Standards Updates: Changing the** Lightbulb Frank Crawford, CPA **Review and Adjourn** 4:45 – 5:00 pm 5:30 pm Reception: Hosted by Bank of Hawaii Waikiki Terrace Wednesday, December 4 7:00 - 8:15 am **Breakfast** Kona Moku Ballroom, Salon C 8:30 - 8:45 am Review results from Tuesday and overview of today's agenda Stephen Latimer, Facilitator 8:45 - 9:15 am **DOI / OIA Update** Tom Bussanich, Director of the Budget and Grants Management Division, U.S. Department of Interior/Office of **Insular Affairs** 9:15 - 10:00 am **Executive Leadership Development Program (ELDP): Status** and Recent Program Evaluation Jason Aubuchon and Brad Dude

10:30 – 10:45 am Break 10:45 – 11:30 pm Leadership in the 21st Century (cont.) Brad Dude 11:30 – 12:00 pm Small Group Work Ideas for addressing leadership and management issues in the Finance Office (Break Rooms: Honolulu Room, Kou Room, Kona Moku Ballroom) 12:00 – 1:00 pm Lunch Kona Moku Ballroom, Salon C 1:00 – 2:15 am Performeter Updates Frank Crawford, CPA 2:15 - 3:00 pm Summary of Single Audit Results for FY 2011-2012 Debbie Milks, CPA 3:00 – 3:15 pm Break 3:15 – 4:45 pm A Closer Look at the Government Pension Standards and Your Government Frank Crawford, CPA 4:45 – 5:00 pm Review and Adjourn Thursday, December 5th 7:00 – 8:15 am Review results from Wednesday and overview of today's agenda Stephen Latimer, Facilitator 8:45 – 10:00 am Developing a Lean Mean Finance Office Machine: Process Improvement Using Lean Government Techniques Debbie Milks, CPA 10:00 – 10:15 am Break 10:15 – 10:45 am Stump the Chumps (CPAs/Auditors) Debbie Milks, CPA; Frank Crawford, CPA; and Marina Tinitali, CPA		
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Debbie Milks, CPA; Frank Crawford, CPA; and Marina Tinitali,	10:00 – 10:15 am	<u>Break</u>
	10:15 – 10:45 am	Debbie Milks, CPA; Frank Crawford, CPA; and Marina Tinitali,

10:30 – 11:30 am	Action planning to address (1) audit improvements, (2) cash management plans (3) accounting standards updates, and (4) federal grants coordination Government Groups
	(Break Rooms: Honolulu Room, Kou Room, Kona Moku Ballroom)
11:30 – 12:30 pm	Working Lunch
12:30 – 1:15 pm	Report out: Government specific action planning
1:15 – 2:00 pm	Conference Wrap-up
	Advancing the plans
	Summary of progress during this session
	• Next steps
	Conference evaluation
2:00 pm	<u>Adjourn</u>

APPENDIX B – PERFORMANCE MEASURES SUMMARY

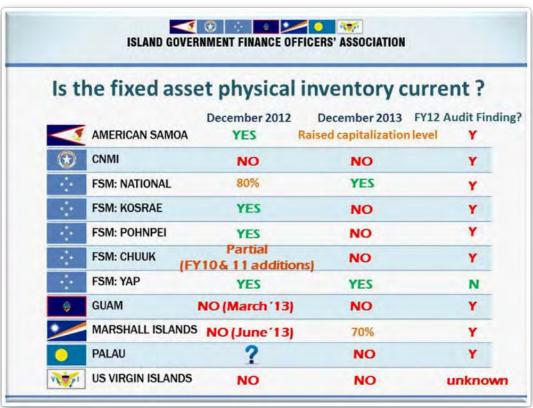








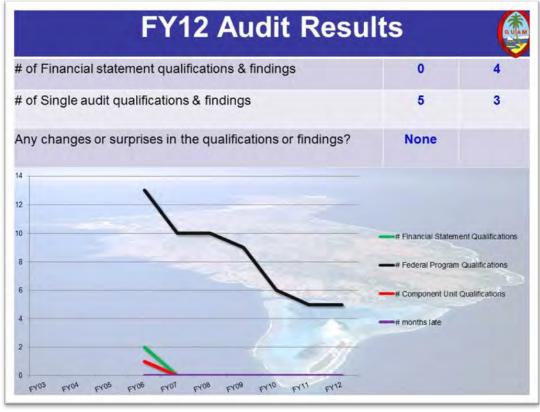






APPENDIX C1 – GUAM GOVERNMENT UPDATE





FY13 Audit Statu	ıs 🤮	
Are the auditors currently engaged?	Yes	
Any expected issues or different requests from the auditors?	No	
Any change of procedures or personnel dealing with the audit?	No	
Date of the initial presentation of the trial balance.	None, to date – waiting for the closing of Fiscal Year 2013.	
Expected completion date of the audit.	May 31, 2014	

Federal Programs "Communicating on Island"



Describe below any formal training or discussions your office had with your local federal program managers in the last 6 months. Discuss plans you have for future meetings.

What were the primary areas of discussion?

How many attendees and/or how many federal programs were represented?

Were the sessions conducted with the aid of external trainers for facilitators?

Do you have any follow up issues?

Did you make changes in any finance office procedures as a result of the issues discussed?



Federal Programs "Communicating on Island"



Describe below any formal training or discussions your office had with your local federal program managers in the last 6 months. Discuss plans you have for future meetings.

What were the primary areas of discussion?

The Financial Management Process

How many attendees and/or how many federal programs were represented?

Day 1 = 127 and Day 2 = 123

Were the sessions conducted with the aid of external trainers for facilitators?

Yes. Speakers for (1) OMB A-133 Compliance and Education; (2) Ethics in the Workplace; and (3) Finance from a Public Administration Perspective.

Do you have any follow up issues?

Some. Mostly requests for FMS hands-on and in-depth individualized training.

Did you make changes in any finance office procedures as a result of the issues discussed? *Most changes were forms-related.*

Finance Office Performance Measure relating to Federal Programs # days it takes to process an invoice to be paid with federal 5 days for data entry, 1 week to cut payment % of federal form SF425s completed on a timely basis 95% each quarter % change in the year end balance of the federal programs FY12 = 2.30% FY13 = -22.16% receivable Are the documented procedures for federal cash draw-Yes downs and disbursements complete? Estimate of federal cash lost due to untimely collection of FY12 = \$1,160 (5 travelers) travel advances FY13 = \$4,631 (7 travelers) - out of \$617,213.20 Is the fixed asset inventory for each federal program No completed before year end?

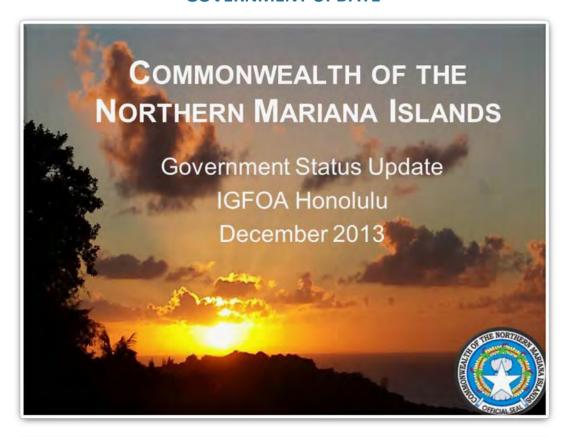
Document	Completed?	Reference (regulation #, procedure, etc)
Government Cash Policy	Yes	Included in Cash Management Plan
Bank Account Template	Yes	Included in Cash Management Plan
General Cash Procedures	Yes	Included in Cash Management Plan
Treasury State Agreement (territories only)	Yes	Included in Cash Management Plan
Average Clearance Pattern	Yes	Included in Cash Management Plan
Federal Cash drawdown tracking sheet	Yes	Included in Cash Management Plan
Federal Cash drawdown procedures	Yes	Included in Cash Management Plan
Cash Internal Control checklist	Yes	Included in Cash Management Plan

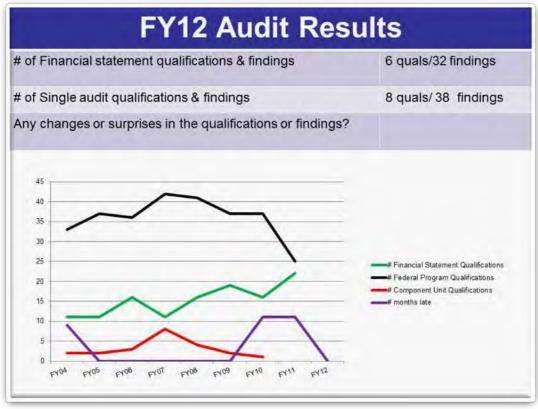
			•
Fixed asset physical inventory	Travel Advance Collections	Bank Reconciliations	Invoice Processing Days
Was the physical inventory completed as of 9-30-13?	% oftravel advances over 30 days as of 9-30-13.	What is the status of your bank reconciliations as of 9-30-13?	How many days does it take to process a federa invoice (average for FY12 & FY13)?
No.	4%	Completed.	FY12 = 17.5 days FY13 = 15 days
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?
Yes.	FY12 = 55 days FY13 = 38 days	No.	12 days
Does your government have a plan to complete the fixed asset inventory, if not yet completed? Yes.	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?

Federal Grant Receivable Reconciliation	Timeliness of SF425 federal reports	Revenue Estimates
What method is used to track federal receivables? Independent Federal Grants in Aid Subledger	Does your office have a tracking spreadsheet for SF425 reports due/over due? No. Allowed by new grant. FY2012 = 1.14% FY2013 = 1.84%	How close was your government's estimated revenue vs actual collections for FY12 and FY13?
Are federal receivables recorded in the general ledger? Yes. In a separate fund.	Does a manager regularly review to insure reports are timely? Yes.	
	What are the primary issues that cause reports to be late? High turnover of administrators and staff.	



APPENDIX C2 - COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS GOVERNMENT UPDATE





FY12 Audit Status		
Are the auditors currently engaged?	YES	
Any expected issues or different requests from the auditors?	Awaiting the final report from the CNMI Retirement Fund and actuarial report	
Any change of procedures or personnel dealing with the audit?	Working on forming a Audit Resolution Task force	
Date of the initial presentation of the trial balance		
Expected completion date of the audit	December 2013	

Are the auditors currently engaged?	Yes
Any expected issues or different requests from the auditors?	NMIRF although still autonomous settlement happened in 2013. Discussion on including NMIRF in audit. CHCC separate component unit now. Change order to include both agencies on contract w/CNMI audit.
Any change of procedures or personnel dealing with the audit?	Changes to include audit of NMIRF w/contract for CNMI auditors
Date of the initial presentation of the trial balance	08/21/13
Expected completion date of the audit	06/30/14

Describe below any formal training or discussions your office had with your local federal program managers in the last 6 months. Discuss plans you have for future meetings. Goal for the CNMI is 35 certified grant managers by March 2014

What were the primary areas of discussion?

Class 1-Intro to Grants management—working primarily with compliance issues

Class 2-Grants performance management

Class 3-Effective Grants management

How many attendees and/or how many federal programs were represented? ~30-35 participants and 10 grants

Were the sessions conducted with the aid of external trainers for facilitators? Yes, trainers from the Graduate School

Do you have any follow up issues?

Communications between Federal agencies, program managers, & FG coordinator

Did you make changes in any finance office procedures as a result of the issues discussed?

Grants office is working on a complete set of SOPs for grants management

Finance Office Performance Measures relating to Federal Programs

days it takes to process an invoice to be paid with federal funds

% of federal form SF425s completed on a timely basis each quarter

all

% change in the year end balance of the federal programs receivable
FY 11 - \$1,524,335 +23% ARRA
FY 12 - \$1,875,793

Are the documented procedures for federal cash drawdowns and disbursements complete?

Estimate of federal cash lost due to untimely collection of travel advances
Directive 154 issued by SOF; collection is done through payroll deductions.

Is the fixed asset inventory for each federal program completed before year most all

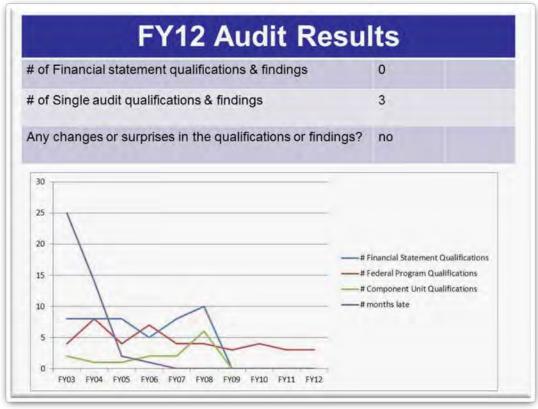
Cash Ma	nageme	ent Plan Checklist
Document	Completed?	Reference (regulation #, procedure, etc)
Government Cash Policy	Yes	
Bank Account Template	Yes	
General Cash Procedures	Yes	
Treasury State Agreement (territories only)	No	Contact made w/ CNMI assigned contact. FY12 TSA in process-pending issues re: ARRA programs and clearance patterns
Average Clearance Pattern	Depends	On island 2-3 days, checks mailed off island take longer to clear
Federal Cash drawdown tracking sheet	Yes	Federal Grants receivable log sheet
Federal Cash drawdown procedures	Yes	
Cash Internal Control checklist	Yes	

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 30 days as of 9-30-13. Payroll deductions occurring for any travel that is owed.	What is the status of your bank reconciliations as of 9-30-13? Fully staffed and up to date.	How many days does it take to process a federal invoice (average for FY12 & FY13)? 1st qtr FY 2014—19 days 4 th qtr FY2013—18.4 days 3 rd qtr FY2013—21 days
Any fixed asset findings on the audit? Yes	How much improvement is this over the % as of the previous year? Has been a policy for many years, so % increase is unchanged	Any audit issues related to bank reconciliations?	What is your target # of days? Drawdowns happen every 2 weeks, more often if necessary to pay vendors faster. 2 weeks is current target
Does your government have a plan to complete the fixed asset inventory, if not yet completed? Yes, directive to close findings for 2010 and 2011 audits within 1 year which include inventory finding.	Any new policies or procedures initiated to collect advances? Yes, payroll deductions successful; policy on requiring clearance sheet before pay out of leave balance.	Any action steps initiated to ensure timely reconciliations? Fully staffed and on going Training.	What does your office do to reduce the time it takes to get an invoice from a department into finance for processing? Communication with Agencies about issues to ensure complete and correct submission

Performance Measures		
Federal Grant Receivable Reconciliation	Timeliness of SF425 federal reports	Revenue Estimates
What method is used to track federal receivables? Federal grants log sheet reconciled end of the month.	Does your office have a tracking spreadsheet for SF425 reports due/over due? YES	How close was your government's estimated revenue vs actual collections for FY12 and FY13? Year end closeout is ongoing, but draft reports show close to \$4 million over estimates right now
Are federal receivables recorded in the general ledger?	Does a manager regularly review to insure reports are timely? YES	
	What are the primary issues that cause reports to be late? Primary issues was lack of staff. Additional staff was not hired in anticipation of a reduced workload with the transition of CHCC to autonomous status. There are delays in that transition, and workload did not decrease.	

APPENDIX C3 - FEDERATED STATES OF MICRONESIA NATIONAL GOVERNMENT UPDATE





FY13 Audit Status		
Are the auditors currently engaged?	YES	
Any expected issues or different requests from the auditors?	NO	
Any change of procedures or personnel dealing with the audit?	NO	
Date of the initial presentation of the trial balance	Final Trial Balance- December 15,2013	

Describe below any formal training or discussions your office had with your local federal program managers in the last 6 months. Discuss plans you have for future meetings. Nov 25,2013-Workshop for U.S Federal Program coordinators/staff

What were the primary areas of discussion?

- •FSM NATIONAL GOVERNMENT PROCESS FOR FEDERAL GRANTS
- •ROLES OF PROGRAM MANAGERS/FINANCE
- •APPLICABLE OMB CIRCULARS/REGULATIONS (CFR/LOCAL FMR)
- . HOW TO RUN FINANCIAL REPORTS FROM THE FINANCIAL MANAGEMENT SYSTEM
- •UNDERSTANDING FINANCIAL MANAGEMENT REPORTS (FUND STATUS SUMMARY, DETAIL TRANSACTION REPORT, ENCUMBRANCE BY FUND REPORT)
- REPORTING (SF270/SF425)

FY12 AUDIT CITATIONS

How many attendees and/or how many federal programs were represented? 16 HEALTH (IMMUNIZATION, FAMILY PLANNING, MCH, SPIFSIG, CANCER, TOBACCO, BT) R&D (FORESTRY)

EDUCATION (SPECIALEDUCATION)

Were the sessions conducted with the aid of external trainers for facilitators? NO

Do you have any follow up issues? NO

Finance Office Performance Measures relating to Federal Programs		
# days it takes to process an invoice to be paid with federal funds	10 DAYS	
% of federal form SF425s completed on a timely basis each quarter	??	
% change in the year end balance of the federal programs receivable	-18% FY12-3.8M FY13-3.3M	
Are the documented procedures for federal cash drawdowns and disbursements complete?	YES BUT NOT FORMALIZED YET	
Estimate of federal cash lost due to untimely collection of travel advances		
Is the fixed asset inventory for each federal program completed before year end?	YES	

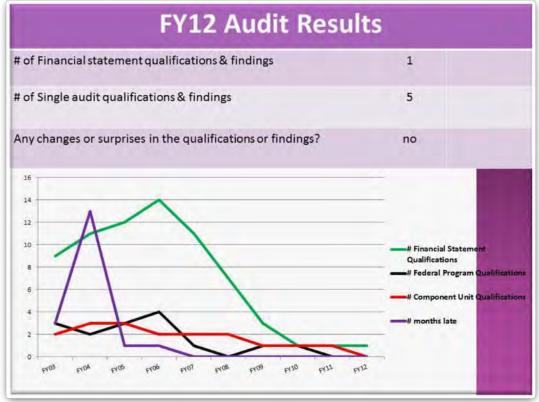
Cash Ma	nageme	nt Plan Checklist
Document	Completed?	Reference (regulation #, procedure, etc)
Government Cash Policy	NO	
Bank Account Template	NO	
General Cash Procedures	NO	
Treasury State Agreement (territories only)		
Average Clearance Pattern	AIP ONLY	
Federal Cash drawdown tracking sheet	NO	
Federal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

Performance Measures			
Fixed asset physical inventory	Travel Advance Collections	Bank Reconciliations	Invoice Processing Days
Was the physical inventory completed as of 9-30? FY12-YES FY13-yes	% of travel advances over 30 days as of 9-30-13. FY12-93% FY13-89%	What is the status of your bank reconciliations as of 9-30-13? ALL BANK ACCOUNTS RECONCILED AND COMPLETED GENERAL FUND WILL BE COMPLETED BY 12/06/13	How many days does it take to process a federal invoice (average for FY12 & FY13)? FY12—17.1 DAYS FY13—10 DAYS
Any fixed asset findings on the audit? FY12-YES	How much improvement is this over the % as of the previous year? Decrease of 3%	Any audit issues related to bank reconciliations? NONE	What is your target # of days? 7 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? Clearance through presidents office Full payment of overdrawn amounts prior to travel Filing of all outstanding travel advances prior to clearance by presidents office	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? AGEING OF PENDING INVOICES MONITORING OF CHECK DISBURSEMENT

Federal Grant Receivable Reconciliation	Timeliness of SF425 federal reports	Revenue Estimates
What method is used to track federal receivables? REVENUES VS EXPENSE	Does your office have a tracking spreadsheet for SF425 reports due/over due?	How close was your government's estimated revenue vs actual collections for FY12 and FY13? TARGET 5% ACCURACY RATE FY12-5% FY13-10%
Are federal receivables recorded in the general ledger? YES	Does a manager regularly review to insure reports are timely?	
	What are the primary issues that cause reports to be late? OUTSTANDING ENCUMBRANCES SUPPORTING DOCUMENTATION	

APPENDIX C4 - CHUUK GOVERNMENT UPDATE





FY13 Audit Status		
Are the auditors currently engaged?	Yes	
Any expected issues or different requests from the auditors?		
Any change of procedures or personnel dealing with the audit?		
Date of the initial presentation of the trial balance	August 2013	
Expected completion date of the audit	March 2014	

Describe below any formal training or discussions your office had with your local federal program managers in the last 6 months. Discuss plans you have for future meetings.

What were the primary areas of discussion?

None

How many attendees and/or how many federal programs were represented? None

Were the sessions conducted with the aid of external trainers for facilitators?

Do you have any follow up issues?

None

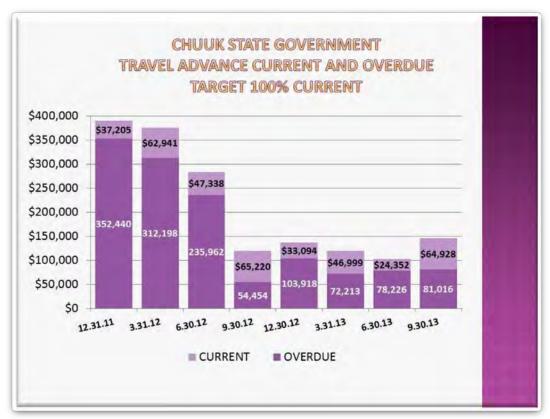
Did you make changes in any finance office procedures as a result of the issues discussed? None

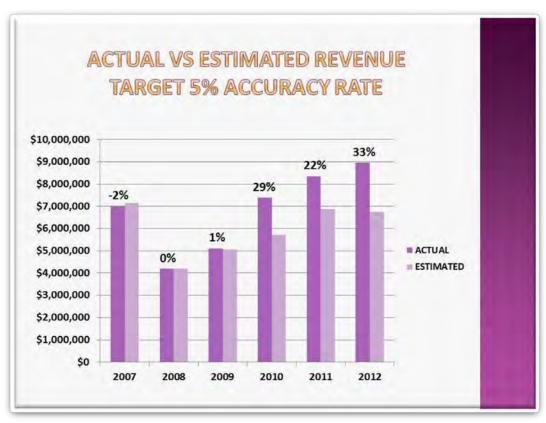
days it takes to process an invoice to be paid with federal funds # of federal form SF425s completed on a timely basis each quarter % change in the year end balance of the federal programs receivable Are the documented procedures for federal cash drawdowns and disbursements complete? Estimate of federal cash lost due to untimely collection of travel advances Is the fixed asset inventory for each federal program completed before year end? No

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

Fixed asset physical inventory	Travel Advance Collections	Bank Reconciliations	Invoice Processing Days
Was the physical inventory completed as of 9-30? Partially completed	% of travel advances over 30 days as of 9-30-13?	What is the status of your bank reconciliations as of 9-30-13?	How many days does it take to process a federal invoice (average for FY12 & FY13)? 12 days in FY13
Any fixed asset findings on the audit? Equipment and Real Property Management	How much improvement is this over the % as of the previous year? No improvement Overdue increases 10% from previous year	Any audit issues related to bank reconciliations? Not able to provide bank reconciliations to auditors upon request	What is your target # of days? 5 working days
Does your government have a plan to complete the fixed asset inventory, if not yet completed? Yes	Any new policies or procedures initiated to collect advances? No new policies and procedures	Any action steps initiated to ensure timely reconcilations? We registered to online access to BOG	What does your office do to reduce the time it takes to get an invoice from a department into finance for processing? Nothing yet

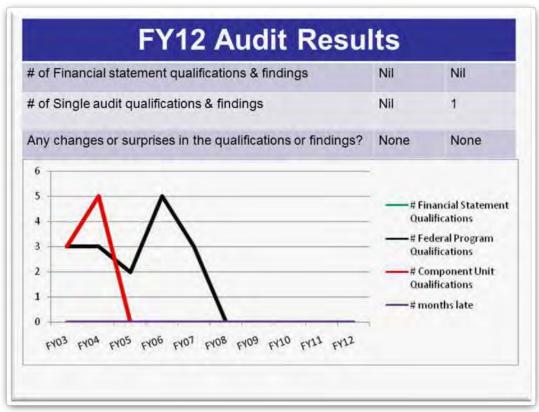
ederal Grant Receivable econciliation	Timeliness of SF425 federal reports	Revenue Estimates
What method is used to track federal eceivables? Keep record on excel epreadsheet	Does your office have a tracking spreadsheet for SF425 reports due/over due? None	How close was your government's estimated revenue vs actual collections for FY12 and FY13? 33% collections over estimated in FY12
re federal receivables recorded in the eneral ledger?	Does a manager regularly review to insure reports are timely? None	
	What are the primary issues that cause reports to be late?	





APPENDIX C5 - POHNPEI GOVERNMENT UPDATE





Are the auditors currently engaged?	Yes
Any expected issues or different requests from the auditors?	First time that the State is having interim audit. Fieldwork is almost completed.
Any change of procedures or personnel dealing with the audit?	None
Date of the initial presentation of the trial balance	July 2013
Expected completion date of the audit	May 2013

Describe below any formal training or discussions your office had with your local federal program managers in the last 6 months. Discuss plans you have for future meetings.

What were the primary areas of discussion?

Reimbursement, reporting (document matching, reconcile reported numbers with ledgers).

How many attendees and/or how many federal programs were represented? 5 attendees, 3 programs

Were the sessions conducted with the aid of external trainers for facilitators? No

Do you have any follow up issues?

Yes, finance should do more active role in coordinating with federal managers.

Did you make changes in any finance office procedures as a result of the issues discussed?

We will make changes and ensure our data is reconciled with the numbers reported by grant managers.

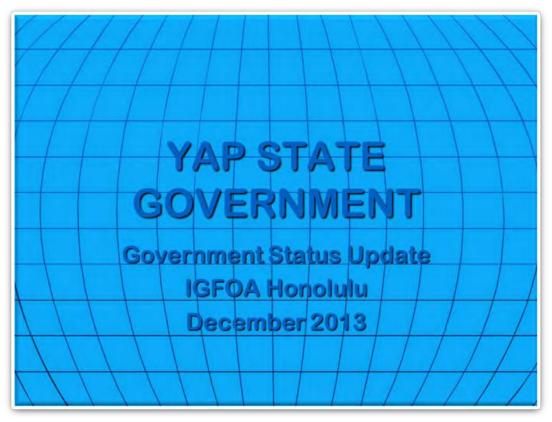
Finance Office Performance Meas relating to Federal Programs		
# days it takes to process an invoice to be paid with federal funds	10 days	
% of federal form SF425s completed on a timely basis each quarter	75%	
% change in the year end balance of the federal programs receivable (FY2013 was 5% receivable while FY2012 was 4%)	1%	
Are the documented procedures for federal cash drawdowns and disbursements complete?	NO	
Estimate of federal cash lost due to untimely collection of travel advances	\$70,528	
Is the fixed asset inventory for each federal program completed before year end?	YES	

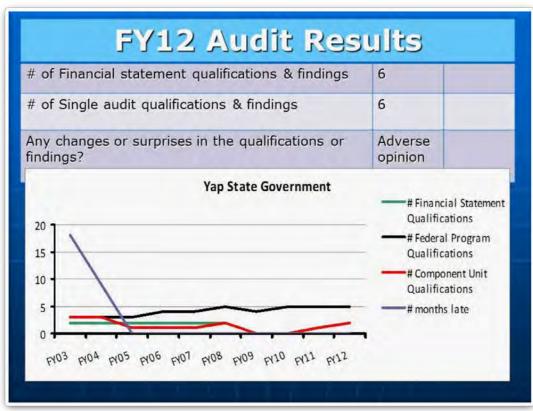
		nt Plan Checklist
Document	Completed?	Reference (regulation #, procedure, etc)
Government Cash Policy	No	
Bank Account Template	Yes	
General Cash Procedures	Yes	1
Treasury State Agreement (territories only)	No	
Average Clearance Pattern	Yes	
Federal Cash drawdown tracking sheet	Yes	
Federal Cash drawdown procedures	Yes	
Cash Internal Control checklist	No	

	Performand	ce Measures	5
Fixed asset physical inventory	Travel Advance Collections	Bank Reconciliations	Invoice Processing Days
Was the physical inventory completed as of 9-30-13?	% of travel advances over 30 days as of 9-30-13.	What is the status of your bank reconciliations as of 9-30-13? Payroll – September is incomplete awaiting bank statement (CD) General – Awaiting CD	How many days does it take to process a federal invoice (average for FY12 & FY13)? FY12 – 30 days FY13 – 10 day
Any fixed asset findings on the audit? Yes, equipment and real property management (No maintenance of fixed assets)	How much improvement is this over the % as of the previous year? 4% dropped from 91%	Any audit issues related to bank reconciliations? Late bank statements and inability of staff to identify adj.	What is your target # of days' 5 days
Does your government have a plan to complete the fixed asset inventory, if not yet completed? Yes, on going.	Any new policies or procedures initiated to collect advances? Memo was sent out to all departments to strictly follow the FMR. (timeliness of liquidation)	Any action steps initiated to ensure timely reconciliations? Continuous training, follow-up with bank	What does your office do to reduce the time it takes to ge an invoice from a department into finance for processing? As soon as department receives the good/service, the invoice is turned in to AP.

Federal Grant Receivable Reconciliation	Timeliness of SF425 federal reports	Revenue Estimates
What method is used to track federal receivables? Monthly report is submitted for reimbursement.	Does your office have a tracking spreadsheet for SF425 reports due/over due? yes	How close was your government's estimated revenue vs actual collections for FY12 and FY13? It's within the margin of error of 15%. FY12 was 5% margin of errorwhile FY13 was 9%.
Are federal receivables recorded in the general ledger? Yes.	Does a manager regularly review to insure reports are timely? yes	
	What are the primary issues that cause reports to be late? There's no regular review and tracking.	

APPENDIX C6 - YAP GOVERNMENT UPDATE





Are the auditors currently engaged?	yes
Any expected issues or different requests from the auditors?	no
Any change of procedures or personnel dealing with the audit?	по
Date of the initial presentation of the trial balance.	9/6/13 tria balance as of 7/31/13.
Expected completion date of the audit	June 30, 2014

Describe below any formal training or discussions your office had with your local federal program managers in the last 6 months. Discuss plans you have for future meetings.

What were the primary areas of discussion? N/A

How many attendees and/or how many federal programs were represented? N/A

Were the sessions conducted with the aid of external trainers for facilitators? N/A

Do you have any follow up issues? N/A

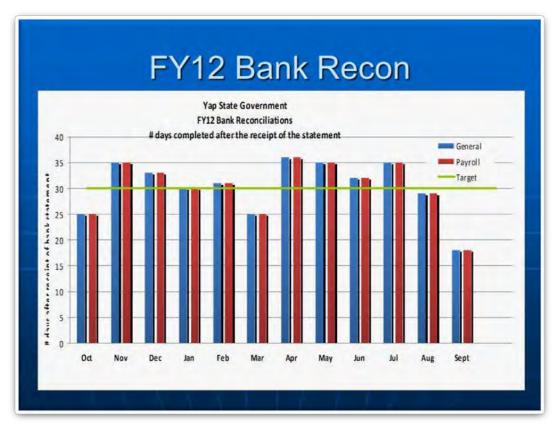
Did you make changes in any finance office procedures as a result of the issues discussed? N/A

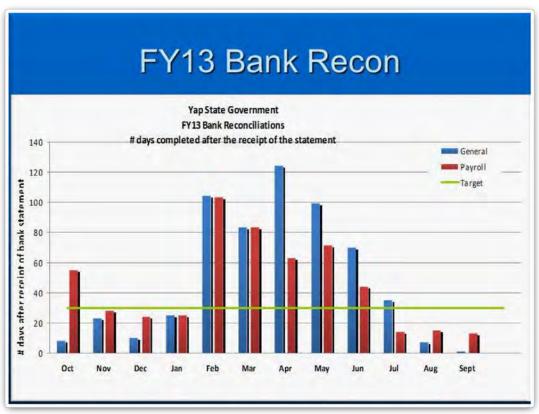
Finance Office Performanc Measures relating to Feder	
Programs	
# days it takes to process an invoice to be paid with federal funds	Not calculated yet
% of federal form SF425s completed on a timely basis each quarter	0%
% change in the year end balance of the federal programs receivable	Not tracked
Are the documented procedures for federal cash drawdowns and disbursements complete?	Not yet
Estimate of federal cash lost due to untimely collection of travel advances	
Is the fixed asset inventory for each federal program completed before year end?	Yes for FY12;

Document	Completed ?	Reference (regulation #, procedure, etc)
Government Cash Policy	No	
Bank Account Template	No	
General Cash Procedures	No	
Treasury State Agreement (territories only)	Not Applicable	
Average Clearance Pattern	No	
Federal Cash drawdown tracking sheet	No	4-11-11-1-
Federal Cash drawdown procedures	No	THHHH

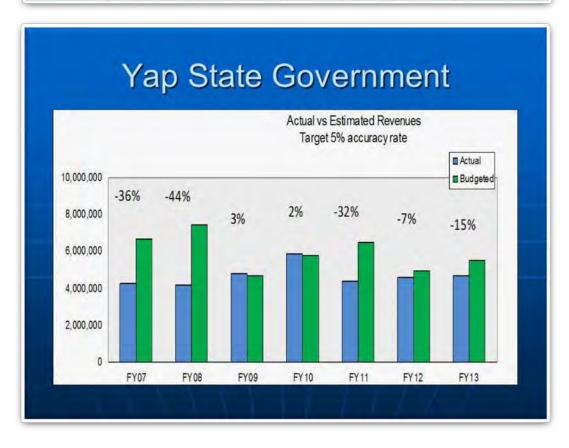
Fixed asset physical	Travel Advance Collections	Bank Reconciliations	Invoice Processing Days
inventory	Travel Advance Collections	Dank Reconciliacions	Invoice Processing Days
Was the physical inventory completed as of 9-30? Last Inventory was completed in FY12; next to be undertaken in FY2014.	% of travel advances over 30 days as of 9-30-13.	What is the status of your bank reconciliations as of 9- 30-13? Complete	How many days does it take to process a federal invoice (average for FY12 & FY13)? Not calculated
Any fixed asset findings on the audit? <u>No</u>	How much improvement is this over the % as of the previous year?	Any audit issues related to bank reconciliations? Not in FY12	What is your target # of days?
Does your government have a plan to complete the fixed asset inventory, if not yet completed? One to be conducted every two years.	Any new policies or procedures initiated to collect advances? Not in FY13	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?





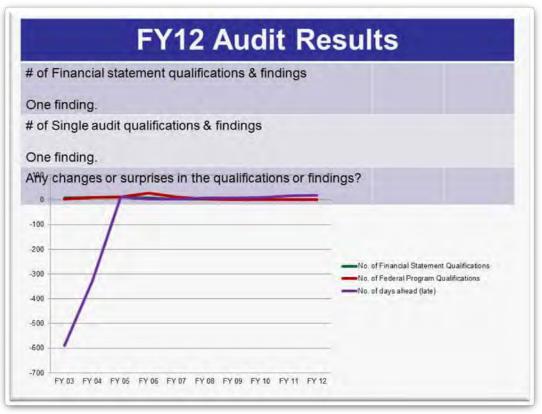


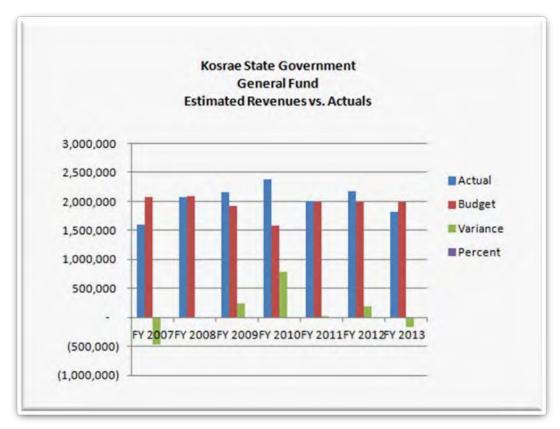
Federal Grant Receivable Reconciliation	Timeliness of SF425 federal reports	Revenue Estimates
What method is used to track federal receivables? 1) Billings are recorded. 2) Cash receipts compared to billings. 3) Follow up on variance.	Does your office have a tracking spreadsheet for SF425 reports due/over due?	How close was your government's estimated revenue vs actual collections for FY12 and FY13? -7% and -15%
Are federal receivables recorded in the general ledger?	Does a manager regularly review to insure reports are timely?	
A/R not booked monthly, only at year end to establish 9/30 balance. Cash receipts recorded as revenue when received.	Not consistently	
	What are the primary issues that cause reports to be late? Inconsistent monitoring	777

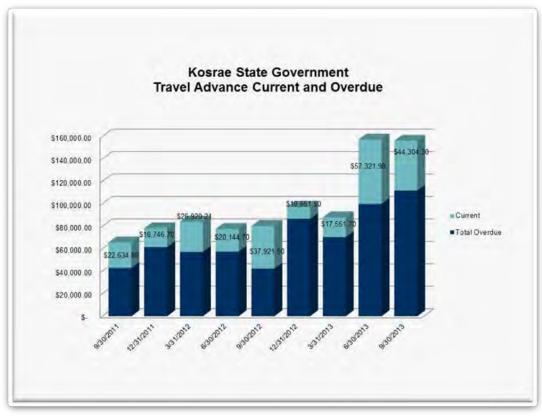


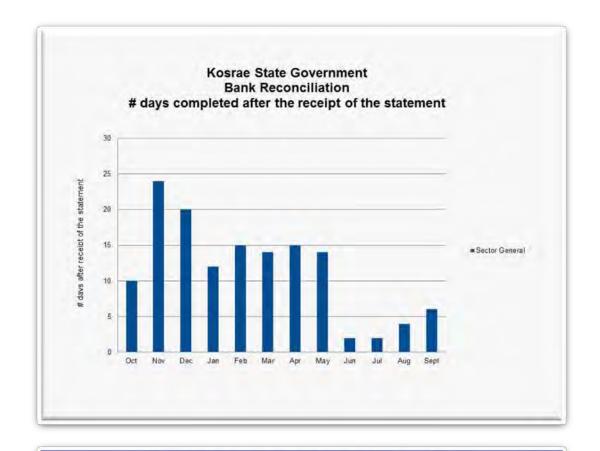
APPENDIX C7 - KOSRAE GOVERNMENT UPDATE











FY13 Au	ıdit Status
Are the auditors currently engaged?	Deloitte was engaged to perform FY 2013 audit. The initial visit was made on September 30, 2013 through October 4, 2013.
Any expected issues or different requests from the auditors?	Kosrae State began the accounting of US Federal Grants in April 2013. The auditor samples increased particularly the Special Education program.
Any change of procedures or personnel dealing with the audit?	No change in procedures. The employee that was detailed at FSM National Government field office is now stationed at the State Finance. In addition, an employee was assigned to work with the auditors under the supervision of the Accounting Advisor.
Date of the initial presentation of the trial balance	Preliminary trial balance and other ledgers for period covering October 2012 through July 31, 2013 were provided to the auditors on September 4, 2013. As of October 31, 2013; the compliance testing performed by the

Describe below any formal training or discussions your office had with your local federal program managers in the last 6 months. Discuss plans you have for future meetings.

On October 7, 2013, an informal discussion was made with the administrative staffs of the various departments in relation to the opening of the new fiscal year.

What were the primary areas of discussion?

Procurement (small purchases and major purchases), maintenance of fixed asset register by departments, international travel, monitoring and control of overseas calls and timely filing of travel vouchers. In addition, timely remittance of collections of various collection points to State Finance.

How many attendees and/or how many federal programs were represented?

Fifteen administrative staffs attended and eleven represented federal program.

Were the sessions conducted with the aid of external trainers for facilitators? No.

Do you have any follow up issues?

Finance Office Performance Measures relating to Federal Programs

days it takes to process an invoice to be paid with federal funds

Invoices are processed within the 3 days schedule.

% of federal form SF425s completed on a timely basis each quarter

SF 425s for Compact Sector are submitted to the FSM National Government on time. Preparation of the SF 425s for US Federal Grants are being made by FSM National Government.

% change in the year end balance of the federal programs receivable

Amended Compact receivable/deferred were booked after the end of the liquidation period which extended to the new fiscal year.

Are the documented procedures for federal cash drawdowns and disbursements complete?

No.

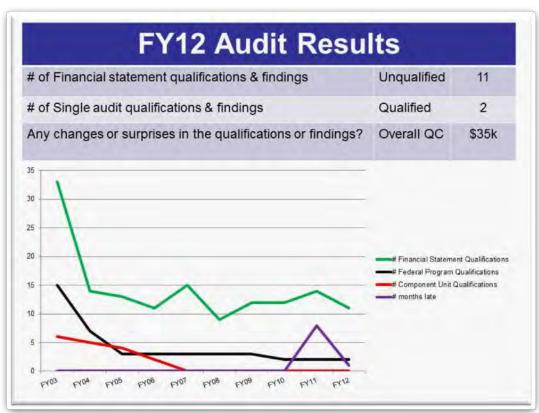
Estimate of federal cash lost due to untimely collection of travel advances

	Performand	ce Measures	6
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 30 days as of 9-30-13.	What is the status of your bank reconcillations as of 9-30-13? Completed	How many days does it take to process a federal invoice (average for FY12 & FY13)?
Any fixed asset findings on the audit? FY 2012 audit cited the completion of the physical inventory.	How much improvement is this over the % as of the previous year? The percentage increased by 19% compared to the previous year However it is expected that the amount will significantly decrease by December 2013, the end of the 90 days encumbrance liquidation period.	Any audit issues related to bank reconciliations? None.	What is your target # of days?
Does your government have a plan to complete the fixed asset inventory, if not yet completed? KSG is in the process of completing the inventory and its report.	Any new policies or procedures initiated to collect advances? A contractor will be hired to assist in the policition of travel advances and other delinquent fair.	Any action steps initiated to ensure timely reconciliations? None	What does your office do to reduce the time it takes to get an invoice from a department into finance for processing? Supply calls the departments For invoices and receiving

Federal Grant Receivable Reconciliation	Timeliness of SF425 federal reports	Revenue Estimates
What method is used to track federal receivables? Since US Federal Grants are on reimbursement basis, the receivables are closely monitored	Does your office have a tracking spreadsheet for SF 425 reports due/over due? FSM National Government handles the reporting of the US Federal Grants.	How close was your government's estimated revenue vs actual coll ections for FY12 and FY13? The FY 2012 General Fund actual revenues was 10% higher that the budget in FY 2013 however, the actual was estimated at negative 8% variance compared to the budget.
Are federal receivables recorded in the general ledger? Year end accruals are recorded.	Does a manager regularly review to insure reports are timely?	
	What are the primary issues that cause reports to be late?	

APPENDIX C8 - REPUBLIC OF THE MARSHALL ISLANDS GOVERNMENT UPDATE





FY13 Audit Status		
Are the auditors currently engaged? Engagement letter has been signed and audit field work is expected to commence mid/late Dec. 2013. In comparison, the FY12 audit started in April, 2013.		
Any expected issues or different requests from the auditors? None at this early stage	None at this early stage	
Any change of procedures or personnel dealing with the audit?	None	
Date of the initial presentation of the trial balance. MOF is confident the trial balance will be presented to the auditors mid/late December 2013.		

On time

Federal Programs "Communicating on Island"

Describe below any formal training or discussions your office had with your local federal program managers in the last 6 months. Discuss plans you have for future meetings.

What were the primary areas of discussion?

Expected completion date of the audit.

- Common errors and misunderstanding, relevant policies and procedures, possible recommendations to existing policies and procedures, etc.
- TRAINING: Hands-on workshop-type fiscal officers meetings; Federal Grants Management Training (US DOI Grant GS-funded); etc.

How many attendees and/or how many federal programs were represented? Usually around 10-25 plus representatives from various ministries, agencies, local govs.

Were the sessions conducted with the aid of external trainers for facilitators? Mostly conducted by domestic counterparts.

Do you have any follow up issues?

Yes - The larger ministries and programs send different people throughout sessions inhibiting from genuine capacity developments and constructive meetings

Did you make changes in any finance office procedures as a result of the issues

	C	
Document	Completed?	Reference (regulation #, procedure, etc)
Government Cash Policy	WIP	
Bank Account Template	WIP	
General Cash Procedures	WIP	
Treasury State Agreement (territories only)	N/A	
Average Clearance Pattern		
Federal Cash drawdown tracking sheet	Yes	
Federal Cash drawdown procedures	Yes	
Cash Internal Control checklist	WIP	

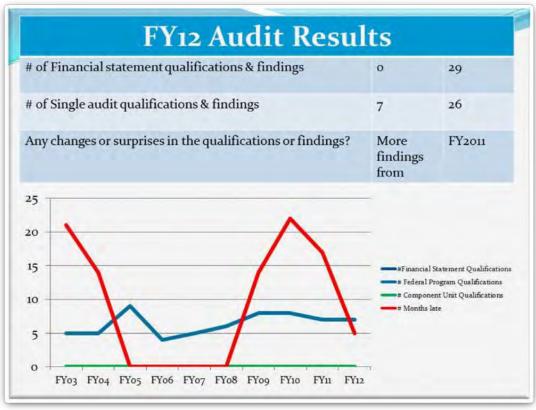
Finance Office Performance Measures relating to Federal Programs			
# days it takes to process an invoice to be paid with federal funds	12 days		
% of federal form SF425s completed on a timely basis each quarter	90%		
% change in the year end balance of the federal programs receivable	40%		
Are the documented procedures for federal cash drawdowns and disbursements complete?	In draft form		
Estimate of federal cash lost due to untimely collection of travel advances			
Is the fixed asset inventory for each federal program completed before year end?	FY11 completed; FY13 80% complete		

Fixed asset physical inventory	Travel Advance Collections	Bank Reconciliations	Invoice Processing Days
Was the physical inventory completed as of 9-307 About 70% complete	% of travel advances over 30 days as of 9-30-13.	What is the status of your bank reconciliations as of 9-30-13? All but 'GF is near complete	How many days does it take to process a tederal invoice (average for FY12) 12 days
Any fixed asset findings on the audit? Yes, and continued to be an unresolved issue	How much improvement is this over the % as of the previous year?	Any audit issues related to bank reconciliations? None	What is your target # of days? 5 days
Does your government have a plan to complete the fixed asset inventory, if not yet completed? Yes	Any new policies or procedures initiated to collect advances? The 30 day policy	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? Centralization of Procurement Policy, meaning only the Procurement Office is tasked to rec goods and collect inv.

Federal Grant Receivable Reconciliation	Timeliness of SF425 federal reports	Revenue Estimates
What method is used to track federal receivables? Twice a month, 240p is reviewed and ddown is made based on the outstanding receivables	Does your office have a tracking spreadsheet for SF425 reports due/over due? Yes and being closely monitored by the Fed Senior Officer.	How close was your government's estimated revenue vs actual collections for FY12 and FY13? -4% and 4% respectively
Are federal receivables recorded in the general ledger? Yes	Does a manager regularly review to insure reports are timely? Yes, both by the Federal Grant Officer and Budget Asst Secretary	
	What are the primary issues that cause reports to be late? Challenges in online system; inconsistent data with US and program manager, etc	

APPENDIX C9 - REPUBLIC OF PALAU GOVERNMENT UPDATE





Are the auditors currently engaged?	We've just awarded the RFF
Any expected issues or different requests from the auditors?	as soon as the audit starts we will know; but yes def. issues
Any change of procedures or personnel dealing with the audit?	Yes
Date of the initial presentation of the trial balance	January 2014
Expected completion date of the audit	June 2014

Describe below any formal training or discussions your office had with your local federal program managers in the last 6 months. Discuss plans you have for future meetings.

What were the primary areas of discussion?

*Grants Management Training held on Oct. 2013 by GS

*Meetings with Program managers MOH, MOE

-Procurement, Period of availability, Allowable/Unallowable costs, etc.

How many attendees and/or how many federal programs were represented?

Representatives from each Ministries-25 attendees

Were the sessions conducted with the aid of external trainers for facilitators?

*Yes & local

Do you have any follow up issues?

*none at the moment

Did you make changes in any finance office procedures as a result of the issues discussed?

*Amending the RQ *Proposal to amend the procurement policies and procedures

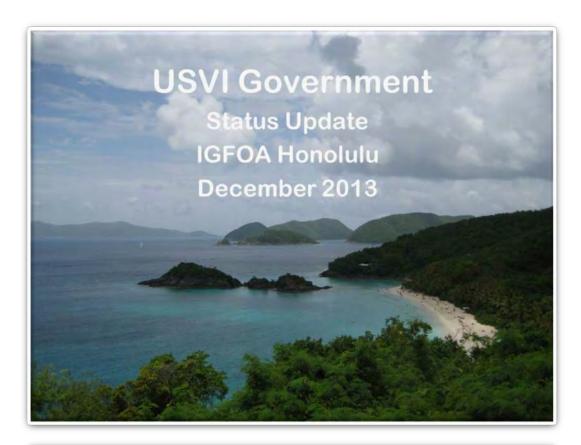
Finance Office Performance Measures relating to Federal Programs			
# days it takes to process an invoice to be paid with federal funds	30 days		
% of federal form SF425s completed on a timely basis each quarter	98%		
% change in the year end balance of the federal programs receivable	-26%		
Are the documented procedures for federal cash drawdowns and disbursements complete?	Yes		
Estimate of federal cash lost due to untimely collection of travel advances	No issue		
Is the fixed asset inventory for each federal program completed before year end?	90%		

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. Tentative completion January 2014			
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			

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 30 days as of 9-30-13.	What is the status of your bank reconciliations as of 9-30-13? *Up to date-monthly recon.	How many days does it take to process a federal invoice (average for FY12 & FY13)? *30 days average to process federal invoice *10 average days to be cleared
Any fixed asset findings on the audit? *Yes	How much improvement is this over the % as of the previous year? *82%	Any audit issues related to bank reconciliations?	What is your target # of days * Stay within 30 days not to exceed more than that
Does your government have a plan to complete the fixed asset inventory, if not yet completed? *December 2013	Any new policies or procedures initiated to collect advances? "Not at the moment. Continue to collect through payroll deduction.	Any action steps initiated to ensure timely reconciliations? *continue to reconcile on a monthly basis	What does your office do to reduce the time it takes to ge an invoice from a department into finance for processing? *invoices submitted to finance charged to grants accounts must be processed as soon as we receive them

Federal Grant Receivable Reconciliation	Timeliness of SF425 federal reports	Revenue Estimates
What method is used to track federal receivables? *FMIS Reports (240p)	Does your office have a tracking spreadsheet for SF425 reports due/over due? *Yes	How close was your government's estimated revenue vs actual collections for FY12 and FY13?
Are federal receivables recorded in the general ledger? *Yes	Does a manager regularly review to insure reports are timely? * Yes	
	What are the primary issues that cause reports to be late? *outstanding obligations that we can't cancel *Encumbrances	

APPENDIX C10 - U.S. VIRGIN ISLANDS GOVERNMENT UPDATE



FY12 Audit Results	
# of Financial statement qualifications & findings	????
# of Single audit qualifications & findings: ~ 14 to 20 findings (minimum of 14 & maximum of 20 or 23)	Between 14 - 20
Any changes or surprises in the qualifications or findings? Decrease in findings overall (~ all time low or lower) & increase in programs with no findings or minimal (e.g. 1 or 2) findings/Additional information not known to-date.	Findings have dropped significantly

FY12 Audit Status	
Are the auditors currently engaged?	Yes
Any expected issues or different requests from the auditors? Audit of 15.875 (Economic, Social & Political Development of the Territories) – CIP (Capital Improvement Project) & TAP (Technical Assistance Program) Grants for ~ 8 departments/government entities with about 20 grants [This is the Major Federal Programs' (side of the Single Audit (SA)) version of "Component Units"].	Yes
Any change of procedures or personnel dealing with the audit? For both Government of the Virgin Islands - GVI (e.g. DOF - Department of Finance) and the auditors (E&Y - Ernst & Young audit managers on the program side).	Yes
Date of the initial presentation of the trial balance	10/15/2013
Expected completion date of the audit: November 30, 2013 target date (re: FY 2012 SA) for Major Federal Programs portion of the GVI Single Audit, and June 30, 2014 target date for FY 2013 SA.	FY2012 12/31/2013 FY2013 6/30/2014

Federal Programs "Communicating on Island"

Describe below any formal training or discussions your office had with your local federal program managers in the last 6 months. Discuss plans you have for future meetings.

What were the primary areas of discussion?

Training & workshop sponsored by DOI – Graduate School: Cash Management/Audit Resolution Workshop & GASB Update Training. VIOMB has also previously conducted monthly audit meetings/trainings (e.g. cross-cutting grant administration topics or proposed changes to circulars or other items of interest & concern) that include the Program Managers/Directors along with the auditors, and plans to continue this practice in the near future.

How many attendees and/or how many federal programs were represented?

About a minimum of 35 and 45, for Cash Mgmt/Audit Resolution and GASB Update, respectively. This representation crossed approximately 17 to 20 of GVI's Major Federal Programs.

Were the sessions conducted with the aid of external trainers for facilitators?

Yes, Ms. Debbie Milks (Cash Management/Audit Resolution) and Mr. Frank Crawford (GASB).

Do you have any follow up issues?

Yes, we definitely need follow-up training on cash management issues and system-related processes, etc.

Did you make changes in any finance office procedures as a result of the issues discussed? For the budget office, in the past we distributed the Treasury-State Agreement, and now we are also sending electronic reminders biweekly (every 2 weeks) re: drawing down Federal funds, especially for payroll to Grants Managers and Fiscal Officers, territory-wide and government-wide.

Finance Office Performance Measures relating to Federal Programs			
# days it takes to process an invoice to be paid with federal funds There is a significant difference in the time the invoice is presented at the department level and when the invoice is received by finance	2 to 5 Days		
% of federal form SF425s completed on a timely basis each quarter	Undetermined at this time		
% change in the year end balance of the federal programs receivable	Undetermined at this time		
Are the documented procedures for federal cash drawdowns and disbursements complete?	Yes		
Estimate of federal cash lost due to untimely collection of travel advances	Not Measurable at this time		
Is the fixed asset inventory for each federal program completed before year end? This is a physical <u>baseline</u> inventory that is being performed at this time, because one was not done prior. P & P begun this process Nov 2012	Yes 80%		

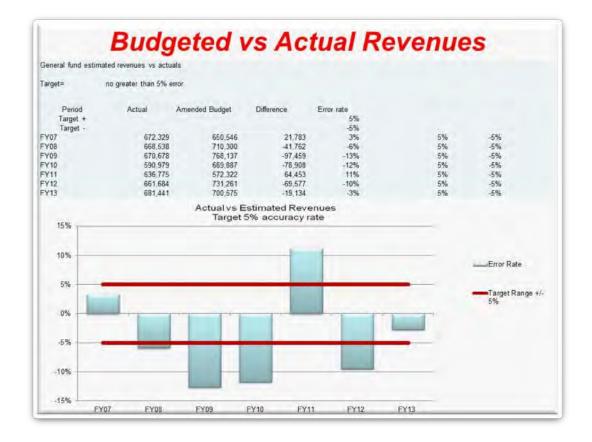
D	ays to F	roces.	s AP In	voices	
INVOICE DATE	DATE RECEIVED IN FINANCE	# OF DAYS IT TAKES FINANCE TO PROCESS INVOICE	CHECK DATE or DATE SENT TO VENDOR	CHK DATE minus INV DATE = # DAYS TO PAY INVOICE	# OF ITEMS
10/05/2011	10/25/2011	2	10/27/2011	22	1
11/09/2011	11/10/2011	0	11/10/2011	1	1
11/25/2011	12/02/2011	3	12/05/2011	10	1
11/03/2011	12/19/2011	0	12/19/2011	46	1
12/15/2011	1/11/2012	8	1/19/2012	35	3
1/13/2012	1/19/2012	4	1/23/2012	10	1
1/12/2012	1/25/2012	5	1/30/2012	18	1
1/09/2012	1/31/2012	1	2/01/2012	23	1
1/24/2012	1/31/2012	1	2/01/2012	8	1
11/29/2011	2/15/2012	2	2/17/2012	80	5
2/24/2012	3/05/2012	1	3/06/2012	11	5
3/02/2012	3/08/2012	1	3/09/2012	7	5
2/28/2012	3/09/2012	3	3/12/2012	13	1
12/20/2011	4/23/2012	2	4/25/2012	127	2
10/28/2011	5/01/2012	1	5/02/2012	187	1
2/27/2012	6/21/2012	0	6/21/2012	115	4
6/13/2012	7/05/2012	1	7/06/2012	23	4
6/30/2012	9/27/2012	0	9/27/2012	89	1
8/07/2012	10/12/2012	0	10/12/2012	66	5

Government Cash Policy	Yes	Revised Organic Act of 1954, VIC Title 3 Section 177		
Bank Account Template	Yes	Prepared list of Accounts – name and purpose established		
General Cash Procedures	Yes	SOPPs - #a100 to 120, 200 – 204. One agency is in the process of implementing remote deposit (IRB) – logistics and procedures are being worked on		
Treasury State Agreement (territories only)	Yes	TSA 2013 –Document – Cash Management Improvement Act Agreement between the Territory of the Virgin Islands and the Secretary of the Treasury, US Department of the Treasury		
Average Clearance Pattern	Yes	Federal reimbursement pattern: 0 days for Payroll, 4 days for Vendor		
Federal Cash drawdown tracking sheet	No	Will be provided to program managers to be used as a tool in the reconciliation process		
Federal Cash drawdown procedures	Yes	SOPP #711		
Cash Internal Control checklist	No	Not available at this time		
Government Cash Policy	Yes	Revised Organic Act of 1954, VIC Title 3 Section 177		

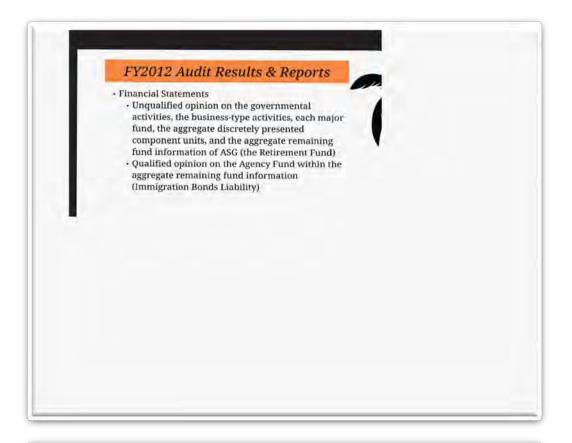
		S	Sample o	f Bank Accounts
111090	1	BP	Federal Depository Account	Depository for federal grants monies
011140	2	BP	Dept of Health Federal Fund	Created in April 2000 to deposit and disburse federal grant monies for the Dept of Health (Infants & Toddlers program)
011210	3	BP	Human Services Off of Youth	Deposit and disbursement of federal grants monies for Vocational Rehab, and other youth activities
010020		BP	Common Bank Account II	Main checking and depository account for Special & Other funds expenditures and revenues
011714	5	BP	Transportation Trust Fund	Depository Account for the following revenues: Highway Users & Gasoline tax; Drivers license fee, Motor Vehicle Registrations, Traffic Fines & Penalties
010830	6	BP	Payroll Direct Deposit	For the payment of GVI employees direct payroll deposits funded by the Payroll Fund
011315	7	BP	ARRA Economic Stimulus	Depository account for ARRA federal funds
011319	8	BP	GVI Insurance Guaranty Fund	Transferred from FirstBank VI to BPPR in accordance with the terms for the \$45M letter of credit. Depository Account for Insurance Premium Tax revenues. (10/12/10
010350	9	BP	GVI LEPC Federal Grants	Now Account opened to facilitate the deposit of all Federal Grant funds to LEPC FY12
010360	10	BP	GVI General Fund CK 21	To be used as a clearing account for IRB electronic Scanning solutions (CK 21). Funds will be moved daily to established accounts in FBVI –FY12
011420	11	BP	VI Unemployment Ins Penalty & Interest	Depository account for DOL for penalty and interest for late filing of Unemployment Insurance premiums
011450	12	BP	Rum Effluent Research & Mitigation Account	Resources for the US Environmental Protection Agency
011470	13	BP	VIPD Forfeiture	Use to deposit monies from illegal activities
011500	14	BP	V I Election Fund	Deposit funds receive for Help America Vote Act of 2002(HAVA)
010340	15	BP	General Fund Savings	Use to set aside monies for income tax refunds.
010420	1 6	BP	Special & Other Funds RAP	Ready Access Premium interest bearing savings account. Monles deposited to this are transferred to S&O checking account to cover checks drawn thereon.
011328	17	FB	Tax Incremental Funding	Island Crossing Project
011329	18	FB	Special Real Property Tax Account	Established to receive deposits from 2005 & prior real property tax payments to repa GERS Loan to GVI (Act 7261)
			Signatories are:	Angel E Dawson Jr & Laurel F Payne

Was the physical inventory completed as of 9-30?	Travel Advance Collections Not measurable	Bank Reconciliations	Invoice Processing Days
Any fixed asset findings on the audit? Re: FY 2012 SA – No, per initial review of documents and information. Re: FY 2013 SA – To be determined (unknown at this time).	% of travel advances over 30 days as of 9-30-13. Not measurable	What is the status of your bank reconciliations as of 9-30-13? Easy 7/7 Complete pending final Adjustments (CPFA) Moderate – 13/13 CPFA Difficult – 8/12 includes General & Payroll (CPFA) Should be 100% complete by 12/31/13	How many days does it take to process a federal invoice (average for FY12 & FY13)? FY 2012 – 2 days FY 2013 - 4 days
Does your government have a plan to complete the fixed asset inventory, if not yet completed? Yes, Presently, the Baseline Physical Count is 80% completed with a plan to be 100% completed by the end of 2013	How much improvement is this over the % as of the previous year? Not measurable	Any audit issues related to bank reconciliations? None presently identified	What is your target # of days?
Was the physical inventory completed as of 9-30? Not completed as of 9/30/13 Baseline complettion 80%	Any new policies or procedures initiated to collect advances? Not measurable	Any action steps initiated to ensure timely reconciliations? Yes, in the process of consolidating a number of accounts moving to a pool cash situation. FVr13 down from 32 accounts to 25. With less bank accounts, the reconciliations will become more manageable	What does your office do to reduce the time it takes to get an invoice from a department into finance for processing? Send reminders to the departments stressing the importance of customer satisfaction

Federal Grant Receivable Reconciliation	Federal Grant Receivable Reconciliation	Revenue Estimates
What method is used to track federal receivables?	Does your office have a tracking spreadsheet for SF425 reports due/over due? VIOMB, as the SPOC, currently tracks financial and project status reports for DOI-OIA (15.875) grants. It is our intention to expand this; however, unlike for DOI, this will not entail submission of reports (425, etc.) via OMB	How close was your government's estimated revenue vs actual collections for FY12 and FY13? <u>Budgeted Actual Di</u> FY12- \$731,261 \$661,684 \$(69,577) FY13- \$700,575 \$681,441 \$(19,134)
Are federal receivables recorded in the general ledger? No, not at this time; additional training will be necessary to use the Grants Management Module for this purpose	Does a manager regularly review to insure reports are timely? Re. 15.875 – VIOMB analysts and managers regularly review and/or monitor report submission to DOI.	See attached Slide
	What are the primary issues that cause reports to be late? The vast majority of DOI reports are submitted on time; they are rarely ever late. In rare instances it could be limited resources with competing time-sensitive priorities or extenuating circumstances beyond someone's control (e.g. emergency).	

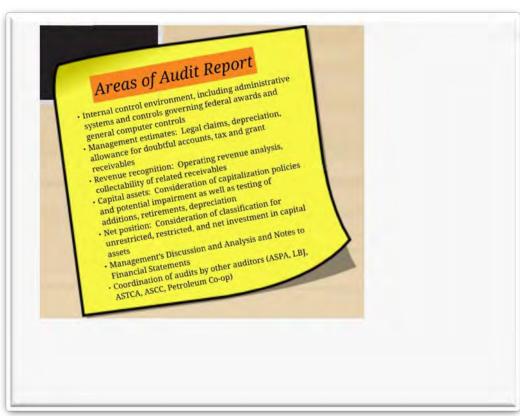


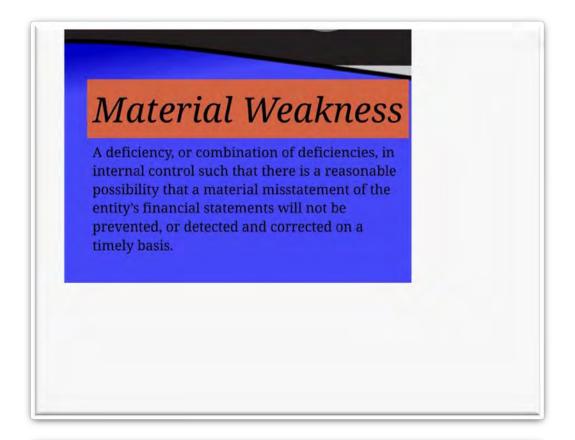
APPENDIX C11 - AMERICAN SAMOA GOVERNMENT UPDATE



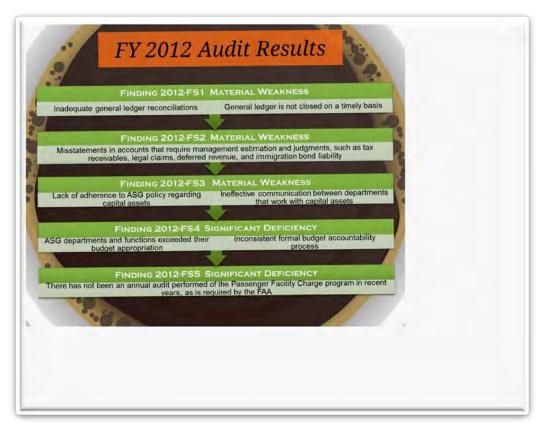
- Audit and report on internal control and compliance over financial reporting in accordance with Government Auditing Standards
 - · Five findings of noncompliance noted
- Audit and report on compliance related to the major Federal Award Programs (17 major programs), the Schedule of Expenditures of Federal Awards and related internal control in accordance with Federal Circular OMB A-133
 - 18 findings of noncompliance noted

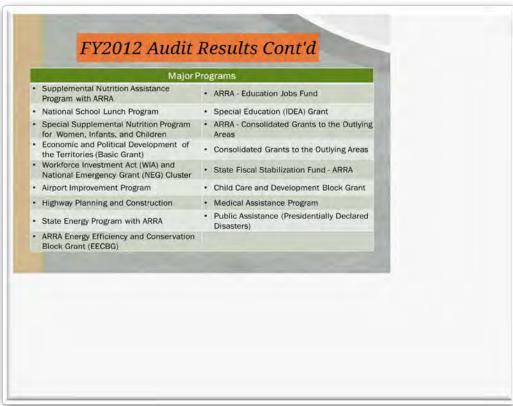






A deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.





2012-02	Sub-recipient monitoring not performed (WA/NEG Cluster)	Material weakness	
2012-05	Untimely filing of required special reports (various programs)	Material weakness	
2012-08	Untimely filing of Section 1512 reports (Supplemental Nutrition Assistance Program w/ARRA)	Material weakness	
2012-11	Sub-recipient monitoring not performed (Highway Program)	Material weakness	
2012-03	Eligibility status not verified (WIA/NEG Cluster)	Significant deficiency	
2012-04	Reports unsupported by general ledger and lack of communication between ASG departments regarding federal reporting (Public Assistance/ Disaster Grant)	Significant deficiency	
2012 06	Inaccurate amounts reported on Section 1512 reports (various programs)	Significant deficiency	
2012-07	Unsupported and unallowed amounts reported (Airport Improvement Program)	Significant deficiency	
2012-09	Suspension and debarment not checked for "covered transactions" (various programs)	Significant deficiency	
2012-10	Incomplete physical inventory of equipment and real property (various programs)	Significant deficiency	
2012-12	Lack of supporting justification for sole source procurement (Special Education IDEA Cluster)	Significant deficiency	
2012-13	Lack of support for tracking and compliance with "Buy American Act" (various programs)	Significant deficiency	
2012-14	Inaccurate eligibility percentage rates used (Medical Assistance Program)	Significant deficiency	
2012-15	Lack of support for compliance with Davis-Bacon Act (various programs)	Significant deficiency	
2012-16	No filing of required performance report (WA/NEG Cluster)	Significant deficiency	
2012-17	Lack of preventative or detective controls to ensure dietary requirements (School Lunch Program)	Control deficiency	
2012-18	No perpetual inventory of warehouse food and supplies (U.S. Department of Agriculture finding for (School Lunch Program)	Control deficiency	



FY2012 Audit Communications

- Representations were requested and received from management
- · Disagreements with management (none noted)
- Consultation with other independent auditors (none of which we are aware)
- Difficulties were encountered during the audit, including issuance of an adverse opinion on the WIA/NEG cluster, material weaknesses and significant deficiencies noted, and delays in receipt of supporting documentation, which caused delays in the audit and in report issuance

Illegal acts: No specific acts were noted, however we issued an adverse opinion on the WIA/NEG Cluster opinion on the WIA/NEG cluster.

Ability to continue as a going concern (no disclosure necessary)

Consideration of fraud in a financial statement audit.

Procedures performed included.

Procedures performed interviews of journal entry testing and interviews of personnel.

Moss Adams is independent with.

Moss Adams is independent with samo and its component units.

FY2013 Audit Satus

- · Moss Adams currently engaged
- Treasury Memo issued to the Component Units on Suspense Date of their respective Financial Statements
- · TB completed by December 2013
- · Draft Report due by March 30, 2014

Federal Programs - "Communicating On Island"

· Department of Education - High Risk

http://goo.gl/Sfv5xD



- · Department of Labor Site Visit & FLSA Training
- · Departmnet of Homeland Security FEMA
 - · Grants Management Training
 - · Lol Mandates
 - · Processes and Procedures
- · Government Accounting Office (GAO) Site Visit
 - · Graduate School
 - · Executive Briefings on Priority Projects

Performance Measures

- Performance Measures (Sample Documentation Inserted)
- · Grants Reimbursement Tracking Sheet
 - · Weekly, Monthly, Quarterly
 - FY 2013 Up to date

More Measures

Cash Management Plan Checklist: FY 2013 Approved CMIA

Fixed Asset:

Purged line Items not meeting Thresh hold as recommended by the Auditors 91,000 to 13,000

Performance Measures Con't Travel Advancement Priority Project to add as a Paperless Transaction Monitor source of fund and ensure reimbursement to general fund.

Performance Measures

- · Bank Reconciliation
 - · Monthly
 - · Quarterly
 - · Annual
- · Invoice Processing Days
 - 3 5 Days of Federal Funded Projects Paid out.
 - Weekly Grant Runs Twice a Week
 - · 30 Day Window All Others
 - · Pay All Vendors
 - Supporting Documentation
 - · Paperless Workflow
 - · First in First to Pay
 - Documentation will be upload and online through IFAS

Performance Measures

- · Federal Grant AR Reconciliation
 - · Grants Tracking Sheet
 - · Bi-Weekly Payroll Reimbursement
 - · Weekly Drawdown Reimbursement
 - · FY2013 Up to Date
 - · SF 425 Reports
 - Project Management Files for each Program/Fund
 - · Copies of ALL SF425 on File

Revenue Estimates

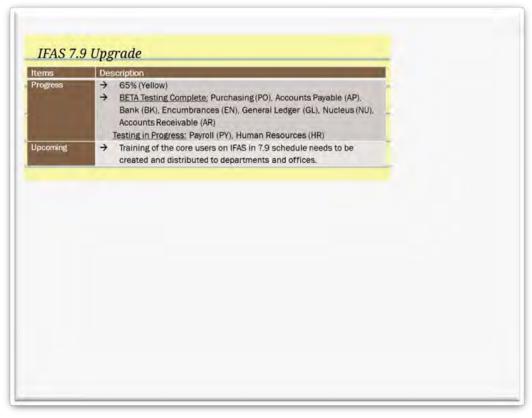
- Budget to Actuals
 - · FY2013 Closed a Balanced Budget
 - · Exceed FY2013 Projected Estimates

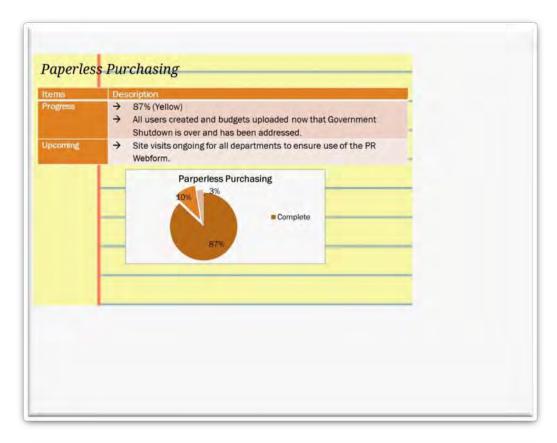


GRT: Gross Receipts Tax Tax Reformation Heretofore change profile of Revenue Esitmates Ensuing 2 Years Update the Tax Table Eliminate 2000 Use 2013 Tax Table Eliminate 2% Wage Tax Benefits: Reduce Dependency on Federal Grants 87% Articulated in the FY2011 Preformerter

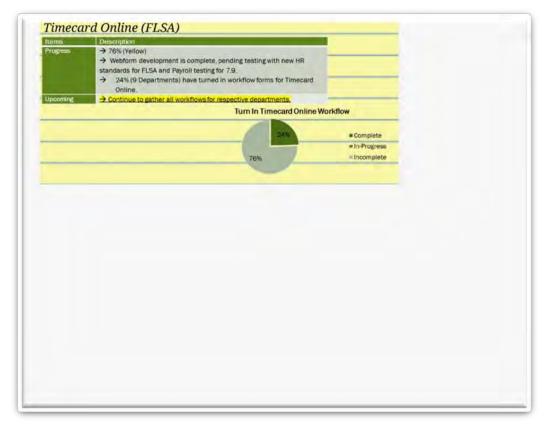


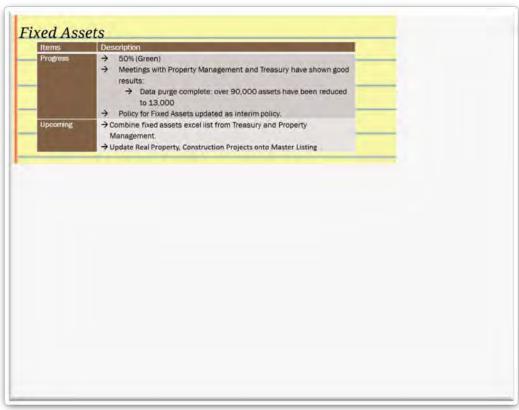


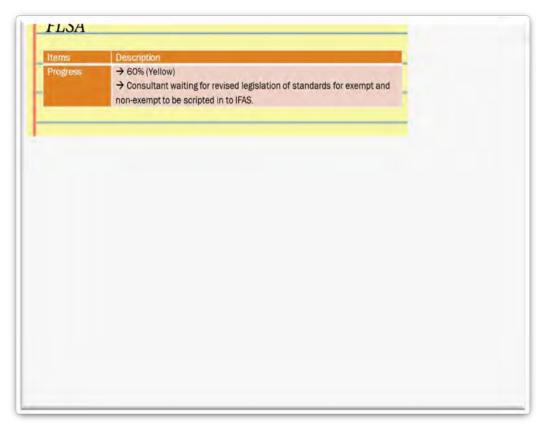


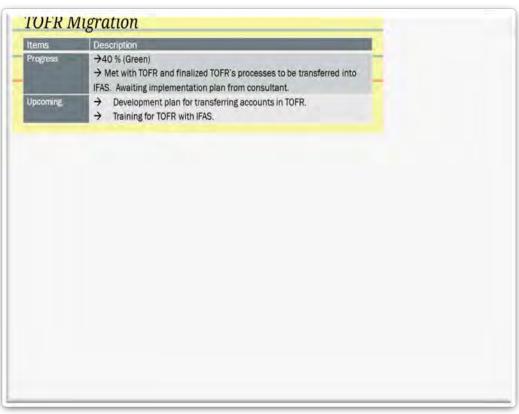












Persource Enhancement Qualified Staff Grants Reimbursement Sepcialist Star Reimbursement Sepcialist Star Reimbursement Sepcialist Star Reimbursement Sepcialist Star Reimbursement Sepcialist Tax Auditor from the IRS Chief Customs Officer Strengthen Finance & Accounting Increased Budget of over \$2.2M Over 60% to sustain improvements to the financial system and Human Capitol





Conclusion Questions? Thank You to DOI-OIA Director Nikolao Pula and his Staff, Graduate School, and especially to You, my colleagues in our Island Countries & Insular Areas Falema'o M. "Phil" Pili, Ph.D., CGFM, Treasurer American Samoa Government

APPENDIX D - FEDERAL GRANTS COORDINATION TALKING POINTS

Presentation to the Island Government Finance Officers Association December 3rd, 2013 1:15 PM to 1:45 PM

Mark Anderson, Administrator, Office of Federal Award Management Department of Budget and Finance, State of Hawaii

Introduction

- 1. Who I am and how I came to manage federal awards
- 2. The objectives of the Office of Federal Awards Management

Why improve?

- 1. Starting point for Hawaii
- 2. Characteristics of our current 'system'
- 3. What's in it for Hawaii how do we benefit as a state by getting better at managing federal funds?

What we accomplished

- 1. Gathered information ("Fair Share Initiative")
- 2. Organized a Grant Hui
- 3. Made changes to budgeting and accounting policies/process for appropriated and non-appropriated federal funds
 - Established a "one-to-one" relationship between a federal award ID and a unique state appropriation account which will eventually enable regular financial reporting
 - Defined "major, recurring award" that must be appropriated in the state budget
 - Form FF workaround
 - Document understanding of roles, responsibilities, and process
- 4. Legislation- changes enacted in the budget bill (fed fund provisos)

- 5. Set-up website (www.federalawards.hawaii.gov)
- 6. Preparing for new ERP
 - Defined the grant requirements that State federal grant managers want in the new ERP financial accounting system

What we are working on now

- 1. Interim Federal Awards Management System (iFAMS)
 - A. Will be able to transition to new ERP
 - B. Will create a fluid master database of federal awards held by state entities (data elements)
 - C. Will link revenue and expenditure data from the State's accounting system to individual federal awards to enable regular financial reporting on federal funds
 - D. Will be able to produce A-133 SEFA Report
- 2. Establish rules to account for State sub-recipients

Lessons learned so far

- 1. Federal awards has been so decentralized there was insufficient understanding about how federal awards are being managed at various state entities and how different processes impact each other; need to dig for information.
- 2. Top political leadership has to endorse reform goals
- 3. Current system places limits on pace of reform
- 4. Need buy-in from key participants
- 5. Must create a sense of urgency
- 6. Must ensure changes stick through budget execution policies and memorandums from Comptroller and Finance Director
- 7. Need to keep in touch with counterparts in other states/territories

Attachments:

Memorandum identifying major, recurring federal awards

Proposed fields for master database of federal awards held by state entities

APPENDIX E—GASB UPDATE: CHANGING THE LIGHT BULB

GASB Update: Changing the Light bulb

2013 IGFOA

Presented by Frank Crawford, CPA Crawford & Associates, P.C. www.crawfordcpas.com frank@crawfordcpas.com @fcrawfordcpa (twitter)



What we will cover in this session (that they have only given me 60 minutes to cover...)

- GASB Statement 60 Service Concession Arrangements
- GASB Statement 61 The Financial Reporting Entity Omnibus
- GASB Statement 62 Codification of Pre-1989 FASB and AICPA Pronouncements
- GASB Statement 63 Reporting of Deferred Inflows, Deferred Outflows and the Statement of Net Position
- GASB Statement 65 Items Previously Reported as Assets and Liabilities
- Statement 66—Technical Corrections—2012, an amendment of GASB Statements No. 10 and No. 62
- GASB Statement 67 and 68 Pension Accounting and Reporting (discussed later in a separate session)
- GASB Statement 69 Government Combinations and Disposals of Operations
- GASB Statement 70 Non-exchange Financial Guarantees



Effective Dates—September 30

- September 30, 2013
 - Statement 60—Accounting and Financial Reporting for Service Concession Arrangements
 - Statement 61—The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)
 - 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
- September 30, 2014
 - Statement 65—Items Previously Reported as Assets and Liabilities
 - Statement 66—Technical Corrections—2012, an amendment of GASB Statements No. 10 and No. 62
 - Statement 67 Accounting for the pension plan
 - Statement 70 Non-exchange Financial Guarantees
- September 30, 2015
 - Statement 68 Employer pension accounting
 - Statement 69 Government Combinations and Disposals of Operations



GASB Statement 60 - Service Concession Arrangements



What is a Service Concession Arrangement (SCA)?

- Type of public-private or public-public partnership
- Public-private partnership can be:
 - Service arrangement
 - Management arrangement
 - SCA



5

Components of SCAs

- Transferor (insular government) conveys to an operator the right and related obligation to provide services to the public through the operation of a capital asset, in exchange for significant consideration
- Operator collects and retains fees from third parties
- Insular government entitled to significant interest in the service utility of the capital asset at the end of the agreement
- Insular government determines or has the ability to modify or approve:
 - Services the operator required to provide
 - To whom services will be provided
 - Prices or rates that will be charged



Examples of SCAs

- Operator designs and builds a facility and obtains right to collect fees from third parties
- Operator provides significant consideration in exchange for right to access existing facility and collect fees from third parties for usage
- Operator designs and builds facility, finances construction costs, provides services, collects fees, and conveys facility to Insular government at end of arrangement

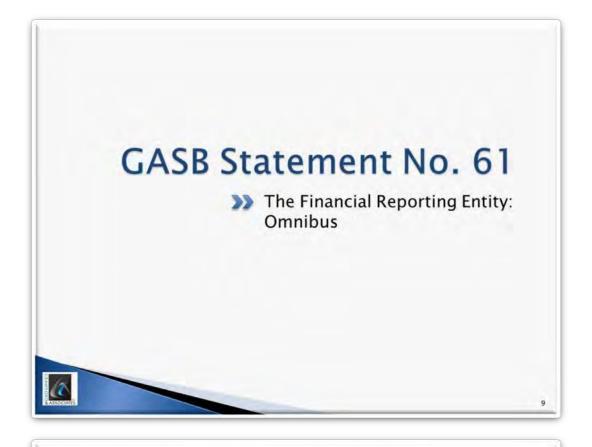


7

Examples of SCAs – Which of these could be?

- Toll roads/bridges
- Bookstore/cafeteria operations
- Golf courses
- Prisons
- Hospitals
- Parking lots
- ·Administration buildings
- Convention centers
- Public education
- Garbage collection
- Landfills
- •Public safety police and fire operations





Financial Reporting Entity Concept

- Elected officials are accountable to their constituents for their actions
 - Including the actions of other officials that they appoint
 - And the actions of entities that are tied to their apron strings
- Different from private-sector consolidation based on control



Project Objectives

- Determine whether the standards for defining and presenting the financial reporting entity in Statement 14, as amended:
 - Include the organizations that should be included
 - Exclude organizations that should not be included
 - Display and disclose the financial data of component units in the most appropriate and useful manner
 - Are consistent with the current conceptual framework



11

Overview

- The most significant effects of the proposal would be to:
 - Increase the emphasis on financial relationships
 - · Raises the bar for inclusion
 - Refocus and clarify the requirements to blend certain component units
 - Improve the recognition of ownership interests
 - Joint ventures
 - · Component units
 - Investments



GASB Statement 62 -Codification of Pre-1989 FASB and AICPA Pronouncements

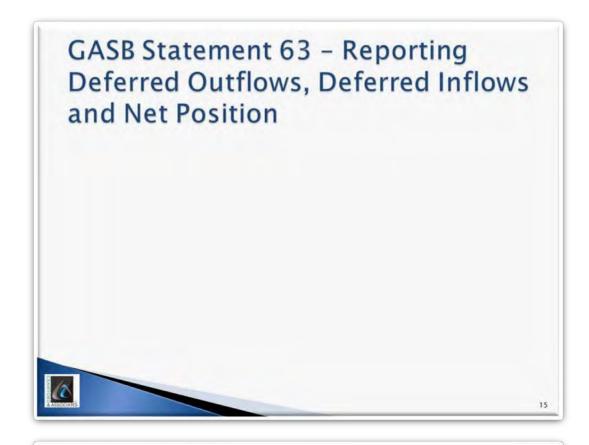


13

Key Highlights

- Early application is likely to occur since there will be little change from current practice;
- Now all applicable pre-FASB Codification standards before FAS-102 (November 30, 1989) will be included in government GAAP
 - Significance of November 30, 1989 Date of Jurisdiction Determination by FAF reaffirming GASB as official standard setter for governments
- FASB and AICPA references eliminated in the notes to the financial statements
- No more GASB-20 Paragraph 7 Election





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



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

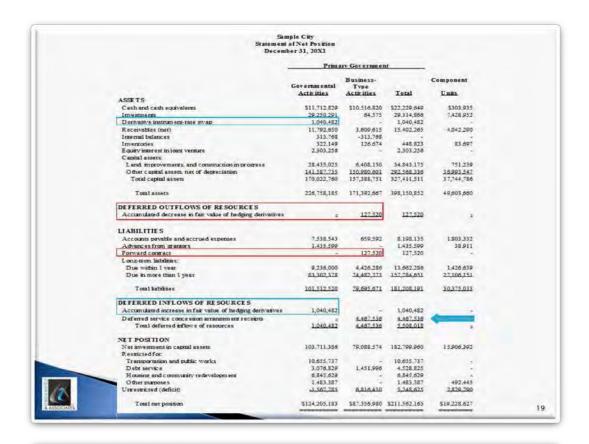


17

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





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



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 (next)
- Statements 67 and 68 Pension Plans (Plan and Employer)
- Statement 69 Government Combinations

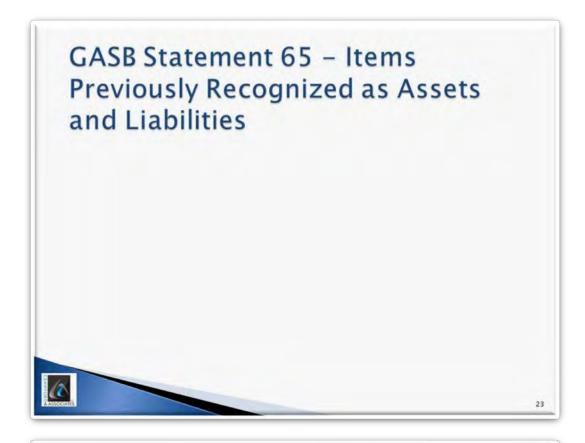


21

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





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



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.



25

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



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)



27

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



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



29

Some Items That Retain the Classification as a Liability

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



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
- >Taxes received in advance
- > 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



31

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)



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



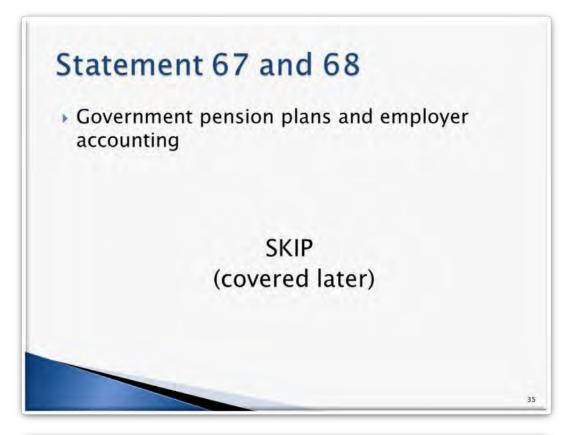
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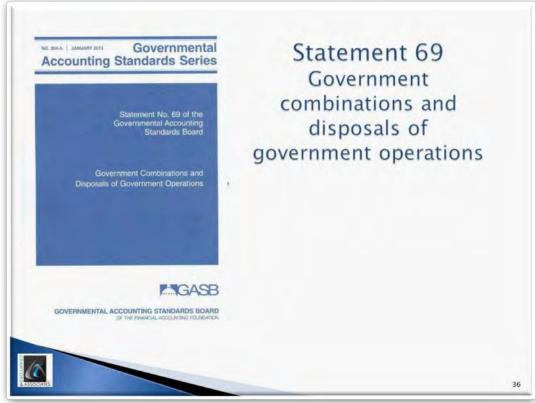
GASB Statement 66

 Technical Corrections—2012, an amendment of GASB Statements No. 10 and No. 62

SKIP







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



37

Scope and Terminology

- · 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)



What Is a Government Combination?

- Government combinations are arrangements that meet the definition of a government merger, government acquisition, or transfer of operations and involve the continuance of the provision of services
- Service continuation means that the new or continuing government resulting from the combination has an obligation or responsibility to continue to provide services that were provided by the formerly separate governments or operations



39

GASB Statement No. 70

Accounting and Financial Reporting for Nonexchange Financial Guarantee Transactions



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



41

Scope

- Applies to governments that:
 - Extend a nonexchange financial guarantee on an obligation of anther party (a government, not-forprofit, 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



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



43

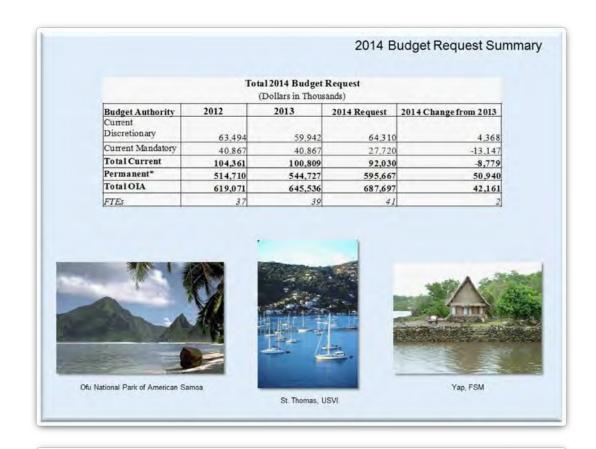
Questions??? Follow me on twitter! @fcrawfordcpa

APPENDIX F - DOI/OIA UPDATE: 2014 BUDGET REQUEST



2014 Budget Request Office of Insular Affairs

- 2014 Budget Request Summary
- · The Big Picture
 - Mission
 - Resources
- 2014 Budget Presentation
 - Assistance to Territories
 - Compacts of Free Association (Current)
 - Compact Impact
 - Compacts of Free Association (Permanent)
 - Palau Compact
 - Fiscal Payments



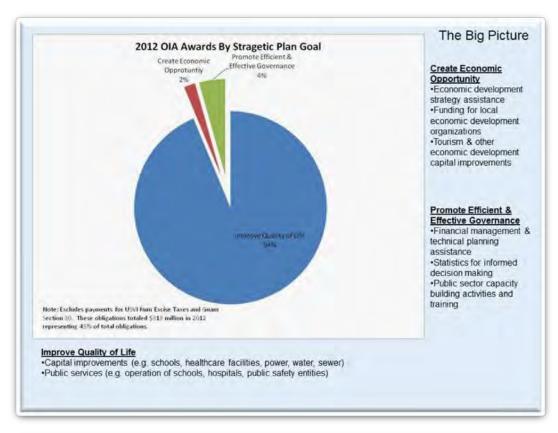
OIA's Mission

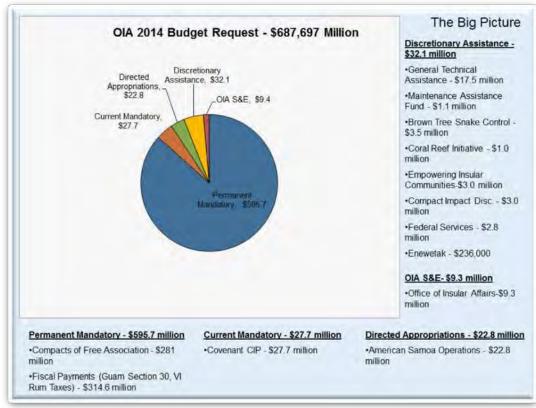
 98% of OIA's budget is financial assistance which:

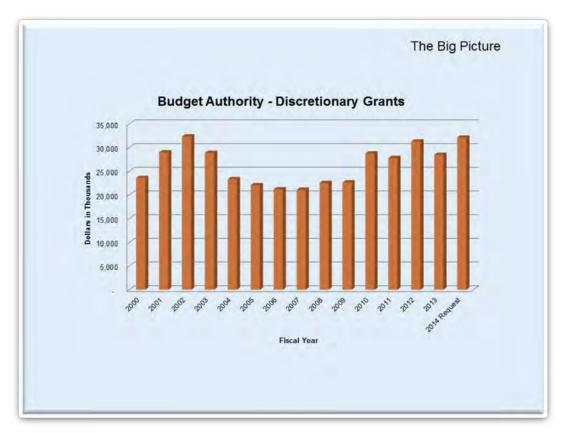
Empowers Insular Communities

- >Improves Quality of Life
- ➤ Creates Economic Opportunity
- >Promotes Efficient & Effective Governance









Assistance to Territories 2014 Budget Request | Program | 2014 Request | Changes | C

Assistance to Territories

2014 Budget Request

	21	012		013		Costs & d Changes		ogram hanges	2014 1	Request		nge from 013 (+/-)
Activity Subactivity	FTE	Amount	FTE	Amount	FIE	Amount	FTE	Amount	FTE	Amount	FIE	Amount
ASSISTANCE TO TERRITORIES												
2. Covenant Grants - Mandatory												
Northern Mariana Islands Construction		9,523		- 8,732				83	-	8,815	-	83
American Samoa Construction		10,089		- 9,964				83		10,047	-	83
Guam Construction	3	6,086		- 6,128			1.0	(250)	13	5,878		(250)
Virgin Islands Construction		2,022		- 2,896				84		2,980		84
Total, Covenant Grants		27,720		- 27,720						27,720		

· Covenant CIP

- General infrastructure construction including water, sewer, power, schools and hospitals
- Competitive Criteria







Rebuilt Power Generator at Power Plant 1,

Tafuna Family Health Center Expansion, American Samoa

Matafao Elementary Classroom & Cafeteria Building, American Samoa

Assistance to Territories

2014 Budget Request

	2	012	20	013		Costs & Changes		anges	2014 R	lequest		nge from 13 (+/-)
Activity Subactivity	FTE	Amount	FIE	Amount	FIE	Amount	FIE	Amount	FIE	Amount	FIE	Amount
ASSISTANCE TO TERRITORIES 3. Territorial Assistance Office of Insular Affairs	34	9,465	34	3,767		474	4	207	38	9,448	4	68

· Office of Insular Affairs

- Requested net increase of \$681,000
- +4 FTE from 2013 (filling vacancies)
- Oversight resources are crucial



Assistance to Territories

2014 Budget Request

	20	112	36	113	2,000	Costs & Changes		ogram	2014 R	equest		nge from 13 (=/-)
Activity Subactivity	FIE	Amount	FTE	Amount	FTE	Amount	FIE	Amount	FTE	Amount	FTE	Amount
ASSISTANCE TO TERRITORIES												
3. Territorial Assistance												
General Technical Assistance	1	13,782	1	12,475			- 3	5,029	1.	17,504		5,029
Maintenance Assistance Fund		2,237		740			- 4	341	,	1,081	-	341
Brown Tree Snake Control		2,995		2,994			- 2	506	-	3,500		506

- · General Technical Assistance
 - +\$5 million to increase responsiveness to insular requests for assistance
- · Maintenance Assistance Fund
 - Requesting \$341,000 increase
 - "Insular ABC's"
- · Brown Tree Snake Control
 - \$500,000 increase for automated aerial bait delivery system





Insular ABC's Assessment Underway

Assistance to Territories

2014 Budget Request

Technical Assistance Grant Awards 2012/Estimate for 2013 & 2014

Recipient	2012	40117	20147
Direct Grants to Insular Areas	Awards	2013 Estimate	2014 Estimate
American Samoa	342	TBD	TBD
Northern Mariana Islands (CNMI)	2.000	TBD	TBD
General	3,110	TBD	TBO
U.S. Virgin Islanda	4.062	TBD	TBD
Federated States of Micropasia (FSM)	504	TBD	TBD
Republic of the Marshall Islands (RMI)	516	TBD	TBD
Republic of Palas	-	TBD	TBD
Total, Direct Grants to Insular Areas	\$11,034	\$5,208	510,212
Other TAP (Provides Benefits to Multiple Insular Areas)	2012 Awards	2013 Extimate	2014 Estimate
Grad School PITIVITIWere pitrviti.org -increase reflects absorption of FAS Compact area support projects	\$1,876	\$2,500	\$2,500
U.S. Bursas of Commerce BEA (for GDP data)	\$750	\$750	\$750
Close Up Foundation	\$1,075	\$1,075	\$1,075
U.S. Department of Energy (NREL)	\$434 \$2,119	\$0	50
Junior Statesman	\$357	\$357	\$357
Pacific Basin Development Council	\$150	TBD	TBD
4 Atoll Health Care Program (RMI)	\$990	\$990	2990
Prior Service Benefits Program	\$1,000	\$1,000	\$1,000
Iudicial Training	5320	\$320	\$320
CDC	\$50	\$50	\$50
CNMI Ombudeman's Office	5250	\$250	\$250
CNMI Immigration, Labor and Law Embros & Forum Economic Labor Dav. (FELD)	\$150	TBD	TBD
COMPACT IMPACT discretionary	54.992	See New Line Item	See New Line Item
Total, Multiple-Jurisdiction Programs	\$9,521	57,292	\$7,292
Total, Technical Assistance Projects Awarded	\$20,555	\$12,500	517,504

Assistance to Territories

2014 Budget Request

	2	012	2	013		Costs & Changes		rogram hanges	2014	Request		nge from 13 (+/-)
Activity Subactivity	FTE	Amount.	FIE	Amount	FIE	Amount	FIE	Amount	FTE	Amount	FIE	Amount
ASSISTANCE TO TERRITORIES												
3. Territorial Assistance												
Coral Reef Initiative		998		- 998				. 2		- 1,000	1	3
Water and Wastewater Projects		790				8 6	-					
Empowering Insular Communities		2,205		2,965				6		- 2,971		

- · Coral Reef Initiative
 - Unchanged from 2013
- · Empowering Insular Communities
 - Implementation of sustainable energy plans
 - Geothermal geophysical survey in CNMI
 - Rooftop solar arrays at UOG



Compacts of Free Association - Current

2014 Budget Request

	2	012	2	:013	Re	Costs & lated anges	Pr	ogram hanges	2014 Request			nge from 13 (+/-)
	FIE	Amount	FIE	Amount	FIE	Amount	FIE	Amount	FIE	Amount	FTE	Amount
COMPACT OF FREE ASSOCIATION - CURRENT	1	1307							145			
1. Federal Services	-	2,814		- 2,808				10		- 2,818	-	10
2 Enewetak		499		498			-	(262)		- 236	-	(263)

- · Federal Services
 - Budget authority essentially unchanged from 2013 for USPS mail service
 - Funding shortfall
- Enewetak
 - \$262,000 decrease from 2013



Compact Impact

2014 Budget Request

	2012		Fixed Costs and Related Changes		2014 Request	Change from 2013 (+/-)
Activity/Subactivity	FTE Amount	FIE Amount	FTE Amount	FTE Amount	FTE Amount	FIE Amount
Compact Impact - Permanent	30,000	30,000	. 0	0	30,000	0
Compact Impact - Discretionary	4,992	4,990	0	-1,990	3,000	-1,990

- Compact Impact
 - Permanent: New Compact Impact Enumeration
 - Discretionary: Education purposes

The second second second second	Bureau 2008 FAS ompact Impact Fu	N. S. C.
	FAS Population	Compact Impact
Hawaii	12,215	\$11,228,742
Guam	18,305	\$16,827,026
CNMI	2,100	51,930,443
Am. Samoa	15	\$13,789
Total	32,635	\$30,000,000



Compacts of Free Association

2014 Budget Request

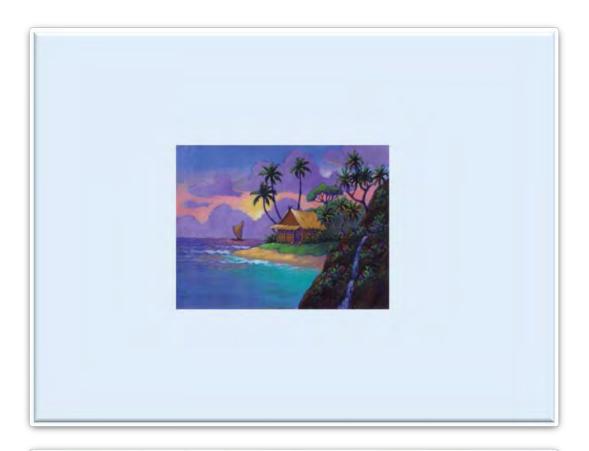
	1	2012	1-30	1013	Fixed and Re Chan	elated iges	Ch	gram anges	Re	2014 equest	from (+	inge 2013 /-)
Activity/Subactivity	-	Amount	FIE	Amount	FIEA	mount .	FIE	Amount	FIE	A mount	FIER	mount
COMPACT OF FREE ASSOCIATION - PERMANENT Assistance to the Marshal Islands:												
Sector Grants		35,881		35,523		0		2,380		37,903		2,380
Audit		0		500		0		0		500		0
Trust Fund		12,474		13,307		0		818		14,125		818
Rongelap Resettlement		0		0		0		0		0		0
Kwajalein Lease Payment		17,010	1	17,256		0		3,932		21,188		3,932
Enewetak		1.474		1.504		0		26		1,530		26
Subtotal, Marshall Islands Assistance	-	66,839	-	68,090	-	0	-	7,156	-	75,246	-	7,156
Assistance to the Federated States of Micronesia (FSM)												
Sector Grants		81,397		81,169		0		993		82,162		993
Trust Fund		23,587		24,994		0		1,373		26,367		1,373
Audit		0		500		9		0		500		0
Subtotal, FSM Assistance	-	104,984		106,663	-	0		2,366	-	109,029	-	2,366
Judgal Training		340		347		0		6		353		6

Summary of RMI and FSM assistance



Compacts of Free Association - Palau 2014 Budget Request Fixed Costs and Related 2012 2013 Changes Changes Request Activity/Subactivity TE Amount E Amount FTE Amount FIE Amount Palau Compact Extension 13,147 13,147 -13.147 -13,147 Palau Legislative Proposal 66.412 66.412 Palau Legislative Proposal totals \$250.0 million over 15 years · Transmitted to Congress on January 14, 2011 · Introduced by the Senate as S. 343 2014 enactment funding scenario

2014 Budget Request Fiscal Payments Fixed Costs and Inc. (+)/Dec. (-) Program Related Changes 2012 Changes from 2013 Amount FTE Amount Activity/Subactivity FTE FTE FTE Amount Guam Section 30 Income Taxe 56,627 56,627 56,627 VIRum Excise Taxes 255,920 283,000 -25.000 258,000 25.000 Total. Fiscal Payments 312,547 -25.000 339.627 314.627 -25.000 Summary of Fiscal Payments Projected increases military buildup on Guam relocation of Captain Morgan to St. Croix



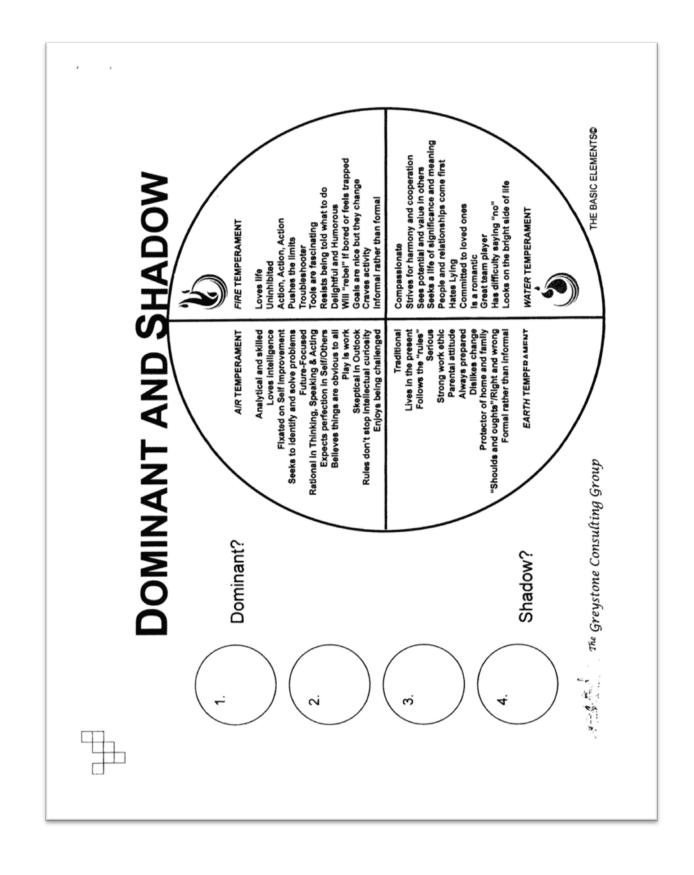
Changes Change						
ns		2012	2013	Rived Costs & Related Changes	Program Changes	Z014 Request
one 22,777 22,706 0 0 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	Assistance to Territories			,		
### 25.720 27.720 0 0 1.7.720 0 0 27.720 0 0 1.7.720 0	American Sanoa Operations	22,717	22,706		94-	22,752
minutes 13,782 12,475 4474 1474 15,453 113,782 12,475 0 45, 14,291 12,475 0 45, 14,291 12,475 0 45, 14,291 12,475 0 10, 14,291 12,492 0 12, 14,292 12, 14,	Coverant Grants	27,720	27,720		0	27,720
marce 13.752 12.475 (-4.74 c) (-4.2)	Temto dal Assistance	1				
remurates 13,782 12,475 (-45) (-42)	Office of Irsular Affairs	9,465	8,767	1274	+207	9,448
marke 13,782 12,475 0 -5 2,237 740 0 - 2,295 2,994 0 - 790 998 998 0 0 790 0 0 0 790 12,05 1,295 0 0 4,99 4,356 -474 +4 4,99 13,142 0 13,3 ment	Fixed Costs 2013			[-45]		
mmurities 13,782 12,475 0 +5 2,237 740 0 +5 2,237 740 0 +5 740 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	Fixed Costs 2014			[479]		
oi 2,237 740 0	General Technical Assistance	13,782	12,475		+5,029	17,504
oi 2,995 2,994 0 0 1 2,995 2994 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	Martenance Assistance	2,237	740		+941	1,081
998 998 0 790 0 270 0 270 0 499 0 499 0 499 0 499 474 44 13.147 2,505 0 499 498 0 13.147 2,505 0 13.147 0 13.13 13.147 0 13.3 10.4,50 16,436 0 13.3	Brown Treestake Control	2,995	2,994		+506	3,500
790 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	Coral Reef Intrative	966	866		+2	1,000
2.205 2.965 0 2.1 4.992 4.990 0 2.1 84.356 4.474 4.4 2.514 2.805 0 2.13 2.514 2.805 0 2.1	Water and Wastewater	790	0	0	0	
2.514 2.905 0 3.3 2.514 2.905 0 4.74 +4 4.99 4.99 0 13 2.514 2.905 0 13 2.514 2.905 0 13 2.514 2.905 0 13 2.514 2.905 0 13 2.514 2.905 0 13 2.514 2.905 0 13 2.514 2.905 0 13 2.514 2.905 0 13 2.514 2.905 0 13 2.514 3.905 0 13 2.	Empowering houles Commutates	2,205	2,965		P	7.97
2.514 2.505 0 13.242 13.442 0 13.3442 16.450 16.453 0 13.345	Compact Impact Disc.	7,992	1,990		-1.990	3,000
2.514 2.806 0 499 499 499 0 133 13147 0 133 147 0 133 147 0 133 147 0 133 147 0 133 147 154 154 156 156 156 156 156 156 156 156 156 156	Total, Assistance to Territories	106'29	84,356		+4,147	88,976
13.14 7.505 0 13.15.15.15.15.15.15.15.15.15.15.15.15.15.	Compact of free dassociation - Current				-	
499 498 0 13.14Z 13.14Z Q 2 16,450 16,453 0 -474	rederal Services	2,514	7,508		-10	2,818
15.450 15.453 0 5.000 104.361 100,809 -474	Enewetak	667	198		-262	236
104,361 100,809 -474	Palan Compact Extension	13.147	13.147	0	-13.147	
104,361 100,809	Total, Compact of Free Association - Current	16,460	16,453		-13,399	3,054
n non- 02 040 22	Total Cunent Discretionary/Mandatory	104,361	100,809		-9,252	92,030
CE 870 CB 7000	Compact of Free Association					
06,039	Marshall Islands Compact	66,839	68,090	0	+7,156	75,246
Federated States of Micronesia Compact 104,984 106,663 0 +2,3	Federated States of Microresta Compact	104,984	106,663		+2,366	109,029
0 0	Palau Compact (Legislative Proposal)	0	0		+66,412	66,412
30,000 30,000 0	Compact Impact	30,000	30,000		0	30,000
	fudicial Training	340	347	0	41	353
205,100 0	Total Conpact (Permanent)	202,163	205,100		+75,940	281,040
Fixed Payments Guam Section 30 Income Taxes 56.627 56.627 0	Flocal Payments Guan Section 30 Income Taxes	56,627	56,627	0	0	26,627
255,920 283,000 0	VIRum Excise Tases	255.920	283,000	0	-25,000	255,000
G	Total, Fiscal Payments (Permanent)	312,547	339,627		-25,000	314,627
Grand Total - Office of Insular Affairs 619,071 645,336 +474 +41,6	Gund Total - Office of Insular Affairs	140'619	645,536		+41,688	7697,697

APPENDIX G - THE INFLUENCE OF TEMPERAMENT ON LEADERS AND MANAGERS

THE INFLUENCE OF TEMPERAMENT ON LEADERS & MANAGERS

Brad Dude GRADUATE SCHOOL USA

November 2013



A TEMPERAMENT EXERCISE

What are your strengths?

How are you *misunderstood*?

What ticks you off?

How do you like to **be led**?

What do you need to support change?

How are you most influenced?

EARTH LEADERSHIP

LOOK AT THE WORLD AND SEE:	> Facts and realities
AND WANT TO:	> Organize them
THEY HAVE A LIFE-LONG DRIVE FOR:	> Belonging to meaningful social institutions
THUS THEY ARE EFFECTIVE AS:	Stabilizers of organizations and maintainers of traditions
SOME STRENGTHS:	 Being realistic and practical Being decisive Paying attention to the organization's rules and regulations Bringing a planned, organized approach to work Being dependable and good at following through Being thorough, systematic, and precise—especially with details
SOME POTENTIAL WEAKNESSES:	 Not always being responsive to a need for change Being a "rule is a rule is a rule/if I made an exception for you, I'd have to make an exception for everybody" kind of person Making decisions too quickly Being impatient with delays and complications Having an excessive concern for crises that may never occur
THEIR CONTRIBUTIONS TO A WORK TEAM INCLUDE:	Focusing on what needs to be done to make the system work smoothly Focusing on follow through and on important details

AIR LEADERSHIP

LOOK AT THE WORLD AND SEE:	> Possibilities, meanings, relationships
AND WANT TO:	 Examine their consequences analytically and impersonally
THEY HAVE A LIFE-LONG DRIVE FOR:	> Competence and knowledge
THUS THEY ARE EFFECTIVE AS:	➤ Architects of change—Visionaries
Some strengths:	 Looking ahead, seeking new possibilities Conceptualizing, designing—especially organizational change Setting high standards Seeing right to the heart of complex issues or problems Seeing the large picture, the large context Grasping the underlying principles, dynamics and laws Excelling when someone says, "It can't be done"
Some potential weaknesses:	 Not easily showing sensitivity and appreciation to subordinates Not following through on details (they get bored with the routine) Losing others' attention with their fascination for complexity Seeming intellectually arrogant, an elitist Being totally impatient with those whom they don't see as competent
THEIR CONTRIBUTIONS TO A WORK TEAM INCLUDE:	 Tracking thought processes Problem solving Providing theoretical input Contagious enthusiasm for ideas

FIRE LEADERSHIP

LOOK AT THE WORLD AND SEE:	> Facts and realities
AND WANT TO:	> Collect more, manipulate them
THEY HAVE A LIFE-LONG DRIVE FOR:	> Action, excitement, completion
THUS THEY ARE EFFECTIVE AS:	> Troubleshooters and negotiators
Some strengths:	 Handling crisis situations Seeing what's negotiable Being ingenious and resourceful getting things done Knowing how to expedite things Being honest and straightforward; "telling it like it is" Having a practical approach to concrete problems Being adaptable, flexible, taking risks
Some potential weaknesses:	Being unpredictable Becoming bored when there is no crisis to solve Creating crisis to have something exciting to do Disliking being impatient with the theoretical, the abstract, the conceptual Producing written documents Not taking a stand; seeming indecisive Being impulsive—forgetting to look before they leap
THEIR CONTRIBUTIONS TO A WORK TEAM INCLUDE:	 ➤ Making things happen ➤ Spotting practical problems ➤ Negotiating agreements or plans of action

WATER LEADERSHIP

LOOK AT THE WORLD AND SEE:	> Possibilities, meanings, relationships
AND WANT TO:	> Judge their value to persons and for people
THEY HAVE A LIFE-LONG DRIVE FOR:	> Meaning, authenticity, identity
THUS THEY ARE EFFECTIVE AS:	> Catalysts—getting people to work effectively together
Some strengths:	 Drawing out the best in people Working with and through people Good verbal and listening skills Being sensitive to the organizational climate Being good at expressing appreciation Expressing empathy Getting people to work together effectively and harmoniously Learning new things about self and others
SOME POTENTIAL WEAKNESSES:	 Being too generous giving of time and self to others Making decisions on the basis of personal likes and dislikes Giving too much autonomy and freedom Being too easily hurt—personalizing criticism Placing too much focus on people, not enough on organizational goals Having trouble "biting the bullet," if it means "hurting" people
THEIR CONTRIBUTIONS TO A WORK TEAM INCLUDE:	 ➢ Adding the personal dimension ➢ Selling an organization or cause they believe in ➢ Bringing out the creativity of others

YOUR SHADOW TEMPERAMENT

The "Shadow Temperament," our least preferred of the four temperaments, explains a lot about why we have conflicts with others and the soul-searching problems we often have within ourselves. It also presents a real opportunity for making some changes in our lives and becoming a more fully developed person.

Long before Carl Jung put a name and some research behind it, many people believed that our shadow was our "OTHER" self -- our "EVIL" self! In 1886 Robert Louis Stevenson published, "The Strange Case of Dr. Jekyll and Mister Hyde." A huge hit, this story has been told a number of times in the movies and posited that our personalities are split between good and evil! The inner turmoil that many of us face growing older with personal struggles to overcome self-doubt, fear, and even self-loathing, can be revealing as we explore our shadow in more depth. Resources such as psychologists, counselors, and personal coaches can all be useful in our quest to learn more about our shadow self.

Rather than a never ending fight between our good and evil selves, The Basic Elements model posits that our shadow is a two-sided temperament coin representing those emotions, behaviors, attitudes and reactions that are LEAST like us; AND, the behaviors and reactions that we WISH we possessed. It's both the temperament we DO NOT want to be associated with by others AND the temperament we really wish others would see in us.

On the positive side of the coin, childhood memories (e.g., becoming a millionaire, ballerina, or cowboy) still reside deep within our shadow temperament. They've been abandoned over the years. Occasionally something reminds us that they were once there but those occasions have become fewer and fewer.

Our Basic Elements model asks you to start identifying the attributes and characteristics within those childhood memories that you still admire. For the millionaire: perhaps it's financial freedom you still crave. Have you thought about getting some help with your retirement account? For the ballerina: perhaps it's a love of performing. Have you thought of volunteering for a local singing or theater group? For the

cowboy: perhaps it's a love for pure adventure or the great outdoors. Have you thought about rafting down some river rapids or vacationing at a Dude Ranch? Instead of keeping those childhood dreams locked away in fading memories, identify just what it is about them that remain so appealing to you today.

On the negative side of the coin, the shadow is the place where most of our conflicts with others are born as well as our biases, prejudices, myths, and judgments. It's where we blame that dominant Earth or Air, or Fire or Water for causing us problems at home and at work and throughout our life!

Our emotions surrounding people and behaviors that demonstrate our shadow temperament are VERY STRONG. For most of our lives we've AVOIDED people who display these behaviors whenever possible. We've given them the minimum amount of attention and then hurried to get away from them. We've chosen to work and play with others before them. We've fought with them. We've argued with them. We've pleaded with them. And, now the Basic Elements of Temperament model is asking you to understand them—and by understanding them you'll understand yourself—and your shadow. Here are some typical shadow reactions:

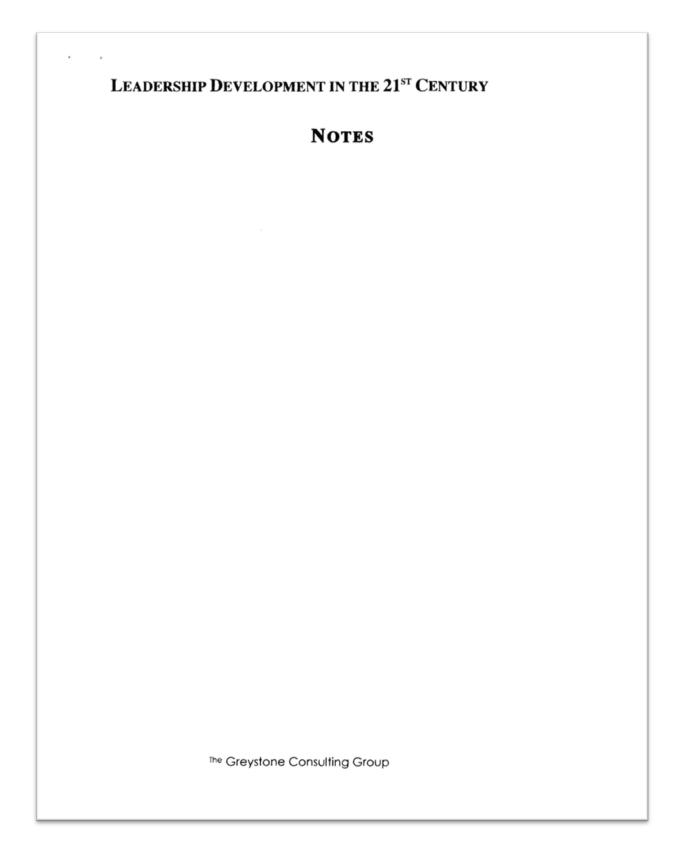
EARTH: parental, manipulative, judgmental, inflexible, condescending, conservative, unimaginative and humorless;

AIR: cold, unemotional, calculating, condescending, patronizing, ruthless, unrealistic, and an elitist;

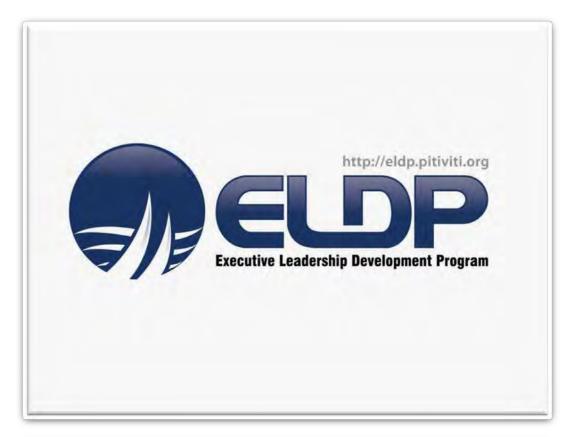
FIRE: unreliable, reckless, untrustworthy, boorish, immature, unprofessional, a thrill seeker, and a cowboy;

WATER: emotional, nosy, meddlesome, chatty, clinging, overly sensitive, a time waster, and always prying in other peoples' business.

(HINT) When you "project" our blame or bias or prejudice or disgust on someone, imagine a large mirror standing in front of them. The reflection of our blame comes back on...you. Find out why you feel so negative about those shadow behaviors and talk to your shadow colleagues instead of avoiding them! No one is MORE qualified to provide you with some insight into how they think and behave.



APPENDIX H - ELDP: STATUS AND RECENT PROGRAM EVALUATION









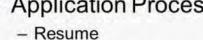


PROGRAM OVERVIEW

Executive Leadership Development Program

OVERVIEW

Application Process



- Letter of Intent
- Supervisor's Letter of Support
- Personal Biography
- · Applicants vs. Available Space
- Review & Selection





PROGRAM OVERVIEW

Executive Leadership Development Program

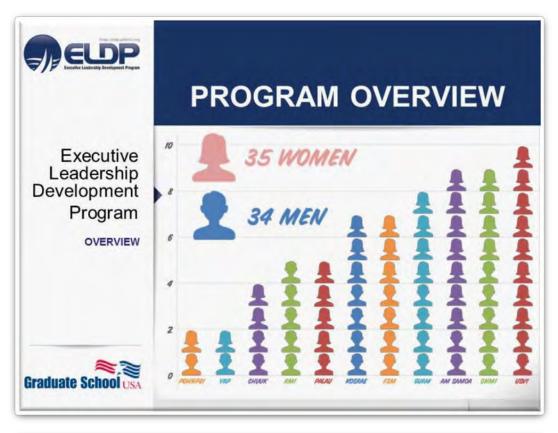
OVERVIEW

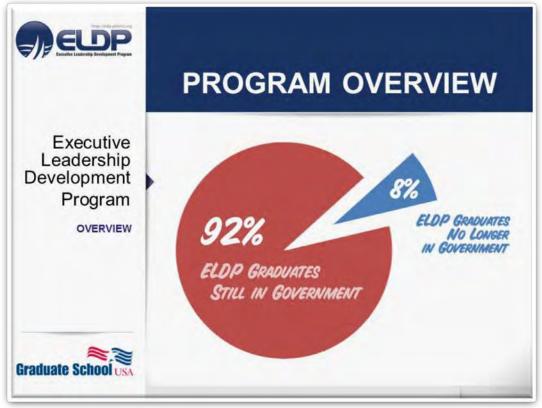
- Four weeks over one year
 - '09-Guam, Saipan, Pohnpei, Honolulu
 - '11—Guam, Palau, Majuro, Honolulu
 - '13-Guam, Saipan, Pohnpei, Honolulu
- Session Content:
 - 01: Intro: Personalities & Projects
 - 02: The Leadership Code
 - 03: Technical: Finance & Performance
 - 04: Capstone: Presentations













ACCOMPLISHMENTS

Executive Leadership Development Program

ACCOMPLISHMENTS

Support

- Strong support across host-governments
- Guest Speakers, panelists, etc
- Graduates
 - 19 from Class of 2009 (and 2 from VI)
 - 20 from Class of 2011 (and 4 from VI)
 - 20 from Class of 2013 (and 4 from VI)



Graduates at IGFOA



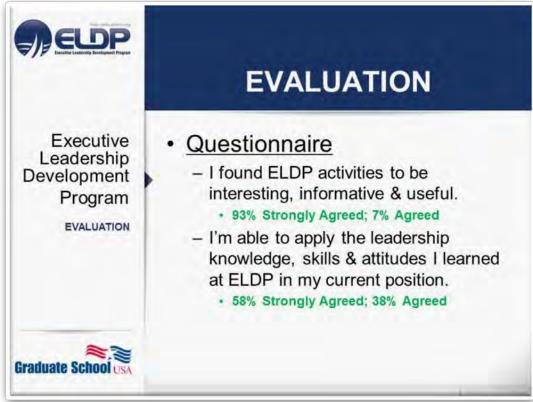














EVALUATION

Executive Leadership Development Program

EVALUATION

Questionnaire

- My ELDP experience has prepared me well for an increasing level of leadership responsibility now & in the future.
 - · 80% Strongly Agreed; 18% Agreed
- I would recommend attending ELDP to anyone who wants to improve his/her personal leadership skills.
 - · 98% Strongly Agreed; 2% Agreed





KEY FINDINGS

Executive Leadership Development Program

EVALUATION

 ELDP "Champion" is needed at each island nation to support & coordinate follow up activities for graduates;





KEY FINDINGS

Executive Leadership Development Program

EVALUATION

Purpose of ELDP is to create leaders:

- To make an impact in their governments;
- To promote inter-Pacific understanding;
- Both

Concern that there are not enough graduates to make a difference!





KEY FINDINGS

Executive Leadership Development Program

EVALUATION

- Consider separate, on-site ELDP programs for individual insular areas;
- ELDP increases selfawareness & ability to deal more effectively with others;





KEY FINDINGS

Executive Leadership Development Program

EVALUATION

Consider how group projects are generated

- National focus on technical issues;
- General presentation skills; or,
- On effective leadership approaches



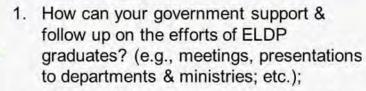




GROUP WORK

Executive Leadership Development Program

QUESTIONS



- 2. How can your government recruit ELDP participants from across all ministries & departments?
- 3. How do you establish an effective succession planning process and what role can ELDP graduates and future graduates play in that process?



APPENDIX I - 2012 'PERFORMETER' AND 'A.F.T.E.R. ANALYSIS' UPDATE



Topics for today

- A brief review of what the *Performeter* and A.F.T.E.R Analysis is (and what it is not...)
- Review of factors and circumstances contributing to the 2012 scores and findings (if 2012 financial statements have been issued)
- Provide an update on the most recent Performeter scores and A.F.T.E.R findings



A brief review...

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



3

A brief review...

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



Factors and Circumstances for 2012

- For most, the fiscal year ending September 30, 2012 was a good year financially; it featured a year of continued recovery from lower scores in the prior periods, primarily those caused by the 2008 economic turndown
 - Most governments edged their scores upward, a few of them significantly, by continuing expense reductions that were instituted in prior years, and also by earning some additional revenues from either new streams of revenue, or additional revenues from existing sources (unrestricted investment earnings in many cases)

 Pension plan or social security entitlement program woes continue for all, some to a much greater extent than others

Fund balance deficits and net assets deficits increased for some, decreased for others, with a few remaining relatively stagnant

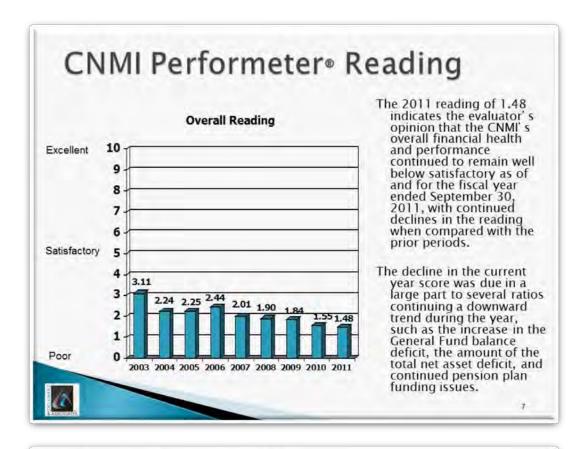


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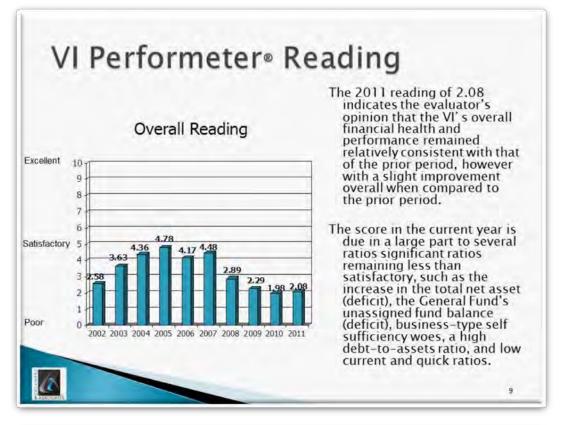
Factors and Circumstances for 2012

- Good news though (or bad news, depending on how you look at it
 - Most governments, even when considering component units, are receiving unqualified (clean) opinions on their financial statements
 - A few are even receiving unqualified opinions on their compliance with federal program monies (Single audit)
 - A few even have no questioned costs, or very little questioned costs
 - And finally, a few have achieved their highest scores ever, or at least the highest in the last several years

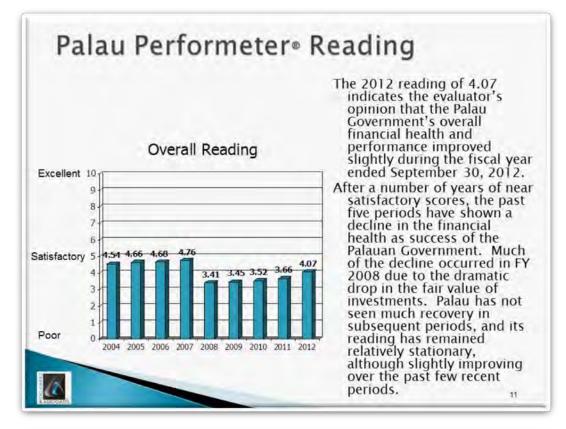




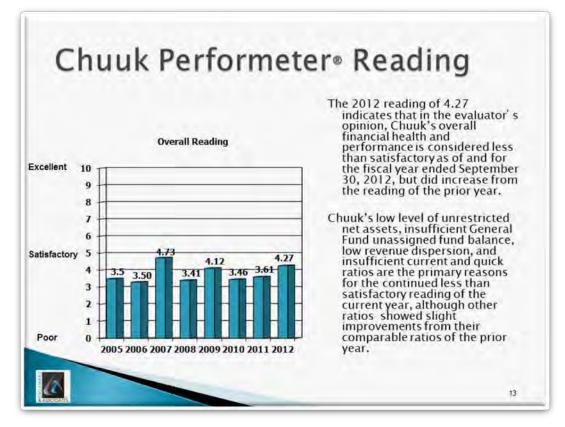
	2005	2006	2007	2008	2009	2010	2011
Number of F.S. Opinion Qualifications/Exceptions	8	9	10	4	2	1	6
Number of Major Federal Program Qualifications/Exceptions	8	7.	6	5	5	Ø	,8
Number of F.S. Findings A. Internal Control and Compliance B. Internal Control Only C. Compliance Only TOTAL	10 1 11	2 14 0 16	10 1 1	15 1 16	18 1 19	15 1 16	19 3 22
Percentage of Findings Repeated	90.9%	75%	82%	62,5%	78.9%	100%	72.7%
Number of A-133 Findings A. Internal Control and Compliance B. Internal Control Only C. Compliance Only TOTAL	37 : 37	36 - - - 36	42 - - - 42	41	37 - 37	37	22 3 25
Percentage of A-133 Findings Repeated	64.9%	59.4%	46%	56%	75.7%	51.4%	56%
Number of months Y/E the F.S. were Released	9	9	9	9	9	20	20
Number of Qualifications/Exceptions Related to C.U.	2	3	a	4	2	1	6
s of Questioned Costs-Current Year	\$718,785	\$1,468,273	\$2,213,809	\$7,165,461	\$4,817,031	\$5,483,038	\$4,223,66
\$ of Questioned Costs- Cumulative	\$3,567,232	\$5,035,505	\$7,249,314	\$7,249,314	\$19,231,826	\$24,714,864	\$28,938,5 5
\$ of Questioned Costs Resolved - Current Year	\$0	\$0	\$0	\$0	50	50	\$0



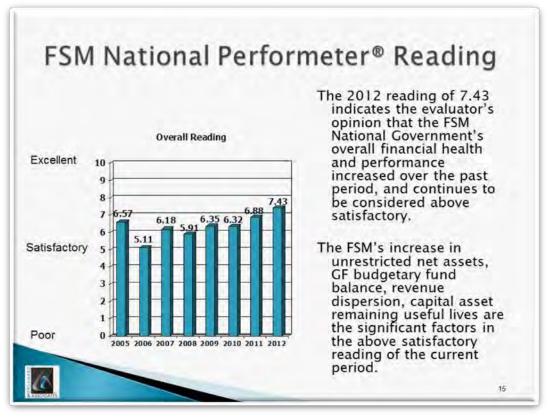
	2005	2006	2007	2008	2009	2010	201
Number of F.S. Opinion Qualifications/Exceptions	9	7	9	7	8	9	9
Number of Major Federal Program Qualifications/Exceptions	3	6	11	7	8	6	
Number of F.S. Findings A. Internal Control and Compliance B. Internal Control Drily C. Compliance Only TOTAL	1 2 Q 3	3 0 1 4	0 11 1 12	1 10 0 11	1 10 0 11	1 8 9	
Percentage of Findings Repeated	100%	Unable to determine	Unable to determine	100% (estimate)	100% (estimate)	100% (estimate)	
Number of A-133 Findings A. Internal Control and Compliance B. Internal Control Only C. Compliance Only TOTAL	36 0 2 38	22 0 0 2 22	50 0 0 2 50	50 0 0 0 50	12 34 Q 46	26 0 0 2 25	
Percentage of A-133 Findings Repeated	47,4%	Unable to determine	Unable to determine	58%	56.5%	65.4%	
Number of months after Y/E the F.S. were Released	30	30	25	24	22	26	21
Number of Qualifications/Exceptions Related to C.U.	4	5	6	3	3	4	5
5 of Questioned Costs-Current Year	\$9,056,788	\$3,829,679	\$8,484,494	\$3,487,561	\$57,293,304	\$744,885	
\$ of Questioned Costs-Cumulative	Unable to determine	Unable to determine	Unable to determine	Unable to determine	560,104,177	\$891,130	
s of Questioned Costs Resolved – Current Year	Unable to determine	Unable to determine	Unable to determine	\$5,276,416	\$8,944,995	\$59,957,932	



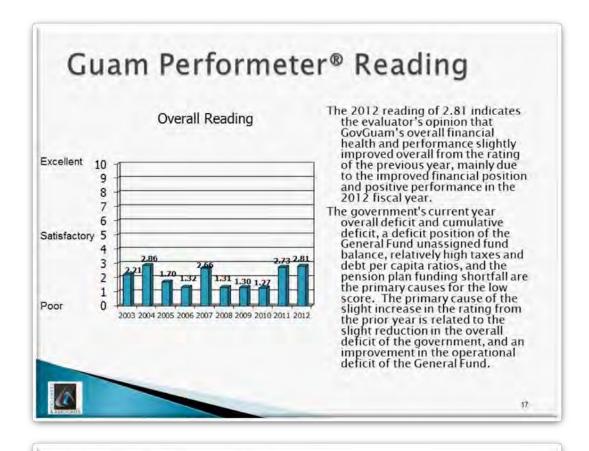
	2005	2006	2007	2008	2009	2010	2011	2012
Number of F.S. Opinion Qualifications/Exceptions	0	a a	0	10	ō	0	0	0
Number of Major Federal Program Qualifications/Exceptions	9	4	5	É	8	8	7	7
Number of F.S. Findings A. Internal Control and Compliance B. Internal Control Only C. Compliance Only TOTAL	6 6 0 12	5 8 0 13	0 11 3 14	3 3 6	0 8 4 12	0 7 3 10	0 5 0 5	0 3 8 11
Percentage of Findings Repeated	50%	30.6%	71%	33%	25%	80%	80%	80%
Number of A-133 Findings A. Internal Control and Compliance B. Internal Control Only C. Compliance Only TOTAL	31 0 0 0 31	15 0 0 15	7 5 0 12	16 1 <u>0</u> 17	33 0 0 0 33	25 2 1 28	5 1 1 7	19 0 0 18
Percentage of A-133 Findings Repeated	32.3%	13.3%	67%	59%	48%	60.1%	57%	57%
Number of months after Y/E the F.S. were Released	9	9	9	9	14	22	17	13.5
Number of Qualifications/Exceptions Related to C.U.	0	0	.0	α	0	0	0	0
\$ of Questioned Costs-Current Year	\$331,204	\$99,755	\$63,691	\$577,977	\$967,990	\$1,668,099	\$336,302	\$763,348
\$ of Questioned Costs- Cumulative	\$1,184,207	\$993,651	\$801,692	\$801,692	\$2,352,870	\$3,214,066	\$3,550,368	\$2,754,950
\$ of Questioned Costs Resolved – Current Year	\$5,374	\$290,311	\$255,650	\$1,379,669	\$0	\$557,949	\$557,949	\$1,559,418



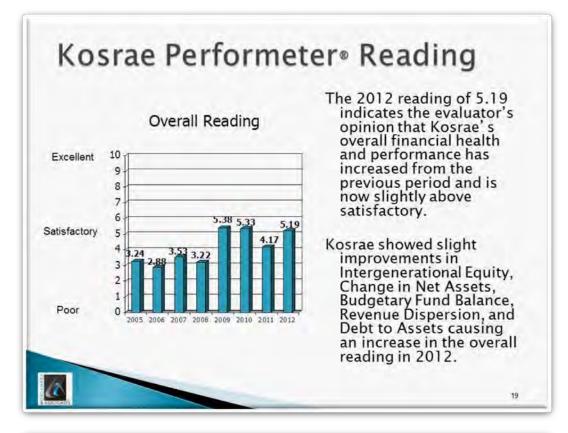
A.F.T.E.R. Chuuk 2010 2011 2007 2008 2009 2012 Number of F, S. Opinion Qualifications/Exceptions 11 3 1 1 1 Number of Major Federal Program Qualifications/Exceptions 1 0 1 1 0 0 Number of F.S. Findings A. Internal Control and Compliance E. Internal Control Only C. Compliance Only 11 13 0 2 0 7 9 Percentage of Findings Repeated 18% 50% 67% 0% 20% 50% Number of A-133 Findings A. Internal Control and Compliance B. Internal Control Only C. Compliance Only TOTAL Percentage of A-133 Findings Repeated 7% 50% 50% 100% 100% 100% Number of months Y/E the F.S. were Released 9 9 à 9 9 à Number of Qualifications/Exceptions Related to C.U. 2 2 5 of Questioned Costs-Current Year \$1,578,943 \$11,519 50 \$0 \$0 \$0 5 of Ouestioned Costs- Cumulative \$9,272,323 \$2,056,336 \$1,055,719 \$0 50 02 s of Questioned Costs Resolved - Current Year \$1,730,549 \$7,227,505 \$1,000,607 \$1,055,719 \$0 \$0 14



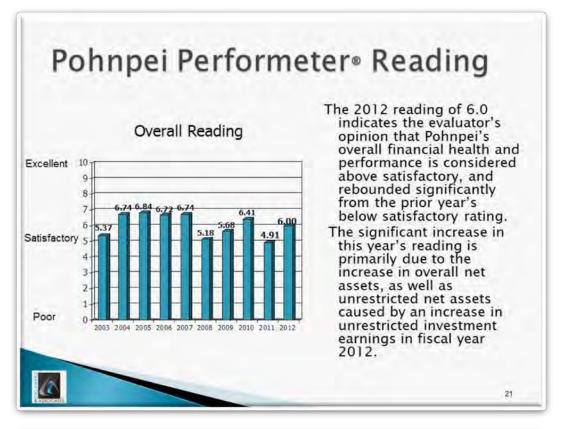
A.F.T.E.R. **FSM National** 2006 2007 2008 2009 2010 2011 2012 Number of F.S. Opinion Qualifications/Exceptions Number of Major Federal Program Qualifications/Exceptions 3 Number of F.S. Findings A. Internal Control and Compliance 12 B. Internal Control Only C. Compliance Only TOTAL 0.4 11 Percentage of Findings Repeated 45.5% 36% 0% 25% 100% 50% 100% Number of A-133 Findings A. Internal Control and Compliance B. Internal Control Only 15 20 12 12 C. Compliance Only Q 15 0 12 12 0 10 Percentage of A-133 Findings Repeated Number of months V/F the F.S. were Released 10 9 9 q 9 0 9 Number of Qualifications/Exceptions Related to C.U. 5 of Ouestioned Costs-Current Year \$1,622,274 \$4,139,445 \$2,372,041 \$2,964,400 \$2,049,222 \$301.014 \$709,783 \$ of Questioned Costs-Cumulative \$4,639,055 \$6,832,415 \$7,115,095 \$5,079,078 \$6,106,882 \$5,211,836 \$3,060,019 \$ of Questioned Costs Resolved - Current Year \$2,681,695 \$1,946,085 \$2,095,841 \$3,993,937 \$2,021,418 \$1,196,066 \$2,861,600



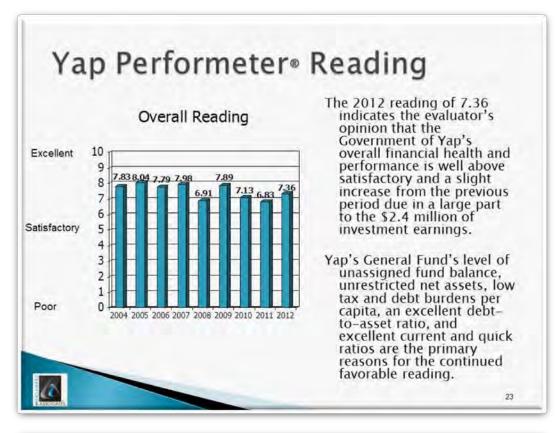
A.F.T.E.R. Guam 2008 2009 2010 2011 2012 Number of F.S. Opinion Qualifications/Exceptions Ó Number of Major Federal Program Qualifications/Exceptions 5 lumber of F.S. Findings A. Internal Control and Compliance B. Internal Control Only C. Compliance Only Percentage of Findings Repeated 0% 50% 0% 0% 0% 0% 100% Number of A-133 Findings A. Internal Control and Compliance 21 B. Internal Control Only C. Compliance Only TOTAL 35 24 21 2.9% 4.7% 10% 16,7% 33,3% 0% Percentage of A-133 Findings Repeated 8.6% Number of months Y/E the F,S. were Released 9 9 Number of Qualifications/Exceptions Related to C.U. 0 0 0 0 0 0 \$2,773,997 \$2,802,408 \$41,790 \$35,293 5 of Questioned Costs-Current Year \$1,881,435 50 \$3,734 5 of Questioned Costs-Cumulative \$5,760,688 \$7,084,374 \$7,837,719 \$4,616,404 \$2,313,561 \$1,428,837 \$1,418,760 \$ of Questioned Costs Resolved - Current Year \$7,522,338 \$1,478,722 \$1,128,090 \$3,221,315 \$2,306,577 \$926,514 \$45,370



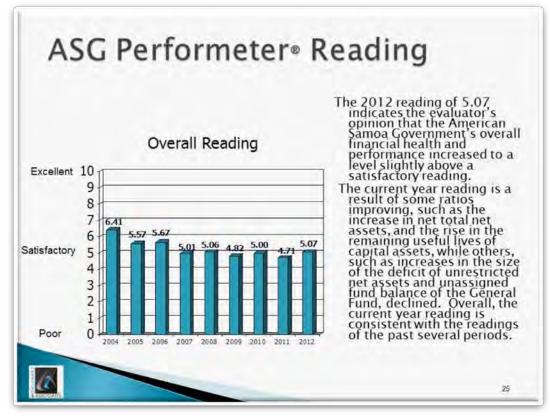
A.F.T.E.R. Kosrae 2011 2012 Number of F.S. Opinion Qualifications/Exceptions 0 0 0 0 0 0 Number of Major Federal Program Qualifications/Exceptions 2 0 0 0 Number of F, S. Findings A. Internal Control and Compliance B. Internal Control Only Percentage of Findings Repeated 0% 50% 100% 0% 100% 100% Number of A-133 Findings A. Internal Control and Compliance B. Internal Control Only 8 2 C. Compliance Only 0 2 00 0 1 Percentage of A-133 Findings Repeated 38% 50% 0% 0% 0% 0% Number of months Y/E the F.S. were Released 9 9 9 Number of Qualifications/Exceptions Related to C.U. 0 0 0 0 0 0 \$ of Questioned Costs-Current Year \$152,753 50 \$0 30 50 \$0 5 of Questioned Costs-Cumulative \$1,553,913 \$463,367 \$0 \$0 \$0 \$0 5 of Questioned Costs Resolved - Current Year \$115,407 \$1,205,963 \$463,367 20



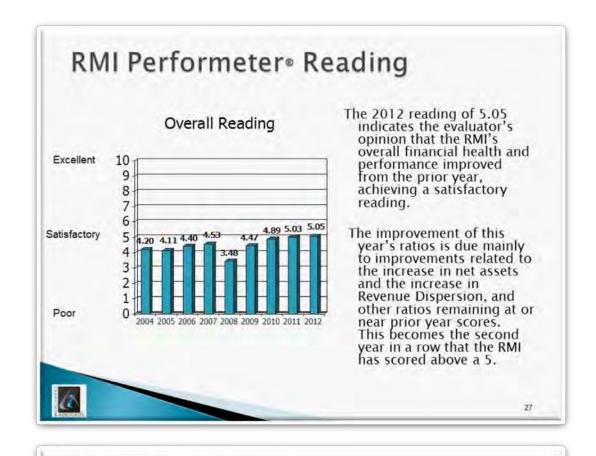
A.F.T.E.R. Pohnpei 2008 2009 2010 2011 2012 Number of F.S. Opinion Qualifications/Exceptions 0 0 0 0 0 0 0 Number of Major Federal Program Qualifications/Exceptions 2 0 0 0 0 0 Number of F.S. Findings A. Internal Control and Compliance B. Internal Control Only 0 0 C. Compliance Only TOTAL 0 00 0 0 0.0 Percentage of Findings Repeated 0% 0% 0% 0% 0% 0% 0% Number of A-133 Findings A. Internal Control and Compliance B. Internal Control Only C. Compliance Only 01.10 0 4 0 01 0 0 Percentage of A-133 Findings Repeated 0% 17% 50% 100% 100% 100% 100% Number of months Y/E the F.S. were Released Number of Qualifications/Exceptions Related to C.U. 0 0 0 0 0 § of Questioned Costs-Current Year \$0 \$0 \$0 \$0 \$0 \$0 \$0 5 of Ouestioned Costs-Cumulative 如 50 ŝū 50 \$0 50 \$0 § of Questioned Costs Resolved - Current Year \$50,721 \$0 50 \$0



A.F.T.E.R. YAP 2006 2007 2008 2009 2010 2011 2012 Number of F.S. Opinion Qualifications/Exceptions 0 2 Number of Major Federal Program Qualifications/Exceptions 4 4 5 4 5 5 5 Number of F.5. Findings A. Internal Control and Compliance B. Internal Control Only C. Compliance Only TOTAL Percentage of Findings Repeated 65.7% 17% 33% 50% 100% 100% 0% Number of A-133 Findings A. Internal Control and Compliance B. Internal Control Only C. Compliance Only TOTAL 11 11 Percentage of A-133 Findings Repeated 0% 14% 18% 57% 100% 67% 50% Number of months after Y/E the F.S. were Released 9 9 9 8 8 6 9 Number of Qualifications/Exceptions Related to C.U. \$ of Questioned Costs-Current Year \$576,358 \$1,282,244 \$1,862,194 \$376,295 \$150,534 \$222,065 \$3,660 s of Questioned Costs-Cumulative \$869,278 \$2,036,443 53,375,248 \$2,494,249 \$1,729,116 \$818,483 \$822,143 \$ of Questioned Costs Resolved - Current Year \$0 \$115,079 \$552,389 \$681,936 \$915,667 \$1,115,668 24



	2005	2006	2007	2008	2009	2010	2011	201
Number of F.S. Opinion Qualifications/Exceptions	9.	7	7	7	6	7	2	1
Number of Major Federal Program Qualifications/Exceptions	13	9	8	8	18	38	15	9
Number of F.S. Findings A. Internal Control and Compliance B. Internal Control Only C. Compliance Only TOTAL	7 0 0 2 Z	7 0 0 7	7 0 0 7	7 0 0 7	6 0 0 6	6 0 0 6	0 3 3 6	2 3 Q 5
Percentage of Findings Repeated	100%	100%	100%	100%	100%	100%	83%	80%
Number of A-133 Findings A. Internal Control and Compliance B. Internal Control Only C. Compliance Only TOTAL	20 0 0 2 20	11 0 0 11	15 0 0 15	13 0 0 13	15 0 0 15	6 0 0 6	5 0 1 6	11 7 <u>Q</u> 19
Percentage of A-133 Findings Repeated	Unable to determin e	Unable to determin e	Unable to determin e	100%	Unable to determin e	100%	50%	22%
Number of months after Y/E the F.S. were Released	9	12	n	9	9	10	11	11
Number of Qualifications/Exceptions Related to C.U.	3	3	3	1	1	1	ò	0
\$ of Questioned Costs-Current Year	\$42,673	\$102,041	\$297,069	\$100	\$0	\$1,785	\$2,377,962	\$2,606,
s of Questioned Costs- Cumulative	Unable to determin	Unable to determin	Unable to determin e	Unable to determin	Unable to determin e	Unable to determin	Unable to determine	Unable determine
Ouestioned Costs Resolved - Current Veet	Unable to determin	Unable to determin	Unable to determin	Unable to determin	Unable to determin	Unable to determin	Unable to determine	Unable determine



A.F.T.E.R. RMI

	2005	2006	2007	2008	2009	2010	2011	2012
Number of F.S. Opinion Qualifications/Exceptions	5	2	0	0	0	0	0	0
Number of Major Federal Program Qualifications/Exceptions	3	3	3	3	3	1	3	2
Number of F. S. Findings A. Internal Control and Compliance B. Internal Control Only C. Compliance Only TOTAL	1 3	0 0 0 0	0 3 0 3	0 1 0 1	0 1 0 1	1 4 0 5	0 2 0 2	0 4 0 4
Percentage of Findings Repeated	100%	0%	0%	0%	0%	20%	50%	75%
Number of A-133 Findings A. Internal Control and Compliance B. Internal Control Only C. Compliance Only TOTAL	10	10 0 0 0	12 0 0 12	0 3 5 8	11 0 0 11	6 1 0 7	12 0 0 0	7 0 0 7
Percentage of A-133 Findings Repeated	20%	30%	8%	12.5%	9%	14%	41.7%	100%
Number of months after Y/E the F.S. were Released	9	9	g	9	g	ğ	17	10
Number of Qualifications/Exceptions Related to C.U.	3	2	0	0	0	0	0	0
\$ of Questioned Costs-Current Year	\$2,151,846	\$408,451	\$710,185	\$645,618	\$1,360,234	\$2,243,301	\$3,156,810	\$35,857
\$ of Questioned Costs-Cumulative	\$10,694,193	\$5,735,163	\$1,395,477	\$1,777,362	\$2,716,037	\$4,249,153	\$7,405,963	\$7,441,8
\$ of Questioned Costs Resolved - Current Year	\$5,760,115	55,326,712	\$5,062,979	\$263,733	\$421,559	\$710,185	\$1,196,066	\$0

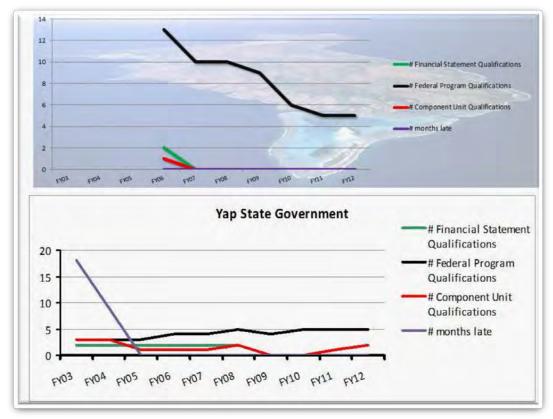


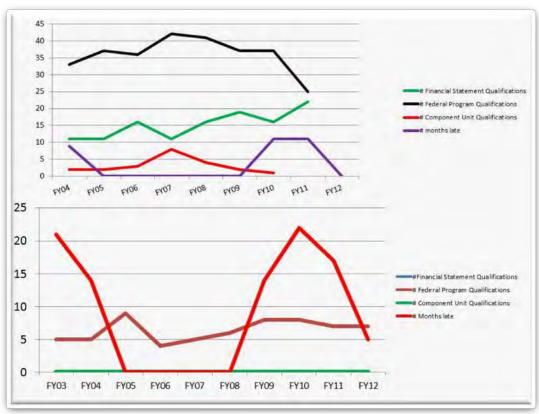


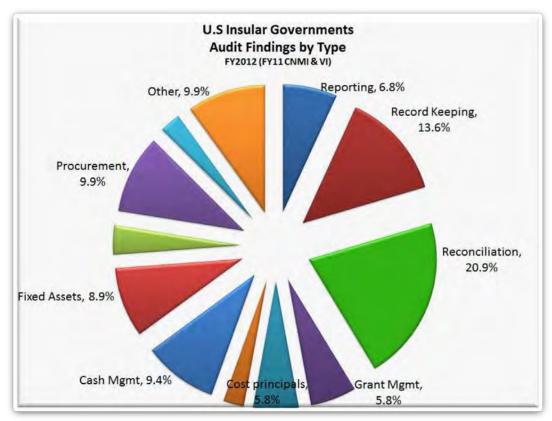
APPENDIX J - AUDIT TRENDS IN THE U.S. INSULAR GOVERNMENTS

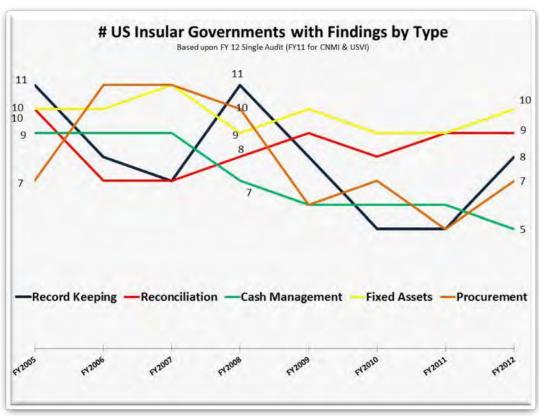


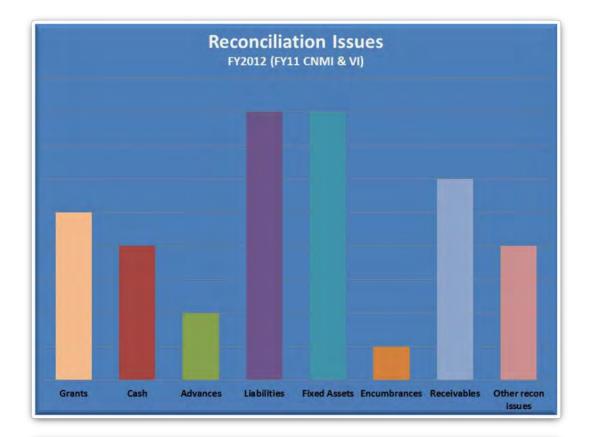












Relating Audit Findings to IGFOA Performance Measures

- Reconciliations
 - (21% of total audit findings and 9 of 11 govts)
 - Timeliness of Bank Reconciliations
 - Reconciliation and collection of Travel Advances
 - Reconciliation of Federal Receivables
- Fixed Assets

(9% of audit findings and 10 of 11 govts)

- Completion of the Fixed Asset inventory
- Cash Management

(9% of audit findings and 5 of 11 govts)

- Completion of the Cash Management Plan
- Timeliness of federal accounts payable

Retirement Contributions - General Fund

Finding No. 2011-14

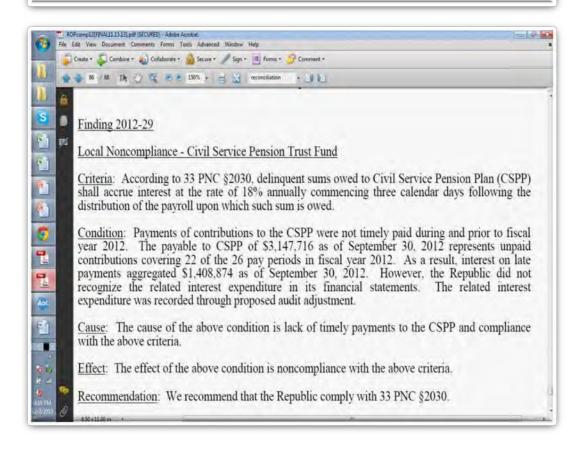
Criteria: In accordance with Public Law 6-17, Section 8342(a), the Government shall make contributions to the Retirement Fund (the Fund) each year on an actuarially funded basis toward the annuities and benefits provided its members. Section 8342(c) requires that both employee and employer contributions be remitted to the Fund within five working days following the end of each payroll date.

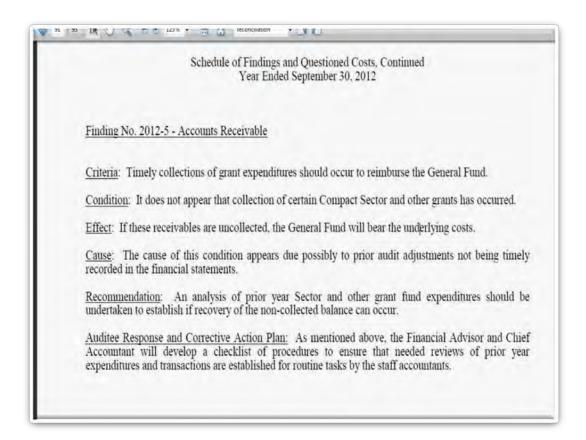
Further, in accordance with OMB Circular A-87, costs, to be allowable under federal awards, should be consistent with policies, regulations, and procedures that apply uniformly to both federal awards and other activities of the governmental unit.

Condition: The accrued employer contributions at the actuarial rate of 37.3909% for employees under the defined benefit plan; however, salaries and wages funded from the <u>general fund</u> and <u>locally generated revenue sources</u> were remitted to the Retirement Fund at 30% pursuant to CA No. 06-0367. The employer retirement contributions attributable to employees whose salaries and wages are federally funded were charged to the federal awards at 37.3909%.

Auditor Response: Federal regulations require that costs charged to federal awards should be consistent with policies, regulations and procedures that apply uniformly to both federal awards and to other activities of the governmental unit. The difference in retirement contributions paid from federal grants and local funds represents inequality and thus, noncompliance with federal

requirements exists. The retirement charge should be applied uniformly over all funds and should not discriminate against federal funding sources.





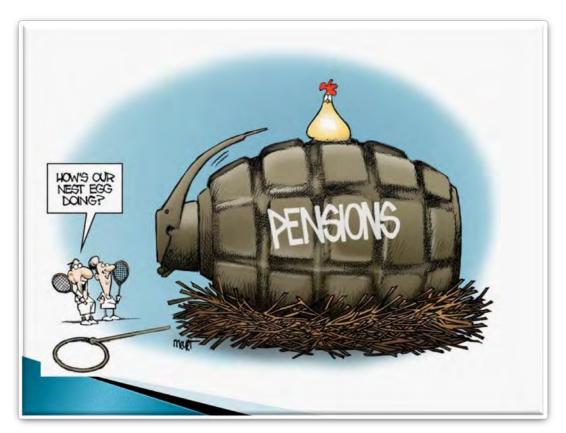
APPENDIX K - GASB STATEMENTS 67 AND 68: NEW PENSION ACCOUNTING AND FINANCIAL REPORTING STANDARDS

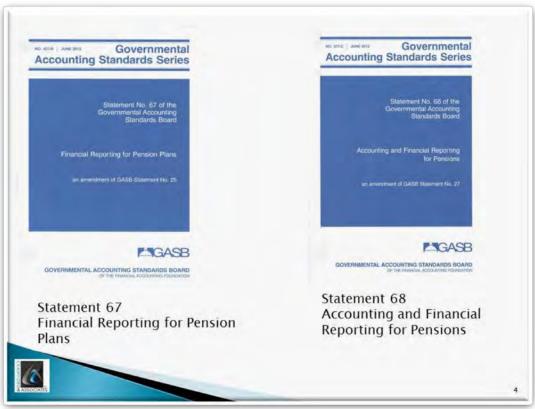
GASB Statements 67 and 68:
New pension accounting and financial reporting standards

IGFOA 2013

Presented by Frank Crawford, CPA (remember, I'm only the messenger) www.crawfordcpas.com frank@crawfordcpas.com @fcrawford (twitter)



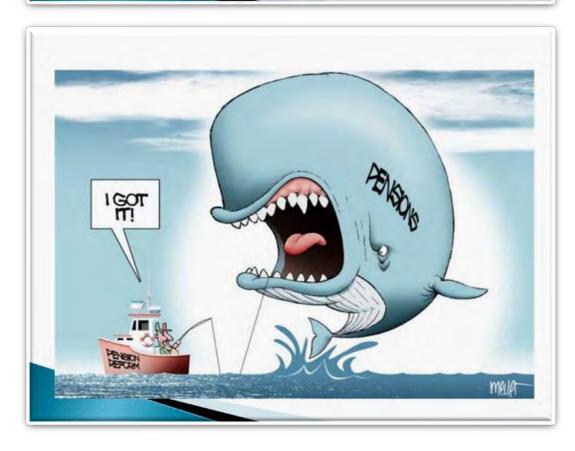


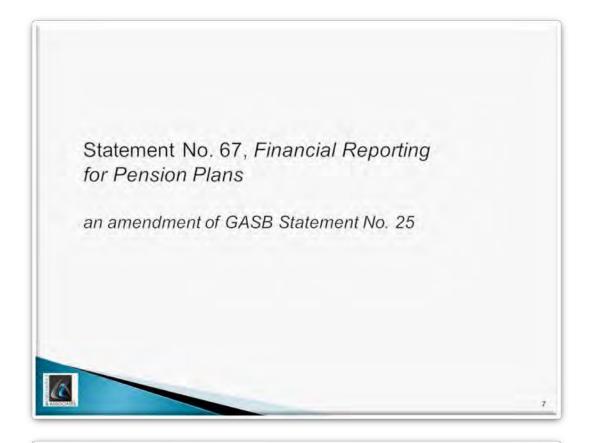


Scope & applicability

- 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







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



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



La Contraction of the Contractio

Statement 68

 Employer accounting and financial reporting for pensions

an amendment of GASB Statement No. 27





Reporting of Net Pension Liability

- Definition of Liability according to Concepts Statement No. 4.
 - "Present obligations to sacrifice <u>resources</u> that the government has little or no discretion to avoid"
 - Present the event that created the liability has taken place i.e. employee has provided service.
 - Obligation A social, legal, or moral requirement, such as a duty, contract, or promise that compels one to follow or avoid a particular course of action (*The American Heritage Dictionary of the English Language*). In the case of a pension obligation, it is a constructive liability that arises from an exchange transaction (employee provides service—employer compensates in the form of a promise to provide retirement).
 - Resource A supply or other means that can be drawn on when needed (The American Heritage Dictionary of the English Language). In a government, the item drawn on is used to provide services to the citizenry.
 - Little or not discretion to avoid Can be evidenced by reliance of others on the government's actions i.e. employee expects to receive a retirement check.



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



13

Changes in NPL

NPL recognized in current reporting period (NPL recognized in prior reporting period)
Change in NPL for current reporting period

- Recognize most changes as expense in full in reporting period of change
 - Examples: service cost, interest on TPL, benefit changes, projected earnings on pension plan investments
- Exceptions:
 - Differences between expected and actual experience (TPL)
 - Changes of assumptions (TPL)
 - Difference between projected and actual earnings on pension plan investments
 - Employer contributions



Changes in NPL-TPL exceptions

- Expense recognized in current and future periods
 - Systematic and rational method
 - Closed period
 - Average of expected remaining service lives of all employees (active and inactive, including retirees)
- Portion not recognized in expense = deferred outflow of resources/deferred inflow of resources related to pensions



15

Changes in NPL—investment earnings exception

- Expense recognized in current and future periods
 - Systematic and rational method
 - · Closed, 5-year period
- Portion not recognized in expense = deferred outflow of resources/deferred inflow of resources related to pensions
- Report <u>net</u> deferred outflow of resources/deferred inflow of resources from this source



NPL: Involvement of nonemployer contributing entities

- Statement addresses those with legal requirement to contribute directly to the pension plan
 - Special funding situations
 - Contribution amount not dependent upon events unrelated to pensions OR nonemployer is only entity with legal obligation to contribute
 - Employer(s) and nonemployer contributing entity apply costsharing measurement to collective NPL, expense, and deferred outflows/deferred inflows of resources
 - Nonemployer expense classified in same manner as similar grants to other entities
 - Employer recognizes additional expense and revenue equal to nonemployer contributing entity's proportionate share of collective expense (portion related to the employer)



17

NPL: Involvement of nonemployer contributing entities (cont.)

- · Not special funding
 - Employer recognizes revenue for change in NPL from contributions from nonemployer contributing entities (rather than expense)
 - Nonemployer entity classifies expense for contributions in same manner as similar grants to other entities



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



19

Effective date and transition

- Fiscal years beginning after June 15, 2014
- Beginning deferred outflows/deferred inflows of resources balances will also need to be restated, along with all other elements
- RSI schedules prospective if information not initially available



Calculating Total Pension Liability

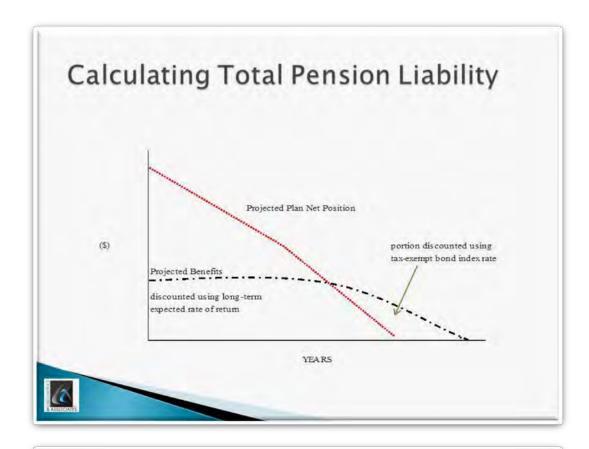
- Discount Rate
 - Single rate reflective of:
 - Long-term expected rate of return to the extent that plan net position from specified sources is
 - · Projected to be sufficient to make benefit payments
 - Expected to be invested using a long-term investment strategy
 - Index rate for a tax-exempt 20-year municipal bond rated AA/Aa (or equivalent) or higher



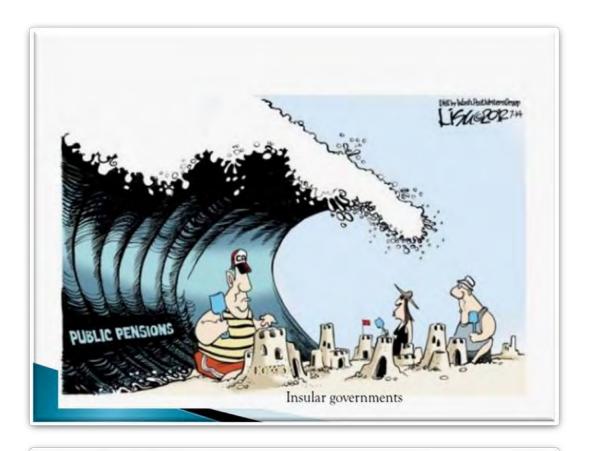
Calculating Total Pension Liability

- Long-term expected rate of return
 - Should consider the nature and mix of current and expected pension plan investments
 - For determination of future plan net position:
 - Include expected future employer contributions intended to fund benefits of current plan members
 - Exclude expected future employer contributions intended to fund benefits of future plan members and expected future contributions by future plan members





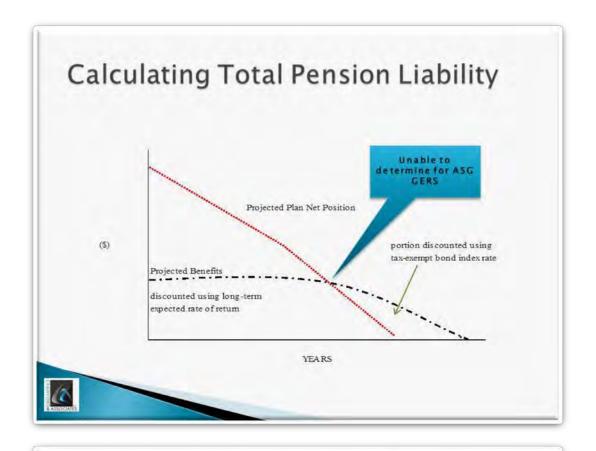




ASG GERS, as of 10-1-12

- Current contribution rates paid (% of covered payroll)
 - Employer 8%
 - Employee 3%
 - Total 11%
- ▶ Total Contribution rate *needed* = 15.79%
- Total Unfunded Accrued Actuarial Liability = \$48,446,781 (that's \$48.4 million)
- Funded ratio = 80.8%
- Discount rate = 8%
- Estimated crossover date Unable to determine

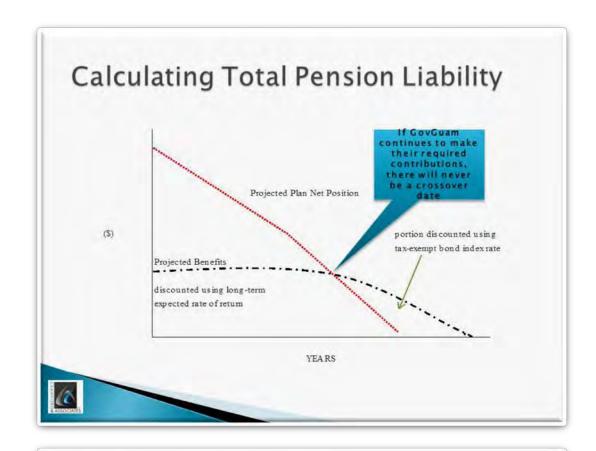




Guam GGRF, as of 9-30-12

- Current contribution rates paid (% of covered payroll)
 - Employer 23.17%
 - Employee 9.50% • Total 32.67%
- Total Contribution rate needed = 35.91%
- Total Unfunded Accrued Actuarial Liability = \$1,482,646,076 (that's \$1.5 billion, with a b)
- Funded ratio = 47.26%
- Discount rate = 7%
- Estimated crossover date None, plan closed, with post 1995 hires in a DC plan, which only requires GovGuam to make 5% contributions annually

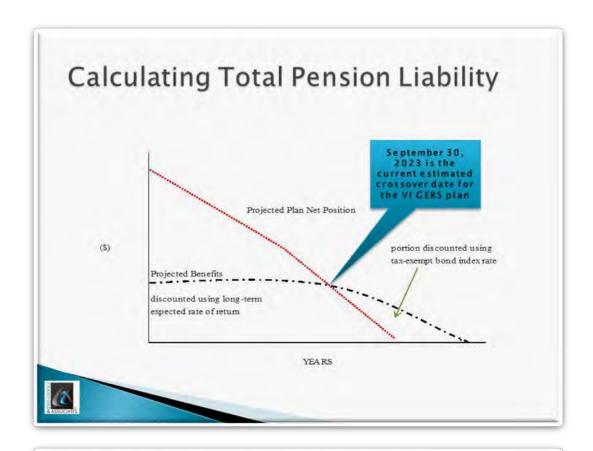




VI GERS, as of 9-30-11

- Current contribution rates paid (% of covered payroll)
 - Employer 17.5%
 - Employee <u>8% –11%</u>
 - Total 25.5% 28.8%
- Total Contribution rate needed = 59.1%
- Total Unfunded Accrued Actuarial Liability = \$1,719,110,906 (that's \$1.7 billion, with a b)
- Funded ratio = 45.74%
- Discount rate = 7.5%
- Estimated crossover date 9-30-2023

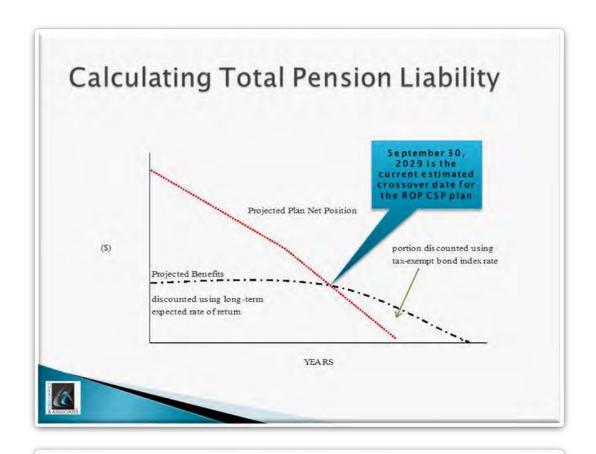




ROP CSPP, as of 10-1-11

- Current contribution rates paid (% of covered payroll)
 - Employer 6%
 - Employee 6%
 - Total 12%
- Total Contribution rate needed = 39%
- Total Unfunded Accrued Actuarial Liability = \$103,899,191 (\$103.9 million)
- Funded ratio = 25.8%
- Discount rate = 7.5%
- Estimated crossover date 9-30-2029

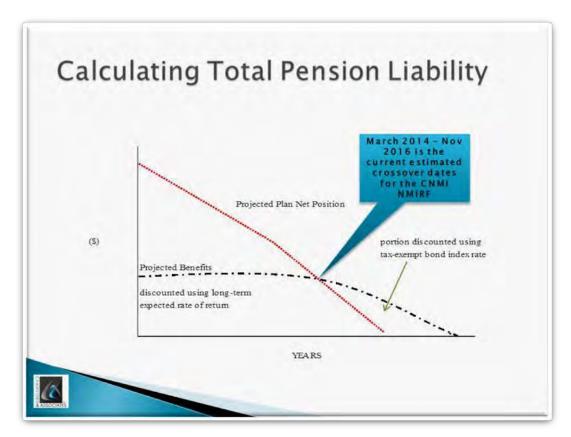




CNMI NMIRF, as of 10-1-10

- Current contribution rates paid (% of covered payroll)
 - Employer 0%
 - Employee 9.5% 11%
 - Total 9.5% 11%
- ▶ Total Contribution rate *needed* = 82.2% 83.7%
- Total Unfunded Accrued Actuarial Liability = \$1,574,000,000 (that's \$1.6 billion, with a b)
- Funded ratio = 5.5% 12.7%
- Discount rate = 3.2%
- Estimated crossover date March 2014 Nov 2016





CUENT	Year Performed	TYPE OF PLAN	Date of Actuarial Valuation	Contribut Employer	on Rates Paid Employee	Retirement Provider	UAAL	Funded Ratio	Discount Pate	Esti matec crossover date	Total Contribution Requirement as a % of Annual Salary	
Virgin/stands	2013	05	9/30/11	17.50%	8%-11% Depends on position held	GERS	5 1,719,110,905	45.74%	7.50%	9/30/2023	59,10%	Actualiani
Sián	2005	06 00	9/30/12	25.17% 5.00%	9.30% 5.00%	GG RF	5 1,482,645,076 N/A	47.28% N/A	7,00% N/A	N/A N/A	35.91% N/A	For all emp
CNM	2013	08	10/1/10	0.00%	9.5% + 11% Depends on position held	NMIRE	5 1,574,000,000	5.5N - 12.7%	3.20%	3-04/11-05	82.22% - 83.72%	Sov rate is
American Samoa	2013	DE	10/1/12	800%	3 00%	ASSERF	5 48,446,771	80 80%	3.00%	Unable to det	15.79%	Actuarialis
Palas	3012	08	10/1/11	5.00%	5.00%	ROP-CSPP	5 103,399 191	25.80%	7,32%	9/30/2029	39.00%	39% total
							4,528,102,344					



 Since their "Social Security" trust funds are not technically "Pension" trust funds, they don't have to do the new accounting for pensions that the rest of us our plans have to do, BUT

I can measure the unfunded liability of their SS plans by doing a bit of homework

· RMI Social Security Trust Fund

Unfunded liability = \$222,106,261 (23% funded)

FSM Social Security Trust Fund

Unfunded liability = \$245,410,000 (15% funded)

· Palau Social Security Trust Fund, as of 9-30-11

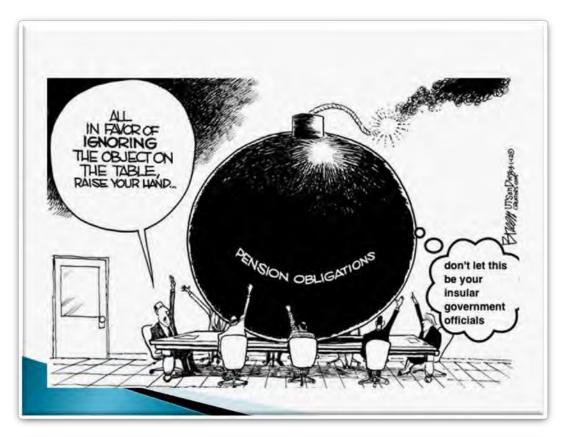
Unfunded liability = \$63,311,000 (56% funded)

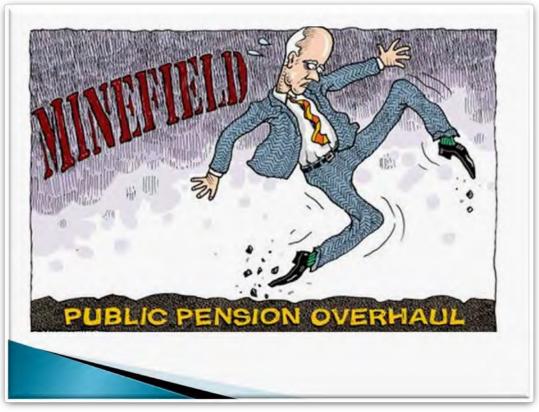
So the grand total of unfunded pension and SS liabilities is......

\$5,458,930,205 billion (that's billion with a B...)









APPENDIX L - DEVELOPING A LEAN, MEAN FINANCE OFFICE MACHINE

Developing a Mean Finance Office Machine

IGFOA

Winter Conference Honolulu, Hawaii December 2013

Presented by Deborah Milks, CPA

Why should the government "go lean"?

- Have you been tasked to "trim the fat" as revenues decline and budgets shrink?
- Have you find the line item in the budget called "fat"?
- Easy, right!?



I Love Lucy

If purchase orders were pieces of chocolate
A lesson in process efficiency

What is lean government?

- Lean is a set of principles and tools that help people "learn to see" and eliminate waste
- Enables agencies to work more effectively and efficiently by identifying and eliminating waste in government processes
 - Less Time, Lower Cost, Greater Quality

How Does Lean Work?

- Facilitated by Lean professional / trainer
- Involves Problem Identification/Planning
- Includes a 3-5 Day "Event"
- Uses a variety of "tools" to identify improvements
- Requires Follow-up and Implementation

5

How and Why is Money Saved?

- Target best \$\$ opportunities
- Less transaction time = more transactions per staff
- Reduced cycle times = faster throughput, info, decision making, etc.

What Makes Lean Different?

How does Lean differ from TQM, BPR, and other "flavor of the month" improvement efforts?

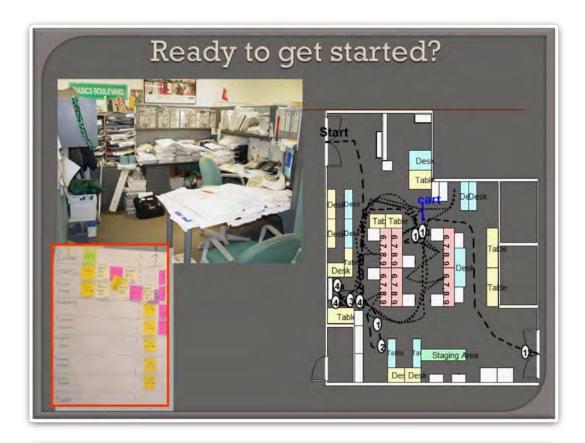
- √ Focuses on rapid, immediate, real-time change
- ✓ But, tends to be more gradual than radical
- ✓ Emphasizes doing over planning
- √ Keeps all eyes on what matters thru measures
- ✓ Involves the right people—staff and customers who are part of the process

What Problems Can Lean Solve?

 ✓ Backlog of review and approval actions

 Slow and inefficient human resource and hiring processes

Inefficient grant and contract management processes



Step by Step Guide to Lean

- Determine if the agency is ready
- Select a process
- Choose a leader and a team, communicate
- Decide which tools to use
- Hold a Lean "event", communicate
- Change, measure, communicate
- Follow up, measure, communicate

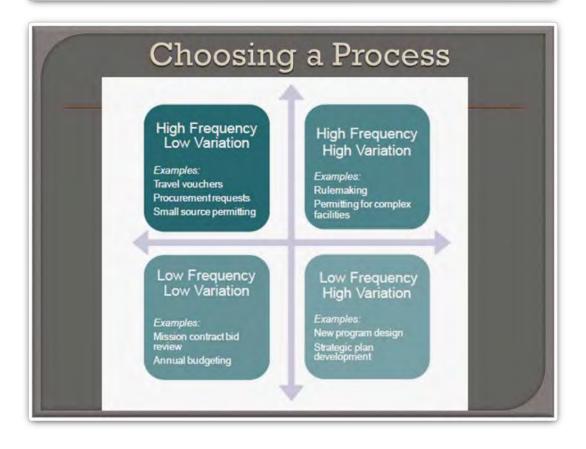
Readiness for the Project

Presence of a "champion."

If there is no obvious individual to oversee and lead a Lean event on the process and motivate others to change (a "champion"), then it is not likely a good candidate for improvement.

Engagement of key managers.

If key managers show resistance or opposition to an improvement effort, it can be difficult to move forward with implementation following the event



Which process to work on?

- Those that are so fundamentally inefficient that they need to be completely improved in order to meet basic services
- Processes with the biggest potential return on the resources invested in improving them
- Processes where change management issues can be more easily resolved because there is strong agreement on the need for change

Which process to work on?

- Processes that can be redesigned with currently available resources and infrastructure (i.e., computer system)
- Less complex processes where improvement goals can be achieved within a short period of time and experience can be gained.

Or another way to figure it out

- dysfunction: which processes are functioning the worst;
- importance: which are the most critical and influential in terms of customer satisfaction;
- feasibility: which are the processes that are most likely to be successfully changed

Quick Exercise

- Think of 3 processes in your agency or government which might need improvement
- Use the criteria and tools to fill out the selection matrix and grade the 3 processes
- Present the "winning" process to our group

Process Impro Selectio	vement Pr n Matrix	oject	
		Requeste	d Projects
		Business license	Travel advance
Probability of Creating New Problems	5 Very low 4 Low 3 Some Possibility 2 Moderate 1 Probable 0 Almost Certain	2	5
Resources Needed	5 Almost Nil 4 Few 3 Modest 2 Moderate 1 Considerable 0 Major	3	2
Time to Implement	6 Almost Immediately 4 < One Month 3 1-2 Months 2 3-4 Months 1 5-6 Months 0 > 6 Months	2	0

Visibility of Positive Results	8 Very clear 4 Clear 3 Some Indic 2 Few Indic 1 Hard to See	4	3
Source of Customer Dissatisfaction	0 Intangible 6 Major 4 Significant 3 High 2 Moderate 1 Low 0 Very little	4	2
Financial Impact	8 Major 4 Significant 3 High 2 Moderate 1 Low 0 Very little	3	3
Strategic Importance/Impact on Dept Objectives	5 Major 4 Significant 3 High 2 Moderate 1 Low 0 Very little	5	4
Sum of Scoring		23	19

Tim Woods

If processing invoices was like making toast.
Another lesson in process improvement

Team Members

- Staff involved directly in the process choose participants from across different steps in the business process
- IT staff
- · Directors or assistants (if you can get them)
- Staff or even citizens from outside the process.
 This group brings a 'neutral' perspective to the analysis.

Rapid Improvement

(Kaizen event)

- Facilitated, highly structured, two to five days
- Involving a team of agency staff and stakeholders
- Designed to rapidly make progress in identifying and implementing improvements to a process

Rapid Improvement

(Kaizen event)

- Participants map the steps of the process, gain an understanding of all parts of the process, and identify areas where non-value added steps can be eliminated
- Characterized by immediate implementation of process improvements
- Typically followed by weekly implementation team meetings and postevent progress meetings

TOOLS TO USE

Process walks: done by a team of employees who walk through a working area and look for any wastes that they can identify and then implement "just do it" actions to immediately improve the process.

5S: an improvement process involving five steps

Sort.

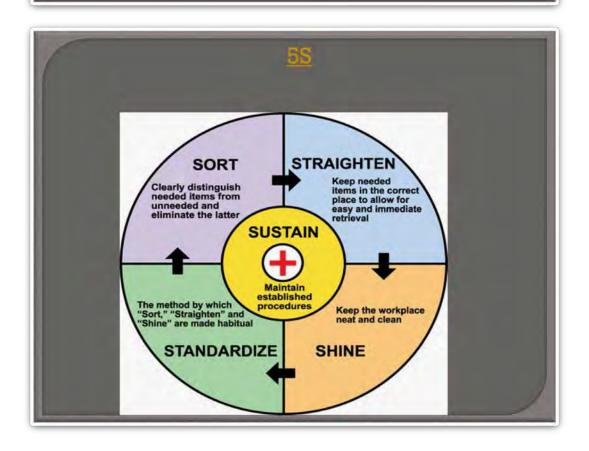
Set in order,

Shine,

Standardize, &

Sustain

to create and maintain a clean, neat, and high performance workplace.





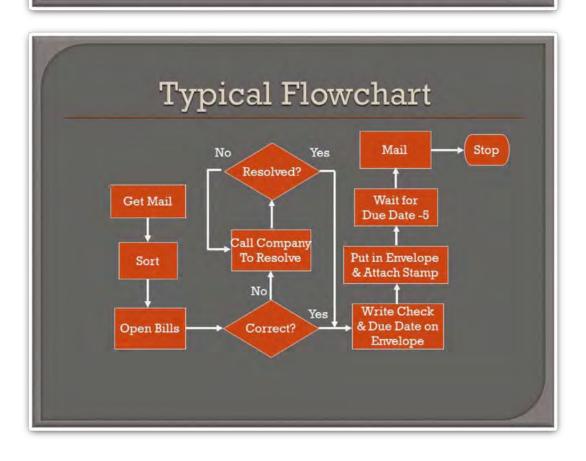


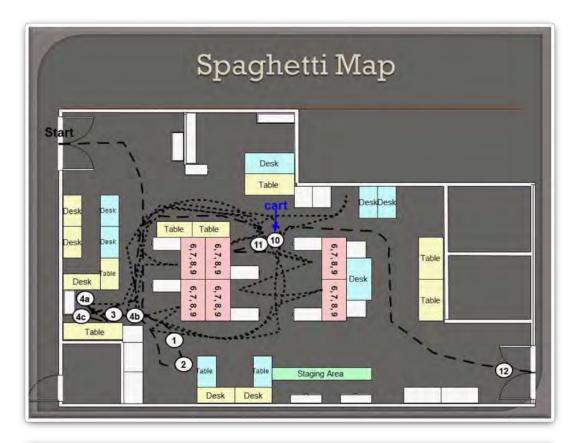


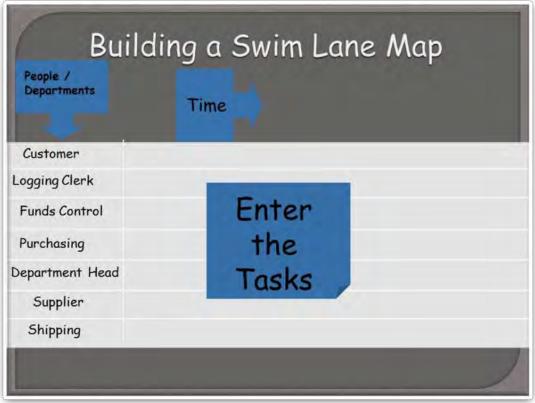


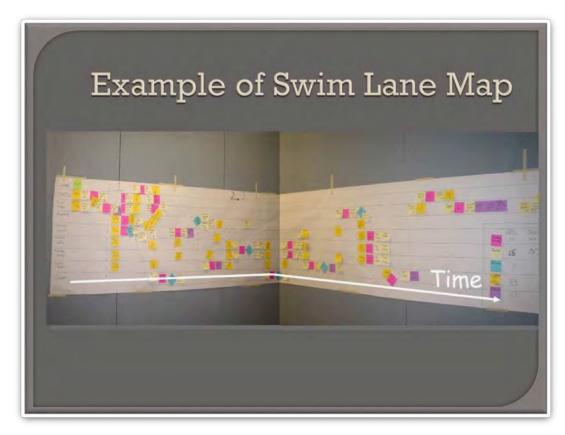
Process Mapping Tools

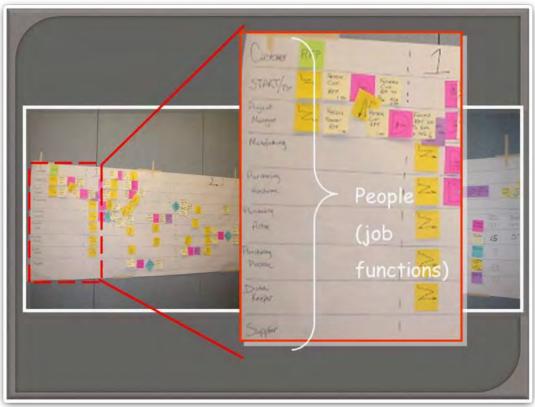
- Flow Charts
 - Good for showing decisions and loops
- Value Stream Mapping (VSM)
 - High level
 - Start to finish
 - Good for showing how value is added (usually linear)
- Spaghetti Map
 - "bird's eye view"
 - Actual work layout and flow
 - Good for showing physical movement of people and material
- Swim Lane Map
 - Good combination of VSM & Spaghetti

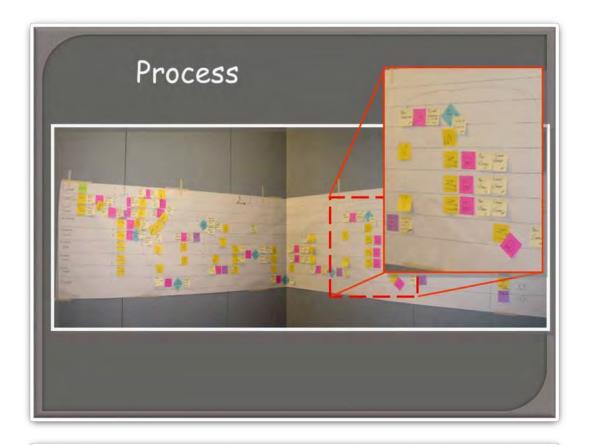












Questions to Ask When Documenting the Process

Where does this information come from

Is the process completed without interruption

Do you ever have missing or incorrect information?

Where does the information go from here?

Is there new information or is it being translated into another form ?

More important questions

What forms, screens or programs does each step use 💎

Do you have a backlog of work?

Do you have the necessary supplies to move to the next step **/

How long does each step take 💎

Why (ask this lots of times)

Keep your eyes open for WASTE

Is a step wasteful? 5 Common Wastes

Waiting

Waiting for information, copies, approvals, documentation

Accuracy & Adequacy Defects

Incomplete work, mistakes, misunderstanding

Staffing

Not using staff skills or abilities (or using the wrong staff)

Transportation

Moving around paper to next approver, to copier, to file room

Excesses

Too many approvals, too many copies, too many emails, duplicated information systems

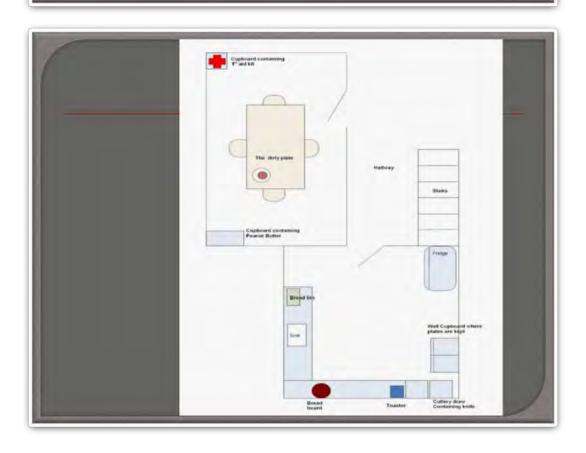
Find the waste in Tim's process of making toast

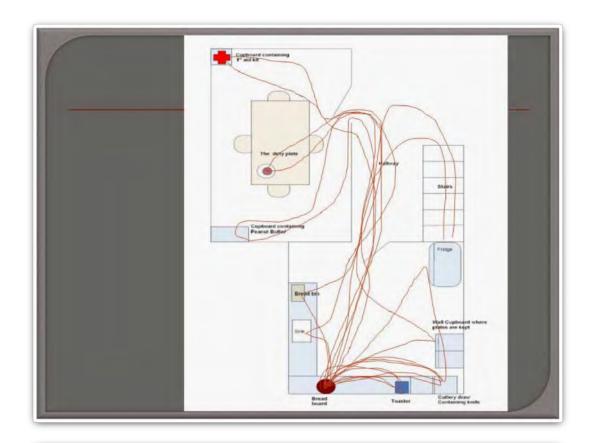
This time with your note pad in hand

Look for W. A. S. T. E.

Ask Why??

Draw a spaghetti map





The Perfect Transaction

- Is completed by the fewest # of staff
- Is completed one at a time
- Is completed as soon as the request is made
- Is completed without interruption
- Is completed with the information provided
- Is completed correctly
- It never returns
- So there is **no** waste!

Building your swim lane map

- Identify every step of the transactional process
- Sequence the steps in a map and characterize them as value or non-value
- Work to eliminate non-value added steps
- Connect the value-added steps together without waiting or handoffs

What is Value-Added?

Value-Added

Any activity that increases the form or functionality of the product or service.

These are things a knowledgeable customer is willing to pay for.

Non-Value-Added

Any activity that does not add function and is not necessary.

These activities should be eliminated.

Non-Value-Added but Necessary

Any activity that does not add function but is necessary with the current process.

These activities should be eliminated, simplified or reduced.

Principals of a Lean Process

- Capture information once—at the source
- Verify information throughout the process
- Organize around outcomes, not tasks
- Add value at each step

Barriers to the perfect transaction

- Poor Information
- Missing information
- Inaccurate information
- Assumptions, not knowledge

Poor information flow

Waiting

Hand-offs

- Organizational structure
- Information or Knowledge silos

Eliminating missing information

- Often the result of long lead times, and usually the cause of long lead times
- Require all information from the customer before the job launches (information filter)
- Put in hard stops that don't allow partial information

Eliminating Inaccurate Information

- Use menus where a small number of choices exist
- Create a checklist review process with the customer before the job launches
- Create and report on measurements for information accuracy

Eliminating hand-offs

- Identify the value-added tasks and the people who perform them
- Relentlessly challenge why one person can't perform more of them in sequence
- Identify what needs to be done to accomplish a minimum hand-off stream (i.e. training, structure, IT changes)

Eliminating waiting

- Waiting is usually the result of a hand-off or missing or incomplete information.
- Eliminating hand-offs reduces waits
- Making every effort to insure clear, accurate information is gathered upstream, reduces waits
- Absent staff are not a (good) excuse

the alternative future map

- based on the elimination of waste from the existing process
- improvements are identified to transition to the new, future process
- include the measurement steps
- test the new process before committing

Measuring Improvement

- Know when each step occurs in the process
- Know who does what and how long it takes
- Identify length of time between steps
- Know how many times a step and/or process occurs in a year

Measuring Improvement

- Identify the soft dollar value of each step-payroll costs x length of time x # of occurrences
- Identify hard dollars saved printing, paper, postage, electricity, fuel, equipment, etc.

Follow-up is critical to reap the full benefit of your Lean event

Who

➤ Identify an Implementation Manager

Why

- Support & follow up overcome inertia that can cause an organization to revert to the old process
- Effective follow-up is also vital to sustaining the team-based culture

Follow up tasks

- Design a firm implementation plan with clear assignments
- Clearly document action items
- Promptly follow-through on incomplete actions
 Track follow-up actions in a centralized place
- Conduct daily or weekly implementation checkin meetings
- Conduct monthly report-out meetings
 opportunity to measure process performance and drive
 ongoing improvement

Evaluate Performance

- Are all employees following the process as designed in the event?
- Is there evidence that all employees, including new to the area, have been trained on the new process?
- Is process performance being measured and reported as expected?
- Is the implementation manager monitoring and supporting compliance with the new process?

Evaluate Performance

- •Is the appropriate leadership engaged in the process?
- •Are consequences for not following the new process design in place?
- •Have any unintended consequences (positive or negative) arisen?
- •Is staff happy with the improvements?

Barriers to Success

- Inappropriate Scope:
 - Event scale or scope was too large to address in a 4-5 day event.
- Lack of Visible Management Commitment:
 - Unless managers visibly commit to and actively support the improvements and process changes, it is easy to backslide to business as usual.
- Poor Event Facilitation or Support:
 - Failure to adequately prepare for a Lean event.

Barriers to Success

Inadequate Follow-up:

Insufficient attention, resources, and accountability can prevent the new process from being successfully implemented in a reasonable timeframe.

Strategic Misalignment:

When multiple autonomous departments or agencies are involved in an event, conflicts can emerge due to differences in mission and strategic direction.

Unrealistic Expectations:

Expectations for what the event could achieve were not realistic given the process type, complexity, or other factors.

And then there are those who fight change: the C.A.V.E people



Expect initial staff resistance:

"We've already tried that."

"The focus on streamlining processes may erode internal control protections."

"We don't have time."

C.A.V.E. People: Citizens Against Virtually Everything

Proactive communication and demonstration of positive results can alleviate concerns

60

Keep the Ball Rolling

- Implement a small, discrete change
- Measure the results
- Publicize the benefits (don't hide the risks)
- Support other departments and work groups
- Continue to measure and evaluate
- Over time, process improvement becomes part of the organizational culture

just do it

- Changes that don't require resources, all you have to do is "just do it"
- Found in process walks or as you perform your daily work. Helps to understand Lean concepts
- Processes can continue to improve without the need to wait for the time and resources to be dedicated to another event.

10 Rules of "Lean"

- Abandon fixed ideas.
- Think of ways to make it Possible.
- Seek ideas from many people.
- Avoid excuses!
- Strive to make it BETTER, not "best."
- Ask "Why" 5 times
- Use your wits, not your wallet.
- Correct mistakes right away.
- Measure your baseline and your improvement
- Follow up, follow up, follow up!

Thank you!!!

Deborah Milks milksdeb@aol.com

Mental Math

Write down any three-digit number (not beginning with 0), then write it down again, to make a 6-digit number, for example 123123.

Divide the six-digit number by 7

Next, divide the answer by 11

Next, divide that answer by 13

6

Recognize the number??

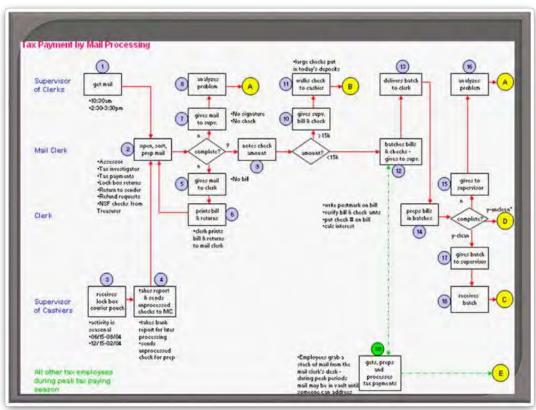
Here's why it works: the six-digit number is 1,001-times greater than the three-digit number. 1,000-times the three-digit number would add three zeros, and another 'one-times' replaces the three zeros with same first three digits.

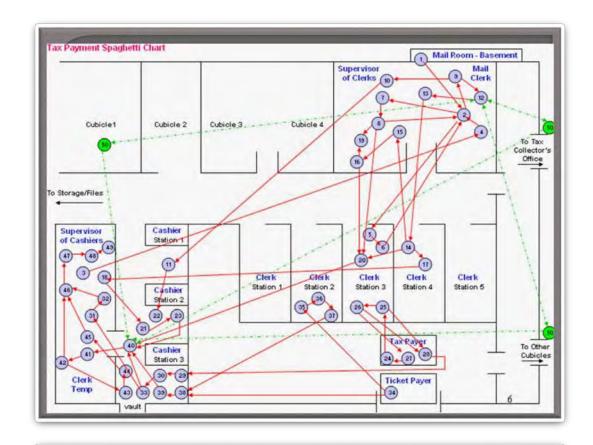
When you divide by 7, then 11, then 13, this equates to dividing by 1,001 ($7 \times 11 \times 13 = 1,001$).

The trick is achieved simply by reversing the calculation: $123 \times 1,001 = 123123$. Then $123123 \div 1,001 = 123$.

66





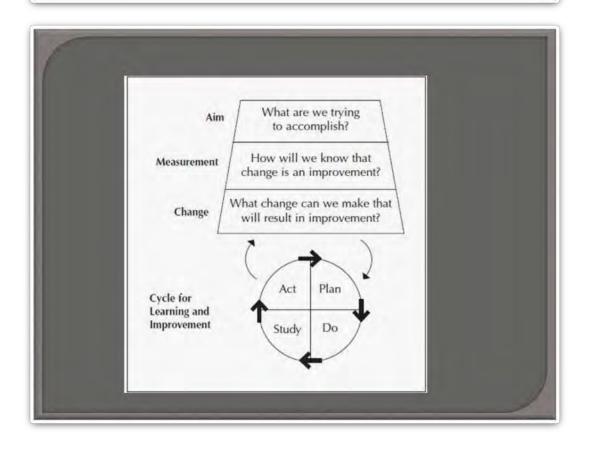


Barriers to Overcome (Practical Side)

Need for good project management Staff understanding of current processes Staff ability to think creatively Authority to make changes

Barriers to Overcome (People Side)

Difficult to change ingrained behavior –
natural resistance
Leadership and organizational culture
(the will to change)
Taking the wrong approach
Lack of engagement
Lack of communication
Underestimate training needs



Why Use Lean?

- Emphasizes better customer service
- Reduces the complexity of processes
- Therefore, speeds up the process
- And still produces quality services
- And improves staff morale
- Likely to save funds (trimming that fat!!)

Lean is "common sense uncommonly applied"

76

How and Why is Money Saved?

- Less errors = less rework and checking, accurate information
- Easier processes = greater employee satisfaction

Why is Lean so promising for improving government?

 Lean focuses on operations.
 Lean is not just a slogan or something you tell employees to do.

involves the right people

Lean has a measurable impact on time, capacity, and customer satisfaction.

That is, it actually works.

75

What Makes Lean Different?

3. Lean involves the right people.

Specifically, the employees who work in the area being improved. And all the key players, including the "customers") to analyze and improve the whole system.

Case Study—CIP Payment processing

- Vendors were frustrated
- Funder was frustrated
- From Dec 1-Feb 8, a total of 46 working days, only 1.5 CIP checks (representing 2.8 payment voucher items) were written each day
- The month end balance of CIP cash never fell below \$500,000 and the average during the year was \$1.2M.
- Of the 37 invoices presented to Public Works in a 3 month time period, the average time to process an invoice through to check writing was 65 days.

What we found

- Duplicated reviews
- Duplicated paper
- Duplicated accounting systems
- Inappropriate approval levels
- Mistrust among agencies
- Lack of appropriate technology
- As a result, the government was paying more than they should for CIP projects

Compelling Results in Government

Nuclear Regulatory Commission (NRC)

- Target Process: Hiring
- Results: Cut hiring time by 50%

Federal Bureau of Investigation (FBI)

- Target Process: Multiple processes
- Results: 36% reduction in work process steps;
 \$3M+ in savings

US Department of Housing & Urban Development

- Target Processes: Procurement and Hiring
- Results: Approval time reduced 22-30%

79

Compelling Results in Government

Pitkin County, Colorado

- Target Process: Budget Preparation
- Results: 25% reduction in budget reviews

City of Cincinnati, Ohio

 50% reduction in sewer easement processing 35% reduction in the time required for police recruiting.

Threat vs. Opportunity Matrix

Short term

Threat (If we are not successful)

- ·Lost \$ Revenues
- •Lack of Public Confidence in the government
- •Continued inefficiencies –internal and to taxpayers
- Current Economic Crisis deepens

Threat vs. Opportunity Matrix

Long Term

Threat (If we are not successful)

- ·Financial crisis due to legacy costs
- ·Tax base erosion
- Credit rating downgraded
- ·Layoffs and further service erosion

Threat vs. Opportunity Matrix

Short Term

Opportunity (If we are successful)

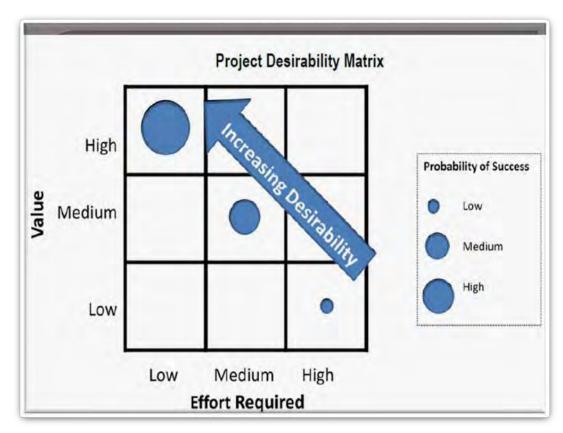
- ·Save \$\$ money
- •Improve Processes
- ·Better morale and use of employee time
- Work on the right stuff
- Improve Customer Service
- ·Have fewer Audit Issues

Threat vs. Opportunity Matrix

Long Term

Opportunity (If we are successful)

- •Stronger financial position and stronger future
- •Reduce costs via reducing wasteful activities
- Making your island a more desirable place to live
- Becoming a model of Government excellence





Step by Step Guide to Lean

- Determine if the agency is ready
- Select a process
- Choose a leader and a team, communicate

LEAN TEAM

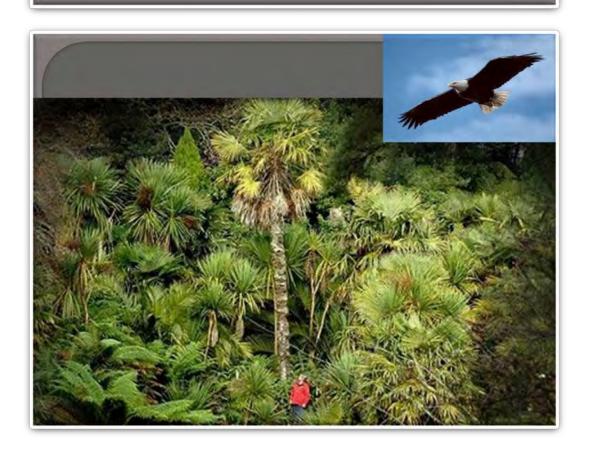
Consists of the following

Lean Team Consultant (It's always good to have an expert)

- 1. Sponsor (provides support & resources)
- Lean Leader (plans the lean event and logistics, organizes the team and assists the facilitator)
- 3. Team members

Critical Steps for Lean Leaders

- ✓ Choose where to focus the improvement efforts
- Define excellence and set clear goals
- Actively participate in improvement events
- ✓ Assign staff and resources
- Provide visible support for improvement efforts
- Monitor progress and hold people accountable
- ✓ Clear obstacles to successful implementation
- Recognize and celebrate accomplishments



Six Sigma concepts Effectiveness & Efficiency

- 1. What % of day redoing work someone has done?
- 2. What % of day doing work that someone else will have to redo?
- 3. What Value has been added? (3 components)
 Recipient has to consider it necessary,
 Physical change,
 Been done right
- 4. How well do you provide for the needs and requirements of your customers? How would they rank you?

Questions 1-3 measure efficiency, 4 is effectiveness

More tools to use

- Kaizen events: also called rapid process improvement events that focus on eliminating waste in a targeted system or process, improving productivity, and achieving sustained improvement.
- 5S: an improvement process involving five steps (Sort, Set in order, Shine, Standardize, and Sustain) to create and maintain a clean, neat, and high-performance workplace.

THE "THIRDS RULE"

- The "thirds rule" provides a guide for structuring the Lean Team.
- 1/3 of participants who work directly in the process
- 1/3 of participants who manage or supervise the process
- 1/3 of participants who are not directly involved in the process (e.g., people from the agency, external stakeholders, customers)

Step by Step Guide to Lean

- Determine if the agency is ready
- Select a process
- Choose a leader and a team, communicate
- Decide which tools to use

How many 'f's?

FINE POINT

It is easy to miss the finer points in life. Folk are frequently guilty of falling into this trap.

95

How many 'I's?

FINE POINT

It is easy to miss the finer points in life. Folk are frequently guilty of falling into this trap.

96

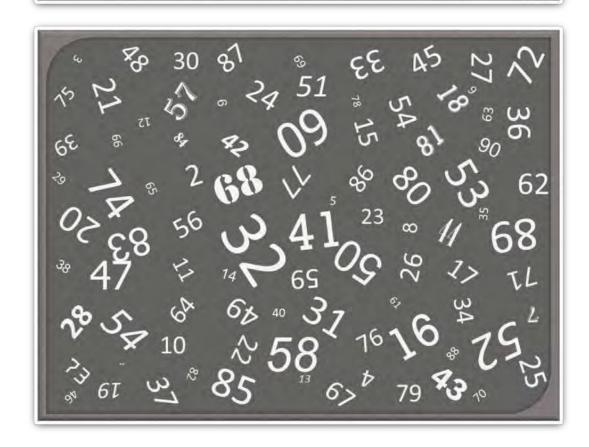
Pre-event planning

- Develop the event scope
- Identify goals and objectives
- Clarify boundary conditions for the event
- Identify performance metrics and prework needed
- Record event dates and location

Event Agenda Outline

Day 1	Day 2	Day 3	Day 4	Day 5
Training Day	Discovery Day	Do Day	Do, Re-do, & Document Day	Present Results
Begin mapping and measuring current work process	Measure and analyze current work process	Day Create and map new process	Finalize new process design, estimate benefits, develop action plan	Present results and celebrate

- This sheet represents our current work place.
- •Our job during a 20 second shift, is to strike out the numbers 1 to 49 in correct sequence. Example: X 2 3
- Use a diagonal line, don't turn the paper
- •The team score will be represented by the lowest individual score achieved.



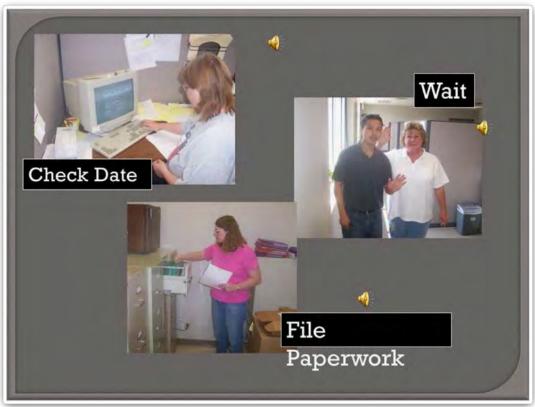
	Numbers from 1 to 49								
i	2	3	4	5	6	7	8	9	10
11	12	13	14	15	16	17	18	19	20
21	22	23	24	25	26	27	28	29	30
31	32	33	34	35	36	37	38	39	40
41	42	43	44	45	46	47	48	49	

•Returning to our original work area, we have for this assignment two numbers missing. We cannot complete the task without these numbers - so first we have to find them.

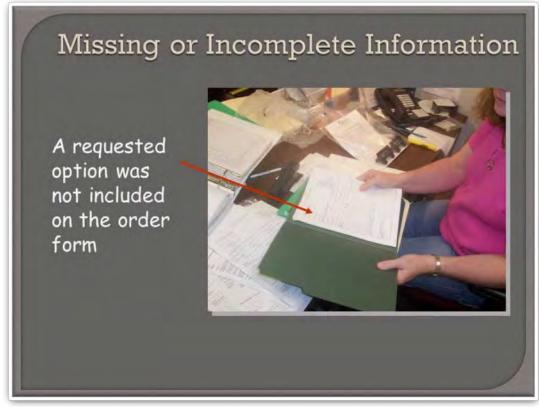


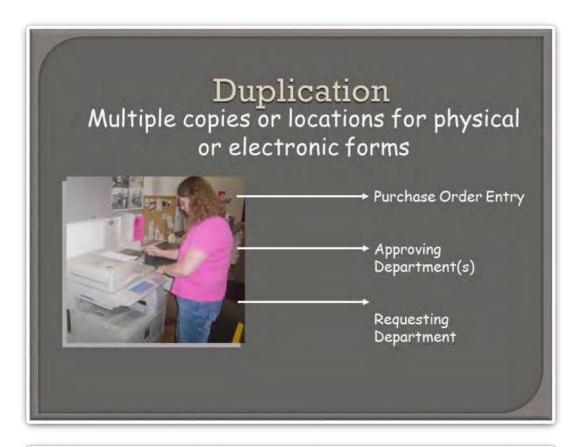
	Numbers from 1 to 49								
1	2	3	4	5	6	7	8	9	10
11	12	13	14	15	16	17		19	20
21	22	23	24	25	26	27	28	29	30
31	32	33	34	35	36	37	38	39	40
41		43	44	45	46	47	48	49	

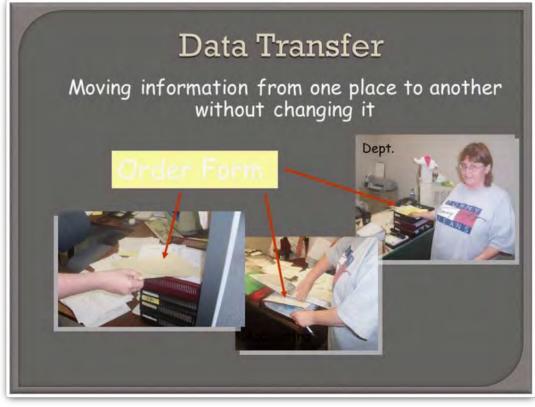








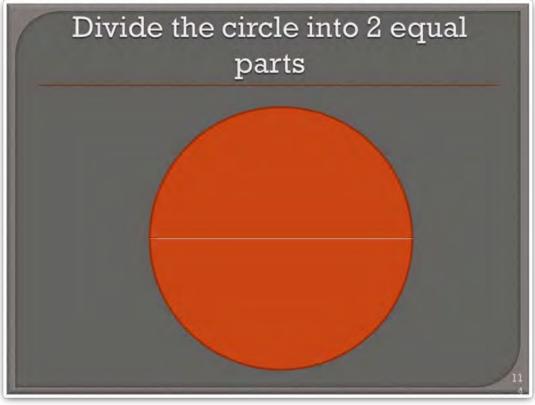


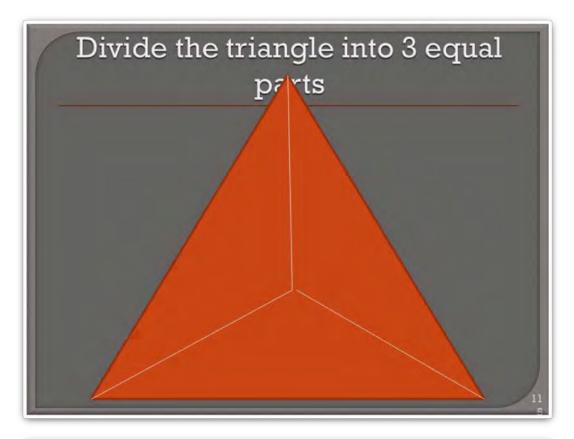


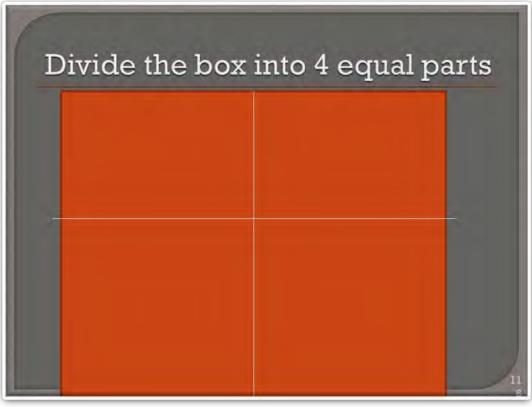


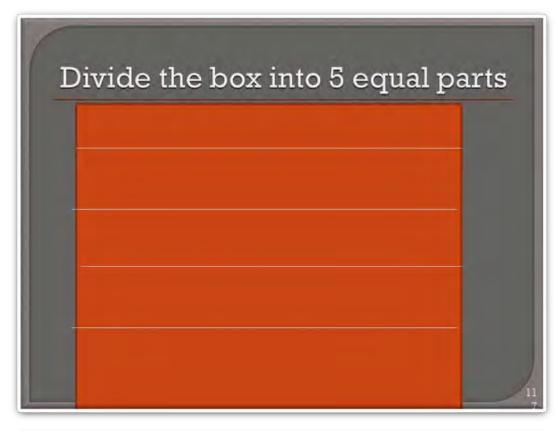














Principles for Rapid Improvements

- 1. Think about how the new ideas will work, not how they won't work.
- 2.Don't seek perfection –80% right, 100% implemented.
- 3.Fix mistakes the moment they are found.

Principles for Rapid Improvements

- 4. Make improvements with minimal investment.
- 5.Continue to ask "Why?".
- 6.Don't accept excuses.
- 7."Just do it"-make it happen.

More tools to use

- 5S: an improvement process involving five steps
 - Sort,
 - Set in order,
 - Shine,
 - Standardize, &
 - Sustain

to create and maintain a clean, neat, and high-performance workplace.

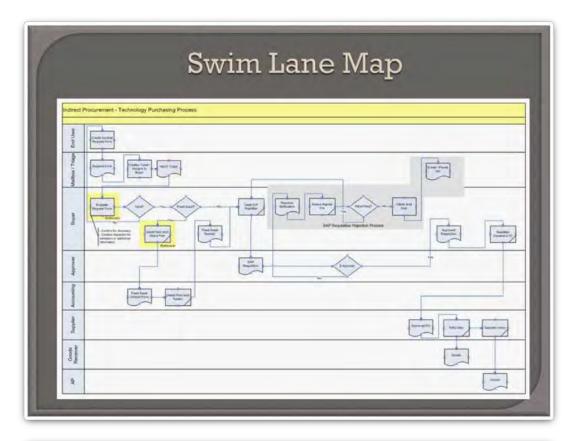
Swim Lane Mapping

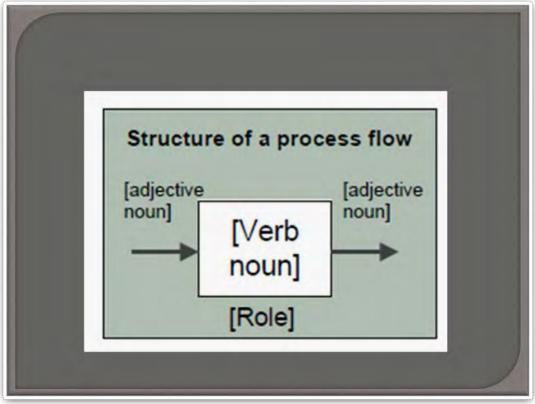
Three Elements

Time

People or job functions

Tasks/Process





Walk the process

From the beginning



To the end

5 whys? technique for helping people get to the root cause of an issue or problem

- 5 Whys Method
 - Helps identify the root causes of problems in a process
 - Helps identify waste and improvement opportunities
 - Helps identify staff who don't know or understand the reason or importance of a step
 - You may find that there no longer are good reasons why a process is implemented a certain way

Purchasing Process

- Look through the purchase process and identify WASTE
- While you are at it, look for internal control concerns
- Grants, Director, Funds Control-2nd floor
- Budget-2nd floor
- AP-1st floor
- Procurement-8 miles away
- Departments—all over the island

Thoughts about a different way to organize work flow

Pull systems are based on available staff pulling documents to work from a queue. The mentality shifts from "my" program or department to "our" program. Staff no longer store documents in their offices. Supervisors have observed that, as they made the transition from push to pull, the work became visible and they realized how much work had been hidden from view.

Clean up the PO process

- Suggest steps that could be eliminated or consolidated
- Suggest alternatives for excessive copies, tracking systems

LEAN GOVERNMENT PROCESS METRICS

Time Metrics	Cost Metrics	Quality Metrics
•Lead Time	•Labor	·Customer
•Best and Worst Completion Time	Savings	Satisfaction
Percent On-Time Delivery	•Hard Cost Savings	• Rework
 Processing Time Value Added Time 	bavings	• Percent Complete
Non-Value Added	•Cost per	and Accurate
Time • Non-Value Added	Product	
but Necessary Time		
Percentage of Value Added Time		

EAN GOVERNMENT PROCESS METRIC			
Output Metrics	Resource Metrics	Process Complexity Metrics: number of	
•Number of transactions	•Consumption of paper	•Process Steps	
transactions		•Value Added	
•Production	•Consumption of energy	Steps	
Backlog		• Decisions	
	•Consumption of		
• Work in Process	gas	• Delays	
Inventory	•How much of an environmental	• Handoffs	
	impact does each step of the	• Loops	
	process have?	Black Holes	

PO process

- Identify soft costs
- Identify hard cost
- How would you calculate the costs and the possible savings?

mental math trick

Do this sum in your head:

Start with 1,000.

Add 60.

Add 2,000.

Add 30.

Add 1,000.

Add 10.

13

And your answer is??

5,000?

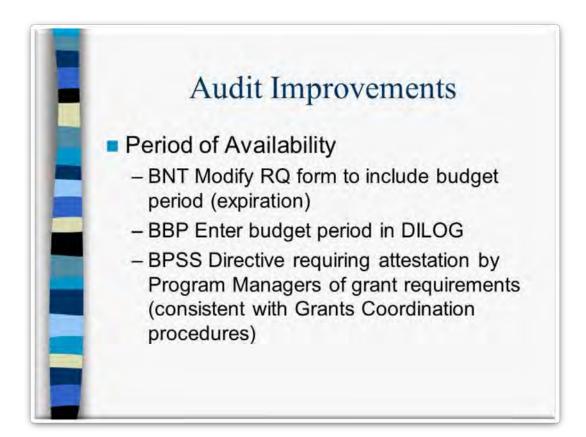
Wrong. Try it again.

The correct answer is 4,100.
The mind knows that the final 10 will have a 'rounding-up' effect, and expects it to impact the 1,000's instead of the 100's.

APPENDIX M - REPUBLIC OF PALAU GOVERNMENT ACTION PLAN



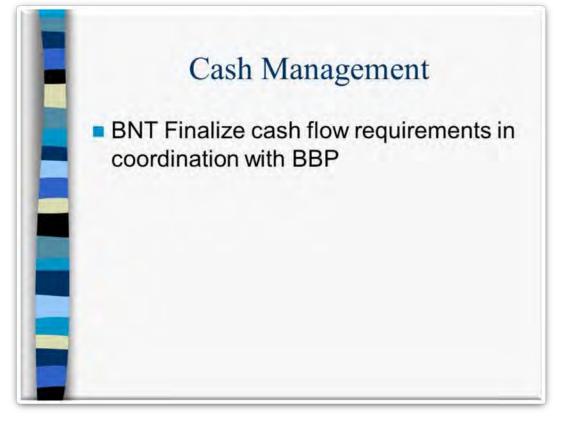




Audit Improvements

- Procurement Violations
 - BPSS Notify BNT & BBP of new Program Manager(s) and schedule orientation of procedures including liability for disallowed costs - 'prior approval', establishing earlier cut-off dates & property survey policy update
 - BNT Propose amendment to Procurement Act







Federal Grants Coordination – Government Groups Issuance BPSS Directive and establishment of Audit Committee

Leadership Training

- BPSS Designation as focal point for disseminating ELDP information and establishment of screening guidelines including service requirement
- BPSS Adopt policies and procedures recognizing and providing incentives for ELDP graduate retention and assignments

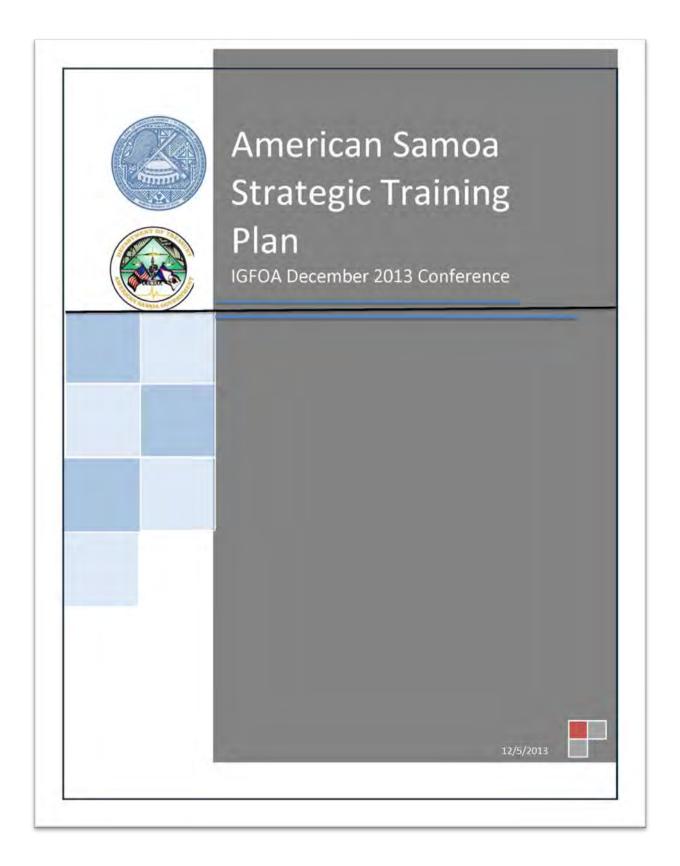


APPENDIX N - AMERICAN SAMOA GOVERNMENT ACTION PLAN

ISSUES	ACTION	DATE	POC
Audit Improvements	Monthly Closing- issue monthly financial statements Bank Reconciliations- Grant Reports closed monthly basis Digitize Monthly Statements Reconcile & Close Books Every Month Ensure Federal Reports are closed every month Clear Encumbrances that are expended Issue Monthly Reports to Departments and Program Managers Account Analysis Standardize Processes & Procedures Train all levels, Core Agencies and department financial officers Due Date of Every Month on the 15th	December 12, 2013	Department of Treasury- Treasurer, Budget Office- Director, Procurement- CPO and Grants Accounting - Jerome
Cash Management	Revise Reimbursement Process Maximize Cash Flow- Minimize cost reimbursement Collection of in arrears Goal is collect at least 50% back into our GL of Grants ARs Hire Cash Management to facilitate this project Establish Policies and Procedures	January 2014	Department of Treasury – Treasurer, Grants Accounting - Jerome
Accounting Standards Update	Implement new GASB standards of inflow, outflow, modified and unmodified and deferred accounting & reporting	ASAP	Department of Treasury- Treasurer

Federal Grants Coordination & Government Groups	Correlate between Grantor, Grant Award and Grantee Standardize Process and Procedures Train & Execute all appropriate parties	January 2014- Meet every 2 Months	Department of Treasury-Treasurer, Budget Office- Director, Procurement-CPO, Grants Accounting- Jerome
Leadership Training	Identify type of training based on Strategic Training Plan Coordinate with Mandated Agency to ensure training schedule Prioritize Objectives to set training plan Coordinate all core agencies to implement training Standardize Processes & Procedures	January 2014	Department of Treasury- Treasurer, Budget Office- Director, Procurement- CPO, Grants Accounting- Jerome

APPENDIX O - AMERICAN SAMOA STRATEGIC PLAN



December 5, 2013

GOALS & OBJECTIVES

To provide greater accountability, transparency, reliability of reports and efficient processes to satisfy the requirements consistent with the objectives and scope of each program, and at the same time answerable to management and to federal grantors. Provide the support resources and structure to educate and train our finance, budgetary and workforce that provide the management and monitoring of all funds in American Samoa.

PRIORITIES AND STRATEGY

- Streamline Processes to effectuate timely and accurate financial & programmatic reports
- Efficiency in providing timely payments and thereby enhancing our economy
- · Address Audit Findings and High Risk Status
- · Proactive Grants Management
- Adopt Best Practices and Lessons Learned in Daily Financial Management, Monitoring and Operations
- . Ensure Continuity of Programs
- Coordinate Core Agency (Budget, Procurement and Treasury) processes with agencies and department financial officers
 - Required reports
 - Scope of Grant Language
 - Allowable vs. Dis-Allowed and Ineligible Transactions
 - · Period of Performance
 - Basic Financial Understanding- Coding and Chart of Accounts
- Coordinate Trainings with all governmental entities to maximize continuity
- Establish Train the Trainer or working groups to work with HR and other training/learning facilitators
 - Training
 - o Certification
 - o Graduate School

December 5, 2013

FY 2013 TRAINING SCHEDULE

- · February
 - o Executive Briefing with Directors, Deputy and Finance Officers
 - · Reimbursement of General Funds from Federal Grants





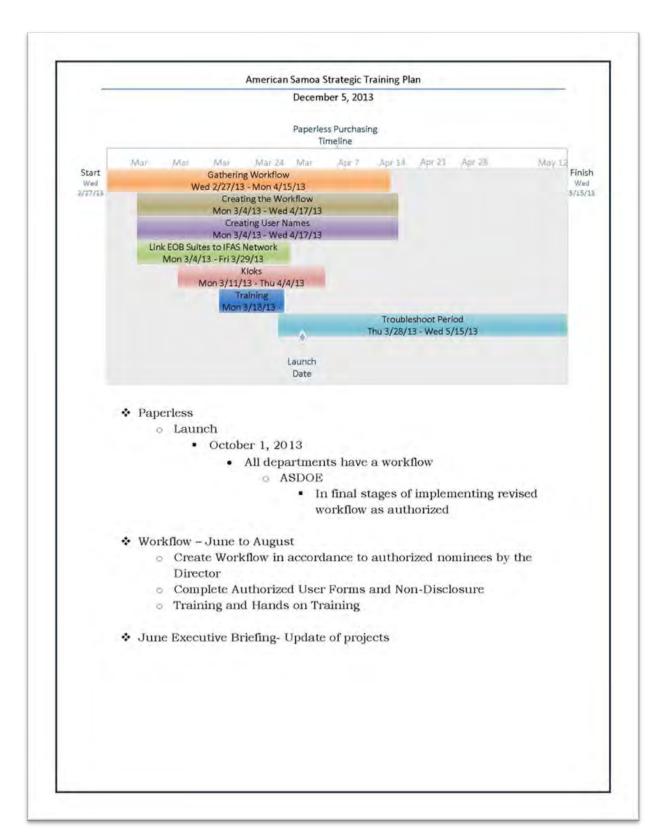


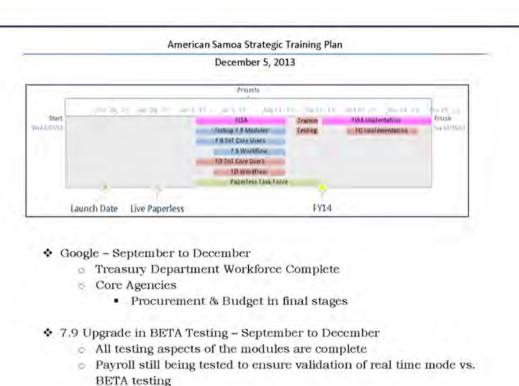
- February Executive Cabinet Meeting
 - o Introduce Executive Leaders to the Paperless Initiative
 - Based on Governors Directive to streamline procedure and expedite payments to vendors
 - o Brief on the process and concepts of the workflow
 - Designation of Approval Levels
 - o Plan of Implementation
 - · Training
 - Requirements
 - · Contact Information
- · February to May 2013 Training
 - o Paplerless Training
 - · All Financial Officers
 - · Directors, Deputies and Approval Levels





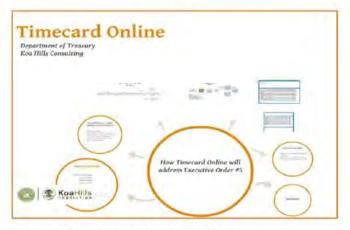






- September 3-6, 2013 Graduate School
 - GASB 34 Training
 - Finance Officers
 - Component Units
 - Retirement Office
 - Executive & Cabinet Members
- September 10-12, 2013 US DOL Site Visit and FLSA/FMLA Training
 - Directors/Deputies
 - Finance/Timekeepers/Personnel Administrators
 - Timecard Online
 - Introduce to all timekeepers/personnel administrators

December 5, 2013



- September US DE Site Visit and HR Meetings
 - o Site Visits with Departments
 - o Online Documentation of Submission



- https://sites.google.com/a/tr.as.gov/asghighrisk/home
- o http://goo.gl/Sfv5xD
- October 1-11, 2013 FEMA Grants Management Training
 - Standard Grants Management
 - Source Documentation
 - Finance Officers and Core Agencies
 - o OMB Circulars, CFR, CFDA, and other mandate review

December 5, 2013

- Cabinet Meetings November 26, 2013
 - Update on Treasury Priority Projects
 - Reiterate Governors Memo dated September 2013
 - All departments must be on paperless by October 1, 2013



November 26, 2013 GAO Site Visit

- Review Statistics
- Mandates
- o Processes & Procedures
- December 2-5, 2013 IGFOA Workshop
 - Single Audits
 - Finance Office
 - Performance Measures
 - o Communication with Federal Program Managers
 - Cash Management Plans
 - o Federal Grants Coordination
 - o Managing Federal Grants in Insular Areas
 - o GASB Updates

December 5, 2013

- DOI-OIA Update
- ELDP Status and Updates
- Single Audit Results
- Improve Processes and Streamline Government Techniques
- · Address Audit Findings and High Risk Status

REFERENCE

- USDOL to set up local office beginning January 2014 Samoa News.htm http://www.samoanews.com/?q=node/79147
- Z. Talanei.com DOL Looks At Establishing Local Office.htm http://www.talanei.com/pages/15017742.php?
- Talanei.com DOL Praises ASG's Commitment On OT.htm http://www.talanei.com/DOL-praises-ASG-s-commitment-on-OT/17073958
- Talanei.com USDOL Team On Island For Training.htm http://www.talanei.com/pages/17284351.php?
- USDOE official pleased with admin's efforts in removing 'high risk' status Samoa News.htm http://www.samoanews.com/?q=node/77813
- USDOE personnel here to review compliance with high risk requirements Samoa News.htm http://www.samoanews.com/?q=node/77141
- USDOE informs ASDOE "high risk" status remains Samoa News.htm http://www.samoanews.com/?q=node/76663
- US DOL Visit and Conduct Trainings htm http://www.talanei.com/print_page.php?contentId=13792599&contentType=4
- Graduate School Training.htm http://www.talanei.com/print_page.php?contentId=13722163&contentType=4
- ASG employees' unpaid overtime paid this week Samoa News.htm http://www.samoanews.com/?q=node/76454

APPENDIX P - CONFERENCE EVALUATION SUMMARY

Pacific Islands Training Initiative Virgin Islands Training Initiative Island Government Finance Officers= Association (IGFOA) Conference December 3 - 5, 2013

EVALUATION SUMMARY (25 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 IGFOA Meeting by circling the appropriate number.

1) The IGFOA conference sessions were relevant and timely.

Strongly				Strongly
Agree	Agree	Neutral	Disagree	Disagree
(84%)	(16%)	(0%)	(0%)	(0%)

Score: 4.8

2) The conference=s objectives were substantially met.

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

Score: 4.8

3) Logistics for bringing participants to and from Honolulu were handled satisfactorily.

Strongly				Strongly
Agree	Agree	Neutral	Disagree	Disagree
(80%)	(20%)	(0%)	(0%)	(0%)

Score: 4.8

4) The conference site (hotel) was comfortable and conducive to the meeting.

Strongly				Strongly
Agree	Agree	Neutral	Disagree	Disagree
(92%)	(8%)	(0%)	(0%)	(0%)

Score: 4.9

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

Strongly				Strongly
Agree	Agree	Neutral	Disagree	Disagree
(92%)	(8%)	(0%)	(0%)	(0%)

Score: 4.9

6) Overall, this conference of the Island Government Finance Officers' Association (IGFOA) was:

Excellent	Very Good	Average	Fair	Disappointing
(92%)	(4%)	(4%)	(0%)	(0%)

Score: 4.9

- 7) What sessions of the IGFOA Conference were the most relevant and meaningful to you?
 - Government breakout sessions for eliminating findings related to federal grants. It was
 really good that we had time to discuss with our own jurisdiction so that we can really
 work on how things can improve from here on. Back home, we tend to be busy with our
 own schedule that we forget to make time and discuss this issue. Thank you; developing
 a Lean Mean Finance Office
 - Grants training, Lean, Leadership, Retirement Update GASB sharing ideas and best practices of most especially networking

- All aspects of the conference were perfect
- Everything was great. Really enjoyed this conference
- Session on Leadership / Brad Dude; Performeter Updates / Frank Crawford; Panel Session / Debbie Milks and rest. The speech Governor Abercrombie was very insightful and helpful.
- Government Updates Presentations from the other territories-that we are not alone in this world; the lean mean processing machine; DOI/OIA updates; Pension plan
- Government updates presentations. Allows one to view our government in the light of all the others and learn from each other; Leadership in the 21st Century – an influence of temperament on leaders and management; Government accounting standards update – enlightens us to see what's on the horizon with regards to financial reporting and prepares me to better understand the financial reports; changing the light bulbs; Developing a lean mean machine
- No particular session, but overall was acceptable by the interaction amongst POC from pacific island community.
- Performeter, Leadership, Lean Machine
- Best practices; single audit improvement practices
- Debbie's lean Mean Office. Speaker Governor Neal Abercrombie
- Action planning
- The session on water, air, fire and earth. It helps me identify the kind of staff I have to deal with and I'm surprise with this kind of people.
- Addressing accounting status on pension, process improvement
- Developing the Lean government; Flag coordination; Leadership in the 21st Century
- GASB Standards; Temperament; Lean Government
- All sessions were relevant in my position
- They were all meaningful to me as they are relevant to my duties.
- Pension and Standard Update
- Government Updates; government break out sessions and planning sessions; Lean mean finance machine; Leadership discussions (Brad Dude)
- Brad Dude Leadership for the 21st Century; governor's speech be a part of change "Get involved"; Frank Crawford – Education on Pension; Debbie Milks – Lean governments "Group Interaction"
- Leadership in the 21st Century. I enjoyed it a lot.
- Lean Mean finance Machine; Performeter
- All, however, felt like the leadership training should have allotted more time
- GASB and Performeter Updates

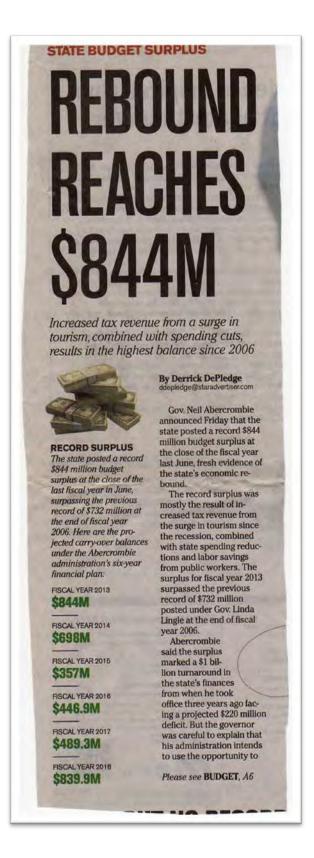
- 8) What are the two most important items that you learned during the week, and how will you apply each when you return home?
 - The importance of not getting audit qualifications and correcting the mistakes or process before closing of the year end
 - Cash management; developing/completing of the cash management handbook to build in the processes.
 - Developing a lean mean machine with our limited human resources, I intend to adopt
 the principle as outlined in the process to streamline or eliminate process where
 possible. Should be able to work smarter not harder; The components of the Performeter
 Enlightenment and awareness. I can now assist in bringing about changes in areas that
 affect the Performeter by working with individuals involved and educating them and
 making them aware.
 - Improvement in processes. Review how we can improve the processes and procedures in my office and the "government as a whole; Best practices in audits and improving audits
 - Changing my leadership by seeing my employees differently; Be the trend setter in forming a committee to address working more effectively with a leaner government
 - All jurisdiction shared similar issues in financial/grants management; Understand relationship & communication
 - Session on Pension/Retirement plan which gives me an idea to form a group to go to Guam to get ideas on their defined contribution system; Federal Grants Program as explained by Tom Bussanich.
 - Leadership temperaments-will include at next retreat/staff meeting; Lean Government cut non-value added in contractual HR issues, travels, and small procurements.
 - Lean Mean Machine; develop small group to evaluate SOP's for all tasks performed by division
 - Lean Mean Office Machine techniques; Need for SOP's
 - Communicating on island; Audit resolutions
 - Follow up and planning
 - Lean Mean Finance Office Machine. Identifying and analyzing a process will really help in the office where we get rid of unnecessary steps and improve the process.
 - Process improvement should have follow up which is very critical for its success;
 Accounting/standard updates
 - Lean government; Flag coordination
 - Lean Government: look at the current processes to see if there are steps that can be eliminate to promote efficiency; Recognizing the different temperament and how to deal with those different temperament

- Check list; lean mean finance machine
- Lean and Mean organization of
- Leadership and pension
- Lean & Mean and Pension Liabilities
- Added value what is really important? Audit updates
- Cash Management; Internal Control; will start implementing new cash management procedure and develop cash management plan
- Would like to replicate the leadership element exercise to mid-level staff at the ministry; continue with the lean mean initiative
- Eliminating audit findings; Coordinating federal grants
- GASB updates; Leaner Office
- 9) What sessions or aspects during the week were the least relevant and meaningful to you?
 - The sessions on GASB
 - There was something to gain from each session.
 - Leadership skills Presentation was not up to date and presented "old" views
 - Pension doesn't really help but in a way it helps understanding our FSM social security system as they claim it's the same as pension
 - I was really looking forward to the federal grant panelist but, information received then weren't anything new. In fact, I felt we were way ahead of Hawaii in many aspects. A bit disappointed.
 - ELDP program evaluation
 - Panel discussion
 - Lean government and Leadership in the 21st Century
 - Because the person from Hawaii grants management spoke so softly. I missed a lot of what he said.
 - Federal Grants Coordination
 - All relevant, except the Grants Coordination presentation from Hawaii
 - Mark Anderson presentation might have been more relevant / interesting if he was just on the panel... also need to speak louder and have a presentation. Was difficult to follow.
 - All relevant
 - Mark Anderson session; should have been part of the panelist slot and not a separate session
 - All relevant
- 10) Please list any measurable achievement your government has made as a result of being represented at IGFOA conferences.

- Decreased our question costs in numbers and especially by money amount by a very big decrease!
- The establishment of a Federal Grants Office
- Removal of Audit Findings
- Our audits are now closer to being current than it ever was. We have better control over our cash management. We have improved on our SOPPs (updated)
- Better understanding and appreciation of contents of single audit. Performeter certainly illustrated the improvements.
- The importance of reporting each government financial status, which made our commonwealth more aware of the importance of federal grants and the creation of the grants management office and audit task force.
- Reduction of audit findings on maintaining single audit results
- Reduction of qualifications resulting from audit improvement planning
- Audit done on time; Competent finance managers who are motivated to run an accountable finance office
- All the assignment on the performance measurement do help me realize what I could have achieve so I know where to push more to make staff be responsible for their work.
- Audit Findings
- Unqualified opinions on FS; Timing of audit report; Reduction of audit findings
- Understanding of different view from different governments; The performance measures: helpful for future plan for the ministry of finance
- Lean mean concept has been introduced to both the cabinet and the parliament. High interest and buy in has been secured; SOP developed and continues to be updated.
- My first meeting and maybe will be able to comment on this, if I get invited to the next one.
- Acknowledgement of gap between finance budgets and grants; Audit findings resolution
 Must be done
- Our paperless system; more training at the agency level (program managers)
- Been able to apply best practices learned at this meeting; to bring about improvements
 in the single audit process. Provide knowledge and training to individuals who take and
 utilize in the workplace to bring about change in processes and improve efficiency.
- Reconciliation of travel advance and other accounts. Communicate with program managers to improve their findings; Cash management policy
- Audit finding resolution; cash management plan
- This is my first time, but the Performeter was brought to my attention during administration transition. Used as a guiding tool.
- Baseline measurement on federal invoice payment

- Unqualified audit reports; cash management; improved processes
- Best practices are instilled around areas of improvement that are constantly being identified
- 11) Please provide any other comments concerning the IGFOA Conference that will make future conferences and meetings more meaningful and enjoyable.
 - Presentations from each government should be controlled and consistent; i/e/ ASG
 presentation was more a look what we have cleaned up from mess former
 administration left behind. Definitely, not 10 minutes.
 - I would like to attend the next IGFOA. It really helped me a lot to learn and need more training on government accounting, etc.
 - Hold conferences at Honolulu from now on, since attendance rate has really improved.
 Reevaluate per diem rate.
 - Compile and shared "Best Practices" on Government Financial Management and/or Federal Grants Management; Emphasize the importance of federal \$ in the economy of the island-country represented.
 - It will be great to have more in depth sessions on understanding the different types of feral grant awards available and how they should be expended. More education on Performance Measures
 - Continue doing what you're doing. At some point bring the IGFOA meeting to one of the islands
 - Sashimi on the menu!!! Thank you for the conference. Have a joyous merry Christmas.
 - Soft copies of all presentations pre-downloaded into the USB's
 - Best practices of a Lean Government
 - Have IGFOA meeting here in Honolulu not neighbor islands
 - Encourage governments to share success story on process improvement, single audit results
 - Going over audit citations and how to be able to resolve them.
 - Maybe record all presentations on the USB given to us
 - Provide USB with all presentations
 - All presentations be in USB and given to each participant. Also include other agencies from other countries to be part of delegation
 - Have all presentations and documents in electronic for (paper less). Find a pacific island government representative to make a presentation about a successful best practice!
 Something like, a success story.
 - Ensure continuity, documentation sharing
 - Visit government agencies in Honolulu

- Propose if debt management can be included in the subsequent meeting
- Prefer to have future conferences in Honolulu
- A day of social outing would create a stronger bonding opportunity; Increase per diem (regardless of group meals)



A6 >> HONOLULU STAR-ADVERTISER >> SATURDAY 12/7/13

FROM PAGE ONE

BUDGET: Some funds will help refill emergency reserves

Continued from A1

replenish emergency reserves and pay down the unfunded liability in the public-worker health care fund, not splurge on many new programs.

"The days of running away from our responsibilities are over," the governor said at a Chamber of Commerce of Hawaii luncheon at the Plaza Club downtown. "We've put in a solid, long-term financial plan that we believe will withstand anybody's scrutiny in terms of its viability."

Abercrombie has made the state's improved economic outlook the foundation of his re-election campaign next year. As the state's chief executive, Abercrombie — as Lingle did — receives disproportionate credit and blame for the state's economy even though state government often plays a relatively minor role in the economic cycle.

ABERCROMBIE WAS LESS ebullient about the record surplus than Lingle, a Republican who famously said during her State of the State address in 2006 when she was running for re-election: "I view it as a chance to literally have it all."

Abercrombie, a Democrat, must share credit with majority Democrats in the state Legislature, particularly state Sen. David Ige (D, Pearl Harbor-Pearl City-Alea), his rival in the primary, Ige, chairman of the Senate Ways and Means Committee, and state Rep. Sylvia Luke (D, Punchbowl-Pauoa-Nuu-anu), chairwoman of the House Finance Committee, crafted a two-year state budget with less spending than Abercrombie had requested, which contributes to the projected budget surpluses in the governor's six-year financial plan.

Ige was also instrumental in a new law that for the first time requires the state and counties to make annual payments toward the unfunded liability in the public-worker health care fund. Two years ago the Legislature agreed to change pension benefits for newly hired public workers to help contain the unfunded liability in the pension fund.

ABERCROMBIE SAID those measures, which he signed into law, have helped Hawaii avoid the kind of pension and health care emergencies that have cast Detroit into bankruptcy and Illinois into debt crisis.

The governor vowed that "we will not be Detroit. We will not be Illinois. There are cities across the country right now that are trying to get into



"We will not be Detroit. We will not be Illinois. There are cities across the country right now that are trying to get into bankruptcy. Can you imagine? It's like an NBA team — a basketball team — that's trying to lose games so they get the first pick (in the draft)."

Gov. Neil Abercrombie At a Chamber of Commerce of Hawaii luncheon Friday at the Plaza Club downtown

bankruptcy. Can you imagine? It's like an NBA team — a basketball team that's trying to lose games so they get the first pick (in the draft)."

Abercrombie and Kalbert Young, the state's budget director, assured the Chamber of Commerce that the state would address the unfunded liabilities in the pension and health care funds over 30 years without raising taxes.

County leaders, however, have warned that counties may be forced to raise taxes if they are unable to keep up with the required annual payments for the health care fund.

Young outlined a state economy that is likely near the peak of recovery, with unemployment at 4.4 percent — compared with 7.3 percent nationally — and the real estate and construction sectors showing healthy signs of growth. He predicted that tourism would continue to thrive, although not at the growth rates of the past few years, and that the military presence in the islands would remain strong despite the threat of looming federal defense cuts.

Young said the state's aggressive construction budget — \$2.2 billion this fiscal year — would help rebuild the state's infrastructure for the next economic cycle.

Young said the state is replenishing the hurricane relief fund and the rainy day fund with the goal of eventually building emergency reserves to about 10 percent of general-fund revenues, double the amount set aside before the recession.

THE STATE COMPLETED an \$860 million bond sale in late November and has received positive remarks from credit-rating agencies, which have noticed, in particular, the state's attempt to address the unfunded pension and health care liabilities.

Abercrombie will present his supple mental budget to the Legislature on Dec. 16, and Ige will have a significant influence over whether it is approved.

"Obviously, we are proud of that number," Ige said of the record \$844 million surplus. "I think it's more a function of the fact that we rejected a lot of tax and fee increases and really focused on downsizing government."

Ige and others have noted with caution that the two-year budget as now drafted presumes the state will spend \$145.9 million more than it takes in during fiscal year 2014 and \$341 million more than it takes in during fiscal year 2015.

Some of the money will be used to replenish emergency reserves and pay down the unfunded health care liability, but the state could be stretched if the economy dips or federal spending cuts are severe. Public worker pay raises could also place a strain on the state's finances if tax revenue does not come in as expected.

"I still think that the economy is just recovering," Ige said, "but we're not out of the woods."

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