

KAUAI, HAWAII

**DEC 4-6, 2012**

# IGFOA

winter meeting



## **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)

### Annual Meeting

Kauai Marriott Resort

Kauai, Hawaii

December 4-6, 2012

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## ISLAND GOVERNMENT FINANCE OFFICERS' ASSOCIATION (IGFOA)

### Annual Meeting

Kauai Marriott Resort

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December 4-6, 2012

### 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.

For the past few conferences IGFOA has focused on improving accounting and financial practices in the governments. The current conference presented information about budgeting and how to improve the budget process, reviewed new GASB accounting standards, and exchanged information and best practices on finance office performance measures, cash management, and single audits. 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 2012 IGFOA conference were to:

- Review new GASB accounting principles and standards and develop a plan for the implementation of these principles.
- Exchange information on the latest *Perfometer* analysis.
- Present and discuss best practices in finance office performance improvement, single audit coordination, and cash management.
- Provide training to IGFOA members on budget projections, communicating financial information, and the development of cash management plans.
- Update the performance measurement action plans for finance office operations.
- Build government specific plans to implement new GASB standards, develop strategies for communicating financial information to elected officials, enhance finance office performance measures, and develop cash management plans.

The 24 IGFOA participants represented all of the insular areas, including all FSM states.



Angel Dawson, the Commissioner of Finance from the United States Virgin Islands, and current President of the Island Government Finance Officers' Association, and Nikolao Pula, the United States Department of the Interior's Director of the Office of Insular Affairs, welcomed participants to the conference. Commissioner Dawson commented on the importance of the agenda, highlighting the planned discussion on avoiding the fiscal cliff—both in the US and in many of the territories, including the Virgin Islands. In addition, Commissioner Dawson indicated he was looking forward to updates through various GASB sessions, a productive week, and the opportunity to return home to put things learned into practice. Director Pula commented that work undertaken by each of the participants is very important to each of the governments and the people that each of the participants serve in their home islands. On behalf of OIA, Director Pula expressed his appreciation for this meeting, and the opportunity to attend.

The Honorable Bernard P. Carvalho, the Mayor of Kauai County, welcomed the IGFOA conference to his island and encouraged the participants to take time to get out and see as much of the island as possible. As Mayor, he created the motto 'Grow Kauai responsibly'. The Mayor also established a vision statement for the island that expresses what he hopes to accomplish:

*The Holo Holo 2020 vision calls for all organizations, businesses, residents and visitors on Kaua'i to be part of creating an island that is sustainable, values our native culture, has a thriving and healthy economy, cares for all – keiki to kupuna, and has a responsible and user-friendly local government.*

The Mayor closed by thanking the participants for attending the conference and wishing each of them happy holidays. He ended by serenading everyone with a Hawaiian version of Silent Night.

Luis P. Salaveria, the Deputy Director of Finance, State of Hawaii, delivered the keynote address. In his address Mr. Salaveria talked about the actions his office has taken to streamline and modernize the finance office and operations. To start the transformation process, the office had to build the organizational infrastructure and set up the framework for the changes to be implemented. The keys to their successes were:

- Cabinet-level attention
- Set "Targets"
- Kept a strict routine
- Identified "choke-points"
- Removed barriers...and excuses
- "Shored Up" weak points
- "Started early"
- Communicated, Communicated, Communicated

Prior to the conference, each government was asked to prepare a brief presentation on its progress on the IGFOA sponsored financial improvement activities. During the conference each of the IGFOA member governments presented a summary of the status of their government's single audits and implementation of performance measurement. Although the governments have shown significant and steady progress in both the timeliness and quality of their audits since FY2003, this positive trend ended this year. Last year, ten of the eleven governments completed their audits by June 30. This year only six of the eleven governments issued their audits timely. Similar to last year, six of the governments are expecting unqualified audits.

The governments' status updates reflected the progress they are making in collecting performance measures, but also showed progress is decidedly mixed. The finance offices have made significant progress in timely bank reconciliations, some progress in reducing outstanding travel advances and fixed asset inventory, and minimal progress in cash management plans and days to process invoices.

In a general discussion after the government presentations, IGFOA members agreed the performance measurement project continued to progress slowly, but it was very important and forced them to focus on improving some of their core business processes. They also agreed to consider adding additional measures to be monitored in the project.

Ms Debbie Milks made a brief presentation on the fiscal problems being faced by government entities on the mainland. She noted that a record number of US cities are experiencing a fiscal crisis and have had to take drastic actions to reduce their budget deficits. Central Falls, Rhode Island, has slashed pensions of police and fire retirees by 55%. Vallejo, California, has cut pay, health care, and other benefits, city services, and payments to bondholders. Joliet, Illinois has increased property taxes by 12%, hiked water and sewer rates by 45%, and cut police and other public sector jobs. Ms. Milks discussed what the fiscal crisis looks like in the islands and led a discussion among a panel of island finance officers to consider what steps they have taken, or could take, to address their budget deficits.

Mr. Frank Crawford gave an update on the accounting standards being implemented and under review. He noted that FY2012 is a relatively quiet year for implementing new standards, but FY2013 will see the application of four new standards. Mr. Crawford discussed four standards being implemented and one under discussion and review. These new standards 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



- Statement 66—Technical Corrections—2012, an amendment of GASB Statements No. 10 and No. 62
- GASB's Preliminary Views on Fiscal Sustainability Project

Standards 60, 61, and 62 become effective September 30, 2013, while Standard 66 becomes effective September 30, 2014.

Mr. Crawford then discussed two additional standards currently being implemented. These standards are GASB-63, Reporting Deferred Outflows, Deferred Inflows and Net Position, and GASB-65, Items Previously Recognized as Assets and Liabilities. The standards result from changes to Concepts Statement 4, which identified two elements that make up a financial position, assets and liabilities. The new standards define five components of a financial position:

- Assets
- Liabilities
- Deferred outflows of resources
- Deferred inflows of resources
- Net position

These definitions differ from Statement 34 which only identifies assets, liabilities, and net assets. The new terms and concepts are defined 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
  - ◆  $\text{Net position} = \text{assets} + \text{deferred outflows} - \text{liabilities} - \text{deferred inflows}$

Mr. Crawford then presented two more standards impacting the island governments. GASB Statements 66 and 67 will require pension plans and employers to include their pension liabilities in their financial statements. The standard having the greatest impact

on the island governments is GASB-67 on pensions. The standard puts the entire pension liability (unfunded actuarial accrued liability, UAAL) on the financial statement. Thus, for example, Guam's total unrestricted net asset deficit would go from \$500 million to about \$2 billion just due to this change. (Guam's UAAL is \$1.5 billion.)

The effective dates for the standards are:

- GASB Statement 67 – Implement for periods beginning after June 15, 2013
- GASB Statement 68 – Implement for periods beginning after June 15, 2014

The major changes to defined benefit plans is that unfunded net pension liability will now be reported on the Statement of Net Position.

Frank Crawford explained the concepts behind the Performer, how the Performer measures are computed and combined, and what the measures mean. The Performer measures the financial health and success of a government by using financial ratios from the financial statements. He then presented each government's Performer and helped interpret the results. In general, the governments' Performer scores stayed fairly stable, with most changes being rather small. Of note, however, Guam's Performer score increased more than a point, while Kosrae and Pohnpei experienced declines of more than one point.

Mr. Crawford also went over the A.F.T.E.R. Analysis for each government. The A.F.T.E.R. Analysis is an analysis of the status of audit findings, the timeliness of the submission of the audit, and the resolution of certain audit exceptions. The analysis can be used to track a government's progress towards eliminating its most significant findings and exceptions, along with tracking the timeliness of submitting the audits to the Federal Clearinghouse. The A.F.T.E.R. analysis indicated that the governments continue to make progress or hold steady with their audit and audit resolution processes. The biggest concern was the increase in the number of audits not being completed in a timely manner.

Ms. Milks presented a summary of the single audit findings from all the governments. She noted the governments are continuing to show improvement in the number of financial statement qualifications. The finance officers have the most direct control over the types of issues that result in financial report qualifications and they continue to address those issues. Six of the eleven governments have unqualified financial statements. The trend line for qualifications related to component units corresponds to the reduced trend in financial qualifications.

Ms. Milks also mentioned that qualifications related to the single audit relate to programmatic issues which are more difficult for the finance officers to address directly.



The number of federal program qualifications remains stubbornly high and is an area where IGFOA members should apply their collective wisdom to resolve the issues.

The most disturbing trend is the number of late reports. Ms. Milks cautioned the group against falling into the trap of being “continually” audited as it draws away from scarce resources in the finance offices and financial results are too critical to delay beyond the required deadlines.

Ms. Milks then made a presentation on cash management and how the governments can address the cash management findings in their audits. Since FY2005 almost every IGFOA government has had audit findings related to cash management. The findings indicate that the island governments do not have comprehensive cash policies and procedures and are at fault for violating the federal restrictions against holding federal cash for an “excessive” period of time (generally assumed to be more than three days). Ms. Milks discussed the types of documentation necessary to resolve the lack of procedures and which, if followed, should resolve their cash management findings. The necessary pieces include:

- A written cash management policy (which may already be included in a government’s Financial Management Act),
- Written cash procedures which include at a minimum: deposit procedures, disbursement procedures, federal grant drawdown and disbursement procedures, and bank reconciliation procedures,
- Documented cash management monitoring checklist,
- Documented federal grant clearance pattern, and
- Treasury State agreement (required for flag territories).

Marina Tinitali, Accountability and Insular Policy Specialist, DOI/OIA, provided a brief update of the latest news at OIA. She thanked the IGFOA participants and their governments for the hard work they do throughout the year and their responsiveness to OIA. Ms. Tinitali thanked those governments that completed their audits timely and expressed her great appreciation for their efforts. For those governments that did not complete their audits on time, she thought they needed to communicate better with OIA so OIA knows how to assist them in meeting the deadlines. OIA hopes to receive reports from the RMI and Palau before the end of the year. OIA has identified some serious problems and is concerned about the reliability of the information it is receiving. OIA hopes that the new administrations will bring in people that understand the systems for accounting.

Nikolao Pula, the United States Department of the Interior’s Director of the Office of Insular Affairs, closed the conference by thanking the participants for coming to the

conference and for their dedication and commitment during the sessions. Mr. Pula expressed his appreciation for the opportunity attend the conference and be with the participants. He thought it was a good week and he congratulated the participants and staff for their contributions. He asked the finance offices to figure out their own needs, to conduct their own assessments. OIA needs to know what the needs are—capacity building or otherwise. OIA recognizes that people are working hard in the islands but they are not always efficient. Mr. Pula ended by saying, "Please, take opportunities like this conference, and go home and assess yourself and decide how you can improve your work ethic and efficiency for the people we all serve. Ask more questions; tell success stories. Thank you all for your hard work."

Angel Dawson, the Commissioner of Finance from the United States Virgin Islands, and President of the Island Government Finance Officers' Association, thanked Director Pula for the fruitfulness of the meeting and his participation with IGFOA. Commissioner Dawson also thanked the Graduate School and the facilitators for their work during the week and their continued involvement with the island governments. He noted the very strong guest speakers who shared very valuable information. He encouraged the IGFOA members to share what they learned at the conference with their employees at home. He stressed that Mr. Pula struck a real chord when talking about permanent improvements that will survive our transitory work. He challenged IGFOA to make its legacy the processes and procedures put into place to make the finance offices current. He concluded, "Accomplishing this would be the best way of expressing our appreciation.....it's not enough to say thank you, but we need to do what we need to do so that we can all be proud of the progress we've made in the region."

At the end of the conference, participants completed an evaluation rating the conference on several dimensions and providing comments to open-ended questions. On the key evaluative dimensions, the participants rated the conference extremely highly. On a scale of 1 - 5, with 5 being the highest score and 1 being the lowest score, the average overall rating was 4.7. The narrative comments about the conference were equally positive. Participants found all of the sessions to be relevant, informative, and useful, and particularly liked the sessions on cash management and GASB standards.



**CONFERENCE REPORT**  
**ISLAND GOVERNMENT FINANCE OFFICERS' ASSOCIATION (IGFOA)**  
**Annual Meeting**  
**Kauai Marriott Resort**  
**Kauai, Hawaii**  
**December 4-6, 2012**

**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 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.

At recent conferences IGFOA has focused on improving accounting and financial practices in the governments and the implementation of new government accounting standards. The current conference presented information about budgeting and how to improve the budget process, reviewed new GASB accounting standards, and exchanged information and best practices on finance office performance measures, cash management, and single audits. The conference reviewed the governments' progress with some of the key on-going initiatives to improve operational performance—the Audit Improvement Project, the development and application of finance office performance measures, and use of the Performer. (See Appendix A for the complete conference agenda). Luis P. Salaveria, Deputy Director of the Department of Budget and Finance, State of Hawaii, gave the keynote address, "State of Hawaii Financial Governance Transformation". In his address he recounted how the State of Hawaii Office of Budget and Finance has begun the process of streamlining and modernizing its operations to make them more efficient, affective, and customer-focused.

## CONFERENCE GOALS

The IGFOA Executive Committee built the agenda for the conference based on input solicited from IGFOA members, feedback from the last conference, and current issues facing government accounting. The goals of the December 2012 IGFOA conference were to:

- Review new GASB accounting principles and standards and develop a plan for the implementation of these principles.
- Exchange information on the latest *Perfometer* analysis.
- Present and discuss best practices in finance office performance improvement, single audit coordination, and cash management.
- Provide training to IGFOA members on budget projections, communicating financial information, and the development of cash management plans.
- Update the performance measurement action plans for finance office operations
- Build government specific plans to implement new GASB standards, develop strategies for communicating financial information to elected officials, enhance finance office performance measures, and develop cash management plans.

The 24 IGFOA participants represented all of the insular areas, including all FSM states. (See Appendix B for the Participant List.)

## WELCOMING REMARKS

Angel Dawson, the Commissioner of Finance from the United States Virgin Islands, welcomed participants as the President of the Island Government Finance Officers' Association. Commissioner Dawson especially welcomed the Mayor of Kauai, Bernard Carvalho, Jr., and the Director of the Department of the Interior's Office of Insular Affairs, Nikolao Pula. Commissioner Dawson commented on the importance of the agenda, highlighting the planned discussion on avoiding the fiscal cliff—both in the US and in many of the territories, including the Virgin Islands. In addition, Commissioner Dawson indicated he was looking forward to updates through various GASB sessions, a productive week, and the opportunity to return home to put things learned into practice.

Nikolao Pula, the United States Department of the Interior's Director of the Office of Insular Affairs, also welcomed participants—both old friends and new faces. Director Pula commented that work undertaken by each of the participants is very important to each of the governments and the people that each of the participants serve in their home islands. On behalf of OIA, Director Pula expressed his appreciation for this



meeting, and the opportunity to attend. About a month ago, Director Pula and Assistant Secretary Babauta met with representatives of the CNMI government to address fiscal issues, supported by staff and consultants from the Graduate School USA. Similarly, Director Pula visited Chuuk late last month, to address education issues there. In American Samoa, an election was recently completed, and they are in the midst of transition—with regard to finance, budgets, and their administration. He stresses that the participants are engaged in very important work.

Director Pula commented on a prayer he recently heard from a twelve year old girl, who prayed that she could take the things she learned today and apply it to her regular life. These meetings are windows of opportunities to learn, which he hopes will be utilized and applied to the lives of each of the participants. We, as both governments and individuals, need to achieve fiscal independence, and we need to apply the things we learn this week into our everyday lives. Finally, Director Pula indicated that, despite the fact that he lives on the East Coast, his heart remains in the islands, as his career reflects. Island governments are often in financial trouble, and people like those gathered at IGFOA—people that care about their islands—are needed to be part of the solution.

The Honorable Bernard P. Carvalho, the Mayor of Kauai County, welcomed the IGFOA conference to his island and encouraged the participants to take time to get out and see as much of the island as possible. As Mayor, he created the motto 'Grow Kauai responsibly'.

The Mayor also established a vision statement for the island that expresses what he hopes to accomplish:

*The Holo Holo 2020 vision calls for all organizations, businesses, residents and visitors on Kaua'i to be part of creating an island that is sustainable, values our native culture, has a thriving and healthy economy, cares for all – keiki to kupuna, and has a responsible and user-friendly local government.*

He has started 38 projects to deliver on this vision. Each project is assigned to a department for implementation and each project has been “branded” for awareness, exposure, and accountability. (For information on each of these projects and their current implementation status, see Appendix C.)

The Mayor closed by thanking the participants for attending the conference and wishing each of them happy holidays. He ended by serenading everyone with a Hawaiian version of Silent Night.

## KEYNOTE ADDRESS - "STATE OF HAWAII FINANCIAL GOVERNANCE TRANSFORMATION"

Luis P. Salaveria, the Deputy Director of Finance, State of Hawaii, delivered the keynote address. In his address Mr. Salaveria talked about the actions his office has taken to streamline and modernize the finance office and operations. To start the transformation process, the office had to build the organizational infrastructure and set up the framework for the changes to be implemented:

- A New Day...
  - ◆ Creating better alignment of financial functions throughout the State
  - ◆ Establishment of a “Chief Financial Officer” governance structure
- Survey the Environment
  - ◆ Current processes
  - ◆ Tools and Resources
  - ◆ Human Capital
- Execute and be accountable
  - ◆ Setting the foundation for transformation
- Putting plans into action
  - ◆ Treasury Deposit Receipts (eTDR)
  - ◆ Fulfill our responsibilities (CAFR & Audits)
  - ◆ Contemporize financial resources (ERP and Workforce)

The finance functions were analyzed and simplified into four major processes:

- Planning—make priorities clear
- Revenue—make forecasts realistic
- Expenditure—ensure expenditures are controlled
- Accounting—ensure recordkeeping is accurate

In addition, the Governor created a Chief Financial Officer (CFO) type of function (though no position was established). The CFO provided leadership, oversight, and coordination for the Offices of Budget and Finance, Taxation, Human Resources Development, and Accounting and General Ledger.

The finance staff surveyed many of key processes to identify bottlenecks, duplication of efforts, and inefficient processes. These opportunities for improvement were then prioritized and projects were started to resolve the highest priority areas. For each project, to lay the foundations for success, they would:

- Give projects a leadership point-of-contact
- Set very high standards and goals
- Identify “Champions” in the workforce
- Automate where it made sense
- Reduce duplication of effort
- Eliminate chances for error
- Be honest with ourselves
- Be gentle, but...Just Do It!

As an example, the improvement process reduced the time to produce the CAFR from 20 months to just seven months.

The keys to their successes were:

- Cabinet-level attention
- Set “Targets”
- Kept a strict routine
- Identified “choke-points” (OPEB)
- Removed barriers...and excuses
- “Shored Up” weak points
- “Started early”
- Communicated, Communicated, Communicated

The next step in the transformation is to procure and implement an ERP. They intend to take a patient and methodical approach. Some of their key principles for the effort are:

- Leadership is the key
- It’s not an IT project
- ERP is a business-driven process
- Planning for ERP is a critical success factor
- Implementation – “eye on the details”
- Understand that this is an on-going process

Future steps in the transformation are to:

- Continue to advance workforce competencies and capabilities
- Still keep a focus on foundational aspects of the business
- Bring in new tools



- ◆ Six-Sigma
- ◆ Project-based Teams
- ◆ New technology
- Create “Wins”

(See Appendix D for the slides from the "State of Hawaii Financial Governance Transformation presentation.)

## GOVERNMENT UPDATES

Prior to the conference, each government was asked to prepare a brief presentation on its progress on the IGFOA sponsored financial improvement activities. During the conference each of the IGFOA member governments presented a summary of the status of their government's single audits and implementation of performance measurement. (The slides for each government's presentation are in Appendices E-1 through E-10.)

### *Status of Single Audits*

Although the governments have shown significant *and* steady progress in both the timeliness and quality of their audits since FY2003, this positive trend ended this year. Last year, ten of the eleven governments completed their audits by June 30. This year only six of the eleven governments issued their audits timely (see Table 1 below).

 ISLAND GOVERNMENT FINANCE OFFICERS' ASSOCIATION		
<b>Timely Completion of the FY11 Audit</b> Status as of December 2012		
	AMERICAN SAMOA	✗ Issued July 2012
	CNMI	✗ Estimated March 2013
	FSM: NATIONAL	✓
	FSM: KOSRAE	✓
	FSM: POHNPEI	✓
	FSM: CHUUK	✓
	FSM: YAP	✓
	GUAM	✓
	MARSHALL ISLANDS	✗ Estimated January 2013
	PALAU	✗ Estimated December 2012
	US VIRGIN ISLANDS	✗ Estimated March 2013

Similar to last year, six of the governments are expecting unqualified audits (see Table 2). Two other governments have only one qualification and one government has two qualifications. The number of qualifications on the financial statement and from component units continues to fall, while the number of federal program qualifications remained fairly steady.

 ISLAND GOVERNMENT FINANCE OFFICERS' ASSOCIATION		
FY11 Unqualified Financial Audit Reports		
Status as of December 2012		
	AMERICAN SAMOA	2 Qualifications
	CNMI	NO (not yet issued)
	FSM: NATIONAL	YES
	FSM: KOSRAE	YES
	FSM: POHNPEI	YES
	FSM: CHUUK	1 Qualification
	FSM: YAP	1 Qualification
	GUAM	YES
	MARSHALL ISLANDS	YES (in draft)
	PALAU	YES (in draft)
	US VIRGIN ISLANDS	NO (not yet issued)

The participating governments discussed their plans to address both the timeliness and quality issues. The finance officers remain very aware of the importance of audits and ensuring that their governments are not caught in the perpetual state of audit which comes with the downward cycle of slipping deadlines.

### *Status of Implementation of Performance Measures*

At the December 2011 meeting, the IGFOA participants voted on and agreed to collect 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, and
- Number of days to process an invoice.

Bank reconciliations are one of the most fundamental processes for every finance office. The measure of timeliness is usually 30 days after the receipt of the bank statement. As the data in Table 3 illustrate, the governments are doing a good job of reconciling accounts and are continuing to improve. Seven of the eleven governments are current in their reconciliation processes, and a couple of others are very close to being current.

 ISLAND GOVERNMENT FINANCE OFFICERS' ASSOCIATION		
Are the Bank Reconciliations Timely?		
	December 2012	June 2012
 AMERICAN SAMOA	YES	YES
 CNMI	NO	?
 FSM: NATIONAL	YES	YES
 FSM: KOSRAE	YES	YES
 FSM: POHNPEI	YES	NO
 FSM: CHUUK	YES	YES
 FSM: YAP	YES	YES
 GUAM	YES	YES
 MARSHALL ISLANDS	All but adjustments	Getting Closer
 PALAU	?	YES
 US VIRGIN ISLANDS	Very close	NO

Most of the island governments (the exception being the USVI) issue a fairly substantial dollar amount of individual travel advances for travel funded by federal grants. Since the expenditure for the travel should not be recorded until the traveler has filed an expense report, the governments lose federal funds when grants expire and advances are still outstanding. The governments have started to show some progress towards managing these advances (see Table 4), but still have a ways to go until cash advances are current.



ISLAND GOVERNMENT FINANCE OFFICERS' ASSOCIATION			
Are Travel Advances Current?			
% of advances over 30 days old			
	December 2012	June 2012	Progress
AMERICAN SAMOA	Not reported	52%	→
CNMI	?	?	?
FSM: NATIONAL	94%	91%	↓
FSM: KOSRAE	53%	33%	?
FSM: POHNPEI	84%	71%	↓
FSM: CHUUK	41%	37%	↓
FSM: YAP	Amt over 60 days \$56K	91%	↑
GUAM	% of all advances outstanding, not aged	70%	↑
MARSHALL ISLANDS	not reported	not reported	?
PALAU	?	56%	?
US VIRGIN ISLANDS	n/a	n/a	n/a

Most of the governments have a bi-annual requirement for completing a fixed asset physical inventory. (The USVI Department of Finance has no control over the Department of Property and Procurement which is tasked with the physical inventory. The alternative measurement proposed by the USVI is to ensure that all new assets are properly added to the new fixed asset module in their FMIS.) Although the governments have made significant progress in conducting their fixed asset inventories and four of the eleven governments are current (see Table 5), much more work needs to be done to bring all of the governments into compliance.

ISLAND GOVERNMENT FINANCE OFFICERS' ASSOCIATION			
Is the fixed asset physical inventory current ?			
	December 2012	June 2012	FY11 Audit Finding?
AMERICAN SAMOA	YES	63%	Y
CNMI	NO	NO	Y
FSM: NATIONAL	80%	20%	Y
FSM: KOSRAE	YES	0%	N
FSM: POHNPEI	YES	43%	Y
FSM: CHUUK	Partial (FY10 & 11 additions)	Partial (small sectors)	Y
FSM: YAP	YES	70%	N
GUAM	NO (March '13)	NO	Y
MARSHALL ISLANDS	NO (June '13)	On target	Y
PALAU	?	NO	Y
US VIRGIN ISLANDS	NO	NO	Y (FY09)

Since FY2005 almost every IGFOA government has had audit findings related to cash management. The findings indicate that the island governments do not have comprehensive cash policies and procedures and are at fault for violating the federal restrictions against holding federal cash for an “excessive” period of time (generally assumed to be more than three days). To help the governments address this issue and improve their cash management processes, IGFOA has started to monitor progress on the development of cash management plans (see Table 6). As the data indicate, the governments have a significant opportunity for improvement in this area.









ISLAND GOVERNMENT FINANCE OFFICERS' ASSOCIATION

Does the government have a documented, comprehensive cash management plan?

December 2012

June 2012

	AMERICAN SAMOA	+	+	Submitted Treasury State Agreement
	CNMI	?	×	Treasury State agreement late
	FSM: NATIONAL	×	×	
	FSM: KOSRAE	×	×	
	FSM: POHNPEI	×	×	
	FSM: CHUUK	×	×	Has a plan to ensure payroll is covered
	FSM: YAP	×	×	
	GUAM	+	×	Treasury State agreement late, but submitted
	MARSHALL ISLANDS	×	×	
	PALAU	?	×	Has a cash forecasting model
	US VIRGIN ISLANDS	+	+	Submitted Treasury State Agreement

Processing invoices is one of the most basic and core processes in finance offices. Measuring the number of days to process an invoice can be difficult for some of the offices, however. IGFOA agreed that the number of days would be measured from the date of the invoice to the date of the check, but the dates could vary due to late submission of the invoice from the vendor (well after the invoice date). The measure was narrowed from the original agreement to include only those invoices which are paid with federal funds, since availability of cash would not be a factor in the process. Most of the offices have established targets between 3 and 5 days. As the data in Table 7 show, the results are mixed. Many governments did not measure and/or report these data. For those that did report data, some seemed to meet their target and some did not, while some governments improved their performance over the past six months and others did not. Given the importance of this process and the very uneven results observed, IGFOA members decided to continue to collect and report these data hopefully in a more effective and complete manner.

ISLAND GOVERNMENT FINANCE OFFICERS' ASSOCIATION		
# days to process an invoice paid with federal funds		
	December 2012	June 2012
 AMERICAN SAMOA	3-5 days	16 days
 CNMI	3-5 day target— actual results not measured	
 FSM: NATIONAL	14 days	Not reported
 FSM: KOSRAE	Not reported	3 days
 FSM: POHNPEI	30 days	11 days
 FSM: CHUUK	Not reported	5 days with 66% compliance
 FSM: YAP	Not reported	Not reported
 GUAM	1.67 days	5 days
 MARSHALL ISLANDS	14 days	Not reported
 PALAU	Not reported	3-5 days
 US VIRGIN ISLANDS		

In a general discussion after the government presentations, IGFOA members agreed the performance measurement project continued to progress slowly, but it was very important and forced them to focus on improving some of their core business processes. They also agreed to consider adding additional measures to be monitored in the project.

## AVOIDING THE FINANCIAL CLIFF: APPROACHES TO RATIONAL BUDGETING AND DECISION MAKING

Ms Debbie Milks made a brief presentation on the fiscal problems being faced by government entities on the mainland. She noted that a record number of US cities are experiencing a fiscal crisis. Central Falls, Rhode Island, has slashed pensions of police and fire retirees by 55%. Vallejo, California, has cut pay, health care, and other benefits, city services, and payments to bondholders. Joliet, Illinois has increased property taxes by 12%, hiked water and sewer rates by 45%, and cut police and other public sector jobs.

Michigan's Local Government Fiscal Accountability Act authorizes the state government to provide oversight of municipalities. If the local elected officials and government employees can not exercise fiscal prudence, then the state will intervene. The law allows the state to perform a preliminary review to assess a local jurisdiction's financial condition. Some of the conditions they look for are:

- Default in the payment of principal or interest of bonded obligation
- Failure to transfer to appropriate authorities any of the following:
  - ◆ Employee taxes
  - ◆ Taxes collected for another government
  - ◆ Pension or retirement contribution
- Failure for 30 days or more to pay wages or compensation
- Accounts payable exceeding 10% of total expenditures
- Failure to eliminate any fund deficit within two years
- 10% or greater operating general fund deficit

Ms. Milks rhetorically asked, 'What does the fiscal cliff look like in the islands?'

- RIFs and early retirement schemes
- Avoiding payment to autonomous agencies (education, hospital, retirement, utilities)
- Issuing debt to cover operating costs
- "Borrowing" federal funds to cover general fund expenditures
- Poorly providing essential services
- Inability to cover liabilities for payroll, tax refunds, pensions and vendors (especially off island vendors)
- Across the board cuts without regard for core government services

She then asked, 'How do you know you have a crisis?'

- Check your Performer score!!
- Cash flow
  - ◆ Check the due to/from balances
  - ◆ Quick ratio
- Mounting deficits and no deficit reduction program
- Unrealistic budget assumptions
  - ◆ Over estimating revenues
  - ◆ Ignoring fixed costs (payroll liabilities, utilities)
  - ◆ Overspent budgets
- "Emergency" purchases
- Budget overrides



Finally, she wanted to know, 'How do you communicate the issue to your Governor and Legislature?'

- How much time do you have to explain the financial status?
- Focus on the most critical issues
- Use pictures or graphs instead of tables and narrative
- Use benchmarks and comparatives
- Put numbers in perspective
- Note trends
- Create a sense of urgency without sounding hysterical

Ms. Milks closed by noting that the finance offices often know the severity and urgency of the fiscal problems, but have been unable to convince elected officials of the magnitude of the problem. She quoted two government leaders from the mainland:

*"No one likes to see their authority taken away. But it's important to note that oftentimes it was the elected officials who were the ones unable or unwilling to address financial problem before they got to crisis stage."*

--Terry Stanton, information officer for Michigan's Department of the Treasury

*"So often politicians do not look long term; they are just looking to push the buck or the can down the road until they won't be responsible"*

--Daniel Miller, the city controller of Harrisburg, PA

(See Appendix F for the slides from Ms. Milks' presentation.)

## **PANEL DISCUSSION: BEST PRACTICES FOR RATIONAL BUDGETING AND DECISION MAKING AND COMMUNICATING FINANCIAL CONSEQUENCES TO ELECTED OFFICIALS**

Many of the island governments represented in IGFOA are perilously close to their own fiscal cliffs. Ms. Debbie Milks moderated a panel to discuss what actions the governments have taken, or can take, to avoid the fiscal cliff. Panel members were:

- Deborah Gottlieb, Director, Office of Management and Budget, USVI
- Katherine Kakigi, Financial Manager, Department of Administration, Guam
- Evelyn Adolph, Director, Office of Statistics, Budget, and Economic Management, Overseas Development Assistance, and Compact Management (SBOC)
- Dennis Momotaro, Minister of Finance, Republic of the Marshall Islands
- Ernesto Pasion, Kauai County Public Auditor

Ms. Gottlieb, from the US Virgin Islands, offered the following comments:

- The VI tries to communicate financial consequences to elected officials. VI has a financial team that's comprised of the chief of staff for the governor, director of budget, commissioner of finance, director of personnel, director of economic research, chief negotiator, and from lieutenant governor's office. The financial team review cash flows, budgeted amounts, expenditures, and communicates to the legislature.
- Try to present a "full scale" picture—beginning of the year at start of process, periodic updates, and wrap-up at the end of the process.
- Senate doesn't always share their revenue projection; it sometimes modifies them and comes up with its projections. The Senate is sometimes unresponsive on the budget and proposed budgetary/financial/spending changes.
- We go to the Senate as often as requested to provide a full presentation.
- We also alert the Chamber of Commerce, union representatives, others.
- We know that we have a new upcoming challenge, in that the majority of our Senate members (8 of 15) are newly elected.
- The new Senate will need to deal with many major budgetary issues. We want to borrow in the short term for working capital purposes. We want to try to generate sufficient revenues to fix the pension system, although we were not able to do this. The borrowing got us through 2009, 2010, and 2011, and recommended a course of action to bring expenditures in line with revenues. We had been working on attrition, not filling vacant positions, controlling expenses. But we need to deal with the size of our workforce.
- Workforce has been cut by 22% (about 600 employees). We recommended outright dismissal...ended up with an across-the-board reduction of 8%. Voluntary early retirement included a \$10,000 buy-out. Other employees increased their contributions to their retirement services by an additional 3%.
- Over a period of year, we convinced the Senate to increase the gross receipt tax by 1%.
- The ERP system provides direct access to financial information.
- Overtime is consistently overspent—especially police, fire, hospitals, bureau of corrections, and utilities.
- The VI is having an energy crisis as a result of the closing the Havenza refinery within the island. The USVI government has an approximately \$700 million

budget. Closing of Havenza directly impacted budget by \$100 million, and indirectly, with loss of jobs and impact on schools, closer to \$150 million.

Kathy Kakigi, from the Government of Guam's Department of Administration, shared some of her observation about their financial situation:

- Areas that have made a positive impact on finances start with this administration. Budget deficit had grown to \$500 million. Guam now has a CFA (a CFO-type of position). The CFA created a team consisting of key personnel tasked with addressing the deficit. They developed a cash-flow model that, for the first time, included prior year obligations, thus giving a more complete (and direr) picture of the government's finances.
- Cash-flow model had not been done before. In addition to the General Fund, an additional 100 funds are comingled with the General Fund. Cash flow model showed both expected inflows (revenue and receipts) and outflows (budget). Prior obligations have always been missing from this equation, thus prior year obligations would never get paid.
- The model convinced the legislature to issue a bond to pay off some prior year obligations. This was a big step to address the deficit.
- Disagreement between the Governor's office and Legislature, especially as Legislature requests reports, can be very disruptive to the finance office. There are lots of politics in the budget process.
- The Senate added a requirement to reduce the budget by an additional \$14 million.
- New administration changed the pay scale to revert back to a previous pay scale. The administration also froze increments, and the government and cabinet volunteered a 10% salary reduction and cut holiday pay from double time to time-and-a-half.
- Guam is currently considering a "spending cut" bill, which recommends an early retirement.
- The finance office provides monthly cash balances for all cash accounts, but one of the Senators wants direct access to GovGuam's cash accounts (bank accounts).

Dennis Momotaro noted that in the Republic of the Marshall Islands:

- They face many challenges regarding reforms. Currently going through SOE (State Owned Enterprise) reforms, since they've been losing money for the government and requiring government subsidies.

- The government is implementing a VAT (value added tax) and is going through fiscal reforms intended to cut the deficit and make the RMI's finances more sustainable.
- The government has a long-standing attitude of kicking arrears to "the next guy." Many arrears currently need to be dealt with.
- Occasionally, the Cabinet will demand that Finance come up with money to pay for equipment, or programs, or projects that are not currently budgeted.
- Timeliness at work is an ongoing problem. We now have fingerprint timecards to help address this.
- An IT specialist has installed a firewall to prevent employees from accessing Facebook and games online while at work.
- The RMI budget for next year will increase from \$132 million to \$144 million, as a result of:
  - ◆ A \$5 million ADB loan
  - ◆ Increased tax collections
  - ◆ A grant from the World Bank for \$30 million
- The financial question most often asked by elected officials is to have money for projects, even though they are not budgeted and there is no money in the general fund to pay for them.

Evelyn Adolph from the FSM shared her experiences with the FSM National Government and the states:

- The FSM has much tension between the Executive and Legislative Branches of government around the budget and finances.
- The transition from Compact I to Compact II created significant financial problems for the FSM.
- Kosrae and Chuuk went through fiscal reform that helped to reduce their deficits, but required layoffs, early retirements, and reductions in services.
- Trust fund savings are intended to subsidize operations.
- The current Compact ends in 10 years, which gives the FSM some time to get its financial house in order and prepare to be financially independent.
- FSM has potential exposure to an unfunded liability from the national social security system.
- Congress attempts to hold funding level with prior years but does not account for inflation with such required expenditures as utilities.



- The National Government has no financial pressures, but the states are experiencing significant pressures.
- There have been credibility issues with revenue projections at the National level.
- The FSM wants to include all grants in its budget process, improve its planning processes, and get away from so much ad hoc budgeting and spending.

Ernesto Passion, the Kauai County Public Auditor, made these comments about his experience with public sector budgeting:

- He previously served as a CFO for a private company in Chicago before moving to Honolulu.
- When doing budgets, agencies always need to do projections of what will be done the following year. Government needs to be careful about how departments create budgets.
- Two tricks in budgeting:
  - ◆ Sandbagging...underestimating expenses until the final months. Take actual for last nine months and project for last three months...make departments explain why.
  - ◆ Padding...by end of FY they end up with under spent funds. Taxpayers are the ones affected.
- Kauai County has not had any deficits. AGA has developed citizen-centric reporting models. In 2010 Kauai had a CAFR that was many hundreds of pages. These are difficult for the taxpayer to understand. With citizen-centric reporting agencies can show results more easily, e.g., Kauai has developed a surplus of \$59 million.
- The citizen-centric report has created a demand to understand the way budgets are being developed. Too often departments are ignoring actual expenses and are under spending each year.
- Kauai reviewed the budget practices recommended by GFOA and used the example of San Diego. They now use a household survey to receive ranking of priority areas where citizens would like to see funding.
- Audit office is now the catalyst for change, adopting GFOA best practices, creating a contingency account for reserves, and use of a project management manual.
- Full funding of OPEB was achieved.
- Kauai agencies track actual against forecast expenditures every month.

## GOVERNMENT ACCOUNTING STANDARDS UPDATES

Mr. Frank Crawford gave an update on the accounting standards being implemented and under review. He noted that FY2012 is a relatively quiet year for implementing new standards, but FY2013 will see the application of four new standards.

Mr. Crawford presented four standards being implemented and one under discussion and review. These new standards 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
- Statement 66—Technical Corrections—2012, an amendment of GASB Statements No. 10 and No. 62
- GASB's Preliminary Views on Fiscal Sustainability Project

Standards 60, 61, and 62 become effective September 30, 2013, while Standard 66 becomes effective September 30, 2014.

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 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.

GASB Statement 66, Technical Corrections—2012, is essentially an amendment of GASB Statements No. 10 and No. 62. It is much like a Windows Services Pack, it updates previous statements. Its intent is to resolve conflicting guidance that resulted from the issuance of two recent pronouncements--Statement No. 54, *Fund Balance Reporting*

*and Governmental Fund Type Definitions and Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*

(For more details about SCAs and GASB Statements 60, 61, 62, and 66, see Appendix G.)

## **GASB'S NEW STATEMENT OF NET POSITION AND RECLASSIFICATION OF ITEMS FORMERLY REPORTED AS ASSETS AND LIABILITIES: STATEMENTS 63 AND 65**

Two other standards impacting the islands are GASB-63, Reporting Deferred Outflows, Deferred Inflows and Net Position, and GASB-65, Items Previously Recognized as Assets and Liabilities. The standards result from changes to Concepts Statement 4, which identified two elements that make up a financial position, assets and liabilities. The new standards define five components of a financial position:

- Assets
- Liabilities
- Deferred outflows of resources
- Deferred inflows of resources
- Net position

These definitions differ from Statement 34 which only identifies assets, liabilities, and net assets. The new terms and concepts are defined 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
  - ◆ Net position= assets + deferred outflows – liabilities – deferred inflows

Statement 63 defines these terms, tells how to display each component, and discusses disclosures. Statement 65 explains how to treat items that were previously



assets/liabilities but now need to be considered deferred inflows of resources/deferred outflows of resources.

Statements 63 and 65 are closely related and should be implemented together, if possible. The effective date is for financial statements for periods beginning after December 15, 2012.

(More information about these GASB Statements 63 and 65 can be found in Appendix H.)

### **GASB'S NEW PENSION REPORTING STANDARDS: STATEMENTS 66 AND 67**

GASB Statements 66 and 67 will require pension plans and employers to include their pension liabilities in their financial statements. The standard having the greatest impact on the island governments is GASB-67 on pensions. The standard puts the entire pension liability (unfunded actuarial accrued liability, UAAL) on the financial statement. Thus, for example, Guam's total unrestricted net asset deficit would go from \$500 million to about \$2 billion just due to this change. (Guam's UAAL is \$1.5 billion.)

The effective dates for the standards are:

- GASB Statement 67 – Implement for periods beginning after June 15, 2013
- GASB Statement 68 – Implement for periods beginning after June 15, 2014

The types of plans affected are:

- Defined Benefit Plans
  - ◆ Single employer pension plans
  - ◆ Agent multiple-employer pension plans
  - ◆ Cost-sharing multiple-employer pension plans (Teachers, Public Employee, Law Enforcement, Public Safety, etc...)
- Defined Contribution Plans

The major changes to defined benefit plans are:

- Unfunded net pension liability now reported on the Statement of Net Position (remember GASB Statement 63)
  - ◆ Calculation of net pension liability will likely change
- Calculation of annual pension cost will definitely change
- Note disclosures will increase substantially

For defined contribution benefits, the changes include:

- Pension expense: Amount of contributions or credits to employees' accounts attributable to the employees' services in the period, **net of employee forfeitures**
  - ◆ Forfeited amounts reallocated to other employee accounts should not be considered forfeitures for this purpose
- Pension liability
  - ◆ Difference between amount recognized as expense and amount contributed by employer

(More information about these GASB Statements 67 and 68 can be found in Appendix I.)

## 2011 PERFORMETER AND A.F.T.E.R. ANALYSIS UPDATE

Frank Crawford explained the concepts behind the Performeter, how the Performeter measures are computed and combined, and what the measures mean. The Performeter measures the financial health and success of a government by using financial ratios from the financial statements. Critical to the value of the Performeter scores are the relevance (timeliness) and reliability (accuracy) of the data used to compute the score. The Performeter 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.

Mr. Crawford presented the Performeter scores for each insular government and identified each government's strengths and weaknesses. For most governments, the fiscal year ending September 30, 2010 was not a good year financially. For a few, though, it featured a year of recovery from lower scores in the prior two fiscal years. Although there was no consistent theme for the governments, a few observations could be made:

- Some government's Performeter scores continued to decline as the governments incurred more expense than earning in revenue during the year; other governments featured a combination of cost cuts and revenue enhancements to improve their scores, while others either issued new debts or assumed debts of others.
- Pension plan woes continue for the governments (except ASG).
- Spending patterns changed for most, some for the better, some for the worse.
- Fund balance deficits and net assets deficits increased for some, decreased for others, with a few remaining relatively stable.

There is good news for the governments:

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

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

In general, the governments' Performer scores stayed fairly stable, with most changes being rather small. Of note, however, Guam's Performer score increased more than a point, while Kosrae and Pohnpei experienced declines of more than one point.

The A.F.T.E.R. analysis indicated that the governments continue to make progress or hold steady with their audit and audit resolution processes. The biggest concern was the increase in the number of audits not being completed in a timely manner.

(See Appendix J for the slides from the Performer presentation, and the Performer Summary Scores and A.F.T.E.R. analysis for each government.)

## **SUMMARY OF SINGLE AUDIT RESULTS FOR FY 2010-2011**

The IGFOA group has been actively engaged in tracking the audit improvements of its members since FY2002. IGFOA members recognize that each government is unique and specific audit issues and solutions must be uniquely addressed within each government. However, a consolidated review of audit results for all the governments helps to spot trends and areas where it is beneficial to address issues as a group.

The governments are continuing to show improvement in the number of financial statement qualifications (See Slides in Appendix K). The finance officers have the most direct control over the types of issues that result in financial report qualifications and they continue to address those issues. Six of the eleven governments have unqualified financial statements. The trend line for qualifications related to component units corresponds to the reduced trend in financial qualifications.

Qualifications related to the single audit relate to programmatic issues which are more difficult for the finance officers to address directly. The number of federal program qualifications remains stubbornly high and is an area where IGFOA members should apply their collective wisdom to resolve the issues.

The most disturbing trend is the number of late reports. Ms. Milks cautioned the group against falling into the trap of being “continually” audited as it draws away from scarce resources in the finance offices and financial results are too critical to delay beyond the required deadlines. The Finance Officers should plan with their auditors to ensure that findings are presented quickly so that the finance office can respond and not delay issuance of the audit.

The slides which show the types of findings for the current period and over time indicate that the problem areas have remained fairly constant. The issues which still need resolution include cash management, control over fixed asset inventory and maintenance, reconciliations, and procurement. The IGFOA members selected five performance measures which address cash, fixed assets and reconciliations. By measuring their performance in these areas, the finance offices have an additional incentive to improve their results and remove the finding from their audits.

## **DEVELOPING A CASH MANAGEMENT PLAN**

Since FY2005 almost every IGFOA government has had audit findings related to cash management. The findings indicate that the island governments do not have comprehensive cash policies and procedures and are at fault for violating the federal restrictions against holding federal cash for an “excessive” period of time (generally assumed to be more than three days).

Ms. Milks presented a series of slides (see Appendix L) which described the types of documentation necessary to resolve the lack of procedures and which, if followed, should resolve their cash management findings. The necessary pieces include:

- A written cash management policy (which may already be included in a government's Financial Management Act),
- Written cash procedures which include at a minimum: deposit procedures, disbursement procedures, federal grant drawdown and disbursement procedures, and bank reconciliation procedures,
- Documented cash management monitoring checklist,
- Documented federal grant clearance pattern, and
- Treasury State agreement (required for flag territories).



The IGFOA finance officers agreed to review and compare the templates and examples with their government's current documentation and to complete a tailored cash management package by January 31, 2013.

## FINANCE OFFICE PERFORMANCE MEASURES

As part of the conference action planning effort at the December 2011 meeting, the delegation heads of the IGFOA member governments selected six performance measures to report on quarterly. These measures were:

- Percent completion of the Fixed Asset inventory,
- Percent bank reconciliations completed on time,
- Number of days to process a requisition (modified for only payments using Federal funds),
- Percent reduction in overdue travel advances,
- Percent comparison of estimated to actual revenues, and
- Annual monitoring of the average clearance pattern. (delayed)

The delegates reported on these measures at the June meeting in Chicago and again this December. (Summaries of these measures are presented at in Table ??.) The finance officers were challenged to think about the effect, if any, of measures on their operations. While it is not expected that measuring problem areas in the finance office would be the sole driver for improvement, it would appear that it is a factor in ensuring that the finance office focuses on that area. The finance officers were also challenged to think about how the measures could be presented as part of an overall reporting package, similar to the A.F.T.E.R. analysis in the Performer. At this meeting, no decision was made regarding that option.

As the offices see improvement in these areas, it was decided that the group would add a couple of additional measures to the current list. The following list was presented and voted on by all the participants:

- Number of payroll errors
- Number of hours of training for finance employees
- User/customer satisfaction measures
- Other reconciliations—
  - ◆ vendor advances,
  - ◆ encumbrances,
  - ◆ federal grant receivables

- Revenue collections
- Training provided to user departments
- Number of days after month end to close
- Timeliness of SF425 submissions

The two measures selected to add to the list of performance measures were (1) Reconciliation of federal grant receivables and (2) Timeliness of the SF425 submissions. These measures are not only good indicators of finance office efficiency, but are also of importance to federal grantors. It is expected that the officers will report on the eight measures (including the federal clearance pattern) at the June 2013 meeting in San Francisco.

## DOI OIA UPDATE

Marina Tinitali, Accountability and Insular Policy Specialist, DOI/OIA, provided a brief update of the latest news at OIA. She thanked the IGFOA participants and their governments for the hard work they do throughout the year and their responsiveness to OIA. She noted that over the past one and a half years responsibilities have changed in OIA, which may help explain why almost half of the insular areas did not get their audits completed on time, she did not have the opportunity to nag them about their audits. Ms. Tinitali thanked those governments that completed their audits timely and expressed her great appreciation for their efforts. For those governments that did not complete their audits on time, she thought they needed to communicate better with OIA so OIA knows how to assist them in meeting the deadlines. OIA hopes to receive reports from the RMI and Palau before the end of the year. OIA has identified some serious problems and is concerned about the reliability of the information it is receiving. OIA hopes that the new administrations will bring in people that understand the systems for accounting.

As circumstances change in the DC office, some governments will see some new faces, in Guam, for example. For single audits, Ms. Tinitali will be issuing letters before December 31. She expressed her pleasure in the progress on fixed assets as a performance measure, and asked to be kept informed of how the governments are dealing with fixed asset issues.

For the Inspector General (IG) audits, they completed an audit of the USVI hospital. OIA is working through that audit to determine whether there are areas where the Office can assist. For Guam, the IG is looking at the Guam Power Authority and Public Safety. GAO has begun a new audit of the Compacts for the FSM and RMI as well as monitoring of fraud in the RMI.

## CLOSING REMARKS

Nikolao Pula, the United States Department of the Interior's Director of the Office of Insular Affairs, thanked the participants for coming to the conference and for their dedication and commitment during the sessions. He announced that HHS was about to send a team of doctors and nurses to the CNMI Hospital for 12 weeks.

Mr. Pula expressed his appreciation for the opportunity attend the conference and be with the participants. He thought it was a good week and he congratulated the participants and staff for their contributions. He asked the finance offices to figure out their own needs, to conduct their own assessments. OIA needs to know what the needs are—capacity building or otherwise. OIA recognizes that people are working hard in the islands but they are not always efficient. He understands they are subject to political cycles, but the finance officers need to assess their office to figure out what they really need. Audits have been around forever, but processes and ways to become more effective and efficient are their responsibility, not the Graduate School's. Whether it is an office of one or an office of eight, OIA wants them to take responsibility to improve their own offices.

Mr. Pula said that every day he looks at OIA and tries to determine what he can do to make things better. All the offices are understaffed in many respects, but he asked the finance officers to make coming to this meeting a priority. OIA, the Graduate School, and the consultants derive great satisfaction knowing the finance offices are doing well in their territories and states, and hear they are becoming more efficient and effective. Mr. Pula closed by saying, "Please, take opportunities like this conference, and go home and assess yourself and decide how you can improve your work ethic and efficiency for the people we all serve. Ask more questions; tell success stories. Thank you all for your hard work."

Angel Dawson, the Commissioner of Finance from the United States Virgin Islands, and President of the Island Government Finance Officers' Association, thanked Director Pula for the fruitfulness of the meeting and his participation with IGFOA. Commissioner Dawson also thanked the Graduate School and the facilitators for their work during the week and their continued involvement with the island governments. He noted the very strong guest speakers who shared very valuable information. He encouraged the IGFOA members to share what they learned at the conference with their employees at home. He stressed that Mr. Pula struck a real chord when talking about permanent improvements that will survive our transitory work. He challenged IGFOA to make its legacy the processes and procedures put into place to make the finance offices current. He concluded, "Accomplishing this would be the best way of expressing our appreciation.....it's not enough to say thank you, but we need to do what we need to do so that we can all be proud of the progress we've made in the region."

## CONFERENCE EVALUATION

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

1. The GFOA conference sessions were relevant and timely.  
Score: 4.7
2. The conference's objectives were substantially met.  
Score: 4.5
3. Logistics for bringing participants to and from Kauai were handled satisfactorily.  
Score: 4.7
4. The conference site (hotel) was comfortable and conducive to the meeting.  
Score: 4.6
5. Support services by the Graduate School staff during the conference were handled well and in a timely manner.  
Score: 4.9
6. Overall, this conference of the Island Government Finance Officers' Association (IGFOA) was:  
Score: 4.7

The narrative comments about the conference were equally positive. Participants found all of the sessions to be relevant, informative, and useful, and particularly liked the sessions on cash management and GASB standards.

## APPENDIX A – AGENDA

### Island Government Finance Officers' Association Meeting Agenda December 4 – 6, 2012 Kauai Marriott Resort Kauai, Hawaii

The goals of the December 2012 IGFOA conference are to:

- Review new GASB accounting principles and standards and develop a plan for the implementation of these principles
- Exchange information on the latest *Perfometer* analysis
- Present and discuss best practices in finance office performance improvement, single audit coordination, and cash management.
- Provide training to IGFOA members on budget projections, communicating financial information, and the development of cash management plans.
- Update the performance measurement action plans for finance office operations
- Build government specific plans to implement new GASB standards, develop strategies for communicating financial information to elected officials, enhance finance office performance measures, and develop cash management plans.

#### Monday, December 3<sup>th</sup>

3:00 – 5:00 pm

#### Conference Registration

Registration table located outside the Puna Ballroom

#### Tuesday, December 4<sup>th</sup>

7:00 – 8:15 am

#### Breakfast

Puna Garden Court

8:30 – 9:00 am

#### Welcome

Commissioner Angel Dawson, Commissioner of Finance/IGFOA President, U.S. Virgin Islands

Nikolao Pula, Director, Department of Interior/Office of Insular Affairs



	The Honorable Bernard P. Carvalho, Mayor, Kauai County
9:00 – 9:30 am	<u><a href="#">Review agenda and introductions</a></u> Steve Medlin, Facilitator
9:30 – 10:15 am	<u><a href="#">Keynote Address</a></u> "State of Hawaii Financial Governance Transformation" Luis P. Salaveria, Deputy Director, Department of Budget and Finance, State of Hawaii  Questions and Answers
10:15 – 10:30 am	<u><a href="#">Break</a></u>
10:30 – 12:00 pm	<u><a href="#">Government Updates: Status of Single Audit, Finance Office Performance Measures, and Cash Management Plan</a></u> Moderator: Debbie Milks, CPA  Presentations (10 minutes each): <ul style="list-style-type: none"><li>American Samoa</li><li>Commonwealth of the Northern Mariana Islands</li><li>Federated States of Micronesia</li><li>Chuuk</li><li>Kosrae</li><li>Pohnpei</li><li>Yap</li><li>Guam</li><li>Republic of the Marshall Islands</li><li>Republic of Palau</li><li>U.S. Virgin Islands</li></ul>
12:00 – 12:15 pm	<u><a href="#">Group Photo</a></u>
12:15 – 1:15 pm	<u><a href="#">Lunch (Puna Garden Court)</a></u>
1:15 – 1:45 pm	<u><a href="#">Avoiding the Financial Cliff: Approaches to Rational Budgeting and Decision Making</a></u> Presenter: Debbie Milks, CPA
1:45 – 3:00 pm	<u><a href="#">Panel Discussion: Best Practices for Rational Budgeting and Decision Making and Communicating Financial Consequences to Elected Officials</a></u> Panelists: <ul style="list-style-type: none"><li>Deborah Gottlieb, Director, Office of Management and Budget, USVI</li><li>Katherine Kakigi, Financial Manager, Department of Administration, Guam</li></ul>

Evleyn Adolph, Director, SBOC, Federated States of  
Micronesia  
Dennis Momotaro, Minister of Finance, Republic of the  
Marshall Islands  
Ernesto Pasion, Kauai County Public Auditor

Questions and Answers

**3:00 – 3:15 pm**

**Break**

**3:15 – 4:00 pm**

**Government Accounting Standards Updates**

Frank Crawford, CPA

**4:00 – 4:45 pm**

**Government Break Out Sessions**

Island specific working groups to develop ideas for avoiding the “fiscal cliff” and communicating financial information to Elected Officials (Puna Ballroom, Kalapaki and Niumalu Rooms)

**4:45 – 5:00 pm**

**Review and Adjourn**

**5:30 – 9:00 pm**

**Trip (Poipu)**

Transportation and Dinner Provided

### **Wednesday, December 5<sup>th</sup>**

**7:00 – 8:15 am**

**Breakfast**

Puna Garden Court

**8:30 – 8:45 am**

**Review results from Tuesday and overview of today's agenda**

Steve Medlin, Facilitator

**8:45 – 10:00 pm**

**GASB's New Statement of Net Position and Reclassification of Items Formerly Reported as Assets and Liabilities: Statements 63 and 65**

Frank Crawford, CPA

**10:00 – 10:15 am**

**Break**

**10:15 – 11:00 pm**

**GASB's New Pension Reporting Standards: Statements 66 and 67**

Frank Crawford, CPA

**11:00 – 12:00 pm**

**Small Group Work**

Ideas for implementing GASB 63-67  
(Puna Ballroom, Kalapaki and Niumalu Rooms)

12:00 – 1:00 pm	<u>Lunch</u> Puna Garden Court
1:00 – 2:15 am	<u>Perfometer Updates</u> Frank Crawford, CPA
2:15 - 3:00 pm	<u>Summary of Single Audit Results for FY 2010-2011</u> Debbie Milks, CPA
3:00 – 3:15 pm	<u>Break</u>
3:15 – 4:15 pm	<u>Developing a Cash Management Plan</u> Debbie Milks, CPA
4:15 – 4:30 pm	<u>Review and Adjourn</u>
4:30 – 6:30 pm	<u>FSM Finance Meeting</u> Facilitator: Debbie Milks

Thursday, December 6<sup>th</sup>

7:00 – 8:15 am	<u>Breakfast (Puna garden Court)</u>
8:30 – 8:45 am	<u>Review results from Wednesday and overview of today's agenda</u>
8:45 – 10:00 am	<u>Finance Office Performance Measures</u> Debbie Milks, CPA
10:00 – 10:15 am	<u>Break</u>
10:15 – 10:30 am	<u>DOI OIA Update</u> Marina Tinitali, Accountability and Insular Policy Specialist, Department of Interior/Office of Insular Affairs
10:30 – 11:30 am	<u>Action planning to address (1) audit improvements, (2) cash management plans (3) accounting standards updates</u> Government Break-Out Groups (Puna Ballroom, Kalapaki and Niumalu Rooms) Facilitators: Steve Medlin and Debbie Milks
11:30 – 12:15 am	<u>Report out: Government specific action planning</u>
12:15 – 1:15 pm	<u>Working Lunch</u>

1:15 – 2:00 pm

Conference Wrap-up

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

2:00 pm

Adjourn

## **APPENDIX B - PARTICIPANT LIST**

### **Island Government Finance Officers' Association (IGFOA) Meeting**

**December 4 – 6, 2012**

**Kauai Marriott Resort**

**Kauai, Hawaii**

### **PARTICIPANT LIST**

#### **U.S. Virgin Islands**

Angel Dawson, Commissioner, Department of Finance

Deborah Gottlieb, Director, Office of Management and Budget

#### **CNMI**

Sheryl Sizemore, Grants Administrator, Office of Grants Management

#### **Guam**

Kathrine Kakigi, Financial Manager, Department of Administration

Tom Paulino, General Accounting Supervisor, Department of Administration

Adelia San Nicolas, Accountant, Department of Administration

#### **Republic of Palau**

Ruth Wong, Business Office Manager, Palau Public Utilities Corporation

#### **American Samoa**

Carri-Lee Magalei, Senior Accountant, Department of Treasury

Levi Reese, Chief Accountant, Department of Treasury

#### **FSM National Government**

Kensley Ikosia, Secretary, Department of Finance

Juliet Jimmy, Assistant Secretary for the National Treasury

Evleyn Adolph, Director, Office of Statistics, Budget and Economic Management,

Overseas Development Assistance, and Compact Management (SBOC)

Angie Lambert, Administrative Officer, Department of Finance and Administration.



**Chuuk State**

Kathy Sound, Chief of Finance, Department of Administration  
Perez Graham, Director of Budget

**Kosrae State**

Tiser Reynold, Director, Office of Administration and Finance

**Pohnpei State**

Thomas Pablo, Director, Department of Treasury and Administration  
Andrew Joseph, Chief of Accounting, Department of Treasury and Administration  
Francine Poll, Assistant Chief, Department of Treasury and Administration  
Christina Elnei, Budget Director, Department of Treasury and Administration

**Yap State**

Robert Fathaltamanbay, Chief of Finance  
Pius Talimeisei, Chief of Budget

**Republic of the Marshall Islands**

Dennis Momotaro, Minister of Finance  
Clarence Samuel, Chief of Accounting, Ministry of Finance

**Department of Interior/Office of Insular Affairs**

Nikolao Pula, Director  
Marina Tinitali, Accountability and Insular Policy Specialist  
Gerald Shea, Grant Manager


**Graduate School USA**

Stephen Latimer, Program Manager  
Jason Aubuchon, Project Manager  
Judy Perry, Office Manager

**Resource Consultants/Speakers**

Dr. Steven Medlin, Facilitator  
Debbie Milks, CPA  
Frank Crawford, CPA  
Luis P. Salaveria, Deputy Director, Department of Budget & Finance, State of Hawaii  
Ernesto G. Pasion, MBA, CFE, County Auditor, County of Kaua'i

## APPENDIX C – KAUAI MAYOR'S WELCOMING ADDRESS



***Holo Holo 2020***  
*Growing Kaua'i responsibly.*

**Mayor Bernard P. Carvalho, Jr.**  
Island Government Finance Officers Association  
December 4, 2012

12/15/2012 1

# HOLO HOLO 2020

The Holo Holo 2020 vision calls for all organizations, businesses, residents and visitors on Kaua'i to be part of creating an island that is sustainable, values our native culture, has a thriving and healthy economy, cares for all – keiki to kupuna, and has a responsible and user-friendly local government.



12/15/2012 2

## HOLO HOLO 2020

- 38 Projects
  - Most County
  - Some State and Federal
- Each project assigned to a Department
- Projects to be “branded” for awareness, exposure, accountability



12/15/2012

3

## HH2020 PROJECTS COMPLETED

### Kaua'i Bus Initiatives

- Expand Bus service to nights and weekends
- Kīlauea “Park & Ride” site dedicated
- New Hanalei bus route added
- Kaua'i Bus – Kaua'i Community College student ridership pilot project completed
- Bus shelters constructed in Kapaa and Hanamā'ulu
  - “Every bus will have a shelter”
- Business partnership launched for sale of bus passes in community










12/15/2012

4

## HH2020 PROJECTS COMPLETED

### Renewable Energy Initiatives

-  Photovoltaic retrofit at Lihue Civic Center & Kaiakea Fire Station
-  Performance contract in progress for Wastewater Division
  -  Net zero possibilities
-  Second performance contract for other County facilities is in procurement
-  Five electric vehicles added to County fleet
-  Ten electric car charging stations erected in public parking lots
-  Energy Sustainability team appointed

12/15/2012





5

## HH2020 PROJECTS COMPLETED

### Paanau Village Phase II affordable housing

-  50 units completed in Kōloa

### Master Plan for Lima Ola "green" affordable housing complex complete

-  75 acres/400 units
-  Energy efficiency, multi-modal transportation, healthy lifestyle, integrated community elements incorporated




12/15/2012









6

## OTHER HH2020 PROJECTS

### New landfill/resource recovery park

-  Job creation
-  Environmental stewardship
-  Preserving agriculture

### Cultural/Natural Resources Preservation

-  Stewardship agreements
  -  Kaneiōlōuma Heiau
-  Kē'ē Beach shuttle service
-  Expansion of Hanalei Beach/Black Pot
-  "World Class" Beach Parks
-  Complete Ke Ala Hele Makalae

12/15/2012

  
Holo Holo 2020

7

## OTHER HH2020 PROJECTS

### Economic Development

-  Agricultural import substitution
  -  Reopen papaya disinfestation facility
  -  Complete Kīlauea Ag Park
  -  Support Kaua'i Grown program
  -  Develop facilities necessary for locally-grown beef industry
-  Expansion of Kaua'i Community College to offer four-year degree
-  Create resort-area shuttles

12/15/2012

  
Holo Holo 2020

8



# HOLO HOLO 2020

[www.kauai.gov/mayor](http://www.kauai.gov/mayor)



12/15/2012

9

## We can all play a role!



**Holo Holo 2020**  
Growing Kaua'i responsibly.

## Mahalo

12/15/2012

10

## APPENDIX D – KEYNOTE ADDRESS

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# State of Hawaii Financial Governance Transformation

Luis P. Salaveria  
Deputy Director of Finance

Island Government Finance Officers' Association  
December 4, 2012



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The greatest danger for most of us is not  
that our aim is too high and we miss it, but  
that it is too low and we reach it.

-Michelangelo

—Alfredo Viana

---

## Setting up the framework for transformation

- A New Day...
  - Creating better alignment of financial functions throughout the State
  - Establishment of a "Chief Financial Officer" governance structure
- Survey the Environment
  - Current processes
  - Tools and Resources
  - Human Capital
- Execute and be accountable
  - Setting the foundation for transformation
- Putting plans into action
  - Treasury Deposit Receipts (eTDR)
  - Fulfill our responsibilities (CAFR & Audits)
  - Contemporize financial resources (ERP and Workforce)

## A New Day...

"We want to change direction in Hawaii. We want to move away from the economic and social policies of the status quo that consistently postpone solving problems, leaving them for future generations..."

*Governor Neil Abercrombie*

## Financial Alignment



- Priorities are clear
- Forecasts are realistic
- Expenditures are controlled
- Recordkeeping is accurate

## Landscape



## Landscape



## Financial Operations

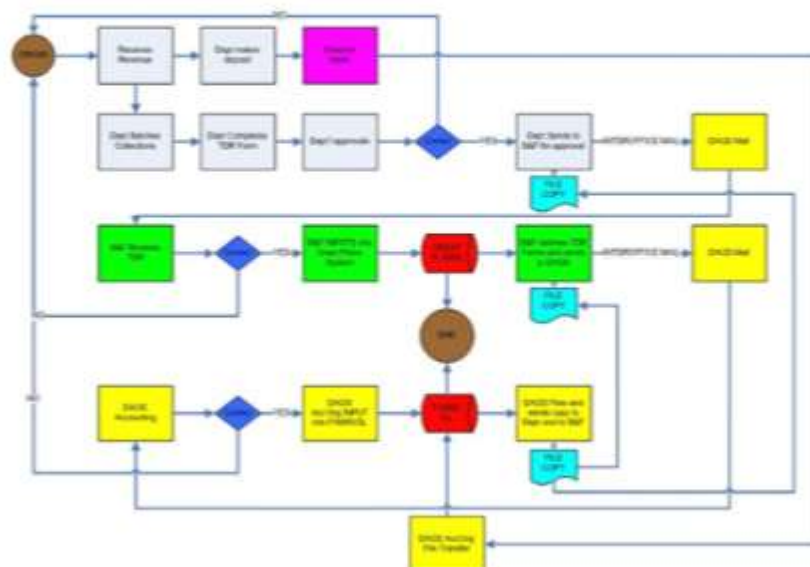
### Chief Financial Officer





"Become completely unhinged by the status quo"

## Making a deposit in the State of Hawaii



### State of the art computing



### State of the workforce

20%



**Reduction**

1/3 Workforce



**Retirement Eligible**

## Execute and be accountable

"...you don't do things right once in a while, you do them right all the time."

*Vince Lombardi*

## Lay the foundations

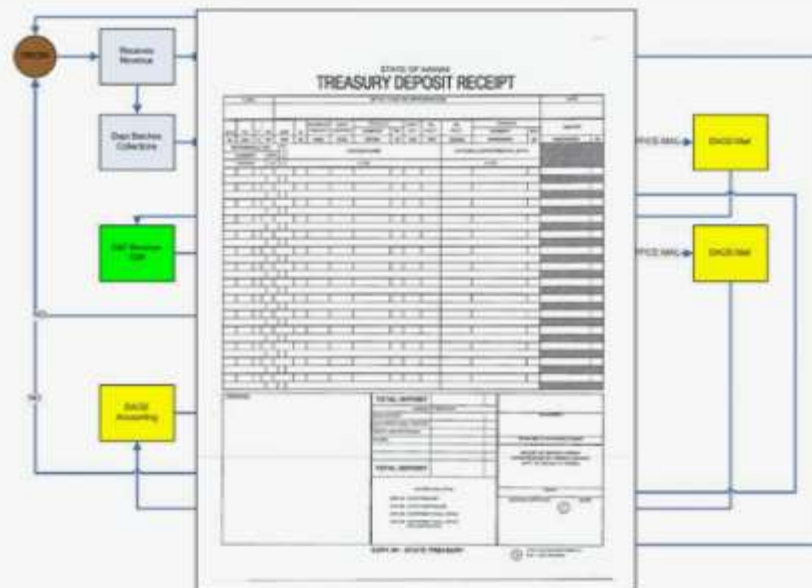
- Give projects a leadership point-of-contact
- Set very high standards and goals
- Identify "Champions" in the workforce
- Automate where it made sense
- Reduce duplication of effort
- Eliminate chances for error
- Be honest with ourselves
- Be gentle, but...Just Do It!

## Putting Plans into Action

"Cry Havoc! and let slip the Dogs of War."

*Marc Anthony (Julius Caesar Act 3 Scene 1)*

## Treasury Deposit Receipts – The Old Way



## The New Way - eTDR



Department of Finance and Administration

## Comprehensive Annual Financial Report



"The State's audited Financial Statements have been late for four consecutive years"  
Moody's Investor Service Nov 3, 2011



"Hawaii's fiscal 2011 audit was released in a timely manner, reversing four consecutive years of late audits"  
Moody's Investor Service Nov 7, 2012

"The state completed its fiscal year 2011 CAFR in early 2012, representing a more timely release of its audited finances than for fiscal year 2010."  
Standard & Poor's - Nov 9, 2012

## How did we do it?



## How did we do it?

- ▣ Cabinet-level attention
- ▣ Set "Targets"
- ▣ Kept a strict routine
- ▣ Identified "choke-points" (OPEB)
- ▣ Removed barriers...and excuses
- ▣ "Shored Up" weak points
- ▣ "Started early"
- ▣ Communicated, Communicated, Communicated



## Enterprise Resource Planning



## System layout



## Methodical Approach to ERP

- Leadership is the key
- It's not an IT project
- ERP is a business-driven process
- Planning for ERP is a critical success factor
- Implementation – “eye on the details”
- Understand that this is an on-going process

## So what's next for the State

- Continue to advance workforce competencies and capabilities
- Still keep a focus on foundational aspects of the business
- Bring in new tools
  - Six-Sigma
  - Project-based Teams
  - New technology
- Create “Wins”



## State of Hawaii Financial Governance Transformation

Luis P. Salaveria  
Deputy Director of Finance

**APPENDIX E-1—AMERICAN SAMOAN GOVERNMENT UPDATE****ASG**

Government Status Update  
 IGFOA Kauai  
 December 2012

**FY11 Audit Status**

Completion or (expected completion) date	# of qualifications?	Total findings?	# repeat findings	Cumulative Questioned Costs
August 15, 2011	Financial	Financial	Financial	\$2,785,841.00
	1	5	5	
	A-133	A-133	A-133	
	0	6	3	

List any major issues you had to address for the audit.

1. Reconciling ARRA reports to the GL.
2. Providing SEFA timely

## Performance Measures

Fixed asset physical inventory	Travel Advance Collections	Bank Reconciliations	Processing Days
Was the physical inventory completed as of 9-30?	% of travel advances over 30 days as of 9-30-12.	What is the status of your bank reconciliations as of 9-30-12?	How many days does it take to process a federal invoice (average for F-Y12)?
Yes.		Current	3-5 days (if docs are complete)
If not, expected completion date.	How much improvement is this over the % as of 6-30?	Any audit issues related to bank reconciliations?	What is your target # of days?
		No	3-5 days
Any fixed asset findings on the audit?	Any new policies or procedures initiated to collect advances?	Any action steps initiated to ensure timely reconciliations?	
1. Lack of communication between Treasury and departments that deal with capital assets.	No	Working on timely grant reconciliations.	

## Revenue Estimates vs Actual

Chart Title



## APPENDIX E-2—THE CHUUK GOVERNMENT UPDATE

# CHUUK STATE GOVERNMENT

Government Status Update  
IGFOA Kauai  
December 2012

## FY11 Audit Status

Completion or (expected completion) date	# of qualifications?	Total findings?	# repeat findings	Cumulative Questioned Costs
We met our deadline June 30, 2012 and Deloitte was able to issue our audit report on June 25, 2012	Financial Qualified on land lease and acquisition payable  A-133 Unqualified on compliance and question cost	Financial - 5 findings -Equipment & Real ..... -Revenue, dept fee -Revenue, untimely deposit -Pmts to Municipalities -Leases Payables A-133 1 finding Equip. & Real Prop.....	Financial Lease Payables  A-133 Equipment & Real Property Management	\$0.00 Cumulative Questioned Costs

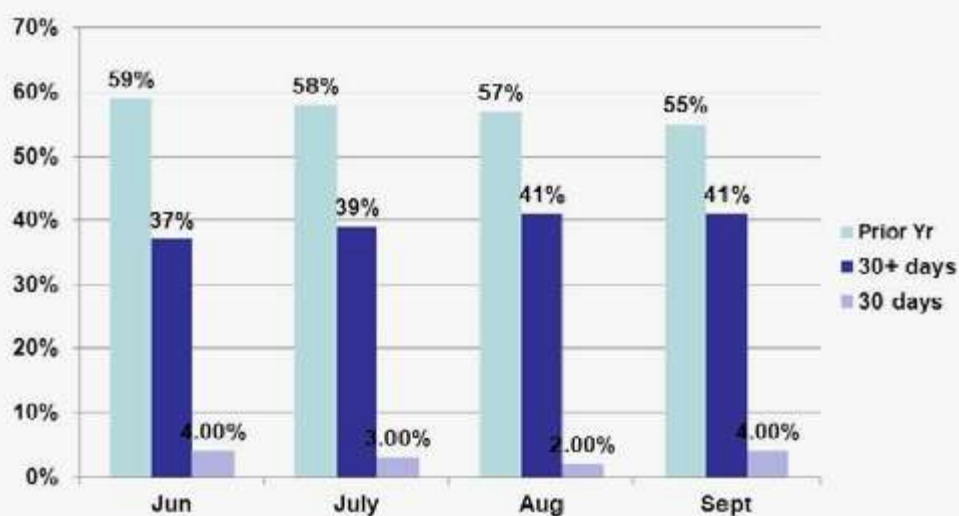
- Late notification on expenditures and adjustments made at the FSM level. For example ADB loan balances, ADB payments and SDR Adjustment
- Fundware out of balance on Post & Rolls
- Analysis and determination of AP write off



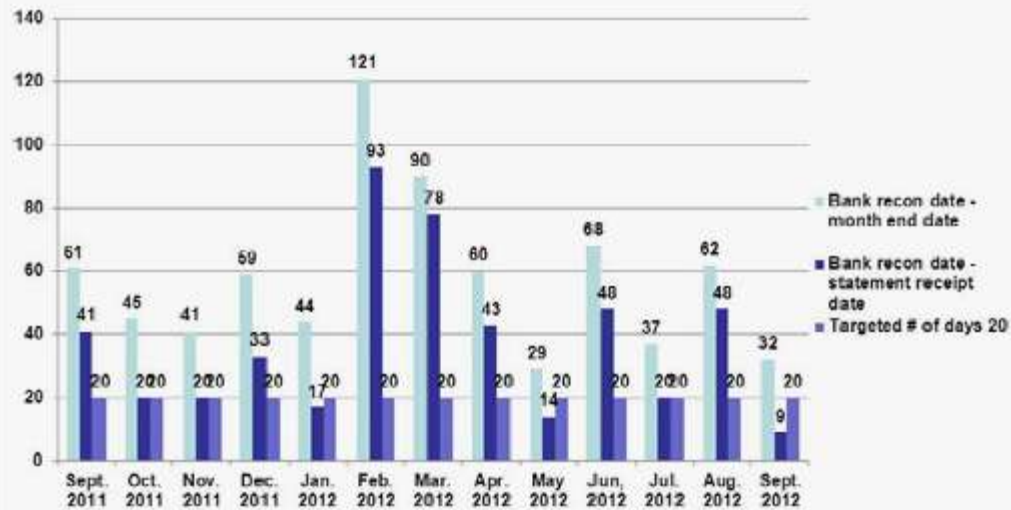
## Performance Measures

Fixed asset physical inventory	Travel Advance Collections	Bank Reconciliations	Processing Days
Was the physical inventory completed as of 9-30? No, we were able to complete only FY2010 and FY2011 before 9/30/12	% of travel advances over 30 days as of 9-30-12.  41% of travel advances over 30 days as of 9-30-12	What is the status of your bank reconciliations as of 9-30-12? Updated on both Local & Sector Payroll Checking and Checking	How many days does it take to process a federal invoice (average for F-Y12)? We don't process federal invoices yet
If not, expected completion date.  Not sure	How much improvement is this over the % as of 6-30?  No improvement, in June it was 37% and as of 9-30-12 it increase to 41%	Any audit issues related to bank reconciliations?  No audit issues regarding bank reconciliation	What is your target # of days?  Should be 1 to 5 working days
Any fixed asset findings on the audit?  Equipment & Real Property Management	Any new policies or procedures initiated to collect advances?  No policies but more write off since most of the advances are from prior year	Any action steps initiated to ensure timely reconciliations?  We are in the process of hiring additional staff @ recon	

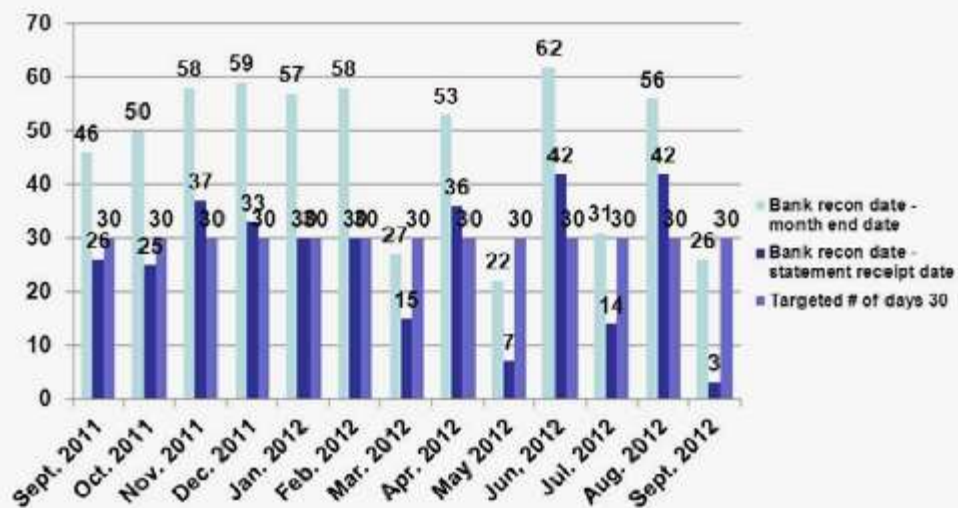
## % OF TRAVEL ADVANCES



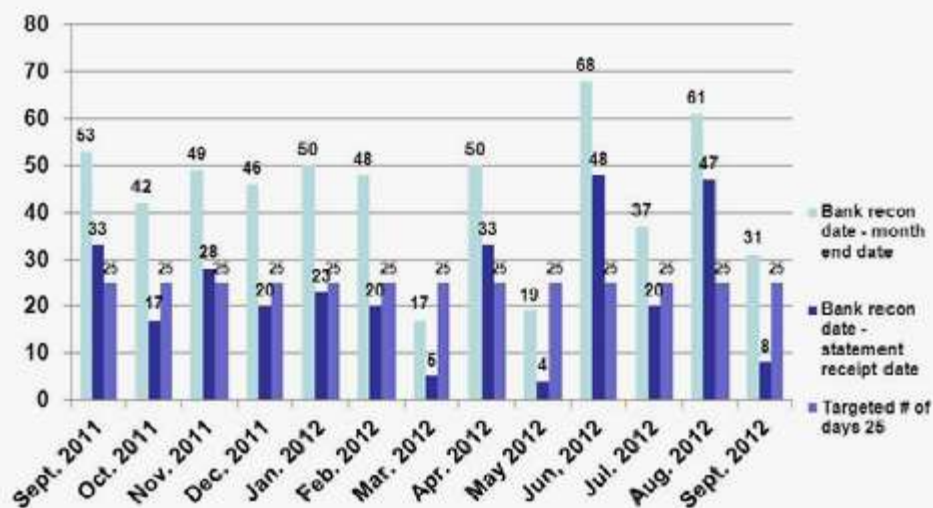
## GENERAL FUND



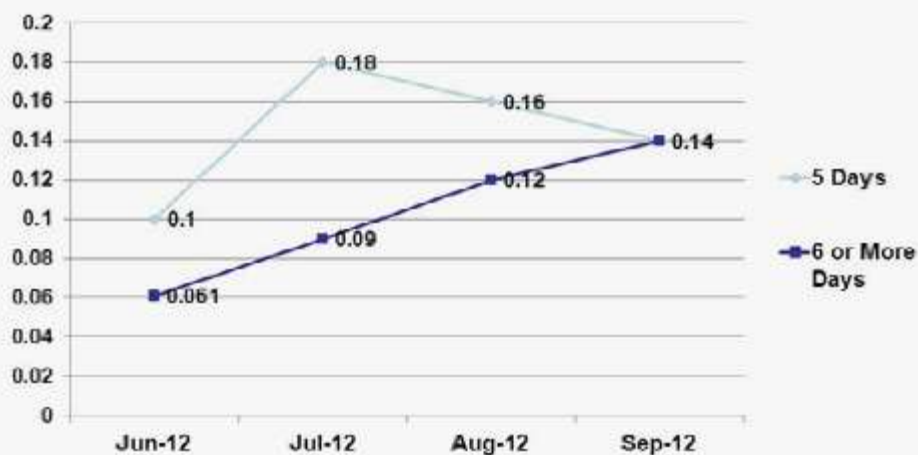
## SECTOR PAYROLL



## LOCAL PAYROLL



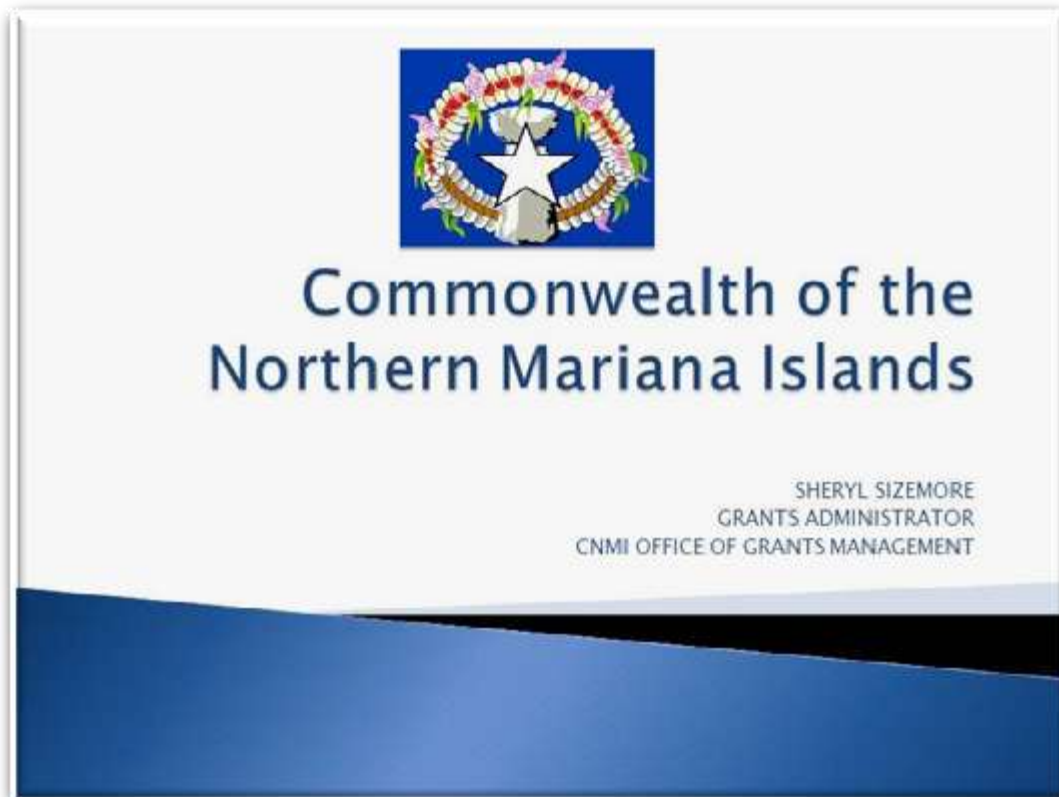
## PROCESSING DAYS



## Revenue Estimates vs Actual

FISCAL YEAR	ESTIMATED REVENUE	ACTUAL REVENUE	VARIANCE
2007	7,137,203.00	7,002,348.00	(134,855.00)
2008	4,188,695.00	4,188,695.00	-
2009	5,060,674.00	5,113,393.00	52,719.00
2010	5,725,741.00	7,376,025.00	1,650,284.00
2011	6,864,316.00	7,267,866.00	403,550.00
2012	7,193,000.00	7,400,000.00	207,000.00

## APPENDIX E-3—CNMI GOVERNMENT UPDATE



### CNMI Government Performance Measures

- Fixed asset physical inventory
  - Under the direction of the Division of Procurement & Supply. Physical inventory was not completed as of 9/30/2012.
  - Main cause appears to be lack of personnel with institutional knowledge of inventory practices and procedures.
  - However, most federal agencies have completed their inventory eliminating several if not all of the inventory related findings in the single audit.



## CNMI Government Performance Measures

Inventory continued...

- Significant change: The Commonwealth Health Center has separated from the central government, eliminating one of the bigger agencies that Procurement & Supply had a role in conducting inventory for.
- Anticipated that all central government will have completed inventory by end of FY13.

## CNMI Government Performance Measures

- Travel Advance Collections
  - When an employee performs travel for the government, they are required to file a travel voucher within 15 days of the end of travel.
  - If voucher is not filed within this period, employee is subject to deduction of funds out of their payroll.
  - For federally funded travel, travel advances are paid for out of local funds which are reimbursed by federal funds after an employee submits their travel voucher.
  - As local funds are limited, federal drawdowns occur frequently, and there is a constant reconciliation of travel advances.



## CNMI Government Performance Measures

### ▸ Bank Reconciliations

- Have not met the target industry standard of 30 days after receipt of bank statement.
- Gap of procedure due to departure of institutional knowledge.
- Ongoing and focused training within Department of Finance to address this gap.
- Target date to reach industry standard before end of FY 13.

## CNMI Government Performance Measures

### ▸ Processing Days

- Established target dates of 3 to 5 working days.
- Vendor is provided a purchase order, which must be submitted along with invoices for payment processing.
- With drawdowns now done online, established target dates are usually met.

## CNMI Government Performance Measures

- Accuracy of estimated revenues
  - Actual revenues exceeded the estimated revenues by a small margin.
  - Expenditures have reduced through strict controls put in place by Budget and Finance
  - Areas of difficulty; utilities and medical referrals.
  - Areas of potential concerns; Retirement, social security.

## APPENDIX E-4—FSM GOVERNMENT UPDATE

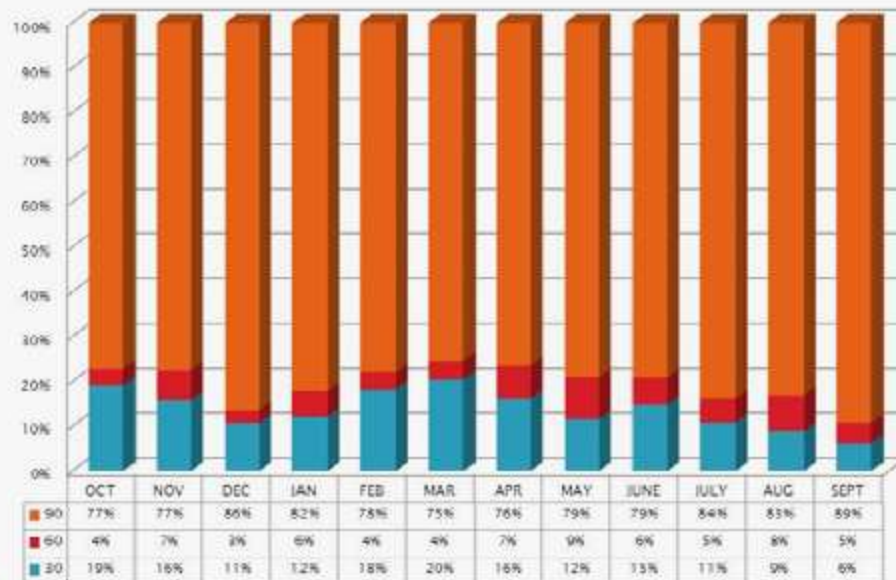


FY11 Audit Status				
Completion or (expected completion) date	# of qualifications?	total findings? 14	# repeat findings	Cumulative Questioned Costs
June 30, 2013	Financial	5 findings relating to both financial and compliance	Financial	FY09-2,861,000
	None		5	FY10-2,049,222
	A-133	2 relating to financial	A-133	FY11- 301,014
	4	7 relating to compliance	5	Total 5,211,836

## Performance Measures

Fixed asset physical inventory	Travel Advance Collections	Bank Reconciliations	Processing Days
Was the physical inventory completed as of 9-30? • No • 80% Completed as of 09/30/2012	% of travel advances over 30 day as of 9-30-12: 94%	What is the status of your bank reconciliations as of 9-30-12? All accounts reconciled and completed. FY2013 October-Reconciled and completed	How many days does it take to process a federal invoice (average for FY12)? 14 days
If not, expected completion date: As of 10/30/2012 80% Completed  December 30, 2012	How much improvement is this over the % as of 6-30?  Increase of 10%	Any audit issues related to bank reconciliations?  None	What is your target # of days?  15-30 days
Any fixed asset findings on the audit?  FY11-2	Any new policies or procedures initiated to collect advances?	Any action steps initiated to ensure timely reconciliations?  Not applicable	

FY12 OUTSTANDING TRAVEL ADVANCE

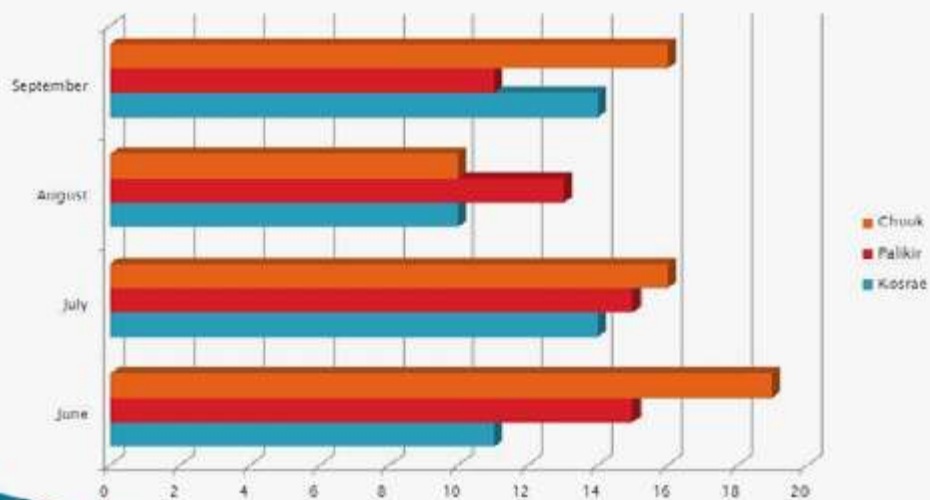


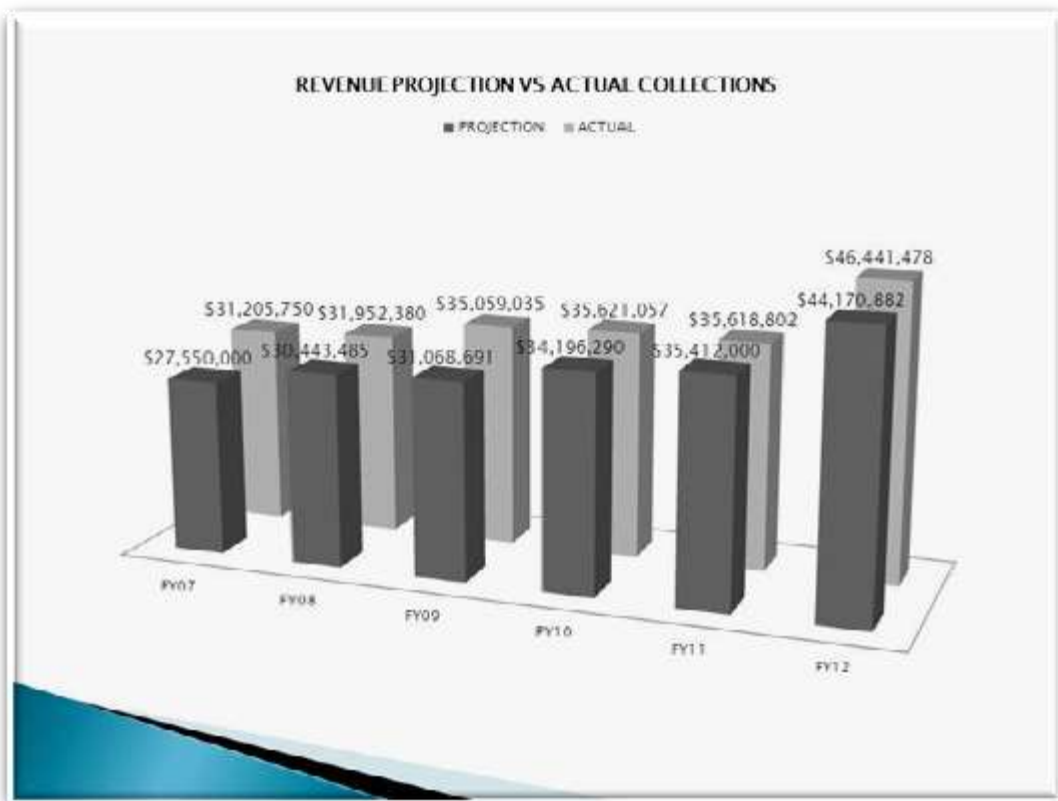
### Bank Reconciliation

FSM NATIONAL GOVERNMENT  
BANK RECONCILIATION  
GENERAL FUND  
Target-30 days

	General Fund	Payroll
October	18	5
November	20	4
December	10	1
January	12	1
February	12	8
March	3	4
April	13	1
May	12	0
June	18	0
July	13	13
August	8	4
September	40	6
Average	15	4
FY13 October	13	0

### FEDERAL PROGRAM INVOICE PROCESSING # OF DAYS Target-7 days







## APPENDIX E-5—GUAM GOVERNMENT UPDATE



FY11 Audit Status				
Expected Completion Date	No. of Qualifications	Total findings	No. repeat findings	Cumulative Questioned Costs
Completed on June 29, 2012	Financial None	Financial 6	Financial 3	Financial \$0
	A-133 None	A-133 4	A-133 4	A-133 \$41,790

List the top three issues you had to address for the audit.

1. First Lack of staff sufficient to accommodate auditors.
2. Second Delays New Fixed Assets System
3. Third Cash Management (Clearing of Federal Checks)

IGFOA, Kauai, HI December 2012

## Performance Measures

	Fixed asset physical inventory	Travel Advance Collections
PROCESS	<ul style="list-style-type: none"> <li>➤ Was the physical Inventory completed as of 9/30/12?</li> <li>➤ No</li> </ul>	<ul style="list-style-type: none"> <li>➤ % of travel advances over 30 days as of 9/30/12.</li> <li>➤ 54% of the travel advances were outstanding</li> <li>➤ (Note: includes all travel)</li> </ul>
OUTPUT	<ul style="list-style-type: none"> <li>➤ If not, expected completion date.</li> <li>➤ We expect to complete in March 2013.</li> <li>➤ December: Start of field work</li> </ul>	<ul style="list-style-type: none"> <li>➤ How much improvement is this over the % as of 6/30/12?</li> <li>➤ 70% of the travel advances were outstanding</li> <li>➤ (Note: includes all travel)</li> </ul>
OUTCOME	<ul style="list-style-type: none"> <li>➤ Any fixed asset finding on the audit?</li> <li>➤ Yes, recurring finding.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Any new policies or procedures initiated to collect advances?</li> <li>➤ 16% improvement in the 4<sup>th</sup> Quarter.</li> <li>➤ Aggressive collection/clearances by travel staff. Increased notices and emails for uncleared travel by agencies.</li> </ul>

IGFOA, Kauai, HI

December 2012

## Performance Measures

	Bank Reconciliations	Processing Days
PROCESS	<ul style="list-style-type: none"> <li>➤ What is the status of your bank reconciliations as of 9/30/12?</li> <li>➤ As of 11/29/2012. 5 accounts are pending</li> <li>➤ GF Checking, Web Settlement, Credit Card, Child Support, Withholding</li> <li>➤ Reconciliations were performed pending final closing of the books.</li> </ul>	<ul style="list-style-type: none"> <li>➤ How many days does it take to process a federal invoice (average for FY2012)?</li> <li>➤ Current processing: 1.67 days</li> </ul>
OUTPUT	<ul style="list-style-type: none"> <li>➤ Any audit issues related to bank reconciliations?</li> <li>➤ None</li> </ul>	<ul style="list-style-type: none"> <li>➤ What is your target # of days?</li> <li>➤ Current policy: 5 days</li> <li>➤ 3 days for Technicians</li> <li>➤ 2 days for Supervisory review</li> </ul>
OUTCOME	<ul style="list-style-type: none"> <li>➤ Any steps initiated to ensure timely reconciliations?</li> <li>➤ We have used online banking for all major accounts to speed up reconciliations.</li> </ul>	

IGFOA

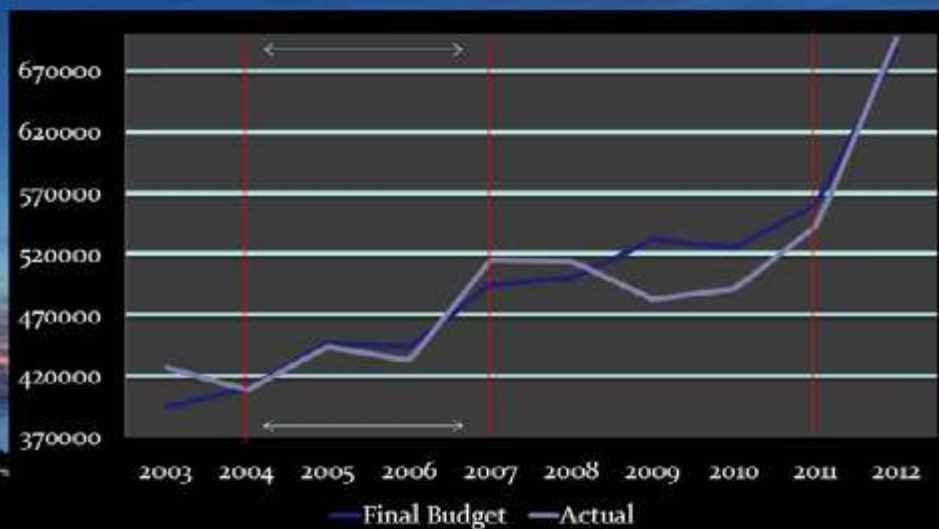
## Revenue Estimates vs. Actual In Thousands

	Audited										Un-audited
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
Final Budget	394,196	409,915	447,441	443,616	495,172	499,880	531,187	525,488	559,867	687,986	
Actual	426,276	408,973	443,296	432,525	514,392	513,190	483,150	490,967	542,551	696,270	
Variance	32,080	-942	-4,145	-11,091	19,220	13,310	-48,037	-34,521	-17,316	8,284	
Error Rate	8.14%	-0.23%	-0.93%	-2.50%	3.88%	2.66%	-9.04%	-6.57%	-3.09%	1.20%	

IGFOA, Kauai, HI

December 2012

## Revenue Estimates vs. Actual In Thousands



IGFOA, Kauai, HI

December 2012





## APPENDIX E-6—KOSRAE GOVERNMENT UPDATE

# KOSRAE STATE GOVERNMENT

Government Status Update  
IGFOA Kauai  
December 2012

## FY11 Audit Status

Completion or (expected completion) date	# of qualifications?	Total findings?	# repeat findings	Cumulative Questioned Costs
June 13, 2012	Financial None	Financial 1 Finding	Financial 1 Finding	None
	A-133 None	A-133 None	A-133 None	

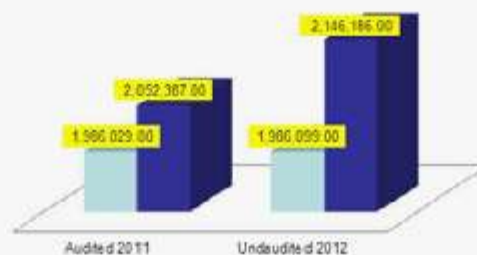
List any major issues you had to address for the audit.

## Performance Measures

Fixed asset physical inventory	Travel Advance Collections	Bank Reconciliations	Processing Days
Was the physical inventory completed as of 9-30?	% of travel advances over 30 days as of 9-30-12.	What is the status of your bank reconciliations as of 9-30-12?	How many days does it take to process a federal invoice (average for F-Y12)?
Completed 10/3/2012	53%	Completed	There is only one program KSG (Payroll Only)
If not, expected completion date.	How much improvement is this over the % as of 6-30?	Any audit issues related to bank reconciliations?	What is your target # of days?
	14%	None	Bi-Weekly Payroll
Any fixed asset findings on the audit?	Any new policies or procedures initiated to collect advances?	Any action steps initiated to ensure timely reconciliations?	
None	Notices are sent to the travelers.	None	

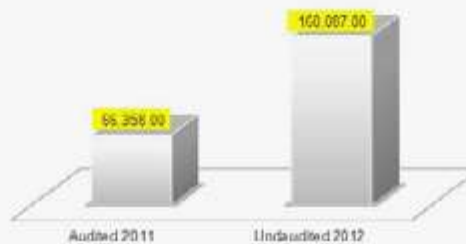
### Revenue Estimates vs Actuals

Revenue Estimates Actuals




### Favorable Variance

Favorable Variance





## APPENDIX E-7—POHNPEI GOVERNMENT UPDATE



# Pohnpei State

Government Status Update  
IGFOA Kauai  
December 2012

## FY11 Audit Status

Completion or (expected completion) date	# of qualifications?	Total findings?	# repeat findings	Cumulative Questioned Costs
<b>June 30, 2012</b>	Financial <b>None</b> A-133	Financial <b>1 finding</b> A-133	Financial <b>1 repeat finding</b> A-133	<b>NIL</b>

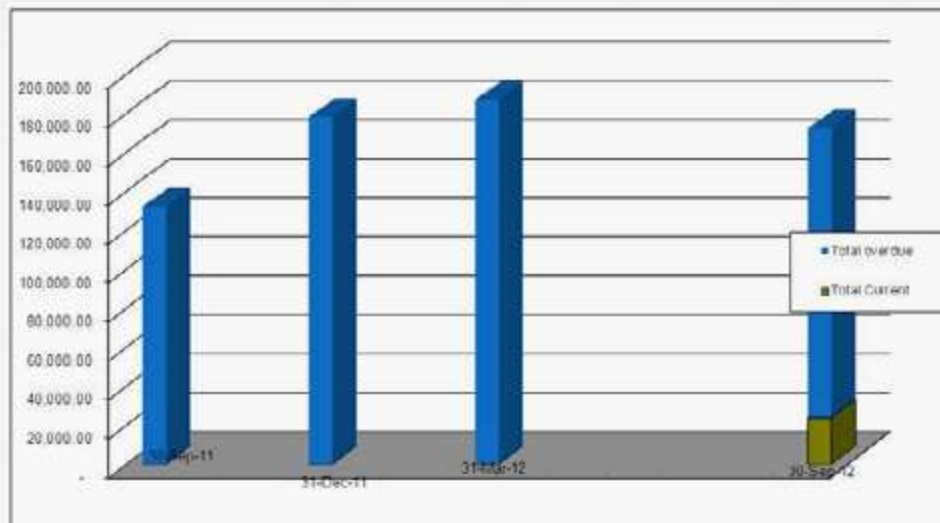
**List any major issues you had to address for the audit.**

**Finding on Equipment and Real Property Management**  
(The auditor requires that periodic reviews be performed and that asset maintenance activities be documented and monitored)

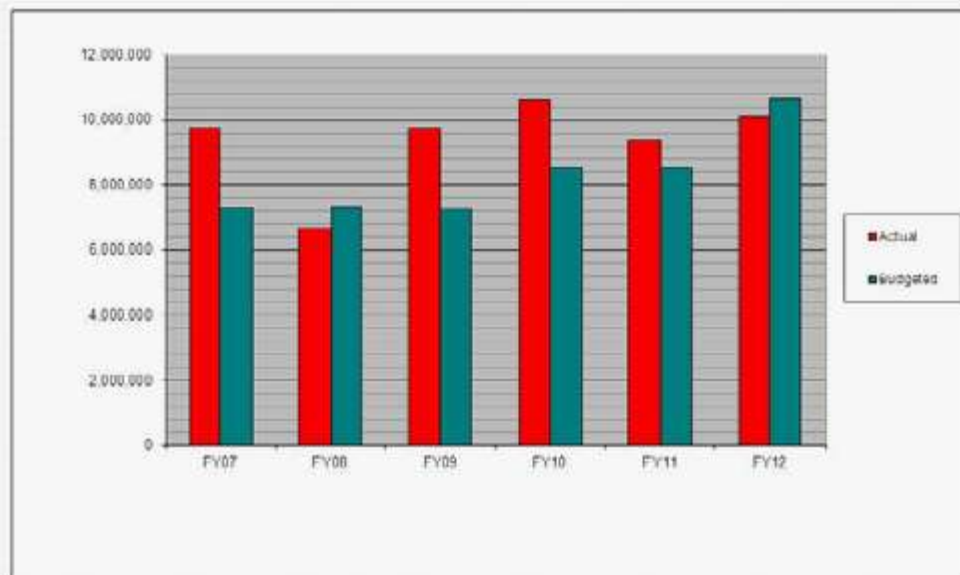
## Performance Measures

Fixed asset physical inventory	Travel Advance Collections	Bank Reconciliations	Processing Days
Was the physical inventory completed as of 9-30?	% of travel advances over 30 days as of 9-30-12	What is the status of your bank reconciliations as of 9-30-12?	How many days does it take to process a federal invoice (average for FY12)?
<b>YES</b>	<b>20%</b>	<b>Major accounts:</b> <b>Payroll – Done</b> <b>General Fund – Done</b> <b>Sector Grants – Done</b>	30 days
If not, expected completion date:	How much improvement is this over the % as of 6-30?	Any audit issues related to bank reconciliations?	What is your target # of days?
	<b>No improvement</b>	<b>Only one staff is assigned from originally two.</b>	15 to 30 days
Any fixed asset findings on the audit?	Any new policies or procedures initiated to collect advances?	Any action steps initiated to ensure timely reconciliations?	
<b>No periodic review asset maintenance activities to facilitate compliance with program objectives and requirements</b>		<b>Financial Advisor is helping with the recon.</b> <b>Plan to include additional staff</b>	

## Travel Advances



## Revenue Estimates vs Actual



Thank you

## APPENDIX E-8—US VIRGIN ISLANDS GOVERNMENT UPDATE



### *Performance Measures for FY 2012 (Summary)*

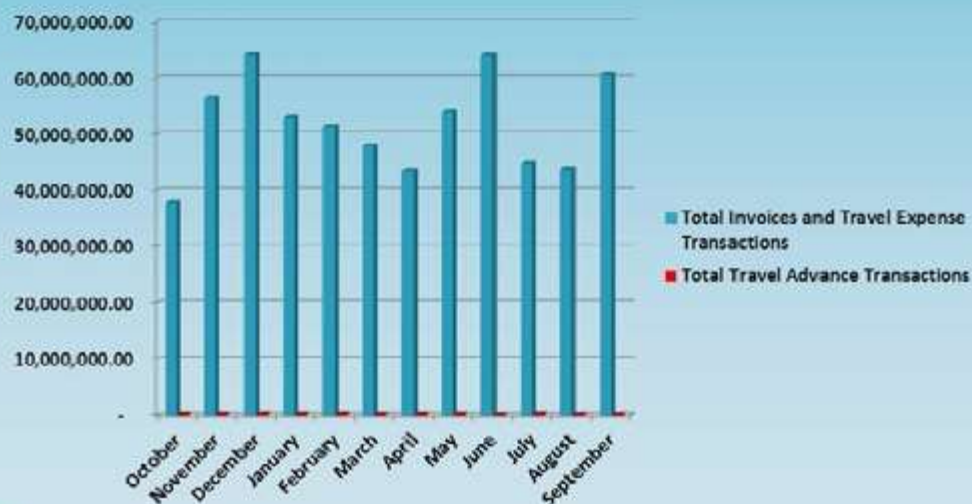
TRAVEL ADVANCE COLLECTIONS	BANK RECONCILIATIONS	CASH MANAGEMENT	PROCESSING DAYS	REVENUE ESTIMATES	FIXED ASSET INVENTORY
% over 30 days as of 9-30-2012	Last month completed as of 9-30-2012 for payroll account.	Cash plan completed?	Able to meet your target?	(Prepare table and graph of estimated vs. actual for FY07 through 2 <sup>nd</sup> qtr FY12).	% inventory completed as of 9-30-2012
See Explanation.	8-31-2012	Yes. By September 30 of each year.	See Table.		No information from Property and Procurement
Expected % over 30 days at 9-30-2012	Last month completed as of 9-30-2012 for general account.	Average clearance pattern calculated?	Able to calculate the # of days?		% expected to be completed at 9-30-2012.
See Explanation.	9-30-2012	Four (4) days	See Table.		No information from Property and Procurement.
Were new procedures initiated after June meeting?	Expected to be current for 9-30-2012?	If not, expected completion date.	Were new procedures initiated after June meeting?		If not, expected completion date.
No. Exploratory assessment currently on the way.	No.	N/A	No.		N/A.



### *Travel Advances (Current Situation)*

- During FY 2012, the Department of Finance processed approximately \$621M of regular invoice and travel expense transactions, which included \$1.79M in travel expenses and travel advances.
- Without the presence of a Prepaid Travel Expense Account, it is unachievable for the Government of the Virgin Islands to effectively track the reimbursement for travel advances after a predetermined amount of days for business travel.

### *Travel Advances (Current Situation cont'd.)*



### *Bank Reconciliations (Easy Accounts with a Target of 30 days to complete).*

Note: We will be conducting FY 2013 bank reconciliations by the end of this year, and will be 100% current shortly after.

Month End Date	Bank statement receipt date	Bank recon completion date	Bank recon date - Month end date	Bank recon date - Statement receipt date	Target ?
10/31/2011	11/9/2011	8/29/2012	303	294	NO
11/30/2011	12/13/2011	8/29/2012	273	260	NO
12/30/2011	1/13/2012	8/29/2012	243	229	NO
1/31/2012	2/9/2012	8/29/2012	211	202	NO
2/29/2012	3/16/2012	8/29/2012	182	166	NO
3/30/2012	4/16/2012	8/29/2012	152	135	NO
4/30/2012	6/9/2012	8/29/2012	121	112	NO
5/31/2012	6/8/2012	8/29/2012	90	82	NO
6/29/2012	7/9/2012	8/29/2012	61	51	NO
7/31/2012	8/16/2012	10/29/2012	90	74	NO
8/31/2012	9/16/2012	10/29/2012	59	43	NO
9/28/2012	10/16/2012	10/29/2012	31	13	YES

Finance Office Performance Measures

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### *Bank Reconciliations (Moderate Accounts with a Target of 45 days to complete).*

Note: We will be conducting FY 2013 bank reconciliations by the end of this year, and will be 100% current shortly after.

Month End Date	Bank statement receipt date	Bank recon completion date	Bank recon date - Month end date	Bank recon date - Statement receipt date	Target ?
10/31/2011	11/8/2011	11/30/2012	396	388	NO
11/30/2011	12/7/2011	11/30/2012	366	359	NO
12/30/2011	1/9/2012	11/30/2012	336	326	NO
1/31/2012	2/17/2012	11/30/2012	304	287	NO
2/29/2012	3/12/2012	11/30/2012	275	263	NO
3/30/2012	4/16/2012	11/30/2012	245	228	NO
4/30/2012	5/9/2012	11/30/2012	214	205	NO
5/31/2012	6/17/2012	11/30/2012	183	166	NO
6/29/2012	7/17/2012	11/30/2012	154	136	NO
7/31/2012	8/17/2012	11/30/2012	122	105	NO
8/31/2012	9/17/2012	11/30/2012	91	74	NO
9/28/2012	10/17/2012	11/30/2012	63	44	YES

Finance Office Performance Measures

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### *Bank Reconciliations (Difficult Accounts with a Target of 60 days to complete).*

Note: We will be conducting FY 2013 bank reconciliations by the end of this year, and will be 100% current shortly after.

Month End Date	Bank statement receipt date	Bank recon completion date	Bank recon date - Month end date	Bank recon date - Statement receipt date	Target ?
10/31/2011	11/15/2011	12/21/2012	417	402	NO
11/30/2011	12/20/2011	12/21/2012	387	367	NO
12/30/2011	1/15/2012	12/21/2012	357	341	NO
1/31/2012	2/15/2012	12/21/2012	325	310	NO
2/29/2012	3/9/2012	12/21/2012	296	287	NO
3/30/2012	4/16/2012	12/21/2012	266	249	NO
4/30/2012	5/16/2012	12/21/2012	235	219	NO
5/31/2012	6/16/2012	12/21/2012	204	188	NO
6/29/2012	6/9/2012	12/21/2012	175	195	NO
7/31/2012	8/15/2012	12/21/2012	143	128	NO
8/31/2012	9/15/2012	12/21/2012	112	97	NO
9/28/2012	10/17/2012	12/21/2012	84	65	NO

Finance Office Performance Measures

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### *Bank Reconciliation (Payroll Account with a Target of 60 days to complete).*

Note: We will be conducting FY 2013 bank reconciliations by the end of this year, and will be 100% current shortly after.

Month End Date	Bank statement receipt date	Bank recon completion date	Bank recon date - Month end date	Bank recon date - Statement receipt date	Target ?
10/31/2011	11/9/2011	12/21/2012	417	408	NO
11/30/2011	12/9/2011	12/21/2012	387	378	NO
12/30/2011	1/9/2012	12/21/2012	357	347	NO
1/31/2012	2/9/2012	12/21/2012	325	316	NO
2/29/2012	3/12/2012	12/21/2012	296	284	NO
3/30/2012	4/12/2012	12/21/2012	266	253	NO
4/30/2012	5/9/2012	12/21/2012	235	226	NO
5/31/2012	6/12/2012	12/21/2012	204	192	NO
6/29/2012	7/12/2012	12/21/2012	175	162	NO
7/31/2012	8/12/2012	12/21/2012	143	131	NO
8/31/2012	9/12/2012	12/21/2012	112	100	NO
9/28/2012	10/12/2012	12/21/2012	84	70	NO

Finance Office Performance Measures

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## Cash Management Plan

### Fiscal Year 2012 Cash Management Plan

					Y/N*	Completion Date
Current calculation of average clearance pattern?						
General account				4 days		
Payroll account				4 days		
Written cash management plan for federal funds?					Y	11/14/2012
Given to the auditors?					Y	11/14/2012
Available for Treasury and Federal Grant staff?					Y	11/14/2012
FY12 Treasury State agreement filed with US Treasury? (flag territories only)					Y	11/23/2012

## Number of days to Process a Requisition and Invoice.

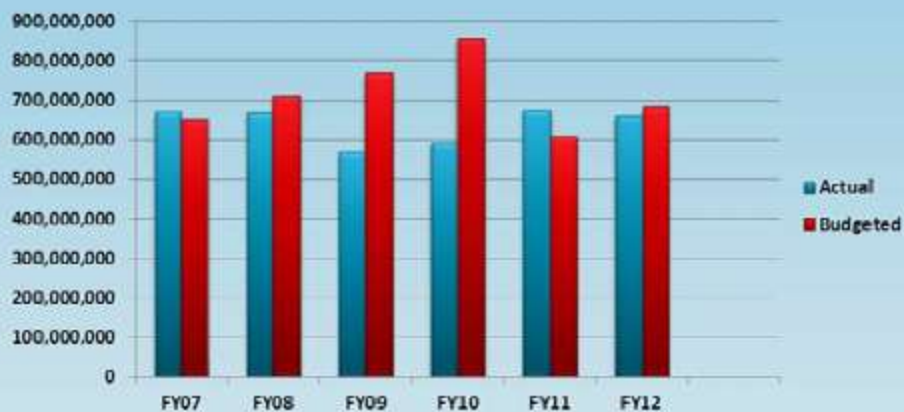
The data was gathered from accumulating information for one week per month, then averaged to represent each quarter of the fiscal year. Targets were not met in the last two respective quarters due to unforeseen circumstances.

	REQUISITION ENTRY DATE	PO CONVERSION DATE	INVOICE DATE	DATE RECEIVED IN FINANCE	CHECK DATE - DATE SENT TO VENDOR	RD - PO DATE - # DAYS TO PROCESS RD	CHK - INV DATE - # DAYS TO PAY INVOICE
<b>FEDERAL FUNDS</b>							
Average 1st qtr	12/09/2011	12/12/2011	12/01/2011	12/15/2011	12/16/2011	3 DAYS	1 DAY
Average 2nd qtr	03/05/2012	03/14/2012	02/21/2012	03/16/2012	03/20/2012	7 DAYS	2 DAYS
Average 3rd qtr	06/08/2012	06/18/2012	06/19/2012	06/20/2012	06/26/2012	6 DAYS	4 DAYS
Average 4th qtr	09/11/2012	09/19/2012	08/22/2012	09/21/2012	09/27/2012	6 DAYS	4 DAYS
<b>LOCAL FUNDS</b>							
Average 1st qtr	12/02/2011	12/06/2011	11/16/2011	12/07/2011	12/08/2011	4 DAYS	1 DAY
Average 2nd qtr	03/01/2012	03/05/2012	01/11/2012	03/07/2012	03/13/2012	4 DAYS	1 DAY
Average 3rd qtr	06/04/2012	06/11/2012	04/22/2012	06/13/2012	06/19/2012	5 DAYS	4 DAYS
Average 4th qtr	09/10/2012	09/17/2012	07/30/2012	09/19/2012	09/26/2012	5 DAYS	4 DAYS

### Revenue Estimates vs. Actual

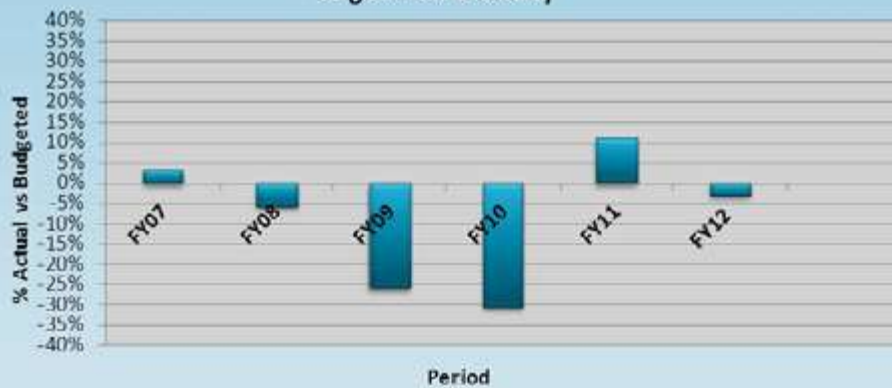
Period	Actual	Amended Budget	Difference	Error rate
FY07	672,329,000	650,546,000	21,783,000	3%
FY08	668,538,000	710,300,000	-41,762,000	-6%
FY09	569,446,000	768,137,000	-198,691,000	-26%
FY10	592,476,839	854,000,000	-261,523,161	-31%
FY11	675,788,506	608,383,000	67,405,506	11%
FY12	661,683,600	682,500,000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

### Revenue Estimates vs. Actual (cont'd.)



### *Revenue Estimates vs. Actual (cont'd.)*

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



### *Fixed Asset Inventory*

- ▶ A report on the status of an annual fixed asset inventory has not been communicated to the Department of Finance by the Department of Property & Procurement.
- ▶ Calvert stated in June that he would attempt to use the data present on the Fixed Asset Module as a substitute, but he was unable to perform that function due to him needing further verification of the government's CIP projects by the Department of Public Works.



*Questions???*



## APPENDIX E-9—REPUBLIC OF THE MARSHALL ISLANDS GOVERNMENT UPDATE

### Republic of the Marshall Islands

Government Status Update  
IGFOA Kauai  
December 2012

### FY2011 Audit Status

Completion or (expected completion ) date	# of qualifications?	Total findings?	# repeat findings	Cumulative Questioned Costs
Jan. 2013	Financial 1	Financial 14	Financial 6	FY 07-10 = \$4.2m
	A-133	A-133	A-133	

List any major issues you had to address for the audit:

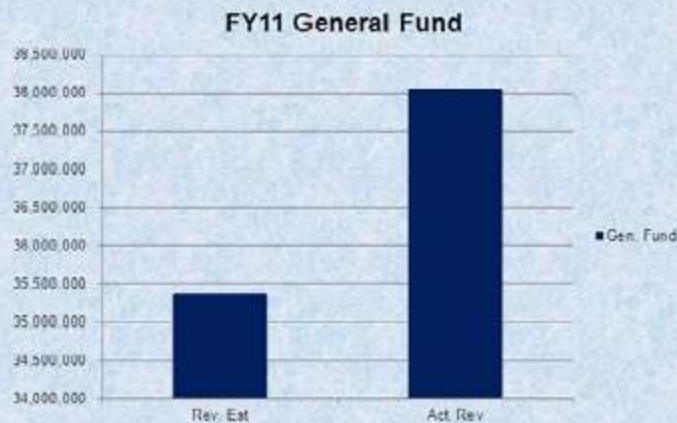
1. Timely bank recon & posting
2. Personnel (short staff; newly hired; extra help)
3. Leadership



## Performance Measures

Fixed asset physical inventory	Travel Advance Collections	Bank Reconciliations	Processing Days
Was the physical inventory completed as of 9-30? Physical inventory completed	% of travel advances over 30 days as of 9-30-12	What is the status of your bank reconciliations as of 9-30-12? Current however posting into the FMIS still work-in-progress	How many days does it take to process a federal invoice (average for FY12)? 2 wks
If not, expected completion date: June 2013	How much improvement is this over the % as of 6-30?	Any audit issues related to bank reconciliations? Delayed due to lack of staffs, turnover and not attending to work at hand	What is your target # of days? 5
Any fixed asset findings on the audit? Incorporated the other components of the FPA requirements	Any new policies or procedures initiated to collect advances? Reinforcing of the two-wk post travel policy	Any action steps initiated to ensure timely reconciliations? More systemic monitoring process	

## Revenue Estimates vs Actual



## APPENDIX E-10—YAP GOVERNMENT UPDATE

## YAP STATE, FSM

Government Status Update  
IGFOA Kauai  
December 2012

## FY11 Audit Status

Completion or (expected completion) date	# of qualifications?	Total findings?	# repeat findings	Cumulative Questioned Costs
6/20/12	Financial <u>Qualified—lacking two major component units audited statements</u>  A-133 <u>Internal control</u>	Financial 02  A-133 04	Financial 02  A-133 04	\$818,483

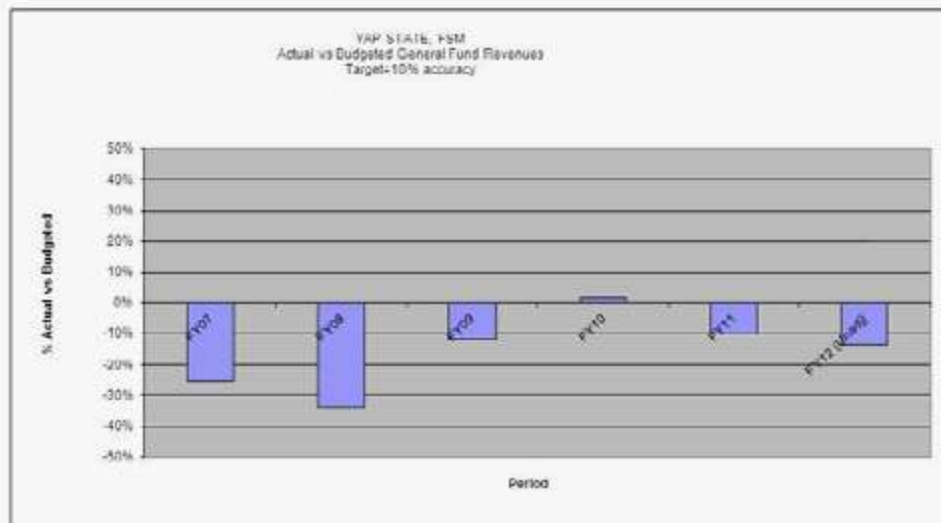
List the top three issues you had to address for the audit.

1. *Timely submission of trial balance to the auditors.*
2. *Review of draft report to confirm numbers*
3. *Discuss the proposed overall report and responses to citations.*

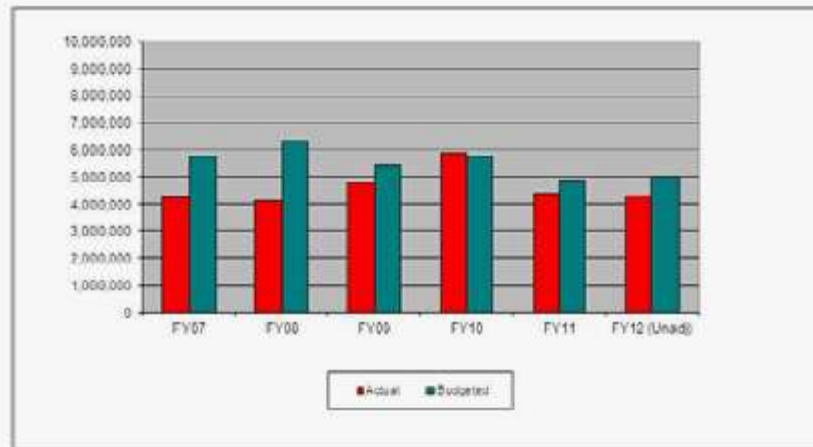
## Performance Measures

Fixed asset physical inventory	Travel Advance Collections	Bank Reconciliations	Processing Days
Was the physical inventory completed as of 9-30?	% of travel advances over 30 days as of 9-30-12	What is the status of your bank reconciliations as of 9-30-12?	How many days does it take to process a federal invoice (average for FY12)?
<u>No</u>	56K of outstanding at yearend. 600K of travel advance AR at 9/30/12	<u>All bank accounts reconciled and updated in system</u>	
If not, expected completion date:	How much improvement is this over the % as of 6-30?	Any audit issues related to bank reconciliations?	What is your target # of days?
<u>Completed in November 2012. Report to Governor due in December 2012</u>	As of 6/30, the 9/30 target was 90%. States policy on determining travel advance receivable is 60 days after travel ends.	<u>None</u>	
Any fixed asset findings on the audit?	Any new policies or procedures initiated to collect advances?	Any action steps initiated to ensure timely reconciliations?	
<u>None</u>	<u>In addition to travel memo, travel policy of payroll deduction is enforced.</u>	<u>Regular monitoring to keep up to date.</u>	

## Revenue Estimates vs Actual



## Revenue Estimates vs Actual



## APPENDIX F—FISCAL CLIFF PRESENTATION



### **Avoiding the Financial Cliff: Approaches to Rational Budgeting and Decision Making**

### **Communicating Financial Consequences to Elected Officials**

#### **Record # of US cities in fiscal crisis**

- Central Falls, Rhode Island
  - slash the pensions of police and fire retirees by as much as 55%
  - public debt of cities in the state must be repaid first
- Vallejo, CA
  - cut pay, health care and other benefits, as well as city services
  - cut payments to its bondholders
  - left the pensions intact
- Joliet, Ill.
  - increased property tax by over 12 percent
  - hiked water and sewer rates by 45 percent over three years
  - cut police and public sector jobs



## Michigan's Local Government Fiscal Accountability Act

Authorizes State oversight of municipalities

Performs a preliminary review adverse financial conditions

- Default in the payment of principal or interest of bonded obligation;
- Failure to transfer to appropriate authorities any of the following:
  - Employee taxes,
  - Taxes collected for another government,
  - Pension or retirement contribution;
- Failure for 30 days or more to pay wages or compensation;
- Accounts payable exceeding 10% of total expenditures;
- Failure to eliminate any fund deficit within two years;
- 10% or greater operating general fund deficit.

State Treasurer is to notify the Governor, who then must initiate a formal financial review team.

Terry Stanton, information officer for Michigan's Department of the Treasury notes that "No one likes to see their authority taken away. But it's important to note that oftentimes it was the elected officials who were the ones unable or unwilling to address financial problem before they got crisis stage."

"So often politicians do not look long term; they are just looking to push the buck or the can down the road until they won't be responsible," says Daniel Miller, the city controller of Harrisburg, PA



## What is a fiscal cliff, island style?

- RIFs and early retirement schemes
- Avoiding payment to autonomous agencies (education, hospital, retirement, utilities)
- Issuing debt to cover operating costs
- “Borrowing” federal funds to cover general fund expenditures
- Poorly providing essential services
- Inability to cover liabilities for payroll, tax refunds, pensions and vendors (especially off island vendors)

## Clues that you have a crisis

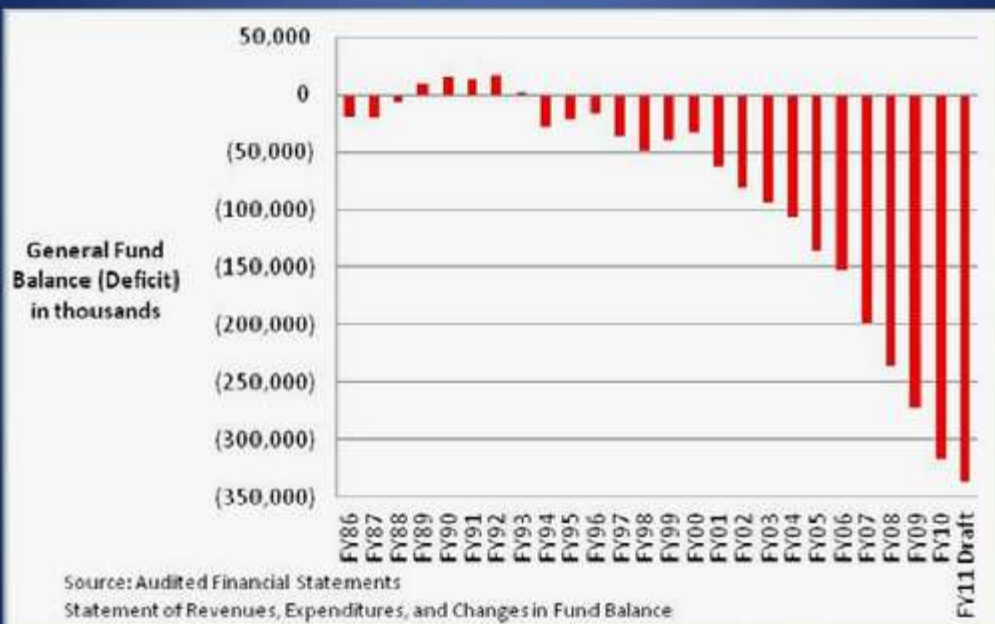
- Check the Performer score !!
- Cash flow
  - Check the due to/from balances
  - Quick ratio
- Mounting deficits and no deficit reduction program
- Unrealistic budget assumptions
  - Over estimating revenues
  - Ignoring fixed costs (payroll liabilities, utilities)
  - Overspent budgets
- “Emergency” purchases
- Budget overrides

## Communication

- How much time do you have to explain the financial status?
- Focus on the most critical issues
- Pictures vs tables and narrative
- Use benchmarks and comparatives
- Put numbers in perspective
- Note trends
- Create a sense of urgency without sounding hysterical

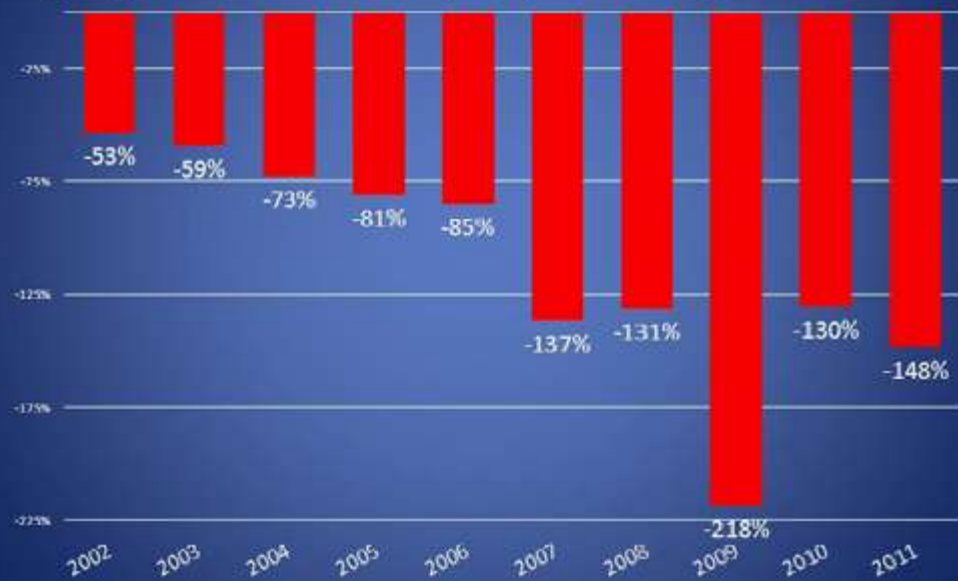
### Illustrate the Trend

Cumulative General Fund Deficit  
FY 1986 to FY 2011

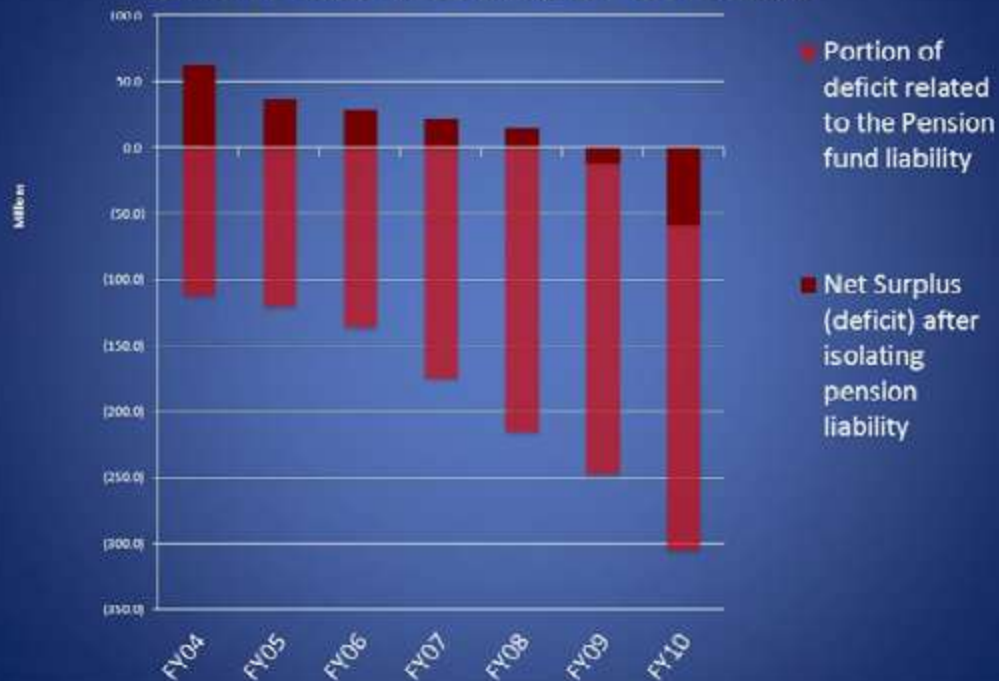


## Put the numbers into Perspective

Budgetary Unreserved Fund Balance (Deficit) as a Percentage of Annual Revenues

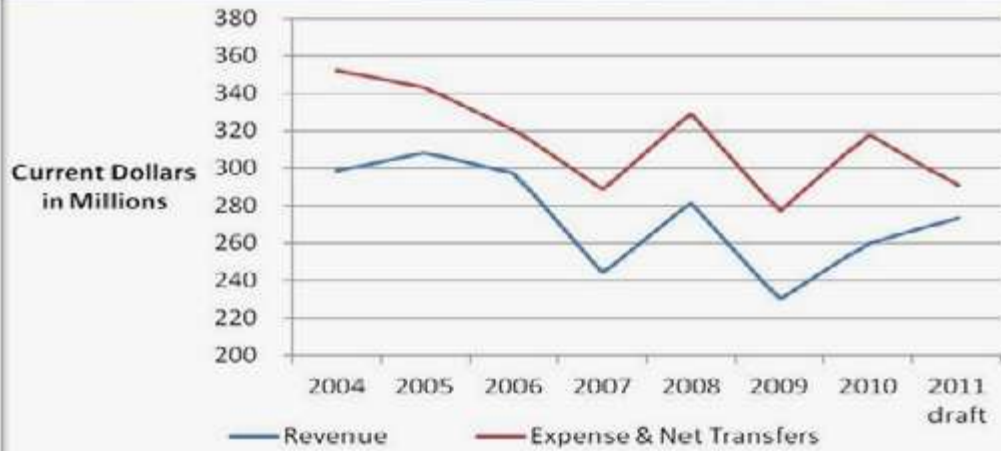


## Show the Results of Choices



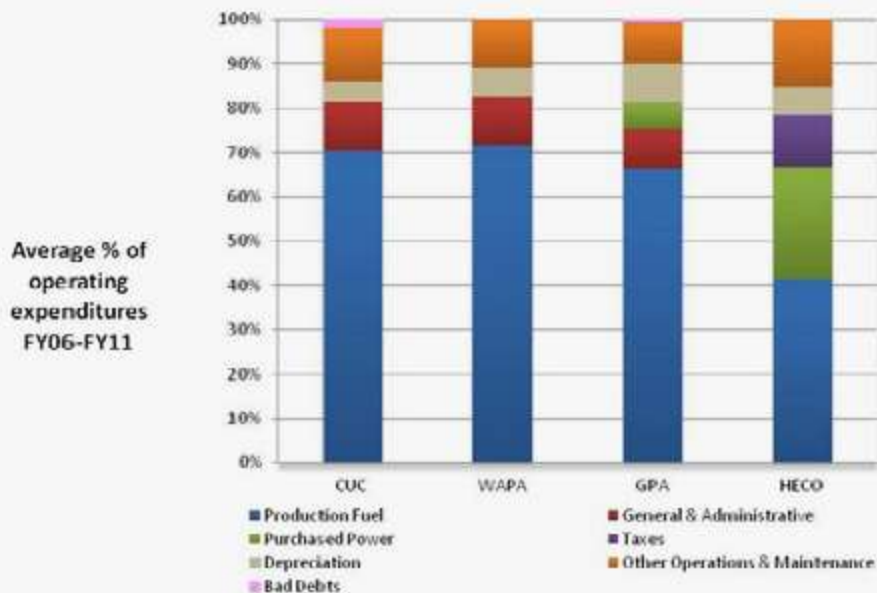
## How long can a government sustain this scenario?

### Governmental Activities Actual Revenues and Expenditures FY 2004 to FY 2011



Source: Audited Financial Statements

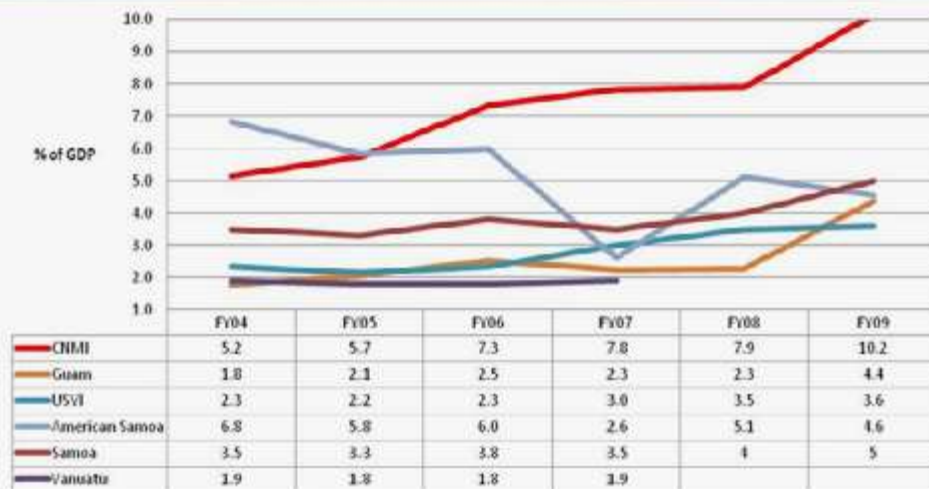
## Put solutions into perspective





## Show comparisons

### Per Capita Spending on Health by Insular Governments & Selected Pacific Nations FY 2004 to FY 2010



CNMI, Guam, USVI, American Samoa: GDP source: U.S. Census Bureau, International Database

Expenditure data source: Audited financial statements; Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)

Samoa, Vanuatu: ADB Asian Key Indicators, 2011



## APPENDIX G—GOVERNMENT ACCOUNTING STANDARDS UPDATES

# GASB Update: The Hits From Coast to Coast

2012 IGFOA

Presented by Frank Crawford, CPA  
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## What we will cover in this session (that they have only given me 45 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
- ▶ Statement 66—Technical Corrections—2012, an amendment of GASB Statements No. 10 and No. 62
- ▶ GASB's Preliminary Views on Fiscal Sustainability Project
  
- ▶ Other standards will be discussed in more detail in later sessions



## Effective Dates—September 30

- ▶ **September 30, 2012**
  - Statement 57—OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans—provisions related to the frequency and timing of measurements (paragraph 8)
  - Statement 64—Derivatives: Application of Hedge Accounting Termination Provisions
- ▶ **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



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## Effective Dates—September 30

- ▶ **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
- ▶ **September 30, 2015**
  - Statement 68—Employer pension accounting



4

## When Will This Impact Me?

### ► GASB's Preliminary Views on Fiscal Sustainability Project

- PV Issued in November 2011
- Comment period ends March 16, 2012
- Public Hearings held in March - April 2012
- May - October 2012 - Re-deliberation of issues
- January - March 2013 - Issue Exposure Draft
- April 2013 - Comment period
- May - August 2013 - Review ballot draft and issue Exposure Draft
- September 2013 - Review pre-ballot draft of final statement
- October 2013 - Review ballot draft and issue final statement



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## GASB Statement 60 – Service Concession Arrangements



6

## 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



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## What is NOT a Service Concession Arrangement (SCA)?

- ▶ Shared Services Arrangements
- ▶ Pledges or loans of investments or receivables
- ▶ Joint ventures/joint powers agreements



8

## What is the benefit of an SCA to a Government?

- ▶ Acts as a leverage of existing infrastructure and other capital assets that generates additional resources
- ▶ Can make possible the construction and financing of NEW infrastructure and other capital assets and transfer construction and maintenance risk to private company
- ▶ A more effective and efficient way to provide services



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## 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



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## 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



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## 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



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## GASB Statement 66

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



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## Objective

- ▶ Resolve conflicting guidance that resulted from the issuance of two recent pronouncements
  - Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*
  - Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*



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## Conflicting Guidance

- ▶ Statement 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*—required that if a single fund is used to account for risk financing activities that fund should either be the general fund or an internal service fund
- ▶ Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*—would allow for certain risk financing activities to be reported in a special revenue fund
  - EX: some state statutes that authorize their local governments to assess a dedicated tax levy for tort liabilities, which would constitute a restricted revenue that could serve as the foundation for a special revenue fund
- ▶ Guidance in Statement 10 that created the implied prohibition against using a special revenue fund was superseded



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## Conflicting Guidance

- ▶ Statement 13, *Accounting for Operating Leases with Scheduled Rent Increases*—allows a lessor government that enters into an operating leases with scheduled rent increases to recognize operating lease payments on a straight-line basis over the lease term or based on the estimated fair value of the rental
- ▶ Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*—includes provisions (paragraphs 222 and 227(b) that could be perceived as a potential prohibition against the use of the fair value method that is permitted in Statement 13
- ▶ Guidance in Statement 62 that created the implied prohibition against using the fair value method was superseded



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## Conflicting Guidance

- ▶ Statement 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*—requires that when there is an exchange in an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments, a transferee government recognizes those receivables acquired at the purchase price
- ▶ Statement 62—allows for the difference between the initial investment and the related loan's principal amount to be recognized as an adjustment of yield over the life of the loan
- ▶ Guidance in Statement 62 was amended to remove the conflicting guidance



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## Conflicting Guidance

- ▶ Statement 48—requires that when there is an exchange in an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments, a transferor government recognize a gain or loss on the difference between the proceeds and the carrying value of receivables sold
- ▶ Statement 62—requires that when a transferor government retains the servicing rights to mortgage loans that have been sold, the gain or loss on that sale should be adjusted to recognize the difference between a "normal servicing fee" and the fee that is stipulated in the sale agreement
- ▶ Guidance in Statement 62 was amended to remove the conflicting guidance



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## Effective Date

- ▶ Effective for financial statements for periods beginning after December 15, 2012
- ▶ Earlier application is encouraged
- ▶ In the first period that the Statement is applied, changes made to comply should be treated as an adjustment of prior periods, and financial statements presented for the periods affected should be restated



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



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## 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



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## GASB 20 Election

- ▶ In addition to applying FASB, APB, and ARBs required in paragraph 6, a proprietary fund may also apply all FASB Statements and Interpretations issued AFTER Nov 30, 1989 except those that conflict with or contradict GASB
- ▶ However, entities can continue to apply "as other accounting literature" post-Nov 30, 1989 FASB pronouncements that don't conflict with or contradict GASB pronouncements



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## Why was GASB 62 Issued?

- ▶ Preparers had to identify which FASB and AICPA pronouncements were applicable which was subjective; could be entire FASB or AICPA pronouncements or just paragraphs
- ▶ GASB staff addressed many technical inquiries about application of FASB pronouncements
- ▶ FASB Codification on July 1, 2009; no more references to specific pronouncements
- ▶ Makes guidance easily accessible which makes process of identifying relevant "category (a)" literature less complex



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## Impact of GASB 62

- ▶ All authoritative literature is now in GASB GAAP
- ▶ Includes almost 125 FASB, AICPA and former entity pronouncements
- ▶ FASB Codification on July 1, 2009; no more references to specific pronouncements
- ▶ Makes guidance easily accessible which makes process of identifying relevant "category (a)" literature less complex



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# GASB Statement No. 61

» The Financial Reporting Entity:  
Omnibus



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## 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



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## 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



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## 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



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## When Should a Potential Component Unit (PCU) be included?

- ▶ When the legally separate PCU is fiscally dependant (Originally in Statement 14). That means the primary government has authority for:
  - Determining the budget, or
  - Levying taxes and charges or setting rates, or
  - Issuing debt
- ▶ When a financial benefit or burden exists between PG and PCU (Statement 61 added this requirement)



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## When Should a Potential Component Unit (PCU) be included?

- ▶ What is financial benefit or burden:
  - Primary government is legally entitled to or can otherwise access the organization's resources, OR
  - Primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization, OR
  - Primary government is obligated in some manner for the debt of the organization



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## Note Disclosures

- ▶ Clarifies that *current* disclosures require:
  - Brief description of the CUs of the reporting entity and their relationship to the PG
  - Rationale for including *each* CU
  - Whether it is discretely presented, blended, or included as a fiduciary fund



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## Questions???

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## APPENDIX H—GASBS 63 AND 65

### GASB Statements 63 and 65, and GASB Concept Statement 4:

#### The New Statement of Net Position, and the Reclassification of Items formerly reported as Assets and Liabilities

IGFOA 2012

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



### Concepts Statement 4 – Definitions of Financial Statement Elements

- ▶ **Assets** are resources with present service capacity that the government presently controls.
- ▶ **Liabilities** are present obligations to sacrifice resources that the government has little or no discretion to avoid.



## Alternative Definitions

- ▶ **Assets** – Little donkeys.
- ▶ **Liabilities** – Donated streets or utility lines or buildings.



3

## Concepts Statement 4 – Definitions of Financial Statement Elements

- ▶ A **deferred outflow** of resources is a consumption of net assets by the government that is applicable to a future reporting period.
- ▶ A **deferred inflow** of resources is an acquisition of net assets by the government that is applicable to a future reporting period.



4

## Alternative Definitions

- ▶ **Deferred Outflow** – Holding it 'til you get home.
- ▶ **Deferred Inflow** – Waiting to consume liquid refreshment 'til you get home.



5

## Concepts Statement 4 – Definitions of Financial Statement Elements

- ▶ **Net position** is the residual of all other elements presented in a statement of financial position.
- ▶ **Net position** = Assets + Deferred Outflows – Liabilities – Deferred Inflows



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## Concepts Statement 4 – Definitions of Financial Statement Elements

- ▶ An **outflow** of resources is a consumption of net assets by the government that is applicable to the reporting period. *(Expenses)*
- ▶ An **inflow** of resources is an acquisition of net assets by the government that is applicable to the reporting period. *(Revenues)*



7

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



8



## 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



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## 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



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## 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 report fund balance



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Sample City  
Statement of Net Position  
December 31, 20XX

	FUND GOVERNMENT			
	Governmental Activities	Business-Type Activities	Total	Fund Balance
<b>ASSETS</b>				
Cash and cash equivalents	\$117,122.20	\$10,114.00	\$127,236.20	\$127,236.20
Receivables	20,200.00	44,773.00	64,973.00	64,973.00
Due from other governments	1,040,852.00	-	1,040,852.00	1,040,852.00
Investments (net)	11,794,100.00	9,800,000.00	21,594,100.00	21,594,100.00
Intangible Assets	115,700.00	115,700.00	231,400.00	231,400.00
Capital assets	2,200,000.00	1,000,000.00	3,200,000.00	3,200,000.00
Land, improvements, and construction in progress	20,000,000.00	4,000,000.00	24,000,000.00	24,000,000.00
Other capital assets and construction	20,000,000.00	1,000,000.00	21,000,000.00	21,000,000.00
Total capital assets	22,200,000.00	5,000,000.00	27,200,000.00	27,200,000.00
Total Assets	23,337,122.20	15,033,773.00	38,370,895.20	38,370,895.20
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Accumulated deferred value of hedging derivatives	-	127,236.20	127,236.20	-
Total Deferred Outflows of Resources	-	127,236.20	127,236.20	-
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	7,234,940.00	400,000.00	7,634,940.00	7,634,940.00
Deferred revenue	1,815,000.00	-	1,815,000.00	1,815,000.00
Long-term debt	10,000,000.00	127,236.20	10,127,236.20	10,127,236.20
Due within 1 year	9,234,940.00	400,000.00	9,634,940.00	9,634,940.00
Due more than 1 year	800,000.00	80,000.00	880,000.00	880,000.00
Total Liabilities	19,050,000.00	527,236.20	19,577,236.20	19,577,236.20
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Accumulated deferred value of hedging derivatives	1,040,852.00	-	1,040,852.00	-
Deferred revenue - non-exchange transactions	-	4,000,000.00	4,000,000.00	-
Total Deferred Inflows of Resources	1,040,852.00	4,000,000.00	5,040,852.00	-
<b>NET POSITION</b>				
Net investment in capital assets	20,000,000.00	4,000,000.00	24,000,000.00	24,000,000.00
Restricted	1,040,852.00	-	1,040,852.00	1,040,852.00
Unrestricted	2,296,070.20	1,033,773.00	3,329,843.20	3,329,843.20
Total Net Position	23,337,122.20	5,033,773.00	28,370,895.20	28,370,895.20



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## 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



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## Current and Possible Future Standards with Deferred Outflows/Inflows

- ▶ **CURRENT:**
  - Statement 53 – Accounting and Financial Reporting for Derivative Instruments
  - Statement 60 – Service Concession Arrangements
  - Stmt 65 – Reporting Items Previously Recognized as Assets and Liabilities
- ▶ **FUTURE:**
  - Pension Plans – Exposure Drafts



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## GASB Statement 65

### Items Previously Recognized as Assets and Liabilities



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## 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



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## 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.



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## Definitions

- **Assets**
  - Resources with present service capacity that the government presently controls
- **Deferred outflow of resources**
  - A consumption of net assets by the government that is
    - Has a positive effect on net position, similar to assets
- **Outflow of resources**
  - A consumption of net assets by the government that is
- **Liabilities**
  - Present obligations to sacrifice resources that the government has little or no discretion to avoid
- **Deferred inflow of resources**
  - An acquisition of net assets by the government that is
    - Has a negative effect on net position, similar to liabilities
- **Inflow of resources**
  - An acquisition of net assets by the government that is applicable to the reporting period



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### 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)



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### 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



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**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



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**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



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**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



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**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)



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## 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



## APPENDIX I— GASBS 67 AND 68

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

IGFOA 2012

Presented (but I'm only the messenger, so don't  
kill me...) by Frank Crawford, CPA  
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[@fcrawford](https://twitter.com/fcrawford) (Twitter)



### When Will This Impact Me?

- ▶ More detail on Pensions
  - September 30, 2014 – Only required to apply requirements for a single employer
  - No unconditional special funding situation
  - Employer's plans are not reported by an entity that also reports
    - A pension plan with an unconditional special funding situation
    - A multiple-employer Pension plan
- ◁ Otherwise September 30, 2015





## Gasb statements 25 and 27

- ▶ GASB Statement 25 – Affects the retirement PLAN itself
- ▶ GASB Statement 27 – Affects employers



## Effective Date

- ▶ GASB Statement 67 – Implement for periods beginning after June 15, 2013
- ▶ GASB Statement 68 – Implement for periods beginning after June 15, 2014
- ▶ Earlier application encouraged



## Types of retirement plans affected

- ▶ **Defined Benefit Plans**
  - Single employer pension plans
  - Agent multiple-employer pension plans
  - Cost-sharing multiple-employer pension plans (Teachers, Public Employee, Law Enforcement, Public Safety, etc...)
- ▶ **Defined Contribution Plans**



## Defined Benefit Plans Major Changes

- ▶ Unfunded net pension liability now reported on the Statement of Net Position (remember GASB Statement 63)
- ▶ Calculation of net pension liability will likely change
- ▶ Calculation of annual pension cost will definitely change
- ▶ Note disclosures will increase substantially



## Reporting of Net Pension Liability

- ▶ Definition of Liability according to Concepts Statement No. 4:
  - "Present obligations to sacrifice resources 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 no discretion to avoid – Can be evidenced by reliance of others on the government's actions i.e. employee expects to receive a retirement check.



## Reporting of Net Pension Liability

- ▶ Liability for Defined Benefit Plan
  - Promise to pay certain benefit amount upon retirement
- ▶ VS.
- ▶ Liability for Defined Contribution Plan
  - Promise to contribute certain % or amount during employment



## Reporting of Net Pension Liability

### ► Before:

- Net Pension Obligation
  - Measured as the cumulative difference between the employer's annual required contributions and actual contributions.
- Pension Liability – DC plans



## Calculating Total Pension Liability

### ► Timing and Frequency

- Measured as of the employer's year-end
- Actuarial valuation performed at least biennially
- Measurement can be from:
  - An actuarial valuation as of employer's year-end
  - Update procedures rolling-forward amounts from an actuarial valuation as of a date no more than 24 months earlier



## Calculating Total Pension Liability

### ► Assumptions

- Unless otherwise specified, assumptions should be made in conformity with Actuarial Standards of Practice
  - ASOPs require the actuary to evaluate the reasonableness of all assumptions at each measurement date



## Calculating Total Pension Liability

### ► Projection of Benefit Payments

- All current plan members in accordance with:
  - The terms of the benefit arrangement
  - Any additional legal agreement(s) to provide benefits that are in force at the actuarial valuation date
- Exclude benefits provided through allocated insurance contracts and insured benefits if paid up and the probability is remote that the employer will be obligated for future transfers of assets





## Calculating Total Pension Liability

### ► Projection of Benefit Payments (continued)

- Include automatic cost-of-living adjustments (COLAs) and other automatic retroactive benefit changes
- Include ad hoc COLAs and ad hoc retroactive benefit changes *that are substantively automatic*
- Include projected future salary increases (when benefit formula is based on future levels)
- Include projected future service credits (when determining probability of eligibility for benefits and when benefit formula is based on years of services)



## 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



## Calculating Total Pension Liability



## Calculating Total Pension Liability

- ▶ Attribution – Entry Age normal actuarial cost method is the only acceptable method now; used to have 6 options
  - Attribution on an individual employee-by-employee basis
  - Service costs should be level as a percentage of employee's projected pay
  - Beginning attribution period should be first period in which employee's service accrues benefits
  - All benefits should be attributed through all assumed exit age(s)
  - Service costs determined on same benefit provisions reflected in employee's actuarial present value of benefit payments



## Plan Net Position Restricted for Pensions

- ▶ Measured at employer's fiscal year-end
- ▶ Measured using same valuation methods that are used in the statement of plan net position by the defined benefit pension plan, including measurement of investments at fair value
  - No smoothing of plan assets.



## Recognition of Changes in the NET Pension Liability

- Service Cost **Expensed**
- Interest on Total Pension Liability **Expensed**
- Change of Benefit Terms **Expensed**
- TPL-related differences between expected and actual experience – **Inactive portion Expensed**; Active portion **(some Expensed) (remainder Deferred)**
- Changes in assumptions – **Inactive portion Expensed**; Active portion **(some Expensed) (remainder Deferred)**
- Projected earnings on investments **Expensed**
- Difference between projected and actual investment earnings **(some Expensed) (remainder Deferred)**
- Other sources **Expensed**



## Deferred Outflows of Resources/Deferred Inflows of Resources

- Recognize TPL-related balances in expense over a closed period, using weighted-average expected remaining service
- Recognize differences between actual and projected earnings on plan investments in expense over 5 years
- Expense recognition begins in the period in which the difference/change occurred





## Recognition in Modified Accrual Basis Statements

- ▶ Net Pension Liability only recognized to the extent the liability is normally expected to be liquidated with expendable, available financial resources
- ▶ Pension expenditures equal (a) amounts contributed to pension plan and (b) amounts normally expected to be liquidated with expendable, available financial resources



## Cost-Sharing Plans

- ▶ Recognized proportionate share of:
  - Net pension liability
  - Collective pension expense
  - Collective deferred outflows of resources
  - Collective deferred inflows of resources
  - Effects of change in proportion
  - Differences between amount recognized by cost-sharing plan as a contribution from employer and amount of employer's proportionate share of collective employer contributions recognized by plan





## Cost-Sharing Plans

- ▶ Determining employer's portion:
  - Measure of *projected* long-term contribution effort to the pension plan compared to total of all *projected* contributions of employers
  - Expected employer contributions include on-behalf payments by nonemployer contributing entities
  - Employer's portion established at actuarial valuation date and rolled forward if no significant change



## Disclosures in Notes to Financial Statements

- ▶ Single, Agent, & Cost-Sharing Employer with more than one net pension liability should **disclose** (if not separately displayed in F.S.):
  - Total Net Pension Liability
  - Deferred in/out flows of resources
  - Pension Expense
- ▶ *Primary Govt. & C.U.* providing pension through *same single/agent pension plan* should separately identify amounts associated with the Primary Govt. and discretely presented c.u.



## Disclosures in Notes to Financial Statements

- Description of benefits
- Assumptions used to measure total pension liability:
  - Including discount rate
    - Assumptions of future cash inflows/outflows
    - LT expected return on plan investments and how the rate was determined
    - The municipal bond index rate
    - Periods to which the LT rate or the municipal rate were used
  - Proportion used in cost-sharing plans
  - Also have to show effect of change in discount rate  $\pm 1\%$



## Disclosures in Notes to Financial Statements

- Information about the elements of the plan's basic financial statements (plan net position)—can refer to plan report
- Changes in components of net pension liability by source\*
- Components of pension expense\*
- Components of changes in deferred inflows/deferred outflows of resources related to pensions\*

\*Single and agent employers only; cost-sharing amount recognized and impact of contribution and collective share differences



## Required Supplementary Information

- ▶ Ten-year schedule of changes in the components of the net pension liability by source
  - Cost-sharing at collective level
- ▶ Ten-year schedule (cost-sharing collective and employer level with employer proportionate share percentage):
  - Total pension liability
  - Plan net position
  - Net pension liability
  - Ratio of plan net position to total pension liability
  - Covered-employee payroll
  - Ratio of net pension liability to covered-employee payroll



## Required Supplementary Information

- ▶ Ten-year schedule (continued):
  - Actuarially calculated employer contribution, if **determined**
  - If cost-sharing employer, contractually required contribution
  - Employer contributions made
  - Difference between actuarially calculated employer contribution and contributions made, if applicable
  - Ratio of contributions to covered-employee payroll
  - Ratio of net pension liability to covered-employee payroll



## Liabilities to a Defined Benefit Pension Plan and Insured Benefits

- ▶ Should be reported separate from net pension liability with amounts and significant terms disclosed in the note
  - Short-term payables to a plan for legally or contractually required contributions outstanding at year-end
  - Long-term assessments upon joining multiple-employer plan
- ▶ Insured benefits reported same as Statement 27



## Special Funding Situation

- ▶ Nonemployer with a conditional legal requirement
  - Nonemployer will recognize its contributions in accordance with GASB 24 (grant expense/expend.)
  - Employer will recognize revenue in amount of nonemployer contributions
- ▶ Nonemployer with an unconditional legal requirement
  - Nonemployer will recognize its proportionate share of net pension liability, pension expense, deferred outflows of resources, and deferred inflows of resources
  - Amounts recognized by employer will be reduced by amounts recognized by nonemployer





## Special Funding Situation

- ▶ Conditional legal requirement
  - "Amount of the on-behalf contributions for which the nonemployer contributing entity is legally responsible is conditional on one or more events or circumstances unrelated to the pensions"
  - Example: Nonemployer contributing entity required to make contributions based on specified percentage of given revenue source
  - Police and Firefighter Pensions fall into this category; the conditional funding source is insurance premium tax - currently 34% for firefighter's and 14% for police
  - Police and Firefighter Pensions therefore, apply provisions of cost-sharing plans where employers report their proportionate share of items previously mentioned
  - Oklahoma's comment letter to GASB argues that the state has assumed the legal responsibility for the unfunded liability and therefore employers should NOT report the unfunded liability



## Special Funding Situation

- ▶ Unconditional legal requirement
  - "Legal responsibility of the nonemployer contributing entity to contribute is unconditional"
  - Example: Nonemployer contributing entity is legally required to contribute a defined percentage of covered-employee payroll to the pension plan or the nonemployer contributing entity is required to contribute to the pension plan a defined proportion of the employer's required contributions





## Defined Contribution Pension Benefits

- ▶ Pension expense: Amount of contributions or credits to employees' accounts attributable to the employees' services in the period, **net of employee forfeitures**
  - Forfeited amounts reallocated to other employee accounts should not be considered forfeitures for this purpose
- ▶ Pension liability
  - Difference between amount recognized as expense and amount contributed by employer



## Defined Contribution Pension Benefits

- ▶ Notes to the F.S. DC Pension Plans:
  - Name of the plan, administer of the plan,
  - Description of benefit provisions
  - Rates (\$ or % of salary) used to determine amount attributed to employees' (by employees, employer, and nonemployer)
  - Total dollar amount contributed by employees, employer, and nonemployer
  - Amount of forfeitures reflected in the net pension expense for the period.



► Questions??



## APPENDIX J—PERFORMETER UPDATES PRESENTATION

### *2011 Performer<sup>®</sup> and A.F.T.E.R Analysis Update*

IGFOA Conference 2012

Graduate School

Prepared and Presented by Frank Crawford, CPA

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### Topics for today

- ▶ A brief review of what the *Performer* and *A.F.T.E.R Analysis* is (and what it is not...)
- ▶ Review of factors and circumstances contributing to the 2011 scores and findings (if 2011 financial statements have been issued)
- ▶ Provide an update on the most recent *Performer* scores and A.F.T.E.R findings



## A brief review...

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



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## 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.



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## Factors and Circumstances for 2011

- ▶ For some, the fiscal year ending September 30, 2011 was not a good year financially; for a few though, it featured a year of continued recovery from lower scores in the prior 2-3 periods
  - Some governments continued to decline by incurring more expense than earning in revenue during the year; others featured a combination of cost cuts and revenue enhancements, others either issued new debts or assumed debts of others
  - Pension plan woes continue for most except ASC
  - Spending patterns changed for most, some good, some bad
  - 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 2011

- ▶ 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

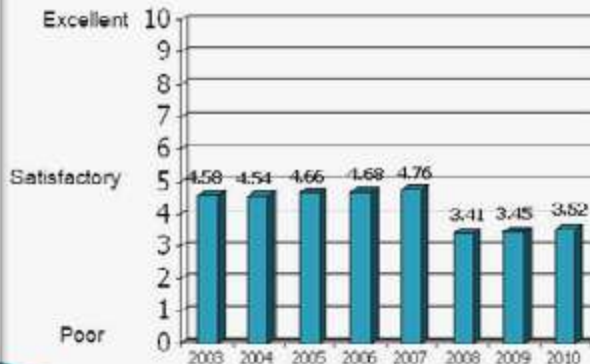


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## Palau Performer® Reading

### Overall Reading



The 2010 reading of 3.52 indicates the evaluator's opinion that the Palau Government's overall financial health and performance improved slightly during the fiscal year ended September 30, 2010.

After a number of years of near satisfactory scores, the past three periods have shown a cumulative decline in the financial health as success of the Palauan Government. Much of the decline occurred in FY 2008 due to the dramatic drop in the fair value of investments. Palau did not see much recovery during FY 2009 and 2010, and its reading has remained relatively stationary.

FY 2011's reading has not yet been determined, pending the release of 2010's audited financial statements.

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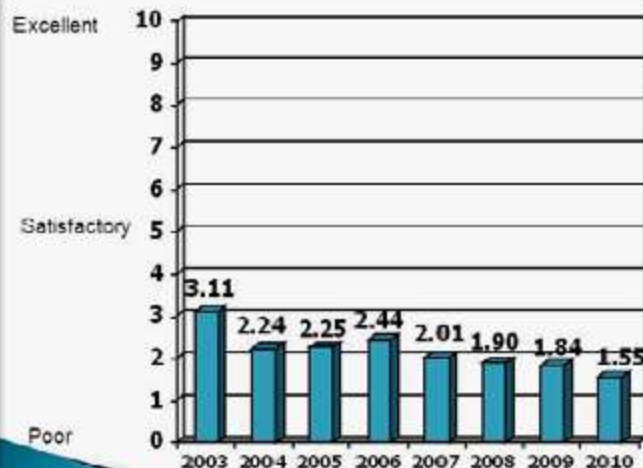
## A.F.T.E.R. Palau

	2003	2004	2005	2006	2007	2008	2009	2010
Number of F.S. Opinion Qualifications/Exceptions	0	0	0	0	0	0	0	0
Number of Major Federal Program Qualifications/Exceptions	5	5	9	4	5	5	8	8
Number of F.S. Findings								
A. Internal Control and Compliance	5	7	6	5	0	0	0	0
B. Internal Control Only	0	2	6	8	11	2	8	7
C. Compliance Only	0	0	0	0	0	0	0	0
TOTAL	5	9	12	13	11	2	8	7
Percentage of Findings Repeated	16.7%	11.1%	50%	30.8%	71%	33%	25%	80%
Number of A-133 Findings								
A. Internal Control and Compliance	6	13	31	15	7	16	33	26
B. Internal Control Only	0	0	0	0	5	1	0	2
C. Compliance Only	0	0	0	0	0	0	0	1
TOTAL	6	13	31	15	12	17	33	28
Percentage of A-133 Findings Repeated	16.7%	7.7%	32.3%	13.3%	67%	59%	48%	60.1%
Number of months after V/E the F.S. were Released	21	14	9	9	9	9	14	22
Number of Qualifications/Exceptions Related to C.U.	0	0	0	0	0	0	0	0
\$ of Questioned Costs-Current Year	\$294,274	\$320,542	\$351,204	\$99,755	\$52,691	\$577,977	\$967,990	\$1,668,098
\$ of Questioned Costs-Cumulative	\$592,481	\$829,807	\$1,184,207	\$993,451	\$851,682	\$851,682	\$2,352,870	\$3,547,810
% of Questioned Costs Resolved - Current Year	90	95.217	93.074	92.011	92.550	91.375	90	95.948

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## CNMI Performer® Reading

Overall Reading



The 2010 reading of 1.55 indicates the evaluator's opinion that the CNMI's overall financial health and performance continued to be less than satisfactory as of and for the fiscal year ended September 30, 2010, with continued declines in the reading when compared with the prior periods.

The decline in the current year score was due in a large part to several ratios continuing a downward trend during the year, such as the tax and debt burdens per citizen and current and quick ratios.

FY 2011's reading has not yet been determined, pending the release of 2010's audited financial statements.

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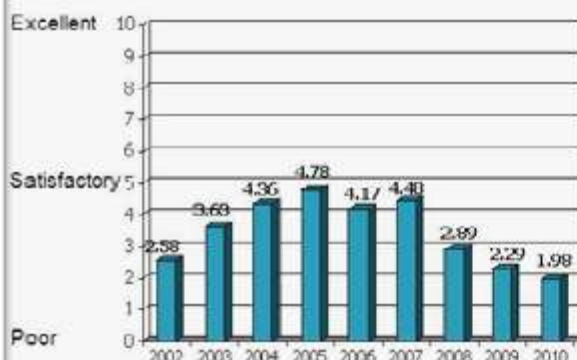
## A.F.T.E.R. CNMI

	2004	2005	2006	2007	2008	2009	2010
Number of F.S. Opinion Qualifications/Exceptions	9	8	9	10	4	2	1
Number of Major Federal Program Qualifications/Exceptions	7	8	7	6	5	5	8
Number of F.S. Findings							
A. Internal Control and Compliance	-	-	2	-	0	0	0
B. Internal Control Only	10	10	14	10	15	18	15
C. Compliance Only	3	3	10	3	3	3	3
TOTAL	13	13	26	13	18	21	18
Percentage of Findings Repeated	72.7%	70.8%	75%	82%	62.5%	76.9%	100%
Number of A-133 Findings							
A. Internal Control and Compliance	33	37	36	42	41	37	37
B. Internal Control Only	-	-	-	-	-	-	-
C. Compliance Only	4	4	4	4	4	4	4
TOTAL	33	37	36	42	41	37	37
Percentage of A-133 Findings Repeated	28.4%	64.9%	69.4%	46%	56%	75.7%	51.4%
Number of months Y/E the F.S. were Released	18	6	6	6	6	6	10
Number of Qualifications/Exceptions Related to C.U.	2	2	3	8	4	2	1
\$ of Questioned Costs Current Year	\$2,700,930	\$718,786	\$1,468,272	\$2,213,809	\$7,565,461	\$4,917,031	\$5,482,028
\$ of Questioned Costs Cumulative	\$2,648,440	\$2,567,225	\$5,035,505	\$7,249,314	\$7,249,314	\$19,231,820	\$24,714,804
\$ of Questioned Costs Resolved - Current Year	\$145,572	\$0	\$0	\$0	\$0	\$0	\$0

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## Performer® Reading VI (draft)

### Overall Reading



The 2010 reading of 1.98 indicates the evaluator's opinion that the VI's overall financial health and performance declined when compared to the prior period.

The decline in the current year score was due in a large part to several ratios turning downward during the year, such as the increase in the total net asset (deficit), the General Fund's unassigned fund balance (deficit), business-type self sufficiency, debt-to-assets, and current and quick ratios.

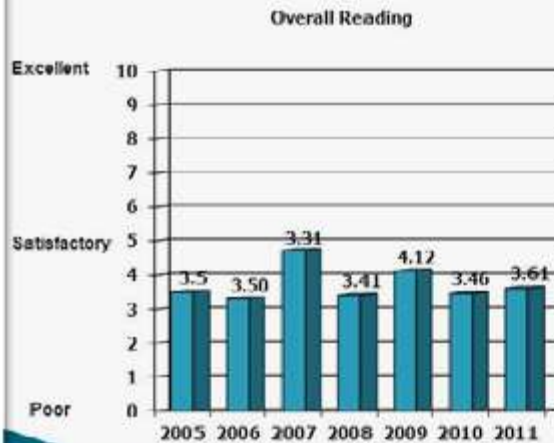
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## A.F.T.E.R. VI

	2004	2005	2006	2007	2008	2009	2010
Number of P.A. Opinion Qualifications/Perceptions	10	8	7	8	7	8	8
Number of Major Federal Program Qualifications/Exceptions	3	3	6	11	7	8	8
Number of F.S. Findings							
A. Internal Control and Compliance	1	1	3	0	1	1	1
B. Internal Control Only	2	2	0	11	10	10	8
C. Compliance Only	0	0	1	1	0	0	0
TOTAL	3	3	4	12	11	11	9
Percentage of Findings Repeated	100%	100%	Unable to determine	Unable to determine	100% (estimate)	100% (estimate)	100% (estimate)
Number of A-133 Findings							
A. Internal Control and Compliance	18	18	22	50	50	12	
B. Internal Control Only	15	0	0	0	0	24	
C. Compliance Only	1	0	0	0	0	0	
TOTAL	32	18	22	50	50	46	
Percentage of A-133 Findings Repeated	71.9%	47.4%	Unable to determine	Unable to determine	58%	58.5%	
Number of months after Y/E the F.S. were Released	24	30	30	25	24	22	25
Number of Qualifications/Exceptions Related to C.U.	5	8	5	5	3	3	4
\$ of Questioned Costs-Current Year	\$478,568	\$9,056,788	\$3,829,679	\$8,484,484	\$3,487,563	\$57,293,304	
\$ of Questioned Costs-Cumulative	Unable to determine	Unable to determine	Unable to determine	Unable to determine	Unable to determine	\$60,104,177	
\$ of Questioned Costs Resolved - Current Year	Unable to determine	Unable to determine	Unable to determine	Unable to determine	\$6,276,415	\$8,944,995	

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## Chuuk Performer® Reading



The 2011 reading of 3.61 indicates that in the evaluator's opinion, Chuuk's overall financial health and performance is considered less than satisfactory as of and for the fiscal year ended September 30, 2011, but did increase slightly from the reading of the prior year.

Chuuk's low level of unrestricted net assets, insufficient General Fund unassigned fund balance, low revenue dispersion, and insufficient current and quick ratios are the primary reasons for the continued less than satisfactory reading of the current year, although other ratios showed slight improvements from their comparable ratios of the prior year.

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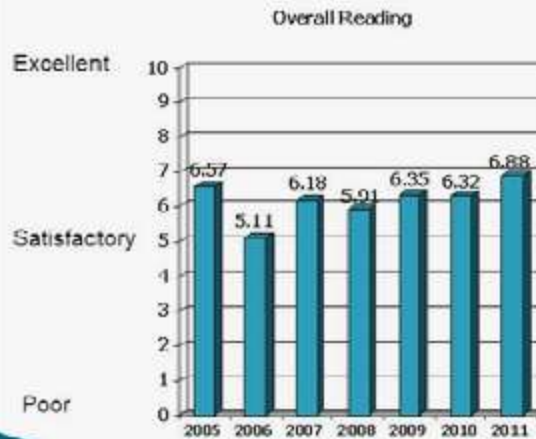
## A.F.T.E.R. Chuuk

	2006	2007	2008	2009	2010	2011
Number of F.S. Opinion Qualifications/Exceptions	14	11	7	3	1	1
Number of Major Federal Program Qualifications/Exceptions	4	1	0	1	1	0
Number of F.S. Findings						
A. Internal Control and Compliance	0	0	0	0	0	0
B. Internal Control Only	17	11	2	3	1	5
C. Compliance Only	0	2	0	0	0	0
TOTAL	17	13	2	3	1	5
Percentage of Findings Repeated	64.7%	18%	50%	67%	0%	20%
Number of A-133 Findings						
A. Internal Control and Compliance	14	8	1	2	1	1
B. Internal Control Only	0	0	0	0	0	0
C. Compliance Only	0	0	1	0	0	0
TOTAL	14	8	2	2	1	1
Percentage of A-133 Findings Repeated	50%	7%	50%	50%	100%	100%
Number of months Y/E the F.S. were Released	9.5	9	9	9	9	9
Number of Qualifications/Exceptions Related to C.I.L.	2	2	2	1	1	1
\$ of Questioned Costs-Current Year	\$988,687	\$1,578,943	\$11,519	\$0	\$0	\$0
\$ of Questioned Costs-Cumulative	\$9,423,029	\$9,272,323	\$2,056,336	\$2,056,719	\$0	\$0
\$ of Questioned Costs Resolved—Current Year	\$0	\$1,700,519	\$7,227,506	\$2,000,667	\$2,056,719	\$0

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## FSM National Performer® Reading



The 2011 reading of 6.88 indicates the evaluator's opinion that the FSM National Government's overall financial health and performance increased over the past period, and continues to be considered above satisfactory.

The FSM's increase in intergenerational equity, revenue dispersion, capital asset remaining useful lives, current and quick ratio and low tax and debt burdens per capita are the significant factors in the above satisfactory reading of the current period.



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## A.F.T.E.R. FSM National

	2006	2007	2008	2009	2010	2011
Number of P.A. Opinion Qualifications/Exceptions	8	8	10	0	0	0
Number of Major Federal Program Qualifications/Exceptions	7	4	4	3	4	3
Number of F.S. Findings						
A. Internal Control and Compliance	5	0	0	0	0	0
B. Internal Control Only	6	12	5	4	3	2
C. Compliance Only	0	2	0	0	0	0
TOTAL	11	12	5	4	3	2
Percentage of Findings Repeated	45.5%	36%	0%	25%	100%	50%
Number of A-133 Findings						
A. Internal Control and Compliance	16	14	15	20	12	12
B. Internal Control Only	0	0	0	0	0	0
C. Compliance Only	1	0	0	0	0	0
TOTAL	17	14	15	20	12	12
Percentage of A-133 Findings Repeated	0%	0%	0%	70%	58%	41.7%
Number of months 15(e) the F.S. were Released	10	9	9	9	9	9
Number of Qualifications/Exceptions Related to C.U.	2	2	5	0	0	0
\$ of Questioned Costs Current Year	\$1,577,774	\$4,119,445	\$7,177,041	\$7,944,400	\$7,049,737	\$701,014
\$ of Questioned Costs Cumulative	\$6,639,055	\$6,632,415	\$7,115,015	\$6,079,078	\$6,105,882	\$5,211,895
\$ of Questioned Costs Resolved - Current Year	\$2,681,615	\$1,916,085	\$2,015,811	\$3,993,937	\$2,021,118	\$1,195,066

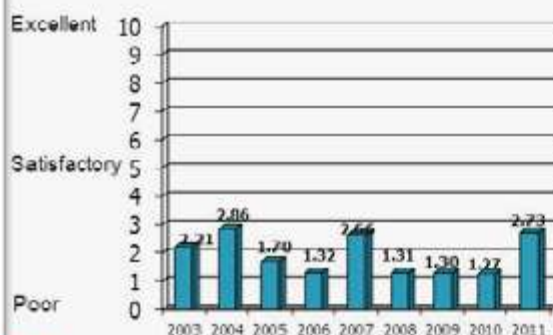


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## Guam Performer® Reading

### Overall Reading



The 2011 reading of 2.73 indicates the evaluator's opinion that GovGuam's overall financial health and performance improved overall from the rating of the previous year, mainly to due the financial position and performance in the 2011 fiscal year.

The government's current year overall deficit and cumulative deficit, a deficit position of the General Fund unassigned fund balance, and relatively high taxes and debt per capita ratios are the primary causes for the low score. Other contributing factors are pension plan funding shortfalls and insufficient current and quick ratios. The primary cause of the increase in the rating from the prior year is the increase in operating grant and contribution revenue received compared to prior year of \$97 million. This contributed significantly to the increase of the overall score.

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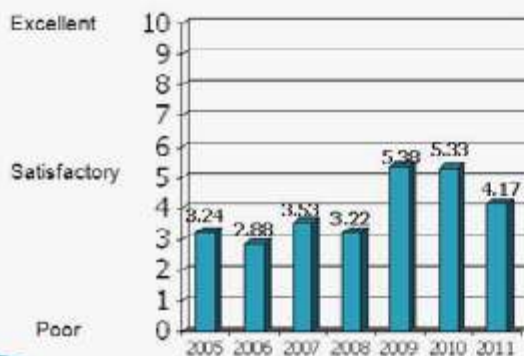
## A.F.T.E.R. Guam

	2005	2006	2007	2008	2009	2010	2011
Number of F.S. Opinion Qualifications/Exceptions	2	2	0	0	0	0	0
Number of Major Federal Program Qualifications/Exceptions	11	13	10	10	9	6	5
Number of F.S. Findings							
A. Internal Control and Compliance	0	0	0	0	0	0	0
B. Internal Control Only	1	7	1	0	0	1	1
C. Compliance Only	1	0	1	0	0	0	0
TOTAL	4	7	2	0	0	1	1
Percentage of Findings Repeated	0%	0%	50%	0%	0%	0%	0%
Number of A-133 Findings							
A. Internal Control and Compliance	30	35	24	21	10	6	3
B. Internal Control Only	0	0	0	0	0	0	0
C. Compliance Only	0	0	0	0	0	0	0
TOTAL	30	35	24	21	10	6	3
Percentage of A-133 Findings Repeated	23.3%	8.6%	2.9%	4.7%	10%	16.7%	33.3%
Number of months (1/3 the F.S.) were Released	9	9	9	9	9	9	9
Number of Qualifications/Exceptions Related to C.U.	1	1	0	0	0	0	0
\$ of Questioned Costs-Current Year	\$584,348	\$2,773,997	\$2,802,408	\$1,881,435	\$0	\$3,734	\$41,790
\$ of Questioned Costs- Cumulative	\$10,524,029	\$3,760,888	\$7,084,374	\$7,837,719	\$4,816,404	\$7,315,561	\$1,478,837
\$ of Questioned Costs Resolved - Current Year	\$15,212,478	\$7,622,338	\$1,478,722	\$1,128,090	\$3,321,318	\$2,304,577	\$926,514

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## Kosrae Performer® Reading

### Overall Reading



The 2011 reading of 4.17 indicates the evaluator's opinion that Kosrae's overall financial health and performance has decreased from the previous period and is now slightly below satisfactory.

Kosrae showed slight improvements in Budgetary Fund Balance, Revenue Dispersion, and Debt to Assets but this improvement was offset by a decrease in the Change in Net Assets, Intergenerational Equity, Unrestricted Net Assets, and Current Ratio causing a decrease in the overall reading in 2011.



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## A.F.T.E.R. Kosrae

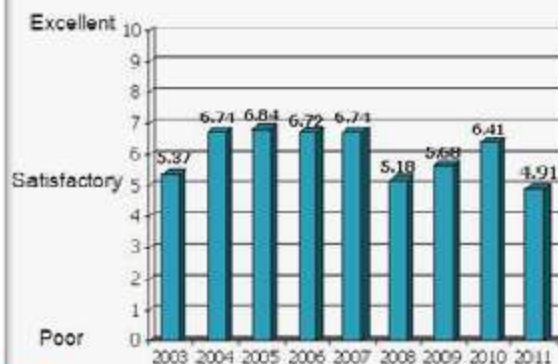
	2006	2007	2008	2009	2010	2011
Number of F.S. Opinion Qualifications/Exceptions	0	0	0	0	0	0
Number of Major Federal Program Qualifications/Exceptions	3	3	3	0	0	0
Number of F.S. Findings						
A. Internal Control and Compliance	0	0	0	0	0	0
B. Internal Control Only	8	3	2	2	1	1
C. Compliance Only	0	1	0	0	0	0
TOTAL	8	4	2	2	1	1
Percentage of Findings Repeated	25%	0%	50%	100%	0%	100%
Number of A-133 Findings						
A. Internal Control and Compliance	0	0	2	0	0	0
B. Internal Control Only	0	0	0	0	0	0
C. Compliance Only	2	0	2	2	2	2
TOTAL	2	0	4	2	2	2
Percentage of A-133 Findings Repeated	62.5%	0%	50%	0%	0%	0%
Number of months after F.S. were released	0	0	0	0	0	0
Number of Qualifications/Exceptions Related to C.U.	0	0	0	0	0	0
\$ of Questioned Costs - Current Year	\$694,514	\$102,753	\$0	\$0	\$0	\$0
\$ of Questioned Costs - Cumulative	\$1,306,367	\$1,553,913	\$463,367	\$0	\$0	\$0
\$ of Questioned Costs Resolved - Current Year	\$65,682	\$115,407	\$1,205,963	\$463,367	\$0	\$0



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## Pohnpei Performer® Reading

### Overall Reading



The 2011 reading of 4.91 indicates the evaluator's opinion that Pohnpei's overall financial health and performance is considered slightly below satisfactory, after posting 2 consecutive years of score improvements.

The fairly significant decrease in this year's reading is primarily due to the decrease in overall revenues without a corresponding decrease in expenses, which required the use of prior year fund balances, cash and receivables to pay current year expenditures.

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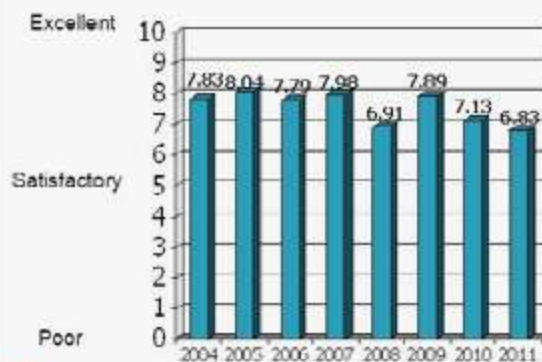
## A.F.T.E.R. Pohnpei

	2005	2006	2007	2008	2009	2010	2011
Number of F.S. Opinion Qualifications/Exceptions:	0	0	0	0	0	0	0
Number of Major Federal Program Qualifications/Exceptions:	2	2	2	0	0	0	0
Number of F.S. Findings:							
A. Internal Control and Compliance:	0	0	0	0	0	0	0
B. Internal Control Only:	0	0	0	0	0	0	0
C. Compliance Only:	0	0	0	0	0	0	0
TOTAL:	0	0	0	0	0	0	0
Percentage of Findings Repeated:	0%	0%	0%	0%	0%	0%	0%
Number of A-123 Findings:							
A. Internal Control and Compliance:	2	0	4	2	1	1	1
B. Internal Control Only:	0	0	0	0	0	0	0
C. Compliance Only:	0	0	0	0	0	0	0
TOTAL:	2	0	4	2	1	1	1
Percentage of A-123 Findings Repeated:	0%	0%	17%	30%	100%	100%	100%
Number of months 1)(E)the F.S. were Released:	9	9	9	9	9	9	9
Number of Qualifications/Exceptions Related to C.U.I.:	0	0	0	0	0	0	0
\$ of Questioned Costs-Current Year:	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$ of Questioned Costs- Cumulative:	\$80,271	\$0	\$0	\$0	\$0	\$0	\$0
\$ of Questioned Costs Resolved - Current Year:	\$230,664	\$80,721	\$0	\$0	\$0	\$0	\$0

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## Yap Performer® Reading

Overall Reading



The 2011 reading of 6.83 indicates the evaluator's opinion that the Government of Yap's overall financial health and performance is well above satisfactory, although a decline from the previous period due in a large part to the loss on investments of \$5.3 million in the current year.

Yap's General Fund's level of unassigned fund balance, unrestricted net assets, low tax and debt burdens per capita, an excellent debt-to-asset ratio, and excellent current and quick ratios are the primary reasons for the continued favorable reading, but the \$5.3 million loss in the fair value of investments was the primary cause for the slight drop in the score.

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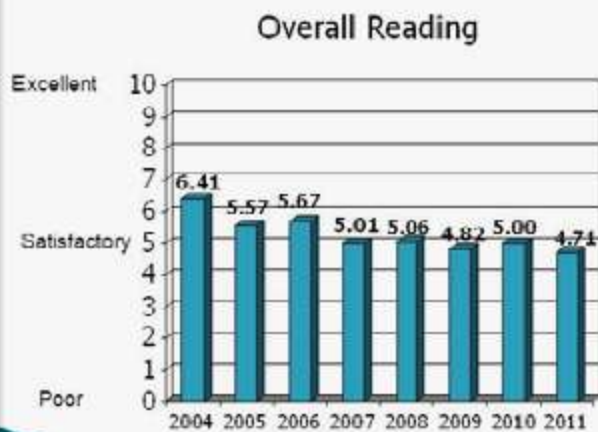
## A.F.T.E.R. YAP

	2005	2006	2007	2008	2009	2010	2011
Number of F.S. Opinion Qualifications/Exceptions	2	1	2	2	0	0	1
Number of Major Federal Program Qualifications/Exceptions	3	4	4	5	4	5	5
Number of F.S. Findings							
A. Internal Control and Compliance	4	4	0	0	0	0	0
B. Internal Control Only	0	2	0	3	4	2	3
C. Compliance Only	0	0	4	0	0	0	0
TOTAL	4	6	4	3	4	2	3
Percentage of Findings Repeated	75%	66.7%	17%	33%	50%	100%	100%
Number of A-133 Findings							
A. Internal Control and Compliance	3	5	11	11	0	4	3
B. Internal Control Only	0	2	0	0	2	0	0
C. Compliance Only	0	0	0	0	5	0	0
TOTAL	3	7	11	11	7	4	3
Percentage of A-133 Findings Repeated	33.3%	0%	14%	18%	97%	100%	67%
Number of months after NTE the F.S. were Released	9	9	9	9	0	0	0
Number of Qualifications/Exceptions Related to C.U.	1	1	1	2	0	0	1
\$ of Questioned Costs Current Year	\$21,008	\$576,298	\$1,282,244	\$1,892,194	\$576,295	\$190,504	\$222,065
\$ of Questioned Costs Cumulative	\$292,600	\$649,278	\$2,036,443	\$3,378,348	\$2,494,249	\$1,729,118	\$818,483
\$ of Questioned Costs Resolved - Current Year	\$107,367	\$0	\$115,079	\$552,369	\$581,636	\$915,667	\$1,115,888

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## ASG Performer® Reading



The 2011 reading of 4.71 indicates the evaluator's opinion that the American Samoa Government's overall financial health and performance decreased to slightly below a satisfactory reading.

The current year reading is a result of some ratios improving slightly, such as the unrestricted net assets, financing margin – taxes and current ratio, while others, such as the change in net assets, unassigned general fund balance, and the pension plan funding ratios declined. Overall, the current year reading is consistent with the prior periods.



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## A.F.T.E.R. ASG

	2005	2006	2007	2008	2009	2010	2011
Number of F.S. Opinion Qualifications/Exceptions	6	7	7	7	6	7	2
Number of Major Federal Program Qualifications/Exceptions	13	4	8	8	18	18	15
Number of F.S. Findings							
A. Internal Control and Compliance	7	7	7	7	6	6	0
B. Internal Control Only	0	0	0	0	0	0	3
C. Compliance Only	0	0	0	0	0	0	2
TOTAL	7	7	7	7	6	6	5
Percentage of Findings Repeated	100%	100%	100%	100%	100%	100%	80%
Number of A-133 Findings							
A. Internal Control and Compliance	20	11	15	12	15	6	6
B. Internal Control Only	0	0	0	0	0	0	0
C. Compliance Only	0	0	0	0	0	0	1
TOTAL	20	11	15	12	15	6	6
Percentage of A-133 Findings Repeated	Unable to determine	Unable to determine	Unable to determine	100%	Unable to determine	100%	80%
Number of months after Y/E the F.S. were Released	0	12	11	0	0	10	10
Number of Qualifications/Exceptions Related to C.U.	1	2	2	1	1	1	0
\$ of Questioned Costs Current Year	\$42,873	\$202,041	\$297,049	\$100	\$0	\$1,785	\$2,377,962
\$ of Questioned Costs Cumulative	Unable to determine	Unable to determine	Unable to determine	Unable to determine	Unable to determine	Unable to determine	Unable to determine
\$ of Questioned Costs Resolved – Current Year	Unable to determine	Unable to determine	Unable to determine	Unable to determine	Unable to determine	Unable to determine	Unable to determine

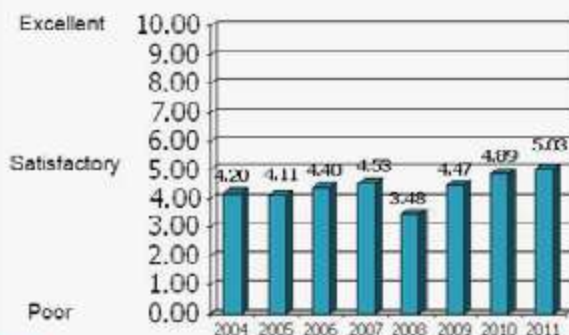


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## RMI Performer® Reading

### Overall Reading



The 2011 reading of 5.03 indicates the evaluator's opinion that the RMI's overall financial health and performance improved from the prior year, achieving a satisfactory reading.

The improvement of this year's ratios is due mainly to improvements related to the increase in net assets and the increase in General Fund unassigned fund balance, and other ratios remaining at or near prior year scores. This becomes the first year since the scoring began that the RMI has scored above a 5.

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## A.F.T.E.R. RMI (2011 info not yet released)

	2004	2005	2006	2007	2008	2009	2010	2011
Number of P.S. Opinion Qualifications/Exceptions	10	5	2	0	0	0	0	
Number of Major Federal Program Qualifications/Exceptions	2	3	3	3	3	3	1	
Number of P.S. Findings								
A. Internal Control and Compliance	-	2	0	0	0	0	1	
B. Internal Control Only	3	1	3	3	1	1	1	
C. Compliance Only	3	1	0	0	0	0	0	
TOTAL	5	3	3	3	1	1	2	
Percentage of Findings Repeated	100%	100%	0%	0%	0%	0%	20%	
Number of A-133 Findings								
A. Internal Control and Compliance	9	10	10	12	0	11	6	
B. Internal Control Only	-	-	0	0	3	0	1	
C. Compliance Only	1	1	2	0	0	0	0	
TOTAL	9	10	10	12	3	11	7	
Percentage of A-133 Findings Repeated	33.3%	20%	30%	0%	12.5%	9%	14%	
Number of months after year the P.S. were Released	9	9	9	9	9	9	9	
Number of Qualifications/Exceptions Related to CUI	4	3	2	0	0	0	0	
\$ of Questioned Costs - Current Year	\$4,545,493	\$2,151,846	\$408,451	\$710,185	\$445,618	\$1,360,234	\$2,243,301	
\$ of Questioned Costs - Cumulative	\$15,421,303	\$10,694,193	\$5,735,163	\$1,095,477	\$1,777,062	\$2,716,037	\$4,249,153	
% of Questioned Costs Resolved - Current Year	\$189,451	\$5,750,115	\$5,326,712	\$5,062,679	\$263,733	\$421,559	\$710,185	

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# Questions?

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



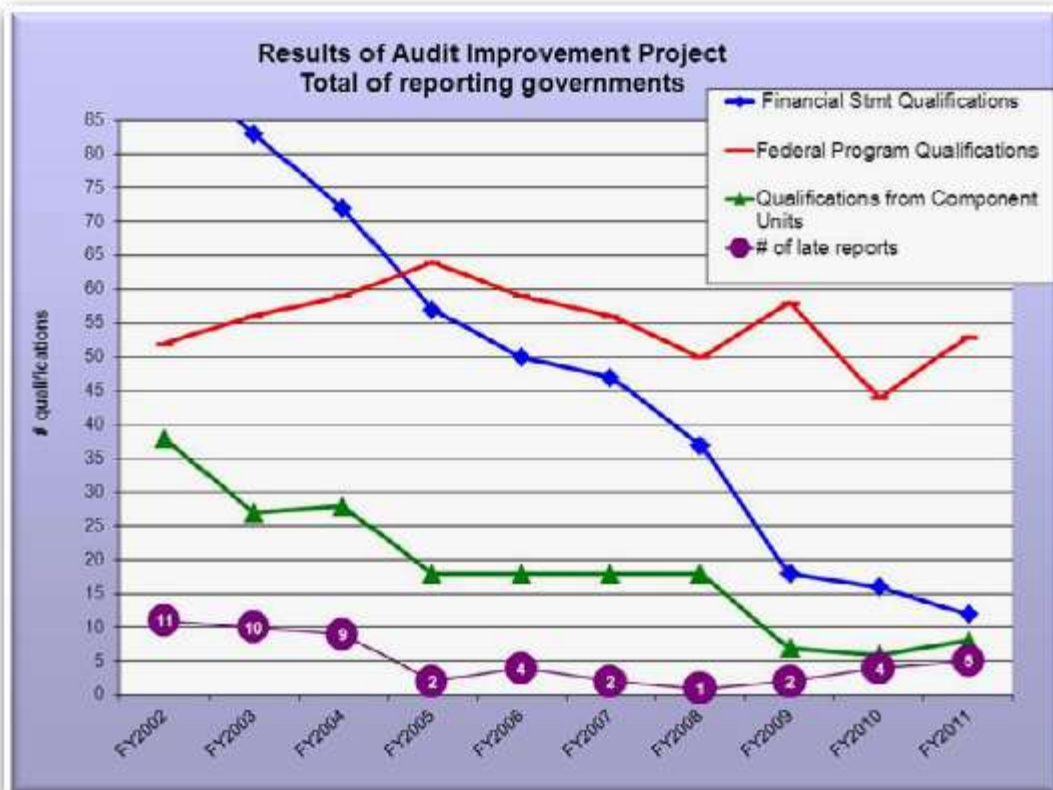
## APPENDIX K—SINGLE AUDIT SUMMARY

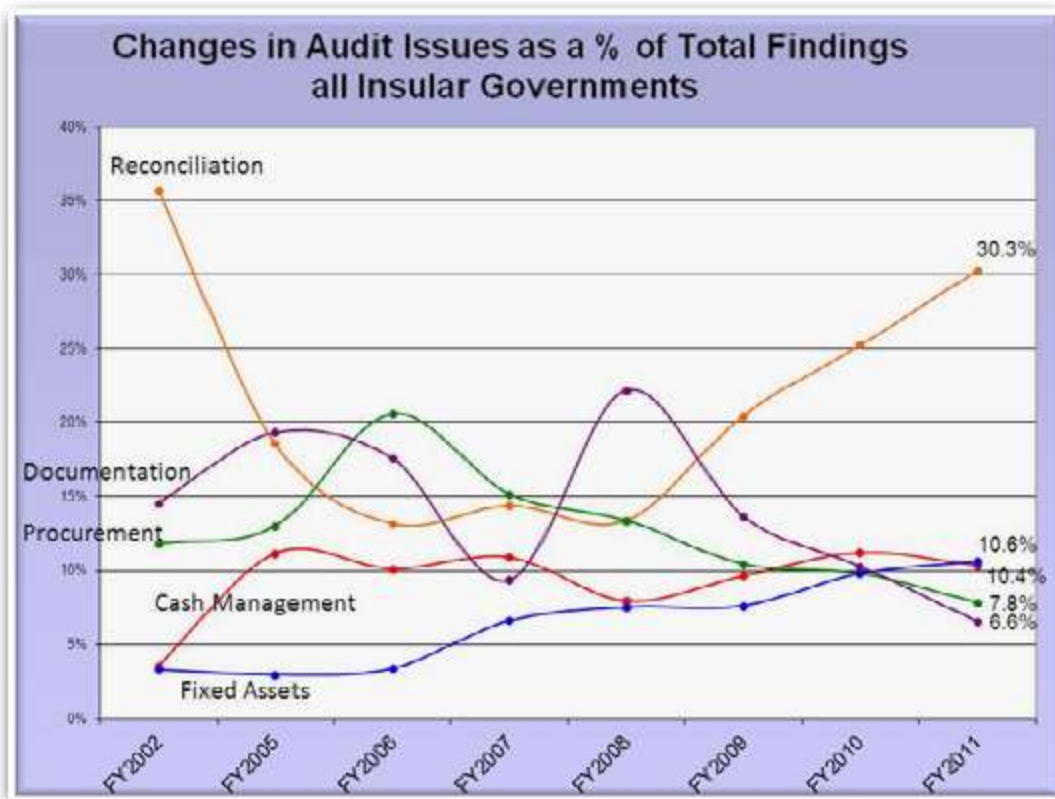
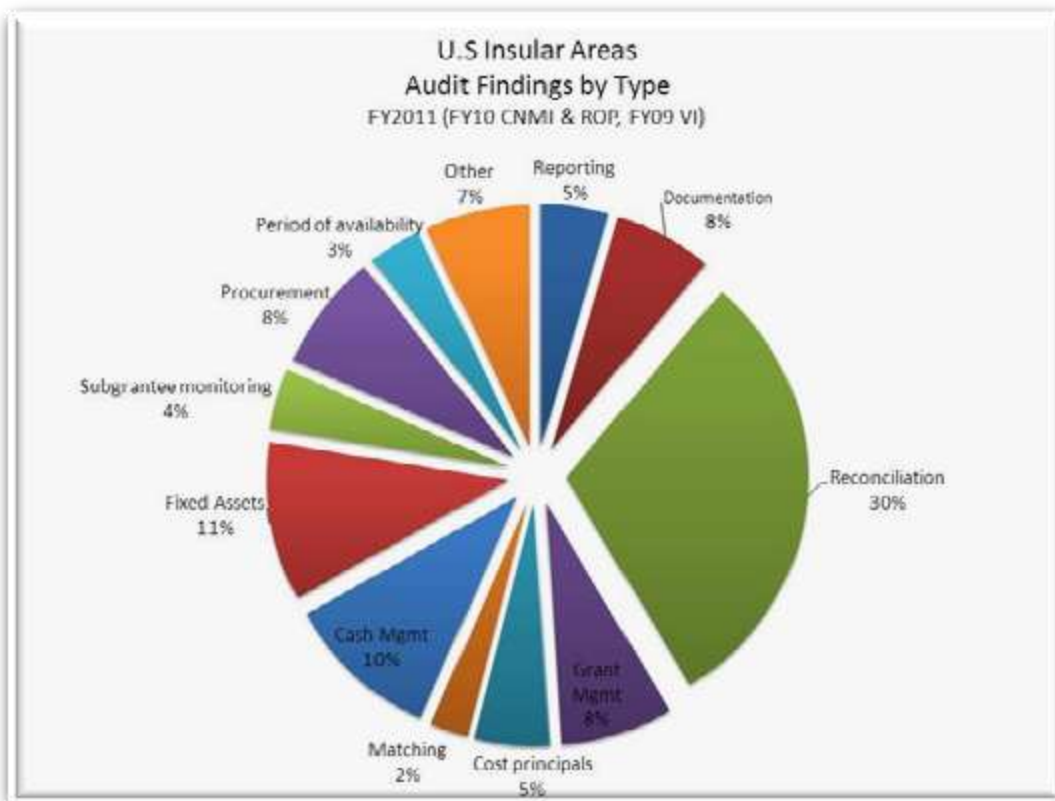
# Audit Trends in the Insular Areas

Kauai, Hawaii

December 2012

Presented by Deborah Milks, CPA





## Relating Audit Findings to IGFOA Performance Measures

- Reconciliations (30% of audit findings)
  1. Timeliness of Bank Reconciliations
  2. Reconciliation and collection of Travel Advances
- Fixed Assets (11% of audit findings)
  3. Completion of the Fixed Asset inventory
- Cash Management (10% of audit findings)
  4. Completion of the Cash Management Plan
  5. Timeliness of federal accounts payable

## What is the affect of performance measures in your government?

- Do they focus your efforts and attention on improving the activity?
- Do you share the results with any your staff or other directors or your elected officials?
- How should this be presented on a regular basis?



## What other measures might be important or helpful?

- # Payroll errors
- # hours of training for finance employees
- User/customer satisfaction measures
- Other reconciliations—
  - vendor advances,
  - encumbrances,
  - federal grant receivables
- Revenue collections
- Training provided to user departments
- # days after month end to close
- Timeliness of SF425

## Cash Management Findings

**CNMI** The cause of the above condition is a lack of procedures to determine that cash advanced from the grantor agency is timely disbursed. Further, there is no written policy that requires evidence of management monitoring and review of drawdown requests.

**RMI** Article IV, Section 5(b)(2) of the Fiscal Procedures Agreement (FPA) states that all infrastructure projects and projects that are not funded by Operational Grants will be paid on the basis of accrued expenditures, provided the Government of the Republic of the Marshall Islands maintains procedures to minimize the time elapsing between transfer of funds and their disbursement. The cause of the above condition is the lack of a formal methodology and procedures over the drawdown of federal funds to ensure compliance with FPA cash management requirements.

**FSM** In accordance with the Fiscal Procedures Agreement on the Amended Compact Sector, all infrastructure projects and projects that are not funded by Operational Grants will be paid on the basis of Accrued Expenditures, provided the Government of the Federated States of Micronesia maintains procedures to minimize the time elapsing between the transfer of funds and their disbursement.

**Guam** In accordance with applicable cash management requirements, the time elapsed between the receipt of Federal funds and the clearance of disbursed checks should be minimized. Furthermore, any amount of interest from advances over \$100 should be returned to the Federal government. The Controller should more closely monitor the timing of drawdowns and earning of interest so that the time elapsed between the receipt of Federal funds and the clearance of disbursed checks is in accordance with the approved Treasury-State Agreement. Furthermore, interest earned on advances in excess of \$100 should be remitted to the Federal Government.

**ROP** In accordance with applicable cash management requirements, the time elapsed between the receipt of Federal funds and the payout of funds for program costs should be minimized. The time elapsed between the receipt of Federal funds and the clearance of disbursed checks exceeded three days, ranging from 1 to 26 days. The cause of the above condition is a lack of internal controls over cash management and a lack of an audit trail for requesting reimbursements. We recommend that the Republic establish internal controls over cash management that require compliance with federal requirements. Cash drawdowns, related expenditures and other supporting documentation should be filed adequately and completely to improve audit trail. We further recommend that this matter be discussed with the applicable grantor officials and the Republic to perform a requisite analysis of its clearance patterns.

**VI** In accordance with 31 CFR part 205, when entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government. When funds are advanced, recipients must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement..

We utilized four (4) calendar days and zero (0) calendar days after the release of funds for non-payroll and payroll transactions, respectively, as a reasonable time for the drawdowns, based on other Department of Human Services programs which are under the CMIA agreement.

Federal AccountID (G5/GAPS)	Total Cashdraw Requested	Transaction Types	Payment Release Date	Required Deposit Date	Actual Deposit Date	# Days Outside Required Date
H027A070002	164,419.51	Vendor Payments	10/9/2008	10/13/2008	10/9/2008	4
H027A080001	15,969.74	Vendor Payments	7/23/2009	7/27/2009	7/24/2009	3
H027A080001	461,784.87	Indirect cost	6/24/2009	6/28/2009	6/25/2009	3
H027A080001	8,116.88	Vendor Payments	5/8/2009	5/12/2009	5/11/2009	1



## APPENDIX L—DEVELOPING A CASH MANAGEMENT PLAN PRESENTATION

### Cash Management Plan

Kauai, Hawaii

December 2012

Presented by Deborah Milks, CPA

### Cash Management Plan Address the five COSO elements

- Control environment
- Control activities
- Information & Communication
- Risk assessment
- Monitoring

## Control environment

An adequate segregation of duties should exist between cash receipts, disbursements, deposits, recording, and reconciliations.

Management and staff should be aware of cash management procedures and applicable policies

## Control activities

Design and use adequate documents and records.

Ensure adequate safeguards over access to assets and records. Establish control facilities for protecting undeposited cash.

All cash balances should be properly recorded and classified, and any restrictions on the availability of funds should be properly disclosed.

Timely cash reconciliations should be performed by employees not responsible for issuance of checks or handling of cash.

Cash reconciliations should be reviewed and approved by an employee independent of reconciliation preparation.



## Information & Communication

Reports to federal agencies should be filed on a timely basis

Variances between federal expenditures and drawdowns should be investigated, reported and resolved.

Grantee and Sub-grantees should have regular reporting and communications

## Risk assessment

Management should periodically identify risks and revisit and reassess the cash management plan to address the risks

## Monitoring

Management should periodically reviewing actual collection/disbursement results, including monitoring and remitting any interest liabilities

## To do list

Submit a draft by January 31, 2013

- Complete a cash management plan (general)
- Develop written procedures (specific)
  - General treasury functions
  - Reconciliation & monitoring
  - Specific federal grant receipts and disbursing
  - Specific procedures and timing between FSM National and FSM States
- Determine clearance pattern for federal disbursements
- Develop the monitoring checklist

**Note:** Use any procedures or financial management policies already in place as your base line

## CASH MANAGEMENT TEMPLATE

I have filled in the first column as an example of the types of responses that could be included in the template. Some items may not be applicable to federal funds or other funds. Please blank out the responses that I put in for the general fund and fill in appropriate responses for your government.

Funding Source	Establish a column for each source of funds. Small special revenue funds can be grouped if the cash controls are the same.
Bank Account	Note which bank account is used to deposit the cash related to the funding source. In some cases there may be multiple accounts if, for instance, cash is held in an interest bearing account and transferred to a demand checking account for disbursements.
Interest earnings allowed?	Is the government allowed to earn interest on this funding source?
Frequency of cash collection & deposits	Indicate how frequently deposits and drawdowns are made.
Drawdown amount calculation	Briefly note how the government determines how much to drawdown. For instance, several IGFOA members draw federal grant cash based upon current expenditures less revenues received. Some may be advances based upon a cash flow plan.
Required Reporting	List any internal or external cash reports which are required for that funding source and bank account.
Amounts held in reserve for periodic payments	Indicate the internal policy for reserving cash for seasonal or other periodic cash flow needs.

Funding Source	General Fund Taxes & Fees	Federal Grants	Sector funds	Other (investment earnings/ Loan withdrawals/ other grantors)
Bank Account (name/number)	General Fund Checking Acct# and GF Savings Acct#			
Interest earnings allowed?	Yes, earned on the GF Savings account			
Drawdown amount calculation	N/A			
Frequency of cash collection & deposits	Daily cash collections deposited by X:00 pm			
Returned check policy	Redeposit??? charge customer \$xx for returned checks???			
Disbursement requirements	Immediately available for GF disbursement			
Disbursement frequency	Check runs on Tuesday and Friday			
Required Reporting	Daily (weekly, monthly??) cash collection reports			
Amounts held in reserve for periodic payments	X% or XS reserved daily? Weekly? For payroll /matching requirements /loan repayments			

### FEDERAL CASH PROCEDURES

#### FEDERAL CASH DISBURSEMENTS

Record the steps to make a federal disbursement. How the payables are selected, the timing, who and how your office ensures that federal cash is available or reimbursed for those disbursements.

#### FEDERAL CASH DRAWDOWNS

Who handles the drawdowns, when, how often, how do they determine how much to draw. What reports are used to make the drawdown. How is the amount of the drawdown tied to the disbursements?

#### FEDERAL CASH RECEIPTS

Who records receipts? How often are they recorded? Who fills in the correct grant numbers? What is the transaction type (journal or cash receipt).

TASK	PERSON RESPONSIBLE	HOW OFTEN	REPORTS USED	REQUIRED APPROVALS	GL POSTING ENTRIES
FEDERAL CASH DISBURSEMENTS					
FEDERAL CASH DRAWDOWNS					
FEDERAL CASH RECEIPTS					

Column #	1	2	3	4	5	6	7	8	9	10
	Payment type (vendor or payroll)	Check run date	Check transmission date	Average Clearance Date (Col 3 + # avg clearance days)	Disbursement Amount	Date Funds requested (if different from deposit date)	Deposit Date	Deposit Amount	Elapsed Days (Col 4 - Col 7)	Balance
Grant CFDA#										
Average Clearance Days	0.015									
Int Rate		1	4							
Beg Bal										0
10/1/2012										0
10/2/2012										0
10/3/2012										0
10/4/2012										0
10/5/2012										0
10/6/2012										0
10/7/2012										0
10/8/2012										0
10/9/2012										0
10/10/2012										0
10/11/2012										0
		0	0				0			

### Cash Management Plan (sample)

**Statutory Policy**

[Govt entity] law, [quote any applicable language from your government's financial management statutes or policies]

**Plan Administration**

The [chief finance officer], with the advice and assistance of the Treasurer, the Budget Officer and the Government Auditor, have contributed to developing and implementing a uniform [govt] plan to carry out the cash management policy for all agencies, departments and institutions. This Cash Management Plan outlines the policies, duties, responsibilities, and requirements for cash

**Plan Requirements**
**Cash Management over Receipts:**

The objectives of cash management over receipts are to use diligence in collecting funds owed to the [Govt], to provide internal control over cash and cash equivalents and to expedite the movement of monies collected into interest bearing accounts. To accomplish these objectives, all plans adopted will include these rules:

• Except as otherwise provided by law, all funds belonging to the [Govt] and received by an employee of the [Govt] in the normal course of their employment shall be deposited as follows:

• All monies received shall be deposited with the [Govt] Treasurer.

• [note any exceptions]

• Monies received shall be deposited daily in the form and amounts received, except as otherwise provided by law.

• Monies due to a [Govt] agency.

**Cash Management over Disbursements**

The objective of managing disbursements is to maintain funds in interest bearing accounts for the longest appropriate period of time. This allows the [Govt] to recognize the maximum earning potential on its funds. This is not intended to encourage late payment or have a negative impact on relationships with firms who, in good faith, supply goods and services to the [Govt]. The following rules should be included in all plans:

• Monies deposited with the [Govt] Treasurer remain on deposit with the [Govt] Treasurer until final disbursement to the ultimate payee.

• Federal and other reimbursements of expenditures paid from general funds shall be transferred to the account of the general funds.

#### CASH MANAGEMENT PLAN REVIEW CHECKLIST

NAME OF ENTITY: \_\_\_\_\_

CONTACT NAME: \_\_\_\_\_

CONTACT TELEPHONE NUMBER: \_\_\_\_\_

CONTACT E-MAIL ADDRESS: \_\_\_\_\_

Reviewed and Approved: \_\_\_\_\_

Chief Financial Officer

Date

CASH MANAGEMENT OVER RECEIPTS:		YES	NO
1.	Are the cash receipt procedures documented in your existing plan still current?		
2.	Does your current Cash Management Plan include the following:		
	Deposit cutoff times and overnight safeguarding procedures?		
	Any State Treasurer daily deposit requirement exceptions?		
	Documented federal fund draw down procedures?		
	Procedures for NSF checks?		
	Procedures for the acceptance of electronic payments?		
CASH MANAGEMENT OVER DISBURSEMENTS:		YES	NO
3.	Are the cash disbursement procedures documented in your existing plan still current?		
4.	Does your current Cash Management Plan include the following:		
	Bank reconciliation procedures?		
	Procedures for ACH/EFT payments?		
	Designation of responsible signatory?		
5.	Are procedures documented and in place to ensure that checks are not released before supporting requisitions are approved and updated?		
6.	Are the reconciliations for all bank accounts current?		



## APPENDIX M - CONFERENCE EVALUATION SUMMARY

### Pacific Islands Training Initiative Virgin Islands Training Initiative

#### Island Government Finance Officers= Association (IGFOA) Conference

December 4 - 6, 2012

#### EVALUATION SUMMARY (23 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 Agree	Agree	Neutral	Disagree	Strongly Disagree
(74%)	(26%)	(0%)	(0%)	(0%)

**Score: 4.7**

- 2) The conference=s objectives were substantially met.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
(52%)	(48%)	(0%)	(0%)	(0%)

**Score: 4.5**

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

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
(65%)	(35%)	(0%)	(0%)	(0%)

**Score: 4.7**

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

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
(70%)	(26%)	(0%)	(4%)	(0%)

**Score: 4.6**

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

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
(87%)	(13%)	(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
(65%)	(35%)	(0%)	(0%)	(0%)

**Score: 4.7**

7) What sessions of the IGFOA Conference were the most relevant and meaningful to you?

- ◆ They're all meaningful to me. They're so informative and I gained knowledge from all of them.
- ◆ GASB updates; Financial Governance Transformation; Fiscal Cliff; Cash Management Plan
- ◆ State of Hawaii Governance transformation; Avoiding the Financial Cliff; Cash Management Plan
- ◆ GASB updates, Performance Presentation
- ◆ Cash Management
- ◆ The GASB Updates; Panel Discussions in Best Practices for Rational Budgeting, etc.
- ◆ New GASB Statements; Audit Review (Perfometer); Follow up on Performance Measures
- ◆ Perfometer
- ◆ Cash Management and new GASBs
- ◆ Cash Management and GASB Updates.
- ◆ Performance Measure; VI travel advance processes
- ◆ New GASB's; Cash Management
- ◆ GASB and Cash Management. Of course all the others are relevant too.
- ◆ Timeliness
- ◆ Cash Management
- ◆ Knowledge gained from all
- ◆ All sessions. Very informative Conference.
- ◆ Performance Measures; GASB Updates
- ◆ GASB
- ◆ Mostly all
- ◆ All
- ◆ All sessions. Very informative conference.

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

- ◆ GASB – Discuss with directors and staff. Performance Measures – establish and apply 2 new measures

- ◆ Cash Management Plan - to come up with a plan/process to hopefully resolve remaining audit citations. Financial Governance Transformation: to review and access current processes in order to promote efficiency.
- ◆ Always the Performer. Will have a finance management meeting to show how we did in 2011. Always enjoy seeing how we did in our audit in comparison to the other island governments. Use as motivation to finance staff to do better.
- ◆ All the island nations have similar problems and challenges. The dialog afforded by the IGFOA allows us to learn and view our problems from different perspectives. Therein lies the key to start finding solutions.
- ◆ GASB 65 and its implication on the balance sheet beginning on FY15; The process of simplifying accounting and procurement processes.
- ◆ Cash Management Plan – complete the plan; Finance Governance Transformation- empowering the employee
- ◆ Planning for the implementation of GASB Updates. Refining the presentation of budgetary and financial data
- ◆ I will definitely share with my co-workers what I have learned. (timely, efficient and effectiveness in reporting, compliance, and procedures should be followed)
- ◆ Cash Management. Put the procedures in writing
- ◆ Documenting cash management procedures; Travel advance processes in VI
- ◆ Performer / Performance Measure
- ◆ Assessment of employees and training
- ◆ Cash Management; Performer
- ◆ Timely submission of reports
- ◆ GASBs
- ◆ Avoiding Fiscal Cliff; GASB updates
- ◆ Cash Management; Audit Issues
- ◆ Various idea exchanges
- ◆ All I learned are important.

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

- ◆ GASB 67
- ◆ GASB updates, panel discussions in Best Practices for Rational Budgeting

- ◆ GASB 66-67
- ◆ The talks outside the presentations were very meaningful. How our operations and audit results affect Interior was very enlightening. The big picture was eye opening.
- ◆ I don't see any. All sessions are relevant and meaningful to me.
- ◆ None – even if not relevant to budget functions all the information are informative.
- ◆ None. All applicable.
- ◆ Not sure about this one.
- ◆ None (X9)

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

- ◆ Travel Advances, Bank Reconciliations, Fixed Assets - work in progress
- ◆ Catching up with delinquent single audits; refining our performance measures
- ◆ Cash management plan in place. No cash management findings; Audit qualifications has decreased; More knowledge on how performance measures can improve finance offices and improve audits
- ◆ Audit Improvements
- ◆ Improvements in the performance measures with respect to processing skills
- ◆ Audit Improvement; reduction of audit qualifications
- ◆ Audit report outcomes
- ◆ Highlighted the need for my government to establish continuity and take opportunities for knowledge enhancement
- ◆ I can report to my superior what is happening in the other insular areas as well as inform my office of what I learned as well...
- ◆ Maintaining clean audits
- ◆ Reduction of Audit Findings; Reduction of outstanding travel advances
- ◆ More info to our finance personnel to help in expediting the work
- ◆ Audit results
- ◆ Tracking performance, great management tool and informing management on status.
- ◆ Most accomplished and some working on it.
- ◆ Travel advance management
- ◆ Not applicable, first time attendance.



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

- ◆ Continue to invite speakers from Hawaii State in the budget and finance departments
- ◆ PITI always do a great job on this.
- ◆ Should get update from the participating entities of topics to be discussed to address needed improvements
- ◆ We need to allow other departments such as Budget, TOFR and Procurement to attend IGFOA
- ◆ Include "Debt Management with Cash Management"
- ◆ Rather have this IGFOA in different places where the participants come from.
- ◆ Good job!
- ◆ More emphasis on financial performance measures and how to overcome them thru consultations, technical assistance, etc.
- ◆ IGFOA Doing a good job.
- ◆ Continue with the IGFOA, all the Graduate School staff and the facilitating.
- ◆ Provide other meeting places to small islands to reach out to them.
- ◆ Only comment would be to consider include "Debt Management: with "Cash Management"
- ◆ None. This is perfect.
- ◆ None (X3)

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