

ISLAND GOVERNMENT FINANCE OFFICERS' ASSOCIATION

December 6-8, 2005
Hilton Waikoloa Village
Kona, Hawaii

CONFERENCE REPORT



AMERICAN
SAMOA



CNMI



FSM



GUAM



RMI



PALAU



VIRGIN
ISLANDS



GS GRADUATE
SCHOOL USDA

US Department of Interior & Graduate School, USDA: PITI / VITI

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I. Executive Summary

The Island Government Finance Officers Association (IGFOA) was established in 1999 to promote improved financial management in the insular governments. The Association held its 2005 fall conference at the Hilton Waikoloa Village Resort in Kona, Hawaii, from December 6 – 8, 2005. Representatives of the finance and procurement offices from all the insular governments participated in the conference and work sessions.

The fall 2005 conference of the Island Government Finance Officers Association had two major goals. The first goal was to report and document the progress the insular governments have made in improving audit results. The second conference goal was to identify what additional steps finance offices can take to further improve audit results and financial operations.

The conference started with a review of the progress the governments have made on their audits. The governments reported significantly improved timeliness in completing their audits, and have generally reduced the number of qualifications and findings and amount of questioned costs. Although considerable progress has been made, the governments found many opportunities for even more improvement.

Each government then received its Performer® score and a summary of its financial strengths and weaknesses. The Performer® analysis identified additional areas in which each government could improve its financial health. The finance officers held a workshop on internal controls and how they can be applied to address audit findings and qualifications. By the end of the conference each insular government had built an action plan to improve audit results, Performer® scores, internal controls, and finance office performance.

Dr. David Lassner, the Chief Information Officer at the University of Hawaii, gave a talk on information technology and the directions he sees it taking in the future. He discussed the challenges of implementing new information systems and the steps that organizations can take to mitigate the risks during development and implementation.

Finally, staff from the Office of Insular Affairs talked about the OIA budget and the criteria the office will be using to allocate funding. Tom Bussanich presented the OIA budget and how it is allocated among the insular areas. Marina Tinitali discussed the criteria OIA will use to assess the accountability of insular areas and how ratings on the criteria will be used to increase or decrease funding to the governments.

During the conference the procurement officers received training on procurement and negotiation skills. The procurement staff also identified procurement issues that affected audit results and developed proposals to mitigate these procurement problems. All of the conference participants attended a

professional development session on information technology and its applications in financial management.

The IGFOA Executive Board also held its business meeting. The Board re-elected its current officers to another one year term. The Board also discussed and clarified several points in its by-laws.

II. Background

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

Since 1999, IGFOA members have met at least annually to participate in professional development and networking activities and to establish an agenda for financial management improvement. The conferences also provide 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 years IGFOA has focused on accountability in expending government funds and in resolving audit qualifications, findings, and questioned costs. The association has sponsored the Audit Improvement Project and the development and use of the Performer®. The 2005 fall conference was designed to continue these projects and to identify the next set of activities needed to further improve financial management in the insular governments. (*See Appendix A for the complete conference agenda*).

III. Conference Objectives

The IGFOA conference had two broad, overarching goals—(1) to review and document the progress the insular areas have made thus far in their improving audit results and (2) to identify what the governments must do to further improve their audit results and financial management operations. To achieve these goals the conference established five specific objectives. The objectives of the meeting were to:

1. Share progress on actions taken, lessons learned, and outcomes achieved through the audit improvement project in an effort to advance and 'institutionalize' the insular government plans, policies, procedures, and strategies for successful implementation of the audit findings resolution project

2. Identify (i) strategies to further improve the performance of finance offices, (ii) the measures and indicators to monitor improvement, and (iii) the areas of training and technical assistance needed to support governments' improvement efforts
3. Exchange results of the Performer® analysis as a measurement of the financial health of each insular government and develop strategies to improve the overall financial health of the governments
4. Discuss possibilities for greater interagency coordination and communication between US federal grant recipients and funding organizations
5. Examine best practices in new public sector financial information technology

IV. Opening Remarks

Lourdes Perez, the President of IGFOA, welcomed the participants to the conference. She briefly summarized the accomplishments of the governments in improving their audit results over the last few years and challenged the participants to continue their improvements for the next few years.

Jack Maykoski of the Graduate School, USDA, also welcomed the participants and offered the continued support of the Graduate School to the finance office in their efforts to improve their audit results.

Edgar Johnson, the Director of Technical Assistance in the Office of Insular Affairs, Department of Interior, spoke of the support his office has offered to the insular areas and the progress the governments have made with that support. He also talked of the continuing support his office will provide as the governments implement plans to further improve their financial operations.

David Cohen, the Deputy Assistant Secretary of the Office of Insular Affairs, Department of Interior, welcomed the conference participants and discussed the critical positions they hold in delivering effective government to their citizens. He stressed that accountability, both to the public and to grant providers, helps to ensure that funds are used to optimal effect for the government and its citizens. *(For the full text of his remarks, see Appendix B.)*

V. Audit Improvement Project

The island governments have a long history of compliance problems with requirements of the Single Audit Act of 1984, including failure to meet time schedules for submitting audited financial statements and failure to resolve adverse findings by the auditors.

Audit resolution has now become a cornerstone of the financial management improvement efforts launched more than a decade ago by the U.S. Department of Interior's Office of Insular Affairs (DOI/OIA) in cooperation with the Graduate School, USDA's Pacific and Virgin Islands Training Initiative (PITI/VITI) and the insular governments.

Why is DOI/OIA now focusing so intently on Single Audit Act compliance, including resolution of findings? One reason is the Department of the Interior's strategic plan. The strategic focus for the islands is to increase self-sufficiency through concentrated efforts to foster economic development and through greater accountability of island governments. Preparation of auditable financial statements and resolution of audit findings are the most fundamental and universally recognized measures of good financial management. Audit compliance is amenable to quantified performance measures that are comparable for all governments and are easily categorized. Insular government infrastructure is now in place to make it work, including better financial systems, better trained management and technical staff and established local public audit offices.

A second reason is that poor compliance with the Single Audit Act by the insular governments has been identified as a management issue by the firm conducting the audit of Interior's financial statements in accordance with the requirements of the Federal Chief Financial Officer's Act. The management finding could become a reportable condition and lead to a qualification of the Department of the Interior's Office of the Secretary's financial statement, of which OIA is a major component unit. This is a situation that would not be acceptable to OIA or the Secretary of Interior and would not be in the best interests of the island governments.

Finally, better audit resolution and compliance with audit deadlines is in the best interests of the island governments. Increased accountability is a major focus of negotiated amendments to the Compacts of Free Association and OIA has been given authority to take necessary measures to enforce accountability requirements. With respect to the U.S territories, compliance with audit requirements has been declared one of the threshold criteria that must be met to receive a portion of \$27.7 million awarded each year in capital improvement grants.

To fulfill these performance goals, (DOI/OIA) turned to the Pacific and Virgin Islands Training Initiatives (PITI/VITI) for assistance. These two performance goals: improving the timeliness of financial statements and reducing the total average months late for all insular general fund financial statements, were long standing issues within DOI/OIA that had recently been brought to the attention of the Secretary of the Interior following an audit of the agency.

Since introducing the Audit Improvement Project in December 2003 to members of the Insular Government Finance Officers' Association (IGFOA), the insular

governments have shown remarkable improvement with regards to the issue of audit timeliness and in lowering both audit findings and questioned costs. Issuing financial statements was made even more difficult with the addition of GASB 34 which required all the insular governments to determine the value of all of their capital assets and to report them on their financial statements. Prior to the beginning of this initiative, none of the insular governments were up to date with releasing their audited financial statements. In fact, one of the insular governments was five years behind in its financial reporting requirements. As of December 2004, two governments (Guam and the Republic of the Marshall Islands) were current with regards to their financial reporting responsibilities and another four governments (the U.S. Virgin Islands, the CNMI, the FSM and the Republic of Palau) are expected to be compliant by April 2005.

PITI/VITI has worked with each government to develop country specific plans to monitor and resolve audit findings. These plans were further augmented by the development of written procedures prepared by each government that documented the timeliness for initial audit finding responses (corrective action plans) and the development of a working plan that outlines the person(s) responsible for monitoring unresolved audit findings and designates someone to prepare and submit the report of unresolved findings to the Federal Audit Clearing House.

The most recent IGFOA meeting, as reported in this conference report, focused more on the issue of resolving the underlying causes that give rise to audit findings. The conferees discussed how to address the causes of findings as well as how to complete their audits in a timelier manner.

As of December 2005 the following represents the status of each insular government's financial audits:

U.S. Virgin Islands	FY 2004	Projected to be completed by March 2005
	FY 2005	Projected to be completed on time
Guam	FY 2004	Completed
	FY 2005	Projected to be completed by June 2006
American Samoa	FY 2004	Completed
	FY 2005	Projected to be completed on time
CNMI	FY 2004	Projected to be completed by February 2006
	FY 2005	Projected to be completed on time
FSM National	FY 2003	Completed
	FY 2004	Ongoing
	FY 2005	Projected to be completed on time
Chuuk	FY 2003	Projected to be completed by January 2006
	FY 2004	Draft expected by February 2006
	FY 2005	Projected to be completed on time
Kosrae	FY 2003	Projected to be completed by February 2006
	FY 2004	Ongoing
	FY 2005	Projected to be completed on time
Pohnpei	FY 2003	Completed
	FY 2004	Completed

	FY 2005	Projected to be completed on time
Yap	FY 2003	Completed
	FY 2004	Projected to be completed by January 2006
	FY 2005	Projected to be completed on time
RMI	FY 2004	Completed
	FY 2005	Projected to be completed on time
Palau	FY 2004	Completed
	FY 2005	Projected to be completed on time

Realistically, the benefits of effective monitoring and resolution of audit findings will not show up in the audits for another year. Many of the governments are just now completing the audit year FY2003 and it is unlikely that more than a couple of the FY 2004 audits will be completed by the next planned IGFOA meeting in June 2005. However, IFGOA and the Graduate School, USDA will be monitoring the measures built into the audit resolution plans and addressing the primary problems causing audit findings which have been identified in this project. The basic "counts" of audit qualifications and number of audit findings will be added to the Performer and tracked over time along with the financial ratios for each government.

Debbie Milks introduced the session on the Audit Improvement Project by providing some history and perspective on the development of the project. In December of 2003, Nick Pula of DOI, OIA, noted that the lack of timely audits from the insular governments was causing repercussions in DOI. It was agreed that untimely audits are not a good way to do business. The lack of transparency and accountability hinders a health investment climate in the islands.

To paraphrase Ms. Milks' introduction to the audit improvement project:

OIA and the insular areas took a holistic approach to attempt to resolve the issues of untimely audits and unresolved audit results. This approach, called the audit improvement project, involved OIA and the insular governments in a concerted effort to improve audit timeliness and results. The project looked at the audit process from the top down, starting with the audit contracts, auditor relationships and the governments' internal structures for dealing with the audit. After exchanging ideas and hearing best practices from other governments, each government wrote new procedures for audit resolution, some rewrote audit contracts; others established audit committees. The project then moved on to examining long-standing audit problems and developing plans to resolving them.

The insular governments are catching up. In December of 2003 many government were behind years, not months, on the completion of their audits. Although the governments are catching up at slightly different rates, all the governments are looking progressively better. However, now is not the time to sit back and rest; all the governments need to be able to meet their audit deadlines.

The A.F.T.E.R. analysis shows that there was an initial burst of improvement, but most of the governments have now leveled off, at least with the number of findings. This may be a situation where the auditors will always have a certain number of findings, although decreasing in severity. Nonetheless, the governments need to keep up the momentum and find ways to institutionalize the improvements which have been made. This is not a race, it is a marathon and there is still have a ways to go.

After her introduction to the Audit Improvement Project, Ms. Milks led a panel discussion on the progress the insular areas have made to date, and how they have achieved this progress.

Panel Discussion on Best Practices



Q What internal organizational changes have been made to make the audit process work better?

Carolyn Wendt (ASG): FY98-00 was closed at one time for all three years. It's been excellent having one point of contact as an audit liaison officer to coordinate work with the auditors. In the beginning the auditors were frustrated getting information without the single point of contact. Since we hadn't had an audit for a long time people were reluctant to give information. Now that we've continually done the audits and catching up, we're able to schedule proper times and trips (three trips). The process had worked well for us but we have to be diligent in trying to schedule the trips, and making sure the auditors keep to their schedules. With a new contract we plan to start building timelines into the audit contract.

Nick Andon (FSM): For the FSM we established an audit resolution committee in conjunction with the audit resolution plan and procedure. Each state government has a coordinator for audit resolution findings.

Q Have you made changes with your relationship with the auditors and the audit contracts, etc?

Bob Schrack (CNMI): Our contract is executed through the office of the Public Auditor and the last couple of contracts have been three-year contracts. Multi-year contracts provide continuity and allow us to catch up with compliance work. We're now finalizing the draft for the '04 audit.

Q Does everyone have multi-year contracts now?

All entities now have multi-year audit contracts.

Lou Perez (Guam): I'm comfortable saying that my attendance at these meetings has helped us tremendously. We learned our rights and the ability that we have to make demands of our auditors. Taking this information home we

worked together as a team. We established a one-man internal audit section, and this has been a key change that has led to our success. We need people in charge to be a funnel of information. They also made sure that requests for information and copies of information were filled in a timely manner.

Bernice Turnbull (VI): I'd just add that we recognize that in order to get an auditor we changed the way we do business. We set up an audit team that met weekly, and then every two weeks. We also met with component entities. We took them to the Governor and the Governor met with the CFOs. We included program managers from each of the federal entities. The auditors were there and we explained the importance of them getting involved and being able to answer questions when auditors come.

Q How are you resolving issues with component units and accurate and timely reporting?

Jeff Barton (RMI): We are trying to improve communications with our component units, not as formally as the VI, but we're trying to work within the Ministry to maintain communication. The issue affecting us is the lack of capacity within the component units. We are putting mechanisms in place to assist. The Ministry would like to take the lead. We're trying to be accountable and making sure we have the appropriate personalities in place. Although we have not made a lot of progress, we plan to go back to the RMI and finalize those plans.

Elbuchel Sadang (ROP): For Palau in FY2004 we've received another unqualified audit opinion. Most of the component units are required by law to be audited. If they don't complete them on time they could lose some local funding. In addition, they will not be reimbursed for the cost of their audit and will have to pay for it themselves. We also have an audit resolution team and hold regular meetings to make sure we stay attentive.

Bernice Turnbull (VI): We've established enabling legislation which we've sent to (the VI) DOJ, saying that Component Units must have their audits completed and sent to the Dept of Finance in a timely manner. We don't have sanctions built into it like Palau. All Component Units now have to get their audits in by Jan 15th. The Component Units don't stand alone, we are one government.

Nick Andon (FSM): Component Units have greatly delayed the audits for the FSM government. So we've begun including representatives from the Component Units on the audit resolution committee. Most of the Component Units don't have the capacity with accountants to do their financial statements. So we're utilizing some of our capacity building money to specifically hire financial advisors to help in the Component Units with their financial statements.

Marc Biggs (VI): This is the first I'm hearing about the legislation, and I'm wondering if we shouldn't consider using sanctions.

Q: How do you work with other departments to ensure they are responsive to the auditors and respond to audit findings?

Bernice Turnbull (VI): We got some good training from the USDA GS, and because of that we're hoping to really see some improvement. You get findings when you don't respond to auditors' concerns. There's no reason to have missing documentation, there's no reason not to have certification... Being responsive is the way to get rid of the findings. Train your people to think that they must go in and they must work with the auditors. You have to make time for the auditors, and if you don't make time you'll have findings.

Lou Perez (Guam): We've been successful with the funding of FMIPs (Financial Management Improvement Plans) with DOA and now GPSS (Guam Public School System). You can plan your work but you need to work the plan, and GPSS is now at the stage where in order to make the plan work and get off high-risk status they need to show progress and work the plan to stay on course.

Nick Andon (FSM): During the exit conference we invited responsible departments to attend to make sure they're responsive and aware of the findings. We also ask the coordinators to attend. We're trying hard to elevate the audit findings and resolutions to the President or Vice President's office. If we have somebody at that high level telling them to deal with the findings it's more effective. It's hard for me to tell another department because they will not listen.

Debbie Milks: I've always thought that pulling in a public auditor is helpful to make them part of the process.

Q: I'd like to just ask each of you to give a brief answer to your biggest challenges to a perfect audit.

Elbuchel Sadang (ROP): I think the challenge to keep our audits unqualified is hard. So one of the things we're doing now is to work with our legislature to amend procurement laws, especially on small purchases. Many of our findings are related to our legislature. We want to put these resolutions into regulations, to upgrade controller offices as a civil service position. The hardest one is to help the component unit to bring them into the accountability process. Before I came, we have a press conference every Wednesday, and I went over the final status for Palau in '05 and '04, so it's also important for the public to demand this of their public officials.

Jefferson Barton (RMI): A perfect audit is our top priority too. We have seen that our staff can work within the Ministry of Finance. So there have been a few changes within our department. Mainly all these changes are taking place within the accounting department. And these are our priorities.

Bernice Turnbull (VI): It goes back to accountability and taking ownership. Because UVI was late with their audits, the DOE has forced them to be reimbursed for PELL grants. I'll be working with Marina and talking about sanctions, but we're going to look at component units and the grant money from Interior. If you don't do your audits timely then grants from Interior are going to be held. Additionally, we are in the process of getting a new FMS that should help us. Everything is people, but at least the functionality will help us with things like document retrieval and these kinds of things. This is not about me, it's about everybody.

Lou Perez (Guam): The biggest challenges for Guam are two component units, and we're hoping to get some TA for GMH, and the other. We don't have that many CPA firms with the capacity to do huge audits for the Govt .of Guam. They concentrate on smaller, private audits, and the smaller agencies are not a priority. The other major challenge has to do with allowing auditors to review some of our rev/tax records. We've had to convince Revenue & Tax that they have to allow this scrutiny. In terms of getting actual findings removed, it really takes ownership, commitment, and personal calls to the heads of agencies to make them aware that their inability to provide documentation causes all of us to look bad.

Carolyn Wendt (ASG): One of the biggest challenges for AS is ownership, working with Departments to clear findings and setting up the proper procedures to do so. Setting up processes and making sure they take ownership for it. We're also hoping to get training to bring people down to get everyone together to talk about single audits, accountability and ownership.

Bob Schrack (CNMI): A few new things that jumped out in '04 are two new major programs, and since most of the compliance findings come out of the major programs they have to be included. Another challenge for us is staff turnover due to the political process or because of other things, making agencies inconsistent. Documenting procedures and these things that we're talking about, through regulations or laws, will ensure that the process continues and that's important.

Nick Andon (FSM): For the FSM we have a lot of challenges and I'll just name a few. One of the challenges is training for non-finance staff on expenditures and how to best manage their program. Ongoing communication among branches of government or between governments and departments is a challenge. Last but not least is really the implementation of the Amended Compact. Secretary Cohen was talking about accountability. The US was not strict on report submission during Compact I, so we laid back and said, "Who cares?" So I'm asking to please be patient with us, have mercy on us, and please don't withhold our Compact money.

Upon completion of the panel discussion, Ms. Milks led the governments through a work session on (1) how to improve the audit process and (2) how to institutionalize audit completion and continue the momentum for audit improvement. (*See Appendix C for the results of the work session.*)

VI. Performer®: We Know the Score, Now What?

Frank Crawford, a Graduate School consultant, 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. Critical to the value of the Performer® scores are the relevance (timeliness) and reliability (accuracy) of the data used to compute the score. Mr. Crawford presented the Performer® scores for each insular government and identified each government's strengths and weaknesses.

His session closed with a discussion of the relationships between the audit improvement project and the Performer® and the actions the governments must take to improve their scores—eliminate audit opinion qualifications, improve the timeliness of issuance (relevance), eliminate audit findings and questioned costs, and solve funding problems.

In a work session following his presentation, the governments developed action plans to improve the weaknesses identified in their Performer® analyses. *(Frank Crawford's presentation on "Using the Performer" is presented in Appendix D, as are the Performer® action plans.)*

VII. Internal Controls

The finance officers attended a review session and workshop on internal controls facilitated by Debbie Milks. She presented a brief overview of the concepts of internal controls, reminding the finance officers that they are responsible for ensuring that internal controls are in place and monitored on a continuing basis. She noted that the revised A-123 requires federal financial officers to conduct an internal controls review and to attest to the completeness and accuracy of their financial statements, much in the same way Sarbanes Oxley has required for publicly held companies. After the overview the group discussed a series of internal control questions designed to help with their understanding of how much a good system of internal controls can expect to accomplish. The finance officers then broke into work groups to prepare and discuss responses to actual internal control findings from their audits. In the subsequent discussion they noted that responses to internal control findings need to be detailed and realistic. Most importantly, the finance officers must monitor and follow-up with the internal control system and the corrective action plans in order to ensure they are effective.

VIII. Procurement

The procurement officers attended a training session on Procurement and Negotiation Skills conducted via video conference by Ralph Capio. The course emphasized that negotiation skills are critical to obtaining fair and reasonable contracts. The key to success in negotiations is preparation. One must enter negotiations with two firm points—BATNA (best alternative to a negotiated agreement, also known as 'Plan B') and a reservation price (a price below which, or above which, one will not negotiate). Once the negotiations are engaged, one should focus on integrative rather than distributive negotiations. Distributive negotiations focus on how to divide up a fixed 'pie', it is a win/lose situation. Integrative negotiations try to expand the size of the pie and create a win/win situation. The training workshop also covered how human biases influence the negotiation process and what negotiators can do to mitigate these biases.

The procurement officers also held a series of work sessions to identify procurement issues affecting audit results and develop proposed solutions for the causes of these issues. The procurement audit issues were found to be common across all the insular areas and many of the proposed solutions could mitigate the problems in each of the governments. *(See Appendix G for the Procurement Officers' Work Session Notes.)*

IX. Public Sector Information Technology Best Practices

Dr. David Lassner, the Chief Information Officer at the University of Hawaii, gave a talk on trends in information technology and how these trends will affect the insular area finance offices. Dr. Lassner shared his experiences in systems development and implementation. He emphasized that successful use of technology depends on effective project management, strong adherence to standards, a clearly articulated architecture, and significant involvement of users. He presented several projects in which the university is using and/or developing open source software and participating in public/private and other joint venture development projects. *(The materials from his presentation can be found in Appendix H.)*

X. PITI/VITI and IGFOA Website Presentation

Jason Aubuchon from the Graduate School's PITI office demonstrated the PITI/VITI and IGFOA websites. The websites are not yet complete, but the presentation showed the general design and functionality of the sites. The IGFOA members were impressed with the site design and provided some feedback about additional components they would like to have in the sites. *(See Appendix I for a few illustrative pages from the website.)*

XI. Accountability and Grants Management

Tom Bussanich and Marina Tinitali of the Office of Insular Affairs presented information about the OIA budget, the criteria OIA uses to assign Capital Improvement Projects (CIP) funds, federal grants and grantor agency needs, and accountability. Mr. Bussanich presented OIA's budget and how it is allocated to insular areas *(see Appendix J for the slides covering the budget)*. He then discussed the criteria OIA uses to allocate CIP funds *(see Appendix K for details on the criteria)*.

Marina Tinitali thanked everyone for progress on their audits. She then discussed some concerns raised with how audit data are used in the CIP rating process and explained how OIA will be trying to address these concerns. Ms. Tinitali reported that OIA is currently undergoing a review of its internal controls and offered to share the information she obtains with the finance offices.

OIA announced that it is planning a grants conference for the insular areas and grantor agencies in 2006. To prepare for the conference, the IGFOA participants generated a list of agenda items to be considered for the grants conference (see *Appendix L*).

XII. Conference Summary

The conference closed with three activities—action planning by each government, completion of conference evaluations by each participant, and closing remarks by the President of IGFOA, Lourdes Perez.

In the action planning work session, each government was asked to reflect back over the three days of the conference and identify the three highest priority issues confronting it. For each of these issues, the government was then asked to develop an action plan to start addressing the issues. The action plans were to be specific, immediately actionable, and identify the responsible individual. Due to time constraints, the action plans were very high level and would need to be significantly fleshed out after the conference. (*The preliminary action plans for each government are in Appendix M.*)

Each conference participant completed an evaluation of the conference. In general the comments were very positive (overall rating of 4.5 on a 5-point scale) with especially high marks for conference content (4.8 on a 5-point scale) and outcomes (4.7 on a 5-point scale). The only negative issues mentioned in the responses were the isolation/cost of the hotel (facilities were rated 4.3 on a 5-point scale), lack of eating options, and a few difficulties people had traveling to and from Kona (travel logistics were rated 4.1 on a 5-point scale). (*See Appendix N for the detailed conference evaluation data.*)

Finally, Lourdes Perez, the President of IGFOA, closed the conference by thanking everyone for their participation. She expressed the finance officers' appreciation to DOI/OIA for its continuing support for IGFOA and thanked the Graduate School, USDA, and the PITI/VITI projects for their efforts in planning, coordinating, and supporting the conference. The conference adjourned and will meet again in Toronto in May.

Appendix A: IGFOA Conference Agenda

Island Government Finance Officers' Association

Meeting Agenda

December 6 – 8, 2005

Hilton Waikoloa Village Resort

The goals of the meeting are to:

6. Share progress on actions taken, lessons learned, and outcomes achieved through the audit improvement project in an effort to advance and 'institutionalize' the insular government plans, policies, procedures, and strategies for successful implementation of the audit findings resolution project.
7. Identify (1) strategies to further improve the performance of finance offices, (2) the measures and indicators to monitor improvement, and (3) the areas of training and technical assistance needed to support governments' improvement efforts.
8. Exchange results of the Performer® analysis as a measurement of the financial health of each insular government and develop strategies to improve the overall financial health of the governments.
9. Discuss possibilities for greater interagency coordination and communication between U.S. federal grant recipients and funding organizations.
10. Examine best practices in new public sector financial information technology.

Monday, December 5th

- | | |
|------------------|---|
| 9:00 – 5:00 p.m. | Participant Arrival and Check-In |
| 3:00 – 4:00 p.m. | FSM Finance Officers' Meeting, Water's Edge Boardroom |
| 4:00 – 5:00 p.m. | IGFOA Executive Steering Committee (IGFOA Officers) Meeting, Water's Edge Boardroom |

Tuesday, December 6th (Main sessions, Kohala 3 Ballroom)

7:00 – 8:15 a.m. Breakfast, Palm Terrace Restaurant

8:30 a.m. Welcome

Lourdes Perez, President, IGFOA

Jack Maykoski, Graduate School, USDA

Edgar Johnson, Department of Interior/Office of Insular Affairs

David Cohen, Deputy Assistant Secretary, Department of Interior/Office of Insular Affairs

Questions and Answers

9:30 a.m. Review agenda – Steve Medlin, Facilitator

Introductions & ice-breaker

9:45 a.m. Break

10:00 a.m. Audit Improvement Project (Debbie Milks)

Moderated Panel Discussion

- Permanent organizational and procedural changes made to address the audit process
- Use of audit analysis tools
- Successful changes made to address audit qualifications and findings
- Challenges to achieving the “perfect” audit
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Questions and Answers

Panelists:

- Lourdes Perez, Director, Department of Administration, Guam.
- Nick Andon, Secretary of Finance and Administration, Federated States of Micronesia
- Jefferson Barton, Secretary of Finance, Republic of the Marshall Islands
- Elbuchel Sadang, Minister of Finance, Republic of Palau
- Bernice Turnbull, Commissioner of Finance, U.S. Virgin Islands
- Caroline Wendt, Staff Accountant, American Samoa

- Robert Schrack, Special Assistant to the Secretary of Finance, CNMI

11:15 a.m. Small group discussions across governments

Topic: What can Finance Offices do to further improve their single audits? What can Finance Offices do to 'institutionalize' the processes developed during the Audit Improvement Project?

11:45 a.m. Report to large group for overall discussion

12:15 a.m. Group Photo, Grand Staircase

12:30 – 1:30 p.m. Lunch (Guest Speaker: Hon. Harry Kim, Mayor, Hawaii County)

1:30 p.m. Performer®: We Know the Score, Now What? (Frank Crawford, CPA)

Questions and Answers

2:30 p.m. Break

2:45 p.m. Small group discussion

Topic: How can improvements in single audits and finance offices affect Performer® results?

3:30 p.m. Report to large group for overall discussion

4:30 p.m. Adjourn

5:00 p.m. Reception sponsored by the Bank of Hawaii (Grand Staircase)

Wednesday, December 7th

7:00 – 8:15 a.m. Breakfast, Palm Terrace Restaurant

8:30 a.m. Review results from Tuesday and agenda for Wednesday

9:00 a.m. Dual tracks: Internal Controls Session for Finance Officers
and Procurement Session for Procurement Officers

9:00 a.m. Finance Officers' Track in Kohala 3

Internal Controls

- Vulnerability Assessment
- Addressing Risks
- Management's Responsibilities

10:30 a.m. Small Group Discussion within Governments

Topic: What do finance offices need to do next to continue their improvement?
Each government develops action plans to further improve financial management operations:

- Strategies for improvement
- Measures/indicators of improvement
- Training and/or technical assistance needed to support strategies

11:30 a.m. Report to large group for overall discussion

9:00 a.m. Procurement Officers' Track in Kona Room 1
Procurement and Negotiating Skills

11:00 a.m. Small Group Discussion

Topic: How can the skills covered in the session be applied to insular government procurement practices? Procurement Officers develop action plans to further improve procurement operations:

- Strategies for improvement
- Measures/indicators of improvement
- Training and/or technical assistance needed to support strategies

12:00 p.m. End dual tracks: Procurement Officers rejoin Finance Officers and report to large group

12:15 - 1:30 p.m. Lunch at the Lagoon Lanai

1:30 p.m. Public Sector Information Technology Best Practices,
Speaker: Dr. David Lassner, Chief Information Officer,
University of Hawaii

Questions and Answers

2:45 p.m. Break

3:00 p.m. Large group discussion

Topic: Discuss opportunities for new information technology applications that will positively affect insular government financial management.

4:00 p.m. PITI/VITI and IGFOA Website Presentation (Jason
Aubuchon)

4:30 p.m. Adjourn

Thursday, December 8th

7:00 – 8:15 a.m. Breakfast, Palm Terrace Restaurant

8:30 a.m. Accountability and Grants Management

Discussion led by staff from the Office of Insular Affairs, Department of Interior

- Thomas Bussanich, Acting Director, Budget and Grants Management Division
- Marina T. Tinitali, Accountability and Insular Policy Specialist
-

9:15 a.m. Small groups to discuss:

- Developing indirect cost proposals
- Grantee/Grantor Perspective on audit findings for federal grants
- Proper Response to Audit Findings for federal grants
- Agenda items for Federal Grants Conference
-

10:15 a.m. Break

10:30 a.m. Report to large group for overall discussion

11:00 a.m. Insular Government Planning Session

Topic: Each insular government will discuss ideas and best practices from each of the three breakout sessions and develop a government-specific action plan to further improve financial management and procurement office operations

12:15 a.m. Conference Wrap-up

- Advancing the plans
- Summary of progress during this session
- Summary of training and technical assistance requirements
- Next steps
- Conference evaluation

12:30 – 1:30 p.m. Lunch at the Lagoon Lanai

1:30 – 3:00 p.m. IGFOA Executive Meeting

Time available for insular government consultations with DOI/OIA and/or PITI/VITI by appointment, as needed

3:00 p.m. Adjourn

Appendix B: Keynote Address (David B. Cohen)

David B. Cohen
Deputy Assistant Secretary, US
Department of Interior
December 6, 2005

[Acknowledgements.]

Good morning. It's an honor to be here. It's also a pleasure to see so many old friends.

I told a friend of mine that I was going to attend a gathering of government finance officers. And my friend, who doesn't know any better, said, "Government finance officers? That sounds like a boring group of people."

And I said, "It's not fair to make blanket generalizations about people."

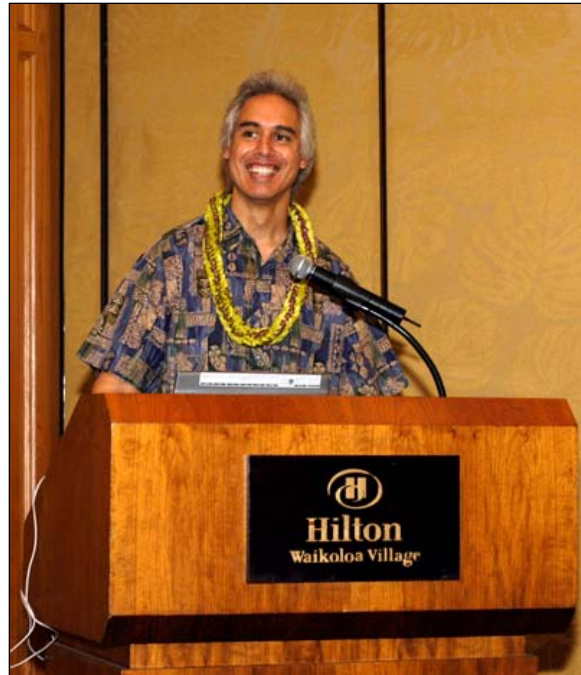
And I said, "I know most of these people personally, I've worked with them, and—well, to be honest, they are pretty boring. And the people that organize this meeting every year—those people are extremely boring."

Now, don't take this the wrong way. I'm actually trying to give you a compliment. I think it's great that you're boring. For one thing, it takes all of the pressure off of me as the keynote speaker. After all, what moral right do you have to ask me to get up here and be interesting when you yourself are boring?

But I'm serious when I say that it's great that you're boring. Because when I hear the words "flamboyant government finance officer," it makes me very nervous. I say, "Boring is Beautiful."

But if you guys are boring, you're Boring Heroes. Why do I say that you're heroes? Because if you do your jobs right, you can help to ensure that your children, your community and your people will be healthy, educated and prosperous. And most of the people that you serve are not even aware of all that you're doing and how important it is. The important things that you do usually don't get covered in the newspaper—unless of course you get into trouble, in which case you'll finally get all of the publicity that you deserve. If you don't believe me, just do a Google search of "flamboyant government finance officer." Boring is Beautiful.

Let me get back to explaining why I think you all are so important. You're important because you're at the front line of the effort to promote accountability.



And when I think about accountability, I don't think about numbers or reports. I think about people's lives and their dreams for the future.

I realize that in this room, I'm preaching to the converted. I know how dedicated you all are to ensuring that public funds are spent wisely, and I know how hard you work under difficult circumstances. Much of what I'm going to say today will not be directed at you so much as to the public record. I'm going to speak about accountability primarily in the context of grant assistance provided through the Department of the Interior's Office of Insular Affairs.

First, let me clarify one thing: When I refer to accountability, I'm not referring to island governments being accountable to the Federal Government. I'm talking about the accountability that is owed jointly by the Federal Government and the island governments to the people of the islands and to the American taxpayer. Although we are beholden to two masters—the people of the islands and the American taxpayer—we serve both masters in exactly the same way: by ensuring that the people of the islands receive all of the benefits that they are intended to receive through our financial assistance.

We all know that accountability is important, but let me try to illustrate why we at the Office of Insular Affairs have made accountability one of our very top priorities. Earlier this year, I attended the World Bank annual meetings in Washington, D.C. World Bank economists gave us an excellent presentation on human development in the Pacific. I was shocked to learn that some of the island nations that were receiving the most aid per capita were achieving some of the worst results in some of the health, education and economic development measures. I suggested to one of the economists that there almost seemed to be an inverse relationship between the amount of aid that a country received and the country's progress in human development. I asked her what she thought the reason was. She said that without strong accountability, large amounts of aid may not translate into improved health, education, economic opportunity and overall quality of life. I suppose that's obvious, but it's still something that we should never stop reminding ourselves.

All of our island communities represented here today receive, per capita, a high level of financial assistance from the U.S. Government, much of it from the Office of Insular Affairs. We have good reasons for providing this assistance. Should the islands be grateful for the contributions that they receive from the U.S. Government? Yes, but it's very much a two-way street: The U.S. Government should also be grateful for the contributions that it receives from the islands. And we are grateful. We're grateful for the strategic military facilities that are housed in places like Guam, the Northern Mariana Islands and the Marshall Islands, and for the right of strategic denial that stretches throughout the vast region of Micronesia. And we're grateful for the vastly disproportionate burden of sacrifice that has been borne by the brave sons and daughters of the islands in the War on Terror.

Our smallest territory, American Samoa, has lost seven men and women in Iraq. It is astounding and tragic to think that one in every 9,000 people in American Samoa has sacrificed their life in Iraq. That's including all people, including children, the elderly, guest workers and everyone else, not just those who are eligible for military service. That's a per capita sacrifice rate that is more than 15 times the rate of sacrifice for the U.S. as a whole. Throughout the islands, families are making tremendous sacrifices to defend freedom. The U.S. Virgin Islands has lost four servicemen in Iraq. Guam has lost three. The Northern Mariana Islands has lost three soldiers, and I attended the funeral for each one.

At his funeral last month in Saipan, I had the tremendously humbling honor of conferring U.S. citizenship posthumously on Corporal Derence Jack, who was killed in Iraq along with Staff Sgt. Wilgene Lieto. Corporal Jack was born in Pohnpei, Federated States of Micronesia, which has lost three soldiers in Iraq. The Federated States of Micronesia, the Marshall Islands and Palau are not even part of the U.S., yet they are sending so many of their finest sons and daughters to fight under the U.S. flag. Yes, America contributes to the welfare of the islands, but the islands contribute so much to the welfare of America.

So my point is not that anyone should begrudge the islands for receiving a high per capita level of assistance from the Federal Government. Again, we provide this assistance for good reason. The point is that we have a moral obligation to make sure that this money is not squandered, that it actually brings forth all of the wonderful benefits that it is intended to bring. Using financial assistance wisely is especially important in the islands. The challenges the islands face are so great: Lack of resources, isolation, poor infrastructure, lack of technical capacity. The assistance provided by the U.S. Government is greatly needed, and can make the difference between a secure future and an extremely difficult future for most of our island communities. We have very little margin for error in the islands, and much is at stake. We simply cannot afford to squander precious financial assistance.

There are all sorts of ways that money can get squandered. The most spectacular ways usually end up in the newspaper. Funds can also be squandered because certain politicians put their personal ambitions above the needs of the people that they're morally obligated to serve. This phenomenon, of course, occurs everywhere around the world, but perhaps the islands can afford it less than other places. But funds can be squandered even if no one has bad intentions. Funds can be squandered because of poor planning, because of poor oversight, because of poor prioritization, because of poor communication, because of the lack of capacity, because of the lack of political will. Funds can be squandered because of poor management controls, or because of the inability to provide timely information that can enable problems to be identified.

We must constantly remind ourselves that when we allow financial assistance to be squandered, we're allowing our children's future to be squandered. On the other hand, the financial assistance provided by the U.S. Government, can, if

used wisely, help the islands overcome and transcend their inherent disadvantages. There are two general scenarios for the islands' future: One scenario is that resources will be spent wisely so as to neutralize some of the inherent disadvantages that the islands face, allowing the next generation to be educated, healthy and prosperous. The other scenario is that funds will be wasted on current consumption, leaving future generations with little to show for all of the grants and good intentions from their parents' time. If we have the resources to achieve the first scenario, it will be to our great shame if we end up with the second.

That's why the work that you do is so important. You are in the business of accountability, and the effectiveness of our accountability mechanisms will determine which future our children inherit. Think about it: If we have the resources that could rescue our children from a future of poor education, poor health and poverty, and we fail to use those resources effectively, haven't we committed a great sin against our children?

We all want the same things. We all want the people of the islands to be healthy, to have the type of education that will enable them to take advantage of good opportunities, and to have the infrastructure and economic energy in the islands that will enable them to find those opportunities at home. Accountability is the means through which we translate our best intentions into the best results for our communities.

It's not enough to dream of a better future. We need people like you to do the hard work that enables our dreams to become a reality. That is not to say, however, that the dreams are not necessary. To the contrary: the dreams are crucial. Our dreams, our vision for a better future, are what give meaning to our work. If we cannot envision a future of better education, better health and better opportunity, then accountability becomes a tedious exercise of checking boxes, crunching numbers and trying to comply with irritating requirements for the sake of it. That is why it is so important for each and every one of you to have a compelling, positive vision of what your island communities could become in the future. Without that vision, your job becomes pointless drudgery. With that vision, your job can become a passion, a mission.

Never lose that vision. According to some pundits, there are a few officials in the islands who don't have that vision. They produce plans and reports not for the purpose of envisioning a brighter future for their islands, but simply to keep the U.S. Government grants flowing. They've reduced their jobs to simply figuring out whatever they need to say to keep the money flowing. Well, if we wanted to give people money simply for saying what we wanted to hear, there are plenty of 900 numbers that we could call. And those conversations would be a lot more entertaining than any conversations that we could possibly have with any government finance officer—even a flamboyant government finance officer. I realize that those of you that are here today would never let getting grant funds released become an end in itself, with no vision for how to use those grant funds

to build a better future. I recognize, however, that we are all overworked, and therefore we should constantly be on guard against occasional signs of this type of malaise in ourselves and in our colleagues. We're all human, and we're all doing our best.

I often worry that my colleagues from the islands face short-term pressures that are so great that it makes it very difficult for them to focus on the future. While I understand how hard it is to face those pressures, we can never allow our grant funds to be spent in a manner that sacrifices the future.

Deciding how to spend grant funds is like being a taro farmer. The taro plant is a wonderful, nutritious plant with several parts to it, and each part is edible. But as any taro farmer will tell you, you don't eat the entire plant. You have to cut off the top so that you can plant your next crop. This taro top—Samoans call it tiapula, Hawaiians call it huli—is what makes taro a perfectly sustainable source of nourishment. If you always save your taro tops and plant them, your taro will grow forever. Taro gives you the means to provide for your future, as long as you manage it properly. With our grant funds, I worry that the pressure for immediate consumption will make people forget to save their taro tops. If you eat your taro tops today, your children may have nothing to eat tomorrow.

For every grant dollar that we propose to spend, let's ask ourselves what this grant dollar will do to secure our future. When we make necessary investments in health, education and infrastructure, we're building a better future. And let's not forget about capacity building. We need to build capacity in order to manage our grant funds more effectively—capacity in financial management, accounting, grants management, auditing, economics, statistics and other areas. Capacity will not build itself—we're going to have to allocate resources to build capacity. This very conference represents an allocation of resources to build capacity. I know that no one in this room will complain when I suggest that each of your offices needs to have the resources to enable you to do your jobs properly. We need to carry this message to people outside of this room.

If we want to have a better future, we're going to have to consciously navigate to it. Many of us are the descendants of the finest ocean navigators that this world has ever known. As such, we know that we cannot allow our canoes to just drift and expect to reach our destination. Our ancestors were able to travel great distances by constantly reading the stars, the sun, the sea and the sky. In our accountability procedures, we have different elements to read, but the concept is the same. You all are responsible for providing information that enables us to figure out where we are and which direction we're headed. Not having that information is like trying to navigate without the ability to see, hear or feel. Of course, it's not enough to have the information; you have to have the skill to properly interpret it and make good decisions. On both accounts, your jobs are crucial.

While your job requires you to focus on the minor details, it's important to not lose sight of the big picture. With respect to our shared management of grant assistance, let's remind ourselves of a few, simple truths. Grants are intended to benefit all of the people, not the few at the expense of the many. Grants should make it easier for elected officials in the islands to serve the critical needs of their people, not to make it easier for them to hold onto power. Grants should foster sustainable growth for tomorrow, not wasteful consumption for today. Grants are not intended to create dependence, but to provide a springboard that will enable the islands to become more financially independent. These are not U.S. objectives; these are our shared objectives. If I am somehow mistaken, and any of these objectives are not shared by any of your governments, then please let me know immediately so that I can start crying.

Since we have strengthened our accountability procedures, we have sometimes run into misunderstandings with legislators from the islands. Some have complained that the Office of Insular Affairs' tighter control over grant funds is undemocratic because it interferes with the authority of elected legislatures in the islands to control grant funds. Well let me clear up any confusion: Grant funds are not a substitute for local revenue. Grant funds do not absolve the legislature of the responsibility to create a good business climate in the islands, so that the islands can generate more local revenue. If used wisely on critical infrastructure and other important needs, grant funds can make it easier for local legislatures to raise local tax revenue. That would give more power to the local legislatures, and that would be a good thing. But grant funds are not a substitute for local tax revenue. We at the Office of Insular Affairs are jointly responsible with our grantees for ensuring that the funds are spent effectively. This is a responsibility that we in the U.S. Government owe to the American taxpayer. As long as we are being held accountable in this manner, we are going to have something to say about how the funds are used. Local legislatures should understand that if you want to appropriate funds, you need to generate funds.

In closing, let us never forget the real meaning of accountability. Accountability is not about green eyeshades. It's not about numbers. It's about people, and their aspirations for a better life. Sure, we need you to focus on the numbers, but every now and then, look up from your spreadsheet and dream a little. Envision the future of your island community. Envision a future where children are well educated. Envision a future where everyone has access to the health care that they need. Envision a future where the economy is vibrant enough to handle all of the energy, creativity and ambition of all of the island boys and island girls returning home with degrees from college, graduate school, business school, law school, medical school.

Be proud of what you do, and don't let anyone call you boring. OK, I'm the one that called you boring, but don't let anyone else call you boring. You hold the key to enabling your communities to fulfill the promise of their great potential and highest aspirations. And that, my friends, is anything but boring.

Thank you.

Question and Answer Session:

DAS David Cohen: There is always a tension between using funds for programs with jobs attached to them, and using funds from the same pot of money to invest in capacity building. It's hard to take money from programs for capacity building, but doing so ensures we can get more bang for the buck for programs. It's not easy, but to allocate resources according to priority—we have an absolute obligation to do that.

DAS David Cohen: How to get legislatures to understand funding intentions is a matter of raising the point with legislatures, but OIA controls the power of the purse with leverage. I deliver a message that they don't want to hear: the grant funds coming from our office should not be used as local revenue. Our grant funds are funds that we in the federal government are accountable for, and are funds that you in the island governments are also accountable for, and it's an executive to executive branch partnership. We need to get legislatures involved, but we need to make sure they understand the difference between funds they generate and funds they don't. It can lead to an unconstructive mindset. Legislatures consider ways to generate revenue—they earn the money, so they should allocate it. The grant funds are not intended as a substitute, and this is a point that we need to keep repeating.

Lou Perez (Guam): We're now producing statements that are timely and able to impact the financial help of our governments. How can we make a positive impact on this financial information?

DAS David Cohen: We recognize the progress that has been made. We recognize Palau's unqualified audit, and we hope this will become the rule, rather than the exception. We are proud of the RMI getting their single audit in on time, and are proud of many of the other jurisdictions. We have a ways to go and need to keep charging hard to make sure timely, clean audits and sound financial management is the rule, and not something we think twice about.

Nick Andon (FSM): On behalf of the FSM delegation, I'd like to let it be known that we're not sleeping, and that we're really trying our best to catch up, especially with our audit reports. We've almost completed FY 03 and are in the middle of working on FY04. I know we're late and we didn't meet the deadline, but accountability is a new challenge to us and something we're taking very seriously. I hope you don't think we're lying on the beach; we're doing what we can to make sure that Compact funds provided are accounted for and used properly. With Compact assistance we are utilizing funds to improve things, especially in the capacity of finance offices. I'm very positive that next year the FSM will be on top.

DAS David Cohen: Sec Andon knows the great respect I have for him and his team. I sure don't think you're lazy. I think you're boring; not lazy. Let me also point out that I also had black hair before working with you guys. We're very much on the same page; I have tremendous respect for Sec Andon and the corresponding teams in the four states. The problems are an issue of lack of capacity; not of lack of intentions. It's the same with OIA—I do all the work myself. Actually that's not true, and I'd like to take this opportunity to acknowledge my own tremendous staff... Let me make clear not only for the FSM and the four states but to everyone in this room that we're catching up and intend to continue to make progress. I know you feel this way but it is also important for me to express it. Thank you very much for your time.

Appendix C: How to Improve the Audit Process

(Notes from Working Session)

Strengthen the audit contract

- Include the timeline and expectations in the contract
- Timelines for audits
- Formalize timeline for the start and finish of every audit.

Ensure compliance with audit deadlines

- Legislate the Audit requirement & datelines
 - Responsible agency to implement legislation
 - Establish a Timetable for completion of audit
 - Enact Sanctions for non-compliance
- Ensure Public awareness of established legislation
 - Press conferences
 - Media
- Formalize a process to address component unit audits so they are timely. Use Incentives

Audit coordination

- Establish an internal audit unit. The unit will facilitate communication between auditors and govt.
- Task Master—keep everyone on schedule
- Designate a responsible person to work between finance and program people
- Coordination w/ component units & depts.
- Designation of audit coordinator

Train appropriate personnel

- Give program people access to body of information (what are the allowable and what are unallowable purchases)
- Training of staff—financial & non-financial program admin
- Educating/training departments
- Summarize audit process for others to follow.

Deal with findings

- Develop a process so findings are not repeated year after year. Include a reward program for departments or programs with no findings.
- Create more detailed corrective action plans
- Establish Sanctions for non complying departments

Take ownership commitment, work harder

Commitments/dedication to achieving goals=set at the top

How to institutionalize audit completion and continue the momentum for audit improvement

Capacity building for finance staff, audit committees and other related staff

- Provide relevant and continuous training for people involved in the single audits. Establish a Formal training or certification program.
- Build in contract-training on "Secrets for an unqualified audit" We need to know what they are looking for. Have a manual on this that is current and available.
- Train staff—Finance & Component units
- Keep them healthy!

Staff Consistency

- Develop legislation to authorize fiscal officers to stay beyond the term of the Governor provided he/she has at least "minimum qualifications"
- Implementer should be a member of the civil service system
- Civil service protection for key people

Documentation

- Formalize standard operating policies and procedures through executive orders
- Document changes to organization and processes. Formally adopt as
- organization chart, procedures, regulations
- Develop process/procedures for audit manuals
- Use analysis tools we have learned to address findings

Appendix D: Audit Problem Resolution Action Plans

The following action plans were developed by island governments in preparation for the 2005 IGFOA Conference in Kona, Hawaii. The action plans were updated and reported upon during the conference.

American Samoa Government Audit Problem Resolution Action Plan (FY 2003 Single Audit)				
1. Problem	Non compliance with Debarment and Suspension. Audit Finding # 03 DOI-2, 03 USDA-3. Repeat Findings for FY 04	Issue: Procurement/Public Works Debarment & Suspension	Measure: Eliminate audit findings	Progress Reporting:
	<u>Steps to address the problem</u>	<u>Who</u>	<u>Completion date</u>	<u>Progress</u>
1	Write up formal policy in conjunction with Procurement	Caroline/Tupe/Pat	June-05	Complete
2	Policy is to have Procurement to sign a certification that the debarment lists have been checked and DPW to also check for debarment	Tupe	June-05	Complete
6	Create Local list of debarred contractors	Sapi / Tupe	March-06	
7	Distribute list to various agencies	Procurement	March-06	
2. Problem	Non-Compliance with Davis Bacon Act. Audit Finding # 03 DOT-2,03 DOI-1. Repeat Findings for FY 04	Issue: Public Works/AP Davis Bacon	Measure: Eliminate audit findings	Progress Reporting: Quarterly reports from AP to Director of instances of non-compliance
	<u>Steps to address the problem</u>	<u>Who</u>	<u>Completion date</u>	<u>Progress</u>
1	Write up formal policy by Treasury that Public Works needs to sign the certification before forwarding it to Accounts Payable	Caroline-Treasury and Jun/Adrienne-Public Works	Draft-December 05 Final-March 2006	
2	Accounts Payable will not process payment unless certification is attached to the progress payment invoice	Accounts Payable: Mili/Siagafa	Draft-December 05 Final-March 2006	

3. Problem	Documentation Management. Audit Findings # 03 USDA-2, 03 USDA-4, 03 DOE-1 03 DOE-2	Issue: AP/Disbursing Documentation	Measure: Decrease # of missing documents by at least 50%	Progress Reporting
	<u>Steps to address the problem</u>	<u>Who</u>	<u>Completion date</u>	<u>Progress</u>
1	Procurement, AP and Disbursing work together to ensure all necessary documents are attached. i.e. receiving reports, invoice, purchase orders	Treasury-Francis & Procurement-Pat	In process	
2	Sign policy with Accounts payable to ensure that all back up documentation is included before payment is made	Accounts Payable-Siafaga	Mar-06	on-going
4. Problem	Budget Overrun-Audit Finding 03 FS-5. Repeat Finding for FY 02	Issue: Budget/Treasury Grant compliance with Budget levels	Measure: Minimize program overruns	Progress Reporting: Quarterly reports from Treasury & Budget to Governor & Department Head listing Departments/grants which are overrun.
	<u>Steps to address the problem</u>	<u>Who</u>	<u>Completion date</u>	<u>Progress</u>
1	Departments submit copies of grant applications with budget breakdown to Budget Office and Treasury	Budget/Departments	In process	
2	Budget and Treasury work together to ensure that departments are following approved plan and budget	Budget/Treasury	In process	on-going
3	Block accounts that are overrun, including payroll	Budget/Treasury	In process	
4	Withhold payroll checks of Directors if the accounts continue to overrun	Treasury	In process	

5. Problem	Grants Administration: Audit Finding # 03 FS-3. Repeat Finding from FY 02	Issue: Individual Departments-Program and Finance Mgrs Allowable Costs & Cost principals	Measure: 50% reduction in repeated grant findings	Progress Reporting:
	<u>Steps to address the problem</u>	<u>Who</u>	<u>Completion date</u>	<u>Progress</u>
1	Identify departments that continue to have problems with their grants Conduct workshop(s) with department	Treasury and Department Program Managers	FY 2006	
2	program and finance managers on fiscal responsibility and audits	Treasury	FY 2006	

CNMI - Audit Problem Resolution Action Plan (FY 2003 Single Audit)

Problem: Lack of inventory of fixed assets purchased with federal funds. Finding since 1987. Lack of compliance to the Common Rule on contract provision. Finding since 2000.		Issue: No record of federally funded assets and contracts need to adhere to Common Rule	Measure: Completion of inventory, change in standard contract provisions 100%	Progress Reporting: P&S to report status to SOF monthly.
<u>Steps to address the problem</u>		<u>Who</u>	<u>Completion Date</u>	<u>Progress</u>
1	Run report on fixed assets purchased with federal grants	Herman Sablan, Bob Florian	Aug-05	Completed.
2	Assign P&S staff to conduct inventory by agency. Major agencies as defined in the Single Audit are a priority.	Herman Sablan, George Pangelinan	Aug-05	Completed. Inventory completed. Fixed assets are reported in the fixed asset module of the financial management system.
3	Provide auditors with inventory results	Herman Sablan		Completed. Finding not included in the 2004 draft audit.
4	Review standard contract to ensure government contractors adhere to all applicable federal laws.	Herman Sablan	Aug-05	Completed.
5	Amend standard contract to include Clean Air Act provision	Herman Sablan	Aug-05	Completed. Standard contract was amended in 2003. This finding is not included in the 2004 draft audit.

**FSM NATIONAL GOVERNMENT
Audit Problem Resolution Action Plan**

FY 2002 Single Audit

1	Problem: Lateness of component units. Investments and Intercompany receivables/payables of the components units are not reconciled. This finding was identified as a audit qualification in FY02.	Issue: Inadequate recordkeeping and lack of monthly reconciliations	Measure: Monthly reconciliations within 30 days of the end of the month	Progress Reporting: Monthly schedules of investments and receivables /payables should be submitted to the comptroller
	<u>Steps to address the problem</u>	<u>Who</u>	<u>Completion date</u>	<u>Progress</u>
1	Assist components units by including them in trainings made available by financial advisors.	DOFA,FSM Public Auditor	September 30,2006	National Government will have a financial advisor who will be arriving on November 25,2005 to assist and conduct training for the national government and to the component units.
2	Include components units in the extenal auditors' contact	FSM Public Auditor	Complete	Audit for component units are now included in the FY04 audit contract
3	FSM Finance representative to communicate to the components units	Noel G. Pascua (FSM Finance Representative)	FY04 audit should be completed by December 31,2005	Three (3) components units for FY04 are completed and three (3) are on going

2	Problem: Lack of timely bank reconciliations. Audit finding # 2002-11 from FY02 audit	Issue: Cash Reconciliation	Measure: Monthly bank reconciliations within 30 days of the end of the month	Progress Reporting: Monthly schedule of all bank accounts with reconciled dates. Signed off by Assistant Secretary for National Treasury
	<u>Steps to address the problem</u>	<u>Who</u>	<u>Completion date</u>	<u>Progress</u>
1	Assign specific staff to reconcile each bank account	Cash Recon Manager	January 15,2006 is the target date to have all the bank recon completed for FY05	General Fund and cash Savings completed as of 09/30/2005, Six (6) bank accounts in consulate offices, Two (2) trust funds, payroll and income tax are reconciled as of September 30,2004. National Government will have a financial advisor who will be arriving on November 25,2005 to assist and conduct training for the national government and to the component units.
2	Develop the progress report schedule of accounts	Financial Advisor	December 15,2005	
3	Work with the bank to get automated cleared check info	Cash Recon Manager	Monthly	Cash recon manager has been communicating with the bank to provide the tape for the monthly cleared checks to be uploaded to the system. The general operations manager will review the bank reconciliation prepared by the cash recon manager. Verification of the monthly outstanding checks schedules and stale dated checks is being reviewed by the general operation manager.
4	Update outstanding list of checks	Cash Recon Manager	Monthly	

3	Problem: The new procurement procedure is an improvement project for the National Government	Issue: competitive procurement	Measure: documentation of competitive procurement	Progress Reporting: The procurement and supply section will submit a monthly report to Assistant Secretary for National Treasury of instances of non-compliance by each department on the new procedures. The assistant secretary reviews the report and id
<u>Steps to address the problem</u>		<u>Who</u>	<u>Completion date</u>	<u>Progress</u>
1	New Procurement procedure put together	FSM Finance, ADB Consultant, Attorney General	September 30,2005	The new procurement procedure has been implemented starting october 1,2005. The new procedure will improve the use of government funds by enabling the National Government to enjoy bulk purchasing discounts and obtain the most competitive prices. In addi

CHUUK STATE AUDIT PROBLEM RESOLUTION PLAN

Problem : Component Units – lateness of Financial Statements submissions. Audit Findings 02-10. Repeated finding from FY2000-04

Issue: No Financial Statements produced since FY2000.

Measure: A quarterly preparation of F/S starting FY 2005 within 15 days after each quarter.

Progress Reporting: Quarterly F/S will be forwarded to Director for review and approval

Steps to address the problem:

1. A Financial Controller is hired for CPUC
2. An independent CPA is hired to complete the Financial Statements
3. Monthly meeting with the component Units' officers
4. Monthly/quarterly review of F/S

Who:
Ed Oliveros

Kelly Keller

Director
Director/Consultant

Completion Date
June 2005

November 2005

Monthly basis
Monthly basis

Progress:
Completed (Financial Controller is hired)
Completed (F/S for 2002-2004 are available for audit)

Will start in January 2006
Will start in January 2006

Problem: Procurement
Finding 02-01 to 02-05;02-14, 02-23;
Repeated finding from FY2001-2003

Issues:
(1) Adequacy of documentations

(2) Could not locate evidence of competitive procurement

-

(3) Some payments not in accordance with grant terms

Measure:
(1.) Centralize filing of documents starting FY2006 to Improve records/filing . management

(2) Compact 2 -FPA is in placed effective 2004, and we are in compliance since then.

(3) Fund Accountants with CFCC's assistance on thorough review of requisition for processing effective FY2006

Progress Reporting:
Review of filing system every month, checking files at random by supervisor.

P/Requisition w/o competitive pricing from at least three vendors are not being processed.

Monthly schedule of Fund Expenditures, and Outstanding Payables reviewed by Fund Supervisors.

CHUUK STATE AUDIT PROBLEM RESOLUTION PLAN

Steps to address the problem:	Who:	Completion Date	Progress:
1. An old office adjacent to the existing finance office will be repaired to accommodate other personnel.	Director Revenue/Taxation	January 2006	Construction materials have been purchased awaiting for approval of land owner to start the repair.
2. A portion of vacated office will be used for storage purposes. Additional cabinets will be procured to provide sufficient space to store documents .	A/Payable Supervisor	February 2006	Lay out plan is prepared as to where the furniture, cabinets will be placed. Current Years' processed documents are filed properly and checking of files are done regularly.
3. Documents submitted to the Finance that require other departments/division signatures should be carefully monitored to assure that the documentations are moving accordingly.	Head Secretary	FY 2006	Secretaries are monitoring outgoing/incoming procurement documents effective FY 2006.
3. Effective FY2004, all requisitions should have at least (3) competitive procurement pricing. It applies to all funds, whether grant , foreign or local sources.	Fund Supervisor	FY 2004	Procedures are on-going and will continue until better procedures are introduced.

CHUUK STATE AUDIT PROBLEM RESOLUTION PLAN

Problem: Reconciliations
Audit Findings 02-13,02-16,
02-25, 02-26. Repeated
Finding from FY2001-2002

Issues:
(1) Timely Reconciliation of
Subsidiary Ledgers to
General Ledgers

Measure:
Monthly reconciliation of
S/L against G/L within 15
days after end of each month.

Progress Reporting:
Monthly schedule of
all reconciled Trial
Balance Accounts to be
reviewed by Chief of
Finance.

Issues:
(1) Preparation of Bank
Reconciliation on time

Measure:
Monthly bank reconciliations
within 30 days after end
of prior month.

Progress Reporting
Monthly schedule of
all bank accounts ,
reconciled and reviewed
by Chief of Finance.

Steps to address the problem:

(1) Assign specific staff to reconcile each
Bank account

Who:

Elsie Emul – Treasury
Accountant

Completion Date

FY 2004 /FY2005

Progress:

Complete and in process of updating .

(2) Review monthly reconciliation to
immediately act on reconciling items.

Chief of Finance

Starting FY2006

Any questionable reconciling items
are evaluated and investigated.

(3) Prior Years 'bank reconciling items
will be written-off.

Chief of Finance

FY2004

Stale outstanding checks are being
evaluated and will be charged to
Payables. Unreasonable and
excessive charges will be
investigated and possibly requested
for adjustments.

(4) Review the existing Automated
Clearing Checks procedure with
the bank, and possible upgrade
services with the bank.

Chief of Finance

FY 2006

Review system enhancement
in the new and upgraded
bank automated clearing house
.

Kosrae State - Audit Problem Resolution Action Plan (FY 2002 Single Audit)

1	Problem: Lack of end of year GFAAG reconciliation and biannual inventory. Audit finding # 2002-05. Repeated from 99-01.	Issue: ledger recon.	Measure: Quarterly and yearly recon. Within 30 days of quarter/year end.	Progress Reporting: Quarterly/yearly schedule of fixed assets with recon dates. Signed off by Director and filed.																				
<table><tr><th><u>Steps to address the problem</u></th><th><u>Who</u></th><th><u>Completion date</u></th><th><u>Progress</u></th></tr><tr><td>1 Assign staff for responsibility</td><td>Director</td><td>Jun-04</td><td>Complete</td></tr><tr><td>2 Work with Depts/Planning/C&E to complete inventory</td><td>Desingated staff/Nimos</td><td>Jun-05</td><td>Complete</td></tr><tr><td>3 Submission of quarterly progress report</td><td>D/staff/Nimos</td><td>Oct-05</td><td>Complete/need recon. With system ledgers</td></tr><tr><td>4 Reconciliation with system ledger</td><td>D/staff/Nimos</td><td>Oct-05</td><td>not complete*****</td></tr></table> <p>*****This is a system (Computer) problem as the records were converted from the old dialoq system into the FOCUS without any supporting details and without full reconciliation. The FOCUS system in Kosrae does not have any functioning fixed assets accounti</p>					<u>Steps to address the problem</u>	<u>Who</u>	<u>Completion date</u>	<u>Progress</u>	1 Assign staff for responsibility	Director	Jun-04	Complete	2 Work with Depts/Planning/C&E to complete inventory	Desingated staff/Nimos	Jun-05	Complete	3 Submission of quarterly progress report	D/staff/Nimos	Oct-05	Complete/need recon. With system ledgers	4 Reconciliation with system ledger	D/staff/Nimos	Oct-05	not complete*****
<u>Steps to address the problem</u>	<u>Who</u>	<u>Completion date</u>	<u>Progress</u>																					
1 Assign staff for responsibility	Director	Jun-04	Complete																					
2 Work with Depts/Planning/C&E to complete inventory	Desingated staff/Nimos	Jun-05	Complete																					
3 Submission of quarterly progress report	D/staff/Nimos	Oct-05	Complete/need recon. With system ledgers																					
4 Reconciliation with system ledger	D/staff/Nimos	Oct-05	not complete*****																					
2	Problem: Lack of travel advance subledger reconciliation. Audit finding #2002-06. Repeated from 99-01.	Issue: ledger reconciliation	Measure: Monthly reconciliation within 30 days after month ends.	Progress Reporting: Monthly schedule of all reconciled travel advances with reconciliation dates. Signed off by Director.																				
<table><tr><th><u>Steps to address the problem</u></th><th><u>Who</u></th><th><u>Completion date</u></th><th><u>Progress</u></th></tr><tr><td>1 Issue internal directive requiring monthly reconciliation of travel subledger accounts</td><td>Director</td><td>Jan-04</td><td>Complete</td></tr><tr><td>2 Monthly reconiliation</td><td>Designated staff/Espil</td><td>every month</td><td>ongoing****</td></tr></table> <p>****All travel advance records since 2000 are current and updated. The citation in the audits has to do with the old converted records from the old Dialog system which lack supporting details in the new FOCUS. These have been recommended for write-offs.</p>					<u>Steps to address the problem</u>	<u>Who</u>	<u>Completion date</u>	<u>Progress</u>	1 Issue internal directive requiring monthly reconciliation of travel subledger accounts	Director	Jan-04	Complete	2 Monthly reconiliation	Designated staff/Espil	every month	ongoing****								
<u>Steps to address the problem</u>	<u>Who</u>	<u>Completion date</u>	<u>Progress</u>																					
1 Issue internal directive requiring monthly reconciliation of travel subledger accounts	Director	Jan-04	Complete																					
2 Monthly reconiliation	Designated staff/Espil	every month	ongoing****																					

C	Problem: Lack of periodic reconciliation of general ledger with subledger on housing loan receivables. Audit finding # 2002-07/repeated from 99-01	Issue: ledger reconciliation	Measure: Monthly reconciliation within 30 days after month ends.	Progress Reporting: Monthly schedule to be submitted by HRLF to Director on a monthly basis.
	<u>Steps to address the problem</u>	<u>Who</u>	<u>Completion date</u>	<u>Progress</u>
1	Hire accountant to do accounting records at HRLF	Director, DC&I HRLF	Oct-03	Complete
2	Submission of Detail schedule to Finance	Administrator	monthly since Jan 04	Complete/ongoing
3	Monthly reconciliation by Finance Staff	Salik	monthly since Jan 04	Complete/ongoing

4	Problem: Lack of timely cash collection deposits. Audit finding # 2002-18. Repeated from 2000-2001.	Issue: Cash management	Measure: Weekly deposit of cash collection	Progress Reporting: Weekly cash deposit reports with amount and date deposited. Signed off by Treasurer.
	<u>Steps to address the problem</u>	<u>Who</u>	<u>Completion date</u>	<u>Progress</u>
1	All collections must be deposited at the end of each week.	E. Abraham	Every Week since Jan 2004	Complete/ongoing
2	Weekly reports must be submitted to Director	E. Abraham	Every Week since Jan 2004	Sometimes/Need policy enforcement

5	Problem: Lack of periodic encumbrance reconciliation. Audit finding # 2002-19. Repeated from 2000-2001.	Issue: encumbrance reconciliation	Measure: Quarterly encumbrance reconciliation after end of quarter	Progress Reporting: Quarterly schedule of encumbrances with reconciliation dates. To be submitted by Chief Accountant and signed off by Director.
	<u>Steps to address the problem</u>	<u>Who</u>	<u>Completion date</u>	<u>Progress</u>
1	Assign specific staff to reconcile specific encumbrances by fund	Finance Administator Finance	Jan-04	complete
2	Issue quarterly schedule of outstanding encumbrances to Departments/Offices for verifications	Admin./Chief Accountant	Quarterly since January 2004	Complete/ongoing
3	Procurement/Supply specialists follow through verifications	Nimos/Betty Rebecca, Tulpe,	Quarterly since January 2004	Complete/ongoing
4	Encumbrance reconciliation within 30 days after quarter ends.	Carmina, Switson.	Quarterly since January 2004	Complete/ongoing

**STATE OF KOSRAE
FEDERATED STATES OF MICRONESIA
AUDIT RESOLUTION PLAN UPDATE**

November 25, 2005

Component Units

This has been completed. The component units are now included in the audit contract negotiated by the FSM Public Auditor, since last year.

Expendable Trust Funds – Fiduciary Fund Types

The proposed statutes amendments to bring the accounting of these funds into the State Finance have been delayed due to ongoing internal policy negotiations. It is envisioned that such negotiations will be completed by the upcoming legislative session in February 2006.

Fixed Assets

As reported in the audits, Kosrae State has not updated its GFAAG for a long time. Further compounding the problem is the GASB 34 requirements, which became effective for Kosrae State in its fiscal year 2003 audit. The plan was to request for continuation of training by Crawford, which did an initial familiarization training in Kosrae, to the finance staff on how to account for fixed assets. Request was forwarded to FSM National Government for inclusion in its submission to USDA and USDOJ, but unfortunately no results yet. Despite the lack of training as planned and using instructions from the independent auditor, staff from the finance division, planning & statistics division, and construction & engineering division embarked on a special project to record and account for all government fixed assets and infrastructures for the fiscal year 2003 audit. It should be noted that the special project was completed and submitted to the auditor on June 13, 2005.

Reconciliation

As identified in the plan, more training for reconciliation are needed in the finance office. Training requests were submitted along with the fixed assets but no results yet. However, despite the lack of requested trainings, focused efforts were undertaken in the reconciliation process and the results are positive. As of this writing, Kosrae State's bank accounts (checking, savings, payroll), which have been normally a year behind in reconciliation for many years, are now current. The travel advances reconciliation is current, except for advances made prior to year 2000. These advances were somehow migrated from the old dialoq system into the current system (focus) without being adequately reconciled at that time. Increased efforts are being undertaken to reconcile

these old advances. It would be beneficial to have professional assistance in this area, as it is a major contributor to the qualification opinion in the audit reports.

AUDIT FINDINGS (FISCAL YEARS 2001-2002)

Audit Qualifications: Fiscal Year 2001		Fiscal Year 2002
1	Advances receivables (all funds); inventories of Proprietary fund types; loans receivables of Fiduciary fund types; and fixed assets of GFAAG.	Advances receivables (all funds); loans receivables of Fiduciary fund types; and fixed assets of GFAAG.
2	(lack of)Audited KCAP Financial statement	(lack of) financial statements of expendable trust funds
3	(lack of) financial statements for expendable trust funds	(lack of) evidence regarding investments in PTI, KSVI, SEMO.
4	(lack of) evidence regarding investments in PTI, KSVI, SEMO	

Audit findings:		Fiscal Year 2001	Fiscal Year 2002
No.		18	19
Costs		-0-	\$72,138
Reportable		16	15
Weakness		14	10
Recurrent		11	9

Question Cost: \$72,138

The existing question cost was incurred due to lack of proper competitive procurement evidence supporting such purchase or activity. Although Kosrae State disagreed with the finding, it implements an internal policy to require such evidence on all contracts and payment requests. Prior to such requirement, the Department of Administration called a 2 days meeting with all concerned departments, agencies, offices, programs, and municipal governments to inform and discuss such requirement. To help prevent further question costs in the future, the documentation routing system within the Department of Administration has changed to allow review and endorsements from the budget, and planning office when appropriate for projects, in relations to adequate documentation required (informal bidding evidence, bidding docs. etc.) and budgets. This has been an improvement so far. Payment requests, contracts, requisitions, etc. for services and projects submitted cannot be processed without endorsements from the budget and planning officers. The budget and planning functions are simply to review and make sure such expenditures are within budgets and requirements.

POHNPEI STATE GOVERNMENT			
PROBLEM: <i>LATENESS OF THE COMPONENT UNITS</i>		MEASURE: ELMINATE 1 PER YEAR	PROGRESS REPORTS:
<u>STEPS TO ADDRESS THE PROBLEM</u>	<u>WHO?</u>	<u>TIMELINE</u>	<u>PROGRESS</u>
<u>1</u> Send memo requesting financial statements	DOTA & Public Auditor	Dec. 31 annually	Complete
<u>2</u> Resolution adapted in the last Audit resolution Committee to include component units.	Departments/ Component units	April 28,2005	In the planning Stage
<u>3</u> Hire Financial Advisor for Component Units	National Government	Dec. 2005	Recruitment process about to begin
PROBLEM: <i>PROCUREMENT</i>			
<u>STEPS TO ADDRESS THE PROBLEM</u>	<u>WHO?</u>	<u>TIMELINE</u>	<u>PROGRESS</u>
<u>1</u> Send a letter to Departments outlining what is required for both informal and formal procurement.	Finance	FY04	
<u>2</u> Follow up and scrutinized procurement procedures for non complying departments	Finance	FY04	
<u>3</u> Send departments a checklist of all procurement	Finance	FY04	
Requirements			
Informal Bidding -Require at least three quotations before Finance can obligate funds.	All Departments/ Finance		Comply by Department (FY05)
Formal Bidding: Required Documentations	T&I Office/ Finance		Comply by T&I (FY05)
a. Bid notice or Request for Proposals			
b. All Bids or Proposals Submitted			
c. Notice of Awards/Rejections			

POHNPEI STATE GOVERNMENT

PROBLEM: BANK RECON

MEASURE: (see below)

	<u>STEPS TO ADDRESS THE PROBLEM</u>	<u>WHO?</u>	<u>TIMELINE</u>	<u>PROGRESS</u>
<u>1</u>	Strengthen established procedure	Director/Chief	FY04	Complete
<u>2</u>	Update Staff of procedure	Financial Advisor/Chief	FY04	Complete
<u>3</u>	Timely completion of Bank Recon	Financial Advisor/Chief & Recon. Staff	Feb-05	Complete
<u>4</u>	Develop progress Report on Recon	Recon Supervisor/ Fin. Advisor	FY04	Complete
<u>5</u>	Update Outstanding list of checks	Recon Staff	FY04	Complete

Progress report for bank reconciliation

General Fund : Reconciliation is completed one month after the received of bank statements from the bank

Payroll : Reconciliation is completed one month after the received of bank statements from the bank

CIP : Reconciliation is complete two weeks after bank statements are received from the bank

All savings, TCDs, and revolving account are reconciled two weeks after bank statements are received.

Note: *Bank statements are furnished on a quarterly basis*

Yap State Government - Audit Problem Resolution Action Plan (FY 2003 Single Audit)

Problem: Lack of timely audits for component units. Repeated finding from FY2000, FY2001, FY2002 for YFT and YFA. Public Transportation System audited financials included in FY2003		Issue: Inadequate recordkeeping.	Measure: Adequate financials for inclusion in primary govt audits.	Progress Reporting: Annual financial statements (preferably audited) ready for primary government Single Audit.
<u>Steps to address the problem</u>		<u>Who</u>	<u>Completion date</u>	<u>Progress</u>
1	Contact each component unit, get general assessment on what may be needed to obtain adequate financial records from them for the upcoming audit. Coordinate work with Public Auditor.	Director, OAS	ongoing	Quarterly assessment of each component unit's ability to provide adequate financial records for next primary government audit.
1	Coordinate efforts to ensure that financial statements for major component units are available for audit process	Director, OAS; Public Auditor	partly completed for FY04	Quarterly monitoring by OAS on specific work or task required for each component unit in order for them to provide adequate financial records for next primary government audit.
2	Assist component units by including them in trainings made available by accounting advisors	Director, OAS	9/30/06	Component units get accounting training necessary to setup and maintain adequate records
Problem: Unidentified Fixed Assets. Finding 2003-01. Repeated finding FY2001, FY2002		Issue: Fixed assets less than \$50,000 per unit were unable to be identified.	Measure: Identification tags for each unit of fixed asset.	Progress Reporting: Fixed asset registry and periodic (every two years) physical inventory.
<u>Steps to address the problem</u>		<u>Who</u>	<u>Completion date</u>	<u>Progress</u>
1	Inventory & tag assets on Yap main island	Director, OAS Chief,	3/31/2006	Inventory is completed, asset registry is established.
2	Inventory & tag assets in neighboring islands	Procurement Chief,	9/30/2006	Inventory is completed, assets included in registry
3	Tag new items as they are purchased. Buildings, infrastructure are costed and included in asset list	Procurement Chief	ongoing	Each unit is logged & tagged as they are purchased.
4		Accountant	ongoing	Each new building or unit of infrastructure is valued and included in registry.

Problem: Procurement & Debarment. Finding 2003-08. Repeated Finding FY2001, FY2002		Issue: Competitive procurement	Measure: Evidence of competitive procurement	Progress Reporting: Periodic report to OAS Director by Chief of Finance on number of noncompliance by departments encountered per month or quarter.
<u>Steps to address the problem</u>		<u>Who</u>	<u>Completion date</u>	<u>Progress</u>
1	Evaluation of internal controls over compliance with US Federal and Yap State local procurement standards.	Yap Public Auditor	Complete	Specific problems areas are identified for analysis and action plans.
2	Formulation of government-wide small purchase process	Director, OAS	6/30/2006	Written guidelines on small purchases as required by state and US federal requirements
3	Formulation of government-wide bidding procedures.	Director, OAS	6/30/2006	Written guidelines on bidding requirements as required by state and US federal requirements
4	Training on established guidelines for Finance and procurement staff.	Chief, Finance	6/30/2006	OAS staff get adequate training and established procedures to ensure compliance.
5	Training on established guidelines for departments.	Chief, Finance	9/30/2006	Departments get training and established procedures to ensure compliance.
Problem: Travel Advance follow up. Finding 2003-09.		Issue: Travel advances are not collected in timely manner.	Measure: Monthly reconciliation & followup collection.	Progress Reporting: Monthly reconciliation and timely collection of outstanding advances.
<u>Steps to address the problem</u>		<u>Who</u>	<u>Completion date</u>	<u>Progress</u>
1	Outstanding travel encumbrances to be reconciled and updated.	Travel Accountant	12/31/2005	Schedule of outstanding travel advances are submitted to Chief of Finance for collection action.
2	Finance to begin payroll deductions on delinquent outstanding advances.	Chief of Finance	To begin December 2005	Schedule of payroll deductions for outstanding advances approved by Chief of Finance

Problem: Cash - Bank Reconciliation. Finding No. 2003-12. Repeat finding in FY2001, FY2002.		Issue: Cash reconciliation	Measure: Monthly reconciliations within 30 days of the end of the month.	Progress Reporting: Monthly schedule of bank accounts with reconciled dates signed off by Chief Accountant..
<u>Steps to address the problem</u>		<u>Who</u>	<u>Completion date</u>	<u>Progress</u>
1	Update general savings account	Chief Accountant	Complete	Monthly reconciliation and posting of needed adjustments to be done by Chief Accountant
2	Update general checking account	Chief Accountant	Complete	Monthly reconciliation and posting of needed adjustments to be done by Chief Accountant
3	Update payroll checking account	Chief Accountant	6/30/2006	Monthly reconciliation and posting of needed adjustments to be done by Chief Accountant
4	Work with system vendor and bank to implement automated bank recon software	Chief, Finance	9/1/2006	Software needed installed, necessary training provided.
Problem: Accounts Receivable. Finding No. 2003-14. Repeat finding in FY2001, FY2002		Issue: No policy on Accounts Receivable	Measure:	Progress Reporting: Monthly schedule of collections or follow up with debtor.
<u>Steps to address the problem</u>		<u>Who</u>	<u>Completion date</u>	<u>Progress</u>
1	Lease coordinator to help monitor lease payments	Lease Coordinator	ongoing	Monthly reconciliation is done with Finance to update lease log.
2	Tax & Revenue staff to monitor delinquent taxes	Tax Auditor	ongoing	Monthly review and follow up with tax payer.
3	Tax & Revenue staff to reconcile and report expected revenue share taxes each month	Tax Auditor	ongoing	Monthly report to Director on previous month revenue share expected.
4	Monthly billings & follow up to FSM Finance for outstanding reimbursements	Chief, Finance	ongoing	Monthly billings and follow up calls to FSM Finance

GOV GUAM - Audit Problem Resolution Action Plan (FY 2004 Single Audit)

Problem: Single Audit Finding #4-24, noted as a material weakness and as a finding in numerous prior years Issue: Fixed Asset Accounting Measure: % of fixed assets in the fixed asset module Progress Reporting: Quarterly updates from Public Works to ensure maintenance of the Fixed Asset system			
<u>Steps to address the problem</u>	<u>Who</u>	<u>Timeline</u>	<u>Progress</u>
1 The Oracle FMS needs to be restored so that Division of Accounts can have access to the system to retrieve the two years of fixed assets data.	DOA Data	complete	The Oracle FMS was restored and fixed assets data was extracted from the payables file. If there was no description of assets identified in the payables file than the Purchase Order File was used. This file was downloaded as a Microsoft Excel file and u
2 The Fixed Assets listing needs to be reviewed and the invoices for assets without serial numbers would have to be pulled out to extract the serial numbers. If the serial numbers cannot be located in the invoice or receiving report, than the fixed assets sta	DOA	complete	After compiling the Fixed Assets files from the Fixed Assets Module and Oracle FMS, a review was performed to identify assets without serial numbers. This listing without serial numbers were provided to the fixed assets staff to locate and identify the s
3 Roads – Infrastructure – For the roads with no historical cost, there needs to be an assessment performed by the Department of Public Works staff who are responsible for the construction and maintenance of all Guam Roads. DPW staff would determine the av	Public Works	complete	DPW staff was able to perform a completing inventory listing of the roads, bridges, traffic signal system, school bus shelters and ponding basins along with average cost and useful life.

4	There needs to be a circular to define what is considered a fixed asset and a property officer needs to be assigned to each department.			There was a circular issued announcing the implementation of GASB 34 requesting the department's assistance by providing a detail listing of all fixed assets maintained and utilized by
5	A program needs to be developed to capture fixed assets information in the accounts payable file. All accounts with object class 450 should be prompted to enter assets data.	Data	complete	The Accounts Payable program was modified to capture current fixed assets data.
6	Fixed Assets listing that was audited from Deloitte and Touche needs to be uploaded in the Fixed Assets Module.		FY2006	The files are being compiled to be transmitted to Ken Borja to upload.

Problem: Finding # 4-25-Bank reconciliations are to be prepared on a monthly basis and in a timely manner. Prior year finding #3-23		Issue: Cash Reconciliation	Measure: # of major checking accounts reconciled with adjustments posted within 2 months	Progress Reporting: Monthly reports to the comptroller
<u>Steps to address the problem</u>	<u>Who</u>	<u>Timeline</u>	<u>Progress</u>	
1 Improve supervision and assistance.	DOA	Complete	Bank Reconciliation section was merged with Internal Audit section, a new section.	
2 Bank Statements must be made available to the bank reconciliation section in a timely manner.	TOG	Complete	The bank reconciliation section staff is now doing inventory of missing bank statements. The Treasurer of Guam started isolating Bank Statements to be retrieve only by the staff of the bank reconciliation section.	
3 Online banking access for Antoinette Cruz.	TOG	BOH access completed except for some SRF accts.	A request was made to the Treasurer of Guam to put back the Online banking access of the bank recon staff with Bank of Hawaii and possibly with other banks.	
4 Bank reconciliation section must be authorized to directly request for bank statements from all banks.	TOG	Complete	The Treasurer of Guam sent a letter to all banks authorizing selected bank reconciliation staff to request for bank statements or simply ask for other pertinent information relevant to the reconciliation.	
5 Fully staff bank reconciliation section	DOA	Complete	An accounting technician was recently hired, however every now and then she is assigned to do other duties. To augment this situation, another Accounting tech was assigned to assist on a temporary basis.	
6 Bank reconciliation section must undergo POS training.	TOG/DMR		Under discussion.	
7 Monitor outside activities, like Child Support disbursements data.		Complete	The urgent need for the informations has been made known to the Child support Division staff and compliance is almost complete.	

Problem: Finding #4-22 & prior year finding #3-02		Issue: Cash Management	Measure: % decrease in the number of federal transactions not in compliance with the CMIA	Progress Reporting
<u>Steps to address the problem</u>		<u>Who</u>	<u>Timeline</u>	<u>Progress</u>
1	The time elapsed between the receipt of Federal funds and clearance of disbursed checks should be minimized.	Michael Cabral	FY2006	We are changing our standard operating procedures to pay vendors. Vendors will be paid through EFT once federal drawdowns are deposited.
Problem: Finding # 4-26 Accounts Receivable-Other Prior year finding #3-24		Issue: Lack of monitoring \$4.6M outstanding accounts receivable	Measure: 50 % reduction in the AR other balance by end of FY 2006	Progress Reporting: Quarterly reports to the comptroller
<u>Steps to address the problem</u>		<u>Who</u>	<u>Timeline</u>	<u>Progress</u>
1	Review carryover balances from the Oracle system and determine the accuracy and collectability of those balances	Kathy K	Complete	The Oracle system transactions were reviewed. It was determine that there were duplication of charges that were reversed on FY05.
2	Modify the Tenda payment procedure to ensure receiving reports are distributed to DOA and to the receiving agency	Kathy K	Complete	A new policy is in place to provide Accounting a copy of the invoice with the acknowledge receipt from the Agency.
3	Modify the financial management system to produce automated invoices for AR Other	Claudia A.	Complete	The new procurement system generates an invoice for tenda issuances to agencies.
4	Modify the financial management system to provide aging reports on AR Other	Nito B.	FY2006	The request has not been submitted yet.
5	Modify the FMS to automatically link the submodule with the General Ledger	Nito B.	FY2006	The request has not been submitted yet.
6	Assign DOA staff to regularly bill and reconcile AR other	Nito B.	Complete	The staff bills monthly.
7	Work with the AG to determine legality of offsetting AR Other with GovGuam payables to vendors	Rey Edrosa	Complete	The Attorney General responded.

Problem: Finding No. 04-27 - Other Receivables - Bounced Checks Prior year finding #3-24		Issue: Reconciliations	Measure: 50% decrease in account "other receivables bounced checks" by end of FY06	Progress Reporting: Quarterly reports to the comptroller
<u>Steps to address the problem</u>	<u>Who</u>	<u>Timeline</u>	<u>Progress</u>	
1 Assign DOA staff to be solely responsible in the accounting of bounced checks.	Tera Camacho	Complete	One newly hired accountant is assigned to do the bounced checks accounting.	
2 Conduct an inventory of bounced checks.	Tera/TOG/DRT		Still working on the inventory.	
3 Perform reconciliation of bounced checks in a timely manner.	Tera Camacho		Still working on the reconciliation.	
4 Create an open line of communication with DRT to facilitate reconciliation.	Tera/DRT	Complete	A protocol between TOG, Div of Accts and DRT has been established.	
5 Established periodic transmittal of bounced checks from TOG to Div. Of Accounts & DRT for timely accounting.	Tera/TOG/DRT	Complete	A protocol between TOG, Div of Accts and DRT has been established.	
6 Bank reconciliation section must inform the assigned accountant on a periodic basis if bounced checks remain as outstanding reconciling items.	Noe, Toni, Marilyn	Complete	A protocol between Bank Reconciliation and the assigned accountant (Tera) has been established.	
7 Find ways to improve collections.	DOA/DRT	Complete	Second notices are now delivered. DRT are now doing their own collections. The AS400 was enhanced to flag vendors with bounced checks for possible offset. Notices are now delivered to employees for possible payroll deductions.	
8 Enhance deterrents to reduce bounced checks.	DOA/TOG/ DRT/DMR	Pending	The Subsidiary ledger data is updated to August 2005. The S/L will be updated and access will be provided to DRT and to other agencies that accepts payments as a ready reference to avoid any acceptance of checks from payors with outstanding balances.	

Finding No.04-28 - Deposits and Other Liabilities (Collections - Child Support) Prior Year finding #3-25 & previous years				Progress Reporting
<u>Steps to address the problem</u>	<u>Who</u>	<u>Timeline</u>	<u>Progress</u>	
1 A detailed analysis of the business operation of the Child Support Enforcement Division of the Department of law must be done.	DOA Div of Accts.	Jan.2006	Key DOA accounting staff met with the Deputy Attorney General and key staffers at the Child Support Enforcement Division and discussed matters relevant to the issue.	
2 A detailed analysis of the system data of the Child Support Enforcement Division of the Department of law must be done.	CSED data/DOA Div of Accts.	Jan.2006	One DOA accountant is assigned to work with the CSED data section.	
3 Child Support Enforcement Division must assigned one of their staff to make a detailed analysis of their collections and disbursements and collaborate with a DOA accountant.	CSED/DOA	FY2006	The Director of the CSED has already assigned one employee to perform the analysis and the DOA accountant will work with the assigned employee.	
4 Explore new procedures to improve the collections process and disbursements.	CSED	FY2006	The CSED is going to implement a pilot program involving a hundred recipients. These recipients will receive payments through direct deposits.	
5 Enhance the DOA accounting system to adapt with the collections and disbursements practices of CSED.	DOA Div of Accts.	FY2006		

Republic of Palau - Audit Problem Resolution Action Plan (FY 2004 Single Audit)

Problem: Not enough price quotations and or justification as to the basis of vendor selection. Audit finding # 4-2. Repeated finding from FY03 and FY04		Issue: Procurement	Measure: reduce non-compliance by 95% by end of FY05	Progress Reporting: Checklist of quotation requirements with number of required quotations & justification signed off by procurement officer
<u>Steps to address the problem</u>		<u>Who</u>	<u>Completion date</u>	<u>Progress</u>
1	Provide check lists of quotation requirements to procurement and department staff	Procurement officer	Dec-05	Check list is being finalized (draft attached)
2	Create requisition log to capture # of RQ received, # of RQ with inadequate justification, # of RQs with less three (3) quotations	Procurement officer	Nov-05	Purchase requisition log is being implemented (copy attached)
Problem: Departments splitting RQs and not detected by Finance Office. Audit Finding # 3-7 not repeated in FY04.		Issue: Procurement	Measure:	Progress Reporting: No longer a finding in FY 2004, nevertheless, procurement officer and his staff are on the lookout for possible split RQs
<u>Steps to address the problem</u>		<u>Who</u>	<u>Completion date</u>	<u>Progress</u>
1	Conducted workshop with departments to remind them never to split purchase orders.	Procurement officer	Jun-05	complete
2	Supply Office returns orders that would result in split orders back to the originating office	Procurement officer	Nov-05	complete
Problem: Record keeping. Audit finding # 4-12		Issue: Procurement	Measure: reduce errors leading to finding by 98%	Progress Reporting: Bids & other relevant documents go to Finance and copies retained by grant managers
<u>Steps to address the problem</u>		<u>Who</u>	<u>Completion date</u>	<u>Progress</u>
1	All relevant supporting documents are sent to Finance for the file. Copies of the documents are retained by the originating office.	Grant managers	Oct-05	process has begun
2	Finance Grant Management Officer (GMO) verifies that everything is present and allowable before RQs are processed	GMO	Oct-05	process has begun

Problem: No entity-wide maintenance plan. Audit Finding # 2004-22 prior year finding # 3-12.		Issue: Fixed Assets	Measure: At end of FY2006, 95% of the Ministries/ agencies have adopted a maintenance plan	Progress Reporting: Cost Reduction Plan Policies and Initiatives adopted in September 02 requires that Executive Branch agencies shall develop and implement maintenance schedules to prolong the useful life of assets.
<u>Steps to address the problem</u>		<u>Who</u>	<u>Completion date</u>	<u>Progress</u>
1	Each Executive Branch agency is required to develop its own maintenance plan	head of agency	Sep-05	Hospital has adopted its own medical equipment maintenance plan. Others are yet to come up with their own maintenance plans.
2	A survey will be conducted by the Ministry of Finance to collect maintenance plan information from each ministry and agency	Director of BNT/Controller	Jan-05	Since Christmas Holiday is approaching, we will begin the survey in early January 2006.

Problem: Accounts Receivable subsidiary ledger is not reconciled to the general ledger. Audit finding # 4-1. Audit finding was also reported in FY2003.		Issue: Accounts Receivable	Measure: Monthly reconciliation performed before end of the subsequent month	Progress Reporting: Monthly reconciliation check list will be reviewed by the controller of the Bureau of National Treasury.
<u>Steps to address the problem</u>		<u>Who</u>	<u>Completion date</u>	<u>Progress</u>
1	Reshuffling of employees to put a much younger and capable employee in charge of the Accounts Receivable billing and reconciliation.	A/R new staff	Nov-05	The current employee retires December 4th. She is teaching the new person right now the use of A/R billing system before retiring.
2	Develop a checklist for the A/R staff to follow	Controller	Dec-05	Reconciliation with the new staff begins after December 05 closing.

Problem: Salaries of employees who work for more than one grants not allocated. Audit Finding # 4-9. This finding was reported & questioned cost resulted in FY2003.		Issue: Cost Principle	Measure: Monthly check is performed to ensure employees comply with cost principle	Progress Reporting: Monthly and quarterly after the fact certification will be received and reviewed by the Finance Grant Management Officer
<u>Steps to address the problem</u>		<u>Who</u>	<u>Completion date</u>	<u>Progress</u>
1	After the fact certification will be done by staff who work on more than one grants on a monthly basis	appropriate staff	Oct-05	Already started
2	Supervisors of staff working on more than one grants do after the fact certification at least quarterly	supervisors	Oct-05	Already started

Problem: Cash drawdowns not disbursed on a timely manner. Audit finding # 2004-10, 13, & 17		Issue: Cash Management	Measure: Cash drawdowns disbursed within three days of receipt	Progress Reporting: Report of Federal Grants pending disbursements reviewed by Director of BNT on a weekly basis.
<u>Steps to address the problem</u>		<u>Who</u>	<u>Completion date</u>	<u>Progress</u>
1	Right after the drawdown report is prepared and drawdown request is sent, a report of AP pending for Federal Grants Fund is printed noting the last APV# and sent to disbursement section.	GMO	Oct-05	Already started
2	As soon as drawdown is received, disbursement section is notified to disburse all pending disbursement in the report given to them earlier within three days.	GMO/ disbursement clerk	Oct-05	Already started Director of BNT follows up to ensure drawdowns are disbursed on a timely manner.
3	After three days are up, a report of pending disbursement is printed for the Federal Grant Fund limiting the APV # to the last number in the earlier report. A reminder and report is sent to disbursement section for immediate disbursement if there is still	GMO/ disbursement clerk	Oct-05	

Republic of the Marshall Islands (RMI)- Audit Problem Resolution Action Plan (FY 2004 Single Audit)

Problem: Lack of timely loans payable reconciliation finding # 2004-1		Issue: Loans payable reconciliation	Measure: Monthly reconciliation within 30 days of the end of each Finance month	Progress Reporting: Monthly schedule of all reconciled loans payable to be signed off by the Secretary of Finance
<u>Steps to address the problem</u>		<u>Who</u>	<u>Completion date</u>	<u>Progress</u>
1 Provide Official communications showing RMI position of not paying of the loan.		Assistant Secretary of Accounting and Administration	9/30/2005	Cabinet decision not to pay back loan has been made.
I thought write-off entry for the loan was already been made but it hasn't after my research. I'm putting				
Problem: Component Units not auditable and inability to produce exceptional books. Finding # 2004-2		Issue: Unauditable Component Units	Measure: Monthly monitoring and reporting of Component Units Progress towards rectifying books	Progress Reporting: Monthly reports of component units progress to Secretary and Assistant Secretary (Accounting Dept.) highlighting each months works (preferably to be contingent on monthly objectives for each month. For example, each month objective w
<u>Steps to address the problem</u>		<u>Who</u>	<u>Completion date</u>	<u>Progress</u>
1 Apply for a grant for a specialist to aid component units If awarded, work closely with Specialist and fostering an understanding that each component unit shall be responsible to providing reports to MoF.		Director of Budget/OIDA	Dec-05	Grant Proposal in writing process.
2 Send out memo to respective component units requiring them to submit monthly reports to MoF.		Assistant Secretary of Accounting and Administration	Dec-06	Dependent on the approval and disapproval of Proposal.
3 Ensure that Component Units are well aware of the GASB requirements and Dateline Assign the Assistant Secretary of Accounting and Administration to monitor on a monthly basis of progress being made.		Secretary of Finance (SOF)	Jan-06	Official Letter to Component Units in writing process
		Assistant Secretary of Accounting & Admin. through SOF		
		SOF		No Action to date

Problem: No. 2004-3 indicated RMI in non compliance with laws and regulation specifically the Appropriated Funds Act of 1977. Repeated finding since 2003.		Issue: Exceeding allotted appropriation.	Measure: 95% of ministries/agencies stay within budget at year end.	Progress Reporting: To date, MoF has been strictly abiding by this policy. And ensuring compliance to policy, the Budget Office diligently screen purchase requests.
<u>Steps to address the problem</u>	<u>Who</u>	<u>Completion date</u>	<u>Progress</u>	
1 Issue Memo to Ministries/Agencies about new scheme whereby a threshold of 25% quarterly expenditure. Issue another memorandum to ministries/agencies	SOF	Sep-05	Incoming purchase requests exceeding the quarterly allotment are returned to respective ministry/agency as of November 2005 .	
2 notifying these entities that MoF stringently disallow over-expenditure	SOF	Jan-06	A draft Memo completed.	
3 Closely monitor purchase requests and ensuring that request does not exceed appropriation.	Assistant Secretary and Director of Budget/OIDA and staffs responsible in overseeing purchase requests.	Sep-06	Rigorous yet collaborative undertaking with respect to reviewing and certifying purchase requests. An understanding internally that Staff should not authorize spending exceeding appropriation.	

Problem: Finding 2004-4 stated RMI not properly depositing public funds in FDIC banks as stipulated by law.		Issue: Non compliance to laws and regulation	Measure:	Progress Reporting: MOU between Marshall Islands Development Bank and the Government.
<u>Steps to address the problem</u>	<u>Who</u>	<u>Completion date</u>	<u>Progress</u>	
1 Seek the assistance of the Banking Commisioner who should provide guidance on depositing public funds in non FDIC bank.	SOF	Feb-06	No action to date.	
2 Seek Cabinet assistance through the Minister of Finance, to ensure that the public funds are deposited safely and obtain cofirmation from Bank	SOF	Jan-06	No action to date.	
3 Seek Cabinet approval through the Minister of Finance, to consider transferring of \$7M in Trust Fund to other banks such Bank of Guam, who is already a FDIC member	SOF	Jan-06	No action to date.	

Problem: Finding 2004-5 is no longer applicable as both Head Start and C.A.R.E Programs are no longer functioning. However to prevent cash operations outside the RMI Treasury, the following steps will be undertaken.		Issue: Establishment of account outside RMI Treasury.	Measure: 100% compliance to common rule on Cash depository with regards to proper accounting practices and RMI laws.	Progress Reporting:
<u>Steps to address the problem</u>		<u>Who</u>	<u>Completion date</u>	<u>Progress</u>
1	Ensure that in the future, all bank accounts are maintained within Repmar Treasury and under control of the Secretary of Finance	SOF/Treasurer/Asst. Secretary for Accounting and the Chief of Accounting	Jan-06	No action
2	In any case Repmar grant banking outside of the Treasury dept, as deemed necessary, the following control measures will be undertaken: (1) Demand monthly reports [expenditure report supported by original vendor invoices & monthly bank recon.]; (2) Operate	SOF/ Asst. Secretary for Accounting & the Chief of Accounting who will ensure monthly reconciliation of all Repmar accounts	Jan-06	No action

Problem: Finding 2004-13 Repmar not complying with the requirements under Article V Section 1 (a) (1) of the FPA. (1)No contract or MOUs; (2) Sub-Grantees failed to produce required reports.		Issue: Subgrantee monitoring	Measure: 100% compliance with subgrantee agreements	Progress Reporting:
<u>Steps to address the problem</u>		<u>Who</u>	<u>Completion date</u>	<u>Progress</u>
1	Ensure that Sub-grantee agreement (MOU) is executed and signed by all concerned, prior to release of Compact funds	SOF	Oct-05	Completed : All FY05 Sub-Grantees do have MOUs with Repmar
2	Designate the Asst. Secretary for Accounting to ensure Compliance with qtrly. reporting requirements imposed on Subrecipients.	SOF	Oct-05	Completed : Other than KAJUR, all other FY05 subrecipient reports have been submitted to Secretary of Finance
3	Designate the Chief of Accounting to review financial reports produced by subrecipients	Asst. Secretary for Accounting	Jan-06	No action

Problem: Finding 2004-6 stated the lacking of RMI in complying with allowable cost and cost principles as stipulated in Fiscal Procedures Agreement (FPA).		Issue: Non complying with FPA on allowable cost and cost principles	Measure: 100% FPA compliance	Progress Reporting: Quarterly reports detailing compliance with FPA to Secretary of Finance signed off by both Assistant Secretaries of Accounting and Administration and Budget.
<u>Steps to address the problem</u>		<u>Who</u>	<u>Completion date</u>	<u>Progress</u>
1	Set up mechanism to ensure strict compliance to FPA. Specifically creating a working group that will deal with FPA rules and regulations on finding issues.	Assistant Secretary of Budget and Accounting/ Administration Divisions.	Sep-05	A Fiscal Officers Association has been established with elected officers. Second Quarterly meeting to be held in January in which Audit findings will be among the issues to be discussed.
2	Distribute copies of the FPA to individual ministry/agency fiscal officers.	Assistant Secretary of Budget and Accounting/ Administration Divisions.	Oct-05	Oral report has been conveyed to Secretary of Finance explaining on steps that have been taken to strengthen compliance with the FPA. Reported by the Budget Director.
3	Conduct a workshop on the FPA	Assistant Secretary of Budget and Accounting/ Administration Divisions.	Jan-06	Planning in progress.
4	Follow up meeting with ministries/agencies dealing with FPA, in particular the compact sector grant recipients.	Assistant Secretary of Budget and Accounting/ Administration Divisions.	Mar-06	Planning to commence in January 2006.

Problem: Federal Grant Programs incurring expenditures not allowable and not directly related to objectives and intent. Finding 2004-7.		Issue: Federal Program expenditures not abiding to rules and regulations.	Measure: At least 50% reduction in question cost from 04 audit.	Progress Reporting: Quarterly report showing amount of potential question costs to the Secretary of Finance.
<u>Steps to address the problem</u>		<u>Who</u>	<u>Completion date</u>	<u>Progress</u>
1	Formalized a Federal Grant Working Group	Director of Budget and Senior Federal Grant Officer	Aug-05	Completed
2	Print a Federal Grant Manual describing the major issues key issues with respect to Federal Grant compliance issues.	Director of Budget and Senior Federal Grant Officer	Oct-05	Completed
3	Thorough examination of incoming purchase requests and related federal grant activities to ensure full compliance with Federal Grant allowable cost/cost principles.	Director of Budget/OIDA and Senior Federal Grant Coordinator.	Sep-06	Internal understanding that Federal Grant activities are subject to thorough examination.
Problem: Lacking appropriate internal control to prevent unallowable expenditures. Findings 2004-8 and 2004-9. Repeat finding from 2000-2003.		Issue: Procurement Procedures not complying with the FPA	Measure: at least 90% compliance with FPA.	Progress Reporting: Monthly report of documentation verifying compliance with FPA. The report is addressed to the Secretary of Finance.
<u>Steps to address the problem</u>		<u>Who</u>	<u>Completion date</u>	<u>Progress</u>
1	Audit finding issues Meeting with Federal Grant and Fiscal Officers on the Compliance issues in particular those identified as audit findings.	Director of Budget, Assistant Secretary of Accounting, and Senior Federal Grant Coordinator.	Mar-05	Planning in progress.
2	Continuously reminding fiscal officers of the importance of adequate supporting document in meeting the terms of the FPA. This will be done through not certifying purchase requisition not meeting general minimum. Ministry of Finance Management Team meeting to discuss in inclusion of additional elements to the purchase requests will be discussed.	Director of Budget, Assistant Secretary of Accounting, and Senior Federal Grant Coordinator.	Sep-06	Constant reminder to certifying officials at the Ministry of Finance that all Compact related expenditures need to be thoroughly reviewed and must include relevant supporting documents and ample justification.
3	Send out a memo informing ministries/agencies to add more justifications.	SOF	Mar-06	No action to date.
4		SOF	Apr-06	No action to date.

Problem: Encumbrances not closed after the required closing date as stipulated in the FPA. Finding 2004-10.		Issue: Period of Availability of Federal Grants.	Measure: Quarterly review of open encumbrances.	Progress Reporting: Quarterly reports signed off by the Assistant Secretary of Accounting and Administration. The report will update the Secretary on open encumbrances and what measures to resolve open encumbrances to take for following quarter.
<u>Steps to address the problem</u>		<u>Who</u>	<u>Completion date</u>	<u>Progress</u>
1	Designate the Assistant Secretaries of Accounting and Budget to monitor open encumbrances and to ensure encumbrance are properly liquidated.	SOF	Jan-06	No action
2	Monthly review of open encumbrance with relevant staffs and subsequently work with relevant ministries to properly deobligate these encumbrances.	Assistant Secretaries of Accounting and Budget.	Sep-06	No action

Problem: Finding 2004-12 states that Repmar is not in compliance with the Common Rule with regards to acquisition, recording, safeguarding, and maintaining of Capital Assets.		Issue: Fixed Asset not complying with Common rule of Capital Assets.	Measure: 100 removal of qualified opinion.	Progress Reporting: Monthly Report to Secretary of Finance indicating progress of capital assets monitoring, evaluating, safeguarding and recording.
<u>Steps to address the problem</u>		<u>Who</u>	<u>Completion date</u>	<u>Progress</u>
1	Compile and complete RMI fixed asset ledger.	Assistant Secretary of Budget	Nov-05	90% completed
2	Use the service of a contracted consultant to evaluate and finalize RMI fixed asset presentation.	SOF	Dec-05	Planning of Consultant to visit RMI in progress.
3	Established group to conduct a physical inventory of Capital Assets once every two years.	Chief of Procurement and Supply to the SOF	Sep-06	No action

Problem: Finding 2004-14 Repmar not complying with Specific provisions stipulated under the FPA with regards to omission of certain important provisions as stated in the finding.		Issue: Omitting key provisions from contracts.	Measure: 100% contracts with RMI	Progress Reporting: Monthly reports detailing compliance with FPA to the Secretary of Finance.
<u>Steps to address the problem</u>		<u>Who</u>	<u>Completion date</u>	<u>Progress</u>
1	Internal memorandum outlining all key provisions to be included in all contracts.	SOF	Jan-06	Planning in progress
2	Designate Assistant Secretaries for Accounting and Administration and Budget to examine all contracts and ensuring such provisions are included.	Assistant Secretaries of Accounting and Budget to the SOF	Sep-06	Planning in progress
3	Official letter informing the Attorney General's Office of key provisions to include in any contract dealing with Federal Funds.	Assistant Secretaries of Accounting and Budget to the SOF	Sep-06	Compliance Memorandum to be sent to all ministries and agencies.

Problem: Federal Grants Recievables		Issue: Excessive receivables from Federal grant program	Measure: COMPLETED	Progress Reporting:
<u>Steps to address the problem</u>		<u>Who</u>	<u>Completion date</u>	<u>Progress</u>
1	COMPLETED	COMPLETED	COMPLETED	COMPLETED

Virgin Islands - Audit Problem Resolution Action Plan (FY 2003 Single Audit)

Problem: Single and Financial Audits are not completed on time due to lateness of component units. Reportable finding in all audits		Issue: Component Units not forwarding their audits timely	Measure: Reports due to Dept of Finance Jan 15 each year.	Progress Reporting:
<u>Steps to address the problem</u>		<u>Who</u>	<u>Completion Date</u>	<u>Progress</u>
1 Introduce Legislation		Governor	Jan-06	Submitted to Legislature
The problem with late component units has become more acute as audits are now more timely.				

Problem: Reconcilements for all bank accounts must be completed 30 days after the month closes		Issue: Reconciliation	Measure: Must be completed 30 days after the month closes	Progress Reporting:
<u>Steps to address the problem</u>		<u>Who</u>	<u>Completion Date</u>	<u>Progress</u>
1 Reorganization of the task plan schedules for completion of the reconciliations		Chief Rev Audit/ Reconcilement	Dec-05	1st recon to be completed 1-15-06
2 Meet with micro-encoding company to develop deposit tickets unique to each collector		Finance	Dec-05	
3 Meet with Procurement for form approval and stocking requirements		Property & Procurement/Finance	Dec-05	
4 Implement new procedure to have pre-coded deposit tickets		Director/Supervisor	Dec-05	Implement Jan 06
The lateness of the completion of the reconciliations for the major bank accounts has been a problem and this has also contributed to the delay of the completion of the audits. This function has improved and the small bank accounts are being performed ti				

Problem: Documents requested by the Auditors are not always found		Issue: Documentation	Measure:	Progress Reporting:
<u>Steps to address the problem</u>		<u>Who</u>	<u>Completion Date</u>	<u>Progress</u>
1	Develop a plan for scanning vouchers	Director of Acctg	Dec-05	Implement Dec 05
This issue has been ongoing. During the audit, the research Section is unable to find all of the payment vouchers requested by the auditors. The Department of Finance has been in discussion with the USDA Graduate School as to a possible solution to this				

Appendix E: Using the Performer® (Frank Crawford, CPA)

Performer: We Know the Score, Now What?

Presented by Frank Crawford, CPA
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Topics for today

- A brief review of what the *Performer* is (and what it is not...)
- Update the most recent *Performer* evaluations, with various governments strengths and weaknesses highlighted
- Using the *Performer* results to improve financial health and success

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 = extremely 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

Update...

- Guam has the *Perfometer* analysis for three fiscal years – 2002, 2003 and 2004
- All other insular governments here today (with the exception of the FSM National and States) have the *Perfometer* analysis for two consecutive fiscal years, either 2002 and 2003, or 2003 and 2004
- Let's look at the *Perfometer* score for each...

Update...

- Guam
 - 2002 = **2.04**; 2003 = **2.21**; 2004 = **2.86**
- VI
 - 2002 = **2.58**; 2003 = **3.63**
- CNMI
 - 2002 = **3.18**; 2003 = **3.11**
- American Samoa
 - 2002 = **5.07**; 2003 = **6.93**

Update...

- Marshall Islands
 - 2003 = **4.18**; 2004 = **4.20**
- Palau
 - 2003 = **4.58**; 2004 = **4.54**

Strengths and weaknesses

- Guam 2004
 - Strengths
 - Positive change in net assets
 - Above satisfactory intergenerational equity
 - Excellent capital asset remaining lives

Strengths and weaknesses

- Guam 2004
 - Weaknesses
 - High level of unrestricted net assets deficit and General Fund balance deficit
 - High debt per capita ratio
 - High debt to asset ratio
 - Low current and quick ratios
 - High level of unfunded pension plan liability

Strengths and weaknesses

- VI 2003
 - Strengths
 - Positive change in net assets
 - Above satisfactory intergenerational equity
 - Excellent capital asset remaining lives
 - Above average quick ratio

Strengths and weaknesses

- VI 2003
 - Weaknesses
 - High level of unrestricted net assets deficit
 - High tax and debt per capita ratios
 - High debt to asset ratio
 - Low current ratio
 - High level of unfunded pension plan liability

Strengths and weaknesses

- CNMI 2003
 - Strengths
 - Above satisfactory intergenerational equity
 - Revenue dispersion

Strengths and weaknesses

- CNMI 2003
 - Weaknesses
 - Large decrease in net assets
 - High level of unrestricted net assets deficit and General Fund fund balance deficit
 - High debt to asset ratio
 - Low current and quick ratios
 - High level of unfunded pension plan liability

Strengths and weaknesses

- ASG 2003
 - Strengths
 - Positive change in net assets
 - Excellent intergenerational equity
 - Positive General Fund fund balance reserve
 - Above satisfactory capital asset remaining lives
 - Near excellent tax and debt per capita ratios
 - Near fully-funded pension plan
 - Above satisfactory debt to assets ratio
 - Excellent quick ratio

Strengths and weaknesses

- ASG 2003
 - Weaknesses
 - Low revenue dispersion
 - Business-type activities are not self-sufficient

Strengths and weaknesses

- RMI 2004
 - Strengths
 - Positive change in net assets
 - Excellent intergenerational equity
 - Excellent tax and debt per capita ratios

Strengths and weaknesses

- RMI 2004
 - Weaknesses
 - High level of unrestricted net assets deficit and General Fund balance deficit
 - Low revenue dispersion
 - Low capital asset remaining lives
 - High level of unfunded pension plan liability
 - High debt to asset ratio
 - Low current and quick ratios

Strengths and weaknesses

- Palau 2004
 - Strengths
 - Positive change in net assets
 - Excellent intergenerational equity
 - Near excellent capital asset remaining lives
 - Excellent tax and debt per capita ratios
 - Near excellent debt to asset ratio

Strengths and weaknesses

- Palau 2004
 - Weaknesses
 - Level of unrestricted net assets deficit and General Fund balance deficit
 - Low revenue dispersion
 - High level of unfunded pension plan liability
 - Low current and quick ratios

Problems from the Past

- Fund deficits
- Budget deficits
- Retirement fund deficiencies
- Supporting documentation
- Politics
- Complete reporting entity financial statements
- Findings and questioned costs

What we can do (or are doing) about it

- The problems of the past must be dealt with now and in the future, along with the new problems of the future
- Simply changing the way financial activity is reported doesn't alter your true financial condition and performance
- Audit Improvement Plans

Audit Improvement Plans

- Much progress has been made to date:
 - Many of the governments present today are “catching up” or becoming more timely with audited financial statement issuance
 - More accurate financial statements are being produced with the elimination of audit opinion findings
 - One government has produced the first (at least in modern times) set of financial statements that received unqualified opinions, or clean opinions

Audit Improvement Plans

- Much progress has been made to date:
 - Many of the governments have or are eliminating not only audit opinion qualifications but findings and questioned costs resulting from the Single Audit process, some cutting their findings in half quantitatively or qualitatively
 - The more accurate the financial statements, the less likely the government will make an uninformed decision relying on those numbers, amounts or disclosures

Continued focus on the Future

- Priority number 1:
 - Eliminate audit opinion qualifications
 - If we are spending money like crazy, at least the financial statements will accurately inform the users of that (reliability)
 - More accurate *Perfometer* readings of financial performance and health (reliability)
 - Improve the timeliness of issuance (relevance)

Continued focus on the Future

- Priority number 2:
 - Eliminate findings and questioned costs that didn't result in audit opinion qualifications
 - These either pertain to the audit of the financial statements (Yellow Book, or Government Auditing Standards findings), or
 - The audit of compliance with major programs in the Single Audit (A-133, or federal grant programs)

Continued focus on the Future

- Priority number 3:
 - Solve funding woes
 - Retirement
 - Employee performance
 - Unpaid vendors
 - Education of decision-makers to prevent this financial trap from ever happening again
 - Could involve basic financial budgeting workshops tailored specifically for these officials/decision-makers

Comments/Questions???

Appendix E (cont.): Performer® Action Plans

U.S. Virgin Islands

1. Weakness--High level of unrestricted net assets deficit
 - Reduce A/R by collecting taxes
 - Collect property tax sales
 - Identify methods of reducing all non-property tax receivables
2. Weakness—High tax and debt per capita ratios
 - Plan to fund capital projects over time from operating budget
3. Weakness—High debt to asset ratio
 - Plan to fund capital projects over time from operating budget
4. Weakness—Low current ratio
 - Further restrict spending below level of resources
 - Educate Governor and Legislature on the interpretation of the concerns of the single audit by the use of the Performer® and various measures included
5. Weakness—High level of unfunded pension plan liability
 - Legislate change from defined benefits plan to defined contributions plan
 - Currently developing a long-term plan to be submitted for approval prior to 12/31/05 to address balance of pension plan liability

Guam

Weakness—huge net assets deficit and related weaknesses

1. Identify those areas within finance staff's control where we can reduce costs

- Conduct work load analysis
- Train staff to increase capabilities (capacity building)
- Analyze and streamline expenditures
-

2. Identify those areas not within the finance staff's control where we can reduce costs

- Executive budget office/tax office
- Develop more conservative revenue estimates
- Encourage deficit reduction (through the budget process)
- Legislative Branch
- Initiate discussion with all stakeholders to reduce debt

American Samoa

Weakness—Business-type activities are not self-sufficient

1. Recommend making the airport an authority
2. Improve lease/rent collections
 - Commerce
 - Airport
 -
3. Establish new policies/procedures for collection
 - Lease agreements
 - Strengthen internal controls for collection

Weakness—Low revenue dispersion

1. Better communication with legislature about the financial health of the government
 - Tax soft drinks
 - Increase minimum tax rate
 - Increase excise tax scale
 -
3. Improve collections
 - Improve internal controls for Customs collections and personnel
 - Improve collections in the Tax Office
 -
4. Reinforce controlled spending on Federal grants
5. Expand industries other than canneries/entice companies to invest in AS

CNMI

Weakness—High level of unfunded pension plan liability

1. Update actuarial by factoring in amendment to retirement benefits and investment value changes for NMIRF
2. Consider pension obligation plan (may require legislative support or constitutional amendment)
3. Suspend rebate obligation for 4-5 years

Weakness—High level of unrestricted net assets deficit and General Fund balance deficit

1. Address unfunded pension liability
2. Contributing factors
 - Issuance of debt in primary government for assets in component units
 - Clearing audit qualifications has resulted in write-offs
 -
3. Revenues in excess of expenditures
 - Educate Governor and Legislature on fiscal responsibility
 - Eliminate audit findings

Republic of the Marshall Islands

Weakness—High level of unrestricted net assets deficit and General Fund balance deficit

1. Formulate realistic revenue projections
 - Budget must be based on actual revenues
 - Revenue estimates should not be increased to balance budget
 -
2. Comply with fiscal policy
 - Continue efforts to provide for budget surplus
 - Provide for creation of reserved funds
 - Eliminate future borrowings

Weakness—Low revenue dispersion

1. Improve overall administration and management of Customs, Revenue and Taxation
2. Recruit qualified and reputable personnel
3. Strengthen enforcement/collection
 - Business audits
 - FMS
 - Foreign business license

Weakness—Low capital asset remaining lives

1. Establish an accurate fixed asset registry
2. Reconcile old/new assets by engaging an independent evaluator

Republic of Palau

Weakness—High level of unrestricted net assets deficit and General Fund deficit

1. Level of revenue greater than level of expenditures
2. Reinstatement Budget Act that reserves 5% of revenue
3. Increase collection of receivables

Weakness--Low revenue dispersion

1. Pass corporate registration act to attract investments
2. Pass Silver City Act to attract high-end retirees
3. Pass Exploration Act for oil and natural resources investments
4. Revise current tax system

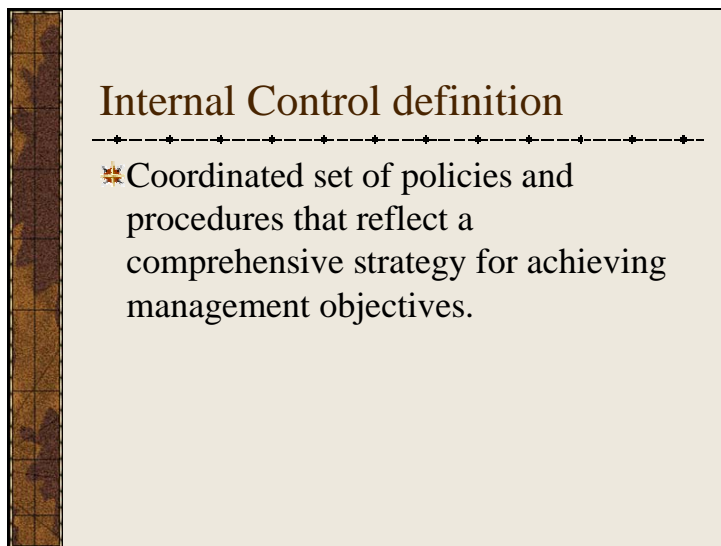
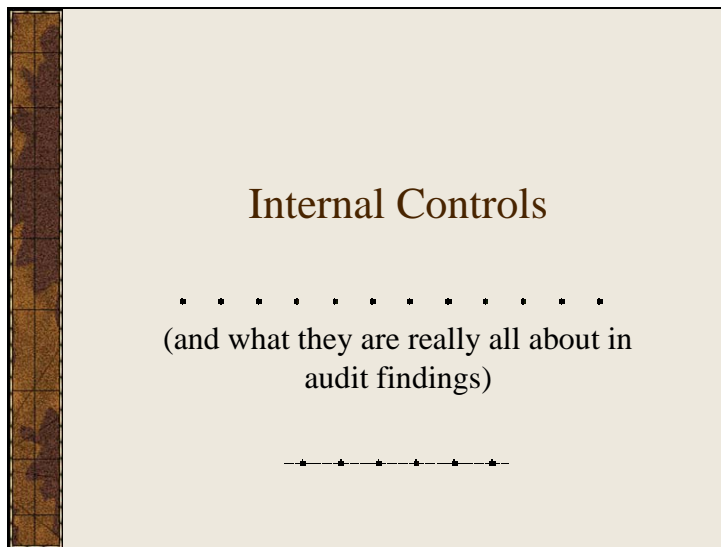
Weakness--High level of unfunded pension plan liability

1. Earmark excess funds from 1. and 2. above
2. Move away from defined benefits to defined contributions plan
3. Amend law to reduce employee benefits
4. Increase employer contribution

Weakness--Low current and quick ratios

1. Increase revenue and collection of receivables beyond current liabilities
2. Liquid assets greater than current liabilities

Appendix F: Internal Controls Workshop Presentation & Notes (Debbie Milks)



Management's responsibilities

- ✦ An *Effective* financial operation
- ✦ Given scarce resources, an *Efficient* office
- ✦ A finance office that *Complies* with laws & regulations
- ✦ A finance office that can provide the types of *Financial Information* that are needed by managers when it is needed

A program, no matter how cheap, if it doesn't achieve the objective, it is too expensive

Internal Control Limitations

- ✦ Cost
- ✦ Management Override
- ✦ Collusion

Management is ultimately responsible for ensuring that internal controls are working
not the auditors

Mgmt override—travel claim process doesn't apply to me

The perception of excessive or redundant controls has a negative impact on how employees view controls—just red tape

Management's responsibility for internal controls

- ✦ Design
- ✦ Implementation
- ✦ Monitoring
- ✦ Reporting

The annual financial audit is not sufficient to ensure that internal controls are adequately designed and functioning properly

Internal Control Standards

- ✦ Control Environment
- ✦ Risk Assessment
- ✦ Control Activities
- ✦ Information & Communications
- ✦ Monitoring

Favorable Control Environment

- ✧ Management's attitude
- ✧ Good communication
- ✧ Commitment to competence
- ✧ Clearly defined authority and responsibility
- ✧ Good human capital policies & practices

"The tone is set at the top !!"

Most important. The effectiveness of the other four elements depends upon it.

Risk Assessment

- ✧ Involve managers at all levels
- ✧ Assess the risk of change
 - ◆ New systems
 - ◆ Personnel turnover
 - ◆ New programs
- ✧ Inherent risk
 - ◆ Cash
 - ◆ Complexity
- ✧ Assessment Criteria
 - ◆ Significance
 - ◆ Likelihood

New systems are a big risk—who has jet direct printing? What controls are set up?

Control Activities

- ✦ Authorization
- ✦ Properly designed records
- ✦ Security of assets & records
- ✦ Segregation of duties
- ✦ Reconciliations
- ✦ Verification & review
- ✦ Timely financial reporting

Management's assertions that the records are correct. The assets and liabilities exist, they contain all the assets and liabilities, they "own" all the assets and liabilities, they are allocated correctly and are presented in accordance with GAAP

Information & Communication

- ✦ Accounting policies & procedures manual
 - ◆ Appropriate content (who, what, when)
 - ◆ Timeliness
 - ◆ Accuracy
 - ◆ Accessibility
- ✦ Financial data
 - ◆ Distributed in a form and time frame that permits departments to make operating decisions, monitor performance, and allocate resources

Monitoring

- ✦ Should be ongoing & continual
 - ◆ Include regular management and supervisory activities
 - ◆ Use comparisons, reconciliations
- ✦ Includes resolution of potential weaknesses
- ✦ Separate evaluations of control

Don't be satisfied with oral explanations. Like a smoke alarm—doesn't prevent a fire but it will warn you. Have to keep checking the battery

Changes to A-123

- ✦ Intended to strengthen internal control requirements over financial reporting
- ✦ Initiated as a result of Sarbanes-Oxley Act of 2002
- ✦ Requires CFOs to:
 - ◆ Assess the internal control over financial reporting at the agency
 - ◆ Issue an annual statement on the effectiveness of internal control over financial reporting
- ✦ Applies to the 24 CFO Act agencies

1. Internal controls are designed to provide reasonable assurance that

- a. Material errors or fraud will be prevented or detected and corrected within a timely period by employees in the course of performing their assigned duties.
- b. Management's plans have not been circumvented by worker collusion.
- c. The Internal auditing department's guidance and oversight of management's performance is accomplished economically and efficiently.

2. When an organization has strong internal controls, management can expect various benefits. The benefit least likely to occur is

- a. Reduced cost of an external audit
- b. Elimination of employee fraud
- c. Improvement in the reliability and integrity of information for decision making purposes
- d. Some assurance of compliance with govt regulations

3. Monitoring is an important component of internal control. Which of the following items would not be an example of monitoring?
- a. Management regularly compares department performance with budgets for the department.
 - b. Management regularly generates exception reports for unusual transactions and follows up with an investigation.
 - c. Management has asked internal auditing to perform regular audits of the controls over cash processing.
 - d. Management demands and reviews monthly bank reconciliations and ensures adjustments are supported.

4. An adequate system of internal controls is most likely to detect a fraud perpetrated by a
- a. Group of employees in collusion
 - b. Single employee
 - c. Group of managers in collusion
 - d. Single manager

5. Which one of the following situations represents an internal control weakness in the payroll department?

- a. Payroll department personnel are rotated in their duties
- b. Paychecks are distributed by the employees' immediate supervisor
- c. The timekeeping function is independent of the payroll department

6. Which of the following activities represents both an appropriate personnel department function and a good internal control?

- a. Distribution of paychecks
- b. Authorization of overtime
- c. Authorization & review of changes to the payroll master file
- d. Collection and retention of unclaimed paychecks

8. Which of the following controls are commonly used to ensure budgetary compliance?
- a. Checking available funds prior to a purchase
 - b. Encumbrance accounting
 - c. Periodic allotments

Appendix G: Performance Measures and Internal Controls Checklists

Performance Measures

Administration

- % variance of actual revenues to projections
- % audit findings corrected or resolved from the prior year
- # audit exceptions related to missing documents

Cash

- % of bank reconciliations completed within 30 days of month end
- % of bank reconciliation adjustments posted within 30 days

Fixed Assets

- # departments submitting a periodic fixed asset inventory

Purchasing

- # contested bids/total
- # audit findings related to purchasing

Accounts Payable

- # days for monthly reconciliations -- vendor advances with the general ledger
- # days for quarterly reconciliations -- A/P subledger with the general ledger
- # days for monthly reconciliation -- travel advances with general ledger

Reporting

- # days to issue department reports after month end
- # months after year-end to complete audit

Performance Measures and Internal Controls

Operations Service Area: Administration

Performance Measures

- % audit findings corrected or resolved from the prior year
- # audit exceptions related to missing documents

Internal Controls

- Committed to an annual training plan
- Accounting personnel have adequate education & experience appropriate for their duties
- Controls over authorization of transactions established at an appropriate level
- Employees required to take regular vacations
- Complete and current accounting policies and procedures manual
- Chart of accounts adequately controlled and criteria established for setting up or discontinuing a fund or grant
- Access to accounting records limited to employees with designated responsibility
- Management expects and regularly reviews significant monthly reconciliations
- Reasonable record retention and filing procedures
- Condition of accounting records proper and orderly
- Contingency plans for loss or interruption of IS functions

Operations Service Area: Cash & Cash Management

Performance Measures

- % of bank reconciliations completed within 30 days of month end
- % of bank reconciliation adjustments posted within 30 days

Internal Controls

- Adequate controls over non-check disbursements and on-line access to bank accounts
- Check signers independent of voucher preparation, purchasing, check preparation

- Adequate physical and accounting controls over check stock
- Adequate physical control over cash receipts until bank deposit
- Separation of duties between cashier functions and general ledger functions
- Bank reconciliations examined by a responsible official
- Adequate procedures for approving and recording interbank transfers
- Adequate procedures for reconciling and reimbursing petty cash funds
- Stale dated outstanding checks stopped and accounting entries made

Operations Service Area: Fixed Assets & Capital Expenditures

Performance Measures

- # departments submitting a periodic fixed asset inventory

Internal Controls

- Detailed records maintained
- Estimated lives and method of depreciation reviewed by responsible official
- Equipment tagged
- Adequate procedures to account for government constructed assets
- Noted if purchased with federal funds

Operations Service Area: Purchasing

Performance Measures

- # contested bids/total
- # audit findings related to purchasing

Internal Controls

- Separation of duties between purchasing and receiving
- Adequate control over vendor file maintenance
- Current and adequate manual of purchasing procedures
- Materials and supplies inspected for condition and counted when received
- Bid documents properly maintained on file

- Adequate procedures to ensure encumbrances agree to open purchase orders and are properly recorded at year end

Operations Service Area: Expenditures & Accounts Payable

Performance Measures

- # days for monthly reconciliations -- vendor advances with the general ledger
- # days for quarterly reconciliations -- A/P subledger with the general ledger
- # days for monthly reconciliation -- travel advances with general ledger

Internal Controls

- Invoice data checked to receiving and purchase order
- Vendor debit balances reviewed & collected
- Properly marked to prevent reuse/duplicates destroyed/statements noted

Operations Service Area: Payroll and Pay Liabilities

Performance Measures

Internal Controls

- Approval of department head on attendance data
- Independent Review of Master file changes
- Payroll review attendance records for overtime approval
- Paycheck stock pre-numbered and access controlled
- Quarterly reconciliation of gross pay amount reconciled to tax reports
- Unclaimed checks returned to employee not associated with the payroll function & proper accounting entries made

Operations Service Area: Federal Grants

Performance Measures

Internal Controls

- Accounting system provide for recording expenditures and revenues separately for each grant

- Financial reports and claims for reimbursement agree with financial records
- Responsible grant manager review costs in accordance with allowable program costs
- Responsible official approve requests for advances or reimbursements
- Procedures that minimize the time between the transfer of funds from the federal government and disbursement
- Matching share requirements fulfilled and accounted for correctly
- Fixed assets listings maintained for grant funds
- Approved indirect cost plan

Reporting Systems: Internal & External

Performance Measures

- # days to issue department reports after month end
- # months after year-end to complete audit

Internal Controls

- External reports reviewed and authorized by responsible manager before issuance
- Internally produced reports reconciled to appropriate system control accounts
- Access to modifications of report definitions is limited to responsible employees
- Adequate procedures to retain necessary reports

Financial Health

Performance Measures

- % variance of actual revenues to projections

Appendix H: Procurement Officers' Session Notes

Procurement Issues Creating Audit Findings

- Unauthorized work
- Insufficient documentation for procurements and contracts
- After-the-fact procurements
- Line agencies do not comply with procurement regulations and expect Procurement Office to 'clean up the mess'
- Line agencies certify work that has not been done or completed
- Split procurements to stay under the 'threshold'

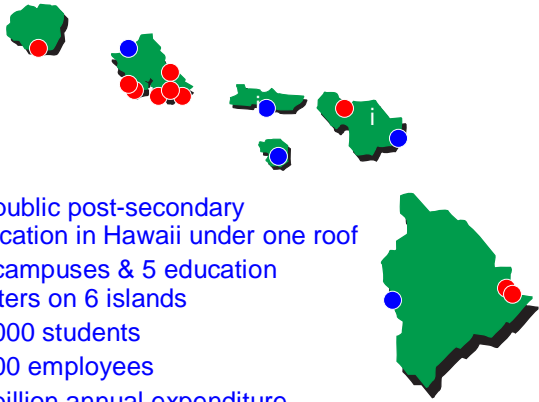
Proposed Solutions to Prevent These Issues

- Training and education for procurement staff and those line agency staff involved in procurement activities
- Certifying officers need to return unfunded requisitions to originating organization
- For requisitions and purchase orders below the 'threshold', train certifying officers to check that requisition/contract meets procurement standards
- Provide checklist of procurement standards to originating staff, certifying officers and procurement staff
- Educate vendors and contractors on what is legitimate PO
- 'Certify' line staff to be procurement proficient and only they can issue procurement documents
- Computerize procurement process to enforce procurement standards and require/retain procurement documentation

Appendix I: Information Technology (Dr. David Lassner)



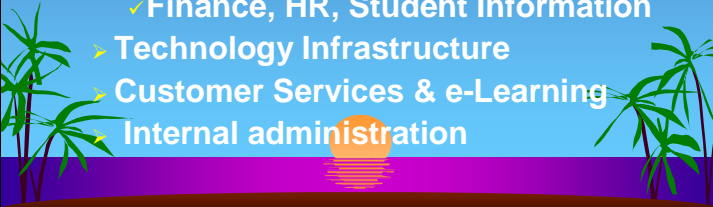
University of Hawaii System

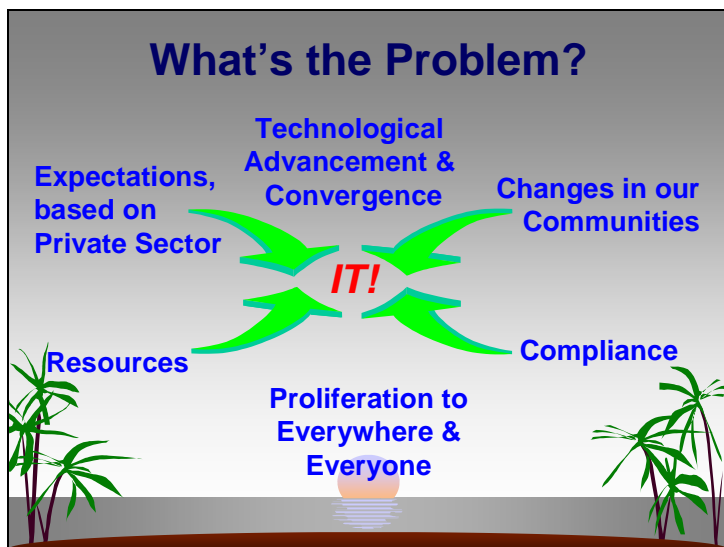


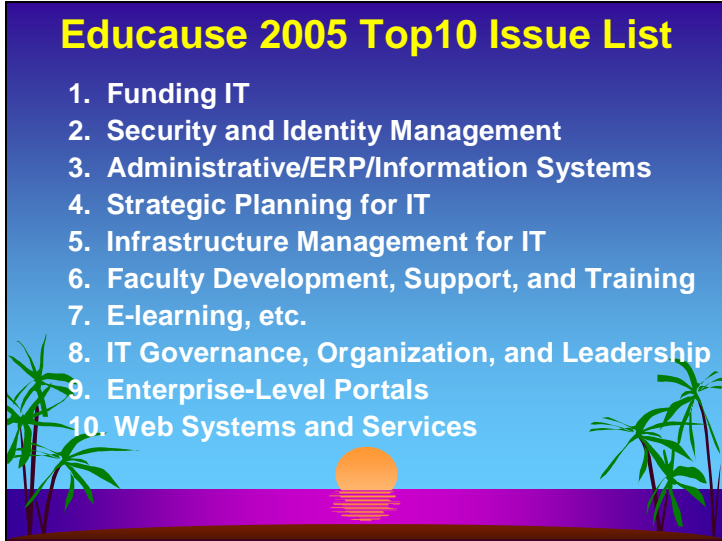
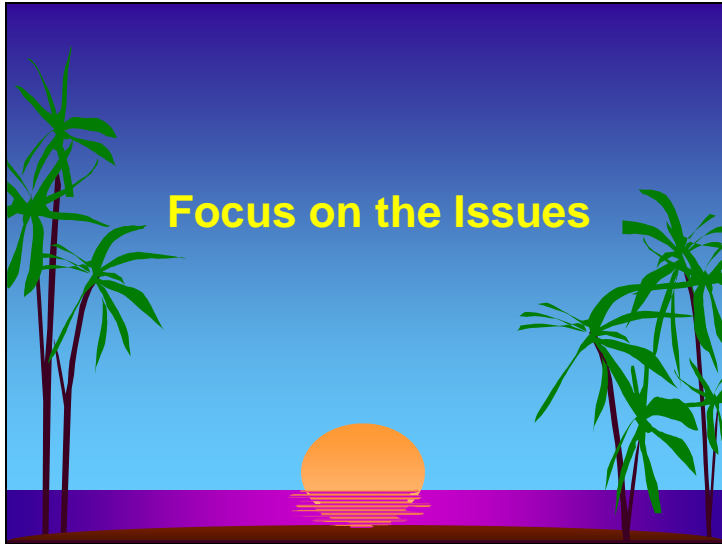
- All public post-secondary education in Hawaii under one roof
- 10 campuses & 5 education centers on 6 islands
- 50,000 students
- 8,000 employees
- \$1 billion annual expenditure

UH Information Technology Services & Systems

- System-wide enterprise organization (~120) complemented by campus support units
- Major groups focus on
 - MIS
 - ✓ Finance, HR, Student Information
 - Technology Infrastructure
 - Customer Services & e-Learning
 - Internal administration





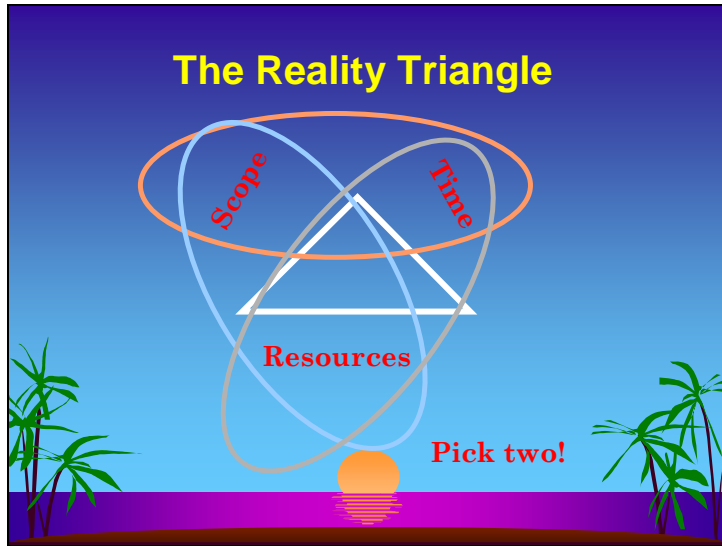


NASCIO Committees

- Enterprise Architecture Working Group
- Information Security Committee
- Interoperability and Integration Committee
- IT Governance and Services Reform Committee
- IT Procurement Reform Committee
- Government Transformation and Innovation Committee
- Privacy Committee
- Project Management

Hmmm.... Where's e-Government?





Change is Fundamental

“All things being equal, adding technology costs more”

- Are you really committed?
 - Cotter or other literature on Change
- Who are your best change agents
- How can you help them succeed with quick wins
- Reward and recognize them as models

Organizational Integration

- Internal differences seem petty to anyone external
 - Legislative bodies want to see one administration
 - Customers want to see one service provider (e-Government)
 - Duplicative systems cost everyone



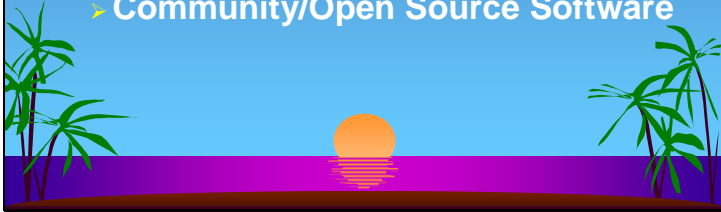
Standards

- Small shops can't do everything
- Local talent pools are limited
- Integration across anything/everything is hard
- Open standards may constrain but don't dictate product selection



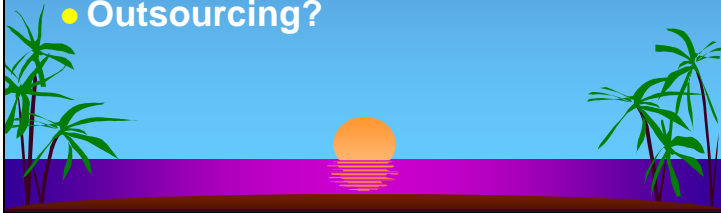
Sharing

- Coordinating with other local public sector entities (schools, colleges)
 - Hawaii Institutional Network
- Collaborating with each other
 - Community/Open Source Software



Public/Private Partnerships

- *ehawaii.gov*
- UH construction projects
- Condominium fiber (Canada)
- Local startups (risky!)
- Outsourcing?



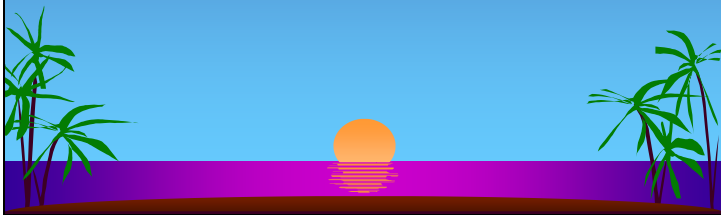
Investing in People

- Technology, PM, Architectures, Change Mgmt, Security, Compliance...
 - GovTech “Fusion” Conferences
 - Collaborative Project Engagement
 - Apprenticeships
 - National conferences & training programs



Networks Networks Networks

- Leverage regulatory authority
- Leverage construction projects
- Leverage consumer access activities
- Leverage public safety initiatives



Leverage Consumer Technologies

- Deliver services to public the way the do other things
- Invest in products and services that have broader market appeal than just you



Appendix J: PITI/VITI & IGFOA Website Presentation (Jason Aubuchon, PITI)






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> PITI > WELCOME

WELCOME

Welcome to PITI

The Pacific Islands Training Initiative (PITI) was established in 1991 through an Interagency Agreement between the Graduate School, USDA's International Institute and the U.S. Department of Interior's Office of Insular Affairs (DOI/OIA). The program serves Pacific insular governments by providing training services designed to support efforts to implement and maintain sound financial management and program performance practices. Although funded primarily by DOI/OIA, insular governments provide funds targeting specific projects as well as extensive in-kind contributions.

Participating governments include American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, the Federated States of Micronesia (including the four FSM states of Chuuk, Kosrae, Pohnpei and Yap), the Republic of the Marshall Islands and the Republic of Palau.

Pacific island nations and territories are experiencing increasingly rapid social and economic change. The Pacific Basin is challenged to find ways to participate in an emerging global economy that favors those who can effectively compete on a large scale or find a particular niche in the marketplace. Demands on governments to provide more and better services, often with a constrained resource base, are increasing. These pressures are forcing governments to implement reforms, increase public accountability and improve the responsiveness and results of program services. The goals of the PITI program are to assist the insular governments to:

- improve financial management systems and practices
- strengthen organizational processes to increase effectiveness and program results
- build leadership and management capacity to improve government program performance
- enhance the capacity of human resources development organizations in planning, delivering and evaluating public sector professional development programs

In the Pacific, as elsewhere, a skilled and capable public sector workforce is government's greatest asset in meeting its development responsibilities and assisting society attain the quality of life it desires.

PITI NEWS:

- Palau Achieves Financial Reporting First
- Audit Offices Plan 'Strategically'
- FSM Embarks on New Financial Management System
- Cathy Villagomez: Outstanding Island Administrator
- Instructor Highlights Host Joanne Yamasiro
- Auditors and Finance Offices Set Record Attendance at AIPA 2005
- PITI Welcomes Skip Palom

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PITI NEWSROOM IGFHQ NEWSLETTER

INSULAR GOVERNMENT FINANCIAL MANAGEMENT QUARTERLY

Palau Achieves Financial Reporting First



The Republic of Palau has achieved a financial reporting first with the issuance of its annual financial statements for fiscal year 2003, receiving an unqualified audit report on its financial activities. Not only is this the first time that the Republic has received "clean" opinions on its financial statements, but it is also the first to do so among all of the insular governments.

This milestone was achieved with the hard work of many individuals within the Republic's management, but particularly through the efforts...

Palau Minister of Finance Eliseo Salas and Controller Ruth Wong

• FULL STORY

Audit Offices Plan 'Strategically'

Public auditing offices in Guam, CNMI, FSM and RMJ are all using recently developed strategic plans to make better decisions about the projects they pursue. Based on requests from auditing offices, the Pacific Islands Training Initiative contracted Dr. Lowell Kuehn and Cheryl Broom...



• FULL STORY

FSM's New Financial Management System

Each of the four states of the FSM and the FSM national government will soon be using the same accounting software. With technical grant assistance from the US Department of Interior's Office of Insular Affairs, the FSM has selected Kintera Fundware to implement the new software...



• FULL STORY

Cathy Villagomez: Outstanding Administrator

Congratulations to Cathy Villagomez from the CNMI for her selection as this issue's Outstanding Island Administrator. Cathy is well-known not only on Saipan but also throughout the region by way of her active participation in the Island Government Finance Officers' Association.



IN THIS ISSUE:

- Alula
- Palau Achieves Financial Reporting First
- Audit Offices Plan 'Strategically'
- FSM Embarks on New Financial Management System
- Cathy Villagomez: Outstanding Island Administrator
- Instructor Highlight: Heet Jeana Yamanara
- Auditors and Finance Offices Set Record Attendance at AIPA 2005
- PITI Welcomes Skip Posen

PDF DOWNLOAD:



- IGFHQ, Fall 2005

PREVIOUS ISSUES:

- IGFHQ, Spring 2005
- IGFHQ, Fall 2004
- IGFHQ, Spring 2004

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PERFORMETER®

About the Performer®

The Performer® is an analytical tool that takes a government's financial statements and converts them into useful and understandable measures of financial performance. The Performer® uses financial ratios and a copyrighted analysis methodology to arrive at an overall rating of 1-10, which indicates the overall financial health and performance of a government.

The individual Performer® ratios are intended to be used to identify financial warning signals within specific governments. The overall rating can be used as a collective benchmark of financial health and success of a government as a whole.

While the Performer® model has been adjusted to fit Pacific environments, Performer® ratings among insular areas are determined using consistent criteria among governments, and as such can be used for inter-governmental comparisons. However, the Performer® was primarily developed to assist governments in tracking their financial health from year to year.

The Performer® should not be used as the only source of financial information to evaluate a government's performance and condition. The analysis is an overall rating of a government as a whole, and not of specific activities, funds or units.

The Performer® was developed by **Crawford & Associates**®, and any individual scores or readings are based on their professional judgment and are limited as to their intended use.

CURRENT PERFORMERS®

- American Samoa 2003
- CHM 2003
- FSM 2003
- Guam 2004
- Marshall Islands 2004
- Palau 2004
- Virgin Islands 2003

PREVIOUS PERFORMERS®

- American Samoa
- CHM
- FSM
- Guam
- Marshall Islands
- Palau
- Virgin Islands

MAILING LIST:

For e-mail notification of the release of additional Performer® reports, please submit your e-mail address below:

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f: 808.523.7634
e: pit@gsd.usda.gov

Appendix K: Office of Insular Affairs Budget Presentation (Tom Bussanich)

Compact of Free Association		
RMI		
	FY 2006	FY 2007
Sector Grants	35,260	35,115
Audit	500	500
Trust Fund	8,247	8,857
Rongelap Resettlement	1,760	1,760
Kwajalein Lease Payment	15,465	15,630
Enewetak Support	1,341	1,355
Total	62,573	63,217

ISLAND GOVERNMENT FINANCE OFFICERS ASSOCIATION

Compact of Free Association		
FSM		
	FY 2006	FY 2007
Sector Grants	79,456	78,566
Audit	500	500
Trust Fund	16,495	17,506
Total	96,451	96,572

ISLAND GOVERNMENT FINANCE OFFICERS ASSOCIATION

Compact of Free Association

Compact Totals

	FY 2006	FY 2007
Marshall Islands	62,573	63,217
FSM	96,451	96,572
Compact Impact	30,000	30,000
Judicial Training	308	313
TOTAL	189,332	190,102



Compact of Free Association

Palau Compact Funding

	FY 2006	FY 2007
Sect. 211 Gov. Op.	6,781	6,781
Inflation Adjustment	4,204	4,272
TOTAL	10,985	11,053
Postal & Support Audits	2,848	2,862



Assistance to Territories

FY 2006

American Samoa Op. Grants	23,000
Covenant Grants	27,720
General Technical Assistance	8,521
Judicial Training (US Territories & Palau)	318
Four Atoll Health Care	995
Prior Service Benefits	796
Maintenance Assistance Fund	2,289



Assistance to Territories

FY 2006

Brown Tree Snake Control	2,687
Insular Management Controls	1,484
Coral Reef Initiative	498
Water and Wastewater Projects	995
Office of Insular Affairs	7,346
TOTAL	76,649

****All appropriations are subject to additional A-T-B reductions by Congress****



Baseline Distribution of Construction Funds

FY 2006

Virgin Islands	3,360,000
American Samoa	10,000,000
CNMI	11,000,000
Guam	3,360,000

Appendix L: OIA CIP Allocation Criteria (Tom Bussanich, Office of Insular Affairs)

**Competitive Criteria
DRAFT**


1. **Timeliness of Single Audits** -Has the territory met statutory or scheduled deadlines for their single audits? (4 points)
2. **Reliability of Financial Statements** -Were there material qualifications included with the Financial Statements? (4 points)
3. **Single Audit Findings (Internal Controls) and Resolution** -Did the Single Audit contain internal control findings and was corrective action taken? (4 points)



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**Competitive Criteria
DRAFT**

4. **Single Audit Findings (Questioned Costs) and Resolution** -Were there questioned costs? If so, were they resolved and recouped if necessary? (3 points)
5. **Federal Grant Project Management** -Was the territory cooperative during audits as well as during reviews by Federal agencies, GAO and OIA? (3 points)
6. **Financial Position of the Government** -Does the territory have a surplus, deficit or balanced budget? (4 points)



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Competitive Criteria DRAFT

7. **Perfometer Improvements** -As measured by the *Perfometer*, did the territory make improvements, make no improvements, or experience negative movement. (4 points)
8. **Procurement Process** -Did the territory comply with procurement laws? (3 points)
9. **Timely Submission of CIP Proposal** -Was the CIP proposal turned in by the due date? (3 points)



Competitive Criteria DRAFT

10. **Reporting Requirements** -Did the territory turn in its financial and narrative grant project reports in a timely manner? (3 points)
11. **Island Government Audit Office** -Does the territory has a qualified public auditor? Do they have processes in place to carry out and respond to audits? (5 points)



Appendix M: Proposed Agenda Items for Grants Conference

- Determine with grantor agencies how to complete FS-269
- Drawdown process and EFT's on other than reimbursable basis
- Indirect cost proposals
- Consolidate grants where possible—insular areas, by area, by purpose
- Improve communications—timelines for responses, identify specific contacts
- Common audit findings and resolutions—bring CAPS
- E-grant applications
- CMIA issues and deadlines
- Do other agencies have rating criteria for grants? If so, how are they applied?

Appendix N: Government Action Plans

FSM

Goal: Timely & Clean Audits

High Priorities & Actions for each

1. Resolve internal control issues
 - a. Evaluate internal control issues and resolve by hiring financial advisors and establishing concrete timelines
2. Component Units (Financial Statements)
 - a. Provide assistance (financial and training to CU)
3. Fixed Assets
 - a. Complete inventory/valuation & periodic updates
4. US Federal Grant Mgmt and Compliance
 - a. Clarity of responsibilities

ROP

1. Reduce fund balance deficit
 - a. Certify funds based on collection of revenues Budget Office Jan 06
2. Reduce # of audit findings and questioned costs
 - a. Formalize procurement procedures and educate appropriate personnel to understand them
Controller/Minister
 - b. Monitor compliance by spot checking procurement documents
Controller/Director BNT Dec 05
3. Complete FY2005 audit reports on time
 - a. Minister to meet with our external auditor in charge to ensure audit on time Dec 2005
 - b. Scheduled of audit has been requested to ensure finance employees are working during audit

Guam

Top Priorities

1. Unqualified audit
2. Qualifications revenue issue
 - a. Monthly status meeting
3. Component (2) issues
 - a. GVB/GMH with OPA assistance
4. Single audit findings & Questioned costs
 - Reduce value of new questioned costs
 - Continue downward trend
 - Internal control procedures
 - Resolve prior years
 - Collaboration

Institutionalize the process
Write/adopt manuals
Training

CNMI

1. Finalize 2004 audit in Jan –get caught up
2. Address bank reconciliation
 - a. Better coordination between divisions
 - b. Re-assign savings recon to F&A/OSOF
 - c. Review recon section procedures
 - d. Review staff/work level
 - e. Review training needs
 - f. Assign responsibility of postings adjustments monthly
3. Improve communication between divisions and with auditors
 - a. Between F&A & Treasury
 - i. Drawdowns
 - ii. Payment vouchers
 - iii. Posting drawdowns received
 - iv. Recon
 - b. With auditors
 - i. Coordinate review of tax documents between R&T/OPA/auditor
 - ii. Formalize periodic meetings with auditors providing written status
4. Assess control systems Finance & Treasurer
5. Develop checklists
 - a. Sole source procurement/emergency & expedited payments
 - b. Federal grant expenditures
 - i. SF269, narrative
 - c. Posting items
 - i. Drawdowns
 - ii. Bank recon
 - iii. Advances
 - iv. Travel

RMI

Priority Areas

Component Units
Fixed Assets
Internal Control

1. Component Units
 - a. Bilateral meetings
 - b. MOU with CU
 - c. Apply for CU Technical Assistant
2. Fixed Assets
 - a. Chief Procurement Officer to finalize asset registry
 - b. Apply for Technical Assistant
3. Internal Control
 - a. Reactivate Audit Resolution committee
 - b. Establish an internal auditor post under the accounting division
 - c. Finalize first draft MOF internal control guidelines
 - d. Biweekly consultation among personnel & key staff
 - i. Accounting and admin
 - ii. Budget
 - iii. Tax, revenue, treasury, customs
4. Local Intranet initiatives

Continue momentum with

- Quarterly allotment
- Fiscal officers associations
- Federal grant program association

American Samoa

1. Resolve Audit findings
 - a. Form audit task force/committee to resolve findings
 - i. Need to get support from the executive level
 - ii. Choose members
1. Head of Treasury
2. Budget
3. Procurement, Governor's office, AG
 - iii. Meet quarterly
2. Timely reconciliations
 - a. Prepare formal policy
 - b. Travel
 - i. Monthly reconciliation report
1. advances
2. outstanding exp reports
- c. AP
 - i. Monthly reconciliation
 - ii. Clean up GL
3. Low revenue dispersion
 - a. Educate legislature on financial health of the govt
 - b. Tighten internal controls for collections at tax/customs
 - c. New tax bill
4. Grant administration & procurement
 - a. Educate grant program mgrs at dept level
 - b. Train, train, train

U.S. Virgin Islands

Highest Priority Items

1. Timeliness of submission of single audits within deadlines/extensions
 - a. Complete the 2004 single audit on or before Feb 28, 2006
 - b. Complete FY2005 single audit on or before Sept 30, 2006
 - c. Finalize enabling legislation mandating component units to submit audit information by Jan 15 following the close of the prior fiscal year
 - d. Bank reconciliations must be completed 30 days after the close of the prior month
 - i. Responsible people: Director Treasury Division
Chief Reconcilement
Revenue Audit
2. Reduction of single audit findings
 - a. OMB and DOF will conduct a meeting with fiscal and program personnel of the federal program administrators and fiscal officers on 1-10-06 to inform them of their responsibilities and accountability of not having findings and the associated consequences of non-compliance
 - b. Establish timelines and responsible persons and commit to not less than 10 working days after audit findings are reported
 - c. Monitor progress of responsible individuals on a timely basis (bi-weekly)
3. Timely audit resolution response
 - a. Agencies will submit to OMB on a monthly basis a progress report on implementation

Appendix O: Summary of Conference Evaluations

1. The IGFOA meeting sessions were relevant and timely.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
81%	19%	0%	0%	0%
Score: 4.8				

2. The meeting's objectives were substantially met.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
69%	31%	0%	0%	0%
Score: 4.7				

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

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
35%	46%	11%	8%	0%
Score: 4.1				

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

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
42%	46%	8%	4%	0%
Score: 4.3				

5. Support services by the Graduate School, USDA staff during the meeting were handled well and in a timely manner.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
69%	31%	0%	0%	0%
Score: 4.7				

6. Overall the meeting was:

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
54%	46%	0%	0%	0%
Score: 4.5				

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

- Internal controls and review of audit findings (8)
- Procurement sessions (6)
- Audit Improvement Project (improving and institutionalizing processes) (2)
- Audit resolution strategies and findings (2)
- Accountability and Grants Management (evaluation of performance)
- All
- All (except Procurement issues)
- An understanding of the effectiveness of IGFOA as a group
- Blank (no answer)
- DOI sessions – Mr. Cohen’s speech about mutual relationships and sessions on Budget and Audit Expectations.
- Mr. Cohen’s speech – outstanding perspective.
- Grants criteria (DOI/OIA presentation)
- Finance Officers Track
- Group discussions and sharing of problems ... and addressing ways and means of resolving problems together.
- Group sessions and Development of action Plans
- Inter-insular break-out sessions
- Side meetings with FSM
- Single Audit
- The panel discussion – in that I got to understand the doings and status of the other insular governments.

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

- Procurement and negotiation skill
- Internal control monitoring and impact on audit findings (3)
- Internal Control Performance Measures / Developed action plans on the 3 identified high priority areas regarding audit issues.
- Blank (no answer) (2)
- Discussion of audit improvement (2)
- Performer®(2)
- Audit finding resolution ideas will be instituted in our government policies.
- Common audit findings with other jurisdictions: communicate with other jurisdictions to share solutions.

- Communication between auditors and audit client (will be present when auditors are conducting the audit).
- Completion of responses to audit findings on a timely basis: I will draft policy memo for my office detailing plan of action to accomplish this.
- Contract negotiations during breakout sessions. Will definitely apply what was learned to current processed and procedure involving contracts.
- Control – implementation of grants
- Control activities
- DOI's objective to make Territories self-sufficient.
- DOI's views on federal-insular area relationships
- Grant criteria – OIA
- How much more work remains to be done!
- How to have timely/clean audits.
- Identify and implement "Best Practices"
- Importance of timely/clean audit.
- Internal audit to provide for internal control as well as reducing questioned costs.
- Measurements of improvement
- Monitoring
- Need to elevate/empower audit coordinator position.
- Need to set stage for now and future expectations: need to sustain effort on timeliness and reliability of statements by institutionalizing processes being developed/adopted.
- Procurement – never had any experience in this field
- Review internal controls with F&A and Treasury.
- Sharing idea with other islanders pertaining issues that need be improved in whatever ways.
- That, in fact, no one insular government is way ahead of the others, maybe with the exception of Palau auditing-wise.
- The most important aspect of this meeting that struck me is how related these issues are with procurement. Tightening up on procurement internal control would address to a great extent these audit issues. Educating line agencies the importance of procurement internal control will be my priority when I return home.
- The most meaningful aspect of this meeting was the small group discussion on procurement issues and negotiating skills. It was good to know that lack of procurement training or education for line agencies' staff lend themselves to a much bigger problem. As Procurement Officer, it's incumbent upon us to ensure that this knowledge/information is disseminated accordingly.

- The need to go back home and attend to the unfinished audit findings, and apply the advice, knowledge, suggestions gained from the meeting to resolve those findings.
- The need to improve and keep it up by putting in place the needed mechanism that will help resolve the findings, and to keep the momentum.
- Timeline – completion of annual audit
- Ways of institutionalizing planned improvement processes.

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

- None (6)
- The session on Information Technology conducted by Chief Information Officer from the University of Hawaii. (4)
- All were meaningful and relevant. (2)
- group discussions
- Issues pertaining to reconcilements
- Performer®– to the extent that finance officers can't influence policy makers. However, the Performer® is a good management tool to make improvements.
- Procurement
- The strictest, most detailed financial sessions.

10. Please provide any other comments concerning the IGFOA meeting that will make future conferences and meetings more meaningful and enjoyable.

- Meetings venues should be closer to towns, not far away. (2)
- Cheaper bars
- Concentrate on finance issues.
- Continue the good work you are doing.
- First, I'd like to thank those who were instrumental in allowing Procurement Officers to attend this conference. Sharing information definitely had a positive aspect in dealing with audit issues. Devote additional time for procurement issues. These will make this meeting more enjoyable for Procurement Officers. This is not to lessen other aspects of the meeting as they are very helpful.
- Follow-up by DOI on timely completion of audits
- GASB or the accounting standards to be followed: please make them available so we know every single requirement (e.g., GASB 34, etc.).
- Great appreciation for OIA's presence, presentations and comments.
- Have meeting rooms and hotel rooms closer together physically.
- I think that the survey of what topics of interest the members wish to see in the meetings before the meeting was helpful.

- Include Procurement Officers – many single audit findings relate to procurement. Continue the emphasis on reducing these findings by including them in future IGFOA meetings to get them as committed as finance officers in Audit Resolutions.
- It was truly my privilege to attend this very worthwhile conference. Not only was I able to share information, resolutions, problems, and general concerns surrounding procurement-related issues and matters with individuals from other insular areas, I was also able to form genuine friendships and partnerships with other professionals, who share many similar problems with me, from those same areas. I will be happy to attend any future IGFOA meetings and/or, possibly in the future any IGPOA meetings. Thank you for the opportunity! P.S. – I would definitely enjoy more guest speakers like Mayor Harry Kim.
- Maintain the same atmosphere. It motivates the participants.
- More discussion on Accounts Payable and Receivable reconciliation from the auditor's perspective.
- No comments. Meeting was great.
- Plan the same as this session.
- Presenters to be more prepared on issues to be presented.
- Should try to limit unnecessary comments from people or participants who seem to love the way they sound. If one takes timing, a few of the participants wasted a total of more than two hours.
- So far so good, but I think the best thing is for IGFOA to work closely with and assist the islands meeting their audit needs, and constant sharing of country experiences with each other.
- Thanks to USDA – wonderful arrangements and assistance.
- This is my first time with IGFOA meeting. I think IGFOA may want to consider involving Legislative representatives when policy making issues are part of future agendas.
- Tighten up session/discussion timelines.
- To invite all Procurement officers from 4 FSM states to attend this kind of conference due to their policy and regulation are totally different from each other.
- We should probably include a procurement specialist to our sessions.

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Appendix Q: IGFOA Executive Board Meeting Summary

The IGFOA Executive Board held its conference meeting on Wednesday, December 7, 2005. The Board discussed some proposed changes to its by-laws and made a few minor changes. The Board also decided to re-elect its existing officers for the coming year. Thus the 2005-2006 IGFOA officers are:

President—Lourdes Perez

Vice-President—Ira Mills

Treasurer—Nick Andon

Secretary—Cathryn Villagomez