



IGFOA

Island Government Finance Officers' Association

2009 Winter Conference
December 8-10, 2009, Maui, Hawaii



GS GRADUATE SCHOOL

Graduate School, USDA & United States Department of the Interior, Office of Insular Affairs
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1. Executive Summary

The Island Government Financial Officers' Association (IGFOA) has met at least annually since 1999 to participate in professional development and networking activities and to establish an agenda for financial management improvement. The conferences have provided a forum for participants to discuss common issues and strategies and to develop a shared agenda for training, organizational development, and technical assistance.

The December 2009 IGFOA conference was held in Wailea, Maui, Hawaii from December 8 to December 10. The goals of the December 2009 IGFOA conference were to:

1. Provide IGFOA members the information needed, and opportunity, to conduct a self-assessment/risk assessment of their own finance offices.
2. Build government-specific plans to address the risks identified in the self-assessment.
3. Exchange information on the latest Performer analysis and accounting standards changes.
4. Provide training to IGFOA members in procurement, accounting best practices, and management/leadership.
5. Discuss current hot topics—key issues affecting OIA, OIA's new strategic plan, ARRA implementation, reporting and accounting requirements, receivership and high-risk programs.

After welcoming remarks and a review of the agenda, the governments gave updates on three of their most critical issues:

	High-Risk/ Receivership	Single Audit Status	Performance Measures Used in Finance Office
American Samoa	Education Homeland Security Health and Human Services	Started in November; should be completed on time	None
CNMI	None	Audit is underway; should be completed on time	None
FSM	None	Contract for auditor just let; should be completed on time	None
Guam	Education Public Works Parks and Recreation	Audit work started Should be completed on time	None
RMI	Historic Preservation Office	Started in December; should be completed on time	None

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Palau	None	Started in November; should be completed on time	None
USVI	Education	2007 Audit completed 11/09; 2008 Audit to be completed 4/10; 2009 Audit to be completed 9/10	Many

Nikolao Pula, Director, United States Department of the Interior, Office of Insular Affairs, discussed the challenges facing OIA and the insular governments with programs and/or departments in receivership or identified as 'high risk'. He challenged the IGFOA members to take an aggressive leadership role in preventing departments and agencies from going into receivership or being identified as high risk. Mr. Pula also asked the finance officers to help the programs and departments already in receivership or on high risk to resolve their problems so they can return to a normal status. He noted the great expense and additional workload required to meet the increased requirements of receivership and high risk status.

Charles Cox, the Director of Finance in Farmers Branch, Texas and former President of the Government Finance Officers' Association, and Debbie Milks, CPA, explained what a finance office assessment is and what the value of conducting one is. A finance office assessment is a broad and in-depth analysis of the functioning and performance of the office. While the single audit focuses on one specific aspect of financial performance and the Performer reflects the financial health of the entire government, an assessment is a comprehensive analysis of all the components critical to the operation and performance of the office. The IGFOA assessment tool has eight dimensions and 25 sub-dimensions covering most key management and operational processes.

Steve Medlin presented the IGFOA assessment tool to the conference participants and explained how to use the tool to conduct a self-assessment. Each government completed the assessment tool and indicated the importance of each of the tool's dimensions and sub-dimensions (see Appendix K for a summary of these data). All of the dimensions and sub-dimensions were found to be very important, and each government identified needing improvement. In providing oral feedback on the assessment tool, the conference participants found it be comprehensive, very helpful, and easy to use. After some further discussion, the IGFOA members agreed to add 'Ethics' as an additional sub-dimension of the assessment.

Throughout the conference, various presenters gave updates on ongoing IGFOA initiatives. Frank Crawford provided updates on the governments' Performer scores and GASB standards. Nik Pula talked about revisions to OIA's strategic plan. Their new end outcome goal and intermediate goals are:

End outcome goal—Empower Insular Communities

Intermediate outcome goal—Improve Quality of Life

Intermediate outcome goal—Create Economic Opportunity

Intermediate outcome goal—Increase Technical Planning and Financial Oversight Abilities

Marion Higa, the Hawaii State Auditor, and Calvin Hangai, from the Office of the State Auditor, Hawaii, discussed procurement audit findings, fraud in procurements, and how managers can prevent procurement problems. Carol Gentz talked about ARRA compliance and reporting experiences the County of Maui has had.

A panel of finance officers talked about the evolving role they and their offices are going through. All of the panelists reported the demands on their offices, and on both their staffs and themselves, were changing. The workload has been becoming more analytical than transactional. The role of the office has been moving from being 'enforcer' to being consultant and adviser. The skills required of staff have become more demanding—higher level analysis, greater technical knowledge, stronger interpersonal and communications skills. Each government mentioned the challenges in fulfilling these new roles and the even greater difficulty in acquiring and developing the staff capabilities to perform the new work effectively.

The IGFOA Conference was honored to have two guest speakers. Mufi Hannemann, the Mayor of the City and County of Honolulu, discussed the role of leaders in government and the importance of keeping the citizens informed and involved in the public debate and decision-making. Charmaine Tavares, the Mayor of Maui County, recounted how Maui anticipated and dealt with the economic downturn and resulting decrease in funds available to the local government.

The conference was evaluated very positively with an overall rating of 4.8. Participants were also highly complimentary about the content and execution of the conference.

Background

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

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

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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 2009 fall conference was designed to continue these projects and to develop an agenda and action plans to identify and implement 'best practices' for finance offices (see Appendix A for the complete conference agenda).

Conference Goals

The IGFOA conference had two broad, overarching objectives—(1) to review and document the progress the insular areas have made in improving audit results and the financial health of their governments and (2) to develop an agenda and action plans to identify and implement 'best practices' for finance offices. To achieve these objectives the conference established five specific goals. During the conference participants would:

1. Provide IGFOA members the information needed, and opportunity, to conduct a self-assessment/risk assessment of their own finance offices.
2. Build government-specific plans to address the risks identified in the self-assessment.
3. Exchange information on the latest Performer analysis and accounting standards changes.
4. Provide training to IGFOA members in procurement, accounting best practices, and management/leadership.
5. Discuss current hot topics—key issues affecting OIA, OIA's new strategic plan, ARRA implementation, reporting and accounting requirements, receivership and high-risk programs.

As part of participant introductions (see Appendix B for a list of the Conference Participants) and an orientation to the conference, participants identified the themes from previous conferences and listed what they hoped to gain from this conference (Appendix C).

Welcoming Addresses

Angel Dawson, the Commissioner of Finance in the US Virgin Islands and the current President of IGFOA, welcomed the participants to the conference. Commissioner Dawson compared the Virgin Islands and its financial issues to those in the Pacific islands. He stressed the commonalities among the islands in the issues and challenges they face—including the risk of losing federal program grants. He stated all the island governments share a sense of urgency about confronting the financial issues facing them, and IGFOA is a wonderful forum in which to do this. Mr. Dawson raised the question of where IGFOA should go from here. He expressed his sincere hope that the association continues, that it examine its challenges and mission, and that it find a path to chart its way forward as a group. He ended by saying IGFOA members all share enduring bonds that bring the islands together and keep them together.

Nikolao Pula, Director, United States Department of the Interior, Office of Insular Affairs, expressed his pleasure at being in Maui at the IGFOA conference. Mr. Pula also emphasized that the question of where IGFOA goes from here is an important question. He stated, 'It's always important to ask ourselves why we're here? Do we have the opportunity to contribute, to learn? Are we wasting our time? Are we wasting taxpayers' money?' On behalf of OIA, Mr. Pula welcomed participants to this ninth anniversary of the conference. He challenged participants to return to their governments and share the knowledge gained at IGFOA with their offices, their staff and their leaders. He stated there is strength in unity and encouraged all participants and governments to work together as a group.

Jack Maykoski, Senior Executive, Graduate School, thanked the IGFOA participants for taking time out of their busy schedules to attend the conference. He mentioned the challenges facing IGFOA and challenged the group to address them and develop a plan to move forward. He also gave a brief update on the status of the Graduate School. The Graduate School left the Department of Agriculture as of July 1, 2009. Congress and the Secretary of Agriculture decided that the school would be able to better serve its constituents if it was independent of USDA. This change gives the Graduate School the opportunity to do some new things, including in the arena of academic education. The Graduate School's vision is to be a hybrid education provider that will address both the training and academic needs of government agencies and employees.

Mr. Maykoski described a meeting he had with Earl Devaney, who for a long time worked with OIA as the Inspector General in the Department of Interior and is now responsible for implementation of the Recovery Act. Mr. Devaney suggested the Recovery Act will be transformational, and will be the future standard for the way government systems and competencies are measured. ARRA funds and projects will require strong controls and strong financial management systems. Mr. Maykoski said the finance officers may not be out in front of everything, but they certainly were tasked with stewarding the finances of their governments, meeting the requirements of the single audit acts, and having the systems, processes, and measures in place to ensure accountability. Mr. Maykoski closed by thanking the participants again for being at the conference, and thanked the Department of the Interior for its confidence in the Graduate School.

Government Updates

Prior to the conference, each government was asked to provide the status of four major issues facing the islands. The four issues were:

- What departments and/or programs are 'high-risk' or in receivership?
- What is the status of the FY 2009 single audit?
- What performance measures does the finance office use?
- What role does the finance office have in ARRA implementation and reporting?

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American Samoa – presented by Carri-Lee Magalei and Alapasa Tuato'o

What departments and/or programs are 'high-risk' or in receivership? The entire government is considered 'high risk', especially the Department of Education, Homeland Security, and the Department of Health and Human Services. As a consequence, the finance office is on a reimbursement basis. Carri-Lee serves on the council for DOE that meets quarterly with corrective actions. Pasa is working with DHSS; their grantors come down to monitor audit performance. They have updated financial information. During the tsunami recovery, Homeland Security (US) lifted its freeze on funds (through December 30th).

What is the status of the FY 2009 single audit? Single audit work started at the end of November. ASG plans to finish on time but their auditors have concerns with the inclusion of ARRA. The new Treasurer is very proactive towards the audit and has made it an office priority. ARRA is treated as high-risk and requires additional auditing coverage.

What performance measures does the finance office use? Department of Treasury does not have performance measures.

What role does the finance office have in ARRA implementation and reporting? ASG has established a separate ARRA office and it is responsible for performance data that appears on the ARRA website. Treasury makes payments and ensures proper documentation is in place. Performance measures rest with individual offices.

CNMI - presented by Bob Schrack

What departments and/or programs are 'high-risk' or in receivership? CNMI has no high-risk agencies presently.

What is the status of the FY 2009 single audit? FY-09 audit is underway. Much of the compliance testing is nearing completion. CNMI is working towards an unqualified opinion this year. They expect completion of the audit by June 30th, which they have been able to do over the past several years. They have been trying to be responsive to auditor requests.

What performance measures does the finance office use? CNMI does not have any performance measures. CNMI's performance measure is cash. They review bank balances daily to consider what can be paid.

What role does the finance office have in ARRA implementation and reporting? The CNMI set up an ARRA oversight office funded through .5% indirect cost. The office seems to be working out well; strong reporting requirements that are posted online.

FSM National Government – presented by Juliet Jimmy

What departments and/or programs are 'high-risk' or in receivership? The FSM has no high-risk agencies presently.

What is the status of the FY 2009 single audit? The FSM recently issued a new contract to its auditor. This year Yap will be using a new auditor while the others stay with Deloitte. The FSM expects to complete the audit on time. They expect Yap, Chuuk and the National Government will follow the examples of Kosrae and Pohnpei and have on time and unqualified audits

What performance measures does the finance office use? The FSM National Government does not have any performance measures.

What role does the finance office have in ARRA implementation and reporting? FSM is eligible for ARRA funding: \$300K for health, but has not been accessed the funds yet.

Guam – presented by Kathy Kakigi (see Appendix D for the Guam slide presentation)

What departments and/or programs are 'high-risk' or in receivership? 'High-risk' agencies in Guam are the Department of Public Works – Office of Highway Safety, Department of Parks and Recreation, and the Department of Education. USDOE has suspended all funds to Guam, so the government is working with the grantor to assist with funding. DOI advanced Compact Impact funds to allow Guam DOE to continue its programs. DOE has its own finance office and a 'dated' financial information system.

What is the status of the FY 2009 single audit? The FY-09 audit was started in July and DOA expects to have it completed by May 2010.

What performance measures does the finance office use? The Guam finance office does not have performance measures, but does have work plan measures that they track annually, not quarterly. As a result of the Finance Office Assessment, the Division of Accounting was able to hire three professionals. The office now meets quarterly to accomplish goals.

What role does the finance office have in ARRA implementation and reporting? Guam has not begun spending ARRA funds, so the finance office has not felt the impact ARRA funding will have on them. Guam has a special office set up to account for ARRA funds. Guam and CNMI are facing issues around the Buy American provision within ARRA.

Q. Is it possible to consolidate finance functions of agencies like DOE within general finance offices of Guam and CNMI?

A. Yes, this can be done, but the process would take a while. Guam is having these conversations regularly. In fact, portions of education budgets are being tied into the general budget. US-DOE is still considering putting Guam DOE into receivership. The transition of accounting functions from DOE to DOA would take at least a year.

Marshall Islands – presented by Junior Patrick

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What departments and/or programs are 'high-risk' or in receivership? The Marshall Islands only high-risk grant is the Historic Preservation Office grant. This grant is on reimbursable basis after draw-downs, invoices and receipts are provided the grantor. These additional requirements take finance ministry office time, resulting in a huge receivable from the federal agencies. The RMI is trying to get to a point in which the high-risk status might be removed.

What is the status of the FY 2009 single audit? RMI is scheduled to commence its audit this month.

What performance measures does the finance office use? The RMI does not have any performance measures.

What role does the finance office have in ARRA implementation and reporting? The only agency in the RMI receiving ARRA money is the College of the Marshall Islands through federal assistance provided to students.

Republic of Palau – presented by Priscilla Soalablai

What departments and/or programs are 'high-risk' or in receivership? Palau has no high-risk agencies presently.

What is the status of the FY 2009 single audit? Auditors have begun preliminary field work as of November. They hope to complete this by June of next year.

What performance measures does the finance office use? Palau does not currently have any systems in place to track performance or output measures. It hopes to have guidelines and procedures in place for the office prior to next year.

What role does the finance office have in ARRA implementation and reporting? Palau ARRA fund recipients conduct their own performance reporting.

United States Virgin Islands – presented by Deborah Gottlieb

What departments and/or programs are 'high-risk' or in receivership? The Virgin Islands DOE is considered high-risk. The USVI is working to correct certain deficiencies. They had to hire a third-party fiduciary that affects all grants coming from US-DOE. The third-party fiduciary also ties up DOH and DHS grants and funds. USVI spent more than \$7.8 million on the fiduciary and are currently trying to hire a new one. The funding source for this is the General Fund.

What is the status of the FY 2009 single audit? The VI 2009 audit will be completed in September of 2010. The 2008 will be completed in April of 2010. The 2007 audit was issued in November.

What performance measures does the finance office use? The USVI government has undertaken a performance measurement initiative that includes 11 departments and agencies. They report their measures quarterly as part of the budget process, and write an annual performance report to senate. Finance also has performance measures.

What role does the finance office have in ARRA implementation and reporting? The Federal government is insisting that all ARRA funds be run through the DOE third-party fiduciary. This requirement includes funds for the University, the Office of Economic Opportunities, and others. To date USVI should be entitled to \$280 million of ARRA formula grants: medicines, food stamps, etc. They are entitled to \$70 million of state fiscal stabilization funds which they would like to use to shore up the budget deficit. The insular areas received ARRA guidelines much later than US states. USVI submitted an application in August but the Feds are now requiring more details. The USVI is in the process of sending in a second, amended application.

Perfometer Updates

Frank Crawford explained the concepts behind the Perfometer, how the Perfometer measures are computed and combined, and what the measures mean. The Perfometer measures the financial health and success of a government. Critical to the value of the Perfometer scores are the relevance (timeliness) and reliability (accuracy) of the data used to compute the score. Mr. Crawford presented the Perfometer scores for each insular government and identified each government's strengths and weaknesses. (See Appendix E for the slides from the Perfometer presentation.)

For most governments, the fiscal year ending September 30, 2008 was not a good year financially. Mr. Crawford summarized the factors and conditions affecting the FY2008 Perfometer scores:

- The islands experienced a continued decline or stagnant tourism contributing to an economic downturn.
- The market value of investments held declined dramatically between June 2008 and September 2008.
- Unfunded (or underfunded) pension plan created significant fiscal woes.
- Government spending patterns were mostly unchanged, but revenue streams declined (for most governments).
- Fund balance deficits and net assets deficits either increased or at least increased when compared to the level of annual revenues.

Despite all of these difficulties, there was some good news (or bad news, depending on how one looks at it):

- Most governments, when not considering component units, received unqualified (clean) opinions on their financial statements.
- A few governments received unqualified opinions on their compliance with federal program funds (single audit).
- A few governments had no questioned costs, or very little questioned costs.

Guest Speaker: Mufi Hannemann, Mayor, City and County of Honolulu

Mayor Hanneman spoke to the IGFOA group about his philosophy of financial management, how Honolulu has fared in the economic crisis, public service, and his responsibility as the leader of the city and county of Honolulu.

When Mayor Hanneman took office, he decided that his first task was to watch the people's money. He made the hard decisions between "nice to have" vs. "need to have" services. He asked his staff and the city council to answer 3 questions before funding a project or service. Do we need it? Can we afford it? And, can we maintain it? He decided to make sure the city could save money; they would welcome, not fight, audits, and stop the raids on special revenue funds. The Major pointed out to the group that the executive branch is able to see and understand the bigger budget picture and should accept the responsibility of ensuring that anticipated increases in expenditures are built into the budget from the beginning, like scheduled increases in employee pay.

The economic crisis has required the city to make unprecedented decisions. They are contemplating furloughs and his office took a pay cut before any other Hawaii government office. Two of his maxims are "Problems are not as important as solutions" and "Never base decisions on fear". Looking ahead he said that cutting expenses further will reach a point of diminishing returns and they will have to raise the "T" (tax) word. To say otherwise is cheap rhetoric. He offered the example of the sewer system and his decision to raise fees for the first time in 30 years. If the city had not raised fees, they would not have been able to repair the damage and deterioration of the sewer system. Before the upgrade was made, they had to dump raw sewage in the Ali Wai canal after record rains overwhelmed the system.

Another tax increase he supported was to build the Honolulu light rail system. Seventeen years ago the city lost an opportunity by not coming up with matching dollars for federal funds and they could not afford to wait again. Though it is expensive, it would be more expensive to try to keep increasing lane miles for vehicle traffic.

As the Mayor, he promised to tell the truth and not to force his staff to be the bearers of bad news. When he realized that they could not close or move the city dump, he was the one to go to the people in the area to explain the decision to them.

He challenged the conference with the observation that they are in public service to improve the quality of life for their citizens. To make that happen they must manage their finances well. He tells his staff to "give him good news fast and bad news faster". He stays involved in the actual work and is available to staff and citizens. He is an agent of change and is not afraid to make mistakes and to fess up to a mistake early. And most of all, to get things done, he suggested that "execution of a good idea and persecution during the process will make it successful".

Finally he left the group with the suggestion to follow the Mahalo principle. Thank your staff, every day.

Challenges Facing OIA and the Insular Areas: Receivership and 'High-Risk' Programs

Nikolao Pula, Director, United States Department of the Interior, Office of Insular Affairs, discussed the challenges facing OIA and the insular governments with programs and/or departments in receivership or identified as 'high risk'. He thanked IGFOA for all the progress and leadership it provided with single audits. He reviewed the progress made on single audits and commented on the contributions made by IGFOA and its members. He closed by asking IGFOA and its membership to take an equally aggressive leadership role in preventing departments and agencies from going into receivership or being identified as high risk. Mr. Pula also asked the finance officers to help the programs and departments already in receivership or on high risk to resolve their problems so they can be return to a normal status. He noted the great expense and additional workload required to meet the increased requirements of receivership and high risk status. Ms. Tinitali of OIA noted that federal agencies seem to be putting greater emphasis on the capabilities of the governments' financial management systems. She mentioned that the federal agencies expect the systems to provide real-time, accurate, complete, and transparent financial information to all users on-line.

What is a Finance Office Assessment and Why is it Important?

Ms. Milks reviewed the recent history of improvement in the finance office operations of IGFOA members. Over the last 6 years the annual financial and single audits have dramatically improved in timeliness and quality. She suggested that in the spirit of a "culture of improvement" the next step is to focus on the efficiency and effectiveness of the whole finance office and the best way to start is with a finance office assessment. Ms. Milks attended the GFOA pre-session on assessing the finance office function and shared the highlights with the group. She compared and contrasted the areas which were the focus of the different assessing organizations, Standard & Poor's, GFOA and our own IGFOA. (See Appendix F for the slides from Ms. Milks's presentation.)

Benefits of a Finance Office Assessment

Mr. Charles Cox, the Director of Finance at Farmers Branch, Texas, spoke to the conference about the benefits of having a third party assessment of the finance office function. Standard & Poor's (S&P) rating agency performed an assessment for Farmers Branch in 2006. The S&P assessment allows a government to better understand how bond ratings are developed so that they are able to work on correcting weak areas. For instance, in those areas where Farmers Branch was rated "standard" they have been able to adopt new best practices, ensuring that employees annually confirm that they have read the ethics policy, requiring each department director to sign the management representation letter, and adding a survey of citizens to the performance measures.

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Mr. Cox summed up the lessons learned and the benefits of a finance office assessment as follows:

- It is a great benchmarking exercise.
- It allows the office to understand its strengths and weaknesses.
- Management and staff realize exactly what needs improvement.
- It results in improved credit rating review preparedness.
- It fosters greater stakeholder transparency and trust in the office operations.
- When recommendations are implemented, it results in improved service delivery.

(The slides from Mr. Cox's full presentation are in Appendix G.)

Government Accounting Standards Update

Mr. Crawford presented an update on GASB standards for the next few years. He noted the GASB statements which are effective this year or are on the immediate horizon are:

- GASB 45, Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions, requires that the government recognize retirement benefits such as health care while employees are still working. The benefits covered are not only those which the government is legally required to provide but those which they are "morally" required to provide because of normal practices.
- GASB 49, Accounting and Financial Reporting for Pollution Remediation Obligations, requires a government to record the expense and liability for remediation regardless whether there are any regulatory or legal requirements to clean up a polluted site owned by the government.
- GASB 52, Land and Other Real Estate Held as Investments by Endowments, is not likely to apply to the IGFOA members.
- GASB 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, and GASB 56, Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing, are organizational in nature and clear up some gaps in the government accounting standards.

Statements which are applicable in 2010 and beyond include:

- GASB 51, Accounting and Financial Reporting for Intangible Assets, provides further detail of the definition of an intangible asset as first required by GASB 34.
- GASB 53, Accounting and Financial Reporting for Derivative Instruments, may apply to the IGFOA members if their governments invested in such financial instruments.
- GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions, will have the most direct and important effect on the IGFOA members. Mr. Crawford explained the new definitions

of fund balance and special revenue funds. IGFOA members must adjust their financial statements and explain the changes to users in the near future. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010 and early implementation is encouraged.

A full copy of Mr. Crawford's presentation can be found at Appendix H.

Finance Office Self-Assessment

Debbie Milks described an assessment conducted by the Salisbury, Maryland, finance office. She briefly presented the situation in the office that prompted the assessment and the results of the assessment. (See Appendix I for the slides from this presentation.)

Conditions

- Major changeover in personnel
- Major exceptions on the audit (which was two years late)
- Backlog in finance, including billings, bank recon, and posting audit journals
- Finance office was overwhelmed by report requests from governing bodies
- Finance director requested funds to hire additional accounting clerks

Results

- Validation of the need for more staff, but not the staff they asked for
- Reduce busy work by using the system better and re-engineering processes
- Provide software training to staff
- Have regular staff meetings
- Hired an accountant/financial analyst

She then compared the components of three different assessments conducted by GFOA, Standard and Poor, GFOA, and IGFOA:

GFOA

- Process financial transactions
- Maintain control & oversight
- Produce timely & accurate reporting
- Provide decision support & analysis

Standard and Poor

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- Budgeting & Long-Range Planning
- Internal Controls & Financial Reporting
- Performance Measurement & Analysis
- Redundancies & Transition Planning

IGFOA

- Operations
- Resource Availability
- Leadership
- Staff
- Results
- Processes
- Human Resource Programs
- Role in Government

Ms. Milks and Steven Medlin then led the participants through a process in which each government assessed its own finance offices using the IGFOA assessment tool (Appendix J). First, the participants read the assessment tool and clarified issues and definitions. Based on this review, the participants made several suggestions for changes:

- The FMIS management scale needs to include planning for training on future system upgrades, enhancements, and implementations.
- The Leadership dimension needs to include grantors in the External Relations scales.
- All documentation needs to be user-friendly and easily accessible to users.

In the general feedback about the assessment process, the participants discussed the performance appraisal/management processes in their governments and stressed the need for a more thorough and effective process, not just the current process of filling out the forms. The participants also debated the advantages and disadvantages of including their peers on the external assessment teams. Most governments thought it was a good idea and would be a great development opportunity, but the logistics (time away from the office, expense) may make it impractical.

Once the participants felt comfortable with the tool and the definitions of its components, each government rated its finance office on each of the dimension in the assessment tool. The participants also rated how important each component of the assessment tool was to its finance office. (These data are summarized in Appendix K.) Using their assessment data, each government then identified the two areas in which it had the greatest challenges (Appendix L).

Assessment Dimensions	Average rating	Average Importance
1. Operations	2.8	4.9

2. Resource Availability	2.8	4.7
3. Leadership	2.7	4.5
4. Staff	2.3	4.7
5. Results	3.1	4.9
6. Processes	2.2	4.7
7. Human Resource Programs	2.2	4.6
8. Role in Government	4.4	4.7

In debriefing this exercise, participants indicated the assessment was easy to use and covered all of the most important aspects of finance office operations and performance. During the discussion participants agreed that 'Ethics' should be added as an additional component of the assessment.

OIA's Strategic Plan

Nik Pula presented the OIA strategic planning process and the evolution of its strategic plan over the last few years. The GPRA of 1993 required all federal agencies to develop strategic plans, desired outcomes, and measures of performance. The DOI developed a strategic plan for all of its subordinate bureaus and agencies that included performance measures. As part of the DOI plan, OIA is responsible for one End Outcome Goal--Increase the Economic Self-Sufficiency of Insular Areas--and for the end outcome performance measure of 'federal assistance as a percentage of gross domestic product (GDP) for insular economies'. Due to the difficulties in collecting insular areas' GDP, OIA has been using an annual proxy measure—the ratio of Federal revenue to total revenues in insular areas.

In 2008 OIA undertook an effort to update its strategic goals and performance measures. After extensive data collection and stakeholder input, OIA revised its goals to better reflect its mission and the needs of its stakeholders:

End outcome goal—Empower Insular Communities

Intermediate outcome goal—Improve Quality of Life

Intermediate outcome goal—Create Economic Opportunity

Intermediate outcome goal—Increase Technical Planning and Financial Oversight Abilities

Mr. Pula stated these goals had recently been mailed to the heads of the insular governments for their review and comment. (See Appendix M for narrative descriptions of the goals.) OIA is still in the midst of its strategic planning process. After the goals have been finalized, OIA will develop performance measures for the goals, distribute the measures to the islands for review and comment, finalize the

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measures, then develop and implement the processes to collect, analyze, and report the performance measurement data.

Guest Speaker: Charmaine Tavares, Mayor, Maui County

Charmaine Tavares, the Mayor of Maui County, shared her experiences with managing an island government in times of economic crisis. She noted that all the islands have the unique challenge of isolation. Being isolated from the fuel oil which powers the island has prompted Maui to take an innovative and aggressive approach to energy independence. From retrofitting offices to using flex fuel cars, their goal is to get 90% of their power from green sources by 2030.

Maui has met some of the economic troubles by using collaboration (combining the back office operations of 3 social services organizations), imaginative funding (obtaining grants to make up for loss of local government revenues), and generally doing the same amount of work with less money. She did not cut construction projects as they are the economic engine of the county and would cost more later. They have applied for \$200M in ARRA funding (expecting to receive \$40M) and are going forward with projects using county funds while waiting on the federal government grants. Maui is using all the tools it has to continue operations. The county has increased property taxes, increased rates for services, established 2 day per month furloughs, and suspended purchases of equipment.

The Mayor also spoke about emergency preparedness. Since Hawaii has 6 of the 7 typical natural disasters, it is required that the island community has plans and staff in place before a disaster occurs. She suggested that one of the lessons of Katrina is to have intergovernmental agreements (such as Guam and the CNMI could do) for support and communication during disasters.

The Mayor generously offered to pass information she learns about ARRA requirements and energy pilot projects to the island governments.

“Government Procurement: Leveling the Playing Field While Getting the Most Bang for the Taxpayers Buck”

Marion Higa, the State Auditor of the State of Hawaii, and Calvin Hangai, Administrative Deputy Auditor, discussed how to manage the procurement process to ensure all laws and regulations are followed, the process is completely timely and fairly, and the procuring agency gets the product or services it needs. (See Appendix N for the slides of the presentation.) Ms. Higa gave a brief history of procurement laws in Hawaii. Until 1992 the procurement code allowed for decentralized procurements with few controls. The code left many ‘gray’ areas in which confusion and unfair practices frequently occurred. From 1992-1994 Hawaii revised its code and established its principles of procurement:

- Provide fair and equitable treatment of all parties,

- Make sure public employees to foster confidence in government procurement,
- Provide no unwarranted privileges or favoritism,
- Foster broad based, open competition for lowered costs,
- Allow post award change orders only for compelling reasons, and
- Ensure consistency among agencies along with safeguards for quality and honesty.

Mr. Hangai provided the auditor's perspective on procurement and identified areas susceptible to fraud, waste, and abuse in the procurement process. He emphasized the importance of following the procurement rules and regulations and documenting every step in the process and every decision made. Many procurement problems are caused because documentation is insufficient or cannot be located. He identified the Fraud Triangle—Opportunity, Pressure, and Rationalization. Mr. Hangai then led the participants through a procurement case study and identified all the errors made by the procuring agency and the consequences of those mistakes. He closed his talk by discussing the actions agencies could take to prevent fraud in the procurement process. (Appendices O-1 to O-7 provide compliance standards, checklists, and other tools that can be used to improve the procurement process.)

“ARRA Compliance and Reporting Requirements: A Maui Perspective”

Ms. Gentz works with the Community Development Block Grant (CDBG) in Maui County and shared her experiences with the ARRA funds. Maui has been notified that it has been granted \$11.3M in ARRA funds, but has not yet received actual cash. In the meantime, the County is expending its own funds to start the projects.

One of the challenges that Ms. Gentz mentioned with the ARRA funds is that the reporting requirements change dramatically depending upon whether you receive the funds through existing programs or new projects and whether it is directly or through another agency.

She noted an interesting exception to the “buy American” requirement is that it does not apply to non-profit agencies. (Additional information on ARRA funding in Maui is at Appendix P.)

Panel Discussion: The Evolving Role of the Finance Office

In previous IGFOA the Finance Officers identified the changing demands on their offices as one of the greatest challenges they face over the next few years. To explore this issue further, Debbie Milks led a panel discussion of the evolving role of the finance office. The panel comprised:

- Robert Schrack, CNMI
- Lourdes Perez, Guam
- Charles Cox, Farmers Branch, Texas
- Angel Dawson, USVI,

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- Jackson Ading, Republic of the Marshall Islands

All of the panelists reported the demands on their offices, and on both their staffs and themselves, were changing. The workload has been becoming more analytical than transactional. The role of the office has been moving from being 'enforcer' to being consultant and adviser. The skills required of staff have become more demanding—higher level analysis, greater technical knowledge, stronger interpersonal and communications skills. Each government mentioned the challenges in fulfilling these new roles and the even greater difficulty in acquiring and developing the staff capabilities to perform the new work effectively.

What tasks outside the typical finance office tasks have you been asked to do?

CNMI—The CNMI has been asked to be involved in areas outside of finance. Some of these areas were the retirement fund, health insurance, gross domestic product, and federal reporting. They have also been asked to do more analyses and make recommendations rather than the more typical financial transaction and reporting tasks.

Guam—The Department of Administration has been engaged in many more high level tasks with non-traditional entities like the courts, advisory boards, and receiverships. The nature of the work has changed into more high level consulting, in depth advising on how to address longstanding audit issues, and providing project management expertise to other departments. DOA has also been involved in areas outside the typical finance area—child support, tax, hospital cash flow, health and human services.

Framers Branch, Texas—In the city government, all of its activities revolve around finance. The finance office is involved in virtually all city programs and departments. The finance office does internal consulting now: transaction processing has been automated or decentralized. The finance office regularly does 'efficiency studies' in the line agencies and helps to manage the performance measurement process. The office and its staff have to establish trust with their line departments. Serving in the traditional enforcement role undermines this trust.

USVI—The legal mandate for the finance office puts them on boards for the hospital, the lottery, tax, transportation and other areas providing government service. The office also reviews and provides testimony on all legislation involving finance or economics. The office has moved away from transaction processing to an advisory or 'help desk' role. The office is trying to develop higher level skills in its staff to enable them to prepare their own financial statements.

RMI—In the Marshall Islands, the finance office advises on taxes and the tax system and provides resources and advises component units on accounting, audits, and year-end closing. The finance office established a Finance Office Association to improve communication with, provide training for, and coordinate activities with component units and other departments. The office is very proactive; it trains other financial staff, anticipates and mitigates problems, and keeps the component units on track for the audit.

American Samoa—Two years ago all it did was pay the bill and certify funds. Now they advise, consult, and teach. The finance office is now involved from the beginning of projects through their entire life cycle. To summarize the change, ASG sees its role as:

Old role—'you just certify funds'.

New role—'ensure funds are spent effectively and appropriately'.

Does the finance office have adequate staff and appropriate staff capabilities?

RMI—Adequate staff, working on skills mix.

USVI—Adequate staff, wrong skill mix. The work paradigm has changed from transactional to analytical and the staff capabilities have not changed fast enough to keep up.

Farmers Branch—Adequate staff with appropriate skills. They moved from transactions processing by applying technology, decentralizing certain functions, and doing more exception based transactions.

Guam—Not enough total staff, but probably enough accounting staff. The office currently has 40% less staff than 10 years ago. The office has been aggressively trying to hire CPAs and upgrade the skills of the existing staff. The office is also requiring an Associate's degree for newly hired accounting technicians. One of the biggest problems is the lack of writing skills among the staff.

CNMI—Adequate staff, but not appropriate skills. The finance office has shrunk 40-50% over the past few years. The staff now evaluates transactions, not just enter them.

Do you worry about staff making mistakes?

Guam—No, the office has controls in place to ensure mistakes are rare.

Farmers Branch—No, overstepping the office's mandate is expected these days. One needs to trust the staff to do the right thing.

USVI—No, the office uses written agreements, MOUs, and other documentation to control the advisory process.

CNMI—No fear of overstepping its mandate.

RMI—absolutely not worried. The culture is collective decision-making, so it is not really an issue.

Finance Office Performance Measures

Dr. Medlin provided feedback on the self-assessments completed by the participants the prior day (Appendix K). All of the assessment tool dimensions and sub-dimensions were considered highly important and the governments each found significant opportunities for improvement. He then asked

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the participants to develop performance measures for each of the dimensions on the assessment tool. Charles Cox mentioned some of the measures used by Farmers Branch and Debbie Milks presented measures used by other finance offices. The participants then broke into groups and developed 2-3 measures for each of the assessment dimensions (Appendix Q).

Ms. Milks and Dr. Medlin agreed to take the measures provided by the participants and develop a smaller list of measures, with their operational definitions, for the review and approval of the IGFOA members. This list of measures would be provided to the IGFOA members by January 15, 2010. Once IGFOA approves a final set of measures, the measures would be collected and reported by the government finance offices. The governments will start to collect data on the measures in 2010 and provide interim reports to Ms. Milks in March and May 2010. The performance measures will be reported and discussed at the spring and fall IGFAO conferences in 2010. Eventually, the measures will become part of the A.F.T.E.R. Analysis, OIA's performance measures, and possibly even become competitive criteria for Technical Assistance grants.

Government Specific Action Planning to Address Risks from the Self-Assessment

As the final conference exercise, the governments identified the 2-3 highest priority issues from their self-assessments and developed action plans to address these issues (Appendix R). Participants agreed to develop detailed plans and provide them to OIA and PITI/VITI by January 30, 2010. Ms. Milks will follow up with the governments to make sure the plans are completed and implemented. Interim status reports will be requested about March 15 and more complete status reports will be requested in mid-May. The governments will report on their progress on implementation of their plans at the spring and fall IGFOA meetings in 2010.

Overview of the OIA Budget and Grant Reporting Requirements

Charlean Leizear, OIA's Director of Technical Assistance, provided an overview of the 2010 Office of Insular Affairs Budget (Appendix S). Ms. Leizear said OIA had \$28.7 million in discretionary spending. She currently has \$11 million in TA requests and only \$6 million in funding. Her office is reviewing the requests and should be able to provide information about which grants have been approved very soon. She also mentioned that her office may develop and apply competitive criteria for TA grant awards similar to what has been done for CIP grants.

In other OIA news, DOI is implementing a new financial management system. OIA will not be transitioned to the new system until October 2011. At that time, the governments will be able to conduct business with OIA almost entirely electronically. OMB has also issued a new form for grants reporting. OMB SF 425 will replace SF 269 and 272. OIA wants governments to start using the new form immediately.

Conference Evaluations

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

- 1) The IGFOA conference sessions were relevant and timely. Score: 4.8
- 2) The conference's objectives were substantially met. Score: 4.7
- 3) Logistics for bringing participants to and from Kona were handled satisfactorily. Score: 4.7
- 4) The conference site (hotel) was comfortable and conducive to the meeting. Score: 4.6
- 5) Support services by the Graduate School staff during the conference were handled well and in a timely manner. Score: 4.8
- 6) Overall, this conference of the Island Government Finance Officers' Association (IGFOA) was: Excellent (5)....Very Good (4)....Average (3)....Fair (2)....Disappointing (1). Score: 4.8

The narrative comments about the conference were equally positive. Participants particularly liked the guest speakers and the finance office self-assessment. They also cited previous IGFOA conferences for the improvements they have made in single audit results and progress with corrective action plans.

Appendix A: Conference Agenda

ISLAND GOVERNMENT FINANCE OFFICERS' ASSOCIATION (IGFOA)

Annual Meeting

Westin Seattle

Seattle, Washington

July 1 – 2, 2009

The theme for the 103rd Annual Conference of the GFOA is “Financial Strategies for Challenging Times.” This concept is certainly applicable for the insular governments and will carry over to the IGFOA meeting. The objectives of the IGFOA Meeting are to:

1. Provide IGFOA members the information needed, and opportunity, to conduct a self-assessment/risk assessment of their own finance offices.
2. Build government-specific plans to address the risks identified in the self-assessment.
3. Exchange information on the latest *Performer* analysis and accounting standards changes.
4. Provide training to IGFOA members in procurement, accounting best practices, and management/leadership.
5. Discuss current hot topics—key issues affecting OIA, OIA’s new strategic plan, ARRA implementation, reporting and accounting requirements, receivership and high-risk programs.

Monday, December 7th

3:00 – 5:00 pm Conference Registration

Registration table located outside the Lokelani Ballroom

Tuesday, December 8th

7:00 – 8:15 am Breakfast (Lokelani I)

8:30 am Welcome
Commissioner Angel Dawson, U.S. Virgin Islands/President, IGFOA
Nikolao Pula, Director, Department of Interior/Office of Insular Affairs
Jack Maykoski, Senior Executive, Graduate School

8:45 am Review agenda and introductions
Steve Medlin, Facilitator

9:15 am Government Updates
Moderator: Debbie Milks, CPA

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Presentations (10 minutes each):

- American Samoa
- Commonwealth of the Northern Mariana Islands
- Federated States of Micronesia
- Guam
- Republic of the Marshall Islands
- Republic of Palau
- U.S. Virgin Islands

10:30 am	Break
10:45 am	Perfometer Updates Frank Crawford, CPA
12:00 pm	Group Photo
12:15 – 1:15 pm	Lunch Speaker: Mufi Hannemann, Mayor, City and County of Honolulu
1:15 pm	Challenges Facing OIA and the Insular Areas: Receivership and 'High-Risk' Programs Nikolao Pula, Director, Department of Interior/Office of Insular Affairs
1:45 pm	What is a Finance Office Assessment and why is it important? Debbie Milks, CPA
2:00 pm	Benefits of a Finance Office Assessment Speaker: Charles Cox., Director of Finance, Farmers Branch, TX
2:45 pm	Break
3:00 pm	Government Accounting Standards Update Frank Crawford, CPA
4:00 pm	'Ask the Auditors' Frank Crawford, CPA, Debbie Milks, CPA, Marina Tinali
4:30 pm	Adjourn
5:30 pm	Reception: Hosted by Bank of Hawaii Pacific Terrace Rooftop

Wednesday, December 9th

7:00 – 8:15 am	Breakfast
8:30 am	Review results from Tuesday and overview of today's agenda
8:45 am	Finance Office Self-Assessment: Issue Clarification and Definition Small group exercise: Steve Medlin and Debbie Milks
9:45 am	Performing the Self-Assessment Small Group Exercise: Steve Medlin and Debbie Milks
10:15 am	Break
10:30 am	Prioritizing the Issues from the Self-Assessment Small Group Exercise: Steve Medlin and Debbie Milks
11:00 am	Report out: Self-Assessment Issues, Definitions and Measures Government Groups
11:45 am	OIA's Strategic Plan Nikolao Pula, Director, Department of Interior/Office of Insular Affairs
12:15 – 1:15 pm	Lunch Speaker: Charmaine Tavares, Mayor, Maui County
1:15 pm	"Government Procurement: Leveling the Playing Field While Getting the Most Bang for the Taxpayers Buck" Marion Higa, Hawaii State Auditor Calvin Hangai, Administrative Deputy Auditor, Office of the State Auditor
3:15 pm	Break
3:30 pm	"ARRA Compliance and Reporting Requirements: A Maui Perspective" Speaker: Carol Gentz, CDBG Program Manager, Office of the Mayor, County of Maui Questions and Answers
4:30 pm	Adjourn
5:00 – 9:00 pm	Lahaina Trip (Optional) Transportation Provided

Thursday, December 10th

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7:00 – 8:15 am	Breakfast Lokelani 1
8:30 am	Review results from Wednesday and overview of today's agenda
8:45 am	Panel Discussion: The Evolving Role of the Finance Office Panelists: <ul style="list-style-type: none">• Robert Schrack, Acting Secretary of Finance, CNMI• Lourdes Perez, Director, Department of Administration, Guam• Charles Cox, Director of Finance, Farmers Branch, TX• Angel Dawson, Commissioner of Finance, U.S. Virgin Islands• Jack Ading, Minister of Finance, RMI Moderator: Deborah Milks
9:45 am	Finance Office Performance Measures Dr. Steven Medlin
10:15 am	Break
10:30 am	Government specific action planning to address risks from self-assessment Small group exercise: Government groups Steve Medlin and Debbie Milks
11:15 am	Report out: Government specific action planning
11:45 am	Overview of the OIA Budget and Grant Reporting Requirements Charlene Leizear Director of Technical Assistance, DOI/OIA Questions and Answers
12:15 pm	Lunch
1:15 pm	Conference Wrap-up Advancing the plans Summary of progress during this session Next steps Conference evaluation
2:00 pm	Adjourn

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Appendix C: Participant Expectations and Previous Conference Themes

New Participant Expectations

- Understand role of finance officers
- Understand reporting systems
- Understand how to manage funds and property
- Learn best practices of other offices
- Bring back ideas to implement at home
- Meet other finance offices and learn how they serve their communities

Previous Conference Themes

- Audit Improvement Project
- ARRA Funding
- Human Resources
- Onboarding new employees
- Best Practices
- Finance Office Assessments
- GASB Updates, Accounting Standards
- Procurement Procedures
- Performer
- GASB-34
- Succession Planning
- Leadership in the 21st Century
- Performance Management

Appendix D: Slides from Guam Status Update Presentation

Government of Guam

Department of Administration

IGFOA

December 2009

High Risk Agencies

Departments:

- *Department of Public Works – Office of Highway Safety (January 2000)
- *Department of Parks and Recreation (June 2004)

Affects:

- * Finance Office needs to provide supporting documents for all program/ project cost claims for reimbursements
- * TEDIOUS process

Reasons for High Risk

- DPW – OHS
 - Not enough staff
 - Slow document processes
 - Weak DPW financial and management controls

- DPR
 - Project product and program activity reports not submitted on time

Plans to remove high risk

- DPW – OHS
 - Staff (adequately staffed as of FY2008)
 - Document process (working with grantor and management)
 - Financial and management controls (newly hired FHWA coordinator with adequate training)

- DPR
 - Project product and program activity reports not submitted on time (working with grantor)

Finance Office Measures

- Does the finance office staff track any performance or output measures on regular basis?
 - YES
 - WORKPLAN MEETINGS (quarterly)
 - CHECKLIST

Division of Accounts
Work Program

Work Program	Prime Mover	Concurren	Contributor(s)
Accounts Receivable			
Customs & Quarantine	Joey	Ray	Annie / Vicky
Tipping Fees	Joey	Ray	Ding / Joey
Bounced Checks	Joey	Ray	Hermie / Vicky
Travel	Joey	Ray / Tony T.	Jennifer / Joey
Tenda (GSA)	Joey	Ray	Annie
Federal	Peter	Ernie	Alexan / Lucy / Mike
Reconciliation	Joey	Toni C. / Noe / Joey	Andy / Noe / Pete
Accounts Payable			
Vendors	Joanne	Trudy / Appn. Sec.	Rose / Anita
Accrued Expense	Noe	Noe	Joanne
Misc. Payables	Noe	Noe / Joanne / Rolando	Joanne / Joey / Andy / Joanne
Contract Retention	Goody	Elaine / Katrina	Myra
Dormant Accounts	Joey	Tony T.	Tony T.
State-issued Checks	Noe	Joanne / Joey / Andy	Joanne / Jennifer / Andy
Child Support	Noe	Noe / Tony T.	Child Support Sec. / Tony T.
Contracts	Goody	Elaine	Maria
Revenues	Goody	Elaine	DRT / Rose
Receipts	Tony T.	Tony T.	Various Depts.
Cash / General Fund	Noe / Joey	Toni C.	Andy / DRT / TOG / Maria / Ray
Bond Funds	Goody	Elaine	Myra
Appropriations	Rolando / Martha	Rolando / Martha	Rolando / Martha
General Fund Recon	Rolando / Martha	Rolando / Martha	Rolando / Martha
Special Fund Recon	Rolando / Martha	Rolando / Martha	Rolando / Martha
CAFR	Rolando / Martha	Rolando / Martha	Rolando / Martha
Special Projects, etc.	Rolando / Martha	Rolando / Martha	Rolando / Martha
Invoices	Louisa	Appropriation Section	Appropriations
Appropriations	Susan	Peter / Rolando / Martha	BIMM
Encumbrances	Susan	Peter	Depts. / GSA
Fixed Assets	Kathy / Noe	Ken B. / John / Eliseo	Eliseo / Appropriations / Dept.
Financial Statements	Kathy	Goody / Mike	Staff

Division of Accounts' Section Functions chart

Department of Administration Division of Account Federal Grants/ Single Audit and Compliance Branch Post Financial Status Report Checklist Grant:	
Department/Agency: _____ Travel Clearance - verified with GL travel section on outstanding travel encumbrances <input type="checkbox"/> Yes <input type="checkbox"/> No Remarks: _____	
Expenditures are all paid out <input type="checkbox"/> Yes <input type="checkbox"/> No Remarks: _____	
Drawdowns are all completed <input type="checkbox"/> Yes <input type="checkbox"/> No Remarks: _____	
Calculated and completed drawdown for funded COET <input type="checkbox"/> Yes <input type="checkbox"/> No Remarks: _____	
Sub-ledger reflects zero balance Please attach print out of Sub-ledger to final SP368 or SP 428 <input type="checkbox"/> Yes <input type="checkbox"/> No Remarks: _____	
Inform agency to de-obligate outstanding encumbrances <input type="checkbox"/> Yes <input type="checkbox"/> No Remarks: _____	
Single audit findings resolved <input type="checkbox"/> Yes <input type="checkbox"/> No Remarks: _____	
Single Audit Question COET resolved <input type="checkbox"/> Yes <input type="checkbox"/> No Remarks: _____	
Corrective Action provided to the Grantor <input type="checkbox"/> Yes <input type="checkbox"/> No Remarks: _____	
Prepared by: _____ Date: _____	

STAFF

- Staffing
 - Hire three new accountant positions
 - General Accounting Supervisor
 - Chief Auditor
 - Accountant III

- Staff Skills and Experience
 - Executive Leadership Development Program
 - Doc Sanchez Program
 - Advance Excel Training

ARRA FUNDS

- How do you rate your government's compliance with ARRA terms & conditions?
 - 8 out of 10
 - New process
 - Room for improvement

Finance Office involved?

- Division of Accounts handles the approval of the AOR (authorized organization representative).
- Each agency is assigned at least two AOR
- Once authorized, system will grant them PIN numbers to access the web-based program (federalreporting.gov)
- DOA also offers technical support

FY2009 Audit

- Have you started?
 - YES
- Are you expecting to have the audit completed on time or early?
 - **May 2010**
- Have you made any changes with how your staff responds to audit requests or with the auditor's deliverables?
 - **Yes, the accountants are responsible for assisting agencies in resolving findings and questioned costs and also providing responses to grantors with regards to corrective actions.**

Appendix E: Slides from Performer Update Presentation

Performer[®] Update

IGFOA Conference 2009
Graduate School
Prepared and Presented by Frank Crawford, CPA
Crawford & Associates, P.C.
www.crawfordcpas.com
frank@crawfordcpas.com

The logo for Crawford & Associates, featuring a stylized blue and black graphic of a person or a flame, with the text "CRAWFORD & ASSOCIATES" to its left.

Topics for today

- ▶ A brief review of what the *Performer* is (and what it is not...)
- ▶ Review of factors and circumstances contributing to the 2008 scores
- ▶ Provide an update on the most recent *Performer* scores

The logo for Crawford & Associates, featuring a stylized blue and black graphic of a person or a flame, with the text "CRAWFORD & ASSOCIATES" to its left.

A brief review...

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



Factors and Circumstances for 2008

- ▶ For most, the fiscal year ending September 30, 2008 was not a good year financially
 - Continued decline or stagnant tourism contributed to an economic downturn
 - Market value of investments held declined dramatically between June 2008 and September 2008
 - Pension plan woes
 - Spending patterns were mostly unchanged, but revenue streams declined (for most)
 - Fund balance deficits and net assets deficits either increased or at least increased when compared to the level of annual revenues

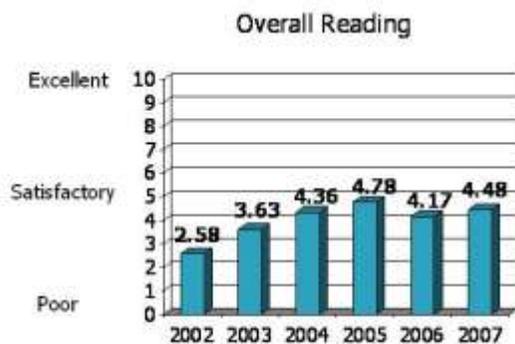


Factors and Circumstances for 2008

- ▶ Good news though (or bad news, depending on how you look at it)
 - Most governments, when not considering component units, are receiving unqualified (clean) opinions on their financial statements
 - A few are even receiving unqualified opinions on their compliance with federal program monies (Single audit)
 - A few even have no questioned costs, or very little questioned costs



VI Performer® Reading

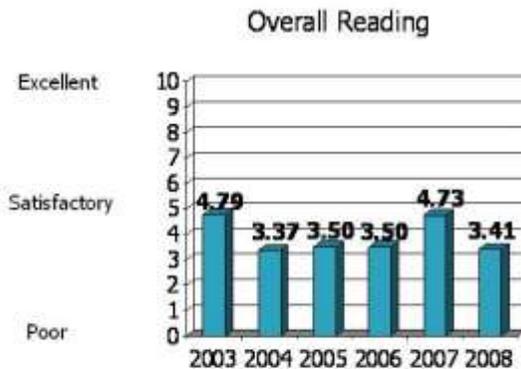


The 2007 reading of 4.48 indicates the evaluator's opinion that the VI's overall financial health and performance continued to be slightly below satisfactory as of and for the fiscal year ended September 30, 2007, however the reading indicates an improvement over the prior period.

These improvements noted in the current year reading are due in a large part to the unrestricted net assets level, excellent intergenerational equity, and continued improvements in General Fund unreserved fund balance. However the reading is tempered by high tax and debt burdens per capita (when compared to other insular governments), and a high debt to asset ratio.



Chuuk Performer® Reading

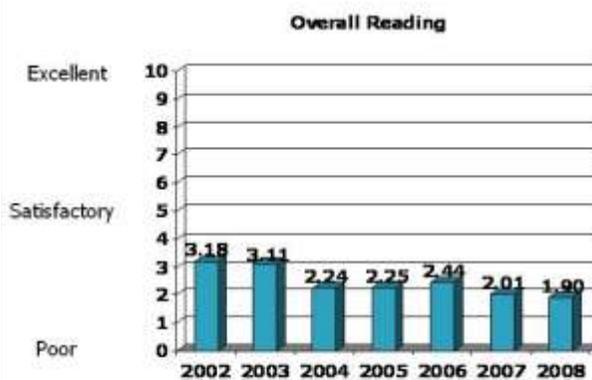


The 2008 reading of 3.41 indicates that in the evaluator's opinion, Chuuk's overall financial health and performance is considered less than satisfactory as of and for the fiscal year ended September 30, 2008, and a significant decrease from the score in the prior period. Much of the decline is the result of the \$2.3 million decrease in the fair value of investments.

However, Chuuk's low level of unrestricted net assets, insufficient General Fund unreserved fund balance, low revenue dispersion, and insufficient current and quick ratios are the primary reasons for the continued less than satisfactory reading of the current year.



CNMI Performer® Reading

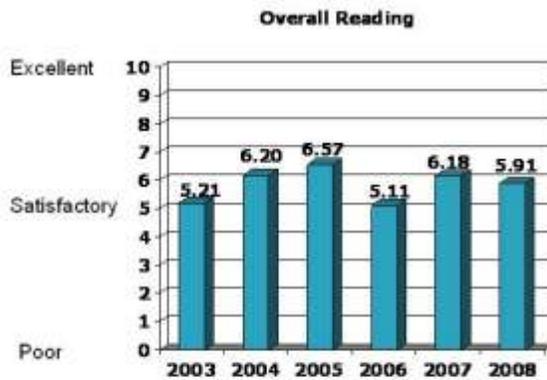


The 2008 reading of 1.90 indicates the evaluator's opinion that the CNMI's overall financial health and performance continued to be less than satisfactory as of and for the fiscal year ended September 30, 2008, with continued declines in the reading when compared with the prior periods.

In addition to a \$40 increase in the amounts due to the employee benefit plans system, the current year increase in the net assets deficit, the deficit unrestricted net assets, the General Fund's fund balance deficit, and its insufficient current and quick ratios are the primary contributing factors to the continued low readings.



FSM Performer[®] Reading

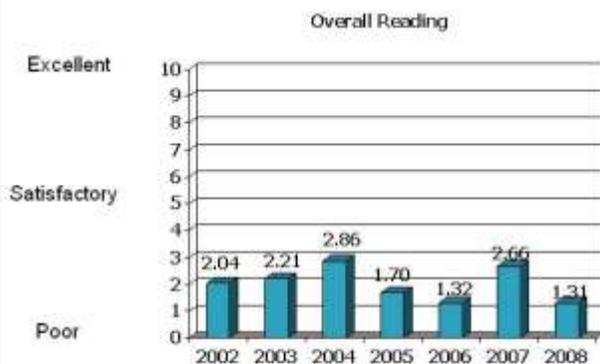


The 2008 reading of 5.91 indicates the evaluator's opinion that the FSM National Government's overall financial health and performance has slightly declined over the past period, yet is still considered above satisfactory.

The FSM's increase in net assets, unrestricted net assets level, excellent intergenerational equity, General Fund unreserved fund balance, and low tax and debt burdens per capita are the significant factors in the above satisfactory reading of the current period.



Guam Performer[®] Reading

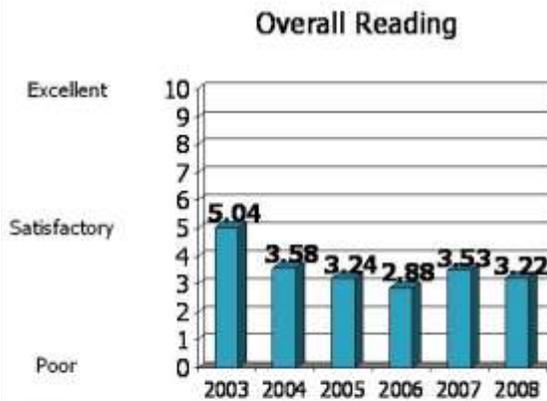


The 2008 reading of 1.31 indicates the evaluator's opinion that GovGuam's overall financial health and performance declined from the rating of the previous year, mainly due to the financial position and performance in the 2008 fiscal year.

The government's increase in the net assets deficit, along with an decline in the General Fund unreserved fund balance deficit ratio, are the primary causes for the decline. Factors such as the pension plan funding woes, the sizes of the unrestricted net assets deficit and the General Fund unreserved fund balance deficit, along with insufficient current and quick ratios continue to contribute to a low overall reading.



Kosrae Performer® Reading

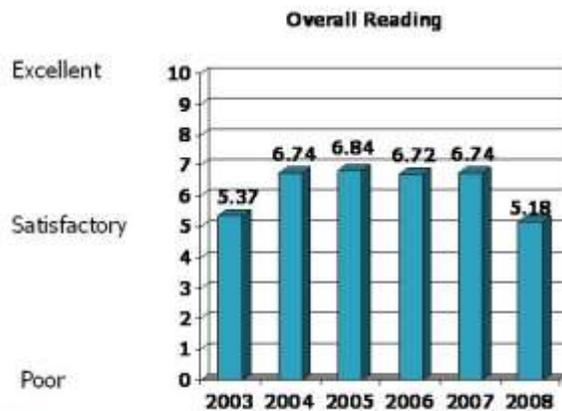


The 2008 reading of 3.22, indicates the evaluator's opinion that Kosrae's overall financial health and performance are less than satisfactory as of and for the fiscal year ended September 30, 2008, although the decline from the prior period was not significant.

Kosrae's decline in net assets, insufficient intergenerational equity, insufficient unrestricted net assets and unreserved fund balance of the General Fund, limited useful lives remaining of capital assets, and low current and quick ratios are the primary cause of the continued low readings. In addition, the transfer of \$13 million of capital assets to the Port Authority component unit also contributed to the decline.



Pohnpei Performer® Reading

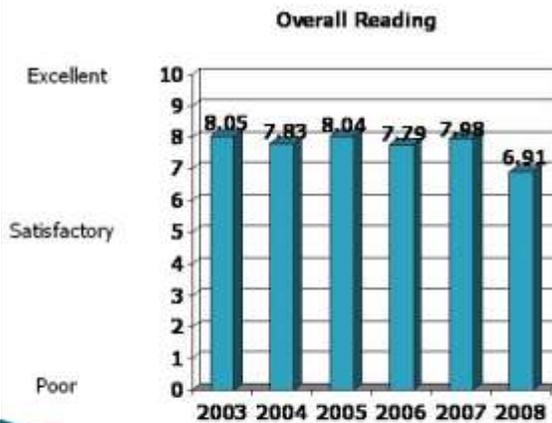


The 2008 reading of indicates the evaluator's opinion that Pohnpei's overall financial health and performance is considered slightly above satisfactory, but has declined from the score of the prior period.

While General Fund fund balance remains strong, many of the other ratios suffered a decline during the year. However, some of this decline is related to the \$3.7 million decrease in the fair market value of investments that occurred during the year.



Yap Performer® Reading

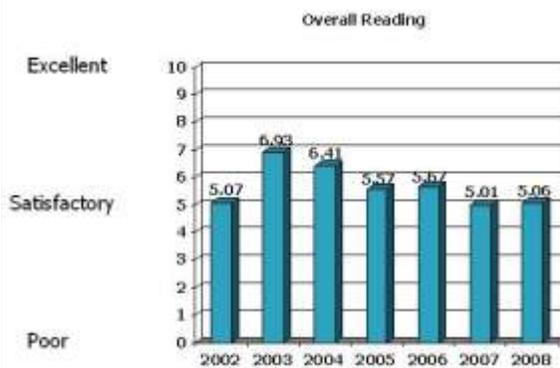


The 2008 reading of 6.91 indicates the evaluator's opinion that the Government of Yap's overall financial health and performance is well above satisfactory, although a significant decline from that of the prior period. The decline is due mostly to the approximately \$9.9 million decline in the fair value of investments.

Yap's level of unrestricted net assets, the General Fund's level of unreserved fund balance, low tax and debt burdens per capita, an excellent debt-to-asset ratio, and excellent current and quick ratios are the primary reasons for the continued favorable readings, although all of the favorable ratios experienced some level of decline during 2008.



ASG Performer® Reading

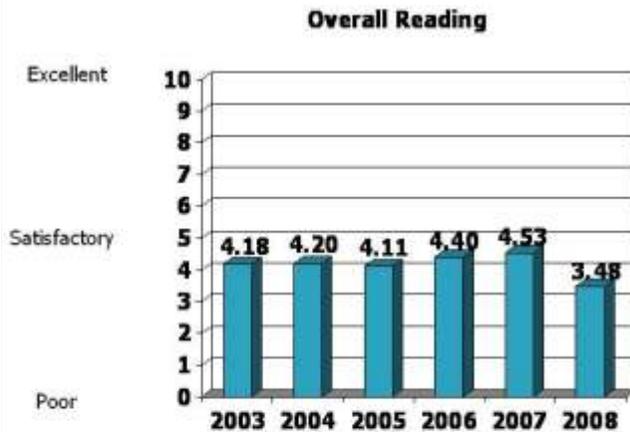


The 2008 reading of 5.06 indicates the evaluator's opinion that the American Samoa Government's overall financial health and performance continued to be above satisfactory as of and for the fiscal year ended September 30, 2008, and nearly identical to the prior year rating.

The current year reading is a result of some ratios improving slightly, such as current and quick ratios, and some declining, such as the decrease in net assets and the debt to assets ratio. Other factors had nearly no change, producing a rating similar to the prior year.



RMI Performer® Reading

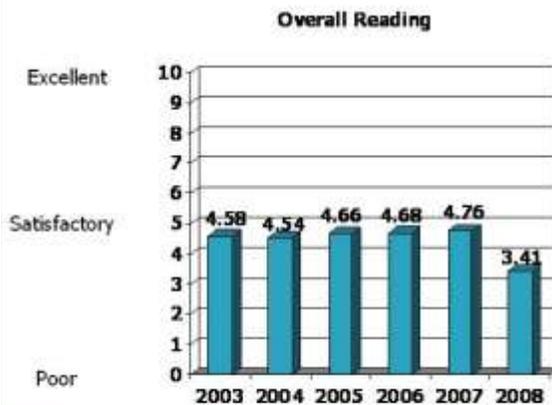


The 2008 reading of 3.48 indicates the evaluator's opinion that the RMI's overall financial health and performance continued to be below satisfactory as of and for the fiscal year ended September 30, 2008, and a decline from that of the prior period.

The decline of this year's reading is due in a large part to the \$9.4 million decrease in the fair market value of investments, and its impact on several ratios. In addition, the reading is also affected by low reserves, an unfunded pension plan status, and low current and quick ratios.



Palau Performer® Reading



The 2008 reading of 3.41 indicates the evaluator's opinion that the Palau Government's overall financial health and performance declined significantly during the fiscal year ended September 30, 2008, due in a large part to expenses exceeding revenues and increasing deficits.

After a number of years of near satisfactory scores, the decline in the score for 2008 is mostly attributed to the decrease in net assets, poor intergenerational equity, and increasing deficits of unrestricted net assets and General fund unreserved fund balance.



Questions?



Appendix F: 'What is a Finance Office Assessment?' Presentation

Assessing the Finance Office Function

A critical look in the mirror

What is a finance office assessment?

Why is it important?

(Why ask for trouble?)

What is it?

- Not an audit
- Not a full risk assessment
- Not a test of internal controls
- Comprehensive review of all the elements of the finance office function
- Designed to highlight areas which need extra attention

Why ask for a finance office assessment?

- Right level and right use of staffing, training, technology, and controls
- Fiscal Stress is not just about the lack of money— is the finance office in a position to understand, explain & propose strategies & solutions (and get all the other work done)
- Results of the government as a whole
- Take the lead in the culture of improvement

Sample from Management Representation Letter

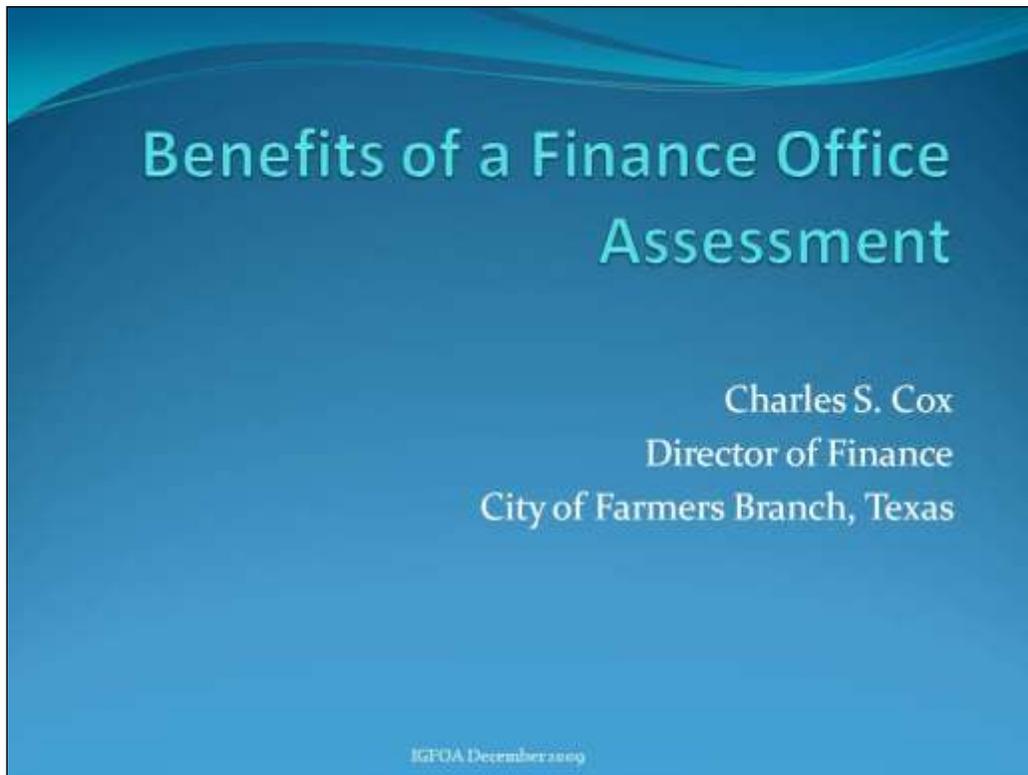
“We are responsible for establishing and maintaining the components of internal control relating to our activities in order to achieve the objectives of providing reliable financial reports, effective and efficient operations, and compliance with laws and regulations.”

SAS 112 requires an annual risk assessment !!

What it takes to conduct a successful assessment

- Support of leadership
- Willingness to take a serious look in the mirror
- Commitment to make changes
- Expertise, either internal or external
- Culture of improvement, not a culture of blame
- Implementation of the identified improvements

Appendix G: Benefits of a Finance Office Assessment Presentation



**Benefits of a Finance Office
Assessment**

Charles S. Cox
Director of Finance
City of Farmers Branch, Texas

IGFOA December 2009



Financial Management Assessment – Background

- Farmers Branch, Texas
 - Northern suburb of City of Dallas
 - Population 31,000
 - 12 Square Miles
 - 80% Commercial Property Value
 - Taxable Property Value \$4 billion
 - Full Time Equivalent Employees 461
 - Standard & Poor's Bond Rating AA+

IGFOA December 2009

Financial Management Assessment (FMA)

- Standard & Poor's FMA Program
- GFOA Distinguished Budget Presentation Award Program

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Financial Management Assessment – Background

- In June 2006, Standard & Poor's (S&P) Ratings Services introduced the concept of the Financial Management Assessment (FMA) in order to provide a transparent assessment of a government's financial practices.

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Financial Management Assessment – Background

- In 2006, Farmers Branch, Texas was among a small number of governments selected to receive a more comprehensive and extensive S&P FMA review.
- S&P goal was to ascertain local government interest in such a review.
- A majority of credit rating downgrades are attributed to poor financial practices.

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Financial Management Assessment – Background

- What exactly is good financial management?
- How does it become great?
- We all know what poor financial management is because we read about it in the newspaper daily.

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Analytical Framework

- Analysis of governmental financial management focuses on four broad categories.
 - Budgeting and long-range planning
 - Internal controls and financial reporting
 - Performance measurement and analysis
 - Redundancies and transition planning

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Analytical Framework

- Written Documentation
 - Policies
 - Procedures
 - Charter Provisions
 - State Law

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Analytical Framework

- GFOA Distinguished Budget Presentation Awards Program
- Evaluates Annual Budget as a:
 - Policy Document
 - Financial Plan
 - Operations Guide
 - Communications Device
- GFOA Website (www.gfoa.org) links to actual budget documents.

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Analytical Framework GFOA Budget Awards Program

- Policy Document
 - Written Financial Policies
 - Long-term non-financial goals & objectives
 - Short-term organization-wide initiatives
 - Priorities & Issues

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Analytical Framework GFOA Budget Awards Program

- Financial Plan
 - Multi-Year Financial Information
 - Major Revenue Assumptions
 - Changes in Fund Balance
 - Capital Expenditures
 - Impact of Capital Expenditures on Operating Budget
 - Debt Policy

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Analytical Framework GFOA Budget Awards Program

- Operations Guide
 - Performance Measures
- Communications Device
 - Budget Issues
 - Other Planning Processes
 - Statistical & Supplemental Information

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Assessment Methodology

- Evaluation of each category focused on comparing Farmers Branch policies and practices to best practices and policies utilized by other governments regardless of the size or type of government.
- A category could receive a score of vulnerable, good, standard, or strong.

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Scoring Definitions

- Strong
 - A FMA of “strong” indicates that practices are strong, well, imbedded, and likely sustainable.
- Good
 - A FMA of “good” indicates that practices exist in most areas, although not all may be formalized or regularly monitored by government officials.

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Scoring Definitions

- Standard
 - A FMA of “standard” indicates that the finance department maintains adequate policies in some but not all key areas.
- Vulnerable
 - A FMA of “vulnerable” indicates that the government lacks policies in many areas deemed most critical to supporting financial stability.

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The Farmers Branch Experience

- Score by Category
- How to Improve the Score

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Budgeting and Long-Range Planning

- Budget Document
- Organizational Goals and Budgeting
 - Strategic Planning & Budget Document
- Revenue and Expenditure Assumptions
 - Budget Document & ICMA Financial Trends Analysis
- Budget Amendments and Updates
 - Monthly & Quarterly Council Reports
 - Monthly Departmental Reports
 - Budget Amendments
 - Council Variance Report

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Budgeting and Long-Range Planning

- Long-term Financial Planning
 - Six Year Financial Plan
 - Reserve & Liquidity Policies
- Long-term Capital Planning
 - Seven Year CIP
 - CIP Needs Assessment
 - Revenue & Operating Budget Impact
 - Utility Fund Depreciation "Funding"

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Budgeting and Long-Range Planning

- Asset Management
 - Physical Asset Inventory
 - Quarterly Adds/Deletes
 - Annual Department Head Verification
 - GASB 34 – Verification/Appraisal
 - Fixed Asset Pay-as-you-Go
 - Equipment Replacement Program
 - Fixed Asset Fund
 - Over \$60K
- Overall Score: Strong

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Internal Controls and Financial Reporting

- Segregation of Responsibilities
 - Risk Assessment Project – Past & Present
 - Written Policies and Procedures
 - Investments & Electronic Transactions
 - Annual Auditor Review
- Access to Information and Assets
 - Physical and Password Restrictions

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Internal Controls and Financial Reporting

- Transaction Documentation
 - Accounting Policies & Procedures Manual
- Quality of Financial Reporting
 - Staff Qualifications
 - Government Finance Officers Association Award Programs
 - CAFR & Budget
 - Comprehensive Annual Financial Report
 - Management Discussion & Analysis
 - Management Letter
 - Timeliness
 - Quarterly Financial Report

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Internal Controls and Financial Reporting

- Ethics Safeguards
 - Hiring
 - Culture
 - Employee Integrity Policy
 - Timely Response & Resolution Steps
 - Employee Personnel Manual
 - Annual Departmental Representation Letter
 - Training
 - Salary Budget, Leave, Address Reviews/Comparisons

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Internal Controls and Financial Reporting

- Investment Management Policies
 - Investment Policy (State Model)
 - Annually Reviewed by Council
- Debt Management Policies
 - Budget Document
- Overall Score: Good

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Performance Measurement and Analysis

- Best Practice Analysis
- Annual Performance Evaluations and Goal Setting
- Benchmarking
 - Objectives and Achievements
- Service Quality Analysis
 - Council of Government Program
 - ICMA Program
- Cost-Benefit Analysis
 - Annual Fee Review (Market, Cost Recovery, Partial)
 - Annual Program Review
 - Annual Tax & Total Cost Comparison
- Overall Score: Good

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Redundancies and Transition Planning

- Managerial Depth and Training
 - Experience & Education Levels
 - Weekly Department Head Meetings
 - Weekly City Manager/Assistant Meetings
 - Ad Hoc Inter-Departmental Teams
 - Strategic Planning
 - Leadership Roles
 - Departmental Awards & Recognitions (Best Practices)

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Redundancies and Transition Planning

- Succession Planning
 - Departmental Management Hierarchy
 - In Charge Policy
 - YoPro Group/Coaching

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Redundancies and Transition Planning

- Emergency and Contingency Plans
 - Emergency Management Plan
 - Annual EOC Activation Run
 - On Call List
 - Department Head Laptops
 - Emergency Management Plan
 - Electronic City Maps
 - Communication Redundancy
 - Business Continuity Planning
 - Computer System & Power Redundancy
 - Data Backups
 - Overall Score: Standard

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Financial Management Assessment

- Lessons Learned
 - Great Benchmarking Exercise
 - Understand Strengths & Weaknesses
 - Realize Exactly What Needs Improvement
 - Improved Credit Rating Review Preparedness
 - Greater Stakeholder Transparency & Trust
 - Improved Service Delivery
- Questions?

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Appendix H: Slides from GASB Standards Update Presentation

GASB Update

IGFOA Conference 2009
Graduate School
Frank Crawford, CPA
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frank@crawfordcpas.com



Recently Issued or Effective GASB Pronouncements



Effective 2009 fiscal year

- ▶ *Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension Plans*
- ▶ *Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations*
- ▶ *Statement No. 52, Land and Other Real Estate Held as Investments by Endowments*
- ▶ *Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*
- ▶ *Statement No. 56, Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*



3

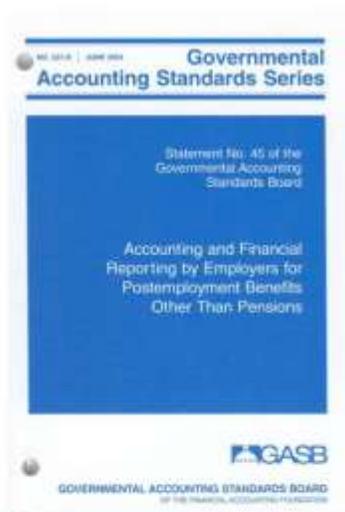
2010 and beyond

- ▶ *Statement No. 51, Accounting and Financial Reporting for Intangible Assets*
- ▶ *Statement No. 53, Accounting and Financial Reporting for Derivative Instruments*
- ▶ *Statement No. 54, Fund Balance and Governmental Fund Type Definitions*



4

OPEB Statement 45 (for Employers)



- ▶ Subject: accounting and reporting by employers for their OPEB expenses and obligations
- ▶ Applies to all employers that provide OPEB (that is, the employer pays all or part of the cost of the benefits, including implicit rate subsidies)
- ▶ Requires accrual-basis accounting for expense and measurement and disclosure of funded status (UAAL)

Statement 49 — Accounting and Financial Reporting for Pollution Remediation Obligations

Statement 49 — Accounting and Financial Reporting for Pollution Remediation Obligations



7

Scope

- ▶ Pollution REMEDIATION Obligations
 - Excludes *prevention or control* obligations
 - Excludes asset retirement obligations—including landfills (Statement 18)
 - Excludes fines, penalties, toxic torts, product or process safety outlays (NCGA Statement 4)



8

GASB Statement No. 51

Accounting and Financial Reporting for Intangible Assets



9

Background

- ▶ Paragraph 19 of GASB Statement 34
 - Capital assets include, “land, improvements to land, *easements*, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or *intangible assets* that are used in operations and that have initial useful lives that extend beyond a single reporting period” (emphasis added).



10

Overarching Question

- ▶ What are the "intangible assets that are used in operations" that are mentioned in Statement 34, paragraph 19?
 - APB Opinion 17, *Intangible Assets*
 - Issued in 1970 and had been authoritative guidance for governments prior to Statement 34
 - Did not define intangible assets, but listed them
 - Patents
 - Trademarks
 - Copyrights



11

GASB Statement No. 53 *Accounting and Financial Reporting for Derivative Instruments*

▶ Issued June 2008



12

GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions

- ▶ Issued February 2009



13

New Pronouncement—2009

- ▶ Statement No. 54, *Fund Balance and Governmental Fund Type Definitions*—February
- ▶ Effective September 30, 2011
- ▶ Early implementation allowed and encouraged



14

Fund Balance Components

- ▶ Nonspendable fund balance
- ▶ Restricted fund balance
- ▶ Committed fund balance
- ▶ Assigned fund balance
- ▶ Unassigned fund balance



Fund Balance Components

Nonspendable Fund Balance includes amounts that cannot be spent because they are either:

- (a) not in spendable form or
 - Inventories, prepaids, long-term loans
- (b) legally or contractually required to be maintained intact.
 - Principal of a permanent fund



Fund Balance Components

Restricted Fund Balance:

Amounts that are restricted to specific purposes, pursuant to the definition of *restricted* in paragraph 34 of Statement 34, as amended by Statement No. 46.

- External parties
- Constitution
- Enabling legislation



17

Fund Balance Components

Committed Fund Balance:

Amounts that are committed for specific purposes by formal action of the government's highest level of decision-making authority.



18

Fund Balance Components

Assigned Fund Balance:

Amounts that are *intended* by the government to be used for specific purposes, but are neither restricted nor committed.

- All amounts in other governmental funds not restricted or committed.
- Amounts in general fund intended for specific use



Fund Balance Components

Unassigned Fund Balance:

Residual classification for the general fund

- Has not been assigned to other funds and is not restricted, committed, or assigned to specific purposes within the general fund.
- Residuals for expired purposes in other funds



	General Fund	Major Special Revenue Funds		Major Debt Service Fund	Major Capital Projects Fund	Other Funds	Total
		Highway Fund	School Aid Fund				
Nonseparable							
Inventory	\$ 125,000	\$ 108,000	\$ 16,000	—	—	—	\$ 249,000
Restricted fund principal	—	—	—	—	—	\$ 164,000	164,000
Restricted for:							
Public works	240,000	—	—	—	—	—	240,000
Parks and recreation	80,000	—	—	—	—	—	80,000
Education	55,000	—	—	—	—	—	55,000
Highways	—	—	—	—	\$ 444,000	—	444,000
Road surface repairs	—	24,000	—	—	—	—	24,000
Debt service reserve	—	—	—	\$206,000	—	—	206,000
School construction	—	—	—	—	301,000	—	301,000
Law enforcement	—	—	—	—	—	214,000	214,000
Other capital projects	—	—	—	—	51,000	—	51,000
Unassigned	30,000	—	—	—	—	—	30,000
Committed to:							
Zoning board	16,000	—	—	—	—	—	16,000
Economic stabilization	210,000	—	—	—	—	—	210,000
Homeless security	110,000	—	—	—	—	—	110,000
Education	50,000	—	103,000	—	—	—	153,000
Unassigned	76,000	—	—	—	—	—	76,000
Assigned to:							
Parks and recreation	50,000	—	—	—	—	—	50,000
Library acquisitions	50,000	—	—	—	—	—	50,000
Highway resurfacing	—	258,000	—	—	—	—	258,000
Debt service	—	—	—	306,000	—	—	306,000
Public pool	—	—	—	—	121,000	—	121,000
City Hall renovation	—	—	—	—	60,000	—	60,000
Other capital projects	50,000	—	—	—	471,000	—	521,000
Unassigned	80,000	—	73,000	—	—	176,000	329,000
Unassigned:							
Total fund balances	\$ 1,746,000	\$ 390,000	\$ 192,000	\$ 512,000	\$ 1,448,000	\$ 554,000	\$ 4,842,000

This level of detail is not required for display on the face of the balance sheet. Fund balance categories and classifications may be presented in detail or in the aggregate if sufficient detail is provided in the notes to the financial statements.

Exhibit 2

Fund balances:	General Fund	Major Special Revenue Funds		Major Debt Service Fund	Major Capital Projects Fund	Other Funds	Total
		Highway Fund	School Aid Fund				
Nonseparable	\$ 125,000	\$ 108,000	\$ 16,000	—	—	\$ 164,000	\$ 413,000
Restricted	405,000	24,000	—	\$ 206,000	\$ 796,000	214,000	1,645,000
Committed	461,000	—	103,000	—	—	—	964,000
Assigned	230,000	258,000	73,000	306,000	652,000	176,000	1,696,000
Unassigned	525,000	—	—	—	—	—	525,000
Total fund balances	\$ 1,746,000	\$ 390,000	\$ 192,000	\$ 512,000	\$ 1,448,000	\$ 554,000	\$ 4,842,000

Stabilization Arrangements

- ▶ Refers to economic stabilization, revenue stabilization, budgetary stabilization, and other similar intended “rainy day” funds.
 - Authority to set aside
 - Statute
 - Ordinance
 - Resolution
 - Charter
 - Constitution



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Stabilization Arrangements

- ▶ **General Fund**
 - Restricted or committed, if meet criteria
 - Unassigned, if do not meet criteria
- ▶ **Special Revenue Fund**
 - Only if resources derive from a specific restricted or committed revenue source



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Note Disclosures

- ▶ **Committed Fund Balance**
 - Government's highest level of decision-making authority
 - Formal action required to be taken to establish, modify, or rescind a fund balance commitment
- ▶ **Assigned Fund Balance**
 - Body or official authorized to assign
 - Governmental policy



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Note Disclosures

- ▶ Disclose significant encumbrances by major funds and nonmajor funds in aggregate
- ▶ **Nonspendable fund balance (if not separated on face)**
 - Amount not in spendable form
 - Amount legally or contractually required to be maintained intact



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Note Disclosures

- ▶ **Restricted, committed, or assigned fund balance**
 - If displayed in aggregate on face
 - Disclose major restricted resources
 - Disclose major commitments
 - Disclose major assignments



Note Disclosures

- ▶ **Stabilization arrangements**
 - Authority for establishing
 - By statute or ordinance?
 - Requirements for adding to stabilization amounts
 - Conditions for spending amounts
 - Stabilization balance, if not apparent on face



Note Disclosures

- ▶ **Minimum fund balance policy**
 - May have in lieu of stabilization amounts
 - Describe policy for determining minimum amount



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Governmental Fund Type Definitions

- ▶ **General fund**
 - Used to account for all financial resources not accounted for in another fund
- ▶ **Capital projects funds**
 - Used to account for financial resources that are restricted, committed, or assigned to expenditure for capital outlays
 - Unless financed by proprietary funds or assets to be held in trust for those outside government



30

Governmental Fund Type Definitions

- ▶ **Debt service funds**
 - Used to account for financial resources that are restricted, committed, or assigned to expenditure for principal and interest
- ▶ **Permanent funds**
 - Used to account for resources restricted with respect to "earnings" for support of government's own programs



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Governmental Fund Type Definitions

- ▶ **Special revenue funds**
 - Account for proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects
 - Not used for resources held in trust for those outside government.



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Special Revenue Funds

- Restricted or committed resources should be “substantial” portion of inflows reported in fund.
- If not, should be reported in general fund.
- ▶ Investment earnings and transfers in may be reported if restricted, committed, or assigned to specified purpose of fund.



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Effective Date and Transition

- ▶ For FYE June 30, 2011 and thereafter
- ▶ For fund balance reclassifications
 - Restate fund balance for all prior periods presented
 - Changes to fund balance information in statistical section may be applied prospectively



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Questions?



Appendix I: Slides from Finance Office Assessment Comparison



Guess the finance office?

Conditions:

- Major changeover in personnel
- Major exceptions on the audit (which was two years late)
- Backlog in finance, including billings, bank recon, and posting audit journals
- Finance office was overwhelmed by report requests from governing bodies
- Finance director requested funds to hire additional accounting clerks

Salisbury, Maryland!

Outcome

- Validation of the need for more staff, but not the staff they asked for
- Reduce busy work by using the system better and re-engineering processes
- Provide software training to staff
- Have regular staff meetings
- Hired an accountant/financial analyst

GFOA activity areas:

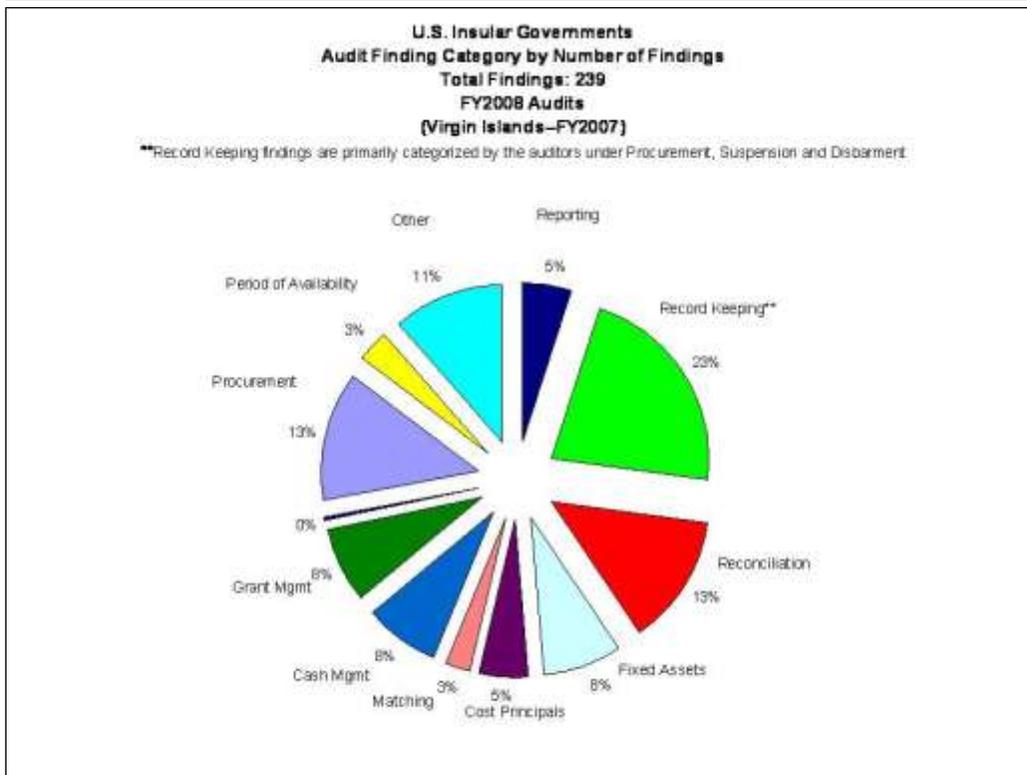
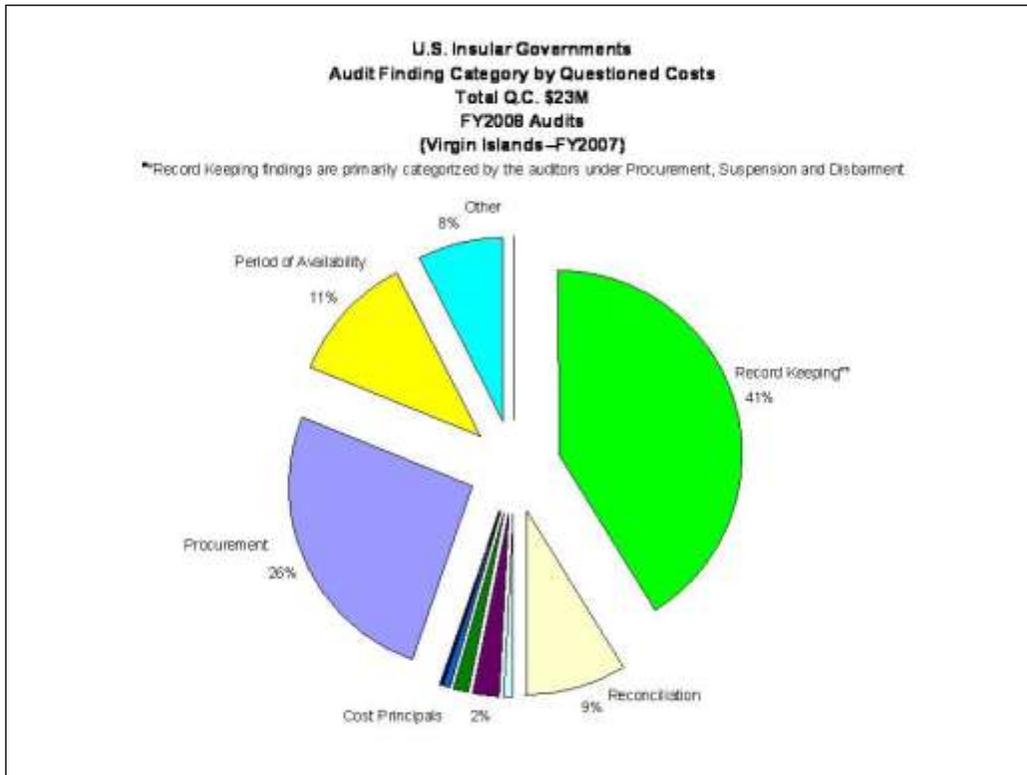
- Process financial transactions
- Maintain control & oversight
- Produce timely & accurate reporting
- Provide decision support & analysis

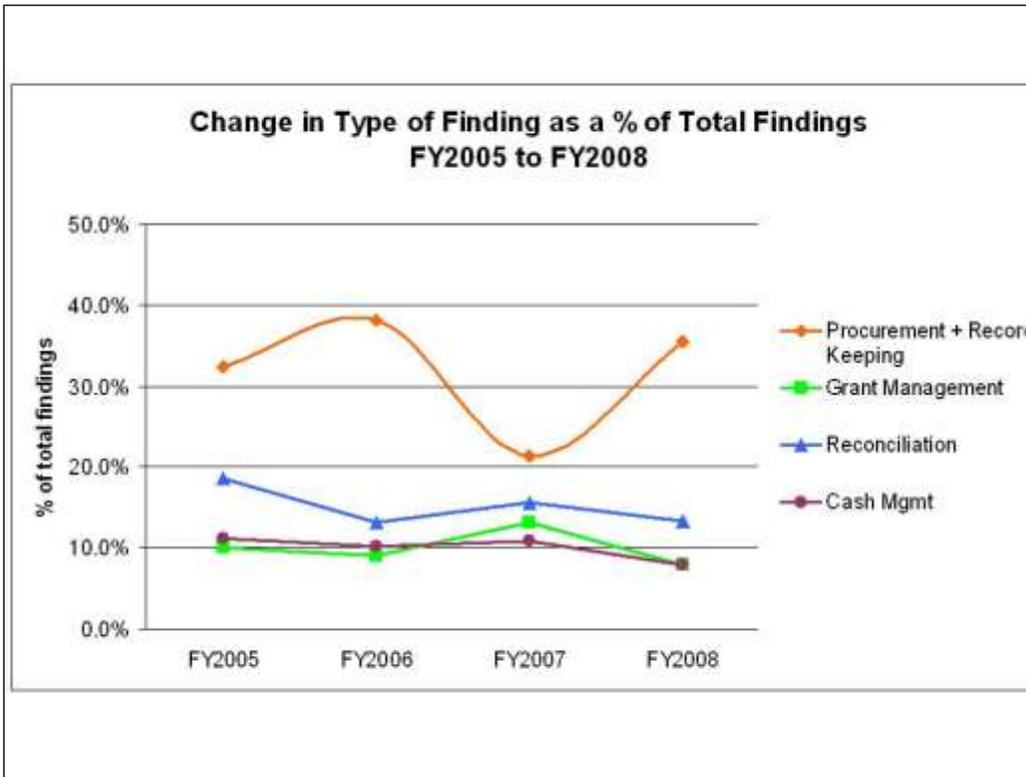
Standard & Poor's components

- Budgeting & Long-Range Planning
- Internal Controls & Financial Reporting
- Performance Measurement & Analysis
- Redundancies & Transition Planning

IGFOA Dimensions

- Operations
- Resource Availability
- Leadership
- Staff
- Results
- Processes
- Human Resource Programs
- Role in Government





Appendix J Finance Office Assessment Tool

A. Operations

1. Transaction Processing

1--Major processes have not been identified and documented. Most major processes do not have performance standards for cycle times/error rates/quality and/or the standards are not being met consistently.

3-- Most major processes have been identified and documented. More than half (but not all) of major processes have established standards for cycle times/error rates/quality and the standards are being met consistently.

5-- All major processes have been identified and documented. All major processes have established standards for cycle times/error rates/quality and the standards are being met consistently.

2. Performance Management

1-- The office has little to no systematic reporting on performance. Performance measures may have been accumulated over time, but not developed in a systematic manner. There is no ongoing performance improvement program.

3-- Performance measures have been developed in a systematic manner, and are regularly collected and reported. Performance tends to be reported internally only. There is no ongoing performance improvement program.

5-- The office regularly reports on its performance to oversight agencies, the public, and other stakeholder groups. Performance measures have been developed in a systematic manner, and are regularly collected and reported. There is an ongoing performance improvement program to identify and address performance problems.

3. Financial Reporting

1-- Cycle times and deadlines for all regular reports have not been established. There is no established process to handle or monitor ad hoc report requests. The office does not have an established process to regularly report internal financial data. External reporting (CMIA, bonding agencies, Federal grants, employees' withholding tax reports, etc.) exceeds the deadline more than 2% of the time. The Office does not prepare the government's Basic Financial Statements and required Supplementary Information nor does it have a plan for some entity other than its auditor to prepare the Financial Statements.

3-- Cycle times and deadlines are clearly established for all regular reports. Internal reports are accessible within 5 days of the end of the month. External reports (CMIA, bonding agencies, Federal grants, employees' withholding tax reports, etc.) have established deadlines that the office meets more than 98% of the time. The Office prepares the Basic Financial Statements but cannot prepare all of the notes to the financials.

5-- Cycle times and deadlines are clearly established for all regular reports. All reports and data are on-line and accessible to all departments so they can generate reports when they need them. Reports to external stakeholders (CMIA, bonding agencies, Federal grants, employees withholding tax reports, etc.) have established deadlines that the office meets more than 99% of the time. The Office can prepare its own annual financial statements in full compliance with GASB34, including required supplementary information, the notes to the financial statements and the management discussion and analysis on a timely basis. The Office may also have a Certificate of Achievement in Financial Statement presentation.

4. Single Audit

1-- The single audit is not completed on time, the audit is qualified or the auditor can offer no opinion due to the poor quality of the data. The audit office has adopted few, if any, of the best practices for managing the audit process.

3-- The single audit is completed on time and the primary government's financial statements are unqualified. The audit process follows some, but not all best practices for managing the audit process--multi-year contracts for audit services, frequent meetings with the auditor, interim work preparing for the audit, reviews of interim work products from the auditor, key milestones clearly identified in the audit contract, etc.

5-- The single audit is completed on time and the auditor's report is unqualified. The audit process is actively managed using all identified best practices—multi-year contracts for audit services, frequent meetings with the auditor, interim work preparing for the audit, reviews of interim work products from the auditor, key milestones clearly identified in the audit contract, etc.

B. Resource Availability

1. Financial Management Information Systems

1-- The financial management system is not fully integrated, unable to cover all major aspects of the office's activities. The system is available to users less than 98% of the time. The system is not accessible to most departments. The system

is not capable of generating the required reports without significant additional manipulation or formatting.

3-- The financial management system is fully integrated, able to cover all major aspects of the office's activities. The system is available to users at least 98% of the time. The system is accessible to most departments. The system is capable of generating the required reports with minimal additional manipulation or formatting.

5-- The financial management system is fully integrated, able to cover all major aspects of the office's activities. The system is available to users at least 98% of the time. The system is accessible to all departments. The system is capable of generating the required reports with no additional manipulation or formatting.

2. Staffing

1-- Staff levels allocated to the office are insufficient for it to fulfill its responsibilities in a timely and competent manner. Staff requests prepared and submitted by the office have inadequate supporting documentation and/or workload analysis to justify being fully funded.

3-- Staff levels allocated to the office are sufficient for it to fulfill its responsibilities in a timely and competent manner. Staff requests prepared and submitted by the office have adequate supporting documentation and/or workload analysis to justify being fully funded. Staffing level allocations are at least 90% of the staffing justified in the budget request.

5-- Staff levels allocated to the office are sufficient for it to fulfill its responsibilities in a timely and competent manner and support continuing education and other developmental activities. The finance office continually seeks opportunities to maximize staff time by improving its efficiency and effectiveness, and presents these operational performance improvements as part of its budget justification. The finance office has sufficient staff for significant, meaningful out reach programs to the line departments (e.g., training/support on internal controls).

3. Funding

1-- Funds allocated to the office are insufficient for it to fulfill its responsibilities in a timely and competent manner. Budget requests prepared and submitted by the office have inadequate supporting documentation and/or workload analysis to justify being fully funded.

3-- Funds allocated to the office are sufficient for it to fulfill its responsibilities in a timely and competent manner. Budget requests prepared and submitted by

the office have inadequate supporting documentation and/or workload analysis to justify being fully funded. Staffing level allocations are at least 90% of the staffing justified in the budget request. Staffing level allocations are at least 90% of the staffing justified in the budget request.

5-- Funds allocated to the office are sufficient for it to fulfill its responsibilities in a timely and competent manner and support continuous improvements in its operational infrastructure (e.g., upgrades or enhancements to financial management systems). The finance office reduces its need for operational funds by continually improving its efficiency and effectiveness, and presents these operational performance improvements as part of its budget justification. The finance office has sufficient funds to develop operational improvements to reduce costs and improve performance (e.g., automate selected manual processes, modernize records management practices and digitize appropriate documents, etc.).

4. Management of the Financial Management System

1—System upgrades, enhancements, maintenance and problem reports are handled on an ad hoc basis. Users tend to call someone they know who can fix problems and ask them to help resolve difficulties. Maintenance and system upgrades are not planned and budgeted for in annual or multi-year system operations plans.

3-- System upgrades, enhancements, and maintenance are planned and budgeted for in annual system operations plans. The office uses a formal problem reporting/resolution system to manage user-reported system problems or enhancement requests. More than 90% of reported problems are resolved within established time standards.

5-- System upgrades, enhancements, and maintenance are planned and budgeted for in multi-year budget and information systems strategic plans and in annual system operations plans. The office uses a formal problem reporting/resolution system to manage user-reported system problems or enhancement requests. More than 99% of reported problems are resolved within established time standards.

5. Physical Plant

1—The physical plant fails to meet, in any way, the basic needs of the office and its staff. The Finance Office may lack adequate facilities and space to meet its operational needs. The space may be too small, have inadequate security to protect office resources and information, lack clean and hygienic rest rooms,

have leaky roofs or windows, lack adequate and consistent power and HVAC, etc.

3—The Finance Office meets all the basic facility needs of its office and staff. Office space is adequate and staff has access to clean and hygienic rest rooms. The facility protects its staff and resources from inclement weather and possible security risks (theft, inappropriate access to information, etc.). The office has adequate and consistent power and HVAC.

5-- The Finance Office meets or exceeds all the basic facility needs of its office and staff. Office space is more than adequate in both offices for the staff and meeting/computer rooms. Staff has access to clean and hygienic rest rooms. The facility protects its staff and resources from inclement weather and possible security risks (theft, inappropriate access to information, etc.). The office has adequate and consistent power and HVAC. Offices are modern, clean and conducive to the work required of the finance staff. The Office has back-up power and sufficient filing systems and space.

C. Leadership

1. Managerial Skills/Experience

1-- Finance office managers and executives have limited (less than five years) managerial and financial skill, experience, or training.

3-- Finance office executives and managers have at least five years of managerial and finance experience. They also have a four-year degree in accounting or a related field. At least 25% of managers and executives have an advanced degree in a relevant field, a CPA or other professional certification. Finance officers ensure that they are aware of changes in accounting standards and reporting requirements.

5-- Finance office executives and managers have at least ten years of managerial and finance experience. They have a four-year degree in accounting or a related field. At least 50% of managers and executives have an advanced degree in a relevant field, a CPA or other professional certification. Finance officers ensure that they are aware of, and prepared for, changes in accounting standards and reporting requirements.

2. Organizational Planning

1-- The office has minimal long-term strategic plans, annual work plans, or programmatic plans. If the plans do exist, the office does not use them effectively to manage and improve operations.

3-- The office develops and uses annual and programmatic work plans. The office also develops and uses longer term plans and has prepared a strategic plan within the past five years.

5-- The office uses planning at all levels (from strategic plans down to individual work plans) extremely effectively to manage and improve operations. Planning is an integral component, and standard practice, for all finance office responsibilities.

3. External Relations

1-- Relations with the Legislative and Executive branches are ineffective. Relationships with departments are episodic or 'as needed' rather than as an ongoing managed process. Relations with the public and other stakeholders are not actively managed or are ineffective.

3-- Relations with the Legislative and Executive branches are positive and effective. Relations with the public and other stakeholders are actively managed and both positive and effective. Relations with the departments are actively managed and constitute an ongoing effective working partnership.

5-- Relations with the Legislative and Executive branches are proactive and highly effective. Relations with the public and other stakeholders are actively managed and both positive and effective. Relations with the departments are actively managed and constitute an ongoing effective working partnership. The office has an established communications plan and actively seeks opportunities to communicate its message to all key constituencies.

D. Staff

1. Staff Skills and Experience

1-- Many staff has limited accounting or subject matter experience (less than two years) and/or has been unable to meet CPE requirements as required by their professional certifying association or as established by the government's personnel regulations. Staff is minimally proficient on the financial management system.

3-- Most staff has at least five years of experience in accounting or their area of expertise (budget, procurement, etc.). Most staff has been able to meet applicable CPE requirements. Staff is computer literate with proficiency on at least one set of basic software packages (MS Office, Lotus Notes, etc.) and the office's financial management system. Staff should be able to produce but may not be able to write their own queries and reports on the financial management system.

5-- Most staff has at least ten years of experience in accounting or their area of expertise (budget, procurement, etc.). All staff has been able to meet CPE requirements. Staff is computer literate with proficiency on at least one set of basic software packages (MS Office, Lotus Notes, etc.) and the office's financial management system. Staff members are able to write their own queries and reports on the financial management system.

2. Staff Education

1-- Most staff does not have a Bachelor's degree or professional certification. Some staff does not have an associate's degree in a relevant field.

3-- Staff has education or training in accounting or a related subject matter. At least 25% of staff has earned a four year degree or advanced degree in accounting or a related field. Some staff has earned relevant certifications (e.g., CPA, CGFM, CPFO, CMA, CIA).

5-- All staff has education or training in accounting or a related subject matter. At least 50% of staff has earned a four year degree or advanced degree in accounting or a related field or has achieved relevant certification (e.g., CPA, CGFM, CPFO, CMA, CIA).

E. Results

1. Audit Results

1-- The office does not have a systematic approach to monitoring and closing audit findings and responses. Audit responses are not completed during the course of the audit or before the final draft. The office tends to have repeat findings from year to year. The number of findings and/or questioned costs under the control of the finance office is trending up rather than down. Audit qualifications are not addressed.

3-- The office has a systematic approach to monitoring audit responses and closing audit findings including those findings related to the operations of other departments in the government. Audit responses are completed timely. The office rarely has repeat findings from year to year. The number of findings and/or questioned costs is trending down rather than up. Audit qualifications are trending down and are not related to issues under the control of the finance office.

5-- The office has a plan to address all audit report qualifications. The office has a systematic approach to monitoring and closing audit findings and responses for all governmental departments. Preliminary audit findings are resolved during the course of the audit and responses to unresolved findings are completed timely. The office has no repeat findings from year to year and the

number of findings and/or questioned costs is trending down. The government receives an unqualified auditor's report.

2. Follow-through on Audit Recommendations and Corrective Action Plans

1-- The finance office has no system in place to track and monitor the corrective action plans proposed to address audit findings and auditor's recommendations for its own or other department's operations. A low percentage of audit findings from the prior year (less than 75%) are corrected or resolved.

3-- The finance office has a system in place to track and monitor the action plans proposed to address audit findings and auditor's recommendations. The office follows up to ensure the implemented recommendations and action plans for finance office operations have resolved the finding or problems. Most audit findings from the prior year (more than 90%) are corrected or resolved. The finance office does not have a system to follow up to ensure the implemented action plans in other departments resolve the audit finding or problem.

5-- The finance office has a system in place to track and monitor the action plans proposed to address audit findings and auditor's recommendations. Almost all audit findings from the prior year (more than 98%) are corrected or resolved. The office follows up to ensure the implemented recommendations and action plans have resolved the finding or problem both internally and in other departments. The results (both the cost and the benefits) of the implemented recommendations and action plans are documented.

3. Management Controls

1-- A formal risk assessment has not been completed within the past three years. Internal controls are put in place after problems have occurred to address individual problems rather than as part of a systematic internal controls program. No program of formal testing or review of the internal controls is in place.

3-- A formal risk assessment has been completed within the past three years. Internal controls are put in place both after problems have occurred and as a result of the risk assessment to prevent problems. Although no program of formal testing or review of the internal controls is in place, periodic testing and review of the controls has occurred during the past three years.

5-- A formal risk assessment program is in place that regularly conducts risk assessments (and more than one has been completed within the past three years). Internal controls are primarily put in place as a result of the risk assessment to prevent problems (although some may be installed to address problems after the fact). The office has a formal testing and/or review program

of the internal controls in place (and regular testing and review of the controls has occurred during the past three years).

F. Processes

1. Documentation

1—Some, but not all, policies, processes, and procedures are documented in written Standard Operating Procedures (SOPs). Documentation is not current, detailed, and accurate. Documentation may not be readily available to all staff.

3-- All policies, processes, and procedures are documented in written Standard Operating Procedures. Documentation is current, updated at least annually, detailed, and accurate. Documentation is readily available to all staff.

5-- All policies, processes, and procedures are documented in written Standard Operating Procedures. Documentation is current and updated continually as the policies, processes and procedures change. The SOPs are detailed and accurate, and include performance standards for all core processes. Documentation is maintained on-line and is readily available to all staff.

2. Implementation

1—The office does not have a structured, formal program for training staff on its Standard Operating Procedures, or re-training them as the SOPs are modified. SOPs may be implemented differently depending on who is actually performing the task or activity.

3-- The office has a structured, formal program for training staff on its Standard Operating Procedures, but re-training them as the SOPs are modified occurs more haphazardly. SOPs are generally implemented the same across the organization, although some variability is occasionally noticed.

5-- The office has a structured, formal program for training staff on its Standard Operating Procedures and for re-training staff as the SOPs are modified. SOPs are implemented the same across the organization with no variation among staff. The office has a structured program of refresher training and performance feedback on staff implementation of, and adherence to, the SOPs.

3. Quality Control

1-- The office does not have a program for quality control of its SOPs or its implementation of its SOPs. The SOPs are updated and corrected on an ad hoc basis. There is no ongoing quality control (QC) program to ensure SOPs are followed.

3-- The office has an informal, loosely structured program for quality control of its SOPs and its implementation of its SOPs. The SOPs are updated and

corrected on a regular basis. There is no ongoing quality control (QC) program to ensure SOPs are followed, but ad hoc reviews and performance feedback help ensure the SOPs are followed.

5-- The office has a formal, structured program for quality control of its SOPs and its implementation of its SOPs. The SOPs are updated and corrected as changes occur. There is an ongoing quality control (QC) program to ensure SOPs are followed. Processes and systems have embedded management controls to ensure SOPs are followed and detect variations.

G. Human Resource Programs

1. Workforce Planning

1—The office does not have a current, accurate and detailed plan that identifies its current and future human resource needs. The office does not have a strategic human resource plan that documents its long-term human resource needs and goals and the steps it will take to achieve those goals. The office tends to react to immediate human resource (HR) issues and problems rather than plan to prevent or ameliorate them.

3-- The office has a current HR plan that identifies its human resource needs. The office does not have a strategic human resource plan that documents its long-term human resource needs and goals, and the steps it will take to achieve those goals, but has identified its current HR needs and begun to address them. The office plans ahead to prevent or ameliorate its HR issues.

5-- The office has a current, accurate and detailed plan that identifies its current and future human resource needs. The office has a current strategic human resource plan that documents its long-term human resource needs and goals and the steps it will take to achieve those goals. The office also plans ahead to prevent or ameliorate its more immediate HR concerns. The office actively works with the government's HR agency, the Legislature, and the Executive Branch to address and resolve systemic personnel that limit the office's capacity to recruit, develop, and retain qualified staff.

2. Recruitment/Retention

1—The office is unable to recruit qualified staff to fulfill its needs. It has no reliable source from which to recruit new qualified staff. The office must go to great lengths to recruit qualified applicants and hire qualified staff. Turnover exceeds 20% per year (averaged over a three year period).

3-- The office is able to recruit qualified staff to fulfill most of its needs (80% or more). The office has a reliable source from which to recruit new qualified staff,

but the source cannot provide enough new staff. Turnover exceeds 15% per year (averaged over a three year period).

5-- The office is able to recruit qualified staff to fulfill all of its needs. The office has a reliable source from which to recruit new qualified staff, and the source provides more than enough new staff, providing the office a choice among many qualified applicants. Turnover is less than 10% per year (averaged over a three year period). The office has established innovative and effective programs to recruit and retain qualified applicants and staff.

3. Human Resource Development

1—The office does not have a documented process to set performance expectations for staff nor to conduct formal performance appraisal feedback sessions with a manager at least annually. Not all staff have a formal, written individual development plan (IDP) approved by management. Less than 60% of the items on each IDP are completed as scheduled. The office has no program for bringing new staff into the organization, orienting them to the office, instilling organizational values, and providing training on the individual's job tasks and responsibilities. Staff participates in training, professional development, and career enhancement activities on an ad hoc basis rather than as part of a structured career development plan. Office management monitors staff development activities either not at all or on ad hoc basis.

3-- Every staff member has performance expectations set and a documented formal performance appraisal feedback session with a manager at least annually. Every staff member has a formal, written individual development plan (IDP) approved by management. At least 60% of the items on each IDP are completed as scheduled. The office has an informal, loosely structured program for bringing new staff into the organization, orienting them to the office, instilling organizational values, and providing training on the individual's job tasks and responsibilities. Many staff participates in training, professional development, and career enhancement activities every year. Office management informally monitors staff development activities.

5-- Every staff member has performance expectations set and a formal performance appraisal feedback session with a manager at least annually. Every staff member has a formal, written individual development plan (IDP) approved by management. At least 80% of the items on each IDP are completed as scheduled. The office has a formal, structured program for bringing new staff into the organization, orienting them to the office, instilling organizational values, and providing training on the individual's job tasks and responsibilities. All staff participates in training, professional development, and career

enhancement activities every year. Office management has a system to monitor staff development to ensure all staff has equal access to development opportunities and is held accountable for personal and professional development.

H. Role in the Government

1. Legal Mandate

1—The legal mandate for the Finance Office has not been clearly established in the constitution or law.

3—The legal mandate for the Finance Office has been established in the constitution and/or the law, but the mandate is either not clear or limits the mandate of the office too much.

5-- The legal mandate for the Finance Office has been established in the constitution and/or the law. The mandate is clear and provides the finance office a broad scope that allows it to establish and enforce financial policies, processes, and procedures throughout the government and its component units.

2. Operational Mandate

1—The Finance Office handles the finance and accounting functions for the government.

3— The Finance Office handles the finance and accounting functions for the government and also supports the finance and accounting tasks performed by the departments and component units. The Finance Office may provide training and technical assistance to other agencies.

5-- The Finance Office handles the finance and accounting functions for the government and supports the finance and accounting tasks performed by the departments and component units. The Finance Office also provides a leadership role in all financial and accounting issues affecting the government. The Finance Office provides training and technical assistance to other agencies, and may even certify financial staff in other departments. The Finance Office leads key cross-departmental initiatives related to financial management, such as management control reviews, assessments of key financial processes, and effectiveness/efficiency of program expenditures.

Appendix L: Highest Priority Areas Identified in the Self-Assessments

Areas in Which Governments Rated Themselves the Lowest

American Samoa

Human Resources (work planning, etc.) Don't have control over employee recruiting.

Staff. No control over educational backgrounds.

Guam

Physical plant (leaking roofs)

Staff Education, although we are in the process of implementing scholarship program, not strong at this moment.

Palau

Human Resources

Operations and Staffing

Yap

Human Resources

Processes

US Virgin Islands

Human Resources

Processes/Results

Kosrae

Resource availability

Funding limitations

Staff Qualifications (CPE hours)

FSM National Government

Processes and lack of Standard Operation Procedures; staff doesn't know how to assist the line departments as problems arise.

Human Resources, need to coordinate with personnel

Pohnpei

110 Island Government Finance Officers' Association Annual Meeting, December 8-10, 2009 (Maui)

Operations (management), especially in relation to performance management

Physical Plant and infrastructure

RMI

Staffing and employee retention, plus expenses of external hiring

Physical plant

CNMI

Process and SOPs

Current, written documentation

Appendix M: OIA's Strategic Plan

17.

Mr Anthony M Babauta
Assistant Secretary for Insular Areas
United States Department of the Interior
Office of the Secretary
Washington DC 20240

05 November 2009

Dear Assistant Secretary Babauta

Thank you for your letter dated 16 October 2009 regarding comments on Goals and Performance Measures for the DOI 2010-2015 strategic plan.

On behalf of the Chamber of Commerce may we offer the following comments and examples of our requirements which should be considered in any future plans . It should be noted that comments apply specifically to issues affecting American Samoa and not the other insular areas though there may be some similar service improvements required in the other regions.

The language used in the Outcome Goals is, perhaps by necessity, quite broad and not specific. It is our view that in order for the plan to be effective and achieve the required results specific outcomes need to be identified as does the oversight of these outcomes.

GOAL 1

- 1) What is meant by the statistical tools necessary, what are they and how are they to be provided?
- 2) What is robust oversight? Does this mean more audits?
- 3) How is interagency coordination to be improved? What are the current issues/problems that need improving.

Line 3 "public services" For American Samoa public services improvement is required in tax reform, customs and immigration systems and procedures as a matter of urgency. Tax can be fixed locally by amending the present tax code but customs and immigration will require federal input.

GOAL 2

- 1) How will OIA work to create economic opportunity? Specifically what are the economic opportunities to be pursued?
- 2) What is the plan to "prepare the next generation of community leaders"? How will OIA carry out this task and who will actually do it? This is an enormous undertaking, do you have the resources?

Regarding 1) above here are some suggestions and opportunities that should be/are being pursued now.

- a) Establish an Office of Economic Development with commercial people in charge to identify, fund and establish new commercial opportunities.
- b) Provide financial support for the AS Visitors Bureau to supplement the annual \$200,000 allocated in the ASG budget. This amount barely covers the cost of the bureau and leaves virtually nothing for actual tourist development. If we are serious we need \$20 million over a five year period .
- c) Provide financial support annually \$2,000/month and liaise more closely with the Chamber of Commerce to assist the Board in continuing to develop it's relevance and expand it's membership, provide training programs for small business owners and establish the AS Institute of Management.
- d) Provide \$2.5 million in financial support for the establishment of a Technology Park. (separate proposal being mailed to you)
- e) Provide funds (amount as yet unidentified) to turn our existing marine tramway into a regional state of the art ship repair and small boat manufacturing facility.
- f) Provide seed money \$200,000 for a 69 berth yacht marina in Pago harbor. Investment \$3 million by a private company, jobs created 20-25, assisting with tourism development. Plans well advanced.

GOAL 3

- 1) What does increasing technical planning mean/relate to? Who will do this? Who will carry out financial oversight abilities?

These comments are designed to assist with the development of goals, as they are really necessary and most are certainly achievable with the appropriate level of financial assistance and support . They will add strength to our fragile economy. "Potential measures of performance" will surely be in large part whether or not the commercial opportunities are actually established .

3

Quite how your planning gurus deal with these comments and inject them into your plan we are not sure. We are looking at opportunities from a practical commercial point of view not an academic theoretical point of view which seems to be implied in some of the existing wording. We have observed this style in many of the previous academic studies and plans that have been carried out for the territory over the past years. What is needed with any plan for our economic advancement is not a commentary on what we SHOULD be doing, it is the detail of HOW we should be doing it right now in order to achieve much needed economic improvement.

We would be happy to expand on any of these comments in due course if so required.

Kind regards

David Robinson

President

American Samoa Chamber of Commerce



United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, DC 20240

OCT 16 2009



The Honorable Togiola T. A. Tulafono
Governor of American Samoa
P.O. Box 485
Pago Pago, American Samoa 96799

Dear Governor Togiola:

The Government Performance and Results Act of 1993 (GPRA) requires that the Department of the Interior update its strategic plan every three years. As part of a larger effort to update the Department's strategic plan, the Office of Insular Affairs is currently working to develop goals and performance measures which will create a roadmap for the Office's success in fiscal years 2010 to 2015. As a key stakeholder in our performance, we invite you to comment on the attached draft framework by suggesting revisions to goals and proposing potential measures of performance. The entire proposed framework for the Department of the Interior's 2010 to 2015 strategic plan can be found online at <http://www.doi.gov/strategicplan>.

You may submit comments by any of the following methods through November 10, 2009:

Email: StratPlancomments@ios.doi.gov
FAX: 202-208-2619
Mail: U.S. Department of the Interior
Office of the Secretary – Planning and Performance Management
Attention: DOI Strategic Planning Coordinator
1849 C Street, NW
Mail Stop 5258
Washington, DC 20240

Thank you in advance for taking the time to provide comments. Your feedback will allow us to better align our priorities and efforts with the needs of your community.

Sincerely,

A handwritten signature in black ink, appearing to read "Anthony M. Babauta".

Anthony M. Babauta
Assistant Secretary
for Insular Areas

Attachment

End Outcome Goal: Empowering Insular Communities

OIA will empower insular communities by improving the quality of life, creating economic opportunity and increasing technical planning and financial oversight abilities.

Intermediate Outcome Goal 1: Improving Quality of Life

OIA will work to improve the quality of life in the insular areas by providing leadership with the statistical tools necessary for informed decision making, pairing access to financial resources for capital improvements and public services with robust oversight, and improving interagency coordination on insular issues.

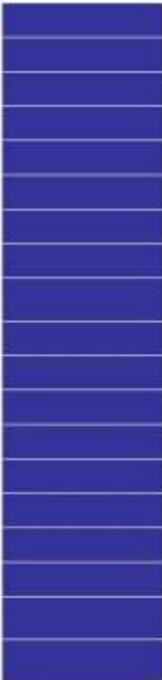
Intermediate Outcome Goal 2: Creating Economic Opportunity

OIA will work to create economic opportunity in the insular areas by forging partnerships that will bolster tourism, attract industry and seize economic opportunities. In addition, OIA will seek to create economic opportunity by promoting the unique island cultures, beautiful natural resources, and by preparing the next generation of community leaders.

Intermediate Outcome Goal 3: Increasing Technical Planning and Financial Oversight Abilities

Ensure that Federal funding provided is being used efficiently and effectively by increasing technical planning and financial oversight abilities.

Appendix N: Slides from 'Government Procurement' Presentation



Office of the Auditor

Government Procurement: Leveling the Playing Field While Getting the Most Bang for the Taxpayers' Buck

Marion M. Higa, State Auditor
Calvin K. Hangai, Administrative Deputy Auditor

Island Government Finance Officers' Association
2009 Conference
Wailea, Maui
December 9, 2009

1

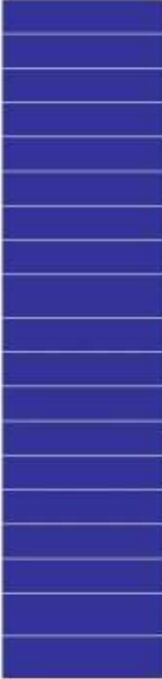


Office of the Auditor

Introduction

- Perspective: from auditors' perspective, for an auditee audience
- Objectives of this presentation: Using Hawai'i's procurement history, participants will learn:
 - Why and how the law was amended
 - Major features of Hawai'i procurement code
 - Principles of government procurement

2

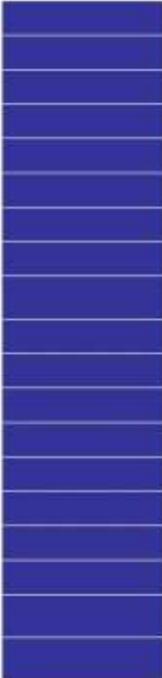


Office of the Auditor

Introduction (continued)

- Objectives of this presentation: Using Hawaii's procurement history, participants will learn: (continued)
 - Examples of waste, fraud, and abuse; the "gray areas"

3

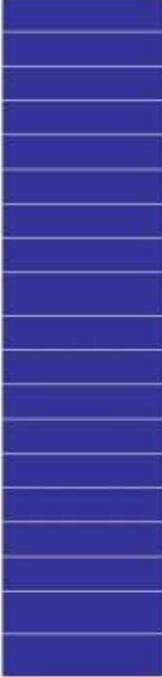


Office of the Auditor

Procurement Reform 1992-94

- Code in 1992—very decentralized, few controls
 - From 1909; amended 200+ times
 - Fragmented, vague, outdated, inflexible
 - Only one procurement method (sealed bid)
 - Low ceiling (8K) for sealed bids
 - 4K to 8K informal bids still required advertising

4

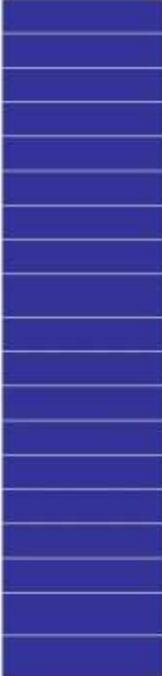


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Procurement Reform 1992-94 (continued)

- Code in 1992—very decentralized, few controls (continued)
 - Silence left lots of room for interpretation—“gray areas”
 - RFPs not authorized, but used; varying criteria
 - Silence on vendor protest
 - Silence on debarment or suspension

5

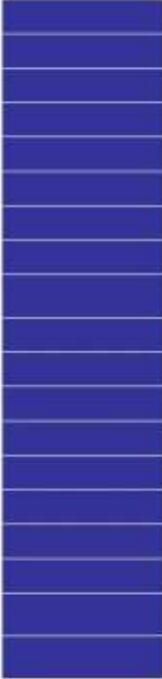


Office of the Auditor

Procurement Reform 1992-94 (continued)

- Code in 1992—very decentralized, few controls (continued)
 - Silence left lots of room for interpretation—“gray areas” (continued)
 - Inconsistency a problem for vendors
 - No rules by comptroller, the only official authorized to make purchases
 - Silence on departments' authority to purchase

6

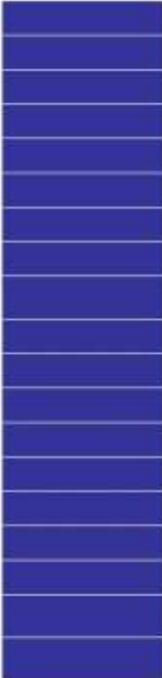


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Procurement Reform 1992-94 (continued)

- Our 1992 Report, Report No. 92-29
 - 1992 Legislature requested study to include consideration of ABA Model Code
 - We recommended modified ABA Model Code

7

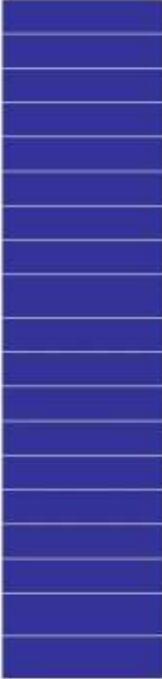


Office of the Auditor

Procurement Reform 1992-94 (continued)

- Our 1992 Report, Report No. 92-29 (continued)
 - Major recommendations
 - Centralize policy making, keep decentralized operations
 - Establish procurement policy office
 - Define departments' procurement authority
 - Define sealed bid parameters, raise threshold

8

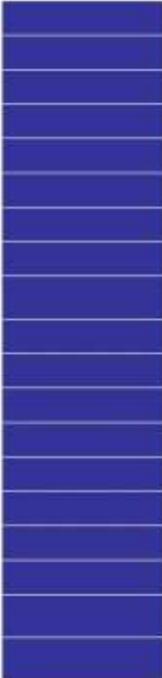


Office of the Auditor

Procurement Reform 1992-94 (continued)

- Our 1992 Report, Report No. 92-29 (continued)
 - Major recommendations (continued)
 - ◊ Reduce newspaper advertising
 - ◊ Require bid security or bonds
 - ◊ Add more source selection methods: sole source, emergency procurement, RFPs, small purchases
 - ◊ Add vendor protest process
 - ◊ Add vendor debarment process

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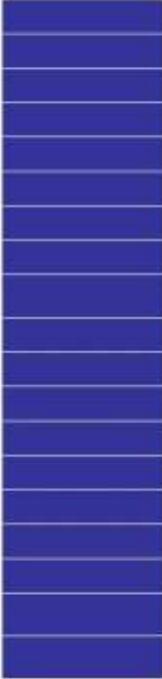


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Procurement Reform 1992-94 (continued)

- 1993 Regular and Special Sessions
 - Comptroller disagreed with report
 - Regular Session: competing bills, no action
 - Senate Investigative Committee

10

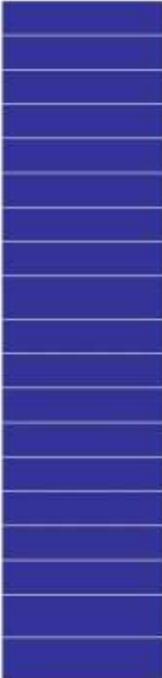


Office of the Auditor

Procurement Reform 1992-94 (continued)

- 1993 Regular and Special Sessions (continued)
 - Act 8 in Special Session became Chapter 103D
 - State Procurement Office (SPO), administrator
 - Chief procurement officers
 - Procurement Policy Board and Office to set policy

11

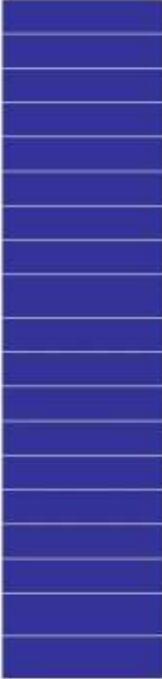


Office of the Auditor

Procurement Reform 1992-94 (continued)

- 1993 Regular and Special Sessions (continued)
 - Act 8 in Special Session became Chapter 103D (continued)
 - Compliance audit unit in Auditor's Office
 - Centralized policy, decentralized operations

12

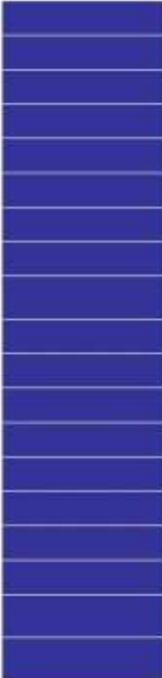


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Procurement Reform 1992-94 (continued)

- 1993 Regular and Special Sessions (continued)
 - Chapter 103D principles of procurement
 - Fair and equitable treatment
 - Public employees to foster confidence in government procurement
 - No unwarranted privileges or favoritism

13

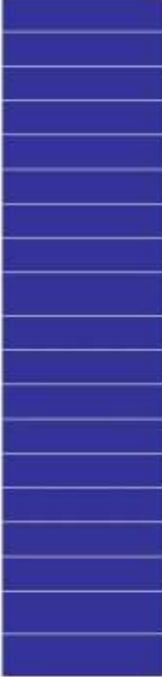


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Procurement Reform 1992-94 (continued)

- 1993 Regular and Special Sessions (continued)
 - Chapter 103D principles of procurement (continued)
 - Foster broad-based, open competition for lowered costs; post-award change orders only for compelling reasons
 - Consistency among agencies along with safeguards for quality and honesty

14

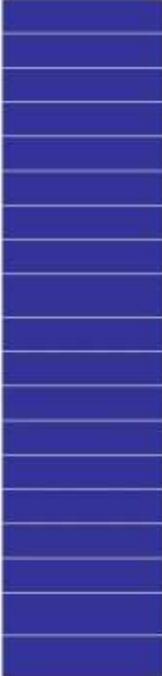


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Procurement Reform 1992-94 (continued)

- February 1995 audit report (No. 95-8): slow start, questionable practices, violations, unclear relationship between SPO and Policy Office
 - Small purchase violations
 - Sole source violations: DOE, UH, DoD
 - Emergency procurements: Division of Community Hospitals drug purchases

15

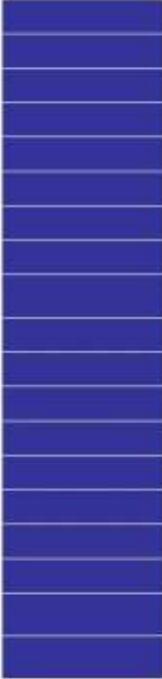


Office of the Auditor

Procurement Reform 1992-94 (continued)

- February 1995 audit report (No. 95-8): slow start, questionable practices, violations, unclear relationship between SPO and Policy Office (continued)
 - Parceling: DoD, Division of Community Hospitals
 - Professional services RFPs

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More Recent Procurement Audit Work—The Gray Areas, Continued

Auditor's perspective

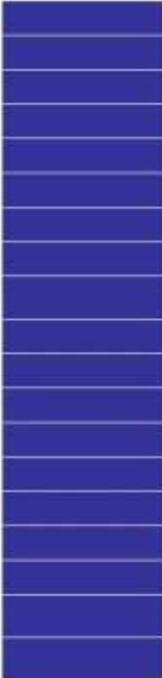
Opportunities for fraud – “Gray Areas”

Case studies

Procurement fraud in Hawai'i

Solutions

17



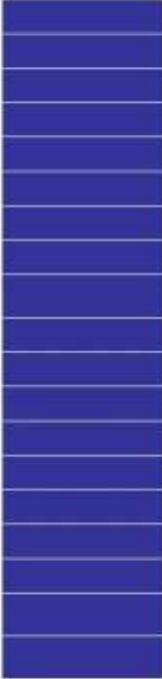
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Auditor's Perspective

Audit objectives

- Understand and document process
- Internal controls – identification and testing
 - Design
 - Operating effectiveness
- Compliance (dual-purpose testing)

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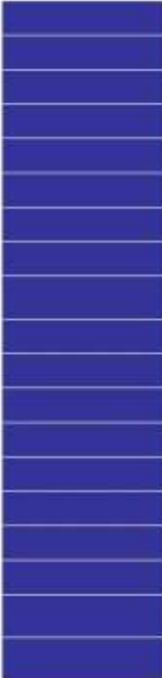
Auditor's Perspective (continued)

Auditor guidance

- Federal rules & regulations
- OMB Circulars (A-133 Single Audit)
- OMB Compliance Supplement

http://www.whitehouse.gov/omb/grants_circulars/

19



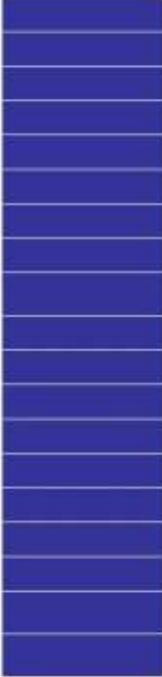
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Auditor's Perspective (continued)

Documentation is King!

- Professional skepticism
 - "If it hasn't been documented, it hasn't been done"*
- Common problems
 - Obtaining 3 quotes
 - Other documentation issues (evidence of competition, payment requests ...)

20



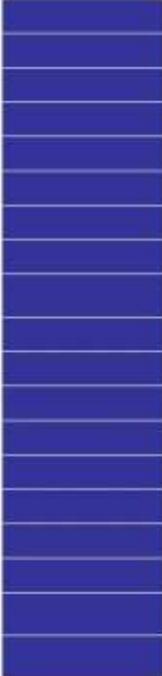
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Examples of Waste, Fraud, & Abuse

"Gray Areas"

- Procurement code is complex but ...
- *"Where there's a will, there's a way!"*
- Compliance and interpretation largely left up to individual agencies

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Examples of Waste, Fraud, & Abuse
Case Study #1

Dec 2006: Two separate design/build projects identified by Agency: (1) replace rooftop A/C and (2) replace roof. "Professional Services" method used to select and award \$25,000 contract to vendor A to design replacement of rooftop A/C (selection committee selects from a "qualified list"). Vendor A inspects and informs project manager that roof is in need of repair and both projects should be done simultaneously. Project manager submits \$25,000 modification for Vendor A's contract to add architectural design for replacement of rooftop.

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Examples of Waste, Fraud, & Abuse
Case Study #1 (continued)

Jan/Feb 2007: Procurement Branch rejects modification citing replacement of roof as separate job, not within original scope. Instructs Facilities Branch that replacement of roof needs to be procured separately under Professional Services method.

May 2007: Facilities Branch conducts selection and submits results for replacement of roof, awarding the contract to Vendor A.

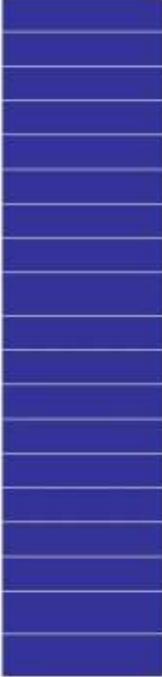
23

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Examples of Waste, Fraud, & Abuse
Case Study #1 (continued)

Subsequently revealed that Vendor A was working on both projects, simultaneously from initiation. Project manager states he did not authorize 2nd project and that Vendor A had started the design of the roof replacement at their own risk. Procurement Branch processed work via "Violation" process.

24



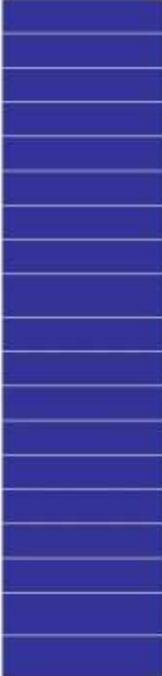
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**Examples of Waste, Fraud, & Abuse
Case Study #1 (continued)**

Audit findings:

- Our audit uncovered emails proving that Project Manager specifically authorized Vendor A to start on 2nd project, promising that a change order would be processed.
- We also found that selection committee for roof replacement project convened but did not select Vendor A. Several days later, Project Manager asked committee to revise selection to award to Vendor A as work was 95% complete. All committee members agreed without further discussion. Original selection results were modified to award to Vendor A.

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**Examples of Waste, Fraud, & Abuse
Case Study #1 (continued)**

Audit findings (continued):

- During interviews, all Project Manager and committee members all initially lied. When confronted with proof, none showed remorse and claimed their actions should have saved time and money. All stated they did it for the "children".

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Examples of Waste, Fraud, & Abuse Fraud Triangle

All three elements must be present

- Opportunity
- Pressure
- Rationalization



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Examples of Waste, Fraud, & Abuse Ethics (*Josephson Institute*)

774% of high school students admit to cheating today compared to 20% in 1940s (increased likelihood of being dishonest later in life)

Percentage who believe one has to lie or cheat at least occasionally to succeed:

117 & under:	51%
118-24:	36%
225-40:	18%
441-50:	11%
oOver 50:	10%

Source: <http://the.josephsoninstitute.org/bureaus/grades.html>

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Examples of Waste, Fraud, & Abuse Ethics (*Josephson Institute*) (continued)

Percentage satisfied with their own ethics & character:

116 & under:	90%
225-40:	90%
441-50:	91%
Over 50:	90%

Percentage who say they are more ethical than most people they know:

116 & under:	64%
225-40:	71%
441-50:	69%
Over 50:	67%

Source: <http://josephsoninstitute.org/surveys/index.html>

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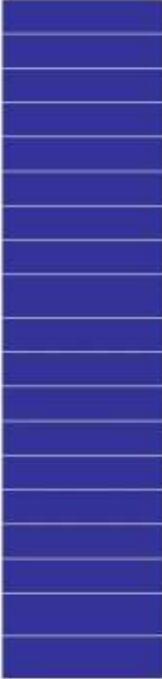
Examples of Waste, Fraud, & Abuse Ethics (*Josephson Institute*) (continued)

Percentage who lied on survey:

116 & under:	44%
225-40:	76%
441-50:	6%
Over 50:	6%

Source: <http://josephsoninstitute.org/surveys/index.html>

30



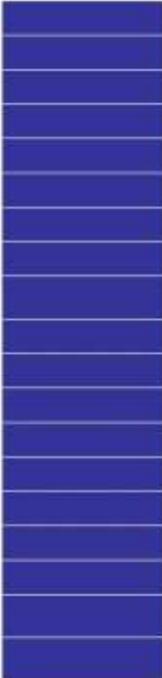
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Examples of Waste, Fraud, & Abuse
Procurement Schemes

Professional Services procurement method

- Subjective (*Fraud – Opportunity*)
- Branch Director serving on selection committee
- Overriding committee member selection process
- Collusion / coercion

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Examples of Waste, Fraud, & Abuse
Procurement Schemes (continued)

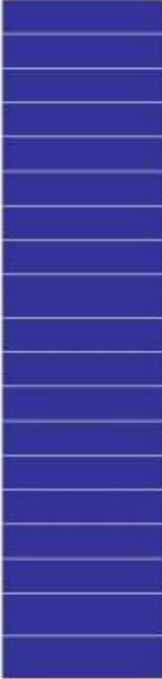
Subcontract issues

- Using subcontracts to circumvent procurement requirements
- Vendors subcontracting agency relatives, former employees

Improper relationships

- Former employees working for Vendors
- Vendor employees going to work for agency

32



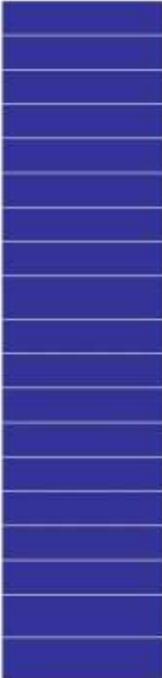
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Examples of Waste, Fraud, & Abuse
Procurement Schemes (continued)

Project/construction management contracts

- Outsourcing of management functions
- Inherent conflicts of interest
- Inefficient

33



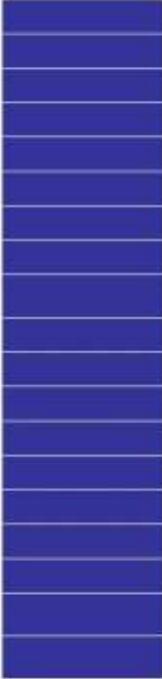
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Examples of Waste, Fraud, & Abuse
Procurement Schemes (continued)

"Check holding"
Requesting Vendors to submit invoice for 100% of
services, prior to actual completion, in order to
prevent funds from lapsing

- Compliant Vendors/mail fraud
- Rationalization (fraud element)

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Examples of Waste, Fraud, & Abuse
How Was This Possible?

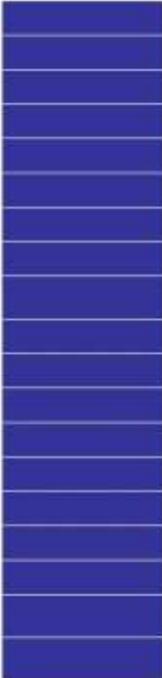
Pervasive Culture – results 1st, compliance 2nd?

Tone at the top
– “workarounds”

Empowered employees – “idealistic views”

No consequence/follow up for violations

36



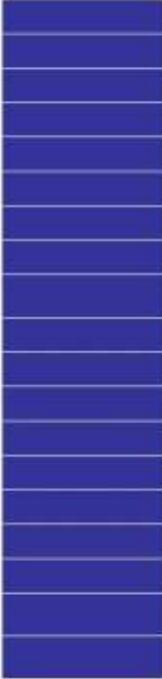
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Examples of Waste, Fraud, & Abuse
How Identified?

Red flags

- Difficulty in obtaining contract files (delays, scattered ...)
- Anonymous complaints
- Conflicts between Procurement Branch vs. Facilities Branch
- Relationships with Vendors
- Inherent conflicts – project/construction management contracts

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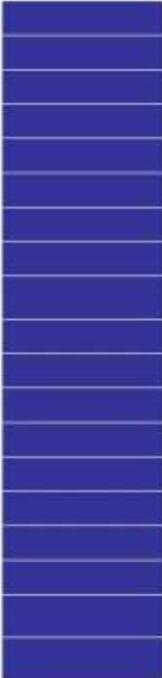
Examples of Waste, Fraud, & Abuse
How Identified? (continued)

Email access

Follow up interviews

- Initial denials
- Consistent message – rules not important

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Examples of Waste, Fraud, & Abuse
Possible Solutions

Fraud Prevention Program

- *Managing the Business Risk of Fraud: A Practical Guide*
(<http://www.acfe.com/documents/managing-business-risk.pdf>)

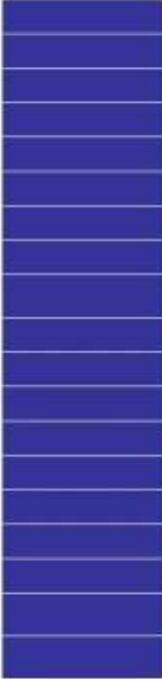
Need for Ethics/Conflicts of Interest policies and training

Formalized reporting/disposition of procurement violations

Segregation of duties (Procurement vs Facilities Br)

Agency procurement/contract checklists

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Government Procurement: Leveling the Playing Field While
Getting the Most Bang for the Taxpayers' Buck

Questions or Comments?

Marion M. Higa, State Auditor
Calvin K. Hangai, Administrative Deputy Auditor

Office of the Auditor
465 S. King Street, Room 500
Honolulu, Hawai'i 96813

Phone: 808-587-0800
FAX: 808-587-0830
Website: www.state.hi.us/auditor
Email Address: auditors@auditor.state.hi.us

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Appendix O1: OMB A-133, Compliance Supplement Addendum #1

OMB CIRCULAR A-133

**COMPLIANCE SUPPLEMENT
ADDENDUM #1**



JUNE 30, 2009

**EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET**

I. PROCUREMENT AND SUSPENSION AND DEBARMENT

Compliance Requirements

Procurement

States, and governmental subrecipients of States, shall use the same State policies and procedures used for procurements from non-Federal funds. They also shall ensure that every purchase order or other contract includes any clauses required by Federal statutes and executive orders and their implementing regulations.

Local governments and Indian tribal governments which are not subrecipients of States will use their own procurement procedures provided that they conform to applicable Federal law and regulations and standards identified in the A-102 Common Rule.

Institutions of higher education, hospitals, and other non-profit organizations shall use procurement procedures that conform to applicable Federal law and regulations and standards identified in OMB Circular A-110.

All non-Federal entities shall follow Federal laws and implementing regulations applicable to procurements, as noted in Federal agency implementation of the A-102 Common Rule and OMB Circular A-110.

In addition to those statutes listed in the A-102 Common Rule and OMB Circular A-110, Section 1605 of ARRA prohibits the use of ARRA funds for a project for the construction, alteration, maintenance, or repair of a public building or work unless all of the iron, steel, and manufactured goods used in the project are produced in the United States. ARRA provides for waiver of these requirements under specified circumstances. An award term is required in all awards for construction, alteration, maintenance, or repair of a public building or public work (2 CFR section 176.140). Further information about this requirement, including applicable definitions, is found in 2 CFR part 176, Subpart B.

Source of Governing Requirements - Procurement

The requirements for procurement are contained in the A-102 Common Rule (§____.36), OMB Circular A-110 (2 CFR sections 215.40 through 215.48), program legislation, **Section 1605 of ARRA, 2 CFR part 176**, Federal awarding agency regulations, and the terms and conditions of the award (**including that required by ARRA**). The specific references for the A-102 Common Rule and OMB Circular A-110, respectively, are given for each suggested audit procedure indicated below. (The first number listed refers to the A-102 Common Rule and the second refers to A-110.)

Suspension and Debarment

Governmentwide requirements for nonprocurement suspension and debarment are contained in the OMB guidance in 2 CFR part 180, which implements Executive Orders 12549 and 12689, Debarment and Suspension. The OMB guidance, which superseded the suspension and debarment common rule published November 26, 2003, is substantially the same as that rule.

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria. 2 CFR section 180.220 of the governmentwide nonprocurement debarment and suspension guidance contains those additional limited circumstances. All nonprocurement transactions (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions.

When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300). The information contained in the EPLS is available in printed and electronic formats. The printed version is published monthly. Copies may be obtained by purchasing a yearly subscription from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402, or by calling the Government Printing Office Inquiry and Order Desk at (202) 783-3238. The electronic version can be accessed on the Internet (<http://epls.arnet.gov>).

Source of Governing Requirements – Suspension and Debarment

The requirements for suspension and debarment are contained OMB guidance in 2 CFR part 180, which implements Executive Orders 12549 and 12689, Debarment and Suspension; Federal agency regulations in 2 CFR implementing the OMB guidance; the A-102 Common Rule (§ ____.36); OMB Circular A-110 (2 CFR section 215.13); program legislation; Federal awarding agency regulations; and the terms and conditions of the award. Most of the Federal agencies have adopted this guidance and relocated their associated agency rules in Title 2 of the CFR as final rules. For any agency that has not completed its adoption of 2 CFR part 180, pending completion of that adoption, agency implementations of the common rule remain in effect. Appendix II includes the current CFR citations for all agencies. In either case, the applicable requirements are specified in the terms and conditions of award.

Audit Objectives

1. Obtain an understanding of internal control, assess risk, and test internal control as required by OMB Circular A-133 § ____.500(c).
2. Determine whether procurements were made in compliance with the provisions of the A-102 Common Rule, OMB Circular A-110, and other procurement requirements specific to an award.
3. **Determine whether an award using ARRA funding includes a Buy-American award term and, if so, whether the recipient is complying with the Buy-American provisions of ARRA or if any waivers have been granted.**

- 4 For covered transactions determine whether the non-Federal entity verified that entities are not suspended or debarred or otherwise excluded.

Suggested Audit Procedures – Internal Control

1. Using the guidance provided in Part 6 – Internal Control, perform procedures to obtain an understanding of internal control sufficient to plan the audit to support a low assessed level of control risk for the program.
2. Plan the testing of internal control to support a low assessed level of control risk for procurement and suspension and debarment and perform the testing of internal control as planned. If internal control over some or all of the compliance requirements is likely to be ineffective, see the alternative procedures in § .500(c)(3) of OMB Circular A-133, including assessing the control risk at the maximum and considering whether additional compliance tests and reporting are required because of ineffective internal control.
3. Consider the results of the testing of internal control in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance.

Suggested Audit Procedures – Compliance

(Procedures 1 - 4 apply only to institutions of higher education, hospitals, and other non-profit organizations; and Federal awards received directly from a Federal awarding agency by a local government or an Indian tribal government.)

1. Obtain entity's procurement policies. Verify that the policies comply with applicable Federal requirements (§ .36(b)(1), 2 CFR section 215.43, **and Section 1605 of ARRA**).
2. Ascertain if the entity has a policy to use statutorily or administratively imposed in-State or local geographical preferences in the evaluation of bids or proposals. If yes, verify that these limitations were not applied to federally funded procurements except where applicable Federal statutes expressly mandate or encourage geographic preference (§ .36(c)(2) and 2 CFR section 215.43).
3. Examine procurement policies and procedures and verify the following:
 - a. Written selection procedures require that solicitations incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured, identify all requirements that the offerors must fulfill, and include all other factors to be used in evaluating bids or proposals (§ .36(c)(3) and 2 CFR section 215.44(a)(3)).
 - b. There is a written policy pertaining to ethical conduct (§ .36(b)(3) and 2 CFR section 215.42).
4. Select a sample of procurements and perform the following:

- a. Examine contract files and verify that they document the significant history of the procurement, including the rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis of contract price (§ ____ .36(b)(9) and 2 CFR section 215.46).
- b. Verify that procurements provide full and open competition (§ ____ .36(c)(1) and 2 CFR section 215.43).
- c. Examine documentation in support of the rationale to limit competition in those cases where competition was limited and ascertain if the limitation was justified (§ ____ .36(b)(1) and (d)(4); and 2 CFR sections 215.43 and 215.44(e)).
- d. Verify that contract files exist and ascertain if appropriate cost or price analysis was performed in connection with procurement actions, including contract modifications and that this analysis supported the procurement action (§ ____ .36(f) and 2 CFR section 215.45).
- e. Verify that the Federal awarding agency approved procurements exceeding \$100,000 when such approval was required. Procurements (1) awarded by noncompetitive negotiation, (2) awarded when only a single bid or offer was received, (3) awarded to other than the apparent low bidder, or (4) specifying a "brand name" product (§ ____ .36(g)(1) and 2 CFR 215.44(e)) may require prior Federal awarding agency approval.
- f. Verify compliance with other procurement requirements specific to an award.

(Procedure 5 only applies to States and Federal awards subgranted by the State to a local government or Indian tribal government.)

5. Test a sample of procurements to ascertain if the State's laws and procedures were followed and that the policies and procedures used were the same as for non-Federal funds.

(Procedure 6 applies to all non-Federal entities)

6. Select a sample of procurements and subawards and—
 - a. Test whether the non-Federal entities performed a verification check for covered transactions, by checking the EPLS, collecting a certification from the entity, or adding a clause or condition to the covered transaction with the entity; and
 - b. Test the sample of procurements and subawards against the EPLS, and ascertain if covered transactions were awarded to suspended or debarred parties.

Note: The suggested audit procedures above for internal control and compliance testing may be accomplished using dual-purpose testing.

7. **Select a sample of ARRA-funded procurements, if any, for activities subject to Section 1605 of ARRA and—**
 - a. **Test whether the non-Federal entities requested and received any exceptions to Buy-American requirements; and**
 - b. **Test the sample of procurements to ascertain if entities are otherwise in compliance with the ARRA requirements.**

Appendix O2: Procurement Sampling Matrix

This information obtained from contract listing prior to testing								Results of testing							
Item	Contract #	Vendor/Description	Type	Transaction Code	Amount	Award Date	Contract Date	Audit Procedures							
								A	B	C	D	E	F	G	H
#1	10001	CH Enterprises	Consulting	XYZ	1,000,000.00	6/1/2008	6/30/2008	v	v	v1	v	v	v	X	v
#2															
#3															
#4															
#5															
#6															
#7															
#8															
#9															
#10															
#11															
#12															
#13															
#14															
#15															
#16															
#17															
#18															
#19															
#20															

Audit Procedures:

- A Obtain contract/file and verify information on listing is accurate
- B Review contract to determine it is properly executed (signed/dated) by all parties
- C Review contract routing list to ensure it is properly approved and reviewed
- D Review tax clearance and certificates of compliance/good standing provided by contractor
- E Review award letter for propriety (date, vendor)
- F Review selection committee rankings to ensure highest ranked offeror got awarded the contract
- G Review documentation supporting award (contractor evaluations) and agree to final ranking
- H Review price/scope of specifications and agree to proposal and final contract

Tickmark Legend:

- v Procedure performed without exception.
- v1 Contract routing slip not signed by program manager, who was on leave.
- X Found mathematical errors in individual evaluation sheets. Second ranked contractor should have been first. Program manager did not recognize error during review.

Appendix 03: Record of Procurement Form



STATE PROCUREMENT OFFICE

RECORD OF PROCUREMENT

1. Agency: _____ 2. PO/pCard. No. _____
 3. Date: _____ 4. Project/Requisition/Work Order No. _____
 5. This form is for: Small Purchase procurements pursuant to HRS §103D-305, \$5,000 to less than \$15,000
 Small Purchase procurements pursuant to HRS §103F-405, less than \$25,000
 *Sole Source Procurements pursuant to HRS §103D-306, less than \$50,000
 *Emergency Procurements pursuant to HRS §103D-307, less than \$50,000
*Awards shall be posted in accordance with Procurement Circular 2006-01, or as amended.

6. PART A. Description of good/service/construction:

7. PART B. QUOTATIONS SOLICITED:

<u>SELECTION</u> <small>(Check Box)</small>	<u>#</u> Vendor Name	<u>9</u> Representative	<u>10</u> Phone No	<u>11</u> Date of Quote	<u>12</u> Amount Quoted
<input type="checkbox"/> 1.					
<input type="checkbox"/> 2.					
<input type="checkbox"/> 3.					
<input type="checkbox"/> 4.					
<input type="checkbox"/> 5.					

13. PART C. Justification for inability to obtain minimum three quotations, if applicable:

14. PART D. Justification for award made to other than lowest responsive, responsible vendor:

 15. Signature Employee soliciting quotations date

 16. Signature Procurement Officer approval date

FILE A COPY AS SUPPORTING DOCUMENTATION IN THE PROCUREMENT FILE.

Appendix 04 DOE Contract Checklist

Audit Checklist - 103D Professional Services

Project Coordinator: _____ Project#: _____
Title/Descrip: _____ Contract# _____
Audited by: _____ Date: _____

The following is on file:

- Completed 103D PS checklist
- Public Notice
- Attestation
- Statements of Qualifications
- Attachment A, Standard Screen Criteria
- Attachment B, Long List of Qualified Applicants
- SPO Form 24 (all review committee members)
- Attachment C, Summary of Qualifications for Short List of Providers
- Attachment D, Short List Ranking of Qualified Applicants
- SPO Form 24 (all selection committee members, if different from review committee)
- Rejection letter(s) as applicable
- Notice of cancellation as applicable
- Waivers (Single Offer, No Offer, Alternative) as applicable
- Award Letter(s)
- PNS Posting
 - posted within 7 days of award
- Contract
 - Signing Authority
 - Notice to Proceed
- Certificates
 - Insurance as applicable
 - HCE
 - Tax
 - DLIR
 - DCCA
- C-41

I certify by signature that the above documents were submitted by the Purchasing Program and all documents received will be placed in the procurement file.

Printed Name

Title

Signature

Date

Reserved for PCB Use	Contract#:	Encumbrance#:
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103D Professional Services (PS) - Checklist

OSFSS Project Coordinator: _____
 Project Title/Description: _____
 DOE Job#: _____
 PCB Project# (Annual Solicitation#): _____
 Date Selection Committee Convened: _____

Review Committee

- OSFSS designated a review committee that included a minimum of three (3) persons with sufficient education, training, and licenses or credentials for each type of professional service
- Review committee reviewed and evaluated all submissions and prepared a list of qualified persons to provide these services
- Review committee members signed affidavit

Selection Committee

- During the course of the fiscal year, when a particular professional service is required, OSFSS designated a selection committee that included a minimum of three (3) qualified individuals
 Committee members have sufficient education, training, and licenses or credentials in the area of services required, to
- evaluate the statements of qualification and performance data of those persons on the long list along with other pertinent information, including references and reports
- OSFSS ensures the impartiality and independence of committee members
- Selection committee members signed affidavit

NOTE: AS/CAS or equivalent appointment positions shall NOT serve on review/selection committees

Non-Government Employee Members of Review/Selection Committee

Review/Selection committee members who are not employees of a governmental body shall

- Have sufficient knowledge to serve on the review/selection committee;
- Serve without compensation, unless justified in writing by the OSFSS that compensation is justified;
- Signed an affidavit (SPO Form 24)

Evaluation

- The selection criteria included (in descending order of importance)
 - Experience and professional qualifications relevant to the project type
 - Past performance on projects of similar scope for public agencies or private industry
 - Capacity to accomplish the work in the required time
 - Any additional criteria determined in writing by the selection committee to be relevant to the program's needs or necessary and appropriate to ensure full, open, and fair competition
- The selection committee evaluated the submissions of persons on the long list prepared and any pertinent information which was made available, against the selection criteria
- The selection committee conducted confidential discussions with any person included on the long list regarding services which are required and the services they are able to provide; no disclosure of any information derived from the competing professional services offerors.
- The selection committee ranked a minimum of three (3) persons based on the selection criteria
- If more than one person hold the same qualifications, committee ranked persons in a manner that ensures equal distribution of contracts among the persons holding the same qualifications.

Waiver to Requirement for Procurement of Professional Services

- Names of less than 3 qualified persons are submitted pursuant to § 103D-304(g), HRS, the OSFSS may determine that:
 - Negotiations under §103D-304(h), HRS may be conducted provided that

- The prices submitted are fair and reasonable; and other prospective offerors had reasonable opportunity to respond; or
- There is not adequate time to resolicit through public notice statements of qualifications and expressions of interest
- The offers may be rejected and new statements of qualifications and expressions of interest may be solicited if the conditions above are not met;
- The proposed procurement may be cancelled; or
- Alternative procurement method was conducted provided:
 - PCB determines in writing via Request to use an Alternative Procurement Method Form (Form 15) that the need
 - for the good, service, or construction continues, but the price of the single proposal is NOT fair and reasonable and either there is no time for resolicitation OR resolicitation would be futile
 - Request to use an Alternative Procurement Method Form (Form 15) was received/reviewed by PCB
 - Form 15 was submitted/approved by CPO
- No names are submitted pursuant to § 103D-304(g), HRS, the OSFSS determined:
 - Resolicit statements of qualifications and expressions of interest.
 - OSFSS requested to resolicit
 - Alternative procurement method was conducted provided:
 - OSFSS determined in writing that it is neither practical, nor advantageous to resolicit; and the following have been considered: Time constraints, competition in the marketplace, and the additional potential costs of resolicitation will exceed the benefits associated with the solicitation process
 - Request to use an Alternative Procurement Method Form (Form 15) was received/reviewed by PCE
 - Form 15 was submitted/approved by CPC
 - No action necessary

Contract Negotiation

- OSFSS or designee negotiated a contract with the first ranked person, including a rate of compensation established in writing, and based on the estimated value, scope, complexity, and nature of the services to be rendered
- If satisfactory contract cannot be negotiated with the first ranked person, negotiations were formally terminated, and negotiations with the second ranked person commenced, and so forth (as applicable).
- If a contract at a fair and reasonable price cannot be negotiated, selection committee may be asked to submit a minimum of three additional persons to resume confidential negotiations
- OSFSS documents all negotiations transactions to support selection

Required Forms are Attached

- Affidavits (DOE Form 24) signed by each Review Committee member
- Short List attached and references:
 - Exact professional services series/category solicited via annual solicitation and listed on Long List
 - Long List number/PCB Project number (PS Dxx-xxx)
- Waiver documentation (as applicable):
 - Single Offer Form
 - Rejection Letter(s)
 - Notice of Cancellation
 - Alternative Procurement (Form 15)
- Affidavits (DOE Form 24) signed by each Selection Committee member
- Summary of Qualifications for the Ranking (Form Attachment C)
- Evidence of Confidential Discussions conducted by Selection Committee (if any)
- Ranking of a minimum of three (3) persons based on the selection criteria (Form Attachment D)
- Evidence of Negotiations (fee proposal, correspondence, terminations, etc)
- Copy of Contract Terms (Scope of Services, Compensation, Payment, Time of Performance, Special Conditions, etc) attached and/or have been emailed to DOEprocure@notes.k12.hi.us
- New Record input Form
- Contract Encumbrance (Form C-41)

- OSFSS' written approval/acceptance of Subcontractor
 - Tax Clearance of Subcontractor
- Vendor Certificates
 - Tax
 - DLIR
 - DCCA
 - or in lieu of above HCE
 - Insurance Certificate
- Signing authority, if available (articles of incorporation, etc)
- Other Internal OSFSS Forms

OSFSS Certification

I certify that this procurement was conducted following all applicable state and federal (if applicable) procurement laws and regulations, and applicable departmental guidelines in the above listed PS selection.

Printed Name/Title

Signature/Date

[Reserved for PCB use] 05/2009

I certify the Procurement and Contract Branch (PCB) has reviewed the above list, and all documents indicated on this list have been received by PCB and have been placed in the procurement and contract file.

Signature/Date

Appendix 05: Audit Office Contract Checklist

Office of the Auditor		Financial Audit Checklist			
Prepared by:		Date:			
FY2009 Financial Audit - Department of _____					
Index of LAO Project Administration File					
Procedure	Index	Responsible Party	Prep'd/Rec'd by:		
			Initial	Date	
I. PROJECT INITIATION & BACKGROUND					
1. Discuss preliminary expectations of team members and allocate resources.	A	LAO			
2. Research and/or request recent information for agencies (e.g., most recent Audited Financial Statements, Single Audit Report, and Management Letter) and other pertinent background information.	A	LAO			
3. Identification and analysis of LAO financial audits performed - prepare memo recommending agency selection(s) for approval by Auditor.	A1	LAO			
4. Determination that Competitive Sealed Proposal (§103D-303, HRS) method of selection is advantageous. Prepare memo in accordance with §3-122-43, HAR, for Auditor approval.	A1	LAO			
5. Identify Evaluation Committee members (at least 3 with relevant background; must include Contract Administrator). Prepare memo for Auditor approval (§-122-45.01, HAR).	A1	LAO			
6. Project Initiation/Notification Letter to Auditee (request agency contact information).	A2	LAO			
II. PROCUREMENT & PLANNING					
7. Prepare project Specifications and Request for Proposals in accordance with §3-122-46, HAR. Convert to PDF for e-mail transmissions.	B1	LAO			
8. Notice of competitive sealed proposal solicitation, minimum 30 days before deadline for submission of proposals. A shorter timeframe can be used if a determination is made by the procurement officer in writing and adequate competition is still provided for. (§3-122-16.02, HAR)					
a. Post notice on SPO website (required) and print and sign "Attestation for Internet Posting" in accordance with §3-122-16.03, HAR (assistance provided by Debbie Higa).	B1-1	LAO			
b. Post notice in Honolulu Advertiser (& Star Bulletin - optional) for 3 days (W,F,Su). Provide notice to Rachel Ray > 48 hours prior to first listing. (§3-122-16.03, HAR)	B1-1				
c. E-mail CPA firms to inform them of notice (refer to most recent qualified list &/or prior year contact list). Attach PDF copy of RFP & Specifications and record firms e-mailed onto pick-up log.	B1-2				
9. Receipt of Proposals - Proposals are to be time-stamped and stored in a secure place until opening.	B2	LAO			

Procedure		Index	Responsible Party	Prep'd/Rec'd by:	
				Initial	Date
10. Opening of Proposals					
a.	Open proposals in the presence of 2 employees. (§3-122-51, HAR)	B2	LAO		
b.	Register receipt of proposals - include name of offeror, # of modifications, and description. (§3-122-51(b), HAR)	B2			
11. Evaluate Proposals					
a.	"Technical Evaluation of Proposals" - Distribute with copy of each proposal and instructions to each member of Evaluation Committee. (§3-122-52 & 53, HAR)	B3	LAO		
b.	"Summary - Evaluation of Proposals" - Contract Administrator/Supervisor to gather and summarize Evaluation Committee results and prepare "Priority List" of at least 3 responsible offerors who submitted highest ranked proposals. (§3-122-52 & 53, HAR)	B3			
c.	Submit memo of Evaluation Committee's recommendation and basis for selection to Auditor for approval. (§3-122-53 & 57, HAR)	B3			
<i>Note: See HAR §3-122-53 & 54 regarding any discussions with priority-listed offerors and submitting best & final offers if necessary.</i>		N/A			
12. Waiver to Competitive Sealed Proposals (if single offeror only) - approval from CPO. (§3-122-59, HAR)		N/A	LAO		
13. Contract Award					
a.	Send Award Letter to selected offeror. Post letter outside LAO office for 5 working days. (§3-122-57, HAR)	B4	LAO		
b.	Follow-up & Objectives Letter to Auditee - indicate selected CPA Firm and communicate audit objectives and scope. Auditor to approve and sign.	B4-1			
c.	For contracts > \$100,000, obtain Authorization Letter from Legislative leadership at least 7 days before contract execution.	B4-2			
d.	Send letters of regret to offerors not selected. Retain one copy of each proposal for files.	B4-3			
14. Contract Formation					
a.	Draft Contract and submit to the following for review & approval: (1) Auditor; (2) Legal Counsel/Deputy; (3) Procurement Officer.	B	LAO		
b.	Send approved Contract to offeror for review and signature (to sign & notarize 4 copies).	B	LAO/CPA		
c.	Obtain the following documents from the offeror prior to execution of contract (§3-122-112, HAR): (1) Tax Clearance (Fed & State); (2) DLIR Certificate of Compliance; (3) DCCA Certificate of Good Standing.		LAO/CPA		
d.	Final review and signature by Auditor.	B	LAO		
e.	Forward to LAO Executive Secretary for encumbrance.	B	LAO		

158 Island Government Finance Officers' Association Annual Meeting, December 8-10, 2009 (Maui)

Procedure	Index	Responsible Party	Prep'd/Rec'd by:	
			Initial	Date
15. Engagement Letter - between CPA firm and Audited Agency (obtain from CPA Firm prior to commencement of fieldwork; Peer Review report should be attached to letter).	B5	CPA		
III. FIELDWORK & CONTRACT MANAGEMENT				
16. Meeting/discussion with CPA Firm to discuss overview of audit and expectations.	N/A	LAO/CPA		
17. Entrance conference: Coordinate between LAO, CPA Firm, & Agency.		LAO		
a. Prepare agenda and hold meeting.	C1			
b. Summarize and document minutes of meeting.	C1-1			
18. CPA Firm to prepare document/information request and submit to Agency (LAO to coordinate as necessary).	C2	CPA		
a. Documents received from Agency	C2-1	Agency		
19. Meet with CPA Firm to discuss overview of audit plan and approach. Firm to submit bi-weekly status reports that include: (1) Project phase; (2) Task accomplished; (3) Problems/issues; (4) Remaining tasks; (5) Adherence to schedule.	C3	CPA		
20. Internal status reports prepared by LAO as necessary - include (1) Project phase; (2) Task accomplished; (3) Problems/issues; (4) Remaining tasks; (5) Adherence to schedule.	C4	LAO		
21. Contractor Invoices - to be approved for payment by Contract Administrator/Supervisor and Auditor.	C5	CPA/LAO		
22. Miscellaneous Correspondence & Notes	C6	All		
IV. PRELIMINARY FINDINGS & RECOMMENDATIONS (PFR)				
23. CPA Firm to prepare and submit draft Preliminary Findings and Recommendations (PFR) to LAO.	D1	CPA		
24. Contract Administrator/Supervisor to review PFR and work with CPA Firm to revise as necessary.	D1-1	LAO/CPA		
25. Submit PFR documents to Auditor/Deputy Auditor (with Report Outline - see E1-2 below).	D1-2	LAO		
26. Hold PFR Meeting with LAO and CPA Firm.	N/A	LAO/CPA		
27. Finalize PFR and obtain Auditor approval.	D2	LAO		
Agency Response to PFR (addressed to LAO)	D3	Agency		
28. CPA Firm to submit copies of workpapers supporting all findings and recommendations and procedures performed.	D4	CPA		
V. REPORT DEVELOPMENT				
29. CPA Firm to prepare and submit draft Report Outline to LAO.	E1	CPA		
30. Contract Administrator/Supervisor to review Report Outline and work with CPA Firm to revise as necessary.	E1-1	LAO/CPA		
31. Submit Report Outline to Auditor/Deputy Auditor prior to PFR meeting (with PFR - see D1-2 above).	E1-2	LAO		
32. Finalize Report Outline and obtain Auditor approval.	E2	LAO		
33. Audit Opinion(s) (<i>Independent Auditor's Report</i> and/or <i>Report on Compliance and on Internal Control over Financial Reporting</i>) prepared by CPA Firm if applicable.	E3	CPA		

Procedure	Index	Responsible Party	Prep'd/Rec'd by:	
			Initial	Date
34. CPA Firm to prepare and submit Preliminary Draft Report.	E4	CPA		
35. Contract Administrator/Supervisor to review Preliminary Draft Report and work with CPA Firm to revise as necessary.	E4-1	LAO/CPA		
36. Submit Preliminary Draft to Auditor/Deputy for review, comment, and approval to move into edit process.	E4-2	LAO		
37. LAO Edit Process				
a. 1st Edit (by LAO Editor) → Contract Administrator/Supervisor make revisions or note why not made, subject to Auditor approval → <i>Office Draft</i>	E5	LAO		
a. 2nd Edit/Proofreading (Office Draft edited and proofread by a second editor) → Auditor determines whether to accept edits → Secretary inputs edits → <i>Formatted Draft</i>	E6			
b. Contract Administrator/Supervisor review Formatted Draft to verify revisions properly reflected	N/A			
38. Exit conference: Coordinate between LAO, CPA Firm, Agency.				
a. Prepare agenda and "point sheet" (include purpose of conference, numbered draft and agency response process, report issuance, overall findings).	E7	LAO		
b. Hold meeting and summarize/document minutes.	E7-1			
VI. REPORT PRODUCTION & DISTRIBUTION				
39. Production Control Checklist	F	LAO		
40. Final Report Checklist	F1	LAO		
41. Deliver Numbered Drafts with Transmittal Letters to:				
a. Governor	F2	LAO		
b. Senate President	F2-1			
c. Speaker of the House	F2-2			
d. Agency Director (and Board, if applicable)	F2-3			
42. Prepare and submit Closing Documents for Auditor/Deputy review and approval.				
a. Overview	F3-1	LAO		
b. Foreword	F3-2			
c. Transmittal paragraph	F3-3			
43. Agency Response (generally due 10 calendar days > delivery of Numbered Drafts)	F4	Agency		
44. Comments on Agency Response:				
a. Prepare Comments on Agency Response and submit to Auditor/Deputy for review and approval	F4-1	LAO/CPA		
b. Update Closing documents and Report as necessary	N/A			
45. Deliver Final Report to: (1) Governor; (2) Lt. Governor; (3) Legislature; (4) B&F; (5) Agency (and Board, if applicable).	N/A	LAO		
46. Report posted to website and released to Public	N/A	LAO		
47. Contractor Evaluation - prepared by Contract Administrator/Supervisor, reviewed and approved by Auditor/Deputy.	F5	LAO		

Appendix O6: Hawaii Department of Education Procurement Checklist

[Reserved for PCB Use] Contract#: Encumbrance#:

103D Professional Services (PS) - Checklist

OSFSS Project Coordinator: _____
Project Title/Description: _____
DOE Job#: _____
PCB Project# (Annual Solicitation#): _____
Date Selection Committee Convened: _____

Review Committee

- OSFSS designated a review committee that included a minimum of three (3) persons with sufficient education, training, and licenses or credentials for each type of professional service
- Review committee reviewed and evaluated all submissions and prepared a list of qualified persons to provide these services
- Review committee members signed affidavit

Selection Committee

- During the course of the fiscal year, when a particular professional service is required, OSFSS designated a selection committee that included a minimum of three (3) qualified individuals
- Committee members have sufficient education, training, and licenses or credentials in the area of services required, to evaluate the statements of qualification and performance data of those persons on the long list along with other pertinent information, including references and reports
- OSFSS ensures the impartiality and independence of committee members
- Selection committee members signed affidavit

NOTE: AS/CAS or equivalent appointment positions shall NOT serve on review/selection committees

Non-Government Employee Members of Review/Selection Committee

Review/Selection committee members who are not employees of a governmental body shall:

- Have sufficient knowledge to serve on the review/selection committee;
- Serve without compensation, unless justified in writing by the OSFSS that compensation is justified;
- Signed an affidavit (SPO Form 24)

Evaluation

- The selection criteria included (in descending order of importance):
 - Experience and professional qualifications relevant to the project type
 - Past performance on projects of similar scope for public agencies or private industry
 - Capacity to accomplish the work in the required time
 - Any additional criteria determined in writing by the selection committee to be relevant to the program's needs or necessary and appropriate to ensure full, open, and fair competition
- The selection committee evaluated the submissions of persons on the long list prepared and any pertinent information which was made available, against the selection criteria
- The selection committee conducted confidential discussions with any person included on the long list regarding services which are required and the services they are able to provide; no disclosure of any information derived from the competing professional services offerors
- The selection committee ranked a minimum of three (3) persons based on the selection criteria
- If more than one person hold the same qualifications, committee ranked persons in a manner that ensures equal distribution of contracts among the persons holding the same qualifications.

Waiver to Requirement for Procurement of Professional Services

- Names of less than 3 qualified persons are submitted pursuant to § 103D-304(g), HRS, the OSFSS may determine that:
 - Negotiations under §103D-304(h), HRS may be conducted provided that:
 - The prices submitted are fair and reasonable; and other prospective offerors had reasonable opportunity to respond, or
 - There is not adequate time to resolicit through public notice statements of qualifications and expressions of interest
 - The offers may be rejected and new statements of qualifications and expressions of interest may be solicited if the conditions above are not met;
 - The proposed procurement may be cancelled; or
 - Alternative procurement method was conducted provided:
 - PCB determines in writing via Request to use an Alternative Procurement Method Form (Form 15) that the need
 - for the good, service, or construction continues, but the price of the single proposal is NOT fair and reasonable and either there is no time for resolicitation OR resolicitation would be futile
 - Request to use an Alternative Procurement Method Form (Form 15) was received/reviewed by PCB
 - Form 15 was submitted/approved by CPO
- No names are submitted pursuant to § 103D-304(g), HRS, the OSFSS determined:
 - Resolicit statements of qualifications and expressions of interest.
 - OSFSS requested to resolicit
 - Alternative procurement method was conducted provided:
 - OSFSS determined in writing that it is neither practical, nor advantageous to resolicit; and the following have been considered: Time constraints, competition in the marketplace, and the additional potential costs of resolicitation will exceed the benefits associated with the solicitation process
 - Request to use an Alternative Procurement Method Form (Form 15) was received/reviewed by PCB
 - Form 15 was submitted/approved by CPO
 - No action necessary

Contract Negotiation

- OSFSS or designee negotiated a contract with the first ranked person, including a rate of compensation established in writing and based on the estimated value, scope, complexity, and nature of the services to be rendered
- If satisfactory contract cannot be negotiated with the first ranked person, negotiations were formally terminated, and negotiations with the second ranked person commenced, and so forth (as applicable).
- If a contract at a fair and reasonable price cannot be negotiated, selection committee may be asked to submit a minimum of three additional persons to resume confidential negotiations
- OSFSS documents all negotiations transactions to support selection

Required Forms are Attached

- Affidavits (DOE Form 24) signed by each Review Committee member
- Short List attached and references:
 - Exact professional services series/category solicited via annual solicitation and listed on Long List
 - Long List number/PCB Project number (PS Dxx-xxx)
- Waiver documentation (as applicable):
 - Single Offer Form
 - Rejection Letter(s)
 - Notice of Cancellation
 - Alternative Procurement (Form 15)
- Affidavits (DOE Form 24) signed by each Selection Committee member
- Summary of Qualifications for the Ranking (Form Attachment C)
- Evidence of Confidential Discussions conducted by Selection Committee (if any)
- Ranking of a minimum of three (3) persons based on the selection criteria (Form Attachment D)
- Evidence of Negotiations (fee proposal, correspondence, terminations, etc)

- Copy of Contract Terms (Scope of Services, Compensation, Payment, Time of Performance, Special Conditions, etc) attached and/or have been emailed to DOEprocure@notes.k12.hi.us
- New Record input Form
- Contract Encumbrance (Form C-41)
- OSFSS' written approval/acceptance of Subcontractor
 - Tax Clearance of Subcontractor
- Vendor Certificates
 - Tax
 - DLIR
 - DCCA
 - or in lieu of above HCE
 - Insurance Certificate
- Signing authority, if available (articles of incorporation, etc)
- Other Internal OSFSS Forms

OSFSS Certification

I certify that this procurement was conducted following all applicable state and federal (if applicable) procurement laws and regulations, and applicable departmental guidelines in the above listed PS selection.

Printed Name/Title

Signature/Date

[Reserved for PCB use] 05/2009

I certify the Procurement and Contract Branch (PCB) has reviewed the above list, and all documents indicated on this list have been received by PCB and have been placed in the procurement and contract file.

Signature/Date

Appendix 07: Hawaii Professional Services Procurement Checklist

103D Professional Services (PS) - Checklist

1/25/2009

Specialist _____ **Project#:** _____
Title/Descrip: _____ **Contract#** _____

Reference PCB Documentation/Notes

Project Initiation

- Completed Request for Procurement and/or Contracting Services received by PCB, request has been approved by appropriate administrator Form 18
- Complete scope/specifications attached to request form
- Completed Request for Civil Service Exemption form received by PCB Form 4
 - If required by form 4, Certificate of Civil Service Exemption attached CSE Certificate (OHR)
- Upon receipt of request forms:
 - Project number assigned
 - Email confirmation sent to requestor within 2 days of receipt
 - Project assigned to Specialist
 - Specialist contacts program and notifies of standard timeline

Public Notice

- Public notice shall invite persons engaged in providing professional services which the program anticipates needing in the next fiscal year, to submit statements of qualifications and expressions of interest to the requesting program that may include but not be limited to:
 - name of firm or person, the principal place of business, and location of all of its offices;
 - age of the firm and its average number of employees over the past years;
 - education, training, and qualifications of key members of the firm;
 - names and phone numbers of up to 5 clients who may be contacted, including at least 2 for whom services were rendered during the preceding year; and
 - any promotional or descriptive literature which the firm desires to submit.
- Other Requirements (as applicable):
 - Deadline for inquiries/responses included
 - General Conditions incorporated
 - Insurance Requirements included
 - Federal Certifications included
 - Requirements pursuant to 103D-310c (Responsibility of Offerors) 103D-310c, HRS
 - Contract term
 - if multi-term, and conditions met, written determination was received and CPO approval obtained HAR §3-122-149
 - Contract extension provisions

HAR §3-122-16.03(c) and (d)
 HAR §3-122-16.03(c), (d) and §103D-304(b), HRS

Note: #, term written determination sample
 Note: #, term

Review Committee

- HOPA designated a review committee that included a minimum of three (3) persons with sufficient education, training, and licenses or credentials for each type of professional service
- Review committee reviewed and evaluated all submissions and prepared a list of qualified persons to provide these services Attachment B
- Review committee members signed affidavit SPO Form 24

§103D-304(c), HRS

103D Professional Services (PS) - Checklist

1/25/2009

Specialist _____ **Project#:** _____
Title/Descrip: _____ **Contract#** _____

Selection Committee

- HOPA designated a selection committee that included a minimum of three (3) qualified individuals, with sufficient education, training, and licenses or credentials in the area of services
- required, to evaluate the statements of qualification and performance date of those persons on the long list prepared pursuant to subsection (c) along with other pertinent information, including references and reports
 - HOPA shall ensure the impartiality and independence of committee members
 - Names of selection committee members were placed in the contract file
 - Selection committee members signed affidavit

Reference PCB Documentation/Notes
 §103D-304(d), HRS

§103D-304(d), HRS
 §103D-304(d), HRS
 §103D-304(d), HRS

SPO Form 24

NOTE: AS/CAS or equivalent appointment positions shall NOT serve on review/selection committees

HAR §3-122-69(b)

Non-Government Employee Members of Review/Selection Committee

- Review/Selection committee members who are not employees of a governmental body shall:
- Have sufficient knowledge to serve on the review/selection committee;
 - Serve without compensation, unless justified in writing by the HOPA that compensation is justified;
 - Signed an affidavit (SPO Form 24)

HAR §3-122-69

SPO Form 24

Evaluation

- The selection criteria included
 - Past performance on projects of similar scope for public agencies or private industry
 - Capacity to accomplish the work in the required time
 - Any additional criteria determined in writing by the selection committee to be relevant to the program's needs or necessary and appropriate to ensure full, open, and fair competition
- The selection committee evaluated the submissions of persons on the long list prepared and any pertinent information which was made available, against the selection criteria
- The selection committee ranked a minimum of three (3) persons based on the selection criteria and sent ranking to the HOPA
- The contract file contains a copy of the summary of qualifications for the ranking

§103D-304(e), HRS
 §103D-304(e)(2), HRS
 §103D-304(e)(3), HRS
 §103D-304(e)(4), HRS

§103D-304(f), HRS

§103D-304(g), HRS

Attachment D
 Attachment C

103D Professional Services (PS) - Checklist

1/25/2009

Specialist _____ **Project#:** _____
Title/Descrip: _____ **Contract#** _____

Waiver to Requirement for Procurement of Professional Services

- | | <u>Reference</u> | <u>PCB Documentation/Notes</u> |
|---|----------------------|--|
| <input type="checkbox"/> Names of less than 3 qualified persons are submitted pursuant to § 103D-304(g), HRS, the HOPA may determine that: | HAR § 3-122-66 | |
| <input type="checkbox"/> Negotiations under §103D-304(h), HRS may be conducted provided that: | HAR § 3-122-66(a) | |
| <input type="checkbox"/> The prices submitted are fair and reasonable; and other prospective offerors had reasonable opportunity to respond; or | HAR § 3-122-66(a)(1) | Single Offer Form |
| <input type="checkbox"/> There is not adequate time to resolicit through public notice statements of qualifications and expressions of interest | | |
| The offers may be rejected pursuant to subchapter 11 and new statements of | | |
| <input type="checkbox"/> qualifications and expressions of interest may be solicited if the conditions above are not met. | HAR § 3-122-66(a)(2) | Rejection Letter |
| <input type="checkbox"/> The proposed procurement may be cancelled; or | HAR § 3-122-66(a)(3) | Notice of Cancellation |
| <input type="checkbox"/> Alternative procurement method was conducted provided: | HAR § 3-122-66(a)(4) | Alternative Procurement Method Form 15 |
| HOPA determines in writing via Request to use an Alternative Procurement Method Form (Form 15) that the need for the good, service, or construction continues, but | | |
| <input type="checkbox"/> the price of the single proposal is NOT fair and reasonable and either there is no time for resolicitation OR resolicitation would be futile | | |
| <input type="checkbox"/> Request to use an Alternative Procurement Method Form (Form 15) was received/reviewed by PCB | | |
| <input type="checkbox"/> Form 15 was submitted/approved by CPO | | |
| <input type="checkbox"/> No names are submitted pursuant to § 103D-304(g), HRS, the HOPA determined: | HAR § 3-122-66(b) | No Offers Form |
| <input type="checkbox"/> Resolicit statements of qualifications and expressions of interest: | | |
| <input type="checkbox"/> HOPA requested to resolicit | | |
| <input type="checkbox"/> Alternative procurement method was conducted provided: | HAR § 3-122-66(a)(4) | Alternative Procurement Method Form 15 |
| HOPA determined in writing that it is neither practical, nor advantageous to | | |
| <input type="checkbox"/> resolicit; and the following have been considered: Time constraints, competition in the marketplace, and the additional potential costs of re-solicitation will exceed the benefits associated with the solicitation process | | |
| <input type="checkbox"/> Request to use an Alternative Procurement Method Form (Form 15) was received/reviewed by PCB | | |
| <input type="checkbox"/> Form 15 was submitted/approved by CPO | | |
| <input type="checkbox"/> No action necessary | | |

Contract Negotiation

- HOPA or designee negotiated a contract with the first ranked person, including a rate of
- compensation established in writing, and based on the estimated value, scope, complexity, and nature of the services to be rendered §103D-304(h), HRS
 - The contract file includes documentation from the HOPA or designee to support selection of other than the first ranked §103D-304(h), HRS

103D Professional Services (PS) - Checklist

1/25/2009

Specialist _____ Project#: _____
 Title/Descrip: _____ Contract# _____

Reference PCB Documentation/Notes

Contract Preparation/Approvals

Contract Formation

- AG approved recitals used and filled out completely
- Physical Address of Contractor is included (not PO box)
- FEIN and GET numbers included
- Copy of bidder's offer is attached
- Bonds attached
- General conditions attached
- Contract draft sent to DOE Program for review and approval prior to AG submittal

Email approval in file

Contract Award

- Award letter prepared and posted for 5 working days
- Contract was posted electronically within 7 days of award (unless less than \$5,000)
- The following was made available for public inspection:
 - contract
 - list of qualified persons
 - screening committee's criteria for selection established under §103D-304(d), HRS statements of qualifications and related information submitted by the qualified persons
 - except those portions for which a written request for confidentiality has been made subject to §3-122-58
- Award letter and contract sent to the Contractor for execution

§103D-304(j), HRS

Award letter
PNS posting

HAR § 3-122-63

Debriefing

- Non-selected proposer(s) made a written request for debriefing within 3 working days after posting of the award of the contract
- Debriefing was held by the Procurement Officer (or designee) within 7 working days; provided the procurement officer (or designee) may determine whether or not to conduct individual or combined debriefings
- A protest by the requestor submitted pursuant to § 103D-701, HRS, following a debriefing was filed within 5 working days, as specified in § 103D-303(h)

HAR § 3-122-70 and §103D-304(k)

HAR § 3-122-70(a)(1)

HAR § 3-122-70(a)(2)

HAR § 3-122-70(b)

Contract Approvals

- AG signed contract
- Contractor signed contract
- Contractor's signature is notarized
- Contractor signed standards of conduct and checked either "yes" or "no"

Related Documentation/Certificates

- Vendor Certificates are valid
- signing authority obtained

HCE, or DLIR, tax, docs, & insurance articles of incorp. etc.

103D Professional Services (PS) - Checklist

1/25/2009

Specialist _____ **Project#:** _____
Title/Descrip: _____ **Contract#** _____

Reference PCB Documentation/Notes
NTP Letter

- Notice to Proceed/Distribution
- C-41 on file and encumbered
 - Notice to Proceed letter generated and signed
 - Copy of NTP letter in file
 - Scanned copy of contract emailed to all parties
 - Copy of email notification in file

Amendment to a Professional Services Contract

HAR § 3-122-63(c)

- Amendment to a professional services contract shall require prior approval of the HOPA when the increase is at least \$25,000 and 10% or more of the initial contract price

Appendix P: Slides from ARRA: A Maui Perspective Presentation

American Recovery and Reinvestment Act

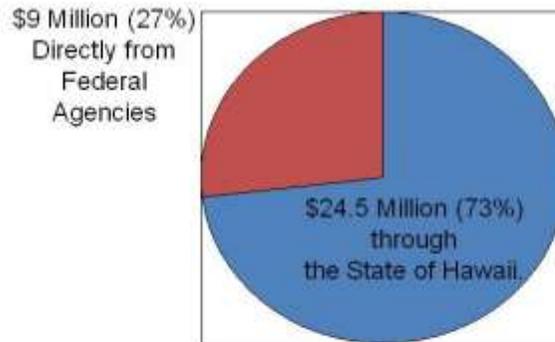


County of Maui
Perspective

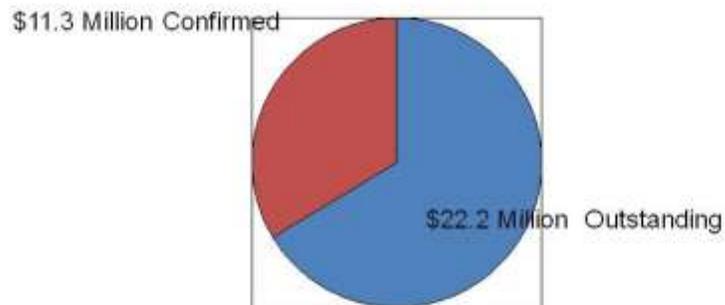
Sources of ARRA Funding



Sources of ARRA Funding



Results to Date







Challenges

- Varies funding streams both direct from the Federal Government and pass through from the State of Hawaii.
- Capacity of Federal, State and County Agencies to administer additional funds.
- Federal Regulations -- Compliance and Reporting.

Lessons Learned

- Cultivate relationships with Congressional Delegation and Federal Agencies.
- Ask questions and net work.
- Be proactive, flexible, creative and diligent.

Appendix Q: Proposed Finance Office Performance Measures

Farmers Branch, Texas

- Collection rate of major revenue sources
- Percent of invoices paid within two weeks of receipt
- Percent of payroll errors [pay people on-time and correctly—led to direct deposit]

Sample Measures from Mainland Cities and Municipalities

- Reconciliations
- Implementation of audit recommendations
- Bond ratings
- Completion of annual financial reports
- Recruiting and retaining superior employees (employee turnover rate, years of service, assistance with continuing education, tracking degrees earned)
- IT usage and systems availability
- Training units for financial management systems
- How quickly accounts are closed
- Payroll transactions not requiring corrections
- Human Resource issues: performance reviews, amount of training given to employees
- Are audits getting done, are findings getting addressed
- Internal training given to other departments on account reconciliation techniques
- Performance Measure Institutes:
 - Systems up-time
 - Number of training units in city financial systems
 - Number of questioned costs

Measures Proposed by the Insular Governments

Assessment Dimension--Resource Availability

FMIS

- # departments with access
- # departments without access
- Percentage of Departments with on-line access

Staffing

- Must be task-oriented; go through each task within each agency (finance responsible for processing invoices: get an accurate count, but going through last three years, figure out number of invoices processed annually).

178 Island Government Finance Officers' Association Annual Meeting, December 8-10, 2009 (Maui)

- # invoices processed per day, per year,
- Turn-around time (what's reasonable as a standard?)
- Should be included on each employee's performance evaluation—standard number of evaluations per day
- Needs to be monitored by supervisors
- # bank accounts, # checks issued per year, # accountants needed to do bank reconciliations

Assessment Dimension--Operations

- Financial Reporting (AP/AR monthly)
 - % of times deadline met
 - % of accuracy errors
- Cash Balance Reports (Note: would need to be tracked daily)
 - % of times deadline met
 - % of accuracy reports

Assessment Dimension--Leadership

- Percentage of project plan tasks or activities accomplished as scheduled

Assessment Dimension--Staff Education

- Percentage of staff with required level of education, training or certification

Assessment Dimension--Results

- # of audit qualifications
- % prior year findings resolved

Assessment Dimension--Processes

- % of SOPs documented, current, accurate, and written
- % of staff trained on SOPs

Assessment Dimension--Human Resource Programs (Training and Staff Appraisals)

- % staff receiving appraisals
- # hours of training for each employee each quarter
- % employees receiving at least four (4) hours of training each year

Assessment Dimension--Role in the Government (Legal and Operational Mandates)

- None

Appendix R: Government Action Plans

ASG

Task	When	Who
Identify/Document major processes	Entire Year	Carri-Lee
Make System available to all departments	Oct 1, 2010	Kirk
Financial Reporting	Monthly 15 th	Pasa

USVI

Task	When	Who
Risk Assessment	December 2010	GVI Fiscal Officers and fiscal managers
Performance Management (Finalizing Strategic Plans)	December 2010	Finance: Commissioner, Asst Commissioner, OMB: Director, Deputy Director, Associate Director

Kosrae

Task	When	Who
IDP for Finance Staff	January 30 th	Director
Training Opportunities for non-finance staff	Quarterly	Director/Staff
Staff Upgrade (Bachelor's Level BA in Accounting)	One staff per year for next four years	Director

Guam

Task	When	Who
Workforce Planning: shadow staff retiring within 3 years	Now, ongoing	Kathy
Work Plan (Bank Recons, A/R Reports, A/P Reports)	Monthly, Quarterly	Supervisors

CNMI

180 Island Government Finance Officers' Association Annual Meeting, December 8-10, 2009 (Maui)

Task	When	Who
Request Finance Office Assessment from Grad School	January 2010	SOF or Bob
Upgrade FMIS and Hardware	RFP issued for completion by 2011	SOF or Bob
Upgrade DOF Hardware (PCs, copiers)	June 2010	SOF or Bob
Install imaging systems at Rev & Tax	June 2010	SOF or Bob

Palau

Task	When	Who
HR Program (Workforce planning, Recruiting and Retention, Development)	ASAP	Priscilla
Staff (Staff skills and Training)	ASAP	Priscilla

FSM National Government

Task	When	Who
Develop and Update National SOP	By 2011	Juliet

Pohnpei

Task	When	Who
Provide Access to Depts and Offices to FMIS, esp in new office building	2 nd Quarter 2010	IT Staff

Yap

Task	When	Who
Develop Strategic Goals	Draft in place by January 2010, complete by March 2010	Maria
Identify areas of improvement based on self-assessment		
Address weaknesses and activities for improvement to achieve goals		
Develop Performance Measures		

Deliverables Schedule—all deliverables should be sent to OIA, PITI/VITI and Debbie Milks

January 15th

1. Final Action Plans

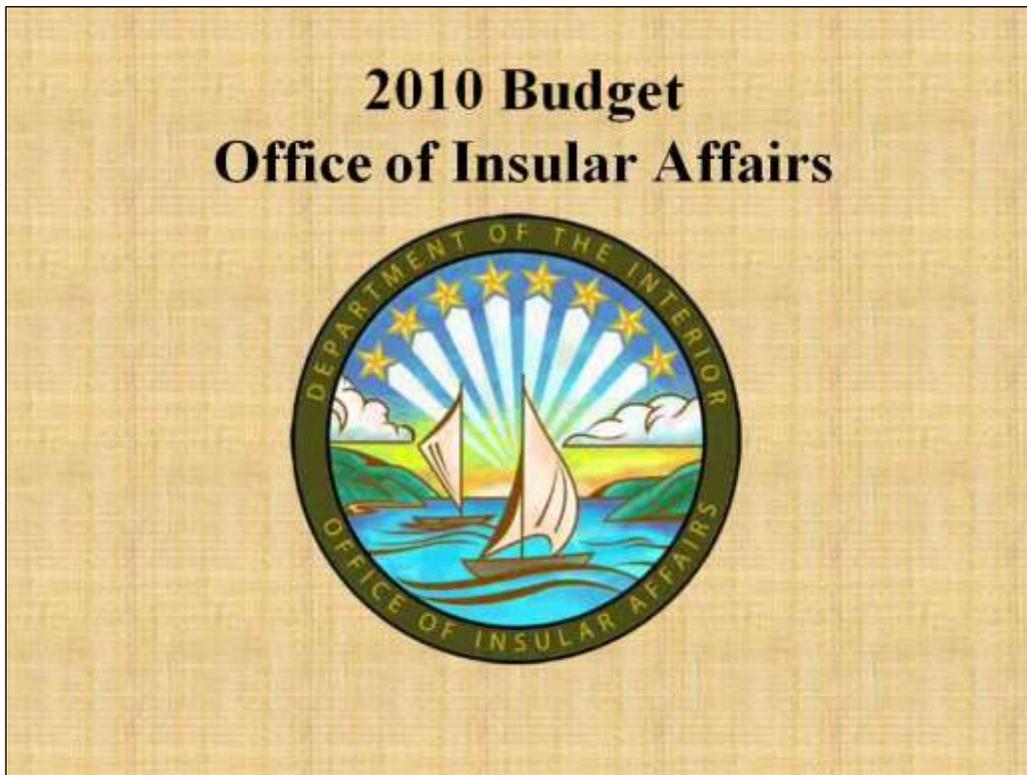
March 30th

1. Status Report on Action plan
2. 1st Quarter Report on Performance Measures

May 15th

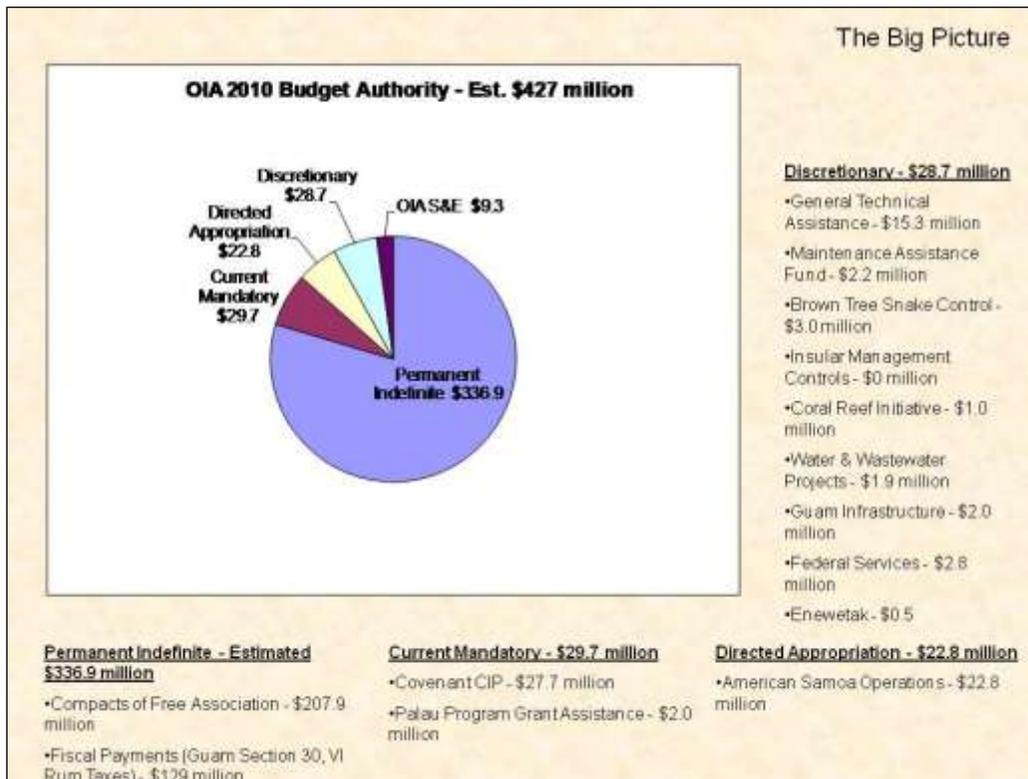
1. Action Plan Status Report before GFOA
2. Report on Performance Measures

Appendix S: Slides from OIA Budget and Grant Reporting Requirements



2010 Budget
Office of Insular Affairs

- OIA's Budget
- 2010 Budget Presentation
- Technical Assistance 2010 Grant Awards
- New OMB form
- FBMS Transition
- Federal Budget Cycle Dates



Comparison by Activity/Subactivity		2009	2010	Fiscal	Internal	Program	
		Enacted	President's Budget	Costs Changes	Transfers	Changes	2010
ASSISTANCE TO TERRITORIES							
(1)	American Samoa Operations	22,752	22,752				22,752
(2)	Covenant Grants						
(a)	Northern Mariana Islands Construction	11,330	10,995				10,995
(b)	American Samoa Construction	9,380	9,383				9,383
(c)	Guam Construction	4,840	5,360				5,360
(d)	Virgin Islands Construction	2,170	1,982				1,982
	Subtotal, Covenant Grants	27,720	27,720		0	0	27,720
(3)	Territorial Assistance						
(a)	Office of Insular Affairs (OIA)	9,280	9,280				9,280
(b)	General Technical Assistance	11,018	11,000		+1,084	3,218	15,302
(c)	Maintenance Assistance Fund	2,241	2,241				2,241
(d)	Brown Tree Snake Control	2,631	2,631		-369		3,000
(e)	Insular Management Controls	1,453	1,453		-1,453		0
(f)	Coral Reef Initiative	1,000	1,000				1,000
(g)	Water and Wastewater projects	1,000	1,000			900	1,900
(h)	Guam Infrastructure	0	2,000				2,000
	Subtotal, Territorial Assistance	28,193	30,605		0	4,118	34,713
	Total, Assistance to Territories	78,665	81,077	0	0	4,118	85,195
COMPACT OF FREE ASSOCIATION - CURRENT							
(1)	Federal Services	2,818	2,818				2,818
(2)	Palau Program Grant Assistance	2,000	2,000				2,000
(3)	Enewetak	500	500				500
	Total, Compact of Free Association - Current	5,318	5,318	0	0	0	5,318
	TOTAL	83,983	86,395	0	0	+4,118	90,513

Assistance to Territories 2010 Budget

Comparison by Activity/Subactivity	2009 Enacted	2010 President's Budget	Fixed Costs Changes	Internal Transfers	Program Changes	2010
ASSISTANCE TO TERRITORIES						
(1) American Samoa Operations	22,752	22,752				22,752

- American Samoa Operations Usage
 - Education - \$14.2 million
 - LBJ Hospital - \$7.7 million
 - High Court of American Samoa - \$932,000



LBJ Tropical Medical Center - American, Samoa

Assistance to Territories 2010 Budget

Comparison by Activity/Subactivity	2009 Enacted	2010 President's Budget	Fixed Costs Changes	Internal Transfers	Program Changes	2010
ASSISTANCE TO TERRITORIES						
(2) Covenant Grants						
(a) Northern Mariana Islands Construction	11,330	10,995				10,995
(b) American Samoa Construction	9,380	9,383				9,383
(c) Guam Construction	4,840	5,360				5,360
(d) Virgin Islands Construction	2,170	1,982				1,982
Subtotal, Covenant Grants	27,720	27,720		0	0	27,720

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



Fiber Optic Cable Landing in American Samoa

Assistance to Territories

2010 Budget

Comparison by Activity/Subactivity	2009 Enacted	2010 President's Budget	Fixed Costs Changes	Internal Transfers	Program Changes	2010
ASSISTANCE TO TERRITORIES						
(3) Territorial Assistance:						
(a) Office of Insular Affairs (OIA)	8,850	9,280				9,280
(b) General Technical Assistance	11,018	11,000		+1,084	3,218	15,302
(c) Maintenance Assistance Fund	2,241	2,241				2,241
(d) Brown Tree Snake Control	2,631	2,631		+369		3,000
(e) Insular Management Controls	1,453	1,453		-1,453		0
(f) Coral Reef Initiative	1,000	1,000				1,000
(g) Water and Wastewater projects	1,000	1,000			900	1,900
(h) Guam Infrastructure	0	2,000				2,000
Subtotal, Territorial Assistance	28,193	30,605		0	4,118	34,723

- Insular Management Controls – Transferred
- Brown Tree Snake Control - +\$369,000
- General Technical Assistance - +\$4,302,000
 - Includes \$1.2 million for American Samoa tsunami recovery
 - Insular Management Controls will be funded within general Technical Assistance

Assistance to Territories

2010 Budget

Comparison by Activity/Subactivity	2009 Enacted	2010 President's Budget	Fixed Costs Changes	Internal Transfers	Program Changes	2010
ASSISTANCE TO TERRITORIES						
(3) Territorial Assistance:						
(a) Office of Insular Affairs (OIA)	8,850	9,280				9,280
(b) General Technical Assistance	11,018	11,000		+1,084	3,218	15,302
(c) Maintenance Assistance Fund	2,241	2,241				2,241
(d) Brown Tree Snake Control	2,631	2,631		+369		3,000
(e) Insular Management Controls	1,453	1,453		-1,453		0
(f) Coral Reef Initiative	1,000	1,000				1,000
(g) Water and Wastewater projects	1,000	1,000			900	1,900
(h) Guam Infrastructure	0	2,000				2,000
Subtotal, Territorial Assistance	28,193	30,605		0	4,118	34,723

- \$2.2 m for Maintenance Assistance
- \$1.0 m for Coral Reef
- \$1.9 m for Water and Wastewater Projects
- \$2.0 m for Guam Infrastructure

Compact of Free Association - Current		2010 Budget				
Comparison by Activity/Subactivity	2009 Enacted	2010 President's Budget	Fiscal Costs Changes	Internal Transfers	Program Changes	2010
COMPACT OF FREE ASSOCIATION - CURRENT						
(1) Federal Services	2,818	2,818				2,818
(2) Palau Program Grant Assistance	2,000	2,000				2,000
(3) Enewetak	500	500				500
<i>Total, Compact of Free Association - Current</i>	<i>5,318</i>	<i>5,318</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>5,318</i>

- Budget authority unchanged from 2010 President's Budget

- ### Technical Assistance 2010 Grant Awards
- Technical Assistance Review Panel began meetings December 4, 2009
 - Technical Assistance Grant awards for all seven insular areas beginning December 14, 2009
 - Direct grant requests from just the seven insular areas total \$11.0 million
 - Technical Assistance 2010 funds appropriated for direct grants (not including tsunami recovery and ongoing programs such as PITI VITI) – approximately \$6.0 million available

New Grants Financial Reporting Forms

- OMB issued a new grants reporting form
- Federal Financial Report SF 425
- Replaces SF 269 Financial Status Report and SF 272 Federal Transaction Report
- Must be used for all grants reporting

FBMS Transition

- Department of the Interior is transitioning to a new accounting system – FBMS
- Office of Insular Affairs is scheduled to be online in fiscal year 2012: October 2011
- FBMS will include modules for electronic drawdown payment and electronic grants reporting
- How many staff will need training in each finance office for each insular area?
- Representative from FBMS team will make a presentation at IGFOA meeting next June or December if appropriate

Budget Cycle

- Budget for OIA for 2011 is at OMB, pending final OMB passback, budget request will be sent to Congress and made public in early February 2010
- Copies available on OIA website under the Budget tab once released in February 2010
- Budget process for 2012 beginning in May 2010, OIA will begin preparing 2012 requests to submit to the DOI Departmental Budget Office
- 2012 Budget request will be submitted to OMB in September 2010
- 2012 OMB Passback - November 2010
- 2012 Final OIA budget request submitted to Congress - February 2011

Appendix T: Summary of Conference Evaluations

EVALUATION SUMMARY (20 Evaluations Returned)

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

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

1) The IGFOA conference sessions were relevant and timely.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
75%	25%	0%	0%	0%

Score: 4.8

2) The conference=s objectives were substantially met.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
70%	30%	0%	0%	0%

Score: 4.7

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

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
75%	20%	0%	5%	0%

Score: 4.7

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

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
65%	30%	5%	0%	0%

Score: 4.6

192 Island Government Finance Officers' Association Annual Meeting, December 8-10, 2009 (Maui)

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

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
75%	25%	0%	0%	0%

Score: 4.8

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

Excellent	Very Good	Average	Fair	Disappointing
80%	20%	0%	0%	0%

Score: 4.8

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

- Finance Office Self-Assessment, ARRA Presentation, Guest Speaker, Mayor Hannemann
- The presentation by the Mayor of Honolulu; the dimensions; the risk assessment
- Performer, Self-Assessment function
- Finance Office Self-Assessment
- Finance Office Assessment
- Finance Office Assessment, Procurement, Mayors' talk – Both Honolulu and Maui
- Speakers from Hawaii State Public Auditor's Office, especially on procurement. Panel discussions (good to hear what other governments are doing). Accounting Standards Updates and Performer
- Finance Office Assessment. Performer
- Performance Measures. Government Procurement.
- Speakers from the island mayors and Charles Cox presentation.
- Procurement. Updates on Performer / GASB Standards
- HR Need Improvement; Audit Issues; Mayors' message (Honolulu).
- Finance Assessment; Action Plan task that is due January 30, 2010.
- Auditor's perspectives.
- Hawaii Audit Procurement Office.
- Finance Office Assessment
- GASB Updates; Finance Office Assessment
- Finance Office Assessment Tool. GASB Fund Balance. SRF

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

- Importance of having documented a strategic plan that is relevant to office's current needs and mandate. Importance of documentation from processes to procurement.
- Office Assessment, High Risk / Receivership
- Risk assessment tool: will engage in the process. Challenges: Receivership and High Risk Status: will work harder to eliminate high risk status
- Need for Risk Assessment, Benefits of Finance Office Assessment
- Finance Office Assessment, Action Plan
- Grants (Charlene)
- Finance Office Assessment. It's very important that we have written guidelines in each department to clearly defined roles and objectives.
- How to rate Finance Office.
- Mayor Mufi Hanemann – Understanding your staff and respect them. Government Procurement – applying some of the concepts the State of Hawaii is using, (The Procurement Justification Form)
- IGFOA dimensions. Frank Crawfords' statements
- Documentation is important
- IDP for Finance Staff; Fraud Case Study; Performer
- All are important.
- Finance Office Assessment discussions – list needs and plan implementation; Procurement methods to reduce findings.
- The dimensions are the more important items and will use that as a tool to establish plans that can improve office performance.
- Procurement procedures and Human Development.
- GASB Update. Prepare and train staff on the new reporting requirements. Finance Office Assessment. Develop and document operating procedures.
- Many of us are focused on planning and looking ahead to make things more efficient and better for our communities.
- Finance Office Assessment instrument dimensions

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

- Government Accounting Standards Update
- Government Procurement
- ARRA funding and reporting
- ARRA
- ARRA compliance and reporting requirements

194 Island Government Finance Officers' Association Annual Meeting, December 8-10, 2009 (Maui)

- The ARRA Compliance and Reporting Requirements
- All were relevant
- The topics were all relevant
- They were all important.

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

- Clean audits
- Improving the Single Audit Process focusing on Performance Management
- Progress with Audits
- Although slow in getting improvement results, we have finally incorporated audit improvement tasks within our annual activities.
- Reducing number of findings in the Single Audit.
- Single Audit
- Improved Single Audit results. Improved communications with stakeholders. More cleared objectives and role of our government. More timely reporting of Compact and Federal Findings. Overall, our Finance Office has improved.
- The Ministry / Finance were able to form a Government Fiscal Officers Association. Since 2007, we were able to meet and accomplish our datelines and work processing thru our departments
- Timely submission of Single Audits.
- Increase in resolution of audit citations
- Audit and Management Improvements.
- I will refer to Pohnpei Director of Finance to comment on this. Thank you.
- Single Audit unqualified opinion for central gov't – still component unit issues; Single Audit now completed on time.
- Work collaboratively with the finance agencies within the executive to address audit questions.
- Audit Improvement / Procurement Procedures / Human Resources Implementation
- Unqualified audit. Succession Planning – need to do this
- Succession Planning

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

- Again, thanks to DOI/OIA, Graduate School for a well coordinated meeting that is interesting and productive!
- Encourage finance officer to participate.
- The current structure is good. However, more examples from other entities that are relevant FSM Finance operation will also assist us better by learning from their best practices.
- Provide topics of discussion to the panelists at least two weeks in advance.
- I think Hawaii is great and IGFOA Thanks.

- This has been an enjoyable and relevant conference to my job as a finance officer.
- Group participation, work group discussions
- Networking better.
- I believe I have no other comment because I support the content. So far, very applicable to my state or government.
- Great conference – one of the best.
- To continue address areas of improvement within each insular government that is known by Graduate School staff.
- One day rest before or after the conference.
- Topics should be based on real transactions on the islands.
- Make learning fun by converting 45 minutes to an hour of session into a game of Jeopardy or Family Feud utilizing concepts related to Finance. Invite the IG and GAO to join the group in one or two of the sessions.
- Let's have a section where we share and learn more about each other's island