













IGFOA

Island Government Finance Officers' Association

2011 Winter Conference December 6-8, 2011, Maui, Hawaii







Graduate School, Pacific & Virgin Islands Training Initiatives (PITI-VITI)
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ISLAND GOVERNMENT FINANCE OFFICERS' ASSOCIATION (IGFOA)

Annual Meeting December 6 – 8, 2011 Wailea Beach Marriott Maui, Hawaii

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Annual Meeting
Wailea Beach Marriott
Maui, Hawaii
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EXECUTIVE SUMMARY

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

For the past few conferences IGFOA has focused on improving accounting and financial practices in the governments. The current conference addressed the single audits and how to improve management of the audits, new auditing standard GASB-54, and developing and using performance measures to monitor and improve financial office performance.

The IGFOA Executive Committee built the agenda for the conference based on input solicited from IGFOA members, feedback from previous conferences, and current issues facing government accounting. The goals of the December 2011 IGFOA conference were to:

- Review progress made in implementing GASB 54 (Fund Balance Reporting) and discuss follow-up worked needed,
- Exchange information on the latest Performeter analysis,
- Present and discuss best practices in Finance Office performance improvement and single audit.
- Provide training to IGFOA members on fraud prevention, risk/vulnerability assessment, and internal controls,
- Update the performance measurement action plans for finance office operations, and
- Build government specific plans to implement GASB 54, enhance performance measures and process improvement, and initiate fraud prevention/risk assessment/internal control practices.

Jack Ading, the Minister of Finance for the Republic of the Marshall Islands, welcomed participants to Maui and the conference. Minister Ading thanked the Department of the Interior and the Graduate School, USA, for their support for IGFOA, capacity building, and institutional strengthening. He mentioned the progress that has been made through the support provided by DOI and the Graduate School, USA, and especially through PITI-VITI training. Minister Ading lauded the six governments that received unqualified opinions this past year, a result unimaginable just a few years ago. Despite all of the progress, he emphasized that much work remains to be done. He

stressed the governments cannot afford to become complacent; they must be prudent in managing their finances and finance office operations. The ultimate responsibility for moving forward resides with the governments, but OIA and PITI/VITI offer the support and programs needed for the governments to be successful. With continued efforts, the islands can provide transparent government, be free of fraud, and implement effective financial management.

Nikolao Pula, Director of the Department of Interior's Office of Insular Affairs, welcomed the participants to the conference and thanked them for the time and effort they devoted to attending the session. Mr. Pula noted that IGFOA has been a part of OIA's programs for several years and has been considered ones of its most well-regarded and effective activities. Looking back at all that has happened in the islands over the last ten years, IGFOA has been one of the highlights, especially in terms of creating a forum in which professionals can share ideas and engage in discussion. Mr. Pula expressed gratitude to the Graduate School for its work, and for the experts they bring to the table.

Mr. Pula discussed the frustrations, and the joys, of working with the island governments. He challenged the governments to renewed efforts in improving their financial situations. For the finance office executives, he asked them to consider what roles they play in the overall governance of their islands. Do they have an impact on the financial decisions made by the legislatures and chief executives? Are they able to affect the financial health of their governments? How do they influence the debate on governmental finances? IGFOA represents the leaders of the governments and should be providing guidance to leadership decisions in the governments. Are they making informed decisions, or does nobody really care? Are they providing financial information to their governments, presidents, leaders?

Mr. Pula recalled that several years ago he challenged IGFOA to provide timely and reliable audits. Minister Ading cited a concern that some of the governments are slipping on progress made in their single audits. This back-sliding is a major concern to OIA. He stressed IGFOA is not just another conference; it is an opportunity to make something worthwhile.

Kalbert K. Young, Director of the Department of Budget and Finance, State of Hawaii, gave the conference's keynote address. Mr. Young served as the budget director for Maui County before he was appointed to his new position at the state. He opened his remarks by emphasizing the importance of completing audits on time. Hawaii just completed its 2009 audit, twenty months late. He stressed that timely audits are critical to the financial health and credibility of the government and commended the island governments for their progress on this issue.

Mr. Young affirmed economic times are extremely difficult now and have been for the last five years. Although economic cycles typically run in five year cycles, it is not yet clear whether this downturn has ended. As the economy has struggled, the revenues accruing to federal, state, and local governments have decreased dramatically. Since revenues follow from economic activity, the revenue drops have been a year or so behind the economic decline and it is possible revenue will continue to be low.

The State of Hawaii has tried to address the revenue reductions through both fiscal and financial policies. Mr. Young defined fiscal policy as more short-term budgetary actions, while financial policies are longer term, more strategic actions. He stressed that the economic problems did not occur over night and will not be solved quickly. It will take many years of concerted effort to

eventuate the changes needed to have a more sustainable government. Despite the difficulties, however, governments must do something to address the budgetary shortfalls.

He noted the Hawaii state work force is 20% less now than in 2008. The government re-structuring and reduction in force did not save Hawaii any money in the short term and may have actually cost it more, but benefits do accrue over a longer period if the positions eliminated are not filled later. In most governments, personnel and benefits are the greatest expense. Reductions in force do not save money, but reductions in benefits do save money and the savings increase over time. Focus on reducing employee benefits to reduce budget needs. Similarly, across the board cuts to all departments and agencies only work for about three years, then targeted cuts must be made to ensure vital services are maintained and only the least essential services are reduced.

The State of Hawaii has adopted a multi-pronged approach to balancing its budget. One of the most important steps was to create a Chief Financial Officer (CFO) position to coordinate and manage all aspects of the government's finances—revenue estimation and collection, budget preparation and execution, and accounting/financial management.

Mr. Young closed by encouraging the governments to take a strategic approach to deficit reduction and fiscal balancing. It has taken a long time to create the problem and it will take a long time to solve it. Focus on the large expenditures, long term actions the government can take to reduce expenditures rather than just the short term quick hits. Often decisions focused on the short term have unintended and unpleasant consequences in the long term.

Prior to the conference, each government was asked to prepare a brief presentation on its government's progress on the IGFOA sponsored financial improvement activities. Each government prepared a brief presentation on the status of its single audit, GASB-54 implementation, use of finance office performance measure, and budget process. Eight of the eleven governments are current with their single audits. Most of the governments have started implementing GASB 54 and several have completed classifying their funds. All of the governments are using performance measures to some extent. The budget processes followed by the governments are summarized in Table 1 in the main body of the Conference Report.

Frank Crawford briefly covered the new accounting standards working through the GASB approval process. The standard having the most significant impact on the governments is the one addressing Pension Accounting and Financial Reporting by Employers. This standard requires governments to include pensions and other post-employment benefits on their financial statements rather than in the notes. As an example, Mr. Crawford mentioned if Guam owed its retirees \$500 million, the current standards would not require this financial obligation to be included on the financial statement. The new standard would add a \$500 million obligation to the books.

Mr. Crawford also made a presentation on GASB 54 and its impact on the governments' financial reporting. Defined in its simplest terms, fund balance is unspent revenue in a fund. GASB 54 becomes effective this fiscal year (FY2011) for all of the insular governments. GASB 54 changes the fund balance classifications from reserved and unreserved to:

- Non-spendable
- Restricted

- Committed
- Assigned
- Unassigned

He discussed with the IGFOA members what they needed to do to implement GASB 54 and reviewed where each government was in the implementation process. During the planning process at the end of the conference, Mr. Crawford met individually with each government to plan the next steps in their GASB 54 implementation.

Frank Crawford updated the conference on the FY2010 Performeter scores and A.F.T.E.R. analysis. He explained the concepts behind the Performeter, how the Performeter measures are computed and combined, and what the measures mean. The Performeter measures the financial health and success of a government by using financial ratios from the financial statements. Mr. Crawford presented the Performeter scores for each insular government and identified each government's strengths and weaknesses. For most governments, the fiscal year ending September 30, 2010 was not a good year financially. For a few, though, it featured a year of recovery from lower scores in the prior two fiscal years. Although there was no consistent theme for the governments, there was some good news for the governments:

- Most governments, even when considering component units, were receiving unqualified (clean) opinions on their financial statements.
- A few governments were receiving unqualified opinions on their compliance with federal program monies (single audit).
- A few governments had no questioned costs, or very little questioned costs.

The A.F.T.E.R. Analysis is an analysis of the status of audit findings, the timeliness of the submission of the audit, and the resolution of certain audit exceptions. The analysis can be used to track a government's progress towards eliminating its most significant findings and exceptions, along with tracking the timeliness of submitting the audits to the Federal Clearinghouse. Mr. Crawford summarized the A.F.T.E.R. Analysis data for each government and indicated areas of improvements and places where problems were occurring.

Marion Higa, the Hawaii State Auditor, presented an address titled, "It's a Risky Business Out There: You Have It, They Want It". In her speech, she talked about the risks involved in managing in the governmental environment and what managers can do to ameliorate those risks.

Ms. Higa cited several examples of situations in which fraud occurred because risks were not well managed and there were breakdowns in internal controls. The internal controls not established were:

- Reconciliations
- Segregation of duties
- Policies and procedures (either non-existent or not followed)
- Cash management
- Consecutive numbering

- Signatures (or lack thereof)
- Inventory (or lack thereof).

Some of the causes for these internal control failures the audits identified were:

- Lack of sufficient staff
- Lack of staff training/skills, both pre-service and in-service
- Lack of supervisors/supervision
- Insufficient infrastructure, including electronic support
- Culture of indifference
- Lack of consequences and accountability
- Weak tone at the top

Ms. Higa ended her presentation by emphasizing that all government employees are responsible for identifying and reducing risk. And for those who are managers, executives, and leaders, they are also responsible for setting and maintaining the appropriate 'tone at the top'.

Ms. Milks presented a short status report on the audit improvement project. As of the conference commencement, three governments had not completed their FY2010 audit. Governments seem to be having more and more problems with reconciliations. The reconciliation findings include balance sheet reconciliations of assets and liabilities as well as many issues with the lack of reconciliations between federal grant reports and the primary accounting system. The number of audit qualifications shows a dramatic rise in the number of qualifications on the compliance report.

Many of the governments have cash management findings, so Ms. Milks led a discussion on the types of cash management issues and how to resolve the findings. It was noted that the U. S. Virgin Islands has a cash management plan but the auditors found exceptions with their lack of following the plan. The USVI auditors also cited USVI Finance for poor cash management resulting from an extensive time lapse between the paid out date and when the funds were finally requested from the U.S. Treasury. The cash management findings in the RMI indicated that they lacked a formal plan and had not worked to minimize the holding period for federal funds. Despite the slippage in the timeliness of the audits, the IGFOA members generally continue to improve their audit status. Total findings and questioned costs are decreasing and, after several years of clean audits, several of the governments are no longer considered high risk.

A panel composed of IGFOA members presented and discussed best practices for improving performance on the single audit. Some of the best practices mentioned were:

- Establish milestones, expectations and audit liaison contacts at the opening meeting,
- Make the audit a year-round process rather than a once-a-year event,
- Establish an audit committee,
- Communicate early and often with everyone involved in the audit,
- · Conduct quarterly closings,
- Establish cross-functional teams to coordinate audit activities and respond to findings,

- Tighten coordination and communication with Federal agencies regarding their audit requirements,
- Start the audit early and make sure all information needed is available timely,
- Do not ignore deadlines,
- Obtain potential findings early so they can be addressed and resolved before the draft report is issued,
- Gain the support of government Chief Executives and leadership for the audit process,
- Identify a single point of contact for the audit and audit-related activities, and
- Provide additional documentation to the auditors and ask them to comment on the additional information prior to issuing the draft report.

Stephen Latimer, Program Manager, and Jason Aubuchon, Project Manager, of the Graduate School PITI/VITI program gave participants a brief update on its training plan for 2012. The PITI-VITI training plan supports the mission of DOI-OIA to "assist the US-affiliated islands in developing more efficient and effective government by providing financial and technical assistance". PITI-VITI's mission is to provide customized, results-oriented professional and organizational development services that enable insular governments to strengthen financial and program performance and accountability, achieve fiscal stability, and promote economic growth. To this end, PITI-VITI works to build trust in insular governments by fostering responsible leadership and financial stewardship of the highest standard. PITI-VITI's strategic goals are to:

- Improve leadership and management capacity to effectively perform,
- Improve financial management systems and practices,
- Increase effectiveness and program results,
- Institutionalize regional professional organizations and communities of practice, and
- Improve the capacity and capabilities of the public sector work force in critical positions and functions.

Some of the activities PITI/VITI conducts to achieve these goals and fulfill its mission are:

- Island Government Finance Officers' Association
- Executive Leadership Development Program
- Financial Management Improvement Planning
- Association of Pacific Island Public Auditors
- Training and Technical Assistance
- Audit Improvement Project
- Finance and Audit Office Assessments
- The Performeter and A.F.T.E.R. Analysis
- Statistical and Economic Reporting for the Federated States of Micronesia and the Republic of the Marshall Islands

Mr. Aubuchon presented an overview of the Executive Leadership Development Program (ELDP). The ELDP was designed to develop the future leaders of the Pacific island governments. The program consists of four week-long class sessions over a twelve month period. Between class sessions the ELDP participants complete projects, do out-of-class assignments, and work on the developmental activities they identified in their Individual Leadership development Plans. Two cohorts have been completed and the third cohort will start in 2012, with completion in mid-2013. The application process for the third cohort will start in early 2012. The application process and timelines will be available on the PITI/VITI web site.

IGFOA members participated in a panel discussion of best practices in financial management. The best practices varied widely from government to government, ranging from the way in which a right-sizing study was implemented to changing the organization's culture to establishing professional development sessions for employees.

Debbie Milks facilitated the discussion and made a few general observations about some of the best practices mentioned by the panelists:

- The USVI examined its processes to see which were value-added and which were not,
- The CNMI established a single point of contact for all vendor inquiries,
- Both the RMI and the FSM stressed getting buy-in and commitment from leadership for process changes to be successful, and
- ASG demonstrated that better use of technology can help improve processes.

Ms. Milks also emphasized the importance of continuous communication and the need to measure the results of the process changes. Finally, she mentioned that to institutionalize the process changes, one needs to document the new procedures in writing, evaluate the results of the changes, and enforce the changes to make sure staff are using the new process properly.

Marina Tinitali, Accountability and Insular Policy Specialist, Department of Interior/Office of Insular Affairs, gave an update on events in OIA. OIA congratulated the governments that met the 2010 deadline for clean audits. Eight of the eleven insular governments received clean opinions, many of them for the second or third time. OIA looks at single audits, but also audits and reviews completed by the DOI Inspector General, GAO, and other federal agencies. OIA is beginning to track resolutions on findings, in addition to clean audit opinions. It is concerned about documentation and wants to formalize resolution remediation through documented processes. OIA has been working with federal agencies by tracking, through single audits, how issues are resolved.

Tom Bussanich, the Director of the Budget and Grants Management Division, Office of Insular Affairs, Department of Interior, stated that OIA has continued interest in the plans and performance measures that will be put together during the conference. OIA recognizes the success the governments have had with audits, and that work needs to be continued. As Federal funds get tighter, oversight will increase significantly. This increased scrutiny will increase the importance of 'trusted' financials. OIA would like to address finance office performance through letters to the Chief Executives. OIA will endeavor to put each of the finance offices and their action plans on record with the chief executives of each jurisdiction.

Mr. Bussanich then gave an update on the OIA budget. The Federal Budget Process is quite difficult to predict because, at the moment, no one knows where the US is going with its efforts to address deficits. OIA is currently operating under a continuing resolution until December 16, 2011. As a consequence, OIA is not able to provide grant funding except at a drastically reduced rate. OIA's budget request is for \$474 million, but only \$27 million of this figure is discretionary. General technical assistance funds were reduced by \$1.5 million and another \$1.7 million was earmarked for the socio-economic impacts of the military re-location to Guam.

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

- Percentage of the Fixed Asset inventory completed,
- Percentage of bank reconciliations completed on time,
- Number of days to process a requisition,
- Percentage reduction in overdue travel advances,
- Comparison of estimated revenues to actual revenues, and
- Annual monitoring of the average clearance pattern.

The conference participants agreed to send their government action plans for collecting and reporting these measures to Debbie Milks by December 20. These action plans will be forwarded to the governments' chief executives by OIA in mid-January.

Participants rated the conference overall very positively, 4.8 on a 5-point scale and thanked the Graduate School and OIA for supporting the conference and their continued commitment to financial improvement in the islands. Participants found all of the conference sessions relevant to them and their work, but particularly noted the relevance of the two guest speakers, GASB 54 training, the panel discussions on Audit Improvement and Finance Office Performance improvements, and the planning around performance measurement.

CONFERENCE REPORT ISLAND GOVERNMENT FINANCE OFFICERS' ASSOCIATION (IGFOA) Annual Meeting Wailea Beach Marriott Maui, Hawaii December 6-8, 2011

BACKGROUND

In 1999 the Department of Interior's (DOI) Office of Insular Affairs (OIA) and insular government financial management officials formed the Island Government Finance Officers Association (IGFOA). The purpose of IGFOA was to promote improved financial management in the insular governments. The IGFOA was incorporated in the Commonwealth of the Northern Mariana Islands and its by-laws were approved in 2001. Since 1999, IGFOA members have met at least annually to participate in professional development and networking activities and to establish an agenda for financial management improvement. The conferences also provided a forum for participants to discuss common issues and strategies, and to develop a shared agenda for training, organizational development, and technical assistance.

Recent conferences IGFOA has focused on improving accounting and financial practices in the governments and the implementation of new government accounting standards. The current conference covered single audits and how to improve management of the audits, implementation of GASB-54, and developing and using performance measures to monitor and improve financial office performance. The conference reviewed the governments' progress with some of the key ongoing initiatives to improve operational performance—the Audit Improvement Project, the development and application of finance office performance measures, and use of the Performeter. (See Appendix A for the complete conference agenda). Two of the highlights of the conference were the keynote address, "Managing a Finance Office in Lean Times", given by Kalbert K. Young, Director of the Department of Budget and Finance, State of Hawaii, and the guest presentation, 'It's a Risky Business Out There', by Marion Higa, the Hawaii State Auditor.

CONFERENCE GOALS

The IGFOA Executive Committee built the agenda for the conference based on input solicited from IGFOA members, feedback from the last conference, and current issues facing government accounting. The goals of the December 2011 IGFOA conference were to:

- Review progress made in implementing GASB 54 (Fund Balance Reporting) and discuss follow-up worked needed,
- Exchange information on the latest Performeter analysis,

- Present and discuss best practices in Finance Office performance improvement and single audit,
- Provide training to IGFOA members on fraud prevention, risk/vulnerability assessment, and internal controls,
- Update the performance measurement action plans for finance office operations, and
- Build government specific plans to implement GASB 54, enhance performance measures and process improvement, and initiate fraud prevention/risk assessment/internal control practices.

The 27 IGFOA participants represented all of the insular areas, including all FSM states. (See Appendix B for the Participant List.)

WELCOMING REMARKS

Jack Ading, the Minister of Finance for the Republic of the Marshall Islands, welcomed participants to Maui and the conference. Minister Ading thanked the Department of the Interior and the Graduate School USA for their support for IGFOA, capacity building, and institutional strengthening. He commented on the skills challenges facing the island governments, such as shortages of staff skills in financial management, accounting, and human resource management. He mentioned the progress that has been made through the support provided by DOI and the Graduate School, USA, and especially through PITI-VITI training. Minister Ading lauded the six governments that received unqualified opinions this past year, a result unimaginable just a few years ago. Despite all of the progress, he emphasized that much work remains to be done. He stressed the governments cannot afford to become complacent; they must be prudent in managing their finances and finance office operations. PITI/VITI programs like the Audit Improvement Program, the Executive Leadership Development Program (ELDP), Finance Office Assessments, and customized training all provide support to the governments to help maintain their positive momentum. The ultimate responsibility for moving forward resides with the governments, but OIA and PITI/VITI offer the support and programs needed for the governments to be successful. With continued efforts, the islands can provide transparent government, be free of fraud, and implement effective financial management.

Nikolao Pula, Director of the Department of Interior's Office of Insular Affairs, welcomed the participants to the conference and thanked them for the time and effort they devoted to attending the session. Mr. Pula noted that IGFOA has been a part of OIA's programs for several years and has been considered ones of its most well-regarded and effective activities. Looking back at all that has happened in the islands over the last ten years, IGFOA has been one of the highlights, especially in terms of creating a forum in which professionals can share ideas and engage in discussion. Mr. Pula expressed gratitude to the Graduate School for their work, and for the experts they bring to the table.

Mr. Pula discussed the frustrations, and the joys, of working with the island governments. He challenged the governments to renewed efforts in improving their financial situations. For the finance office executives, he asked them to consider what roles they play in the overall governance of their islands. Do they have an impact on the financial decisions made by the legislatures and chief executives? Are they able to affect the financial health of their governments? How do they

influence the debate on governmental finances? IGFOA represents the leaders of the governments and should be providing guidance to leadership decisions in the governments. Are they making informed decisions, or does nobody really care? Are they providing financial information to their governments, presidents, leaders?

Mr. Pula recalled that several years ago he challenged IGFOA to provide timely and reliable audits. Minister Ading cited a concern that some of the governments are slipping on progress made in their single audits. This back-sliding is a major concern to OIA, also. Mr. Pula challenged the participants to take home part of what they learned at the conference to their home islands. He said these are tough times, but he has faith and believes IGFOA and its membership will rise to the challenge. It is the job of all the participants to respond to the political pressures and provide concrete financial information...to be a voice in the wilderness. IGFOA is not just another conference; it is an opportunity to make something worthwhile.

"MANAGING A FISCAL AND FINANCIAL STRATEGY IN LEAN TIMES" KEYNOTE ADDDRESS FROM KALBERT YOUNG, HAWAII FINANCE DIRECTOR

Kalbert K. Young, Director of the Department of Budget and Finance, State of Hawaii, gave the conference's keynote address. Mr. Young served as the budget director for Maui County before he was appointed to his new position at the state. He opened his remarks by emphasizing the importance of completing audits on time. Hawaii just completed its 2009 audit, twenty months late. He stressed that timely audits are critical to the financial health and credibility of the government and commended the island governments for their progress on this issue.

Mr. Young affirmed economic times are extremely difficult now and have been for the last five years. Although economic cycles typically run in five year cycles, it is not yet clear whether this downturn has ended. As the economy has struggled, the revenues accruing to federal, state, and local governments have decreased dramatically. Since revenues follow from economic activity, the revenue drops have been a year or so behind the economic decline and it is possible revenue will continue to be low.

The State of Hawaii has tried to address the revenue reductions through both fiscal and financial policies. Mr. Young defined fiscal policy as more short-term budgetary actions, while financial policies are longer term, more strategic actions. He reported some examples of Hawaii's fiscal and financial issues were:

Fiscal

- States vs. municipalities vs. US Fed
- Declining revenues
- Rising operational costs
- Annual debt service
- Unfunded mandates
- Previous FY reductions

Minimum program stability

Financial

- Unfunded liabilities
- Debt service profile
- Infrastructure development
- Collective bargaining
- Restructuring government operations
- Program expansions

Director Young noted the economic downturn has been exacerbated recently by the end of stimulus funds. Hawaii has been trying to determine how to replace those funds or further downsize to the lower revenue. Mr. Young stressed that the economic problems did not occur over night and will not be solved quickly. It will take many years of concerted effort to eventuate the changes needed to have a more sustainable government. Despite the difficulties, however, governments must do something to address the budgetary shortfalls.

He noted the Hawaii state work force is 20% less now than in 2008. The government re-structuring and reduction in force did not save Hawaii any money in the short term and may have actually cost it more, but benefits do accrue over a longer period if the positions eliminated are not filled later. In most governments, personnel and benefits are the greatest expense. Reductions in force do not save money, but reductions in benefits do save money and the savings increase over time. Focus on reducing employee benefits to reduce budget needs. Similarly, across the board cuts to all departments and agencies only work for about three years, then targeted cuts must be made to ensure vital services are maintained and only the least essential services are reduced.

The State of Hawaii has adopted a multi-pronged approach to balancing its budget. One of the most important steps was to create a Chief Financial Officer (CFO) position to coordinate and manage all aspects of the government's finances—revenue estimation and collection, budget preparation and execution, and accounting/financial management. The strategy also included:

- Balanced approach: Expenditures vs. revenue enhancements
- No new taxes: Adjust fee-for-services level
- Operational restructuring
- Financial restructuring: Method of funding Self-sufficiency in Special Funds

Mr. Young noted that the approach being used by Hawaii has both strengths and weaknesses. The strengths were:

- Strong executive branch authority in budget execution
- Council on Revenues
- Conservative debt issuance authority

The weaknesses were:

- Poor unfunded liability ratios in pension and OPEB
- Volatile economy
- Depleted reserves
- Geographic-impact on economy

Mr. Young closed by encouraging the governments to take a strategic approach to deficit reduction and fiscal balancing. It has taken a long time to create the problem and it will take a long time to solve it. Focus on the large expenditure, long term actions the government can take to reduce expenditures rather than just the short term quick hits. Often decisions focused on the short term have unintended and unpleasant consequences in the long term. (See Appendix C for the slides Mr. Young used in his address.)

GOVERNMENT UPDATES: STATUS OF SINGLE AUDIT, GASB-54 IMPLEMENTATION, FINANCE OFFICE PERFORMANCE MEASURES, AND THE BUDGET PROCESS

Prior to the conference, each government was asked to prepare a brief presentation on its government's progress on the IGFOA sponsored financial improvement activities. Each government prepared a brief presentation on the status of its single audit, GASB-54 implementation, use of finance office performance measure, and budget process. (See Appendices D through K-3 for the slide presentations made by the governments).

CNMI

Larissa Larson and Vicki Villagomez presented the CNMI status update. The CNMI audit is behind for FY2010. It is expected to be completed within a week and definitely by the end of December. The draft Single Audit has 52 findings and \$5.1 million in questioned costs. The late audit is due to the significant loss of experienced employees who were responsible for reconciliations. They are getting a handle on the timeliness issue and "hopefully" will be on time for FY 2011.

The performance measures that CNMI selected address the issue of timeliness:

- Bank Reconciliations
 - CNMI has 49 bank accounts and all but 3 are up to date.
- Processing accounts payables
 - The timeliness of vendor payments is targeted to improve from over a year to a benchmark of 30 days.

(See Appendix D for the slides from the CNMI Status Update and Table 1 below for a summary of the CNMI budget process.)

Chuuk

Kathy Sound gave an update on Chuuk. The FY11 trial balance has been submitted to the auditor and selection samples have been received. The Auditors are coming next week to begin field work. Chuuk has identified 3 restricted revenue sources to begin their GASB 54 conversion.

Chuuk State finance selected two major performance measures to report:

- Travel advances
 - ◆ The target is to reduce travel advances by 50% by the end of December. The finance office began pursuing collections by first developing the list of outstanding travel vouchers and notifying the travelers. Those who continue in arrears are transferred to Accounts Receivable. They believe that they will achieve their target.
- Employee training
 - ◆ The target was to train half of the employees in finance and to concentrate the training in the areas of weakness identified by audit findings and division problem areas.

Chuuk is working on other measures that have been addressed as issues in their audits. (See Appendix E for the slides from the Chuuk Status Update and Table 1 below for a summary of the Chuuk budget process.)

Guam

Kathy Kakigi and Benita Manglona presented the status update for the Government of Guam. The audit is on schedule and the GASB 54 preparation work is completed and awaiting review by the auditors.

Guam selected the following performance measures to report:

- Travel advances
 - Guam put controls in place to ensure that travel vouchers are filed in a timely manner.
 - The Budget office can access the on-line outstanding travel file. They check the file to ensure that a traveler has no outstanding advances before signing a new travel authorization.
 - ◆ The Payroll division has a flag on the employee's pay check. If the employee has an outstanding advance, they hold the paycheck for the employee to pick up and discuss a plan to clear the advance.
 - ◆ The Federal Grants division cannot close a federal grant until all the outstanding travel advances have been cleared.
 - The performance measure of total (processed) vouchers vs. cleared vouchers indicates an increased rate of clearing vouchers.
- Grant Closing
 - ◆ The Grants division has a checklist of items which must be completed before a final report can be filed on a Federal Grant. The Department of Administration is tracking the number of days after the grant end date that it takes to close the checklist items. The grants division has shown a marked improvement in timeliness from FY2009 to FY2010.

(See Appendix F for the slides from the Guam Status Update and Table 1 below for a summary of the Guam budget process.)

Pohnpei

Renedgardo Merencillo provided an update on the initiatives in Pohnpei State Government. Pohnpei State has had an impressive and continuing improvement in their audit results. As a consequence, Pohnpei is now a low-risk grantee.

Pohnpei State selected three performance measures to report. The finance office developed a performance measure plan that included the target, the reporting frequency and an indication of why the measure is important.

- Bank Reconciliations
 - The goal is to complete the bank reconciliations within 30 days after the receipt of the bank statement. The measure indicated there is an overall trend towards the goal.
- Travel advances
 - ◆ The goal is to reduce the amount of outstanding advances by 25% during FY12. Currently the measure shows the outstanding travel balance more than doubling from FY07 to FY11.
- Employee training
 - ◆ The goal is to provide 4 hours per month for line supervisors during FY12.

(See Appendix G for the slides from the Pohnpei Status Update and Table 1 below for a summary of the Pohnpei budget process.)

U. S. Virgin Islands

Valdamier Collens presented the USVI's plan of action to achieve timeliness with their financial statements. The issue is that they have completed a fiscal year audit every year, but that they are a year behind and must accelerate the audit process. The plan lays out the schedule for their consultants and the audit firm to ensure they have the resources available to complete their tasks within the given time frame. The goal is to be caught up and timely for the FY2013 audit.

The GASB54 analysis prepared by the Virgin Islands is almost complete for their over 300 funds. The format and layout of the spreadsheet design by the USVI has been used by other island governments as a GASB54 template

The USVI Finance reported on the two requested performance measures, travel advances and staff training:

Travel advances. The analysis shows that travel advances and travel vouchers make up for a
very small percentage of the total volume and dollar value of invoicing transactions. Their
analysis also showed that the Department of Finance was able to process travel advances

- within an acceptable average of 4 days, but that the travel advance process internal to the Departments took an average of 36 days.
- Employee training—the VI Finance target is to train employees responsible for ERP functions 8 hours each quarter. On average the divisions were able to ensure 50% of their employees received training.

(See Appendix H for the slides from the USVI Status Update and Table 1 below for a summary of the USVI budget process.)

FSM National Government

Juliet Jimmy updated the status of the financial initiatives for the FSM National Government. The FSM National Government is proceeding with their FY2011 audit on schedule. They have not yet begun their GASB54 analysis.

FSM National Finance reported on three performance measures:

- Travel advances--FSM compared the number of advances given to the number of vouchers filed by year. Using this analysis they are able to track if they are keeping down the number of open vouchers. The analysis for FY09 to FY12 indicates that they have 500-1000 open vouchers each year. However, the numbers trend downward in the last two years.
- Training--FSM National has tracked the number of employees who have received training in the last year. They have noted that there are barriers to training including the fact that they are understaffed and are unable to release staff to be trained.
- Document control--The finance office has implemented a system to track documents from
 the point when they are initially logged in to when they are complete. They tracked 64% of
 the documents and found that those which can be controlled within the finance office are
 completed within 30 days or less. Those which are routed though other departments take
 considerably longer.

(See Appendix I for the slides from the FSM National Government Status Update and Table 1 below for a summary of the FSM National Government budget process.)

American Samoa

Matt Grady presented the status update for the American Samoa Government (ASG). The FY2011 audit is in progress. A new auditing firm was hired this fiscal year and they have presented Treasury with their transaction listings. The new Comptroller provided a linkdin site which can be used to search out possible audit firms.

ASG has completed a spreadsheet of their funds and the correct classifications under GASB 54. They have asked for assistance to have someone review their product and assist with the classification of fund balances.

The American Samoa Treasury office selected two measures to track their progress on the revision of the payables process:

- Number of days to pay an invoice. The 7 month average is 51% paid within the 30 day target.
- Quick purchase orders vs. standard purchase orders. QPOs make up 55% of the number of purchase orders but only 8% of the dollar value. ASG does not have a specific target for the mix of PO vs. QPO, but wants to ensure that the correct purchasing process is followed.

(See Appendix J for the slides from the ASG Status Update and Table 1 below for a summary of the ASG budget process.)

Republic of the Marshall Islands (RMI)

Alfred Alfred, Jr. and Kayo Yamaguchi-Kotton presented the RMI's update. The Republic of the Marshall Islands has made some progress on the GASB-54 conversion. They have identified a few restricted funds and the legal instruments that established the funds. They next need to move forward to start classifying revenues.

FY10 audit is completed, unqualified and timely. There were 12 findings and total questioned costs of \$2.2 million. FY11 has begun as scheduled.

The Revenue & Tax division is responsible for revenue projections, using a simple model. At present they are looking at different models introduced by donor partners, including an elasticity model recommended by the International Monetary Fund (IMF). They are also looking at a projection model being used by the Cook Islands. ADB is assisting with this, and they feel this will be useful to the RMI.

RMI prepared three performance measures.

- Employee training--The target is 40 hours per year per staff. (82 staff within MOF) They haven't met the target but have recorded 1200 hours, or 2.7 hours per staff. This is only offisland, international training. If on-island training is included, they would hit the target.
- Travel advances--RMI aged the TAs at 30 days, 60 days, and 90+ days. The target was to
 decrease the AR reported over the 90 days by 20%. In FY11 they had to control general fund
 expenditures so there were fewer advances. The policy is to close out within 10 days or they
 begin paycheck deductions. However, paycheck allotments are significant. In Q1 FY12, they
 feel this is under control. They have an 11% improvement in the outstanding advances over
 90 days old.
 - Government travelers must sign off on forms acknowledging their responsibility to close out travel advances (TAs). If technical officers sign off on behalf of the official traveler, the deduction comes out of technical officer's check, not the traveler's. RMI has revised the TA policy which is already finalized and working towards high-level approval.

Procurement--Average time for a purchase requisition to go through system was 6 weeks.
 Travel authorizations are processed on average of 2 weeks. The target is three days, but it is difficult to achieve as they are currently using a paper process rather than an e-requisition online process. As of yet they have not met this target. The Lean Government process working group will be making recommendations as to how they will clean up the requisition process.

Republic of Palau

Marino Rechesengel provided the status update for Palau. The FY10 Single Audit should be done by end of this week. They are "hopeful" that the FY11 audit will be completed on time.

ROP Finance selected several performance measures:

- Travel advances--ROP has a freeze on local accounts so can only travel on federal programs or other accounts. For travel, you have 30 days to file a voucher or you will have payroll deduction. They are able to garnish the entire amount or \$50 a pay period. The advance must be paid back within the fiscal year.
- Invoice processing--ROP has a 30 day policy to pay invoices but due to cash flow issues it has slipped to 45-90 days. It takes 1 to 2 weeks to process an invoice depending on documentation
- Reconciliations--Bank accounts and accounts receivable vouchers are reconciled daily.
- Employee training--This year ROP finance has not scheduled any training but the Department
 of Personnel is in charge of trainings. In house training is accomplished by rotating
 employees.

Yap

Maria Laaw and Pius Talimeisei presented the Yap status update. The FY10 audit is complete and the total questioned cost is reduced down to \$150,000. Questioned costs are an item that Yap has reduced, attributable to a coordinated effort with FSM National Government which they hope to maintain in the future. In FY08 Yap State had \$2M in questioned costs, which was reduced to \$376,000, and is now down to \$150,000. For the FY11 audit, they are in dialogue with the auditor and promised the final trial balance by the end of January.

Yap has not started on GASB-54, although they are hoping this will be a good time to get the needed guidance. Finance now has a staff member who has started gathering information and hope that with minimal assistance it can be completed.

Performance Measurements: Yap has not tracked performance measures with the priority being the audit findings. They are now taking completed audits and are prioritizing clearing the repeat findings. Bank reconciliations were a repeated audit finding in FY10. Bank reconciliations are completed through November, although they are not up to date with adjustments in the system. Finance is now trying to address advances and reconciling ledgers quarterly. They are now working

to establish manuals for each of these areas so that there have written guidelines if there's a change in staffing.

Kosrae

Shiro Sigrah gave an update on the status of Kosrae's programs. Kosrae completed their FY10 audit on time and continue to maintain their clean status with no qualifications or questioned costs. The FY11 audit is proceeding on time.

Kosrae finance has substantially completed all the GASB54 classifications and request that someone review their work before it is finalized.

Kosrae reported on 5 performance measures as follows:

- Transaction processing --including monthly bank reconciliations and quarterly receivable reconciliations. The reconciliations have been completed within the target number of days, despite the fact that they do not have a functioning bank reconciliation system.
- Reporting—their target is the number of departments which receive their month end reports within 5 days. On average, about half of the departments are within 5 days and most of the remaining receive their reports within 10 days.
- Staff training—Kosrae Administration and Finance has supported staff with extensive training
 in an off island degree program and ELDP. Other staff is given CPE with regional or on-island
 training programs.
- Human Resources—The target was to ensure each staff received a performance appraisal each year. The actual results are 28% over the last year.
- Process Documentation—The process to gather information and formalize finance procedures is still underway.

(See Appendices K-1 through K-3 for the slides from the Kosrae Status Update and Table 1 below for a summary of the Kosrae budget process.)

REVENUE ESTIMATION TABLE

Government	Balance Budget Required?	Dept which estimates revenue	Reporting	Ability to adjust budget to actual revenues
Guam	Yes		Monthly consolidated report on revenues, expenditures sent to Governor & Legislature	If there is a >3% change in any month, the Director of Finance must set up a fiscal stabilization plan
Virgin Islands	Yes			
American Samoa	Yes	Budget office without input from Revenue & Tax	Treasury reports actuals on a monthly basis with data from Revenue & Tax	Governor can adjust the budget if revenues have a shortfall
CNMI	Yes	Secretary of Finance based upon 3 yrs of revenue data	Finance reports on a quarterly basis and sends to the Governor and Legislative officers	Governor must the budget if revenues have a 3% or >\$200,000 shortfall with a proportional across the board cut or seize allotments
Republic of Palau	Yes	Planning & Statistics	Finance prepares actual reports	
Republic of the Marshall Islands	Yes	Divn Revenue & Tax, consultation with fisheries and other departments		
Federated States of Micronesia National	Yes	Finance/SBOC	Finance tracks actuals through the year but is required to submit to the President and Speaker 10 days prior to all congressional sessions	President recommends to congress to adjust budget

Yap State	Yes	Office Planning & Budget	Finance tracks actuals through the year	Governor can adjust budget
Chuuk State	Yes	Budget Office and Tax & Revenue	Chief of Budget prepares a report comparing actuals and estimates and send to Governor and Legislature	Governor thru Legislature can adjust budget if revenue has a shortfall
Pohnpei State	Yes	Finance	Treasury reports to Governor and Speaker as needed if actuals are low	There are provisions in the law if revenues are falling short, but this hasn't been necessary for past several years.
Kosrae State	Yes	Budget & Finance	Weekly revenue, expenditure and bank balance to the Governor & Lt.	Governor can adjust budget
State of Hawaii	Yes	Independent Council on Revenues. Non- governmental economists and industry professionals		Director of Budget and Finance is legally required to adjust the budget by delaying or suspending appropriations

GOVERNMENT ACCOUNTING STANDARDS UPDATES

Frank Crawford briefly covered the new accounting standards working through the approval process. The standard having the most significant impact on the governments is the one addressing Pension Accounting and Financial Reporting by Employers. This standard requires governments to include pensions and other post-employment benefits on their financial statements rather than in the notes. As an example, Mr. Crawford mentioned if Guam owed its retirees \$500 million, the current standards would not require this financial obligation to be included on the financial statement. The new standard would add a \$500 million obligation to the books. The standard will cause the Performeter scores for the governments to drop unless they are adjusted in some way to compensate for the change in accounting practices.

(See Appendix L for the Slides from the Government Accounting Standards Updates presentation.)

GASB 54 REPORTING REQUIREMENTS

Frank Crawford made a presentation on GASB 54 and its impact on the governments' financial reporting. Defined in its simplest terms, fund balance is unspent revenue in a fund. GASB 54

becomes effective this fiscal year (FY2011) for all of the insular governments. GASB 54 changes the fund balance classifications from reserved and unreserved to:

- Non-spendable
- Restricted
- Committed
- Assigned
- Unassigned

Non-spendable fund balances are:

- Not in spendable form, such as
 - Inventory
 - Long-term receivables (unless the proceeds are restricted, committed, or assigned)
- Legally or contractually required to be maintained intact
 - Corpus of a permanent fund

Restricted fund balances have:

- Same definition as for net assets in Statement 34 (as amended by Statement 46)—amounts constrained to being used for a specific purpose by
 - External parties
 - Constitutional provisions
 - Enabling legislation (must identify new revenue stream)

Committed fund balances are 'kind of sort of restricted, but not really'. They are defined by:

- Constraints in use imposed by the government itself, using its highest level, or form, of decision making authority, typically legislation (but does not identify new revenue stream)
- Constraints that can be removed or changed only by taking the same action (typically legislation)
- Action to constrain resources should occur prior to end of fiscal year, though the exact amount may be determined subsequently

Assigned fund balances are:

- Amounts *intended* to be used for specific purposes
- Intent is expressed by
 - The governing body
 - A body (budget or finance committee) or official authorized by the governing body
- Residual amounts in governmental funds other than the general fund are assigned
- Appropriation of existing fund balance

Unassigned fund balances are:

- Available for any purpose
- Reported only in the general fund, except in cases of negative fund balance
 - Negative balances in other governmental funds are reported as unassigned

Mr. Crawford mentioned some of the things learned thus far about implementing the standard—

- There are significant difficulties in identifying constraints. One often has to review all legislation to identify constraints and the nature of the constraints.
- Most constraints are in Special Revenue Funds, not the General Fund.
- The governments have far too many funds. They need to use the process of implementing GASB 54 to close old and/or unused funds and clean up their other funds.
- Lots of funds change classification during this process (e.g., a Special Revenue Fund may change to a Capital Projects Fund.)

Mr. Crawford listed the tasks the governments need to do to prepare for implementing GASB 54-

- Analyze funds to determine if they remain funds.
- Analyze fund structures/constraints and apply the GASB 54 definitions to classify the funds.
- Get access to and collect legislation related to revenue and constraints on the use of revenue.
- Write policies on spending flow/spending prioritization and authority to assign.

Valdamier Collens, the Assistant Commissioner of the Department of Finance in the US Virgin Islands, summarized the experiences his organization has had in implementing GASB 54. Mr. Collens suggested several steps the finance offices could take to facilitate the implementation process—

- Communicate with the staff about GASB 54 to elicit their support and involvement,
- Have auditors train the staff on GASB 54,
- Pick a point in time as a basis for starting the process,
- List all funds (the identifying number, name, balance),
- Obtain all authorizing documents/legislation for each fund,
- Identify revenue sources for each fund,
- Classify funds,
- Establish teams/identify staff responsible for each fund and ask them to provide information for each fund and make preliminary classification recommendation, and
- Request experts/accountants/independent third party review classifications.

Once all the information necessary has been collected and analyzed, the finance office leadership needs to figure out what to do with each fund—close it, close it into the General Fund, close it into

the appropriate special fund, combine funds (where it is appropriate), etc. (See Appendix M for the Slides from the GASB 54 presentation.)

2010 PERFORMETER AND A.F.T.E.R. ANALYSIS UPDATE

Frank Crawford explained the concepts behind the Performeter, how the Performeter measures are computed and combined, and what the measures mean. The Performeter measures the financial health and success of a government by using financial ratios from the financial statements. Critical to the value of the Performeter scores are the relevance (timeliness) and reliability (accuracy) of the data used to compute the score. The Performeter is only as **reliable** as the information found in the annual audited financial statements and most **relevant** when the information can be used in a timely manner.

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

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

There is good news for the governments:

- Most governments, even when considering component units, are receiving unqualified (clean) opinions on their financial statements.
- A few governments are receiving unqualified opinions on their compliance with federal program monies (single audit).
- A few governments have no questioned costs, or very little questioned costs.

The A.F.T.E.R. Analysis is an analysis of the status of audit findings, the timeliness of the submission of the audit, and the resolution of certain audit exceptions. The analysis can be used to track a government's progress towards eliminating its most significant findings and exceptions, along with tracking the timeliness of submitting the audits to the Federal Clearinghouse. (See Appendix N for the slides from the Performeter presentation, and the Performeter Summary Scores and A.F.T.E.R. analysis for each government.)

"IT'S A RISKY BUSINESS OUT THERE: YOU HAVE IT, THEY WANT IT" GUEST PRESENTATION FROM MS. MARION HIGA, HAWAII STATE AUDITOR

Marion Higa, the Hawaii State Auditor, talked about the risks involved in managing in the governmental environment and what managers can do to ameliorate those risks. She began her address by identifying the 'it', the 'they', and the 'you' in her title:

- 'it' is the resources the government controls—money, services, information, power, people, assets.
- 'they' are anyone seeking access to the 'it'—the media, contractors, service recipients, government employees and managers, politicians, the public.
- 'you' is the government manager or employee responsible for stewardship of the 'it'.

Government sets out the rules for proving 'it' to 'they'. It establishes the framework that allows people to live together and share common resources. Why is government so risky? Government has access to significant resources that it manages for the use and welfare of the 'they' who are trying to get 'it'.

Ms. Higa cited several examples of situations in which fraud occurred because risks were not well managed and there were breakdowns in internal controls. The internal controls not established were:

- Reconciliations
- Segregation of duties
- Policies and procedures (either non-existent or not followed)
- Cash management
- Consecutive numbering
- Signatures (or lack thereof)
- Inventory (or lack thereof).

Some of the causes for these internal control failures the audits identified were:

- Lack of sufficient staff
- Lack of staff training/skills, both pre-service and in-service
- Lack of supervisors/supervision
- Insufficient infrastructure, including electronic support
- Culture of indifference
- Lack of consequences and accountability
- Weak tone at the top

Ms. Higa ended her presentation by emphasizing that all government employees are responsible for 'it' and reducing risk. And for those who are managers, executives, and leaders, they are also

responsible for setting and maintaining the appropriate 'tone at the top'. (See Appendix O for the slides from the "It's a Risky Business Out There: You Have It, They Want It" presentation.)

SUMMARY OF SINGLE AUDIT RESULTS FOR 2010

Ms. Milks presented a short status report on the audit improvement project. As of the conference commencement, three governments had not completed their FY2010 audit. The Virgin Islands expects to complete its audit in March 2012. The Republic of Palau and the Commonwealth of the Northern Marianas expect to complete their audits by the end of December 2011. (The graphic presentation of the findings and qualifications can be found at Appendix P which has FY09 data for VI and ROP and FY10 draft data for CNMI.)

The graph of the audit issues indicates that the governments are having more and more problems with reconciliations. The reconciliation findings include balance sheet reconciliations of assets and liabilities as well as many issues with the lack of reconciliations between federal grant reports and the primary accounting system. These are fundamental accounting tasks which are directly controlled by the finance office. While staffing and budget issues may cause difficulties with day to day performance, the IGFOA members were encouraged to ensure they maintain good basic accounting practices.

The graph of the number of audit qualifications shows a dramatic rise in the number of qualifications on the compliance report. The A.F.T.E.R. analysis noted 38 qualifications for American Samoa alone. It appears that the auditor qualified on all federal grant programs based upon some concerns with the test of transactions on a couple of the grants. Taking out this anomaly by using the same number of qualifications for ASG as the previous year, the trend line looks more reasonable. Regardless, the number of compliance qualifications is too high and is an area where the governments need to concentrate their control efforts.

As so many of the governments have cash management findings, Ms. Milks led a discussion on the types of cash management issues and how to resolve the findings. It was noted that the Virgin Islands has a cash management plan but the auditors found exceptions with their lack of following the plan. The USVI auditors also cited USVI Finance for poor cash management resulting from an extensive time lapse between the paid out date and when the funds were finally requested from the U.S. Treasury.

The cash management findings in the RMI indicate that they lack a formal plan and have not worked to minimize the holding period for federal funds. It is uncertain whether the CNMI finding is correctly stated in the draft audit.

Despite the slippage in the timeliness of the audits, the IGFOA members generally continue to improve their audit status. Total findings and questioned costs are decreasing and several of the governments are no longer considered high risk after several years of clean audits.

PANEL DISCUSSION: BEST PRACTICES FOR AUDIT IMPROVEMENT

A panel of participants from the governments presented best practices for audit improvement based on their experiences with the audit process. The panel members were:

- Tiser Reynold, Director, Office of Administration and Finance, Kosrae State
- Benita Manglona, Director, Department of Administration, Guam
- Matt Grady, Controller, Department of Treasury, American Samoa
- Marina Tinitali, Accountability and Insular Policy Specialist, DOI/OIA
- Marino Rechesengel, Director, Bureau of National Treasury, Ministry of Finance, Republic of Palau

Benita Manglona, Director, Department of Administration (DOA), Government of Guam

Ms. Manglona discussed the best practices DOA has been using to improve its audit process. Among these best practices were:

- Make the audit a year-round process rather than a once a year event--One advancement has been making the audit a year-round process rather than a once-a-year event. Guam has made an effort to stay in touch with the auditors year-round, and to be in touch especially as issues arise.
- Start the audit early— Guam has also tried to start work on the audits as early as possible.
- Process tax returns early and promptly--Processing of tax returns has always delayed the
 issuance of audits, so this year the Department of Administration asked that the 2010
 returns be processed quickly, before 2011. Tax returns are still being processed manually,
 and this often holds up the audit report. This year the returns were processed by August,
 which will hopefully be completed by May of next year, enabling Guam to finish the 2011
 audit earlier.
- Establish cross-functional teams to coordinate audit activities and respond to findings-Accounting, administration, and grants management personnel need to work together on
 compliance matters to facilitate awareness and cooperation to mitigate questioned costs.
- Tighten coordination and communication with Federal agencies regarding their audit requirements--Try to stay aware of changes at the Federal level. Some organizations are looking for full audits; others are looking towards agreed-upon procedures with different deadlines.
- Conduct quarterly closings--Quarterly closings of the financials this year are a new practice.
 Manage requests for information and reports--Many organizations are experiencing
 accounting request overload. Mandates from legislatures and federal program managers
 impact the availability of staff to complete their regular work. Guam tries to comply with
 mandates that have been imposed on the administrative staff, but there should be
 discussions with legislators to make sure the requests are reasonable, and the reports will be
 meaningful.
- Establish an audit committee--Audit committees have proven useful to facilitate the process of getting the audit done. Guam issues audit circulars through group email.
- Anticipate and plan for staffing reductions--DOA expects change since the position of the world economy is changing. As the federal government's financial position changes, it

trickles down to the grants that Guam receives. Audits are critical to maintaining the flow of grants and resources. Challenges will be in budgetary reductions. If the federal government succeeds in reducing funding at Guam's level, this will also affect the number of personnel available to the local government for audit purposes. The impact on DOA's level of personnel is significant.

Marino Rechesengel, Director, Bureau of National Treasury, Ministry of Finance, Republic of Palau Palau holds an entry meeting with the auditors and finance personnel to discuss expectations. As the audit goes on, one requirement is to make sure finance employees are not on leave. The Ministry works with the departments—health services and education—to make sure the grants they manage are discussed in meetings and that their schedules allow them to be available also. The auditors provide early findings so they can be resolved before the draft audit is submitted. The auditors provide a list of what needs to be done with a corresponding timeline so the Ministry can be responsive to their needs and schedule. The Ministry also has a closing conference before the final draft comes out, after which meetings are held with the finance minister. These meetings are arranged informally—not as part of an actual contract.

Marina Tinitali, Accountability and Insular Policy Specialist, DOI/OIA

Improvements in the manner with which island governments manage the audit process are being reflected in the audit reports. In dealing with federal agencies, governments need to follow A-133, the 43-CFR, and the individual federal grant requirements, which is sometimes negotiated with the federal agency. DOI deals closely with other federal agencies, like IRS, DOE, and HHS. DOI also works through the interagency group on insular area issues. The interagency group is a high-level a high-level group of political appointees that meets in Washington, D. C., on an annual basis. DOI also deals with the Region IX Federal Regional Council to talk about things like the military buildup in Micronesia and participates in monthly calls with the Outer-Pacific Committee (OPC)—these are the counterparts for federal grants to the governments.

The OPC is now trying to be more proactive to provide information on best practices and information common across federal programs. Since DOI is the cognizant agency, it focuses on cross-cutting issues, which it is responsible to follow-up and resolve. In most cases OIA tries to resolve issues with other Federal agencies by working directly with island governments—rather than the federal agency—and act as a liaison to make sure the federal agency understands the problems in the island and how they're being resolved.

Some specific best practices to improve audits are:

- Communicate with federal counterparts.
- Establish audit committees with representatives from user agencies to resolve issues from
 their federal program as a priority. Whatever is happening in their program affects the
 entire government. It is good if they understand the larger picture, and how important it is
 to resolve a particular finding. It is good if the leader of the audit committee understands
 the financial issues, and the flow of funding.

- Review the report in its entirety and group the problems into common themes and submit remediation plans to various federal agencies. DOI can help share this with federal agencies as well.
- Be sure to understand exactly what the auditor is recommending (e.g., a procedure, recovering funds, appointing a primary point of contact). Be sure to address the actual recommendation in the report, otherwise you might not be resolving the findings.
- Provide additional documentation to the auditors and ask them to comment on the additional information. Get them to comment on the information in the audit report to have it closed out.
- Use checklists to ensure staff follow procedures for procurement especially. The checklists will ensure the necessary items are in the file. When the auditors ask for it, the file is more likely to be complete.
- Pay particular attention to deadlines, so your government or program does not miss out on receiving money for missing a deadline.

Matt Grady, Controller, Department of Treasury, American Samoa

American Samoa has just finished drawing up a new RFP to find new auditors. Issues with the old (current) auditor were many, including significant staff turnover and foreign location far from American Samoa. Their audit recommendations were not very helpful, and findings were not very descriptive, which made remediation very difficult. It was clear that it was time for a change with the auditors.

One concern in issuing the RFP was that the current firm was the only one to bid last time around. With the new RFP, ASG initially received only one bid, but then advertised more widely and received a bid from another firm. Through assurancex.com, ASG was able to post the RFP on the website to reach auditors through LinkedIn.

American Samoa has made a concerted effort to keep things on schedule with the new auditors. ASG appointed a primary point of contact, but nothing as formal as a committee. The new contract is for three years—compared to the previous five-year contract. ASG attempted to lay out milestones and deliverables, including the timing of when documentation will need to be produced and received. The new auditors are much better organized and have done a good job of fielding people in American Samoa, and making their expectations clear. They provided ASG a detailed audit plan with deliverables and timelines.

Tiser Reynold, Director, Office of Administration and Finance, Kosrae State

Mr. Reynold made three suggestions for best practices in audit improvement:

• Leadership has contributed to Kosrae's audit improvements. Support was received from the governor early on, empowering the finance director to resolve issues.

- Kosrae designated a single point of contact for the auditors on all matters related to the audit. Messages are copied to the Director, but there is one single person who coordinates the audit process, including in the component units, for the government.
- One must spend more money to get good auditors. Hire the right auditors and then work with them to keep the audit on track.

Debbie Milks summarized some of the key points made by the panelists:

- Finance Offices need qualified people to deal with the audits.
- Communication is a key theme—especially year-round communication, early communication, deadline communication within government departments, and communication with the auditors.
- Proximity of the audit firm is important—with relation to timing, especially.

Val Collens discussed what the U. S. Virgin Islands is doing with its audits. The USVI is in the process of establishing an audit committee using a checklist provided by PITI/VITI that walks through various possible approaches and issues to be covered. The USVI is especially concerned about sustainability—across government elections and other political changes. It would like to make sure it finally becomes timely, and that timeliness will continue in spite of changes in leadership. The USVI is looking towards establishing an independent audit committee, including people who understand financials and come from diverse backgrounds. The auditors deal directly with the Department of Finance, but the intent is for them to report to an audit committee which in turn puts pressure on the Department of Finance. Communication is important in this process, and the Governor has provided his support to the idea of an independent audit committee. A year from now, when USVI is close to issuing the FY10 audit, it will be current and will use that opportunity to form the audit committee.

Ms. Milks mentioned GFOA has a Best Practice for Audit Committees which is a position paper worth reviewing. The USVI is not proposing replacing the working committee from within government that currently exists. Rather, the new group would be responsible for providing an independent review of the complete audit process, including the responsiveness of government departments.

Frank Crawford stated the main purpose of the audit committee is to ensure that enough time is spent on audit matters. The goal is ultimately to take a burden of time off the governing body, and then devote the amount of time that should be devoted to the audit issues. The auditor will present to the audit committee what it has done, and the audit committee then presents that to the governing body. The team that created that checklist for the AICPA was elaborate, as was the checklist. The intent of what is happening is for most governing bodies to have a mechanism through which an appropriate amount of time can be committed to addressing audit issues. Ultimately, the makeup of that committee should have government representation, private sector representation, and independent representation. This is a high-level group, not writing corrective action plans, but with a sufficient amount of time to properly address issues. There are various ways to establish the committee—legislatively might provide the most protection.

Ms. Tinitali suggested that if the reason a government is delaying the finalization of the audit is not going to change the opinion of the audit or remove any questioned costs, it really doesn't make sense to delay issuance of the audit. This type of analysis is important, to examine whether not meeting a deadline is worth the advantages that come through additional time.

UPDATE ON PITI-VITI TRAINING PLAN FOR 2012

Stephen Latimer and Jason Aubuchon, Program Managers of the Graduate School PITI/VITI program gave participants a brief update on its training plan for 2012. (See Appendix Q for the complete PITI/VITI Training Plan.) Mr. Latimer explained the training plan and its purpose. The PITI-VITI training plan supports the mission of DOI-OIA to "assist the US-affiliated islands in developing more efficient and effective government by providing financial and technical assistance". PITI-VITI's mission is to provide customized, results-oriented professional and organizational development services that enable insular governments to strengthen financial and program performance and accountability, achieve fiscal stability, and promote economic growth. To this end, PITI-VITI works to build trust in insular governments by fostering responsible leadership and financial stewardship of the highest standard. PITI-VITI's strategic goals are to:

- Improve leadership and management capacity to effectively perform,
- Improve financial management systems and practices,
- Increase effectiveness and program results,
- Institutionalize regional professional organizations and communities of practice, and
- Improve the capacity and capabilities of the public sector work force in critical positions and functions.

Some of the activities PITI/VITI conducts to achieve these goals and fulfill its mission are:

- Island Government Finance Officers' Association
- Executive Leadership Development Program
- Financial Management Improvement Planning
- Association of Pacific Island Public Auditors
- Training and Technical Assistance
- Audit Improvement Project
- Finance and Audit Office Assessments
- The Performeter and A.F.T.E.R. Analysis
- Statistical and Economic Reporting for the Federated States of Micronesia and the Republic of the Marshall Islands

Jason Aubuchon presented an overview of the Executive Leadership Development Program (ELDP). The ELDP was designed to develop the future leaders of the Pacific island governments. The program consists of four week-long class sessions over a twelve month period. Between class sessions the ELDP participants complete projects, do out-of-class assignments, and work on the developmental activities they identified in their Individual Leadership development Plans. Two

cohorts have been completed and the third cohort will start in 2012, with completion in mid-2013. The application process for the third cohort will start in early 2012. The application process and timelines will be available on the PITI/VITI web site.

PANEL DISCUSSION: PROCESS IMPROVEMENT IN FINANCE

IGFOA provides a forum for the exchange of ideas on best practices in financial management and finance office operations. The panel on Process Improvement in Finance offered the conference participants an opportunity to raise and discuss the things they have done to improve their operations. The panelists were:

- Levi Reese, Chief Accountant, Department of Treasury, American Samoa
- Kayo Yamaguchi-Kotton, Assistant Secretary, Ministry of Finance, Republic of the Marshall Islands
- Larrisa Larson, Secretary of Finance, CNMI
- Juliet Jimmy, Assistant Secretary, Department of Finance, FSM National Government
- Valdamier Collens, Assistant Commissioner, Department of Finance, U.S. Virgin Islands

Valdamier Collens, Assistant Commissioner, Department of Finance, U.S. Virgin Islands

Mr. Collens presented the way in which the USVI conducted a reduction-in-force (RIF) as a best practice for how to accomplish a difficult, unpleasant, but sometimes necessary, task. In June/July, the USVI was forced to make an 8% cut across the government, affecting all agencies, general fund and federal fund supported alike. In anticipation of this budget reduction, the Department of Finance (DOF) worked with personnel and identified approximately 8 employees expected to retire leave with incentive packages. DOF ended up leaving 16 valuable individuals, which caused DOF to have to reorganize its processes and units to handle the increased workload. DOF leadership then sat down with each division head to define each unit's function and value, and assess how things could be reorganized to be more efficient. Treasury, for example, had five units, two of which were redundant, so it was reduced from 5 units to 3 units. Through this process the VI was able to restructure the way that Treasury operates and to move the remaining employees into areas in which their skills would be the most applicable. A similar effort completed in payroll. Payroll lost 7 employees, and there was a need to communicate with the remaining employees themselves, as well as division heads, to discuss how best to reorganize processes. Units responsible for managing payroll and leave balances were combined into a single unit.

The keys to the success of this process were communication to the employees—not only the leaders, but also the employees themselves. The employees retiring were also included in these conversations. The remaining employees were incentivized to handle the additional workload by providing interim compensation until the negotiation of a new collective bargaining agreement.

Analysis was conducted to assess the additional stress the mandatory retirement program would place on the pension system, since more employees would be retired and fewer employees would be paying into the system. In the end, there was a \$25 million budget gap, and through these cuts, USVI was able to close the majority of the gap.

Larrisa Larson, Secretary of Finance, CNMI

Ms. Larson described how crisis forced the Finance Office to change the way it did business. As part of this change process, Ms. Larson moved the Finance Office from a state of chaos into a fairly smoothly functioning organization. When she first arrived in the office, it was in chaos. Issues like island-wide power outages, temporary restraining orders, non-payment of retirement funds, and a lack of sufficient personnel have meant that the office has had to react quickly and frequently work outside the usual systems. In addition to all of these problems, the department lost an expatriate staff member who provided a lot of leadership and technical support. Most staff lost as much as 30% of their salary with the same workloads. With less pay, staff became concerned with their inability to pay bills at home. Facing all of these problems and rattled by all of the changes, many of the staff became even more resistant to change. Staff slowed the work flow and it became very difficult to get any work done.

To try to address these problems, Ms. Larson began walking documents and authorizations through each step of the process to speak with each person along the way and determine where the backlogs were. Staff experienced a lot of anxiety around what the administration was planning. In addition, conversations were being undertaken within the department about the necessary changes to adapt. The largest issue was the fear of the future. Ms. Larson assured staff that the only reason they would not be paid was for lack of money. The Graduate School also provided assistance reviewing current processes to streamline with limited resources, in light of its inability to give promotions or raises.

As communication increased and staff began to trust the new manager, Ms. Larson learned the staff was bored. Many had been doing the same step in the same process for years. They expressed an interest in learning new skills and doing different work. As a result, Ms. Larson instituted a cross-training program in the department. Initially, the walk-throughs for processes were only being done by Secretary Larson. Now she has created process improvement teams to conduct the process reviews.

CNMI is also trying to put performance measures in place, especially trying to get all paperwork and invoices processed within thirty days. Many vendors were waiting over a year to be paid. Poor practices were in place, such as a staff member who would only process invoices once a month. In general, people slowed down in productivity since they were so discouraged and disgruntled. There was a perception that the government did not have any money, so there was no need to process documents quickly and efficiently. Ms. Larson has had to change the work ethic and organizational values in the department to improve its performance and reduce its dysfunctions.

Kayo Yamaguchi-Kotton, Assistant Secretary, Ministry of Finance, Republic of the Marshall Islands Ms. Yamaguchi-Kotton presented three best practices for improving finance office operations. In the RMI, the "Lean Government" project was launched after the IGFOA in San Antonio. The Ministry has collected data to explore the number of days (cycle time) for several key processes. It took approximately 6 weeks for a PR to be processed and two weeks to process a TA. The goal is to get this down to three to five days. There are some challenges in this regard, especially with the TA process. The Lean Government initiative has been endorsed with Cabinet support, data collection has begun, and the working committee has been established. The Ministry expects to see more progress in the procurement system over the next three or four quarters.

While the RMI is looking at the processes themselves, it must also look at the enabling environment within which the process must operate. To examine this environment, RMI just finished a Public Expenditure and Financial Accountability assessment (PEFA). The PEFA assessment looks at various functions of the government, especially around budget execution and process, revenue, audit process, relationships with development partners, and the legislative framework within which the Ministry exists. The assessment is evidence-based. The report is still in draft stage, but is available to be shared. The great value of an assessment like PEFA is that it looks not only at the performance of the finance office, but it also examines the enabling environment as a whole at a high level. The report does not make any recommendations, although it does identify weaknesses. It is a government-driven exercise, and the RMI has asked for informal recommendations, but they are a by-product of the process, not its main purpose.

The RMI also has a Fiscal Officers' Association (FOA) composed of fiscal officers from the various offices and SOEs. The FOA meets monthly and conducts workshops and training. Attendance has been strong, and the secretaries have come to realize that many of the complaints about finance are not necessarily the fault of the finance office, but rather problems in their own financial operations. Processes like liquidating assets, reconciling accounts, reading reports, and other activities are covered through the training. Although no hard data have been collected yet, anecdotal data suggest the number of errors in things like purchase requisitions have decreased over time. In addition, monthly ministry-specific meetings have been taking place, as have meetings with mayor associations with the intent of accomplishing the same type of process improvements.

Levi Reese, Chief Accountant, Department of Treasury, American Samoa

Ms. Reese identified three process improvement efforts in ASG. The first, a process improvement effort to streamline federal programs payment reimbursements, has begun but has not yet been implemented.

A separate process improvement effort is the decentralization of DOE budgets, which is being done to try to move American Samoa off of the USDOE high-risk status and was DOE-funded. The decentralization gives budgets and budget controls, with the exception of payroll, to the sites (schools) themselves. Purchase requests can now be made at the sites themselves, rather than at the central office. The decentralization has slowly begun to be implemented, with full implementation in FY12. All schools are now online. Each school has a cap on its site-specific expenditure allowances. As part of the decentralization, the schools have been allowed access to their budgetary reports. DOE is responsible for managing internal controls, although the public auditor's office and staff from the governor's office are also involved. It is still too early to know whether the decentralization is achieving its objectives and improving DOE financial processes.

Another process improvement being discussed is electronic approvals of receiving reports to allow for prompter vendor payments. ASG has a large outstanding accounts payable balance because of incomplete documents and reports not being properly submitted. Treasury staff has been meeting to discuss how to improve the process. Currently payments are not processed until the goods purchased arrive at the procuring department. The process improvement team has proposed that when goods are booked as received at the warehouse and an electronic receiving report is posted,

payment can be processed. Since payment will be processed when the goods arrive at the warehouse and not when the goods are eventually delivered to the purchasing agency, the new process should decrease the duration time between receiving and payment. The process is still being worked out, but ASG anticipates it will help improve the timeliness of payments.

Juliet Jimmy, Assistant Secretary, Department of Finance, FSM National Government

Ms. Jimmy described how when she started in her job as Assistant Secretary, her boss set three expectation--attain an unqualified audit opinion, look at fixed assets, and reduce average turnaround time of disbursements, PO advances and outstanding travel advances. The office has been able to make progress on many of these, but travel advances continue to be an issue. From FY08 to FY10, the amount of outstanding travel advances has increased from \$1.2 million to \$1.5million to \$2.2million. It looks like it may have decreased to \$1.9 million for FY2011. FSM law states that a traveler much close out their travel advances no later than ten working days after the completion of a trip, but this has not been happening. During the past year, Finance first came up with a travel reminder form, which must be signed before receiving an advance check. This form reminds travelers of the regulation, which they then sign to prove they understand the requirement. Finance has met with the President on this issue, and in May of 2011, he issued a memo to all departments stating they are required to file travel advances within ten days of the end of travel and that if they do not, they will be ineligible to receive travel advances, and Finance will start automatic payroll deductions to offset the unpaid travel advance. The memo also instructed finance to re-route travel requests so that finance reviews the requests initially, and attaches a form indicating how many outstanding travel advances that individual has. If the traveler has four outstanding advances, the TA will not be accepted. The President is expecting zero outstanding advances. When the new regulations were instituted, Finance started seeing travel vouchers from as far back as 2005 being processed.

Debbie Milks made a few observations about some best practices mentioned by the panelists:

- The USVI examined its processes to see which were value-added and which were not,
- The CNMI established a single point of contact for all vendor inquiries,
- Both the RMI and the FSM stressed getting buy-in and commitment from leadership for process changes to be successful, and
- ASG demonstrated that better use of technology can help improve processes.

Ms. Milks also emphasized the importance of continuous communication and the need to measure the results of the process changes. Finally, she mentioned that to institutionalize the process changes, one needs to document the new procedures in writing, evaluate the results of the changes, and enforce the changes to make sure staff are using the new process properly.

DOI OIA UPDATE

Marina Tinitali, Accountability and Insular Policy Specialist, Department of Interior/Office of Insular Affairs, gave an update on events in OIA. OIA would like to congratulate the governments that met the 2010 deadline for clean audits. Eight of the eleven insular governments received clean

opinions, many of them for the second or third time. The three governments still working on getting timely, unqualified audits—VI, CNMI, and Palau—are all very close. OIA looks at single audits, but also reviews completed by the DOI Inspector General, GAO and reviews by other federal agencies. DOI's OIG in Hawaii, responsible for the Pacific, has been considering offering capacity building type technical assistance.

OIA is beginning to track resolutions on findings, in addition to clean audit opinions. It is concerned about documentation and wants to formalize resolution remediation through documented processes. OIA has been working with federal agencies by tracking, through single audits, how issues are resolved.

GAO has asked for evaluations, which will be a focus for OIA. Recurring findings and qualifications will get additional attention. Areas that have not received clean opinions will be asked for documentation to confirm that procedures are in place. Standard Operating Procedures are important and need to be put in writing.

OIA BUDGET UPDATE

Tom Bussanich, the Director of the Budget and Grants Management Division, Office of Insular Affairs, Department of Interior, stated that OIA has continued interest in the plans and performance measures that will be put together during the conference. OIA recognizes the success the governments have had with audits, and that work needs to be continued. As Federal funds get tighter, oversight will increase significantly. This increased scrutiny will increase the importance of 'trusted' financials. OIA would like to address finance office performance through letters to the Chief Executives. OIA will endeavor to put each of the finance offices on record with the chief executives of each jurisdiction.

Mr. Bussanich then gave an update on the OIA budget. The Federal Budget Process is quite difficult to predict because, at the moment, no one knows where the US is going with its efforts to address deficits. OIA is currently operating under a continuing resolution until December 16, 2011. As a consequence, OIA is not able to provide grant funding except at a drastically reduced rate.

The budget figures presented in Mr. Bussanich's talk is what has been submitted to the U.S. Congress and what OIA has been using for discussions (see Appendix R for the full OIA Budget presentation). OIA's budget request is for \$474 million, but only \$27 million of this figure is discretionary. General technical assistance funds were reduced by \$1.5 million and another \$1.7 million was earmarked for the socio-economic impacts of the military re-location to Guam.

PROGRESS ON FINANCE OFFICE PERFORMANCE MEASURES

The delegation heads of the IGFOA member governments selected six performance measures to report on quarterly. They first listed key measures for their operations, then voted on the measures to identify the most important ones. These measures were:

- Percentage of the Fixed Asset inventory completed,
- Percentage of bank reconciliations completed on time,

- Number of days to process a requisition,
- Percentage reduction in overdue travel advances,
- Comparison of estimated revenues to actual revenues, and
- Annual monitoring of the average clearance pattern.

The conference participants agreed to send their government action plans for collecting and reporting these measures to Debbie Milks by December 20. These action plans will be forwarded to the governments' chief executives by OIA in mid-January.

CONFERENCE EVALUATION

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

1) The IGFOA conference sessions were relevant and timely.

Score: 4.9

2) The conference's objectives were substantially met.

Score: 4.8

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

Score: 4.6

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

Score: 4.7

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:

Score: 4.8

Participants found all of the conference sessions relevant to them and their work, but particularly noted the relevance of the two guest speakers, GASB 54 training, the panel discussions on Audit Improvement and Finance Office Performance improvements, and the planning around performance measurement. The main concern expressed by the participants was the need for more time to go into topics in more detail.

APPENDIX A - AGENDA

Island Government Finance Officers' Association Meeting Agenda December 6 – 8, 2011 Wailea Beach Marriott Maui, Hawaii

The goals of the December 2011 IGFOA conference are to:

- Review progress made in implementing GASB 54 (Fund Balance Reporting) and discuss follow-up worked needed
- Exchange information on the latest *Performeter* analysis
- Present and discuss best practices in Finance Office performance improvement and single audit
- Provide training to IGFOA members on fraud prevention, risk/vulnerability assessment, and internal controls
- Update the performance measurement action plans for finance office operations
- Build government specific plans to implement GASB 54, enhance performance measures and process improvement, and initiate fraud prevention/risk assessment/internal control practices

Monday, December 5th

10:00 – 12:00 <u>Conference Registration</u>

Registration table located outside the Lokelani Ballroom

Tuesday, December 6th

7:00 – 8:15 am <u>Breakfast</u>

Lokelani I

8:30 – 8:45 am <u>Welcome</u>

Jack Ading, Minister of Finance, Republic of the Marshall

Islands

Nikolao Pula, Director, Department of Interior/OIA

	Jack Maykoski, Senior Executive, Graduate School USA
8:45 – 9:15 am	Review agenda and introductions Steve Medlin, Facilitator
9:15 – 10:15 am	Keynote Address "Managing a Fiscal and Financial Strategy in Lean Times"
	Kalbert K. Young, Director
	Department of Budget and Finance, State of Hawaii
	Questions and Answers
10:15 – 10:30 am	Break
10:30 – 12:00 pm	Government Updates: Status of Single Audit, GASB-54 Implementation, and Finance Office Performance Measures Moderator: Debbie Milks, CPA
	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
12:00 – 12:15 pm	Group Photo
12:15 – 1:15 pm	Lunch
1:15 – 2:00 pm	Government Accounting Standards Updates Frank Crawford, CPA
2:00 – 3:00 pm	GASB 54 Reporting Requirements: Progress to date Frank Crawford, CPA
3:00 – 3:15 pm	Break
3:15 – 4:00 pm	GASB 54 Reporting Requirements: What still needs to be done Frank Crawford, CPA
4:00 - 4:15 pm	Update on PITI-VITI Training Plan for 2012

Stephen Latimer and Jason Aubuchon

4:15 – 4:30 pm Review and Adjourn

5:30 pm Reception: Hosted by Bank of Hawaii

Pacific Terrace Rooftop

Wednesday, December 7th

7:00 – 8:15 am	Breakfast Lokelani I
8:30 – 8:45 am	Review results from Tuesday and overview of today's agenda Steve Medlin, Facilitator
8:45 – 10:15 am	Performeter Updates Frank Crawford, CPA
10:15 – 10:30 am	Break
10:30 – 12:00 pm	"It's a Risky Business Out There" Marion Higa, Hawaii State Auditor
12:00 – 1:00 pm	Lunch Lokelani I
1:00 – 2:00 pm	"It's a Risky Business Out There" (Continued) Marion Higa, Hawaii State Auditor
2:00 – 2:15 pm	Break
2:15 - 2:45 pm	Summary of Single Audit Results for 2010 Debbie Milks, CPA
2:45 - 4:00 pm	Panel Discussion: Best Practices for Audit Improvement Panelists:
	Tiser Reynold, Director, Office of Administration and Finance, Kosrae State
	Benita Manglona, Director, Department of Administration, Guam
	Matt Grady, Controller, Department of Treasury, American Samoa
	Marina Tinitali, Accountability and Insular Policy Specialist, DOI/OIA

Priscilla Soalablai, Chief of Accounting, Ministry of Finance,

Republic of Palau

Moderator: Debbie Milks, CPA

4:00 – 4:15 pm Review and Adjourn

5:00 – 9:00 pm Lahaina Trip (Optional)

Transportation Provided

Thursday, December 8th

7:00 – 8:15 am	Breakfast Lokelani I
8:30 – 8:45 am	Review results from Wednesday and overview of today's agenda
8:45 – 9:45 am	Panel Discussion: Process Improvement in Finance Panelists:
	Levi Reese, Chief Accountant, Department of Treasury, American Samoa
	RMI Representative
	Larrisa Larson, Secretary of Finance, CNMI
	Juliet Jimmy, Assistant Secretary, Department of Finance, FSM National Gov't
	Valdamier Collens, Asst. Commissioner, Depart of Finance, U.S. Virgin Islands
	Moderator: Debbie Milks, CPA
9:45 – 10:00 am	Progress on Finance Office Performance Measures Debbie Milks, CPA
10:00 – 10:15 am	Break
10:15 – 10:30 am	DOI OIA Update Marina Tinitali, Accountability and Insular Policy Specialist, Department of Interior/Office of Insular Affairs
10:30 – 11:15 am	Action planning to address (1) audit improvements, (2) GASB-54 implementation (3) fraud/risk assessment/internal controls

Government Break-Out Groups

	Facilitators: Steve Medlin and Debbie Milks
11:15 – 11:45 am	Report out: Government specific action planning
11:45 – 12:15 pm	Tom Bussanich Director of the Budget and Grants Management Division,
	Department of Interior/OIA
12:15 – 1:15 pm	Working Lunch
1:15 – 2:00 pm	 Conference Wrap-up Advancing the plans Summary of progress during this session Next steps Conference evaluation
2:00 pm	Adjourn

APPENDIX B - PARTICIPANT LIST

Island Government Finance Officers' Association (IGFOA) Meeting December 6 – 8, 2011 Wailea Beach Marriott Resort Maui, Hawaii

PARTICIPANT LIST

U.S. Virgin Islands

Valdamier Collens, Assistant Commissioner, Department of Finance Stephanie Thomas, Associate Director of Policy Management, OMB

CNMI

Larrisa Larson, Secretary, Department of Finance Vicky Villagomez, Special Assistant for Management and Budget, OMB

Guam

Benita Manglona, Director, Department of Administration Kathy Kakigi, Deputy Financial Manager, Department of Administration

Republic of Palau

Marino Rechesengel, Director, Bureau of National Treasury, Ministry of Finance

American Samoa

Matthew Grady, Controller, Department of Treasury Levi Reese, Chief Accountant, Department of Treasury Salu Tuigamala, Territorial Office of Fiscal Reform

FSM National Government

Juliet L. Jimmy, Assistant Secretary, Department of Finance

Chuuk State

Kathy Sound, Chief of Finance Irma Apiostol, Accountant and Audit Advisor

Kosrae State

Tiser Reynold, Director, Office of Administration and Finance Shiro Sigrah, FMIS Manager, Office of Administration and Finance

Pohnpei State

Thomas Pablo, Director, Department of Treasury and Administration Angelene K. Neth, Chief Division of Revenue and Taxation Francine Poll, Assistant Chief of Finance and Revenue Renedgardo Merencillo, Financial Advisor

Yap State

Maria Laaw, Director, Office of Administrative Services Robert Fathaltamanbay, Chief of Finance Pius Talimeisei, Office of Planning & Budget

Republic of the Marshall Islands

Jack Ading, Minister of Finance
Alfred Alfred, Jr., Secretary, Ministry of Finance
Kayo Yamaguchi-Kotton, Assistant Secretary, Ministry of Finance
Waylon Mueller, Chief of Procurement. Ministry of Finance
Jimmy Kemem, Assistant Secretary, Ministry of Finance (Ebeye)

Department of Interior/Office of Insular Affairs

Nikolao Pula, Director

Tom Bussanich, Director of the Budget and Grants Management Division Marina Tinitali, Accountability and Insular Policy Specialist

Graduate School USA

Stephen Latimer, Program Manager Jason Aubuchon, Project Manager

Resource Consultants/Speakers

Dr. Steven Medlin, Facilitator
Debbie Milks, CPA
Frank Crawford, CPA
Marion Higa, Hawaii State Auditor
Kalbert K. Young, Director, Department of Budget and Finance, State of Hawaii

APPENDIX C – KEYNOTE ADDRESS



Managing a Fiscal and Financial Strategy in Lean Times

Kalbert K. Young Director, Budget & Finance State of Hawai

Island Government Finance Officers' Association December 6, 2011 Maui, Hawaii



Budget & Finance Stress 2011

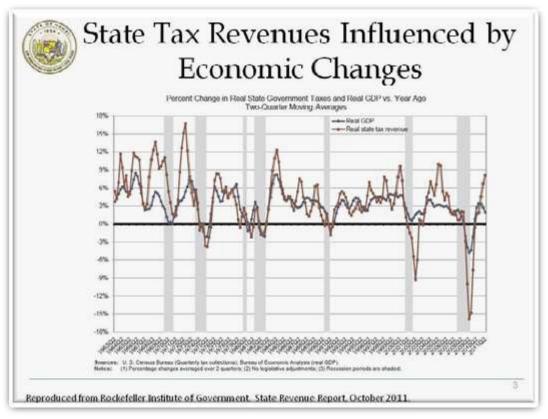
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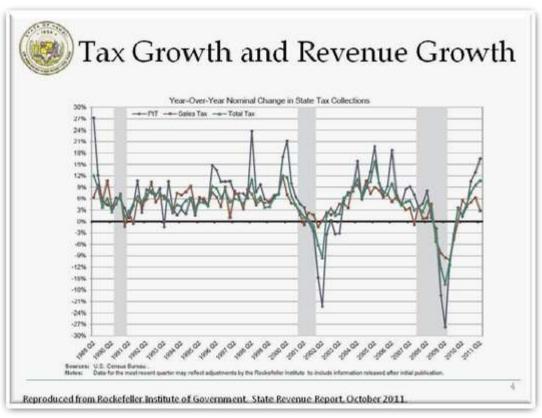
- States vs. municipalities vs. US Fed
- · Declining revenues
- · Rising operational costs
- Annual debt service
- Unfunded mandates
- · Previous FY reductions
- Minimum program stability

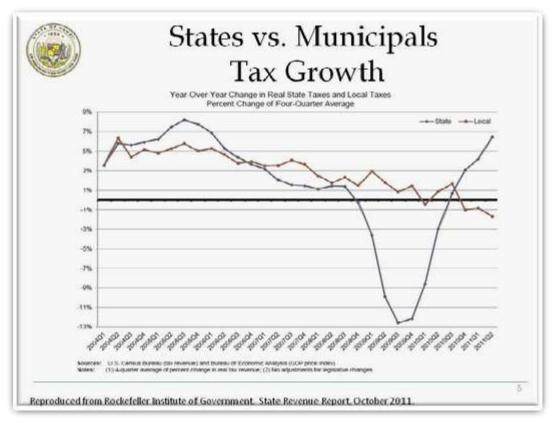
FINANCIAL

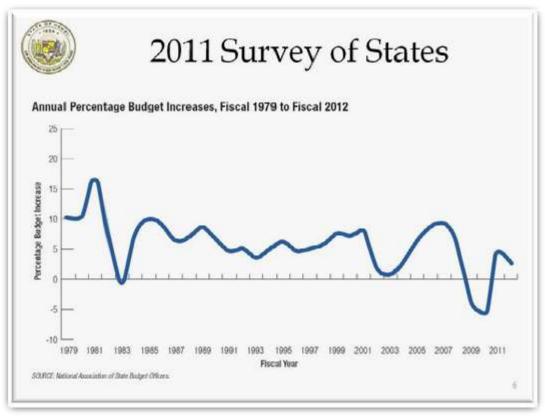
- Unfunded liabilities
- Debt service profile
- Infrastructure development
- · Collective bargaining
- Restructuring government operations
- · Program epansions

2











2011 Survey of States

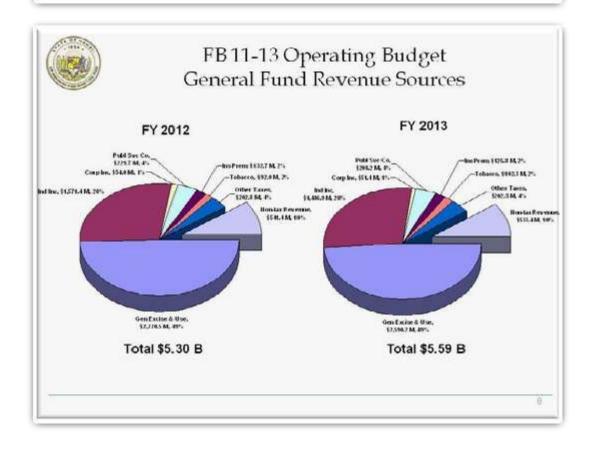
State General Fund Expenditure Growth, Fiscal 2011 and 2012

Spending Growth	Number of States	
	Fiscal 2011 (Preliminary Actual)	Fiscal 2012 (Appropriated)
Negative growth	12	7.
0.0% to 4.9%	23	19
5.0% to 9.9%	12	17
10% or more	3	7

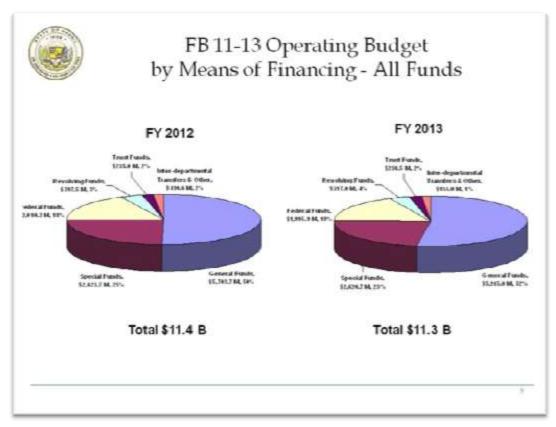
NOTE: Average spending growth for fiscal 2011 (preliminary actual) is 4.0 percent, average spending growth for fiscal 2012 (enacted) is 2.9 percent. See Table 6 for state-by-state data.

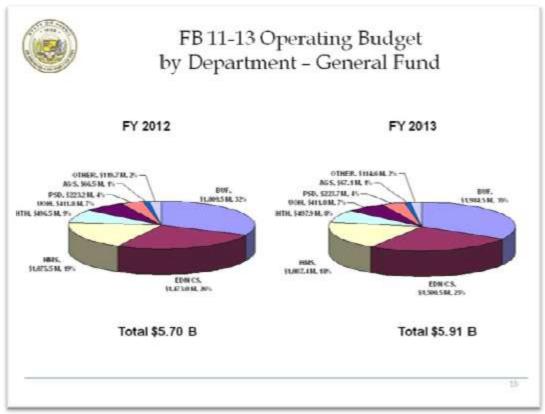
SOURCE: National Association of State Budget Officers.

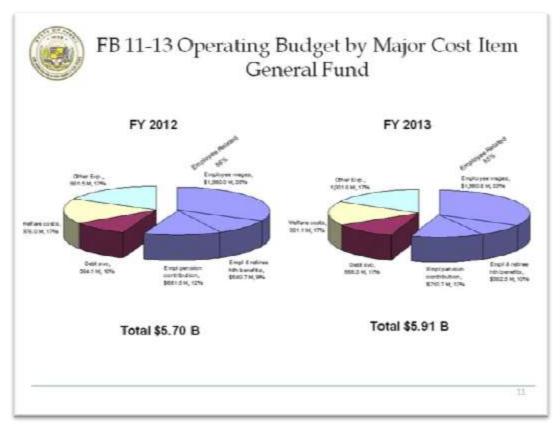
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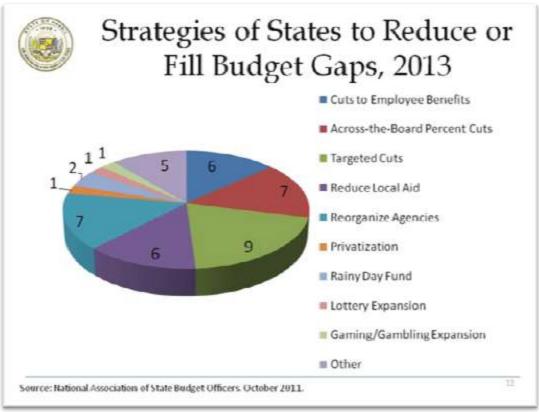


APPENDIX C – KEYNOTE ADDRESS











Hawaii 2011 Fiscal Balancing Strategy

- Balanced approach:
 - Expenditures vs. revenue enhancements
- No new taxes
 - Adjust fee-for-services level
- Operational restructuring
- Financial restructuring
 - Method of funding
 - Self-sufficiency in Special Funds

13



Hawaii Financials Structural Strengths vs. Weaknesses

STRENGTHS

- Strong executive branch authority in budget execution
- · Council on Revenues
- Conservative debt issuance authority

WEAKNESSES

- Poor unfunded liability ratios in pension and OPEB
- Volatile economy
- Depleted reserves
- Geographic-impact on economy

134



Financial Challenges and Objectives

- · Pro-active approach to unfunded liabilities
- · Collective bargaining
 - July 1, 2013
- · Recapitalization of reserves
- · Federal sequestration support
 - Medicaid
 - Military appropriation
 - Block grants
 - COFA

15



Additional Future-Term Strategic Challenges

- · Hawaiian self-sufficiency components
 - Homelands
 - Office of Hawaiian Affairs
 - Self-determination
- Government healthcare (insurance) initiative
- Revenue diversification
 - e.g. Gambling, sugar tax, barrel tax, internet tax
- · Infrastructure investment
 - E.g. Prison system, state hospitals, schools

14



Managing a Fiscal and Financial Strategy in Lean Times

CONCLUSION &
DISCUSSION

APPENDIX D - CNMI STATUS REPORT



Commonwealth of the Northern Mariana Islands

Finance and Budget By: Larrisa Larson and Vicky Villagomez

CNMI Government Updates

- Status of Single Audit
 - Targeted Completion Date 12/31/11
 - # of Findings
 - Question Costs
- GASB 54 Update

DOF Performance Measures

- Travel
 - -Timely processing of travel vouchers within 15 days of travel for all travelers
- Bank Reconciliation
 - Timely reconciliation of all bank accounts (monthly basis)
- Accounts Payable
 - Timely Processing of payment to vendors within 30 days of submission of invoice

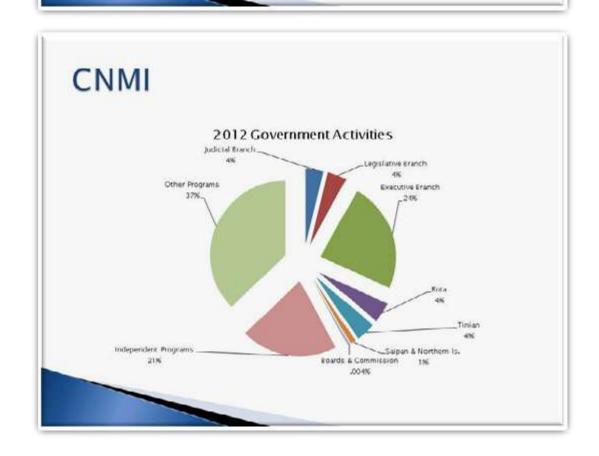
CNMI

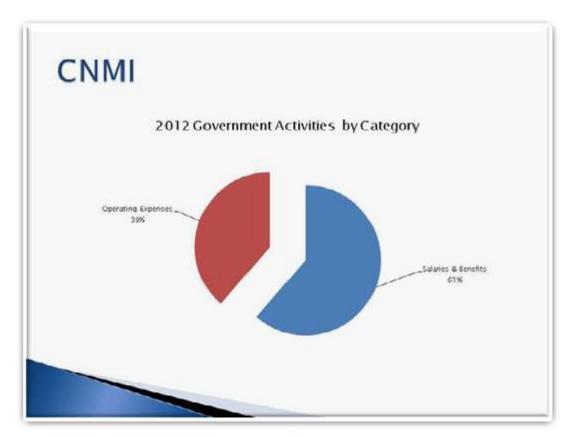
- Budget
- The Process:
 - Mandated by the NMI Constitution, Article III, Section 9 (a)
 - 6 months or April 1;
 - anticipated revenues and expenditures;
 - 3 branches of government;

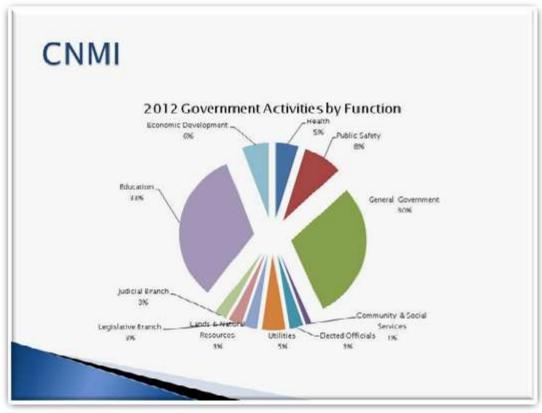
- The Budget Process (cont'd)
 - Submission by respective mayors of Senatorial Dist;
 - other entities;
 - anticipated funds from federal grantors;
 - Includes details on how budget was developed;
 - Any recommended legislation with respect to any taxation.

Submission to Legislature

 Governor meets with his Councils (Mayors and Executive Director of Carolinian Affairs)







Which department is responsible for revenue estimates? Department of Finance

Revenue Estimates include all revenue source:

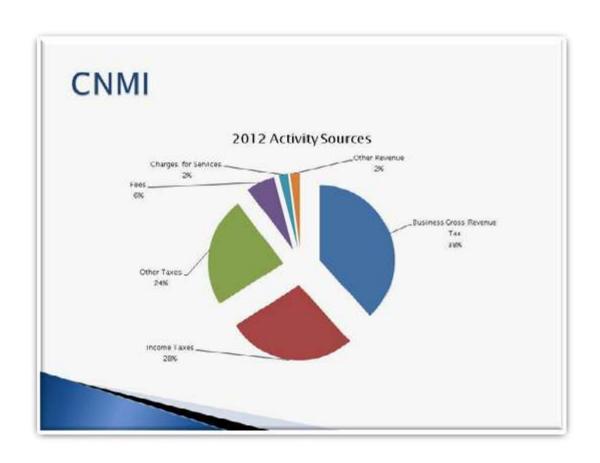
- 1) Taxes:
 - a) Income taxes (bgr, wage & salary, personal, corporate, gaming, penalties/interests;
 - b) Excise taxes (cigarettes, beer & malt beverages, other commodities);
 - c) Other taxes (hotel occupancy, bar tax, beautification);
 - d) Liquid fuel tax (non-aviation, aviation);
 - e) Beverage Container Tax (soft drinks & non dairy, beer, ale, malt, distilled alcohol, wine and sake);

CNMI

- 2) License & Fees:
 - a) Amusement machine (non-gambling and poker machines);
 - Other Licenses & Fees (business, vehicle, operator, admiralty & maritime fees, weapons fee, corporation fees, building safety code fees, passport fees, miscellaneous licenses & fees);
- Charges for Services (hospital, indirect cost reimbursement, CIQ, misc charges for services);
- 4) Other Revenue (interest income; business privilege fee, lottery commission, miscellaneous)

The Revenue Report

- Includes:
 - a) Actual Revenues collected in two prior fiscal years;
 - b) Original estimated for FY 2011;
 - c) Revised Estimated Revenue, if any;
 - d) Period of Actual collected (e.g. 12 mos. Actual);
 - e) FY 2012 estimated Revenue



How often are budget vs. actuals reported?
- reports are compiled on a quarterly basis

Which Department prepares the reports?

-Department of Finance

Who receives the report?

- Governor
- Presiding Officers of the Legislature

CNMI

- Does the financial management act allow or require a reduction in the expenditure budget in line with actual collections of revenues? YES
 - if variance is more than \$200,000 or 3% of the revenue estimates.
 - a) SOF informs Governor
 - b) Governor informs Legislature
 - -within 15 calendar days
 - -propose one of four measures:
 - 1) to reduce the reserve for the fiscal year;
 - 2) rescission:
 - 3) deferral:
 - 4) proportionate reduction across the board;

APPENDIX E - CHUUK STATUS REPORT



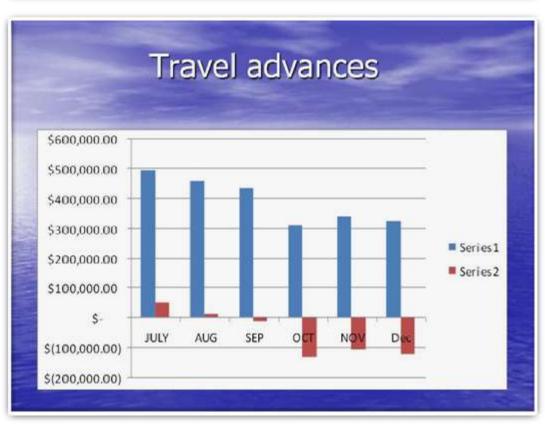
PERFORMANCE MEASURES ON:

TRAVEL ADVANCES

AND

EMPLOYEE TRAINING IN FINANCE

TRAVEL ADVANCE TARGET/ GOAL IS TO REDUCE 50% BY DECEMBER 2011 (BEG. BAL. 444,344.33) ACTION PLAN PRINT DETAIL REPORT ON TRAVEL ADV IDENTIFY DECEASED AND TERMINATED TRAVELERS SENT NOTICE TO TRAVELERS, GIVE DEADLINES AND OBSERVE



- IN JULY THERE WAS AN INCREASED CAUSED BY MORE TRAVELER DURING THIS MONTH (CONFERENCES AND WORKSHOPS)
- ALL THE DECREASED MONTHS WERE MAINLY FROM SENTING NOTICES AND REJECTING NEW TA
- ALSO BY ADDING A LINE ITEM OF \$.01 TO OFFSET AMOUNT TO BE CREATED IN A/R
- BOTTOM LINE I WOULD SAY WE WILL REACH OUR GOAL / DECEMBER IS NOT OVER YET, AS OF NOW TRAVEL PEOPLE CONTINUE WORKING ON THEIR ACTION PLAN TO REDUCE TRAVEL ADVANCE BY THE END OF DEC. WE'LL REACH OUR GOAL.

EMPLOYEE TRAINING

- TARGET/GOAL IS TO TRAIN AT LEAST HALF OF THE EMPLOYEES IN FINANCE (TOTAL OF 30 EMPLOYEES)
- ACTION
 - IDENTIFY PRIOR AUDIT FINDINGS
 - IDENTIFY PROBLEMS IN EACH SECTIONS WITHIN FINANCE
 - CREATE POLICIES & PROCEDURES
 - TRAIN



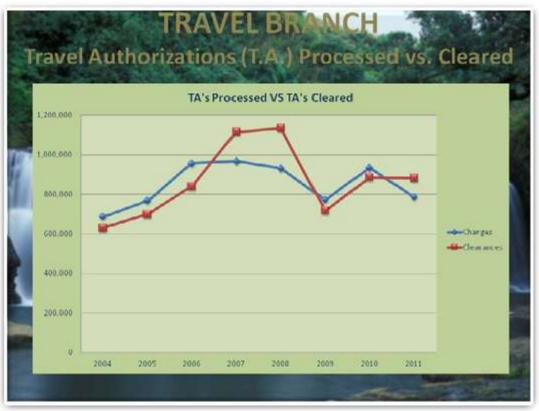
- CASH MANAGEMENT, COLLECTION SHOULD CORRESPOND TO BANK DEPOSIT (4 EMPLOYEES)
- RETURNED CHECKS NOT REFLECTING ON THE SYSTEM (4 EMPLOYEE)
- CONTRACT COMPLIANCE WITH THE TERMS OF THE CONTRACTS, CALCULATION, PROGRESS PMT, MOBILIZATION (4 EMPLOYEES)
- PAYROLL FILING OF ALLOTMENT, UPDATING ACTION FORMS & UPDATING SYSTEM (4 EMPLOYEES)
- PROCUREMENT FIXED ASSET MAINTENANCE, (4)
- BY DOING ALL THESE WE ARE STRENGHTENING OUR INTERNAL CONTROL & TO AVOID REOCCURANCE OF FINDINGS

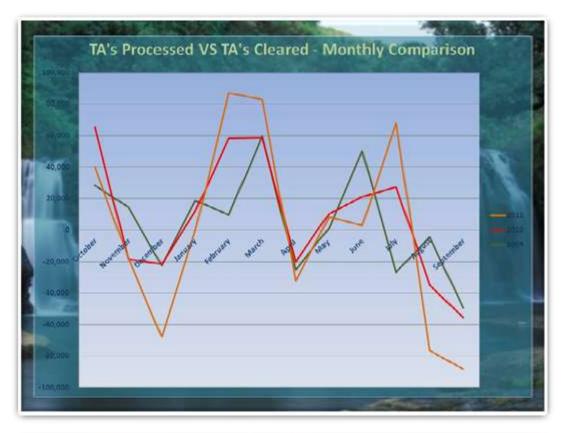
APPENDIX F - GUAM STATUS REPORT



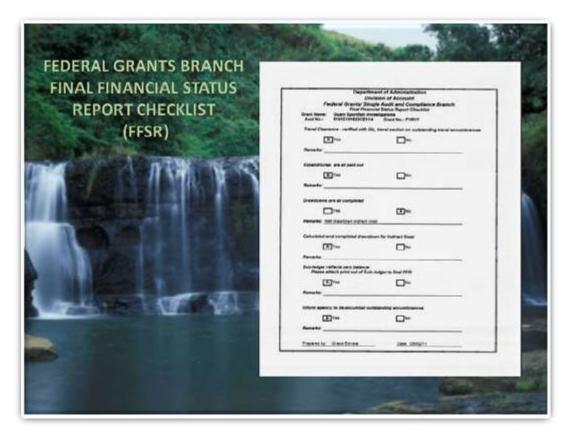


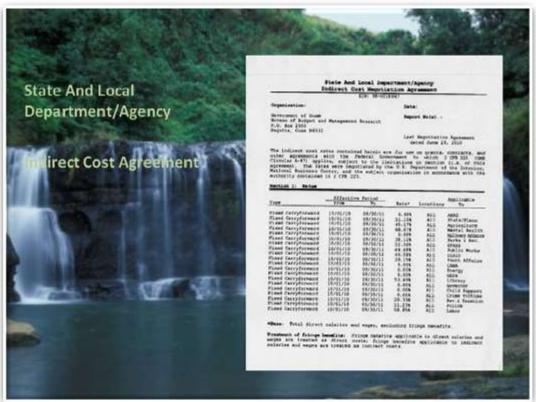




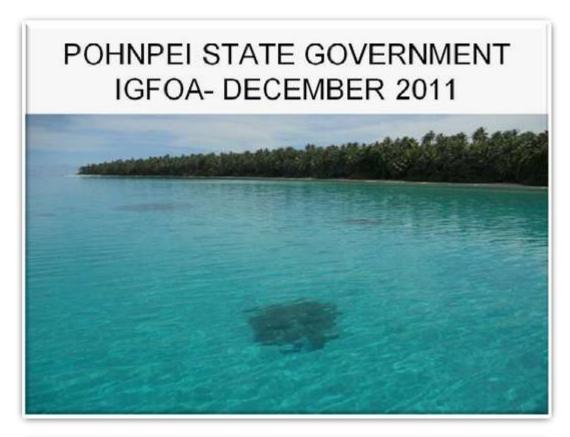




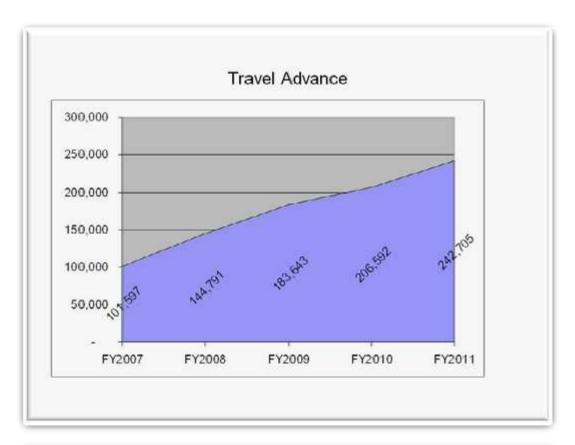




APPENDIX G - POHNPEI STATUS REPORT



Task & Target	Who will measure it?	Howisit measured?	How often is it measured? Beginning and ending measurement dates	Who gets the measurement report?	is a corrective action plan needed to reach the target?	Why is the measure important?
Reduce total traivel advance balance by 25% by FY 2012	Asst. Chief of Finance	% reduced by quarter	Beginning and ending of each quarter	Director of DOTA	Yes, Follow and implement the provisions of FMR.	To ensure that the travelers are complying with the FMR.
Provide 4 hours of training per month to 5 line supervisors by Sep 2012	Asst Chief of Finance	# of training hours conducted per month	Every end of the month	Director of DOTA	Yes. Ensure that the right training is provided.	To assess if the employees are provided with proper training
Complete bank reconciliations within 30 days of receiving the bank statement by September 2011	Chief of Finance	wof days spent (from receipt to completion)	Every end of the month	Director of DOTA	Yes Ensure that the assigned employee is performing the task on a regular basis.	To ensure that accurate financial information are provided on a timely manner.



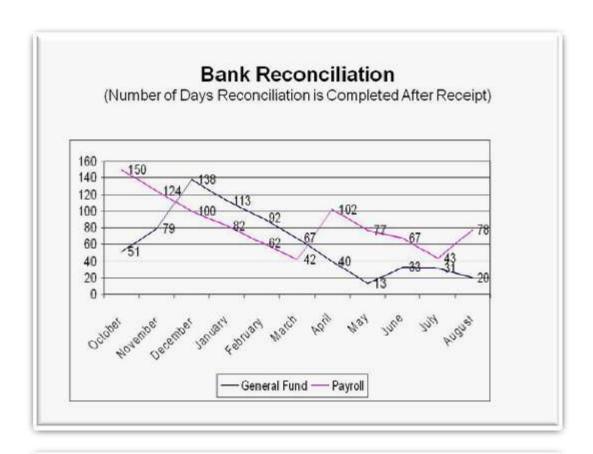
Task & Target	Who will measure it?	How is it measured?	How often is it measured? Beginning and ending measurement dates.	Who gets the measurement report?	Is a corrective action plan needed to reach the target?	Why is the measure important?
Reduce total travel advance balance by 25% by FY 2012	Asst Chief of Finance	% reduced by quarter	Reginning and ending of each quarter	Director of DOTA	Yes Follow and implement the provisions of FMR.	To ensure that the travelers are complying with the FMR.
Provide 4 hours of training per month to 5 line supervisors by Sop 2012	Asst Chief of Finance	#of training hours conducted per month	Every end of the month	Director of DOTA	Yes. Ensure that the right training is provided.	To assess if the employees are provided with proper training.
Complete bank reconciliations within 30 days of receiving the bank statement by September 2011	Chief of Finance	#of days spent (from receipt to completion)	Every end of the month	Director of DOTA	Yes Ensure that the assigned omployoo is performing the task on a regular basis.	To ensure that accurate financial information are provided on a timely manner.

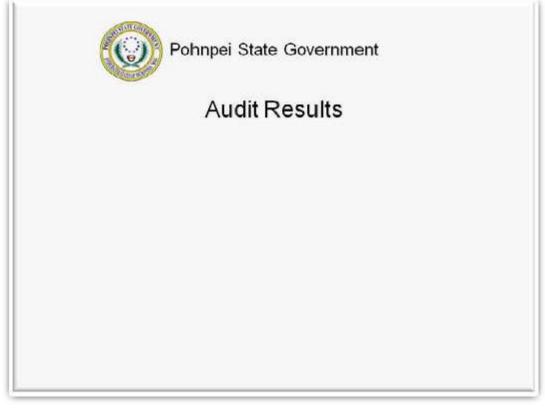
Training

- > 55 employees were sent in June, 29 in July and 3 in August.
- Employees were trained in the areas/fields of financial management, accounting and auditing, grants management, court management, computer literacy, energy efficiency, safety and security and solid waste management.
- Employees were trained at the College of Micronesia and off- island venues.

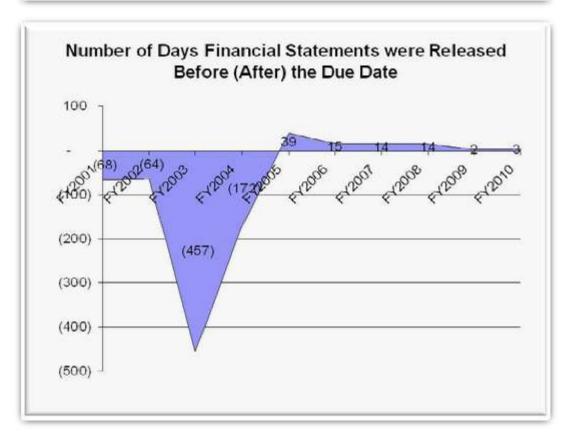
Pohnpei State Performance Measurement Plan

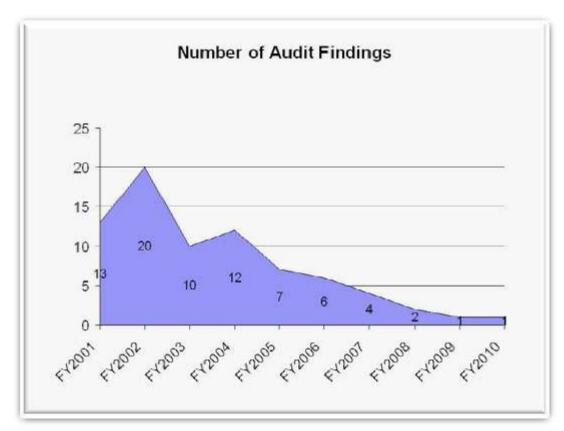
Task & Target	Who will measure it?	How is it measured?	How often is it measured? Beginning and ending measurement dates	Who gets the measurement report?	is a corrective action plan needed to reach the target?	Why is the measure important?
Reduce total travel advance balance by 25% by FY 2012	Asst Chief of Finance	% reduced by quarter	Beginning and ending of each quarter	Director of DOTA	Yes. Follow and implement the provisions of FMR.	To ensure that the travelers are complying with the FMR.
Provide 4 hours of training por month to 5 line supervisors by Sep 2012	Asst. Chief of Finance	#of training hours conducted per month	Every end of the month	Director of DOTA	Yes, Ensure that the right training is provided.	To assess if the employees are provided with proper training.
Complete bank reconcillations within 30 days of receiving the bank statement by Soptombor 2011	Chief of Finance	#of days spent (from receipt to completion)	Every end of the month	Director of DOTA	Yes Ensure that the assigned employee is performing the task on a regular basis.	To ensure that accurate financial information are provided on a timoly manner.

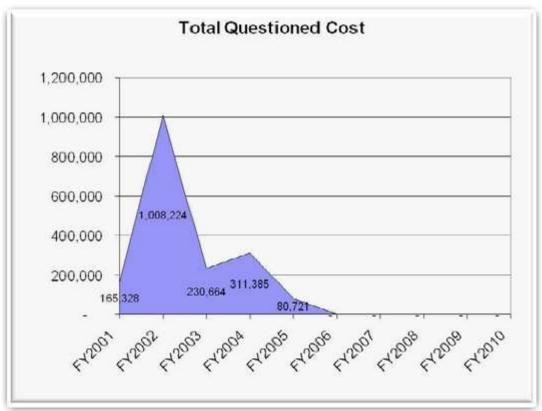




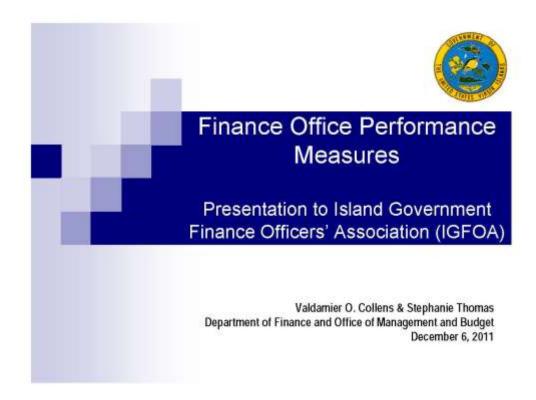
Type of Audit Report Issued							
	Financial	Compliance for	Low-risk Auditee per				
Audit Year	Statements	Major Programs	OMB Circular A-133				
FY2001	Qualified	Qualified	No				
FY2002	Qualified	Qualified	No				
FY2003	Qualified	Qualified	No				
FY2004	Qualified	Qualified	No				
FY2005	Unqualified	Qualified	No				
FY2006	Unqualified	Qualified	No				
FY2007	Unqualified	Qualified	No				
FY2008	Unqualified	Unqualified	No				
FY2009	Unqualified	Unqualified	No				
FY2010	Unqualified	Unqualified	Yes				







APPENDIX H - USVI STATUS REPORT





Current Situation

The Department of Finance requires employees to submit reimbursement for travel advances within ten (10) business days upon return from business travel. Although policies and procedures have been properly communicated to departments and agencies, the performance measurement criterion used to evaluate compliance reveals a lack of timeliness in submitting reimbursements.

Criterion	Responsibility	Status
Number of Days to Process Travel Advance Reimbursements	Departments & Agencies	Service Service
Number of Days to Process Travel Advance	Department of Finance	Outstanding

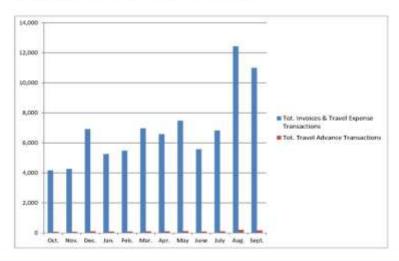
Finance Office Performance Measures

December 6, 2011



Transaction Analysis

During FY11, the Department of Finance processed approximately \$3,000 regular invoice and travel expense transactions, which included 1,300 travel advance transactions.



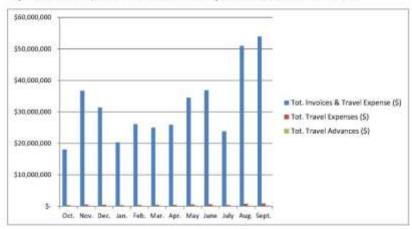
Finance Office Performance Measures

December 6, 2011



Dollar Value Analysis

During FY11, the Department of Finance processed approximately \$383M of regular invoice and travel expense transactions, which included \$6M in travel expenses and \$1.5M in travel advances.



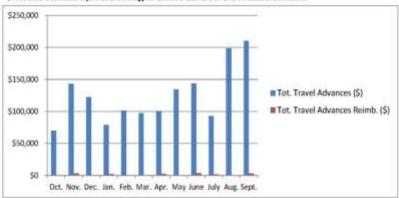
Finance Office Performance Measures

December 6, 2011



Dollar Value Analysis (Cont'd)

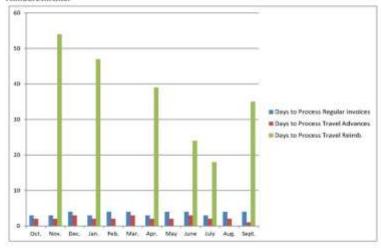
During FY11, the Department of Finance processed approximately \$1.5M of travel advances, however only \$17K was submitted (inconsistently) in excess travel advance reimbursements.





Key Takeaways

Although the Department of Finance will process an invoice within an average of 4 days and travel advances within an average of 2 days, departments and agencies take 36 days on average to process travel advance



Finance Office Performance Measures

December 6, 2011



ERP System - Quarterly Training Regimen

Employees directly responsible for performing the Finance function are required to invest 8 hours of intermediate and advanced ERP system training on a quarterly basis. During FY'11, most Division leaders ensured that 50% of their employees were trained on the ERP system.

	Number of	Finance	ERP Quarterly Training					FY'11	
Division	Employees	Function	2nd Qtr	%	3rd Qtr	%	4th Qtr	%	Totals
Commissioner's Office	11	4	2	50%	2	50%	2	50%	50%
Treasury	17	12	6	50%	6	50%	6	50%	50%
Accounting	18	15	12	80%	12	80%	12	80%	80%
Financial Reporting	6	4	4	100%	4	100%	4	100%	100%
Payroll	11	11	11	100%	11	100%	11	100%	100%
MIS	10	7	2	29%	2	29%	2	29%	29%
Totals	73	53	37	68%	37	68%	37	68%	68%

APPENDIX I - FSMNG STATUS REPORT



Status of Single Audit/GASB 54

November 16, 2011

- Preliminary Closing TB (As of September)
- Detail Transaction Report
- Payroll Detail Report by pay period
- Payroll Register
- SEFA
- Fund Status Report (Revenue & Expense)

Dec 02, 2011

- All Bank Reconciliation
- Copies of FY11 Public Laws

Performance Measures

- Travel Advance
 - Total Disbursed by fiscal year vs. total filed

Status	2009	2010	2011	2012	Total
Total TA	2775	2990	2793	378	9370
Total Filed	1610	2461	2376	137	6607
% Filed	58%	82%	85%	36%	71%



Staff Training

- To enhance/improve existing skills to ensure accountability and improve efficiency
- □ Target
 - Relevant staff trained in basic accounting
 - 23 staff
 - □ APIPA—2
 - □ Management Training---8

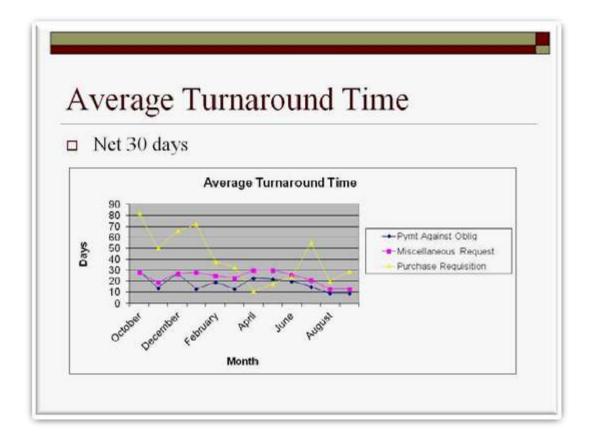
Staff Training

- Barriers
 - Understaffed
 - Budget
 - Motivation
 - Salary Freeze
 - Cannot pay time and half

Average Turnaround Time

Total Number received and logged for Miscellaneous Request Payments, Payments against Obligations and Purchase Requisitions-FY11

- 14,913
 - □ 64% (9,545) could be tracked in the FMIS



Budget (Policies and Practices)

- □ FSMC, TITLE 55. GOVERNMENT FINANCE & CONTRACTS
- □ Chapter 1: Budget Procedures § 104. Balanced budget.
- (1) Based on all available information, the Congress shall adopt a resolution setting forth the total funds estimated to be available for appropriation from the General Fund and any special funds of the National Treasury during the ensuing fiscal year. The Congress may from time to time adopt resolutions revising the amount estimated to be available for appropriation based on the most recent information.
- (2) Total appropriations for a fiscal year shall not exceed the amount embodied in the resolution referred to in subsection (1) of this section.
- Source: PL 2-17 § 4.

Budget (Policies and Practices

- Collaboration among Departments
 - Finance
 - SBOC
 - Department of Justice
 - NORMA
 - Other agencies (i.e. postal services)

Budget (Policies and Practices)

- □ 4 Regular Congressional Sessions (Quarterly)
- Special Sessions
 - 10 days prior to congressional sessions
 - Finance and SBOC

Budget (Policies and Practices)

- Reports are provided to
 - President
 - Speaker

As required by law

Copies

Chairman of Ways and Means

Various Executive Departments

Budget (Policies and Practices)

§ 105. Supplemental or deficiency appropriations and rescissions.

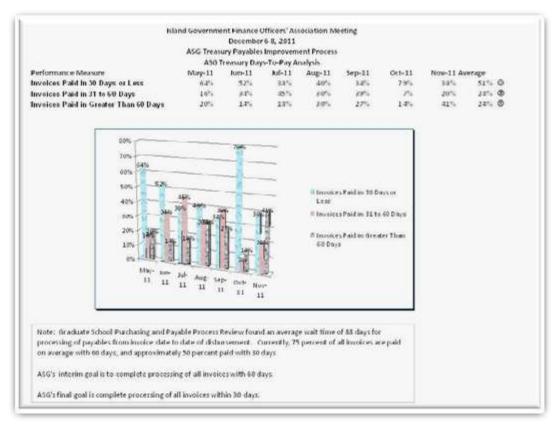
(1) The President shall transmit to Congress such proposed supplemental or deficiency appropriations as may be necessary on account of laws enacted after the transmission of the annual budget or which are otherwise in the public interest. He shall accompany such proposals with a statement of the reasons therefor, including the reasons for their omission from the annual budget. Whenever such proposed supplemental or deficiency appropriation would create a deficit for the General Fund or any specific fund of the National Treasury, the President shall make recommendations as to how such deficit is to be met.

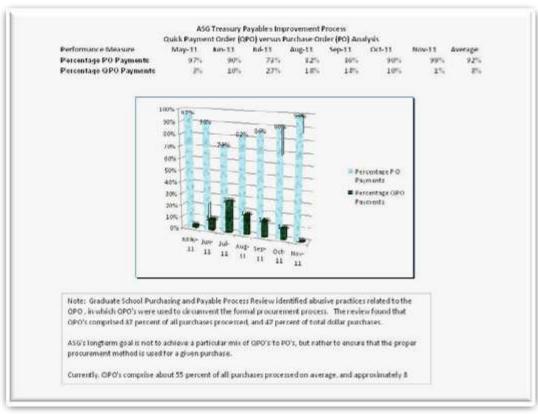
(2) The President from time to time may transmit to Congress proposed rescissions to cancel budgetary authority previously provided by the Congress. These proposals may be accepted in whole or in part by passage of a rescission bill by the Congress.

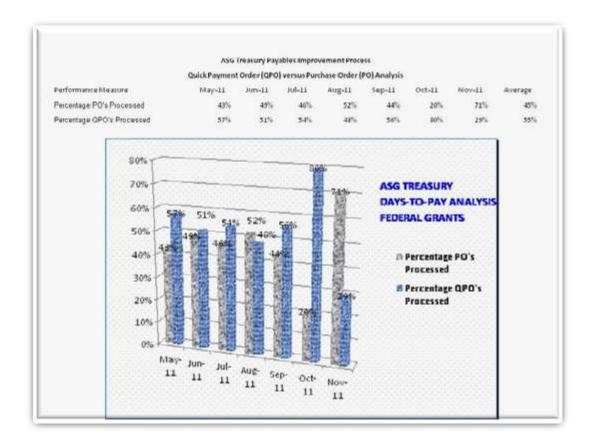
Source: PL 2-17 § 5.

Cross reference: The statutory provisions on the Executive are found in title 2 of this code. The statutory provisions on the Legislative are found in title 3 of this code

APPENDIX J - ASG STATUS REPORT



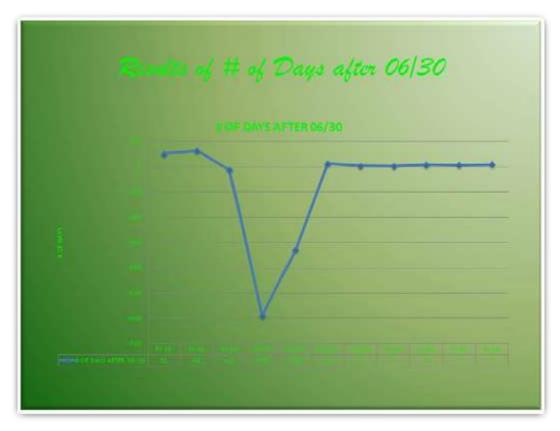


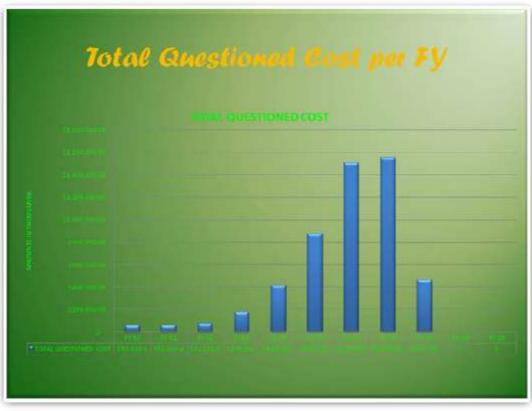


APPENDIX K-1 - KOSRAE AUDIT STATUS REPORT



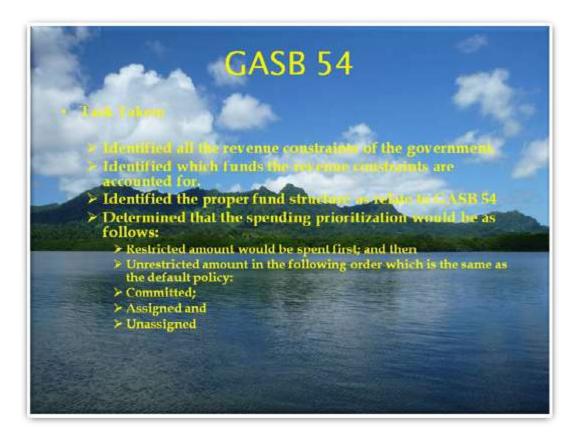








APPENDIX K-2 - KOSRAE GASB 54 STATUS REPORT



**XSG adopted GASB 54 with new fund balance classifications as follows: **Mon-spendable fund balance* **Restricted fund balance* **Committed fund balance* **Assigned fund balance* **Unassigned fund

Fund balance reporting and disclusures

- > Encombrances are classified as either
 - Committed if encumbrances are approved by action of the highest decision making authority.
 - Encumbrances resulting from issuance of purchase orders, contracts and other obligating documents as a result of normal purchasing activities approved by the appropriate officials are classified as assigned.

KSG has not adopted the Stabilization Arrangements and the Minimum fund balance policy.

classifications; KSG considered five types classifications as follows:

- General Fund
- Special Revenue Funds
- · Capital Projects Fund
- · Debt Service Funds
- Permanent Funds

GASB 54

- ..\..\Desktop\2011 dec igfoa\KSG IGFOA Presentation\KSGGASB 54_Fnl.pdf
- Analysis.pdf
- Other Funds Detail.pdf
- ..\..\Desktop\2011 dec igfoa\KSG IGFOA Presentation\Balance Sheet GAGB 34.pdf
- General Fund Unaudited FB.pdf
- Summary GASB 54 Unaudited.pdf
- Capital Project Fund Unaudited.pdf
- Grant Assistance.pdf



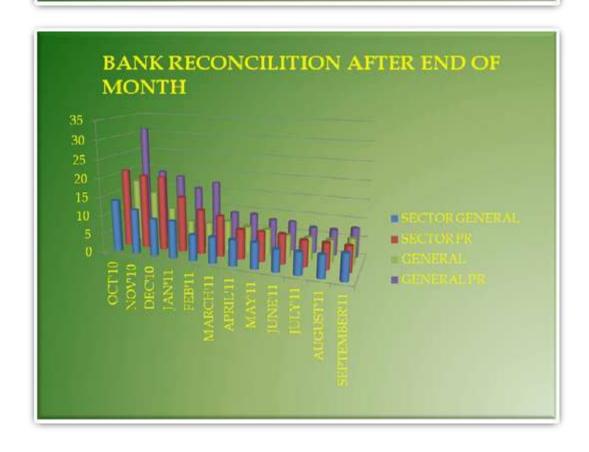
APPENDIX K-3 - KOSRAE PERFORMANCE MEASURES STATUS REPORT

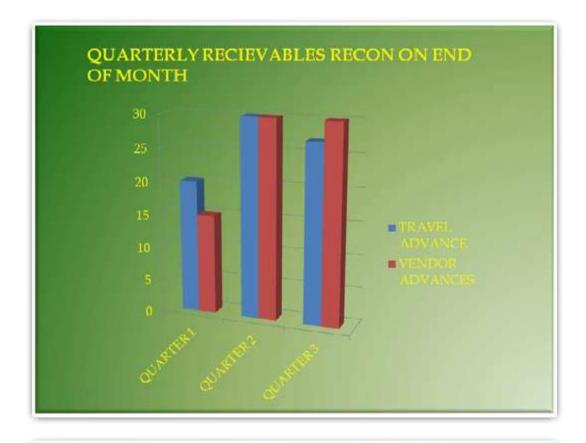




Transaction Processing

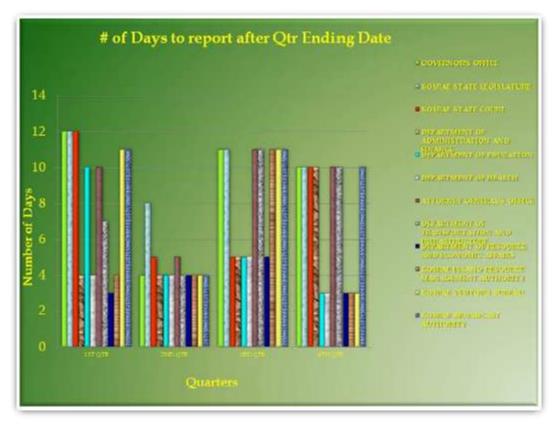
- 100% completion of monthly bank reconciliation
- 100% completion of quarterly reconciliation of receivables over 120 days old





FINANCIAL REPORTING

- •# of Days Departments received financial report after quarter end
 - •Percentage of Departments received financial reports on time





Staff Development

- BA Program- 1 staff will be completing BA in accounting by May 2012
- 1 staff completed ELDP 2011 and graduated on May 2011
- Staffs have been attending training, conferences both to earn CPE Hours and to get hands-on training on accounting
- No complete data collection on staff CPE hours but will be provided
- In-house training has been done but not formally schedule.



Process Documentation

- Prior documentations had been collected.
- Currently under review and updates



APPENDIX L - GASB STANDARDS UPDATE





Recent Final Documents

- Statement 59—Investment Omnibus
- Statement 60—Service Concession Arrangements
- Statement 61—Reporting Entity Omnibus
- Statement 62—Pre-89 FASB and AICPA Pronouncements
- Statement 63— Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position
- Statement 64 Derivative Instruments: Application of Hedge Accounting Termination Provisions (amends Stmt 53)
- Suggested Guidelines for Voluntary Reporting, Service Efforts and Accomplishments

*

Due Process Documents

- Exposure Drafts
 - Pension Accounting and Financial Reporting by Employers
 - Technical Corrections
 - Deferred Inflows and Outflow Recognition

Where Are They Now?

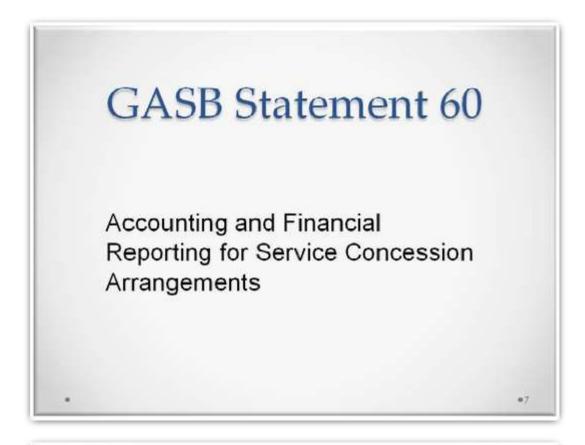
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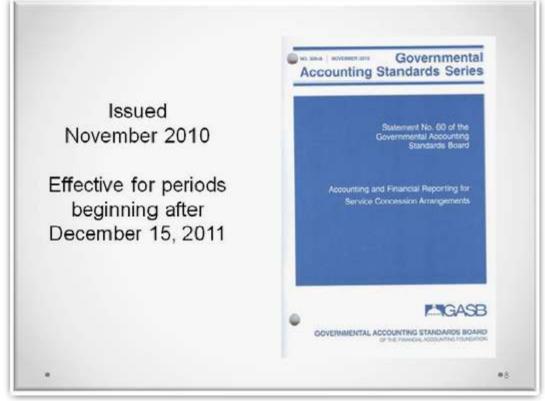
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Effective Dates - Sept 30

- September 30, 2011
 - Statement 54—Fund Balance and Governmental Fund Type Definitions
 - Statement 59—Financial Instruments Omnibus
- September 30, 2012
 - Statement 57—OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans—provisions related to the frequency and timing of measurements (paragraph 8)
 - Statement 64—Derivative Instruments: Termination Provisions
- September 30, 2012
 - Statement 63—Deferred Inflows/Outflows and Net Position
- September 30, 2013—
 - Statement 60—Accounting and Financial Reporting for Service Concession Arrangements
 - Statement 61—The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)
 - Statement 62—Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements

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Accounting and Financial Reporting For Service Concession Arrangements

What is a service concession arrangement?

- ·Public-private or public-public partnership
- An arrangement between a transferor (a government) and an operator (governmental or nongovernmental) in which;
- the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset ("a facility")
- the operator collects and is compensated by fees from third parties
- the transferor is entitled to significant interest in the service utility of the facility at the end of the arrangement (a residual interest)
- 4) The transferor determines or has the ability to modify or approve:
 - What services the operator is required to provide
 - To whom the services will be provided
 - The prices or rates that will be charged

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Examples of SCA's

- Toll roads
- Airports
- Hospitals
- Prisons
- · City swimming pools
- Golf courses

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GASB Statement 61

The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)

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Project Objectives

- Determine whether the standards for defining and presenting the financial reporting entity in Statement 14, as amended;
 - Include the organizations that should be included
 - Exclude organizations that should not be included
 - Display and disclose the financial data of component units in the most appropriate and useful manner
 - Are consistent with the current conceptual framework
- Amends Statement 14 and Statement 34 to better meet user needs and to address reporting issues that have arisen since their issuance

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GASB Statement 62

Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements

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

Overview of the Project:

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

•14

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

Overview of the Project Continued:

- Paragraph 7 of Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting has been superceded:
 - Allowed enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that did not conflict with or contradict GASB pronouncements
 - Can now continue to apply but as "other accounting literature" in the GAAP hierarchy
- Project objective: Specifically identify applicable provisions in FASB Statements and Interpretations, APB Opinions, ARBs, and AICPA Accounting Interpretations, and incorporate those provisions into the GASB's literature

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Statement No. 63

Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

Effective date: Periods ended December 31, 2012

Background

- Initiated in May 2010
- Concepts Statement 4 identifies 5 elements that make up a statement of financial position:
 - o Assets
 - Liabilities
 - Deferred outflows of resources
 - Deferred inflows of resources
 - Net position
- This differs from the composition currently required by Statement 34, which requires the presentation of assets, liabilities, and net assets in a statement of financial position.

Definitions

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

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Proposed Provisions

- Deferred outflows should be reported in a separate section following assets
- Similarly, deferred inflows should be reported in a separate section following liabilities
- Net Position components resemble net asset components under Statement 34, but include the effects of deferred outflows and deferred inflows
 - Net investment in capital assets
 - a Restricted
 - Unrestricted
- Governmental funds continue to report fund balance

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Disclosures

- Provide details of different types of deferred amounts if components of the total deferred amounts are obscured by aggregation on the face of the statement
- If the amount reported for a component of net position is significantly affected by deferred inflows or outflows- provide an explanation in the notes

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Deferrals (so far)

- Statement 53 Accounting and Financial Reporting for Derivative Instruments
- Statement 60 Service Concession Arrangements
- Pensions differences between assumptions/ estimates and actual results

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Statement of Net Position Primary Government

Governmental Business-type Component
Activities Activities Total Holts \$ 11.712.629 5 10.516.620 5 22.229.649 5 303.835 29.250.291 64.575 29.314.688 7.428.952 Cash and cash equivalents investments 1 040 482 11 792 650 313 768 Dorhvetive instrument-rate away 1,040,482 15,402,285 4,042,290 Internal balances 63.697 445.523 Inventories Equity interest in joint venture Capital maris: Land improvements and construction in progress Others potal assets not of depreciation 28.436,026 8.408,160 141.567,735 146,513,065 781,239 30,993,547 Total capital assets 229.758.185 199.925.131 293.683.316 Total assets Accumulated decrease in fair value of hedging derivatives _____ 127,520 127,520 Accounts payable and account expenses.
Advances from grantus.
Forward is united:
Long-term labelities: 1,436,600 38.911 127,520 9.236.000 4,420,200 13,662,266 1.420.630 Due within one year 181,206,191 DEFERRED INFLOWS ruleted increase in fair value of hedging derivatives 1.040.482 - 1,040,402 -NET POSITION Net investment in capital assets Amounts Restricted for 103.711.566 79.086.574 182.799.960 15.906.592 10.655.737 Transportation and public sroks. 10.655.757 3,079,929 6,845,629 1,493,397 1,191,999 1,929,829 — 8,641,629 — 1,493,397 Dest service Housing and community redevelopment Other purposes hreatroises Amounts (sefe t) 192,445 (1.587/765) 8.816.410 5.248.625 2.829.790 3.124.205.163 3.87.356.960 32.11.562.163 3.18.226.627 Total net position

Related Project on the current agenda -

Identifying Deferrals in the Current Standards

- Concepts Statement 4 provides that recognition of deferrals should be limited to those instances specifically identified by GASB
- The Board added a project to identify deferrals (ex. deferred revenue, prepaid expenses) that would be subject to requirements of this proposed statement.
 - Currently reported as assets or liabilities. Should they be deferred outflows/inflows, or expenses/revenues?

Other Projects in Process

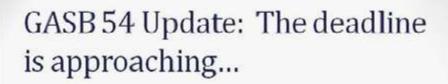
- Pension Accounting and Reporting (ED)
- Conceptual Framework Recognition and Measurement (PV)
- · Fiscal Sustainability (PV later this year)
- · Economic Condition Reporting: Fiscal Sustainability
- Government Combinations

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APPENDIX M - GASB 54 UPDATE



Prepared and Presented by Frank Crawford, CPA

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Let's refresh what we know

- · Definitions of new fund balance classifications
- Definitions of governmental fund types
- Case study questions and answers
- Review of recent GASB questions and answers via the GASB's Comprehensive Implementation Guide
- Insular government examples of progress to date

Nonspendable Fund Balance

- · Not in spendable form, such as
 - Inventory
 - Long-term receivables (unless the proceeds are restricted, committed, or assigned)
- Legally or contractually required to be maintained intact
 - Corpus of a permanent fund

3

Restricted Fund Balance

- Same definition as for net assets in Statement 34 (as amended by Statement 46)—amounts constrained to being used for a specific purpose by either
 - · External parties, or
 - · Constitutional provisions, or
 - Enabling legislation

Committed Fund Balance

- Constraint on use imposed by the government itself, using its highest level of decision making authority
- Constraint can be removed or changed only by taking the same action
- Action to constrain resources should occur prior to end of fiscal year, though the exact amount may be determined subsequently

5

Assigned Fund Balance

- Amounts intended to be used for specific purposes
- Intent is expressed by
 - The governing body
 - A body (budget or finance committee) or official authorized by the governing body
- Any residual amounts in governmental funds other than the general fund are considered assigned
- This is also where you would classify an appropriation of existing fund balance to help balance next year's budget

Unassigned Fund Balance

- Available for any purpose
- Reported only in the general fund, except in cases of negative fund balance
 - Negative balances in other governmental funds are reported as unassigned

	General		venue Funds	Magor Debt	Major Capital		
	Fund	Highway Fund	School Aut Fund	Senace Fund	Projects Fund	Other Funds	Total
Вистинисом							
(Nonspendable;	\$ 125,000	# 400 non	\$ 16,000				4 240 000
Inventory fund principal	\$ 125 pool	\$109,000	* 10000	- 3	100	3 164 000	\$ 249,000
Restricted for:		-		-		\$104,000	104,000
Soulal acroix	240,000	1.2	_	1	122	7.4	240,000
Parks and recreation	80,000						80,000
Education	55,000	_	-	_	_	_	55,000
Highways			_		\$ 444,000		444,000
Fload aurface repairs	-	24,000	-	-	-	-	24,000
Diebt service reserve	-		-	\$ 206,000		-	206,000
School construction	Care C	-	-	-	301,000		301,000
Law enforcement	-	-	-	-	-	214,000	214,000
Other capital projects	-	-	-	-	51,000	_	51,000
Other purposes	30,000	_	-	_		-	30,000
Committed to:							
Zoning boxes	sepou				-	1.77	16,000
Economic stabilization	210,000		-	-		-	210,000
Homeland excurty	110,000						110,000
Education	50,000	-	100,000	-	_	-	153,000
FOREST STORAGE SAIN	76,000		-	-	-	-	75,000
Assigned to:	50,000						900,000
Library acquisitions	50,000						50,000
Highway recordsong	30,000	268,000				- 25	258,000
Debt service	_	200,000	_	305,000		-	306,000
Public pool		100			121 000	75	121,000
City Hall removalism	_	-		-	60,000		60,000
Other capital projects	60,000	- 777		-	471,000		S21,000
Center Dullproses	80,000	-	73,000	-		176,000	329,000
(Unassigned)	525,000			_		-	525,000
Total fuer trainness	\$1,746,000	\$ 390,000	\$ 192,000	\$ 512,000	\$1,448,000	\$ 554,000	\$ 4,042,000

Special Revenue Funds

Statement 54 Definition:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term "proceeds of specific revenue sources" establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund.

9

Special Revenue Funds

- Report specific revenue sources restricted or committed to specified purposes other than debt service and capital projects
- Restricted or committed specific revenue sources should comprise substantial portion of fund's resources, but fund also may include other restricted, committed, and assigned resources
- Disclosure: purpose of each major special revenue fund and each revenue source or other resources reported in each

Capital Projects & Debt Service Funds

- Text made consistent with other definitions
- Capital projects fund definition is more reflective of current practice
- Highlighted that debt service funds are required when
 - Legally mandated
 - Financial resources are being accumulated for principal and interest payments maturing in future years

11

Capital Projects Funds

Statement 54 Definition:

 Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Debt Service Funds

Statement 54 Definition:

 Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

13

Fund Balance Classification: Case Study

- The Island Government of ABC's general fund has three distinct purposes for which resources are constrained:
 - Maintenance and operation of the Island Beach and Dock Area
 - Maintenance and operation of the Island Golf Course
 - Maintenance and operation of Island Parks and Playgrounds and related programs
- Determine which fund balance classification is impacted by each of the following circumstances:
 - Legislation is the formal action of the highest level of decision-making authority
 - The Governor is authorized to create assignments of resources

- Legislation is issued relative to the general fund's gross receipts tax, and it states that 25% of the proceeds from the tax will now be used for specific purposes:
 - 15% for the beaches and dock area
 - 5% for the golf course
 - 5% for the parks and playgrounds and related programs

Committed. The allocation of the tax is created by legislation and can only be repealed by legislation.

15

Restricted, Committed, Assigned, or Unassigned?

 The proceeds from the remainder of the gross receipts tax (75%) may be used for the general operations of the government;

Unassigned. This portion of the tax that is not constrained for a specific purpose more narrow than the general purpose of the government.

 Per government policy as established by the Governor, revenues from beach permits, greens fees and programs held at the parks and playgrounds are to be used to fund the costs of the related activities.

Assigned. The use constraint is based solely on policy.

Amounts could be used for other purposes without formal action of highest level of decision-making authority.

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Restricted, Committed, Assigned, or Unassigned?

 The government receives a \$500K grant from the Professional Golfers Tour (PGT) required to be used to defray the costs of operating the golf course through a PGT program to support urban area public golf courses.

Restricted. The constraint on the use of the grant funds is imposed by the external grantor (the PGT).

 Last year, the government passed legislation establishing a flat \$500 annual assessment on resident boat owners effective for the current year. The legislation specifies that use of the assessments are limited to the maintenance and operation of the dock area at the Island beach.

Restricted. Because the legislation establishing the assessment specifies a limitation on the use of the proceeds, the legislation is considered enabling legislation.

19

Restricted, Committed, Assigned, or Unassigned?

 To satisfy constituent concerns, the government passed legislation during the fiscal year dedicating \$1 million of fund balance for clean-up and minor improvements to be made to the government's three park areas.

Committed. The dedication of fund balance was created through formal action of the government's highest level of decision-making authority and would require similar action to be abolished.

 As part of the adoption of next year's budget, the government appropriated \$2 million of existing fund balance to eliminate an excess of expected expenditures over expected revenues.

Assigned. An appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget is considered an assignment because the constraint can be eliminated without formal action of the highest level of decision-making authority.

21

Questions from the guide

Q—At year end, a special revenue fund that is used to account for specific restricted revenues includes \$200 in cash, inventory of \$110, and a balance due to the general fund of \$275. How should its total fund balance of \$35 be classified?

A—The fund should report nonspendable fund balance of \$110 and an unassigned fund balance deficit of \$75.
Overexpenditure for a restricted, committed, or assigned purpose should not reduce nonspendable fund balance.

23

Questions from the guide

Q—State law requires local governments to maintain fund balance at a level equal to at least 8 percent of the general fund appropriations in the preceding year to provide for contingencies. Does that requirement constitute a stabilization arrangement for purposes of classifying fund balance? If not, do the minimum fund balance disclosure requirements in paragraph 27 apply?

A—The statutory requirement in this case does not constitute a stabilization arrangement because it does not identify specific conditions under which the resources that represent the minimum balance can be used. The minimum fund balance disclosure requirements do not apply because the requirement is imposed upon the government, rather than established by the government itself. The government may, however, be required to disclose instances of noncompliance with the legal requirement.

25

Questions from the guide

Q—By exercising its highest level of decision-making authority, a government has established a Budgetary Stabilization Fund and imposed a requirement that 15 percent of certain mineral rights royalties received should be set aside to provide for budgetary imbalances. That decision can only be reversed or modified by the government taking the same action. The conditions under which the resources can be used are sufficiently prescriptive to be reported as committed fund balance. Can the Budgetary Stabilization Fund be reported as a special revenue fund?

A—Yes. Because the foundation of the separate fund is a specific revenue, it can be reported as a special revenue fund, provided that the revenues are recognized in the separate fund.

27

Questions from the guide

Q—A government establishes a special revenue fund to account for a restricted revenue, but the fund has a limited life expectancy. When inflows into the fund ultimately cease, does the remaining balance in that fund have to reported as part of the general fund?

A—No. Provided that there are no continuing inflows into the fund (transfers from other funds, for example), the separate fund can continue to be reported until the restricted resources have been used for their specified purposes.

29

Questions from the guide

Q—If a governing body passes a resolution (the highest level of decision-making authority, in this case) to annually transfer amounts from the general fund to a separate fund to be used for a specified purpose, do those amounts qualify as committed revenues so that the separate fund can be reported as a special revenue fund?

A—No. Transfers are not revenues. The transferred-in resources in this example do not provide the foundation of restricted or committed revenues required for a special revenue fund. The separate fund can, however, be reported as a special revenue fund if there are also substantial restricted or committed revenues recognized in that fund.

31

Questions from the guide

Q—Paragraph 31 states that if a fund no longer qualifies as a special revenue fund its remaining resources should be reported in the general fund. Can those resources, instead be reported as part of another special revenue fund with a similar purpose (for, example, if both funds are transportation-related)?

A—Yes. Resources accounted for in a separate fund that does not meet the criteria to be reported as a special revenue fund can be reported as part of the general fund or as part of another fund that does meet the criteria to be reported as a special revenue fund.

33

Questions from the guide

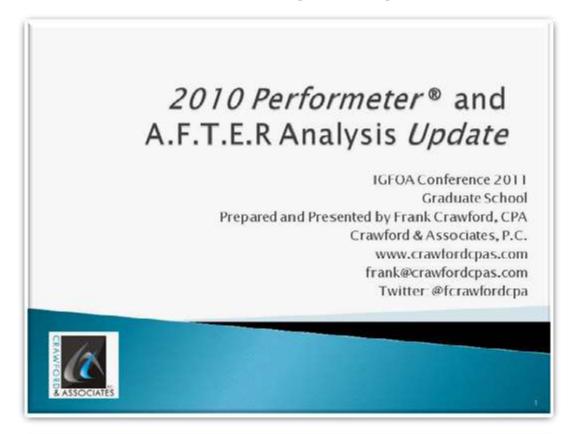
Q—Some funds that are maintained as special revenue funds for accounting purposes do not meet the criteria for separate reporting in external financial statements and therefore should be presented as part of the general fund or a qualifying special revenue fund. Should the budgetary information relative to those funds be included in the general fund or qualifying special revenue fund budgetary comparison?

A—No. The information in the budgetary comparison should be the legally adopted budget for the general fund or major special revenue fund. The additional revenues and expenditures pertaining to the other funds result from perspective differences and should be explained in the reconciliation of budgetary information to generally accepted accounting principle information.

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- •Questions??
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APPENDIX N - PERFORMETER UPDATE



Topics for today

- A brief review of what the Performeter and A.F.T.E.R Analysis is (and what it is not...)
- Review of factors and circumstances contributing to the 2010 scores and findings
- Provide an update on the most recent Performeter scores and A.F.T.E.R findings



A brief review...

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



3

A brief review...

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



Factors and Circumstances for 2010

- For most, the fiscal year ending September 30, 2010 was not a good year financially; for a few though, it featured a year of recovery from lower scores in the prior two periods
 - Some governments continued to decline by incurring more expense than earning in revenue during the year; others featured a combination of cost cuts and revenue enhancements, others either issued new debts or assumed debts of others
 - Pension plan woes continue for most except ASG
 - Spending patterns changed for most, some good, some bad
 - Fund balance deficits and net assets deficits increased for some, decreased for others, with a few remaining relatively stagnant

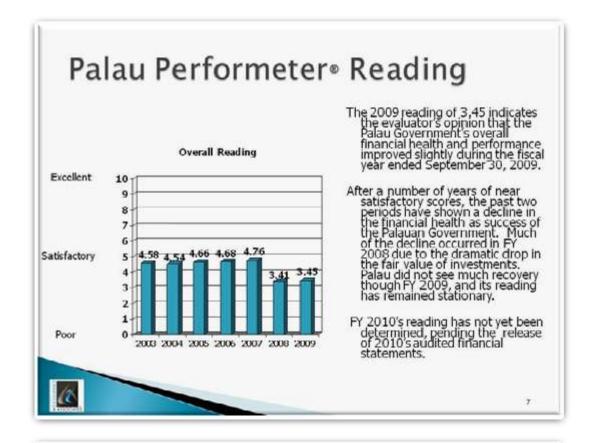


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Factors and Circumstances for 2010

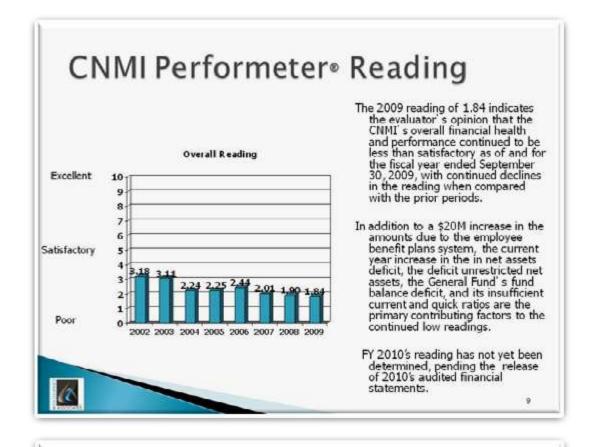
- Good news though (or bad news, depending on how you look at it
 - Most governments, even when considering component units, are receiving unqualified (clean) opinions on their financial statements
 - A few are even receiving unqualified opinions on their compliance with federal program monies (Single audit)
 - A few even have no questioned costs, or very little questioned costs





A.F.T.E.R. Palau

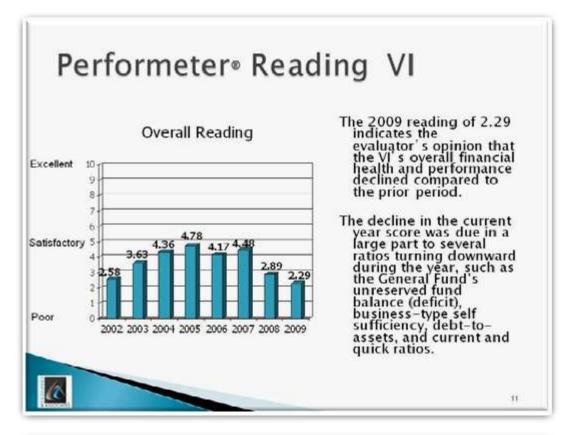
	2003	2004	2005	2006	2007	2008	2009
Number of F.S. Opinion Qualifications/Exceptions	0	0	0	0	0	0	0
Number of Major Federal Program Qualifications/Exceptions	5	5	9	4	5	6	8
Number of F.S. Findings A. Internal Control and Compliance B. Internal Control Only C. Compliance Only TOTAL	6 0 0	7 2 0	6 6 0 12	5 8 0 13	0 11 3 14	0 3 3 6	0 8 4 12
Percentage of Endings Repeated	16.7%	11.1%	50%	30.8%	71%	33%	25%
Number of A-133 Findings A. Internal Control and Compliance B. Internal Control Only C. Compliance Only TOTAL	6 0 0 6	13 0 0 13	31 U Q 31	15 0 0 15	7 5 0 12	16 1 0 17	33 0 0 2 33
Percentage of A-133 Findings Repeated	16.7%	7.7%	32.3%	13:3%	67%	29%	48%
Number of months after Y/E the F.S. were Released	21	24	9	9	9	9	14
Number of Qualifications/Exceptions Related to C.U.	0		0	U	U	U	U
\$ of Questioned Costs-Current Year	\$284,274	\$320,543	\$391,204	\$99,755	\$63,691	\$577,977	\$967,990
\$ of Questioned Costs-Cumulative	\$592,481	\$827,807	\$1,184,207	\$993,651	\$801,692	\$801,692	\$2,352,87
\$ of Questioned Costs Resolved - Current Year	\$0	\$85,217	\$5,374	\$290.311	\$255,650	\$1,379,009	\$0



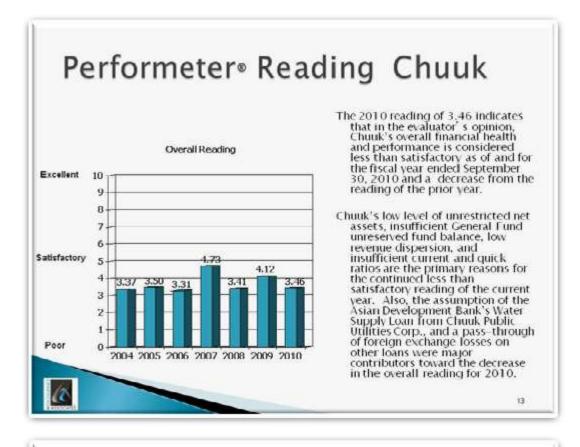
A.F.T.E.R. CNMI

	2004	2005	2006	2007	2000	2009
Number of F.S. Opinion Qualifications/Exceptions	9	8	9	10	4	2
Number of Major Pederal Program Qualifications/Eureptions	7		7	6	5	- 5
Number of F.S. Findings						
A. Internal Control and Compliance			2		0	0
B. Internal Control Only	10	30	14	10	15	18 1
C. Compliance Only	1	1		1	1	
TOTAL	11	- 11	16	- 11	16	19
Percentage of Findings Repeated	72,7%	90.9%	75%	82%	62.5%	78.9%
Number of 4-133 Endings						
A. Internal Control and Compliance	33	37	36	42	41	37
8. Internal Control Only		2	-	-		
C. Compliance Only	100	1	18	8.	E.	18
TOTAL	33	37	36	42	41	37
Percentage of A-133 Findings Repeated	39.4%	64.9%	69.4%	46%	56%	75.7%
Number of months Y/E the F.S. were Released	19	9	9	9	9	9
Number of Qualifications/Exceptions Related to C.U.	2	2	3	0	4	2
\$ of Ouestioned Costs-Current Year	\$2,700,930	\$718,786	\$1,468,27	\$2,213,809	\$7,165,461	\$4,817,031
\$ of Questioned Costs- Cumulative	\$2,843,446	\$3,567,232	\$5,035,50	\$7,249,314	\$7,249,314	\$19,231,82
\$ of Questioned Costs Resolved — Current Vipor	\$145,572	\$0	50	\$0	\$0	\$10

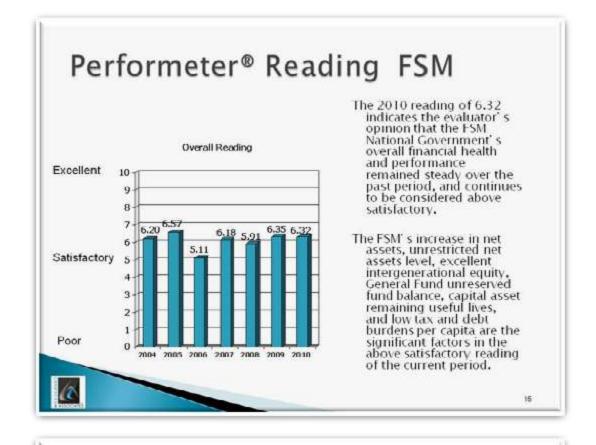




	2004	2005	2006	2007	2008	2009
Number of P.S. Opinion Quelifications/Prospitions	10	.9	7	9	7	8
Number of Mean Federal Program Qualifications/Exogstons		. 3	6	11	7	0
Number of F.S. Findings A. Internal Control and Compliance III. Internal Control Only C. Compliance Only 10182	3 0 1	2 0 3	3 11 4	0 11 1 12	1 10 0 11	1 10 0 11
Percentage of hindings Repeated	107%	100%	Unable to determine	Unable to determine	(estimate)	ITEMs. (estimate)
Number of A-130 Findings a. Internal Control and Compliance B. Internal Control Only C. Compliance Only TOTAL	18 15 1 32	0 2 20	77 0 U 22	20 0 0	90 50 50	12 34 2 46
Percentage of 6-5 33 Hindings Repeted	71.9%	47.4%	Unable to determine	Unable to determine	50%	16.3%
Number of months after Y/E the F.S. were Released	24	30	30	25	21	22
Number oil Qualifications/Exceptions Related to C.U.	6	4	5	6	3	3
\$ of Questioned Costs-Current Year	\$476,569	\$9,056,788	\$3,829,679	\$0,404,454	\$3,467,561	\$57,293,304
is of Questioned Costs-Comulative	Unable to determine	\$80,104,177				
\$ of Questioned Costs Resolved – Current Year	Unableto deternine	Unable to determine	Unable to determine	Unable to determine	\$6,276,416	DI,944,995

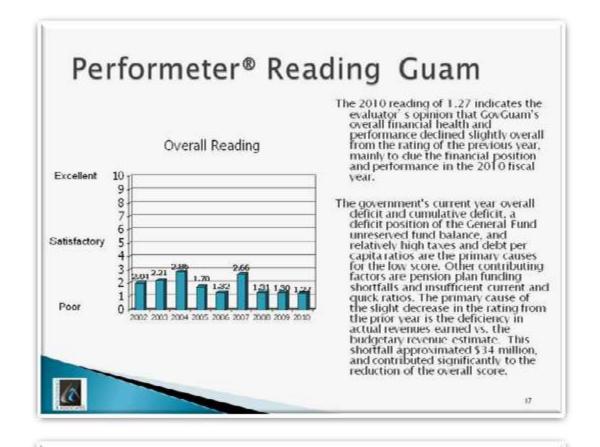


A.F.T.E.R. CHUUK Number of F.S. Opinion Qualifications/Exceptions 12 14 11 Number of Major Federal Program Qualifications/Exceptions Number of F.S. Pindings A. Internal Control and Compliance B. Britainal Control Only 11 C. Compliance Only TOTAL 2 25% 64.7% 50% 0% Percentage of Findings Repeated 10% 67% Number of A-133 Findings A. Internal Control and Compliance B. Internal Control Only C. Compliance Only Percentage of A-133 Findings Repeated 0% 50% 7% 50% 50% 100% Number of noutle, VSF the P.S. were Rela 35 Number of Qualifications/Exceptions Related to C.U. \$ of Questioned Costs-Current Year \$1,729,813 \$1,578,943 \$11,519 \$0 \$0 \$958,987 \$ of Quastioned Costs-Cumulative \$0,464,942 \$9,420,929 \$9,272,020 \$2,056,006 \$1,025,719 \$0 § of Questioned Costs Resolved -- Current Year \$1,730,549 \$1,055,719 \$7,227,506 \$1,000,607 10 14



A.F.T.E.R. FSM NATIONAL

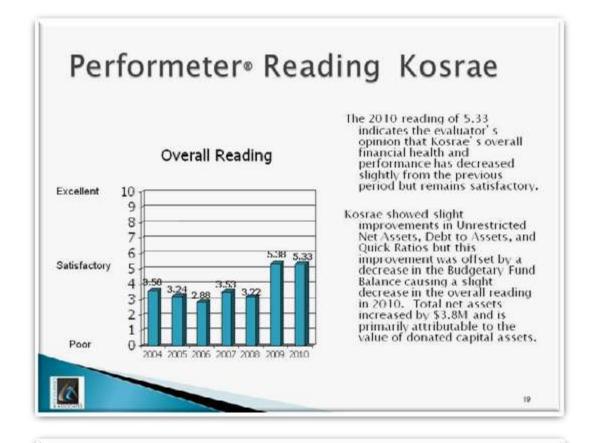
	2005	2006	2007	2008	2009	2010
Number of P.S. Opinion Qualifications/Exceptions				10	0	
Number of Major Federal Program Qualifications (Exceptions	6	7		*	3	-1
Number of F.S. Findings A. Internal Control and Compliance B. Internal Control Only C. Compliance Crity TOTAL	0 21 0 21	5 6 0 11	0 12 1 13	0 3 0 3	0 4 0 4	0 3 0 3
Percentage of findings Repeated	19%	45.5%	30%	0%	25%	100%
Number of A-122 Findings A: Interval Control and Conditionce B: Interval Control Cody C: Coorpliance Only TOTAL	20 0 0 0 20	16 0 1 17	14 0 14	15 0 0 15	20 0 0 2	12 0 0 12
Percentage of A-133 Findings Repeated	5%	0%	0%	0%	70%	50%
founder of months 1/2 the P.S. were Released	12	10	¥	¥	¥	. 9
Number of Quelifications/Exceptions Related to C.U.	2	2	2	6	0	. 0
\$ of Questioned Coxts-Current Year	\$1,914,909	\$1,622,274	\$4,139,445	\$2,372,041	\$2,964,400	\$2,049,22
S of Questioned Costs - Questione	\$5,690,476	\$1,009,055	\$0,002,415	17.115.095	\$6,079,070	\$6,106,00
\$ of Questioned Costs Resolved - Current Year	\$0	\$2,601,605	\$1,945,005	\$2,095,841	\$3,993,937	\$2,021,41



A.F.T.E.R. GUAM

	2004	2005	2006	2007	2008	2009	2010
Number of F.S. Opinion Qualifications/Exceptions	3	2	2	0	0	0	0
Number of Major Federal Program Qualifications/Exorptions	10	31	13	10	.10	9.	.5
Number of F.S. Fledings A. Internal Control and Compilience B. Internal Control Only C. Compiliance Coly 101AL	0 6 9	0 3 1	0 2 0 2	0 1 2	0 0 0	0 0 0 0	0 3
Percentage of Hindings Repeated	42%	196	UN.	50%	0%	UM	U%
Number of A-133 Findings A. Internal Control and Compiliance B. Internal Control Only C. Compiliance Unity TOTAL	16 9 0 25	50 0 0 0 30	35 0 0 36	24 0 0 2 24	21 0 0 21	10 0 0	6 0 0 6
Fercentage of A-130 Findings Repeated	40%	23.5%	0.0%	2.9%	4.7%	10%	16.7%
Number of months 1/E the F.S. were Released	10	9	9	9	9	9	9
Number of Qualifications/Exceptions Related to C.U.	2	1	1	.0	0	0	0
\$ of Questioned Costs-Current Year	\$514,496	\$594,340	\$2,773,997	\$2,902,409	\$1,001,436	\$0	\$2,734
\$ of Questioned Costs- Cumulative	\$25,137,199	\$10,509,029	\$5,760,688	\$7,001,071	\$7,837,719	\$4,616,404	\$2,313,56
\$ of Questioned Cods Resolved - Current Year	\$16,977,796	\$15,212,478	\$7,522,336	\$1,476,722	\$1,126,090	\$3,221,315	\$2,306,57

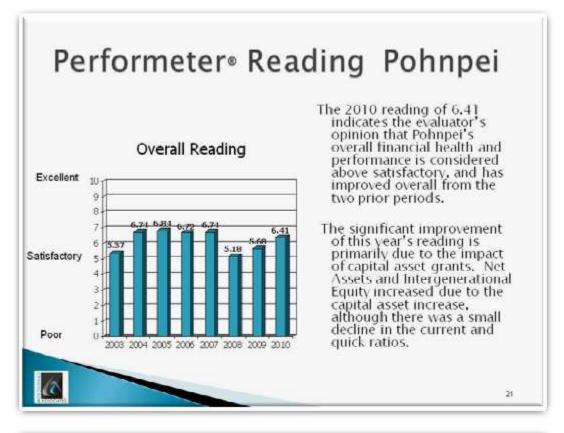




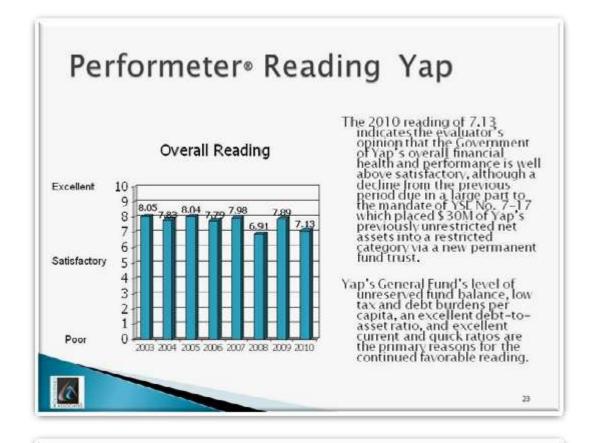
A.F.T.E.R. KOSRAE

	2005	2006	2007	2008	2009	2010
Number of F.S. Opinion Qualifications/Exceptions	4	0	0	0	0	0
Number of Metar Tederal Program QualificationalExceptions	3	3	2	2	0	0
Number of F.S. Findings A. Internal Control and Compliance B. Internal Control Deby C. Congoliume Only TOTAL	0 11 9 11	0 0 0 0	0 3 1 4	0 2 0 2	0 2 0 2	0 1 0 1
Percentage of Findings Repeated	27.3%	25%	0%	50%	100%	0%
Number of A-1-33 Findings A-Internal Control and Compliance Internal Control Only C. Compliance Only 10004	11 0 0 11	0 0 0 8	0 0 0 8	2002	0 0 0	0 0
Percentage of A-133 Findings Repeated	0%	62.5%	30%	50%	0%	0%
Number of months Y/E the F.S. were Released	9	9	9	9	9	0
Number of Qualifications/Exceptions Related to C.U.	1	0	0	0	0	0
\$ of Questioned Costs Current Year	\$462,459	\$694,514	\$162,753	\$0	\$0	\$0
§of Questioned Cods-Cumulative	\$105,05	\$1,506,567	\$1,365,913	\$463,367	\$0	\$11
\$nf Questioned Costs Residued - Current Year	\$0	-\$63,667	\$115,407	\$1,205,961	\$463,367	\$1

a



A.F.T.E.R. **POHNPEI** Number of F.S. Opinion Qualificational Exceptions Number of Major Federal Program Qualifications/Exceptions 2 2 2 0 n 0 Number of F.S. Findings A. Internal Combrol and Compliance Bi- Internal Combrol Only C. Compliance Only Percentage of Fundacia Reported 20% 0% 0% 0% 0% 8% Number of A-100 Findings B. Internal Control Only C. Compliance Only 0 60.00 0 0 1 TOTAL Percentage of A 133 Findings Repeated 294 0% 17% 50% 100% 100% Number of months 1/6 the F.S. were Released ¥ 9 Number of Qualify MongEurephons Related to C.U. B a 11 n. \$ of Questioned Costs Current Year \$0 \$0 \$0 \$0 \$0 \$0 \$ of Ourstaned Costs- Cumulative \$00,271 \$0 \$0 \$0 \$0 \$0 § of Quectioned Costs Recoived - Current Year

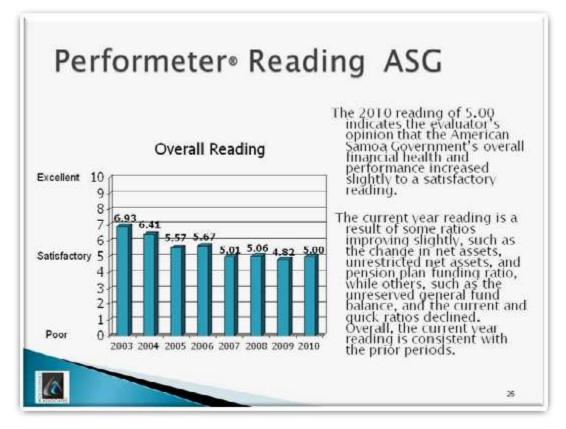


A.F.T.E.R. YAP

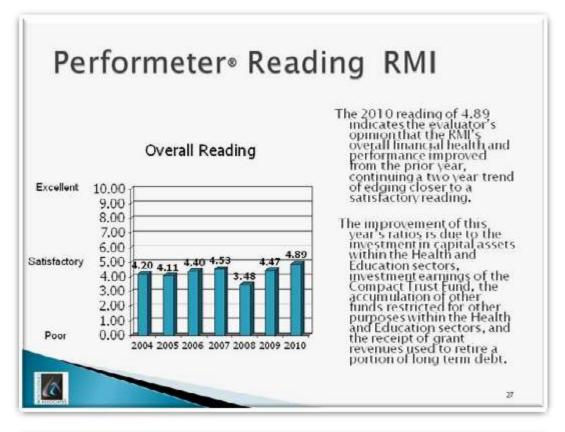
	2004	2005	2006	2007	2008	2009	2010
Number of F.S. Opinion Qualifications/Exceptions	2	2	- 1	2	2	.0	0
Number of Major Federal Program Qualifications/prospoons	*	3	4	4	- 5	4	- 5
Number of F.S. Findings A. Sitemal Controllend Conclience B. Shemal Controllend C. Compliance Only TOTAL	0 7 0 7	4 0 0 4	4 2 6	0 0 1	6 3 0 3	0 4 0 4	0 10 10 10
Percentings of Findings Reported	0%	35%	66.7%	17%	ATTS	NOS.	100%
Number of A-1X1Prindings A. Internal Control and Compliance B. Internal Control Crity C. Compliance Only 10/18.	5 0 0 8	3 0 0 2 3	5 2 0 7	11 0 0 11	11 0 0 11	0 2 5 7	4 0 0
Percentage of A-133 Findings Repeated	20%	33.3%	0%	14%	10%	57%	100%
Number of months after Y/C the F.S. were Released	19	9	9	9	9	0	
Number of Qualificational Cosptiona Rolated to C.U.	1	1	1	1	2	0	۰
\$of Questioned Coals-Cores i Year	\$33,196	\$22,000	\$576,388	\$1,282,244	\$1,062,194	\$376,295	\$150,554
\$ of Quantitized Costs-Casculative	\$378,679	\$292,920	\$869,278	\$2,036,443	\$3,376,246	\$2,494,249	\$1,729,11
\$ of Questioned Costs Resolved - Current Year	\$54,770	\$107,767	50	\$115,079	\$352,009	\$601,936	\$915,067



24



	2001	2005	2006	2007	2008	2009	201
Number of F.S. Opinion Qualifications/Exceptions	12	9	7		7	4	2
Number of Major Federal Program Qualifications/Exceptions	15	13	9	8	8	18	38
Number of F.S. Findings A. Internal Control and Compliance B. Internal Control Only C. Compliance Only TOTAL	6 0 0 6	7 0 0 1	7 0 0 7	7 0 0 7	7 0 0 7	6 0 0 6	6 0 0 8
Percentage of Findings Repeated	100%	100%	100%	100%	100%	100%	1001
Number of 4-15% Findings a. Internal Control and Compilance B. Internal Control Only C. Compilance Only TOTAL	24 0 0 2 25	20 0 2 20	11 0 2 11	15 0 0 15	13 0 9 13	15 0 9 15	6 0 0 0 6
Percentage of A-133 Findings Repeated	Unable to dietermine	Unable to determine	Unable to determine	Unable to determine	100%	Unable to determine	1009
Number of months, after Y/E the F.S. were Released	18	1	12	11	- 1	•	10
Number of Qualifications/Exceptions: Related to C.U.	2	1.	3	3	1	i e	1
\$ of Questioned CostinCurrent Year	\$51,076	\$42,670	\$102,041	\$297,009	\$100	\$0	\$1,70
\$ of Questioned Costs- Cumulative	Unable to determine	Unable to determine	Unable to determine	Unable to determine	Unable to determine	Unable to determine	Unabli
\$ of Questioned Costs Resolived - Current Year	Unabletu determine	Unable to determine	Unable				

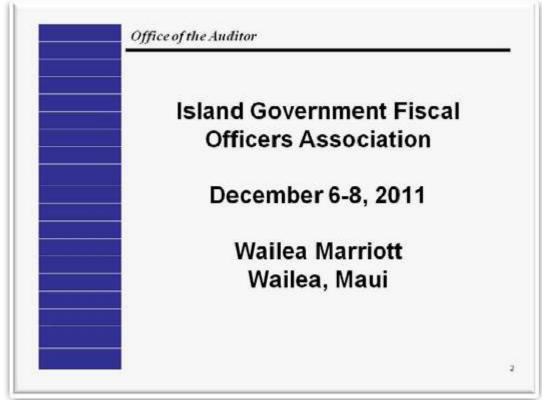


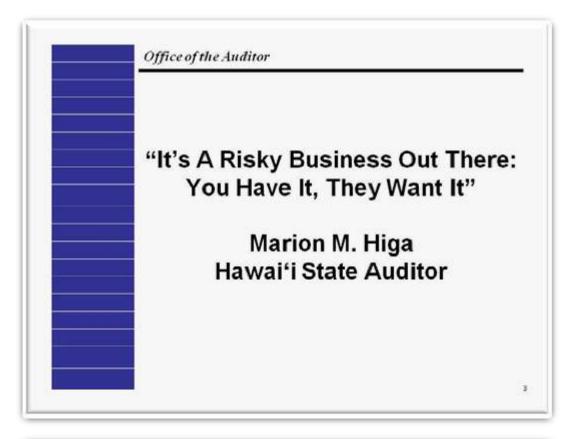
A.F.T.E.R. RMI 2004 2005 2007 2010 Number of F.S. Cornor Qualificators/Executors 10 5 2 0 0 0 0 Number of Major Federal Program Qualifications/Exceptions Number of F.S. Findings A. Britmad Control and Compilers of B. Internal Control Only C. Compliance Only TOTAL Percentage of Findings Repeated 100% 100% 0% 0% 0% 20% Number of A-100 Findings 10 B. Internal Central Only 10 10 11 Percentage of A-122 Findings Repeated 33.3% 20% 20% 294 12.5% 9% 14% Number of months after Y/E the F.S. were Refere of Number of Qualifications/Exceptions Related to C.U. t of Questioned Costs-Current Year \$4,645,493 \$2:151,046 \$408,451 \$710,585 \$645,658 \$1,360,234 \$2,243,303 \$ of Questioned Costs-Cumulative \$15,421,303 \$10,694,193 \$5,735,163 \$1,395,477 \$1,777,362 \$2,716,037 \$4,249,153 § of Questioned Costs Revolved – Current Year \$100,951 \$5,780,115 \$5,326,717 \$5,062,979 \$263,733 \$421,559 \$710,365 28

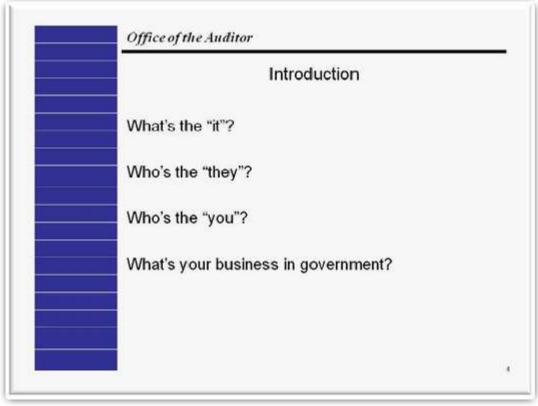


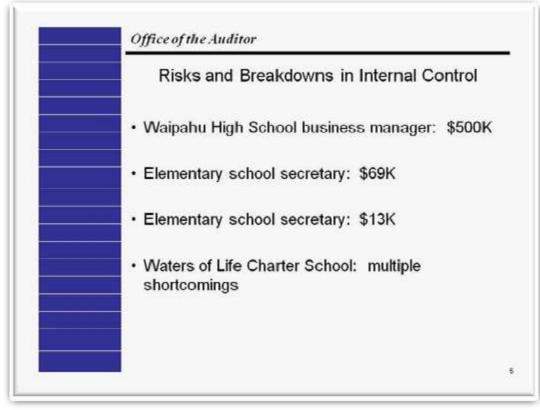
APPENDIX O - HIGA RISKY BUSINESS PRESENTATION



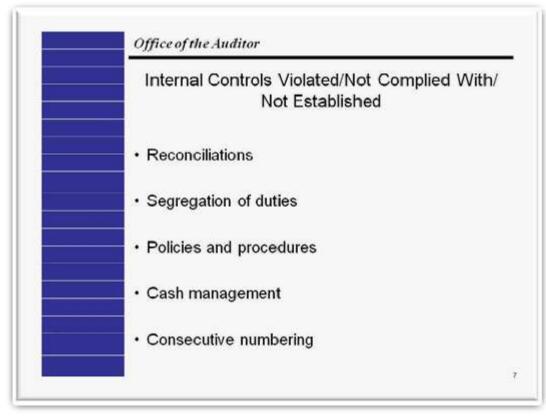




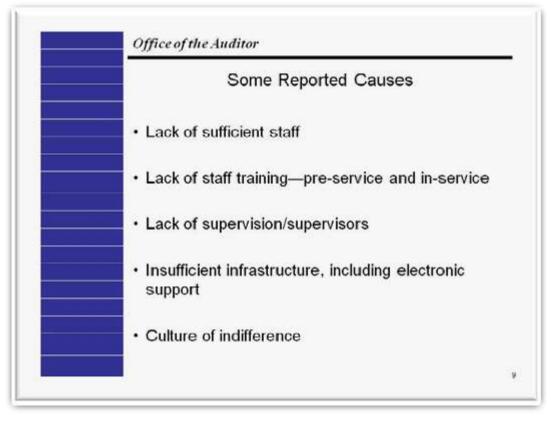




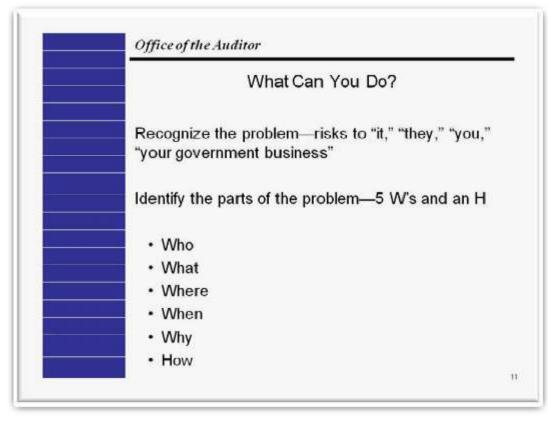




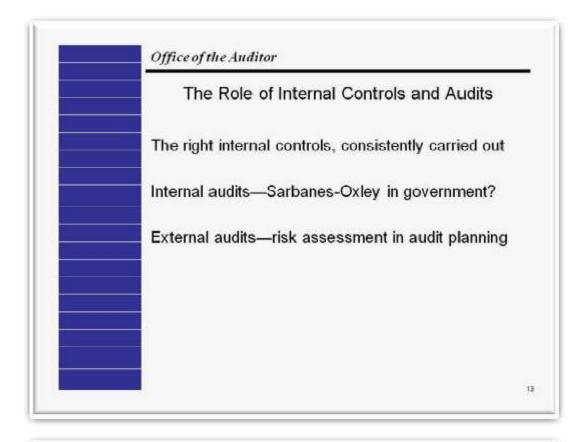




Office of the Auditor Some Reported Causes (con't.) Lack of consequences and accountability Veak tone at the top



What Can You Do? (con't.) Where do you fit in any of these 5 W's and an H? How about the person to your right? The person to your left? The person above you? Below you? The point: Everyone is responsible for "it" and reducing risk



Office of the Auditor

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APPENDIX P - SUMMARY OF SINGLE AUDITS

IGFOA

AUDIT IMPROVEMENT PROJECT PROGRESS REPORT

Maui December 2011

Changes in Audit Issues

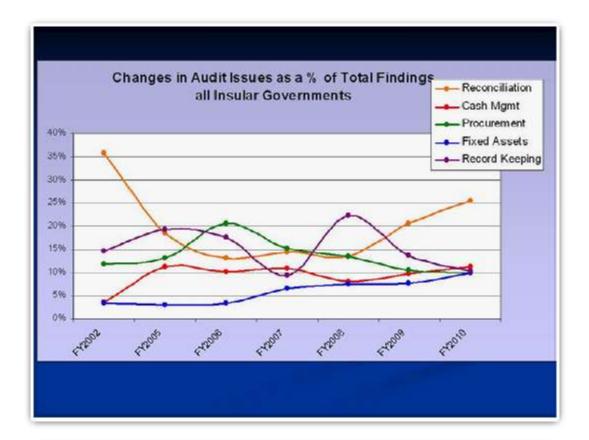
Why is this measure important?

Findings in the categories of reconciliation, cash management, procurement, fixed assets and record keeping most directly measure the operations of the finance office. Although the financial statement qualifications have decreased, the percentages of the findings that affect financial statements have not. This indicates that while the severity of the potential misstatements is less, there are still problems with financial operations. The increase in the percentage of reconciliation issues should be of particular concern.

Target Zero findings in these categories

What will it take to achieve the targets?

The finance officers must continue to concentrate on the fundamental activities of the finance departments and develop plans to address these findings.



Changes in Qualifications

Why is this measure important?

The measure is important for the Department of Interior and the Graduate School to determine if efforts in audit improvement are working. Individual governments are able to benchmark their own efforts against the trend for all the governments.

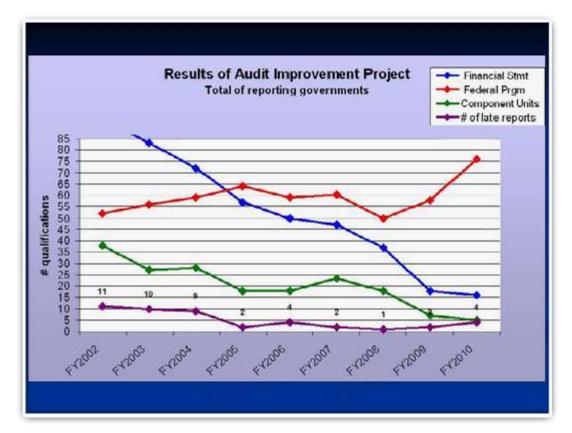
It is particularly noticeable that those areas where the finance offices have direct control, timeliness and financial statement quality, the improvement trend is dramatic. However, the audit improvement project has had little affect on reducing federal program qualifications.

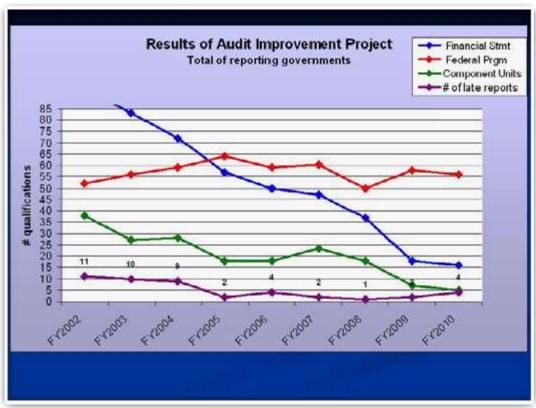
Targets

In all categories, the target is zero. Zero qualifications and zero late reports.

What will it take to achieve the targets?

The government finance officers should increase efforts to ensure that the local grant managers are aware of the problems with federal grants and to assist with the development of plans to address the qualifications. The 4 governments which still have financial statement and component unit qualifications should make cleaning those qualifications a priority.





Condition Found

During our testing of cash management procedures to verify that cash drawdowns were made as close as is administratively feasible in accordance with the CMIA Treasury-State Agreement, we noted that 10 drawdowns tested exceeded the time required by the CMIA between the time payments were released and the transfers were made.

Grant ID	Amount	Турс	Deposit Date	Pymt Date	# days	Excess
IN100941	\$ 15,000	Non-Payroll	10/23/2009	10/1/2009	22	18
IN100941	\$265,976	Payroll	11/24/2009	9/10/2009	75	75

Criteria

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

Condition Found

Federal funds were requested before the release of the related check to the vendor/employee. In eight other instances, the requests for reimbursement took more than 60 days to be prepared subsequent the check release date.

Criteria

In accordance with 31 CFR part 205 and the Cash Management Improvement Act (CMIA) Treasury-State Agreement between the Government of the US Virgin Islands (the Government) and the US Department of Treasury in effect during fiscal year 2009, the Government is required to use an "average clearance" funding technique for vendor and payroll related costs. Under the "average clearance" funding technique, the Government may submit claims for reimbursement such that the funds are deposited, by ACH on the dollar-weighted average day of clearance, in the Government's bank account on the fourth day following the release of funds for vendor disbursements and for payroll related costs.

Amount	Type	Payment	Required	Actual	Excess
\$ 164,419.51	Payroll/Vendor Payments	10/9/2008	10/13/2008	10/9/2008	4
\$ 223,677.64	Vendor Payments	10/6/2008	10/10/2008	10/7/2008	3

Criteria:

Article IV, Section 5(b)(2) of the Fiscal Procedures Agreement (FPA) states that all infrastructure projects and projects that are not funded by Operational Grants will be paid on the basis of accrued expenditures, provided the Government of the Republic of the Marshall Islands maintains procedures to **minimize the time** elapsing between transfer of funds and their disbursement.

Recommendation:

We recommend that the Ministry of Finance establish a **formal methodology** governing the drawdown of Federal funds to minimize the time elapsed between the receipt of Federal funds and the date applicable payments clear the bank.

Check #	Amount	Deposit Date	Check Clrd	Excess
72658	\$141,668	02/12/10	02/19/10	6
72669	\$87,874	01/19/10	03/19/10	58
73386	\$ 91,637	03/19/10	03/26/10	6

Criteria:

The terms stipulated in the Cash Management Improvement Act Agreement (CMIAA) should be followed by the grantee. Additionally, the CMIAA states that the CNMI shall be liable for interest on refunds from the date the refund is credited to the CNMI's account until the date the refund is debited from the CNMI's account for program purposes. The allowable clearance pattern is **seven days**.

APV# Amoun	t Clearance Date	Receipt Date	Excess
825988 \$ 53,823	12/04/09	11/23/09	4
828936 \$ 84,374	02/01/10	01/15/10	10

APPENDIX Q -- PITI TRAINING PLAN



Pacific Islands Training Initiative Virgin Islands Training Initiative

I. PROGRAM OVERVIEW

A. Mission

The mission of the U.S. Department of the Interior's Office of Insular Affairs (DOI/OIA) is to assist the U.S.-affiliated islands in "developing more efficient and effective government by providing financial and technical assistance, and help manage Federal islands relations by promoting appropriate Federal policies". As part of DOI/OIA's Technical Assistance program, the International Institute of the Graduate School USA (GS/USA) provides training and related services through the Island Training Program (ITP) to assist the insular governments to improve the financial management and program performance of the Pacific and Virgin Islands insular governments.

The Virgin Islands Training Initiative (VITI) and the Pacific Islands Training Initiative (PITI) programs were established in 1991 with the GS/USA to assist DOI/OIA in fulfilling their mission by providing training and consultative services to the U.S. Virgin Islands, American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau to assist the insular governments in improving their financial management and program performance. The programs are designed and delivered in a manner that complements and supports insular efforts to implement and maintain sound financial management and program performance practices.

B. Strategic Planning and Implementation

As part of its yearly planning process the GS/USA Program Managers responsible for managing PITI-VITI review accomplishments, develop training plans for the next year, and budget for the planned activities. Periodically PITI-VITI management also revises its strategic plans to focus its efforts and resources on the most critical issues facing the insular governments and DOI/OIA.

In November 2011, PITI-VITI Program Managers, key DOI/OIA Technical Assistance managers and several key PITI-VITI instructors and consultants conducted a thorough review of the PITI-VITI program, its vision and mission statement, and it's strategic goals. To guide them, the review team utilized the Department of Interior's "Strategic Plan for Fiscal years 2011-2016" and DOI/OIA's "Budget Justification and Performance Information for Fiscal Year 2012." Using these documents as the drivers for PITI-VITI activities, the team then reviewed and revised the PITI-VITI's program's

vision statement, mission statement, and strategic goals to better align them with DOI/OIA's goals and measures.

PITI-VITI's vision is to "provide the services that enable insular governments to use resources efficiently and effectively to promote economic growth, achieve fiscal stability, and fulfill citizens' needs."

PITI-VITI's mission is to "provide customized, results-oriented professional and organizational development services that enable insular governments to strengthen financial and program performance and accountability, achieve fiscal stability, and promote economic growth. PITI-VITI works to build trust in insular governments by fostering responsible leadership and financial stewardship of the highest standard."

Based on these vision and mission statements, PITI-VITI works to achieve the following five strategic goals:

- 1. Improve leadership and management capacity to effectively perform;
- 2. Improve financial management systems and practices;
- 3. Increase effectiveness and program results;
- 4. Institutionalize regional professional organizations and communities of practice;
- 5. Improve the capacity and capabilities of the public sector work force in critical positions and functions.

For each of these strategic goals PITI-VITI has developed sets of activities and performance measures. These activities, when completed, will lead to the accomplishment of the strategic goals. The performance measures are the means by which PITI-VITI can assess progress towards the goals and through which PITI-VITI can be held accountable by its stakeholders.

II. MAJOR REGIONAL PROGRAM INITIATIVES

A. Audit Improvement Project

- ◆ Strategic Goal 1: Improve Leadership and Management Capacity to Perform Effectively
- Strategic Goal 2: Improve Financial Management Systems and Practices

Audit resolution has become a cornerstone of the financial management improvement efforts launched more than a decade ago by DOI-OIA and PITI-VITI. PITI-VITI continues to provide technical support to improve the timeliness and effectiveness of the insular areas' single audits, building on prior successes. Between 2003 and 2009, audit qualifications within the insular areas dropped from 159 to 19, with an even lower number of audit qualifications expected with the 2010 single audits. Since 2007, ten of the eleven insular governments have submitted their audited financial statements on time while six governments – the Republic of Palau, Pohnpei State, Kosrae State, Yap State, Guam, and the Republic of the Marshall Islands have received unqualified audit opinions. Although it has yet to be released, the Commonwealth of the Northern Mariana Islands (CNMI) is expected to receive an unqualified opinion for their 2010 Single Audit.

B. Executive Leadership Development Program

- Strategic Goal 1: To improve leadership and management capacity to effectively perform.
- Strategic Goal 5:Improve the capacity and capabilities of the public sector work force in critical positions and functions.

All of the insular governments have a difficult time attracting and retaining qualified individuals to work in core functions of island governments. Many young, educated and promising employees are trained by local governments and are then are offered higher paying jobs by component units or within the private sector. The Executive Leadership Development Program (ELDP) was designed to assist the insular governments with developing and retaining qualified and skilled staff that will become the future leaders of their respective governments. Program participants meet four times over the course of a year to develop skills in leadership, management, government finance, and project management. Twenty-One (21) participants from throughout the insular areas completed the first year of the program in September 2009. An additional twenty-five (25) participants completed the second year of the program in May 2011.

C. Island Government Finance Officers Association (IGFOA)

- Strategic Goal 3:Increase effectiveness and program results
- Strategic Goal 4:Institutionalize regional professional organizations and communities of practice.

Since 2000, PITI-VITI has supported the efforts of the Island Government Finance Officers' Association (IGFOA), a professional organization comprised of the Chief Financial Officers of each

insular government and key financial managers within each government. In addition to arranging for IGFOA members to participate in the annual Government Finance Officers Association (GFOA) Conference, PITI-VITI works with IGFOA to highlight best practices in the insular governments and to serve as a conduit for resource sharing. IGFOA gatherings enable the insular government finance community to discuss common challenges they face and identify successful best practices and strategies to address problems. PITI-VITI also takes advantage of IGFOA meetings to deliver professional development seminars on leadership skills and team building in the finance environment.

Two IGFOA conferences were held during 2011. The first 2011 IGFOA conference was held during the week of May 22 - 27 in San Antonio, Texas in conjunction with the 2011 Government Finance Officers' Association (GFOA) annual conference. The theme for both conferences was "Navigating the New Normal in Government Finance." One component of the 'New Normal' is GASB-54 (Fund Balance and Governmental Fund Type Reporting) and its application in government finance. Another component of the "New Normal" is to ensure that the operations of the government are efficiently utilizing scarce resources. This IGFOA meeting focused on implementing GASB-54 and performance measures in the finance office operations.

The second IGFOA conference was held December 6 - 8, 2011 in Wailea, Maui. The Maui IGFOA Conference concentrated on the implementation of GASB 54 (Fund Balance Reporting); best practices in Finance Office performance improvement and single audit; fraud prevention, risk/vulnerability assessment, and internal controls; and the development of government specific plans to implement GASB 54, enhance performance measures and process improvement, and initiate fraud prevention/risk assessment/internal control practices.

D. Association of Pacific Islands Public Auditors (APIPA)

- Strategic Goal 3:Increase effectiveness and program results
- Strategic Goal 4:Institutionalize regional professional organizations and communities of practice.

The Association of Pacific Islands Public Auditors (APIPA) is an association made up of public auditors from each of the insular areas. APIPA holds annual conferences to discuss issues related to the field of auditing and to provide practitioners an opportunity to attain continuing professional education training opportunities required by the field. Since it's inception in 1991, PITI has provided auditors with the opportunity to attain up to 40 hours of continuing professional education (CPE) credits annually. By providing training during the annual APIPA conference and providing targeted audit training at each insular jurisdiction, PITI-VITI plays a critical role in working with APIPA to strengthen institutional support to the various public audit offices in the region.

PITI-VITI provided five (5) Graduate School USA auditing and financial management specialists who combined to deliver sixteen (16) courses for the 299 participants that attended the 22nd annual APIPA conference held on Majuro, Republic of the Marshall Islands, during the week of July 4 – 8, 2011. A total of 1,433 course certificates were awarded to conference participants. In addition, PITI-VITI also provided forty (40) hours of customized CPE training to each of the public audit offices in the U.S.-affiliated Pacific region and the U.S. Virgin Islands during 2011.

E. Development of Insular Government Performeters and AFTER Analysis

- Strategic Goal 1: To improve leadership and management capacity to effectively perform.
- Strategic Goal 3:Increase effectiveness and program results

The *Performeter* provides an independent assessment of each insular government's financial health and success, based on their audited financial statements. Using various financial ratios, most governments now have nine years of *Performeter* data with which to measure financial trends—both positive and negative. New *Performeters* were developed for all eleven (11) entities in 2011 based on information in each government's 2010 audited financial statements (the USVI is one year behind in their single audit requirements so their most recent *Performeter* was for FY 2009). Many of the insular governments use the *Perfometer* results to explain their financial status to their Legislatures and Governors, ultimately leading to better-informed fiscal decisions. The accompanying AFTER analysis included at the end of each *Performeter* details the government's efforts to develop timely and accurate financial statements.

F. Training and Technical Assistance Support

- Strategic Goal 1:Improve Leadership and Management Capacity to Perform Effectively
- Strategic Goal 2: Improve Financial Management Systems and Practices
- Strategic Goal 3:Increase effectiveness and program results
- Strategic Goal 5:Improve the capacity and capabilities of the public sector work force in critical positions and functions.

Forty-four (44) classroom training courses were delivered in 2011 for 2,055 course participants. These totals include twenty-eight classroom courses that were delivered on site for 622 participants and sixteen courses that were delivered during the 2011 APIPA conference on Majuro for 1,433 course participants. Classroom training courses were delivered in Procurement and Contract Management, Human Resource Management, Supervision and Management, Governmental Accounting, Auditing, Ethics, Leadership, Fraud, Grants Management, Indirect Costs, Management and Internal Controls, and Strategic Planning. In addition, twenty-eight (28) consult-training activities were provided that 525 insular government employees took part in support of various government-specific initiatives.

G. FSM and RMI Compact Support

- Strategic Goal 1:Improve leadership and management capacity to effectively perform
- Strategic Goal 3:Increase effectiveness and program results

PITI-VITI provides technical support to both the FSM and RMI on issues relating to Compact implementation. PITI-VITI assisted both countries with preparation for technical meetings, as well as preparation for annual JEMCO & JEMFAC meetings. A long-term senior advisor was fielded in the FSM through the majority of 2011 to provide on-site technical support to the FSM towards the goal of improving Compact implementation.

For the FSM, Compact-specific activities have included:

- Fiscal Reforms in Chuuk & Kosrae, including a recent Kosrae Leadership Conference in April,
 2011;
- Mediation of Compact Infrastructure issues, including facilitation of a bilateral meeting between the FSM and US in June, 2011;
- Development and maintenance of a Compact Tracking Tool, which tracks Compact expenditures by distribution formula across FSM states;
- Review of the role and effectiveness of the Chuuk Financial Control Commission (CFCC);
- Support to the project-based proposal processes for environment, private sector and capacity building grant sectors, including template development and on-site, state-specific support in advance of US budget consultations;
- Creation of a new Compact sector for "Enhanced Reporting and Accountability," which funds some core reporting functions of government;
- Initial work towards establishing eminent domain as a process through which Compact funding can be used for land purchased in Chuuk.

For the RMI, Compact specific activities have included:

- Support towards a Development Partner Meeting, through which the RMI government presented their reform commitments to the international donor partner community, including the United States;
- Review of the Ministry of Foreign Affairs' Cost of Living Allowance (COLA) policy as part of internal reform initiatives;
- Technical and budgetary support to the RMI in advance of JEMFAC meetings.

H. Statistical and Economic Reporting for the Federated States of Micronesia and the Republic of the Marshall Islands

- Strategic Goal 1:Improve leadership and management capacity to effectively perform
- ♦ Strategic Goal 3:Increase effectiveness and program results

The Graduate School has assisted the FSM and RMI with the maintenance of annual government finance statistics, the development and analysis of key economic indicators (growth, income, employment, outmigration, external debt), and an analysis of fiscal policy. These updates are captured in annual reports that help fulfill Compact mandates and help JEMCO and JEMFAC direct Compact implementation. High-level briefings are arranged for US, FSM and RMI JEMCO and JEMFAC members to provide background analysis prior to annual meetings. Initial work has begun to expand this activity to include Palau in 2012, and to position a long-term regional advisor in Palau to provide regular support to the three governments for eight months of the calendar year.

I. Financial Management Improvement Program (FMIP)

- Strategic Goal 1:Improve leadership and management capacity to effectively perform
- Strategic Goal 2:Improve financial management systems and practices.

Since 1998, PITI-VITI has worked with the insular governments to develop Financial Management Improvement Plans (FMIPs). The planning process has used the same basic formats, and a methodology that focuses on: 1) improving business processes, practices, and procedures; 2) improving innovation and utilization of information technology; and 3) developing and enhancing human resource development. In developing the FMIP plans, interdisciplinary teams are established. These teams include both a core team of government technical experts and PITI-VITI consultants who are responsible for the intensive field work required of the plan for improving innovation and utilization of information technology and a strategic planning team of senior government officials who provides leadership and direction to the core team.

J. Finance and Audit Office Assessments

- Strategic Goal 1:Improve leadership and management capacity to effectively perform
- Strategic Goal 2:Improve financial management systems and practices.
- Strategic Goal 3:Increase effectiveness and program results

PITI-VITI has developed diagnostic tools to measure each insular government's audit and finance offices against a standard, broad set of criteria. PITI-VITI did not conduct any Finance or Audit Office Assessments during 2011.

OTHER PROJECTS MANAGED BY THE GRADUATE SCHOOL USA DURING 2011

Third Party Fiduciary Agent for the Government of Guam's Department of Education

- Strategic Goal 1:Improve leadership and management capacity to effectively perform
- Strategic Goal 2:Improve financial management systems and practices.

The Graduate School USA provided technical assistance to Guam's Department of Education (GDOE) to assist with the development of a contract with the selected provider of third party fiduciary agent services, pursuant to the imposition of special conditions on the receipt of federal funds by the US Department of Education. This work was the natural follow up to assistance provided in the evaluation of responses to GDOE's request for proposals from firms qualified to provide these services. Services provided included assisting GDOE with negotiating a statement of the contractor's tasks, activities, and deliverables to be included in the contract as the basis for GDOE's oversight

and management of the contract. The GS also assisted GDOE with a review its options for the implementation of a new financial management information system.

Micronesian Center for a Sustainable Future

- Strategic Goal 1:Improve leadership and management capacity to effectively perform
- Strategic Goal 3:Increase effectiveness and program results

At the request of the Department of the Interior, the Graduate School USA assisted with the creation of a Micronesia Center for a Sustainable Future (MCSF), designed to support the Micronesia Chief Executives' Summits (MCES). The MCES' vision for the MCSF was twofold: first, to serve as a Secretariat to the MCES, and second, to undertake programmatic activities in support of MCES committee initiatives where appropriate value can be added.

As Secretariat to the MCES, the MCSF's role was to prepare for and facilitate MCES meetings, including agenda items, resolutions, communiqués, and documentation of proceedings. In addition, the MCSF aspired to ensure that committee commitments made through Summit communiqués are followed through between Summits and over time.

Institutionally, the MCSF was intended to provide technical support and assistance to MCES committee initiatives. This includes such things as pursuing and administering grant awards, implementing activities consistent with MCES and committee priorities, recruiting consultant expertise, and providing financial support as available.

Through an inception award from DOI OIA, the Graduate School USA established a group of "Designated Representatives" to each jurisdiction, appointed by the each jurisdiction's chief executive, through which procedures and protocols for all activities and expenditures were coordinated. The Graduate School USA supported two Summits, four meetings of Designated Representatives, and various committee-related activities through the initial year of the inception award. An online archive of Meeting and Outcome Documents, Project Documents, MCSF Inception Award Administration, and MCSF Pre-Inception Award Archived Documents, remains online at http://www.pitiviti.org/mcsf.

Island Business Opportunities Missions

Strategic Goal 1:Improve leadership and management capacity to effectively perform

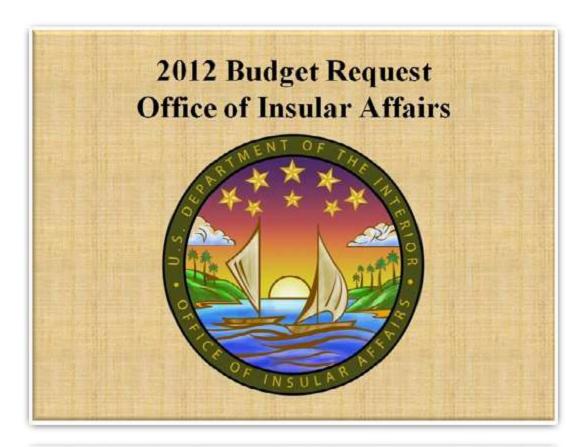
The Graduate School has provided management, logistics and consulting expertise in support of DOI-OIA's Business Opportunities Conferences. These conferences are designed to stimulate private sector led economic development, and further develop linkages between investors from the fifty states, select Asian Nations, Australia, and New Zealand. Specific support services include management and production support to the outreach and registration phases of the conference, and finalization of logistical arrangements with conference partners and DOI-OIA staff.

Office of Insular Affairs Performance Measures Project

Strategic Goal 3:Increase effectiveness and program results

The Government Performance Results Accountability Act (GPRA) requires DOI-OIA to develop measures that both assess the effectiveness of programs and inform management actions, budget requests, and legislative proposals directed at achieving results. In support of this effort, the Graduate School USA has provided support to DOI-OIA's GPRA reporting responsibilities by completing activities intended to align performance measures with DOI-OIA's new strategic goals. Extensive research was conducted on approximately 40 measures to identify potential performance measures that were centrally located and available to DOI-OIA. Data were collected and reported for several measures, along with an assessment of the reliability and validity of those and other measures under consideration.

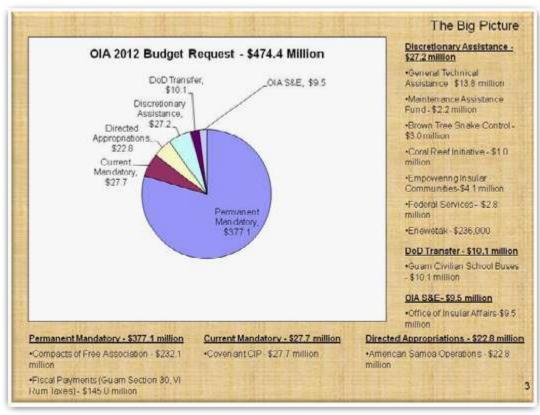
APPENDIX R - OIA BUDGET

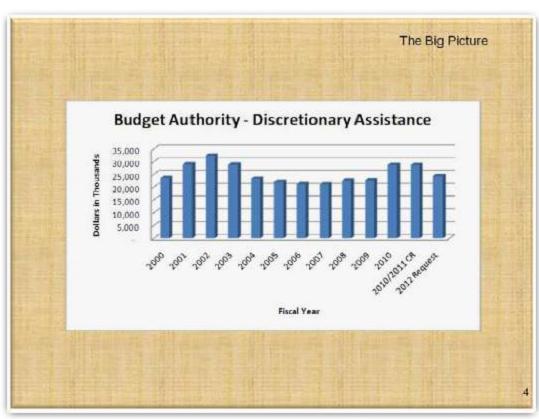


2012 Budget Request Office of Insular Affairs

- · OIA's Budget The Big Picture
- · 2012 Budget Presentation
 - Assistance to Territories
 - Compacts of Free Association (Current)
 - Compacts of Free Association (Permanent)
 - Palau Compact
 - Fiscal Payments
- Wrap Up

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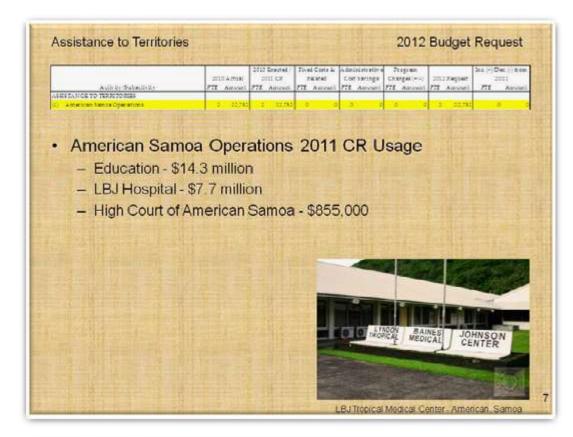


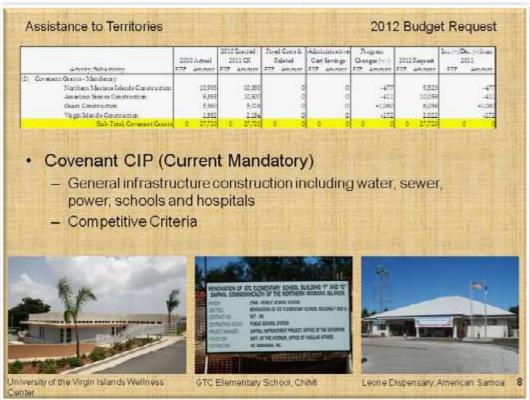


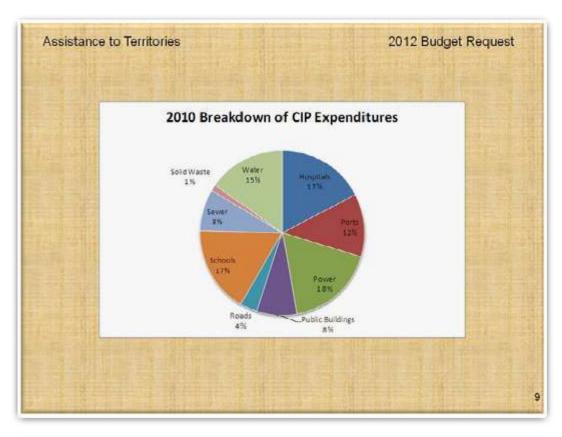
FY	2012 Bud	lget at a	Glance			111
(Office of I	nsular Ai	fairs			
	(Dollars)	n Thousands	1			
		2010	Fixed Costs			
		Eracted /	& Related	Administrative	Program	2012
	2010 Actual	2011 CR	Changes	Cost Savings	Changes	Request
ssistance to Territories						
American Samoa Operations	22,752	22.752	ō		0	22,752
Coverant Grants	27,720	27,720	0		0	27,720
Office of Insular Affairs	9,250	9,260	+129	-132	+203	9,430
2022			[+48]	7-467	0	
2012	1 1		7+817	7-867	0	100
General Technical Assistance	15,302	15,302	0		-1,495	13,504
Maintenance Assistance	2,241	2,241	0	0	0	2,241
Brown Treesnake Control	3,000	3.000	0		0	3.000
Coral Reef Instative	1.000	1.000	0	. 0	0	1.000
Water and Wastewater	1,900	1.900	0	-207	-1,693	0
2011			0	1-2071	0	
Guam Infrastructure	2,000	2.000	0	. 0	-2,000	0
Empowering Iroular Communities	0	0	0	0	+4.120	4.120
ub-total, Assistance to Territories	85,195	85,195	+129	-339	-865	54,117
Transfer from DoD (Guam Busés)*	0	0	0	0	+10,070	10,070
otal. Assistance to Tempones	85,195	85,195	+129	-339	+9,202	94,187

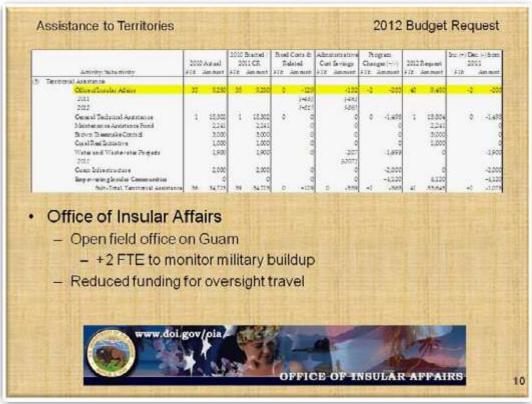
	1 - 19			2012	Budget	Requ
Compact of Free Association - Current						
Federal Services	2.515	2,515	9	0	0	2.5
Palau Program Crant Assistance	2,000	2,000	0	0	2,000	
Erewetak	500	500	9	0	-261	2
Palau Compact Extension**	12,000	12,000	0	0	12,000	
Total. Compact of Free Association - Current	17,318	17,318	0		-14,264	3.0
Total Current Discretionary Mandatory	102,513	102,513	+129	-339	-5,062	97,2
Compact of Fine Association						
Marshall Blands Compact	65,624	65,969		0	+1,122	67,0
Federated States of Microresia Compact	104,760	107,056	0	0	-1,605	105,4
Palau Compact		0	0	0	+29,250	29.2
Compact Impact	30,000	30,000	0	Q	0	30,0
Judicial Training	331	336	0	0	+5	3
Total Compact (Permanent)	200,718	203,361	0	0	+28,772	232,1
Fiscal Payments						
Guan Section 30 Income Taxes	46,357	45,000		0	0	45.0
VIRum Excise Taxes	140,667	100,000	0	0	0	100.0
Total, Fiscal Payments (Permanent)	187,024	145,000	0	0	0	145,0
Grand Total - Office of Insular Affairs	490,255	450,874	+129	-339	+23,710	474.3

[&]quot;Numbers for Palau Compact Extension are shown as mandatory in MAX





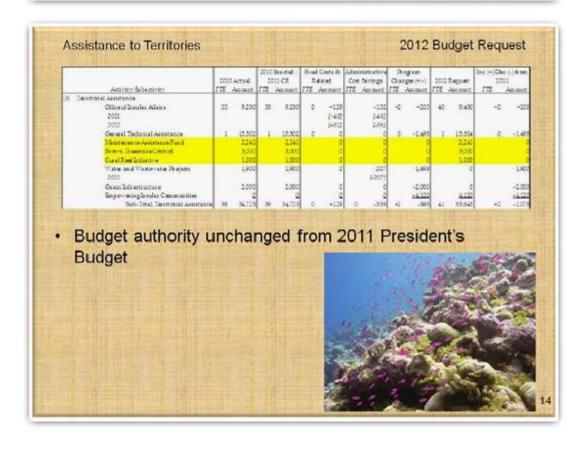


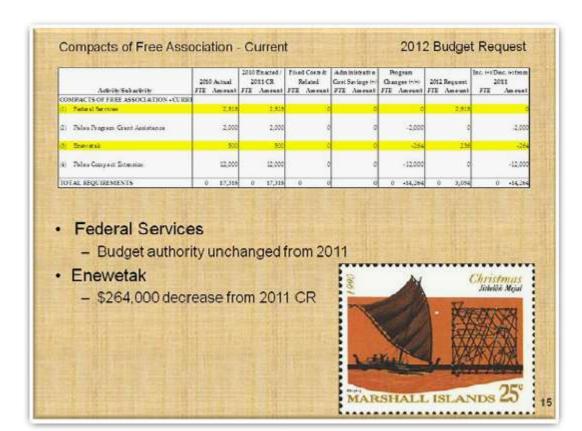


2012 Budget Request Assistance to Territories Propus 2010 Award 2012 Removal 2013 CR Related Cut Serrings 2001 FIR Amount 40 9,480 General Technical Assistance Material and Assistance Front Storra Theenake Control Const Real Solitation 2,000 3,000 5.00 1,00 Ren Proposition of Persons and Assistant Sub-Total, Territorial Assistan General Technical Assistance Financial assistance decreased \$1.5 million - \$1.7 million earmarked for socio-economic impacts of the Guam military relocation (\$1.0 million for administrative process improvements & \$720,000 for ambulances) Water and Wastewater Projects & Guam Infrastructure Programs not funded in 2012

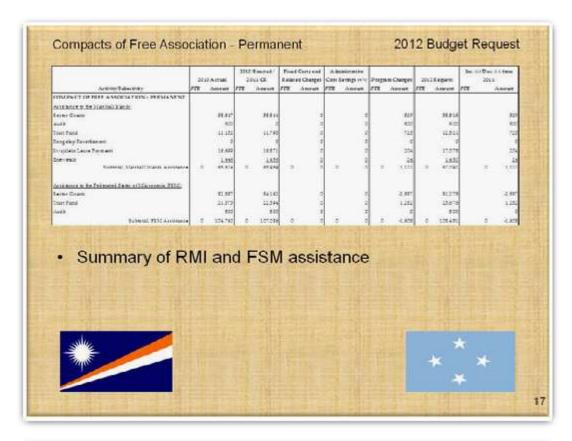
2012 Budget Request Assistance to Territories Technical Assistance Grant Awards 2010/Estimate for 2011 & 2012 2913 Ertirade 1912 Belleville Biret Grade to Burden Acres Paretree Cents Paretree Fears Transac Scorrey \$1,200,000 Stations Harista Kinds (CRR) \$672.61 Own Military Build Op Social Economic Impact. \$1,726,500 U.S. Vings, felonds Primared Nato of Houseman (PHO Superior of the Merical Science (1991) \$1,304,066 THE \$1,700,633 Supplified Name 1004,630 W 190 THIS, BEING GREEN IN BURGET ATTEN \$1,457,818 \$1,554,747 Mar CA Program (Provide Seattle to Multiple Books 2011 Bellevely 7617 Extensity New School Still Officeresponding Microscine, Coperfor Damaball & Report \$1,700,000 \$1,700,000 \$17000pm \$494,270 150 750 Otom, S. Petr Fiduciny Assistance U.S. Province Commerce, IEEE (For USE Sec.) Ches Oh Foundation US Department of Bestin (1988). \$1,000,000 \$1,630,000 \$1,056,000 \$150.00 Paula Soin Dwelgard, Count A Accordance Car Rogan (100) Nor Service Feed Orlogan 30020 \$476.626 DANGE STATE AUTOMINI A National Training \$320,000 \$526,560 \$526,500 130,00 130,000 130200 1956 Substant Office 1956 Sunington Lides and Lev Brisse Press Browns Lides Dec (PELD) \$250,000 \$1,000,000 \$200,000 \$350) University of Rieman Parities Placement Course To \$150,50 TID Other Old Schulerer Total Multiple Jude Schillers Designate 95 849 111 35.145.553 School Line Total, Tudated Artistates \$65,362,666 \$35,362,666 \$13,104,000 Treatortion DoD (Ocean Princip) Total Sedential Assistance 12 \$27,074,000 SECURE OF SECTION AND

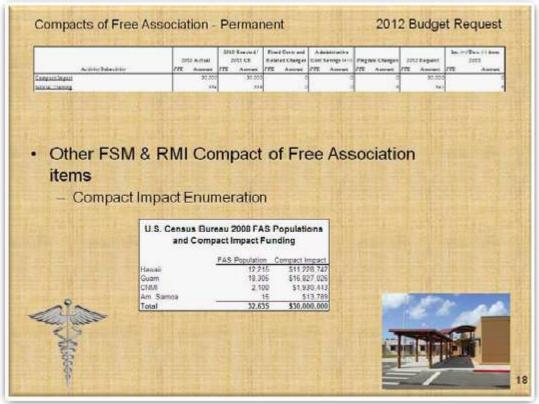
2012 Budget Request Assistance to Territories 2017 Bramel 2011 CR Black Cons Balling Administration Continues Dragram Changes (++) 1010 WOLK Officeutliness where 5,250 9,180 General Technologic Assistance 2,341 Maintenance Assistance Fund 2241 3.240 Store Sheer Ma Control Corel Real Stitletine Water and Waster ster Projects 1.000 1.550 1,000 1,900 MATE 10 MATE 0 *120 · Empowering Insular Communities \$1.2 million to address public safety impacts of military relocation to Guam (fire & rescue capital equipment) - Remaining \$3.0 million for implementation of sustainable energy plans THE PERSON

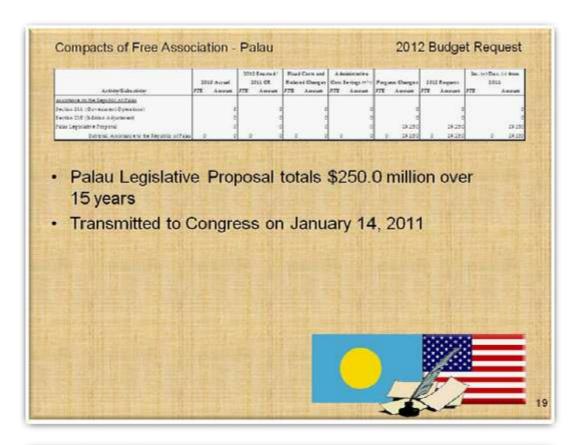


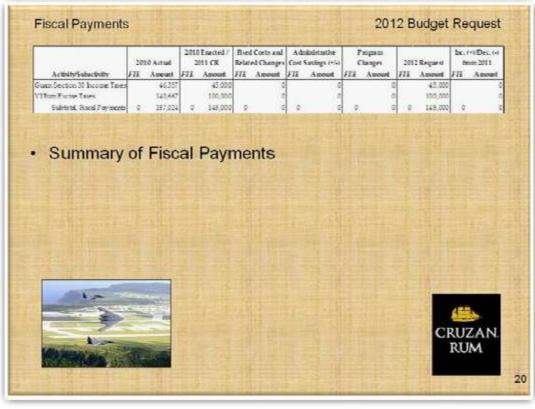


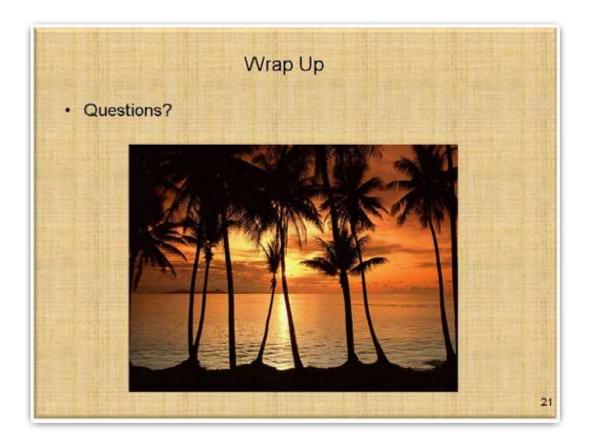
2012 Budget Request Compacts of Free Association - Current Fixed Costs & Administrative Begran 2010 Arms 2011 CB Belated Cost Sarings () 2012 Requies FIE Amount FIE Amount FIE Amount FTE ITE Amount FIE Amount Action Subaction COMPACTS OF FREE ASSOCIATION - CURR Failural Services 230 2,80 TOTAL REQUIREMENTS · Palau Program Grant Assistance - No current appropriations requested Palau Compact Extension - No current appropriations requested 16











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APPENDIX T - CONFERENCE EVALUATION SUMMARY

Pacific Islands Training Initiative Virgin Islands Training Initiative Island Government Finance Officers= Association (IGFOA) Conference December 6 - 8, 2011

EVALUATION SUMMARY (27 Evaluations Returned)

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

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

1) The IGFOA conference sessions were relevant and timely.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
(89%)	(11%)	(0%)	(0%)	(0%)

Score: 4.9

2) The conference=s objectives were substantially met.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
(78%)	(22%)	(0%)	(0%)	(0%)

Score: 4.8

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

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
(66%)	(26%)	(4%)	(4%)	(0%)

Score: 4.6

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

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
(74%)	(26%)	(0%)	(0%)	(0%)

Score: 4.7

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

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
(81%)	(19%)	(0%)	(0%)	(0%)

Score: 4.8

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

Excellent	Very Good	Average	Fair Disappoint	ing
(78%)	(22%)	(0%)	(0%)	(0%)

Score: 4.8

- 7) What sessions of the IGFOA Conference were the most relevant and meaningful to you?
 - Marion Higa's Presentation- It's a risky Business Out There (X5)
 - Other Government's Best Practice discussion
 - Especially the keynote Hawaii Budget Director's presentation (I wish the Q & A session for this particular presentation was longer.)
 - Guest speakers were both very good and their presentations informative and interesting, most especially Kalbert Young. Both were good choices.
 - The presentations and round table discussions were helpful in that it allowed the participants to gain insightful ideas as to how other jurisdictions do things.

- Single audit and other related topics
- Presentations on Performance Measures. We learned from other Government
 Measurement. Also Performeter, it gives us courage on the status on our financial statement and compliance.
- Panel Discussions: Best Practices; Process Improvement; Finance Performance Measures
- The guest speakers were great and provided insight into the same challenges we face.

 Appreciated the presence and information given from DOI/OIA representatives. Would have been nice if we had more time with them.
- The presentation on Managing a Finance Office in Lean Times; GASB 54 Reporting Requirements; Performeter
- DOI-OIA Budget Update (Tom B.); Keynote address; Government Accounting Standards
 Update; GASB 54; Performeter(**); Single Audit Results
- Performeter, panel discussions, performance measures
- Keynote Address and Performeter Presentation
- Performance
- Performeter this session is an eye opener to our performance in relation of our weaknesses and how we fair to others.
- All of them cause I learned a lot from it
- Performance Measures and Action Plans
- Performance Measures (X4)
- Finance Office Performance Measures
- Improvement processes
- Performeter (X2)
- Performance Measurement Plan
- Audit Improvement
- GASB 54 (X4)
- All of them
- All (X2)
- 8) What are the two most important items that you learned during the week, and how will you apply each when you return home?
 - Audit Committee and Communication on all matters. I will create an audit committee to
 assist in audit matters. It will consist of representative from executive, legislate, judiciary and
 all the departments will communicate issues that concerns everybody regarding audit.
 - Performance Measure Identify, train, and implement at appropriate level
 - Am especially looking forward to the standardized performance measures and action plans. Will re-activate efforts in those areas.
 - Travel Advances (Process through payroll and advance a certain percentage)

- Performance Management must be done throughout the year
- Continuous training of staff
- Transparency and Communications
- Finance Performance Measures
- Fraud Risk Assessment
- GASB 54 (X6)
- The importance of leadership and communications
- The importance of planning and organizing goals and objectives to meet performance measures
- GASB 54 Identify FS and proper schedule
- How each insular island leaders adjusted to the new working areas and staffs surroundings.
- Communication is essential
- The importance of being timely and reliable on the audits
- Performance measures that we established to measure our PR and TA timeline
- Audit Improvement Process
- Performance Measure (X3)
- Single Audit revive the single audit committee and meet bi-weekly
- Performance Measures each department of my office will be given at least one (1) as a way of determining how they are doing
- Communication
- Performance Measures Will analyze entire area have each come up with PM's
- How to do initial work on GASB 54 preparation. Will begin needed tasks as soon as we get home.
- Questions Cost and Audit Finding
- Communication!!!
- Marion Higa's Presentation
- Documentation and evaluation
- Process Management
- Performance Measures: Fixed assets and Procurement. Use PM schedule as a tool to track performance.
- GASB 54: Continue to work with staff to update template with additional fields established by Virgin Islands.
- Managing Finance Office In Lean Times and will use it effectively to manage state resources and avoid going into deficit.
- GASB 54 Still need to work on it and meet all the requirements
- Evaluation following a implementation Quantified.
- Performeter
- Audit reports' impact to entire region rating; We need to be more serious with our audit resolution committee responsibilities.

- 9) What sessions or aspects during the week were the least relevant and meaningful to you?
 - The whole sessions were very helpful
 - OIA Budget Updates
 - Marion Higa's Presentation (X2)
 - Risk Assessment
 - Reporting of each island's Performeter.
 - Public Auditor discussions
 - Quite frankly GASB 54 was rather hard to follow. (It was my first time to be exposed to it)
 - They were all meaningful
 - Everything was meaningful
 - None everything is relevant and meaningful
 - All were relevant and meaningful
 - None (X11)
- 10) Please list any measurable achievement your government has made as a result of being represented at IGFOA conferences.
 - Improvement in audit process
 - 90% complete with GASB 54
 - Audit action plans Reduction of citations
 - Unqualified Opinion Audit
 - Clean opinion on audit
 - RMI Fiscal Officer Association
 - Apply performance tools to measure progress
 - To achieve the unqualified opinion
 - Implementing changes in the system to improve processes
 - Ready for GASB 54 deadlines
 - Clean audit opinion
 - Meeting audits timely
 - Unqualified Audit Status
 - Unqualified Audit Opinions
 - Travel advance improved
 - Audit; Finance Process
 - Audit Improvements; Process Improvements
 - Travel advance and employee training. Though they are not properly planned but we can still continue improving as we follow our action plan.
 - Improvements in audits, more informed about DOI/OIA processes, more aware of insular government's status. Ability to choose and prioritize resources.
 - Audit Improvement; Performance Measurement; Better Communication

- The government has benefitted from the performance measures; this forces the government to forge forward on their audits and the importance of being timely.
- Single Audit Improvement such as Prevention of Questioned Costs and Resolution of Audit Findings.
- The Finance Officer is able to explain and put pictures and conviction to confusion and blame where departments are concerned.
- Confidence level of audits and timeliness of audit, response, internal resolutions.
- Procurement: Monitoring number of process days and it's role in overall audit.
- Resolution of question costs; Maintaining Healthy Resources; Reorganization/ Restructuring
 Office Tasks
- 11) Please provide any other comments concerning the IGFOA Conference that will make future conferences and meetings more meaningful and enjoyable.
 - Communicate/Inform GFOA members via Neutral Medium (Internet, Sharepoint, etc).
 Convince agency heads to allow for an additional point of contact
 - Specific actions to resolve a material issue. What worked to remove the qualification/finding.
 - In the future it might be wise to also include the Administrator of Property and Procurement
 - More interaction between Governments on common problematic issues
 - More time spent on preparing action plans/finance performance measures
 - Continue to have speakers that are dynamic and also include training/speakers relating to stabilizing the finances of the governments.
 - Great conference/meeting always. So far so good. Congratulations!
 - Please expand on conference topics. For example: internal controls are important but how do we actually put them in place and prevent fraud.
 - Well, Graduate School has done a great job.
 - You are doing find. Conference and all are being lay out excellent.
 - Again Thanks for a good, well organized conference, again.
 - Please do not rush through if need be sessions can be from 8:30 am 6:30 pm
 - Breakout session on specific
 - Continue to do what is being done.
 - Have more discussions sessions vs. lectures
 - WIFI Access
 - None (X2)