



# IGFOA

## ISLAND GOVERNMENT FINANCE OFFICERS' ASSOCIATION



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## 2006 CONFERENCE REPORT

(May 7-11, 2006)



AMERICAN SAMOA



CNMI



FSM



GUAM



RMI



PALAU



VIRGIN ISLANDS



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

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## **I. Executive Summary**

The Island Government Finance Officers' Association (IGFOA) was established in 1999 to promote improved financial management in the insular governments. IGFOA has met twice a year since 2000 to discuss public sector accounting and financial management requirements and to discuss best practices for implementing those requirements in the insular areas. Through funding provided by the U.S. Department of Interior's Office of Insular Affairs (DOI/OIA), the IGFOA spring conference is generally held immediately following the annual Government Finance Officers' Association (GFOA) conference.

IGFOA held its 2006 spring conference in Montreal, Canada from May 10 – 11, 2006. Representatives of the finance offices from all the insular governments except the Marshall Islands participated in the conference and work sessions. Due to a meeting of the Asian Development Bank held in India the same week as the Montreal IGFOA conference, RMI officials and other key financial managers from several of the freely associated governments were unable to attend the Montreal meeting.

IGFOA's spring 2006 conference had three major goals. The first goal was to report and document the progress the insular governments have made in improving audit results. The second conference goal was to identify what additional steps insular government finance offices can take to further improve audit results and financial operations. The third conference goal was to introduce to the insular government finance officers several key public sector tools and competencies for better managing their resources.

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

Following the discussion on financial statement preparation and single audits, participants took part in a full day session entitled "The 21<sup>st</sup> Century Public Leader: Tools and Competencies" led by Dr. Evan Berman of the Public Administration Institute at Louisiana State University. Dr. Berman engaged participants in a discussion of several current public management topics including Leadership Competencies, Trends in Public Sector Performance and Productivity, Strategies for Managing Change, and Motivation and Leadership. Following Dr. Berman's presentation the finance officers broke into small groups to develop an action plan for incorporating the various strategies into their management practices upon their return home.

During the conference Marina Tinitali, Accountability and Insular Policy Specialist and Edgar Johnson, Director of Technical Assistance for DOI/OIA, briefed the conference participants about the criteria OIA will be using to assess the accountability of insular areas and how ratings on the criteria will be used to increase or decrease funding to the governments.

The IGFOA Executive Board did not meet in Montreal as the quorum required to vote on new officers and other issues was not in attendance. It was determined that the next IGFOA Executive Board meeting would be held at the December 2006 IGFOA meeting in Hawaii.

## **II. Background**

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

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

For the past few years IGFOA has focused on accountability in expending government funds and in resolving audit qualifications, findings, and questioned costs. The association has sponsored the Audit Improvement Project and the development and use of the Performer®. The 2006 spring conference was designed to continue these projects and to identify the next set of activities needed to further improve financial management in the insular governments. (See Appendix A for the complete conference agenda).

## **III. Conference Objectives**

The IGFOA spring 2006 conference had three broad, overarching goals — (1) to report and document the progress the insular governments have made in improving audit results; (2) to identify what additional steps insular government finance offices can take to further improve audit results and financial operations; and (3) to introduce key public sector tools and competencies for better managing their resources. To achieve these goals the conference established four specific objectives. The objectives of the meeting were to:

1. Share progress on actions taken, lessons learned, and outcomes achieved through the audit improvement project in an effort to advance and 'institutionalize' the insular government plans, policies, procedures, and strategies for successful implementation of the audit improvement project;
2. Identify (i) strategies to further improve the performance of finance offices, (ii) measures and indicators to monitor improvement, and (iii) areas of training and technical assistance needed to support governments' improvement efforts;

3. Examine best practices for cost cutting measures within each of the insular governments; and
4. Introduce to the insular government finance officers several key public sector tools and competencies for better managing their resources.

## **IV. Opening Remarks**

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

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

## **V. Audit Improvement Project: History**

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

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

A second reason is that poor compliance with the Single Audit Act by the insular governments was identified as a management issue by the firm conducting the audit of Interior's financial statements in accordance with the requirements of the Federal Chief Financial Officer's Act. The management finding could become a reportable condition and lead to a qualification of the Department of the Interior's Office of the Secretary's financial statement, of which OIA is a major component unit. This is a situation that

would not be acceptable to OIA or the Secretary of Interior and would not be in the best interests of the island governments.

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

To fulfill these performance goals, DOI/OIA turned to the Pacific and Virgin Islands Training Initiatives for assistance. PITI/VITI worked with each government to develop country specific plans to monitor and resolve audit findings. These plans were further augmented by the development of written procedures prepared by each government that documented the timelines for initial audit finding responses (corrective action plans), the person(s) responsible for monitoring unresolved audit findings and the person(s) responsible for preparing and submitting the report of unresolved findings to the Federal Audit Clearing House

Since introducing the Audit Improvement Project in December 2003 to members of the Insular Government Finance Officers' Association (IGFOA), the insular governments have shown remarkable improvement in both the timeliness and quality of their audits. These improvements have come at a time when issuing financial statements was made even more difficult with the implementation of GASB 34 which requires governments to determine the value of their capital assets and infrastructure and to prepare new government wide financial statements. Prior to the beginning of this initiative, none of the insular governments were up to date with releasing their audited financial statements. In fact, one of the insular governments was five years behind in its financial reporting requirements. Now, 2 ½ years later, nine governments, (Guam, American Samoa, the CNMI, Pohnpei State, Yap State, Chuuk State, Kosrae State, the Republic of the Marshall Islands, and the Republic of Palau met the deadline for the FY2005 Single Audit, June 30, 2006. The U.S. Virgin Islands and the FSM National Government are expected to be compliant by August 30, 2006.

The most recent IGFOA meeting, as reported in this conference report, continued to focus on resolving the underlying causes that give rise to audit findings and to institutionalize the practices that have led to timely audits and reduced findings.

As of May 2006 the following represents the status of each insular government's single audits:

U.S. Virgin Islands	FY 2003	Completed
	FY 2004	Projected to be completed by June 30, 2006
	FY 2005	Projected to be completed by June 30, 2006

Guam	FY 2003	Completed
	FY 2004	Completed
	FY 2005	Projected to be completed by June 30, 2006
American Samoa	FY 2003	Completed
	FY 2004	Completed
	FY 2005	Projected to be completed by June 30, 2006
CNMI	FY 2003	Completed
	FY 2004	Completed
	FY 2005	Projected to be completed by June 30, 2006
FSM National	FY 2003	Projected to be completed by June 30, 2006
	FY 2004	Projected to be completed by June 30, 2006
	FY 2005	Projected to be completed by June 30, 2006
Chuuk	FY 2003	Projected to be completed by June 30, 2006
	FY 2004	Projected to be completed by June 30, 2006
	FY 2005	Projected to be completed by June 30, 2006
Kosrae	FY 2003	Completed
	FY 2004	Projected to be completed by June 30, 2006
	FY 2005	Projected to be completed by June 30, 2006
Pohnpei	FY 2003	Completed
	FY 2004	Completed
	FY 2005	Projected to be completed by June 30, 2006
Yap	FY 2003	Completed
	FY 2004	Completed
	FY 2005	Projected to be completed by June 30, 2006
RMI	FY 2003	Completed
	FY 2004	Completed
	FY 2005	Projected to be completed by June 30, 2006
Palau	FY 2003	Completed
	FY 2004	Completed
	FY 2005	Projected to be completed by June 30, 2006

IFGOA and the Graduate School, USDA continue to monitor the measures built into the audit resolution plans and are working with the insular governments to address the primary problems causing audit findings which have been identified in this project. The basic "counts" of audit qualifications and number of audit findings have been added to the Performer and will be tracked over time along with the financial ratios for each government.

## **VI. Audit Improvement Project: Moving Forward**

A brief session was held in Montreal on the status of the Audit Improvement Project. Most noteworthy was the fact that a majority of the island governments had already completed or realistically expected to complete their FY05 audits by June 30, 2006, the legislated deadline. It was also noted that the RMI representatives to the IGFOA meeting cancelled their off-island trip in order to meet with their auditor.

Debbie Milks, PITI/VITI's Project Manager for the Audit Improvement Project, introduced the session by explaining how the Audit Improvement Project continues to evolve. The initial focus was on building processes to track audit findings and audit finding resolution plans as well as building relationships within the government and with the external auditors to support the timely completion of the audit. The mid-range focus looked at resolving long standing audit qualifications and findings. Now, as specific issues are resolved, the focus has been to look at institutionalizing the process so improvement will continue after a change in government administration or turnover of key financial personnel. The definition of "improvement" has also broadened to include finance office efficiency and effectiveness beyond problems specifically highlighted by an annual audit.

Ms. Milks quoted from one of the GFOA sessions "We don't have time to do it right, but we have to make time to do it over" and urged the finance officers not to slip into complacency after making great progress on improving their audits.

Following Ms. Milks' overview, each of the insular government finance office representatives delivered a presentation on their government's single audit status highlighting answers to the following questions:

- How do you work with your staff to develop and implement your audit improvement plan?
- Based upon your last audit or current draft audit, what are the top 2 audit finding categories which result in questioned costs?
- What is the dollar affect on your financial statements from the lack of component unit reporting and other opinion qualifications?
- What is the current status of your audit?

*(A copy of the insular government single audit progress reports and their audit problem resolution plans may be found in Appendix B and Appendix C respectively.)*



## VII. Panel Discussion: Best Practices for Government Cost-Cutting Strategies

A pre-IGFOA Conference needs assessment was completed by all expected conference attendees several months prior to the IGFOA Spring 2006 Conference in Montreal. Feedback obtained during the needs assessment consistently noted an interest among the insular government finance officers to discuss best practices for innovative government cost cutting strategies. Four IGFOA members were chosen to sit on a panel to comment on steps their government had undertaken to cut costs. The selected panelists included:

Tiser Reynold, Kosrae State, Budget Officer  
Lou Perez, Guam, Director of Administration  
Ira Mills, U.S. Virgin Islands, Director of the Office of Management and Budget  
Robert Schrack, CNMI, Special Assistant to the Secretary of Finance

The panel members were asked to consider the following questions for the discussion on cost cutting measures:

- What cause required you to have to implement cost savings?
- How did your government approach the problem?
- What kind of analysis did your government do when determining which ideas to use?
- What ideas did you consider that were rejected and why?
- What ideas did you implement?
- How did you prepare the work force, vendors, public for the changes?
- What was the effect of the implementation?
- How much cost savings were realized?

*Q: What ideas worked in your government?*

**Tiser Reynold, Kosrae State:**

Use and structure of annual leave For 35-40 years the annual leave policy had not changed and it was costing the government about \$700,000/year. Kosrae State restructured the policy to no longer allow any carryover leave. Initially, Kosrae received the expected complaints from employees but after 3 years, employees are used to the policy.

*Q: What cause required you to implement cost savings?*

**Lou Perez, Guam:**

Administration change and typhoon damage Large amounts of overtime after the typhoon led to large government deficits and we needed to implement cost-saving

measures, including in personnel. Tourism and business activity had stopped and we took drastic measures.

32 hour work week There was a lot of resentment and too many exceptions (police, fire, teachers, component units staff). Since only 20% of the workforce was participating, the reduction only lasted 6 months.

Increase in tax rate The governor put a task force together with members of the business community to get an increase the Gross Revenue tax from 4% to 6%. The increase lasted for 24 months.

Annual leave policy The annual leave carryover was capped at 320 hours. The shared leave policy was also changed since employees had been accruing leave and abusing the system through the leave-sharing policy. Some employees would go on leave for up to two years. It's now capped at six months.

Retirement Program Our original retirement program is probably one of the most generous anywhere. We now have a different program for new employees.

The governor's fiscal plan now has planned expenditure projections, so that we can start putting aside a rainy-day fund or catastrophic fund.

### **Ira Mills, U.S Virgin Islands:**

The Virgin Islands had a change in administration and we recognized that the expenditures were growing much faster than revenues.

Cut in management salaries We cut management salaries for 1 year with no retroactive payments. Even if the manager was making less than an employee, their salary was cut.

Economic Plan Following the completion of a five-year economic plan with revenue generating measures, we took a lot of the items in that plan and used it to create a \$60 million cut in the budget in one year. It was a bitter pill, but through that things have started to get better. We also recommended a 6% across-the-board salary cut that wasn't accepted by the governor. Initially though it sent the message that things were going to change and we weren't going to continue with the same habits. The Commissioners were asked to manage a 50% cut in real dollars, and to sustain that level of funding.

DOI support We had some encouragement from DOI in that we established a Memorandum of Understanding (MOU) in which the federal government offered incentives for cutbacks. Some of that didn't work out but it was helpful. Those efforts sent strong signals that things are not going to be the same. It takes time to build confidence in governments, and once the story is consistent and we hold the line we're able to get a lot of things through.

Total Salary Cuts We also committed to a 5% reduction in salary costs by cutting vacant positions and not hiring temporaries. As a result we were able to force the payroll cost down.

Interim Financing We also instituted an early retirement initiative and in the midst of that initiative realized that we still weren't going to have enough money so we obtained interim financing. We obtained a short-term loan to pay that out which we paid back over time. When we committed to the bond for the interim gap spending, we also committed to our vendors and employees that we'll pay on time, which was a signal that we're starting to do things differently.

Retirement System We implemented a shift in the percentage between employer/employee into the retirement system (50/50 to 65/35), which was a long fight with the Legislature, but eventually went through. You must have a strong conviction about what you're doing and the rightness of what you're doing because you're going to leave the community in a much better position toward everyone's health and safety.

Tax Policies We also started paying out our tax refunds which helped people realize that eventually they'll be the beneficiaries of government savings. To increase the cash flow we automatically deduct the gross receipt tax from any payments to government vendors.

### **Bob Schrack, CNMI:**

The CNMI's problem is declining revenue: tourism has declined 60% and garment manufacturing has declined 40%. The garment industry will be virtually gone by 2009 because of changing WTO rules. As a result we've been in a cost-cutting mode for a number of years.

Cost Control Committee We cut these expenses significantly, and including the formation of a cost-control committee through which all expenditure contracts and requisitions go through. This includes travel which has been a big outcry lately.

Personnel Personnel is still 75% of the government's cost and still the biggest problem. We have a new administration that has come in and is watching the payroll costs every week, and we're reducing the payroll week by week wherever possible. Layoffs are going to be the next option if they can't agree on the some way to reduce salaries.

Setting expectations Internal controls have to start at the top and there has to be a consistent message; once they start to make exceptions it all falls apart.

Other costs A couple things that were done early on were the cutting of telephone and communications costs (our office currently has four phone lines). One of the things that might be a little unique to Saipan is our history as Headquarters for the Trust Territory of the Pacific Islands (TTPI), and so the houses that were used then are now housing government agencies.

### **Additional Comments:**

**Lou Perez, Guam:** This year in the governor's budget submission we're not allowing any agency to use its lapses in the following fiscal year, which makes a big statement from his office. Now when the fiscal year ends it ends, and we start over again.

**American Samoa Representative:** We issue monthly fuel coupons to the departments. When they run out for the month, there are no additional funds for fuel. Also, we ensure that Federal travel authorizations are approved by the grantor.

**Ira Mills, U.S. Virgin Islands:** One of the things we talked about is having an energy policy for all public buildings so that any public building going up has an energy efficiency policy. This sets up the new buildings for future cost savings. A lot of it can be done through solar energy, which has a high initial cost but is cost-efficient over the long haul. However a drawback is that the equipment built for solar power aren't built to withstand the salt-air of the tropics, but we hope that this will get better over time.

**Bernice Turnbull, U.S. Virgin Islands:** Some good ideas have been brought up in relation to the use of leave, but I agree that it seems to be abused. If we could have a paper to share throughout our government it might help us with this. We have been generous throughout our governments about our leave, but it's something that we need to look at because it's an unfunded mandate and those of us who work on audits have to deal with it. We have been very generous in the past, but we don't need to be as generous now, and we can't afford it.

**Ira Mills, U.S. Virgin Islands:** One of the things we're looking at is situations in which you have available, unexpended funds. If you have money that year then the money would be identified at the end of the year. If you can't fund all of your expenditures then it's not regarded as available until expended. One of the things we're looking at is to have the "available until expended" authority to expire within five years—otherwise additional rejustification needs to be passed. Those two particular situations will then restrict a lot of what continues to be available until expended.

**Bernice Turnbull, U.S. Virgin Islands:** People in upper management including Ira and myself took a pay cut, as did all employees making above \$40K. We continued to work the same hours and it lasted for one year.

**Bob Schrack, CNMI:** We looked at having that sort of cut but the problem is that you always have a group of people that get screwed—those right on the threshold of the cut get hit hardest (if the cut is at \$20K the person making \$20K gets hurt the most).

**Bernice Turnbull, U.S. Virgin Islands:** We faced that as well but you just have to do it.

**Bob Schrack, CNMI:** It also helps that it's just temporary.

**Jack Maykoski, Graduate School, USDA:** We should also be looking at government services, and which services we need to keep, and which we jettison—which is a much bigger process and challenge. Across-the-board cuts are useful, but may not be addressing the problem.

**Ira Mills, U.S. Virgin Islands:** The problem is that cutting a particular program could devastate elements of certain communities (farmers, fishermen, immigrants, etc.) It's really difficult to just cut a program out. Thus the across-the-board cut is easier to manage.

**Bernice Turnbull, U.S. Virgin Islands:** You're talking about basic social services, but I think we should look at which services we can live without.

**Marina Tinitali, DOI/OIA:** And when you close the offices, you should be sure that those people aren't just absorbed into the government in other places. The private sector needs to absorb those people.

**Ira Mills, U.S. Virgin Islands:** To what extent do we then pump money into communities to try to generate economic activity to develop the private sector?

## VIII. DOI/OIA Funding Criteria

At the conclusion of the first day of the IGFOA Conference, Marina Tinitali, Accountability and Insular Policy Specialist, and Edgar Johnson, Director of Technical Assistance for DOI/OIA briefed the conference participants on the criteria DOI/OIA will be using to assess the accountability of insular areas and how ratings on the funding criteria will be used to increase or decrease funding to the insular governments.

Following is an overview of their comments:

**Edgar Johnson:** Typically Technical Assistance (TA) funds are used to fix a specific problem, for which the competition is extremely tough. We're generally anticipating about \$8M in annual TA money, but there are mandates that come about that chip away at that money. The other problem we've been running into is that we anticipate the money we fund is expended within a year. So we're now looking at funding criteria and rating factors for TA awards which will be coming into effect very soon.

**Marina Tinitali:** When looking at funding, I need to justify my need for travel. Nik Pula (DOI/OIA Director) wants to make sure that I'm accomplishing things on travel that I can't accomplish by way of phone calls or email. Thanks to everyone for their quick responses to my phone calls and emails.

We have a few audits ongoing at Interior including our own single audit. OIA only had one finding and that was that we didn't have a formal process for approving extensions. OIA sent out letters for the audits received in FYs 04 and 05 to everyone except Guam and the USVI as we are not cognizant agency for the two locations. For all other audits, OIA agreed to do specific letters. The completion date is the date shown in the Federal Audit Clearing House.

To develop the formal process for time extensions, OIA is looking at things like requesting to add OIA to your distribution list for the financial reports to your legislature, notifying OIA when you close books, when you receive the audit report draft, your expected turn-around time, etc. We want to set up a process that's not too cumbersome so I'll be working to set up procedures with each government. After the process is finalized, OIA will send a letter out to the Governor, copying the heads of finance and budget and anyone else that is recommended.

There are so many demands on the TA money and the auditors are watching us closely. In order to help justify the use of funding, the TA program is implementing a rating system centered around compliance with Federal grant reporting requirements. Your office should be aware of what the TA projects are active since you do the drawdown for the general government. A formal notification letter of the TA rating process will be sent out this month. We'll be giving a response time, probably around forty five or sixty day timelines to get the Narrative Status Reports and the Financial Status Reports in, and the rating system will be based upon compliance with stated criteria.

For each criteria, a rating from 1 – 4 will be assessed. An overall TA Rate will be determined. This process will be updated quarterly. The TA Rate will have an impact on your government's ability to receive TA funds.

We want to make sure that you're in compliance with the requirements of our office. If the TA Rate is 2.4 or below, we need to deal with the weaknesses and give you the next quarter to improve, or you may lose the ability to access TA monies.

This information will be detailed by way of a letter to governors and other relevant parties. The ratings won't begin until after you've received the letter and been given the chance to respond.

Following are a listing of the criteria for the Technical Assistance Rating Program that is currently under discussion at DOI-OIA. Please note that this is not a final listing of the funding criteria.

Project Specific – ongoing tracking for all open TA projects.

1. Objectives achieved
2. Objectives achieved within timeline
3. Compliance with reporting requirements – Narrative Status Report containing status of completion of individual objectives (this narrative report is a Federal grant management requirement, a sample format will be provided to the island Government)
4. Compliance with financial reporting requirements – Financial status report SF 269 (this is a Federal grant management requirement)
5. Timely resolution of related audit findings and recommendations (Compliance Audit A-133, DOI-OIG, GAO and others)

General Government Rating:

6. Strength of Territorial Audit Office – Peer Review, OIA discussions with the office staff, review of reports and unresolved recommendations
7. General Government/ Agency – timely resolution of related audit findings and recommendations (Single Audit A-133, DOI-OIG, GAO and others)

**RATING PROCESS – QUARTERLY ASSESSMENT** (threshold standards for rates will be determined after Governments have been given time to respond to the official notification letter to be sent out by OIA by May 30, 2006. After determined, the final threshold standards will be provided to the governments)

1. Determine individual rating (scale 1 – 4) for each criterion above
2. Calculate General Govt Rate (GR) = avg rating of criteria 6 and 7 above
3. Calculate TA Rate = average of ratings of criteria 1 – 5 above and the GA Rate
4. Final number will be from 1 to 4 = TA Rate

OIA Actions:

1. Ratings are computed quarterly.

A government whose quarter ending rating is 2.4 or below will be given the following quarter to improve. If no improvement, the government will not be eligible for new TA project funding until quarterly rating is assessed above 2.4 unless the new TA project is determined an "emergency area" by OIA.

When talking about cost-saving measures, we're encouraging that analysis be done on any type of public services that might be privatized. These are some of the things that DOI Deputy Assistant Secretary David Cohen and OIA Economist Wali Osman are communicating with all the island governments on ways to develop the private sector.

Right now there's an OIA sponsored trade mission taking place in American Samoa. Eleven U.S. companies were accompanied by OIA to American Samoa. These companies expressed interest in researching possible markets in the insular areas. This trade mission is similar to one held in the U.S. Virgin Islands in March 2006 and in Palau, Guam and the CNMI during 2005.

Economic development in the islands is a big focus of our office. These efforts also compete for TA money.

When considering extension requests we have a different process with the freely associated states (FAS's.) With the FSM and RMI the new Compact started in '04, and because of that there are new rules and new considerations that OIA is monitoring. JEMCO/JEMFAC have been charged with monitoring the progress of implementation of certain requirements of the new Compacts. In the case of the FSM their delegate made commitments to JEMCO to complete audits by June 30, 2006. The recent JEMCO resolution has agreed with OIA's recommendations for sanctions if the June 30<sup>th</sup> deadline is not met.



## IX. The 21<sup>st</sup> Century Public Leader: Tools and Competencies

To acquaint IGFOA finance managers with the tools necessary to manage their human resources, PITI-VITI provided a full day training session entitled “The 21<sup>st</sup> Century Public Leader: Tools and Competencies” led by Dr. Evan Berman of the Public Administration Institute at Louisiana State University. Dr. Berman engaged the IGFOA members in a discussion of several current popular public management themes including Leadership Competencies, Trends in Public Sector Performance and Productivity, Strategies for Managing Change, and Motivation and Leadership. Following Dr. Berman’s presentation the finance officers broke into small groups to develop action plans for incorporating the various issues raised during the session into their management practices upon their return home. *(A description of the session and the PowerPoint course material used by Dr. Berman during his presentation may be found in Appendix D.)*

As a component of the training, Dr. Berman asked the teams to analyze a past improvement or a new improvement in their experience from their government and asked them to list the conditions for success (or the lack which caused failure). Following are a few of the projects identified by the IGFOA representatives:

**Project: FSM Financial System Implementation Project**

- Support of top management; the Governor, Legislators, Finance & Budget
- Urgently needed for Compact Fund reporting, and consolidating 3 different software systems and 5 different Charts of Accounts.
- Supported by a critical mass of people attending the FSM finance officers meetings as well as a critical mass of employees within each finance office
- Initial success in the State that was chosen for the first implementation. It was the site already using the software and the reports are on time and accurate.
- Sufficient trust still needs to be addressed at each level.

**Project: American Samoa Human Resource Implementation**

- A verbal mandate supported by the Governor and accepted by the Treasurer
- The urgent need is established by the situation that personnel who have been terminated still can get paid.
- Urgent timing as the cost will go up if it is not implemented soon. (October is the start of implementation)
- Critical mass of support from the HR department and the Computer department. Still trying to get support on the process.
- Initial success in the good information found on the HR screens. (in demo)

**Project: Virgin Islands requirement that all government employees use direct deposit**

- Mandated requirement (top level support)
- Urgently needed to cut costs of payroll
- Project team of 6 to start the project and provide a critical mass of support
  - (3 employees from payroll, the Deputy Commissioner of Finance, the Assistant Commissioner, and the Director of Payroll)
  - The team set a date to achieve the goals (100% in 6 months)
  - Set up meetings with the banks and employees by department to gain support
- The banks built trust in the process with explanations of direct deposits
- Continued to check the progress of the program and set out reminder letters about the mandate and the positive effects of direct deposit
- Initial success, 87% have direct deposit. Of 9,000 employees they cut only 600 checks.

**Project: Guam Financial System Implementation (failure)**

- Had top level support from the Governor
- Urgent need to change from old system (not Y2K compliant)
- Had support from top management, but not a critical mass of staff
- Instead of an initial success with a “ripe apple”, it was a rotten apple. The system did not work.
- There was no trust as the software company was owned by the Governor's wife's cousin

## **X. Insular Government Planning Outcomes**

As the next step, the finance officers were asked to use the Audit Improvement tools (the finding analysis worksheet and the improvement plan template) combined with the techniques that were presented by Dr. Berman to complete the following by August 31, 2006:

- Analyze the FY05 findings and qualifications (see a sample from Guam in Appendix C)
- Close all completed improvement areas in their current plans
- Build a plan for new open findings
- Build a plan for one area needing improvement in finance (not in the audit)
- Ensure the “Conditions for Success” are met for the selected areas
- Include a performance measure for each area

The new plans are to be submitted to Debbie Milks during August and she has committed to providing feedback and assistance. The IGFOA members will expect the finance officers to report their progress on the plans at the December 2006 IGFOA Conference on Maui.

## **APPENDIX A: IGFOA Conference Agenda**

### **ISLAND GOVERNMENT FINANCE OFFICERS' ASSOCIATION (IGFOA) Annual Meeting**

**Marriott Chateau Champlain  
Montreal, Quebec, Canada  
May 10 - 11, 2006**

#### **Sunday, May 7**

10:00 am – 12:00 pm **Overview of GFOA/IGFOA Conference**

Introductions  
Review of GFOA Conference  
Review of IGFOA Schedule

#### **Wednesday, May 10**

12:00 pm GFOA Conference Closure

12:00 - 1:00 pm Lunch on Own

1:00 pm **Opening of IGFOA Meeting**

Lourdes Perez, Guam Director of Administration, IGFOA President  
Edgar Johnson, Director of Technical Assistance, Office of Insular  
Affairs, US Department of the Interior  
Jack Maykoski, Director, International Institute, Graduate School, USDA

General Discussion of GFOA Conference Sessions

1:45 pm **Insular Government Progress Reports -- Issues and Resolutions**  
(10 minutes per government)  
(Moderated by Deborah Milks)

American Samoa  
CNMI  
Federated States of Micronesia  
Guam

2:45 – 3:00 pm **Break**

3:00 pm	Republic of the Marshall Islands Republic of Palau U.S. Virgin Islands
3:30 pm	General Discussion of Issues and Resolutions Raised
4:00 pm	<b>Panel Discussion: Best Practices for Government Cost-Cutting Strategies</b> Lourdes Perez, Director, Department of Administration, Guam Eloy Inos, Secretary of Finance, Department of Finance, CNMI Ira Mills, Director, Office of Management and Budget, U.S. Virgin Islands FSM Panelist  Questions and Answers for Panelists
5:00 pm	<b>DOI/OIA Funding Criteria</b> Marina Tinitali/Edgar Johnson
5:30 pm	<b>Day 1 Wrap-Up</b>
7:00 pm	<b>Group Dinner (Restaurant Minerva, Prince Arthur Area of Montreal)</b>

## **Thursday, May 11**

7:30 - 8:30 am	<b>Breakfast (To Be Provided)</b>
8:30 am	<b>Check-in/Review Agenda</b>
8:45 am - 12:00 pm	<b>The 21<sup>st</sup> Century Public Leader: Tools and Competencies</b> Dr. Evan Berman, Public Administration Institute, Louisiana State University  To Be Considered in Advance: Participants are asked to identify in advance of this session one or two specific changes that they expect to implement in the next year, affecting their departments and/or others.  <i>Leadership Competencies for the 21<sup>st</sup> Century</i>
10:00 – 10:15 am	Break  <i>Trends in Public Sector Performance and Productivity</i>  <i>Strategies for Managing Change</i>

11:15 – 11:45 am	Break out.  Assignment: Identify one past improvement and one future improvement that participants will do. Then, discuss how the five conditions for success affected the past improvement. Then, discuss the relevance of the conditions to future efforts. How do you assess these conditions? How can they be ensured? If conditions cannot be met, then go to another productivity improvement strategy.
11:45 – 12:15 pm	Report out from Groups
12:15 - 1:30 pm	<b>Lunch (To Be Provided)</b>
1:30 pm	<b>The 21<sup>st</sup> Century Public Leader: Tools and Competencies (cont.)</b> Dr. Evan Berman  <i>Motivation and Leadership</i>
2:45 – 3:00 pm	Break
3:15 pm	<i>Motivation and Leadership (Cont.)</i>
4:15 pm	<b>Breakout: Insular Government Planning Session</b>  <i>Development of action plan:</i>  What the problem? What is the intended goal? How measured? What is the improvement strategy? Are the five conditions met? If not, how? Develop the action plan
4:45 pm	Report of action plans (5 minutes per government)
5:30 pm	Conference Wrap-up Evaluations

## **APPENDIX B:        Insular Government Single Audit Progress Reports**

The following progress reports were developed by the insular governments in preparation for the May 2006 IGFOA Conference in Montreal, Canada. Each insular government was asked to comment on the following questions as part of their presentation.

- How do you work with your staff to develop and implement your audit improvement plan?
- Based upon your last audit or current draft audit, what are the top 2 audit finding categories which result in questioned costs?
- What is the dollar affect on your financial statements from the lack of component unit reporting and other opinion qualifications?
- What is the current status of your audit?



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***Government of the U.S. Virgin Islands  
Audit Resolution Initiatives  
Future Fiscal Year Financial Audits***

***Mrs. Bernice A. Turnbull***  
*Commissioner of Finance*  
***Mr. Ira R. Mills***  
*Director of Management and Budget*

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***Audit Resolution Initiatives***

The Single and Financial Audits for the Government of the Virgin Islands are not completed in accordance with OMB Circular A-133. Single audits are to be submitted to the Federal Clearinghouse no later than nine months after its fiscal year end. The following information outlines the problems, performance measures and a future plan to ensure different results.

■ **PROBLEM:**

- Timely completion of Single Audits.
- Audits are due 270 days after the close of the Fiscal year.



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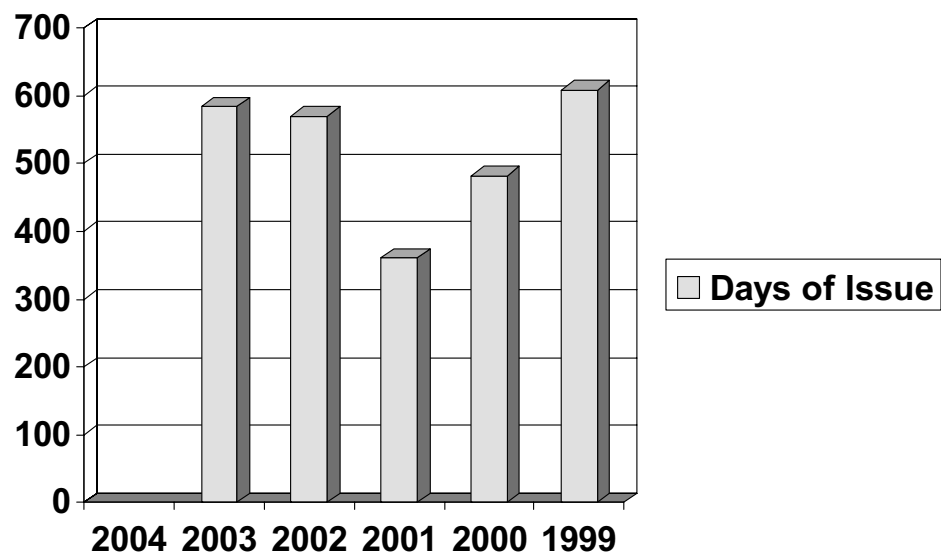
***Date of issuance of the Central Government Audit Reports:***

<u>Year Ended</u>	<u>Date of Report</u>	<u>Days to Issue</u>	<u>Annual Change</u>
■ 2004	Pending		
■ 2003	May 6, 2005	583 Days	13 Days
■ 2002	April 23, 2004	570 Days	209 Days
■ 2001	September 26, 2002	361 Days	(121) Days
■ 2000	January 25, 2002	482 Days	(126) Days
■ 1999	May 31, 2001	608 Days	(37) Days

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***Date of Issuance of the Government Audit Reports***



3

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## ***Audit Resolution Initiatives***

### **■ CAUSE:**

- Lateness of submittal of audit reports by component units prohibits the Government from completing its internal financial reports or audit testing procedures.
- The audits should be submitted to the Commissioner of Finance by January 15th following the Government's fiscal year under audit.

### **■ Performance Measure:**

- A draft of enabling legislation has been forwarded to the Virgin Islands Legislature requesting that a change to the existing statute mandating that component units must submit their audits by January 15th following the Government's fiscal year under audit. Passage is expected by May 2006.

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## ***Schedule of issuance dates of component unit audits:***

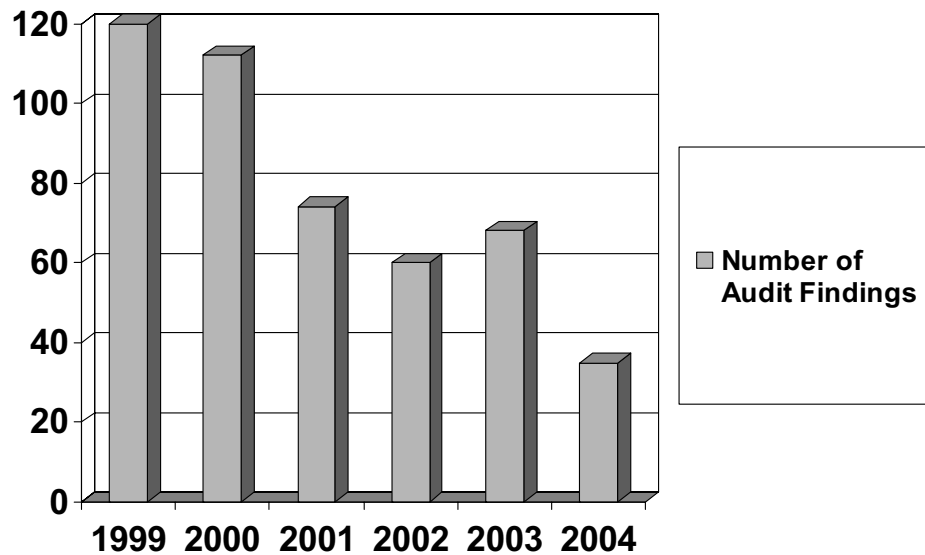
### **Date of Component Unit Audit Reports for Fiscal Year 2004**

<u>Component Unit</u>	<u>Date of Report</u>	<u>Days After Fiscal Year End</u>
Juan Luis Hospital & Medical Center	December 16, 2004	
West Indian Company, Ltd.	December 15, 2004	
Virgin Islands Water & Power Authority	December 17, 2004	
Magen's Bay Authority	January 31, 2005	15 Days
Roy Lester Schneider Hospital	December 16, 2004	
Virgin Islands Public Television System	February 17, 2005	32 Days
Virgin Islands Port Authority	July 15, 2005	180 Days
University of the Virgin Islands	April 8, 2005	83 Days
Virgin Islands Housing Finance Authority	May 13, 2005	118 Days
Virgin Islands Public Finance Authority	May 17, 2005	122 Days
Economic Development Authority	December 23, 2004	
Government Employees Retirement System	May 25, 2005	134 Days
Tobacco Settlement Financing Corporation	May 19, 2005	122 Days
Virgin Islands Housing Authority	September 15, 2004	
Virgin Islands Lottery	December 30, 2005	350 Days

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### ***Five-Year Trend Analysis of Audit Findings***



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### ***PROBLEM: Reduction of Audit findings***

#### Audit Findings Trend:

1999	120
2000	112
2001	74
2002	60
2003	68
2004	35

The action plan implemented during Fiscal year 2003 has yielded positive results. The Federal Program Managers were trained and meetings are held monthly with the accountants, auditors, Office of Management & Budget staff and the Department of Finance staff.

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***PROBLEM Audit Qualifications***

- Virgin Islands Lottery Financial records not available for audit.
- Landfill closure and post-closure costs of Department of Public Works not verifiable
- The Housing Finance Authority audit report qualified. Land held for sale by the Authority not verifiable
- Income Tax receivable information of Bureau of Internal Revenue not verifiable.
- Unemployment insurance contribution receivable of Department of Labor not verifiable.
- Virgin Islands Housing Authority audit report qualified. Capital assets and certain revenues and expenditures not verifiable.

**Performance Measure:**

Meetings were held with the various entities responsible for submitting the above information. Letters were forwarded to the responsible managers under the Governor's signature. For Fiscal year 2004 Single Audit, all of the above qualifications have been satisfied.

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***PROBLEM: Reconciliations on all bank accounts are not completed timely.***

The Government has 59 bank accounts to be reconciled. They are placed in categories - easy and difficult. All of the reconciliations for Fiscal year 2004 were not completed until July, 2005.

**Performance Measure:**

A plan was developed to encode deposit tickets unique to each collector. The present status of the plan is as follows:

- Meeting were held January 2006 with Departments of Finance and Property & Procurement personnel
- A vendor was selected
- Revenue orgs by function of government were developed – task completed April 10, 2006
- The information relative to specific collector was forwarded to the vendor for a quote – expected date of quote May 15, 2006.

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### ***Reconciliations for Fiscal Year 2005***

- Reconciliations for Fiscal year 2005 are scheduled to be completed by May 30, 2006.
- This is not satisfactory as we are to complete the audits nine months after the fiscal year. This is a finding that must be removed.

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### ***FY 2006 Single Financial Audit Action Plan***

Implementation of a new Enterprise Resource Planning (ERP) System

The expected results are as follows:

- Timely reporting
- Timely record retrieving
- Timely reconciliations
- Timely information to enable managers to make decisions
- Timely completion of Single Financial Audits
- Reduction and or elimination of audit findings

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# **Government of Guam Department of Administration**

## **Fiscal Year 2005 Single Audit Status Report (1<sup>st</sup> Draft)**

IGFOA Meeting  
100<sup>th</sup> Annual GFOA Conference  
Montreal, Canada  
May 10, 2006

### **Answers to your questions:**

- 1) **How do you work with your staff to develop and implement your audit improvement plan?**  
**Staff meetings having OPA, DOA and Dept representatives to discuss issues related to the program.**
- 2) **What is the dollar affect on your financial statements from the lack of component unit reporting and other opinion qualifications?**  
**No effect on the financial statements since no component units were excluded as per Deloitte & Touche.**
- 3) **What is the current status of your audit?**  
**It's good and it's going to be finalized before OMB Circular A-133 deadline.**

## Which audit finding categories result in the highest questioned costs?

### Largest questioned costs:

	<u>Finding #</u>	<u>CFDA#</u>	<u>Finding</u>	<u>Questioned Costs</u>
1)	5-08	17.258	Period of Availability	\$578K
2)	5-30	97.004	Allowable Costs	\$560K

### Summary of Cumulative Questioned Costs

	<u>Finding Totals</u>	<u>Questioned Costs</u>
•	Allowable Costs Total	\$566K
•	Matching Total	\$453K
•	Period of Availability Total	\$695K
•	Procurement Total	\$1,360K
•	Others	\$191K
	Total	\$3,265K
•	Less: Resolved	\$655K
	Unresolved to date	\$2,610K

## A.F.T.E.R. Analysis

\*from "The Performer & A.F.T.E.R. Analysis", Crawford & Associates, P.C.  
Audit Findings, Timeliness and Exception Resolution

	2001	2002	2003	2004
Number of F. S. Opinion Qualifications/ Exceptions	18	18	9	3
Number of Major Federal Program Qualifications/Exceptions	16	14	12	10
Number of F.S. Findings				
A. Internal Control & Compliance	10	11	1	0
B. Internal Control Only	32	54	6	5
C. Compliance Only	0	0	0	0
TOTAL	42	65	7	5
Percentage of F.S. Findings Repeated	66.7%	46%	50%	40%
Number of months Y/E the F.S. were Released	16	15	14	10
Number of Qualifications/Exceptions Related to C.U.	16	15	14	10
\$ of Questioned Costs – Current Year	\$9,875,246	\$4,258,861	\$1,243,982	\$514,486
\$ of Questioned Costs – Cumulative	\$47,102,947	\$51,340,337	\$41,600,469	\$25,137,159
\$ of Questioned Costs Resolved – Current Year	\$1,106,501	\$21,471	\$10,983,850	\$16,977,796

# Audit Improvement Progress Report

American Samoa Government  
FY 2004 and FY 2005

## Audit Improvement Progress Report – ASG 2004 & 2005

How does ASG work with their staff to develop and implement an Audit Improvement Plan?

We use a multi-step approach to facilitate implementation of the Audit Improvement Plan. Specifically:

1. Inform the staff of the audit shortcomings. Use explicit examples such as incomplete documentation or files, and actual scenarios that occurred.

2. Educate the staff on the processes required for improvement. Exchange dialogue, encourage feedback, and discuss various options for progress in order to generate staff 'buy-in' to the improvement process.

3. Issue agreed-upon procedures of improvement measures to specific departmental personnel. Periodically check on their compliance with the measures and offer guidance or suggestions, if needed.

4. Involve the staff in the actual preparation for the Auditors. As documents are gathered and samples are collected, accuracy and/or completeness are noted and may be addressed at this point. (Staff involvement at this stage provides a tangible clarity on the 'problems' and what preventive steps are 'really' needed for the next audit.)



# Audit Improvement progress Report – ASG 2004 & 2005

2. Based on ASG's current 2005 draft, what are the top 2 audit finding categories and their questionable costs?

The WIC program is responsible for our largest questionable cost of \$39,505. Neither Grant compliance nor proper procedure were followed in this case.

The second largest questionable cost is a cumulative amount of \$1,929. The pulled sample of 21 for DOE was missing four document files.

# Audit Improvement Progress Report – ASG 2004 & 2005

3. What is the dollar affect on ASG's financial statements from the lack of component unit reporting?

An audited statement from our hospital/medical component was not available for inclusion in our 2004 financials. However, the unit's preliminary numbers (income and balance sheet items) were included. Consequently, 8.5% (apx. 16 million) of ASG's total revenue and 4% (apx. 12 million) of ASG's total assets could not be substantiated. A finding was issued.

# Audit Improvement Progress Report

## – ASG 2004 & 2005

What is the current status of ASG's 2005 audit?

For the first time in two decades, we are filing on time. An effective application of our audit Improvement Plan was realized as our staff's preparatory work allowed the auditors to conduct their testing and fieldwork in a timely manner. As of May 4<sup>th</sup>, the auditors have completed their fieldwork and are in the process of compiling the report.

# Audit Improvement Progress Report –

## ASG 2004 & 2005

We will not be receiving an unqualified opinion.

However, significant progress has been made in the areas of:

- grant compliance thereby reducing questionable costs,
- physical inventory tracking and control,
- increased accounting system controls providing proper postings at the initial data entry stage,
- cash reclassifications and the need for adjustments, and
- the number of financial qualifications in the Basic Financial Statement - - this has been reduced from three to two, and the severity of one is being lessened.

Overall, the Treasurer is extremely pleased with the staff's involvement and participatory assistance in the 2005 audit process. Treasury's compliance with the filing deadline has definitely raised the bar for ASG's future audits and audit performance.

# Island Government Finance Officers Association (IGFOA)

Commonwealth of the Northern  
Mariana Islands  
May 10, 2006

## Implementation of Audit Improvement Plan

- Finance Role
  - Key staff at the Secretary's Office responsible for overseeing entire project.
  - Audit issues are brought to the Director level – particularly Finance & Accounting, Treasury, R&T, and Procurement.
  - Audit Coordinator responsible for follow up and coordinating inter-agency communication with the auditors.

## Questioned Costs (FY 2004)

- Procurement Issue – Approval for sole source procurement (\$713,115).
- Grants Management – Approval of updated Indirect Cost Rate (\$1,738,222).
- Minor questioned costs on documentation issues.

## Impact of Component Units and Other Qualifications

- Component Units
  - All Component Units are included in 2004
  - FY 2005 – CUC will not be included (24% of assets and 60% of the revenues of aggregated discretely presented component units).
- Other Qualifications
  - Taxes receivables/rebates payable
  - Advances
  - Reserve for continuing appropriations
  - Due to component units (PSS)

## Status of FY 2005 Audit

- Latest status meeting with auditors 5/2/06
- Draft Compliance Report – 5/31/06
  - Of the 6 major programs (3 complete, 2 near completion, and 1 in progress)
  - Finalize CAPs by 6/14/06
- Draft Financial Statements 6/9/06
- Finalize MD&A and AJE's

GOVERNMENT OF THE FEDERATED  
STATES OF MICRONESIA

Montreal, Canada

May 10, 2006

Audit Problem and Resolution Plan  
Update



Status of FY 03, 04, and 05 audits

Entity	FY 2003	FY 2004
Nat'l Govt	Target date of 5/15 (dependent on Chuuk)	(Target date of 6/30/06)
Chuuk	Expected completion date of 5/15/06	Expected completion by end of June 06
Pohnpei	done	done
Yap	done	Done
Kosrae	done	Expected completion early June 06

## FY 05 Audits

<i>Current Status of Audit</i>	
National	Dependent on the State Gov'ts
Chuuk	Undeterminable
Pohnpei	June 06
Yap	June 06
Kosrae	Undeterminable

## Audit Problem Resolution

### Focus Areas

- 1. Lateness of the Component Units**
- 2. Procurement**
- 3. Bank Reconciliation**

## Lateness of Component Units The Problem

Component Units are missing due to:

- Lack of sufficient notification or pressure to produce timely audited financials
- Lack of funding for an audit
- Lack of ability to reconcile or close the books
- Lack of qualified accounts

## Lateness of Component Units The Solutions

- The component units for the FSM National Government have been included in the external auditors' contract for the FY04 audit.
- Representatives from the component units are included in the Audit Findings Task Force
- Kosrae State opted to ensure that all component units are included in the annual audit contract
- Yap State involves the component units in recordkeeping/accounting workshops made available to finance
- The Yap Public Auditor audited the two previously missing component units
- The new CPA hired by Chuuk State is now working with the component units to close their books.



## Lateness of Component Units The Progress:

Entity	Problem Definition	Current Status
Nat'l Govt	Qualification for 1 CU (of 7) missing since FY1998	Included in FY04 audit contract
Kosrae	3 CU qualifications since FY99	2 included in FY04 audit contract. 1 dropped
Chuuk	5 CU qualifications	3 CUs working with new CPA
Yap	2 CU qualifications in FY02	Audited and included for FY03

*Two major areas of questioned costs are:* in FY03

- Inappropriate expenditures charged against program funds
- Failure to provide expenditure supporting evidence, failure to justify sole source purchase, failure to provide bidding documentation

## Procurement The Solutions

- New procurement procedure in the Nat'l Govt
- New routing policy in Kosrae to ensure proper reviews before issuance
- Yap State now requires that price comparison or bidding docs be attached to a purchase requisition submitted to finance
- Pohnpei State developed a standard form checklist for required bid documentation
- Chuuk has modified policy and begun a training program

## Procurement The Progress

- Unknown effect on the FY03 audit as most initiatives were started in FY04
- Assume that the number of findings will be reduced significantly in FY04 and FY05 audits
- Supply Officers actively communicating and documenting price quotations from local vendors
- National and State Finances implementing new improvements
- National held workshop of all fiscal managers on new Procurement Procedures in November 05.

## Bank Reconciliation The Problem

- Difficult communication with consulate and field offices for the Nat'l Govt
- Lack of automated support from the local banks
- Bad habit of completing bank recon only for year end audit requirement
- Staff turn-over in the area of Bank Reconciliation at National Finance

## Bank Reconciliation The Solutions Update

- Communicate with consulate and other field offices
- Hired technical assistants for hands on training
- Bank of FSM is now providing monthly automated data
- Hired new staff dedicated to Bank Recon.
- Close monitoring of new staff's performance
- Withholding of funds to the consulate/embassies for lack of reporting

## *How do we work with our staff to develop and implement the plan*

- In consultation with staff responsible for the preparation of financial statements the Secretary:
  - - Identifies areas of concern raised in previous audits.
    - Identifies areas of concern not raised in previous audits
    - Determines who will be responsible for taking the agreed action
    - Sets deadlines for completion
    - Periodically reviews performance against plan

Thank you

- Kalahngan
- Kinisou Chapur
  - Kulo

## **APPENDIX C:        Insular Government Audit Problem Resolution Action Plans**

The following action plans were developed by the insular governments in preparation for the May 2006 IGFOA Conference in Montreal, Canada. The action plans were updated and reported upon during the conference.

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

<b>Problem:</b>	Single Audit Finding #4-24, noted as a material weakness	<b>Issue:</b> Fixed Asset Accounting	<b>Measure:</b> % of fixed assets in the fixed asset module	<b>Progress Reporting</b>	Quarterly updates from Public Works to ensure maintenance of the Fixed Asset system
	<b><u>Steps to address the problem</u></b>	<b><u>Who</u></b>	<b><u>Timeline</u></b>	<b><u>Progress</u></b>	
1	All steps were completed to inventory the fixed assets and infrastructure.				
2	All steps were completed to modify system programs to ensure new purchases are captured for the fixed asset inventory				
3	Fixed Assets listing that was audited by Deloitte and Touche needs to be uploaded to the Fixed Assets Module.	Ken Borja	FY2006		Uploading the excel spreadsheets to the system is not a high priority as the fixed asset listings and depreciation are being maintained off line.

<b>Problem:</b>	Finding # 4-25-Bank reconciliations are to be prepared on a monthly basis and in a timely manner.	<b>Issue:</b> Cash Reconciliation	<b>Measure:</b> # of major checking accounts reconciled with adjustments	<b>Progress Reporting</b>	Monthly reports to the comptroller
	<b><u>Steps to address the problem</u></b>	<b><u>Who</u></b>	<b><u>Timeline</u></b>	<b><u>Progress</u></b>	
1	All steps were completed to adequately staff the bank reconciliation section				
2	All steps were completed to ensure the bank recon staff have access to cleared checks and on-line banking information				
3	Set up a monitoring spreadsheet of all bank accounts noting when bank data is received, when the reconciliation is complete and when adjustments are posted.	K. Kakigi			
4	Monitor outside activities, like Child Support disbursements data.				The urgent need for the data has been made known to on going the Child support Division staff

<b>Problem:</b>	Finding #4-22 & prior year findings with Federal Grant receivables	<b>Issue:</b> Cash Management	<b>Measure:</b> % decrease in the number of federal transactions not in compliance with the CMIA	<b>Progress Reporting</b>	
	<b><u>Steps to address the problem</u></b>	<b><u>Who</u></b>	<b><u>Timeline</u></b>	<b><u>Progress</u></b>	
1	Steps were completed to set up the EFT process to pay vendors. Vendors are informed of the process and the form is available on-line. 20 vendors have signed up for the program				

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

<b>Problem:</b> Finding # 4-26 Accounts Receivable-Other		<b>Issue:</b> Lack of monitoring \$4.6M outstanding accounts receivable	<b>Measure:</b> % reduction in the AR other balance	<b>Progress Reporting</b>	Quarterly reports to the comptroller
	<b><u>Steps to address the problem</u></b>	<b><u>Who</u></b>	<b><u>Timeline</u></b>	<b><u>Progress</u></b>	
2	Modify the Tenda payment procedure to ensure receiving reports are distributed to DOA and to the receiving agency	Kathy K	on-gong	A new policy is in place to provide Accounting a copy of the invoice with the acknowledge receipt from the Agency.	
3	Modify the financial management system to produce automated invoices for AR Other	Claudia A.	Complete	The new procurement system generates an invoice for tenda issuances to agencies.	
4	A/R Tipping Fees Cashiers should enter the billing period and/or invoice number so that an accurate aging can be generated.	Noe B./Goody R.	FY2006	on going	
4a	Request SW customers to provide billing period and /or invoice #	Noe B./Goody R.	FY2006		
4b	Request DMR to make changes to tipping fee subledger program to credit payment directly to service period & specific invoice	Noe B./Goody R.	FY2006		
5	A/R Salary Overpymt Post unrecorded principal payments from FY2000 forward	Noe B./Goody R.	FY2006	on going	
5a	Maintain current activity for A/R Salary Overpymts	Noe B./Goody R.	FY2006		
5b	Submit Salary Overpymt Schedule monthly to GL	Noe B./Goody R.	FY2006		
6	Modify the FMS to automatically link the submodule with the General Ledger	Nito B.	FY2006	The request has not been submitted yet.	
7	Assign DOA staff to regularly bill and reconcile AR other	Nito B.	Complete	The staff bills monthly.	
8	Work with the AG to determine legality of offsetting AR Other with GovGuam payables to vendors	Rey Edrosa	Complete	The Attorney General responded.	

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

Problem:	Finding No. 04-27 - Other Receivables - Bounced Checks		Issue:	Measure:	Progress Reporting
	<u>Steps to address the problem</u>	<u>Who</u>			
1	Steps were completed to hire staff, inventory the checks, and enhance communications with DRT and the banks				
2	The Public Auditor is completing an updated audit of bounced checks				
3	Find ways to improve collections.	DOA/DRT	Complete	Second notices are now delivered. DRT are now doing their own collections. The AS400 was enhanced to flag vendors with bounced checks for possible offset. Notices are now delivered to employees for possible payroll deductions. The Subsidiary ledger data is updated to August 2005. The S/L will be updated and access will be provided to DRT and to other agencies that accepts payments as a ready reference to avoid any acceptance of checks from payors with outstanding balances.	
4	Enhance deterrents to reduce bounced checks.	DOA/TOG/ DRT/DMR	Pending		

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



Government of Guam Findings Analysis  
(FY 2004 Single Audit)

Government Audit Year of Guam			2004									
Finding Number	CFDA No.		Department				Subgrantee monitoring	Procurement	Eligibility	Earmarking		Comments
2005 - 01	10.551	1	GSA, DPHSS	17-29	FOOD STAMPS	DIANA CALVO, JANINE PAESTE		\$42,500			\$42,500	The rationale for sole source procurement was insufficient.
2005 - 02	15.875	1	GSA, GFD	42-51	BLDG & EQUIP			416,991			416,991	Proper procurement procedures were not followed.
2005 - 02	15.875	1	GSA, GPD	12-00				164,236			164,236	Proper procurement procedures were not followed.
2005 - 02	15.875	1	GSA, DPHSS	17-00		DIRECTOR, DIANA,JANINE PAESTE		8,824			8,824	Proper procurement procedures were not followed.
2005 - 02	15.875	1	DMHSA	23-00				15,496			15,496	No procurement documents were provided.
2005 - 03	17.260	1	AHRD	15-20	OPERATIONS			40,524			40,524	No procurement documents were provided.
2005 - 03	17.260	1	GSA, AHRD	15-20	OPERATIONS			26,434			26,434	No procurement documents were provided.
2005 - 04	84.126	1	GSA, Voc Rehab	26-40	VR DIV			65,446			65,446	The rationale for sole source procurement was insufficient.
2005 - 04	84.126	1	Voc Rehab	26-40	VR DIV			6,988			6,988	No procurement documents were provided.
2005 - 05	93.778	1	DPHSS	17-23	MEDICAID	TESS			0 ??		0	Case files not provided.
2005 - 05	93.778	1	DPHSS	17-23					0 ??		0	No social security card(s) on file.
2005 - 05	93.778	1	DPHSS	17-23					0 ??		0	Recent Certification/renewal/application for timeframe being tested not available.
2005 - 05	93.778	1	DPHSS	17-23					0 ??		0	The re-determination of eligibility took more than six months .
2005 - 05	93.778	1	DPHSS	17-23					0 ??		0	No documentation to support that (IEVS) was used to verify eligibility.
2005 - 05	93.778	1	DPHSS	17-23					0 ??		0	Eligibility worksheet was not available for review.
2005 - 05	93.778	1	DPHSS	17-23					0 ??		0	Work registration paperwork was utilized, but the outcome was not certain.
2005 - 05	93.778	1	DPHSS	17-23					0 ??		0	Citizenship/residency supporting documents were not available.
2005 - 05	93.778	1	DPHSS	17-23					0 ??		0	The individual was not included in the household file.
Total							\$0	\$787,439	\$0	\$0	\$787,439	\$787,439

Government of Guam Findings Analysis  
(FY 2005 Single Audit)

Government of Guam		Audit Year		2005																
Finding	Number	CFDA No.	Department		Subgrantee monitoring	Payroll	Reporting	Level of Effort	Matching	Allowable Costs/Cost Principles	Procurement	Payroll proc	Special Tests and Provisions	Period of Availability	Special Tests and Provisions	Eligibility	Earmarking		Comments	
2005	1	10.551/10.561	DPHSS	GSA							55,092.00							\$55,092	Rationale for procuring under Sole Source appears insufficient.	
2005	2	10.551/10.561	DPHSS											0.00				\$0	Unexpended grant balances of expired grants.	
2005	3	11.419	BPLAN								14,263.00							\$14,263	No procurement documents were provided for audit review.	
2005	4	11.419	BPLAN											59,270.00				\$59,270	Costs were incurred beyond the expiration stipulated for grant year.	
2005	5	11.419	BPLAN							0.00								\$0	No prior grantor approval was obtained.	
2005	6	15.875	DMHSA								427,029.00							\$427,029	No procurement documents were provided for audit review.	
2005	7	17.258/17.259/17.260	AHRD	GSA							201,565.00							\$201,565	No procurement documents were provided for audit review.	
2005	8	17.258/17.259/17.260	AHRD											577,916.00				\$577,916	Unexpended and unobligated balances from grants that expired.	
2005	9	20.600	DPW/GPD	DOA/GSA							71,169.00							\$71,169	No procurement documents were provided for audit review.	
2005	10	66.600	AGRICULTURE	GSA							39,638.00							\$39,638	No procurement documents were provided for audit review.	
2005	11	84.126	DISID-dvr								97,025.00							\$97,025	No procurement documents were provided for audit review.	
2005	12	84.126	DISID-dvr					119,284.00										\$119,284	The Government's level of effort is deficient.	
2005	13	84.126	DISID-dvr											43,192.00				\$43,192	Unexpended grant balances of expired grants.	
2005	14	93.104	DMHSA	GSA/DOA							268,949.00							\$268,949	No procurement documents/sole source selection justification deficient.	
2005	15	93.104	DMHSA											0.00				\$0	Unexpended grant balances of expired grants.	
2005	16	93.104	DMHSA													PENDING		\$0	No proof of age in the records file.	
2005	17	93.104	DMHSA						452,549.00									\$452,549	Deficient local matching.	
2005	18	93.104	DMHSA	GSA						5,994.00								\$5,994	No prior grantor approval was obtained.	
2005	19	93.283	DPHSS	GSA/DOA							35,332.00							\$35,332	No procurement history/no documents were provided for audit.	
2005	20	93.283	DPHSS				0.00											\$0	No progress report was prepared and submitted.	
2005	21	93.283	DPHSS											13,856.00				\$13,856	There are expenditures after budget and liquidation period.	
2005	22	93.283	DPHSS												0.00			\$0	No response was prepared and submitted as stated in the award terms.	
2005	23	93.283	DPHSS													PENDING		\$0	No case files were provided for audit.	
2005	24	93.778	DPHSS													25,671.00		\$25,671	No case files were provided for audit.	
2005	25	93.778	DPHSS												0.00			\$0	No reports were provided as evidence that analysis and review were performed.	
2005	26	97.004	HS	GSA/DOA							152,596.00							\$152,596	Procurement requirements were not followed.	
2005	27	97.004	HS													PENDING		\$0	No earmarking data was provided.	
2005	28	97.004	HS				0.00											\$0	No reports were provided for audit review.	
2005	29	97.004	HS												0.00			\$0	No documentation was provided relative to the grant's special condition.	
2005	30	97.004	HS	GSA/DOA						560,443.00								\$560,443	No prior grantor approval was obtained.	
2005	31	Various	DOA	DOA		44,492.00												\$44,492	No personnel actions forms and/or timesheets were provided.	
2005	32	All	DOA	DOA														\$0	The time lapsed from receipt to clearance of disbursed checks exceeded one ds	
2005	33	All	DOA	DOA														\$0	Comprehensive physical inventory not conducted yet.	
Total						\$0	\$44,492	\$0	\$119,284	\$452,549	\$566,437	\$1,362,658	\$0	\$0	\$694,234	\$0	\$25,671	\$0	\$3,265,325	\$3,265,325

## American Samoa Government Audit Problem Resolution Action Plan (FY 2004 Single Audit)

### Finding

<b>04 FS-1</b>	Common rule for suspended and debarred Contractors #04 DOI 2, 04 DOT-4, 04 DOT-2, 04-ASCC-2	<b>Issue:</b> Procurement/Public Works Debarment & Suspension	<b>Measure:</b> Eliminate audit findings	<b>Progress Reporting:</b>
	<b><u>Steps to address the problem</u></b>	<b><u>Who</u></b>	<b><u>Completion date</u></b>	<b><u>Progress</u></b>
1	Write up formal policy in conjunction with Procurement Policy is to have Procurement to sign a certification that the	Caroline/Tupe/Pat	June-05	Complete
2	debarment lists have been checked and DPW to also check for debarment	Tupe	June-05	Complete
3	Create Local list of debarred contractors	Sapi / Tupe	March-06	
4	Distribute list to various agencies	Procurement	March-06	
<b>04 USDA-2</b> <b>04 DOT-3 04</b> <b>DOI-1</b>	Non-Compliance with Davis Bacon Act. Repeated Audit Finding # 03 DOT-2,03 DOI-1.	<b>Issue:</b> Public Works/AP Davis Bacon	<b>Measure:</b> Eliminate audit findings	<b>Progress Reporting:</b> Quarterly reports from AP to Director of instances of non- compliance
	<b><u>Steps to address the problem</u></b>	<b><u>Who</u></b>	<b><u>Completion date</u></b>	<b><u>Progress</u></b>
1	Write up formal policy by Treasury that Public Works needs to sign the certification before forwarding it to Accounts Payable	Caroline-Treasury and Jun/Adrienne- Public Works	Draft-December 05 Final-March 2006	
2	Accounts Payable will not process payment unless certification is attached to the progress payment invoice	Accounts Payable: Mili/Siagafa	Draft-December 05 Final-March 2006	

## American Samoa Government Audit Problem Resolution Action Plan (FY 2004 Single Audit)

<b>04 FS-6</b> <b>USDA-1, 3, 4</b> <b>DOT-5,</b> <b>DHHS-1, 3, 4</b> <b>DOI-4, PR-1</b>	Documentation Management. Repeated Audit Findings # 03 USDA-2, 03 USDA-4, 03 DOE-1 03 DOE-2	<b>Issue:</b> AP/Disbursing Documentation	<b>Measure:</b> Decrease # of missing documents by at least 50%	<b>Progress Reporting</b>
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### Steps to address the problem

### Who

### Completion date

### Progress

- |   |  |                                    |            |          |
|---|--|------------------------------------|------------|----------|
| 1 | Procurement, AP and Disbursing work together to ensure all necessary documents are attached. i.e. receiving reports, invoice, purchase orders  | Treasury-Francis & Procurement-Pat | In process |          |
| 2 | Sign policy with Accounts payable to ensure that all back up documentation is included before payment is made  | Accounts Payable-Siafaga           | Mar-06     | on-going |
| 3 | Prepare written policies for each federal program which outline: a) specific documentation requirements b) document retention policies c) staff position responsible for document management   |                                    |            |          |
| 4 | Survey document filing space and cabinet needs by federal program office. Prepare listings of needed space & equipment. Determine budgetary requirements for space and equipment.  |                                    |            |          |
| 5 | Obtain agreement with the External Auditors to present document requests to both the program manager and the audit liason. Further ensure that the External Auditor present missing document listings to the Audit Liason on a weekly basis. |                                    |            |          |
| 6 | Develop a long-term document management program to address the document retention needs of ASG.  |                                    |            |          |

## American Samoa Government Audit Problem Resolution Action Plan (FY 2004 Single Audit)

<b>04 FS-5</b>	Budget Overrun-Audit Finding 04 FS-5 Repeated findings 03 FS-5 and FY 02	<b>Issue:</b> Budget/Treasury Grant compliance with Budget levels	<b>Measure:</b> Minimize program overruns	<b>Progress Reporting:</b> Quarterly reports from Treasury & Budget to Governor & Department Head listing Departments/grants which are overrun.
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	<u>Steps to address the problem</u>	<u>Who</u>	<u>Completion date</u>	<u>Progress</u>
1	Departments submit copies of grant applications with budget breakdown to Budget Office and Treasury	Budget/Departments	In process	
2	Budget and Treasury work together to ensure that departments are following approved plan and budget	Budget/Treasury	In process	on-going
3	Block accounts that are overrun, including payroll	Budget/Treasury	In process	
4	Withhold payroll checks of Directors if the accounts continue to overrun	Treasury	In process	

<b>04 FS-3</b>	Grants Administration: 04 FS-3 Repeated Audit Finding # 03 FS-3 and FY 02	<b>Issue:</b> Individual Departments-Program and Finance Mgrs Allowable Costs & Cost principals	<b>Measure:</b> 50% reduction in repeated grant findings	<b>Progress Reporting:</b>
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	<u>Steps to address the problem</u>	<u>Who</u>	<u>Completion date</u>	<u>Progress</u>
1	Identify departments that continue to have problems with their grants	Treasury and Department Program Managers	FY 2006	
2	Conduct workshop(s) with department program and finance managers on fiscal responsibility and audits	Treasury	FY 2006	

### CNMI Audit Resolution Plan - FY 2005

	<b>High Risk Area: Status of Single Audits</b>	<b>Goal: Complete FY 2005 Single Audit by June 30, 2006.</b>		
	<b><u>Steps to Address the Problem</u></b>	<b><u>Who</u></b>	<b><u>Completion Date</u></b>	<b><u>Progress</u></b>
<b>1</b>	<b>Set FY 2005 timeline with Independent Auditors</b>  A. Schedule on-going work for FY 2005 Audit a.1. Status on ongoing field work a.2. Address questions on trial balance a.3. Discuss any preliminary/potential findings a.4. Develop calendar for completion B. Formally communicate requests from auditor to SOF. Coordination should be handled between audit coordinator and Bob	SOF, Bob Schrack, Deloitte	3/1/06 4/28/06 4/28/06 4/28/06	Completed.  Target is June 30, 2006 Set regular meetings beginning April, 2006
<b>2</b>	<b>Meet with agencies to address preliminary findings or questioned costs</b>  A. Agencies submit Corrective Action Plan - Major programs.	Bob Schrack, Audit Coordinator	5/20/06 6/1/06	
<b>3</b>	<b>Involve division directors in meetings with Independent Auditors for DOF related findings</b> A. Involve key division directors in meetings with auditors on audits concerning their respective divisions. a.1. Communication goes through audit coordinator	F&A, Treasury, R&T and P&S	1/30/06	This will facilitate information sharing and resolving issues.
<b>4</b>	<b>Develop Management Discussion and Analysis and Corrective Action Plan</b> A. Compile CAP from agencies B. Review MD&A and CAP C. Follow up on implementation of CAP by DOF and major programs	Bob Schrack  Bob Schrack Auditor Coordinator	6/5/06  ongoing	
<b>5</b>	<b>Set audit deadlines in the Independent Auditors contract</b>	SOF, Public Auditor		RFP for next multi-year contract is out. SOF will request OPA to include deadline requirements as part of the contract.
<b>6</b>	<b>Identify an Auditor Coordinator</b>	SOF	6/30/06	

### CNMI Audit Resolution Plan - FY 2005

	<b>High Risk Area: Bank Reconciliation</b>	<b>Goal: Complete bank reconciliation within 30 days of month end</b>		
	<b>Steps to Address the Problem</b>	<b>Who</b>	<b>Completion Date</b>	<b>Progress</b>
<b>1</b>	<b>Review reconciliation section procedures/staffing level</b> a. Reconcillation Section has 30 accounts to reconcile and only two staff at the moment.  a.1. Monitor recon status for each account through a checklist b. Fill vacancy or reassign staff to Recon section as soon as possible. 2 additional staff would be ideal.	Bob, Cathy, Bernie Palacios, Nola Sablan  Audit Coordinator SOF, Bernie	12/15/05   Pending	Completed. Staffing level is an issue.   Need to reassign staff within F&A to reconciliation section.
<b>2</b>	<b>Reassign savings account reconciliation to F&amp;A or OSOF</b> a. Assign OSOF reconcile all Treasury savings accounts  b. Report reconciliation to Bank Recon Supervisor	Bertha Torres	4/30/06  monthly	Issue memo to Treasurer effective FY 2006
<b>3</b>	<b>Review Reconciliation Problems Causing Significant Delays</b> A. Require quicker response time from the bank. a.1. Request bank to assign one supervisor who can address recon inquiries immediately. Response is too slow. a.2. Bank tapes are received at the end of the month but statement is received by the 15th of the following month. Recon needs bank statements to complete reconciliation  B. Allow Recon Supervisor inquire access into the Cash Management System C. Verify direct deposits into GF account c.1. Treasury must deliver slips to R&T immediately.  c.2. R&T must assign one staff and an alternate to enter the slips on the same day it is received. Recon staff will communicate with this staff only. c.3. Recon Section should receive a copy of the slip from Treasury D. Returned checks - Train R&Tcashiers to post returned checks correctly.  E. Assign staff to verify wrong check numbers and difference in amount with the bank.  F. Identifying credit card payments  f.1. Need to look at programming this feature into the GL.	SOF     SOF, Treasurer, Director of R&T  Margaret Muna, Treasury  Nola  Bernie Palacios, Nola	monthly   ongoing  Pending  monthly	Assign one recon staff   Reconciliation supervisor can verify direct deposits directly with the bank.  Set up training date  Access to the bank has lessen delays except for when response is slow.  System does not identify what card is being used so Recon staff have to match each transaction on the bank statement manually.
	G. Review problems with payroll account dealing with transfers	Bob and Nola	1/30/06	Pending.

### CNMI Audit Resolution Plan - FY 2005

<b>High Risk Area: Single Audit Qualifications</b>		<b>Goal: Resolve All Qualifications by FY '07 Audit</b>		
	<b><u>Steps to Address the Problem</u></b>	<b><u>Who</u></b>	<b><u>Completion Date</u></b>	<b><u>Progress</u></b>
<b>1</b>	<b>Validation of tax receivables and payables</b> A. Provide auditor with filer database for 2005 from which to pull samples  B. Provide auditor with tax documents pulled for audit b.1. Require auditor to issue formal request for list of tax documents needed  b. 2. Issue memorandum to Director R&T to pull documents within 15-30 period b.3. Coordinate review of documents with OPA staff and R&T Disclosure Officer within 15 days b.4. Audit coordinator will follow up on whether documents were provided  b.5. Meet with Director R&T and Deloitte to answer any questions C. Provide auditor with tax receivables report from tax system c.1. Contractor to generate report	Director R&T  SOF, Deloitte  SOF Director R&T, Public Auditor Audit Coordinator SOF, Director R&T, Deloitte  Director R&T	<b>2005 Audit</b> 04/28/06  Pending  +15 days concurrent  ongoing  ongoing	Confirm whether information is available within 2 weeks.  Start date will depend on when Deloitte will provide the list of taxpayer numbers.
<b>2</b>	<b>Advances to Vendors</b> A. Train P&S and MSO staff on using the advance to vendors account  B. F&A Accounting will do a monthly reconciliation of advances to vendors vs. the advances received not vouchered accounts. b.1. Meet with DPH Secretary for a status report on new procedures and update on what advances they have cleared out. b.2. Completely clear out old advances. b.3. Assign 1 staff at F&A to conduct quarterly reconciliation of current advances and clear out old advances not belonging to DPH. Will 30-60 days be enough? C. Audit coordinator to follow up on reconciliation	Bernie Palacios and Tony Reyes Bernie Palacios  Bernie Palacios, Audit Coordinator Bernie Palacios, MSO Bernie Palacios  Audit Coordinator	<b>2006 Audit</b> 09/01/05 05/20/06 05/20/06  ongoing	Completed. Procedures were agreed upon by both offices. On going. Started procedures in FY 2006.  Need to identify who will be responsible
<b>3</b>	<b>Reserve for Continuing Appropriation</b> A. Update local CIP report B. Determine which projects are not reconciled between the system report and the Local CIP report. Problems mostly due to incorrect carry forward balances on JDE due to conversion error. These amounts must be reconciled to fund balance reports printed off the old fms.  b.1. Gather expenditure levels for each project from 132 reports for each fiscal year. C. Determine which business units and the amount that needs to be adjusted between the FMS and the local CIP report	Cathy Villagomez Connie Salas  Connie Salas Connie Salas, Bob Schrack	2006 Audit 02/01/06 06/15/06  06/15/06 06/30/06	



### CNMI Audit Resolution Plan - FY 2005

	<b>High Risk Area: Single Audit Qualifications</b>	<b>Goal: Resolve All Qualifications by FY '07 Audit</b>		
	D. Post adjustments to the system	Bob Schrack, Bernie Palacios	06/30/06	
<b>4</b>	<b>Outstanding Travel Advances</b> A. Adopt updated travel policy B. Resume payroll deduction for outstanding travel advances C. Develop write off policy with AGO and determine collectibility of outstanding advances  c.1. Determine which travel advances are eligible for write-off based on opinion from the AGO. Make the necessary adjustments to financial management system to reflect the write-off. D. Scan all travel authorizations and travel vouchers immediately upon processing or receipt to avoid findings on lost documentation d.1. Purchase scanner for travel section	Bernie Palacios Bernie Palacios, Cathy Villagomez and Jim Stump. Bernie Palacios, Bobbie Cabrera and Bob Schrack  SOF  Bernie Palacios	<b>2006 Audit</b>  03/30/06 Pending  Pending  08/01/05 10/01/05	Completed Completed. policy pending  pending write off policy  Completed. This will avoid a finding on lost documentation Completed. Original target date was August, 2005.

### CNMI Audit Resolution Plan - FY 2005

	<b>High Risk Area: Federal Grants Management</b>	<b>Goal: Complete 100% of the quarterly and annual reports for all grants</b>		
	<p style="text-align: center;"><u><b>Steps to Address the Problem</b></u></p> <p><b>1 Meet SF 269 and 270 reporting deadlines</b></p> <p>A. Fill Federal Grants Supervisor position</p> <p>B. Process outstanding SF 269/270 reports as of 12/31/05 and get caught up. There are about 1,200 business units for all the different grants</p> <p>b.1 Identify delinquent reports and process latest grants first</p> <p>C. Improve coordination and communication between DOF, and federally funded departments (local agency) and their respective grantor agencies</p> <p>c.1. Communicate with grantor agencies to clarify deadlines and reporting requirements</p> <p>c.2. Identify one contact person from the local agency and grantor agency who can address inquiries</p> <p>c.3. Attend financial training for specific grants offered by grantor agency</p> <p>c.4. Update record of each active grant. Record should include grant number, grant amount, business unit established under the grant, status of financial reports, status of drawdowns, other reporting requirements and contact person</p> <p>d. Implement pilot project with federally funded agencies - Agency will complete their own SF269 and SF270.</p>	<p style="text-align: center;"><u><b>Who</b></u></p> <p>SOF, Bernie Palacios (hired Rosa Aquino)</p> <p>Bernie Palacios, Rosa Aquino</p> <p>Rosa Aquino &amp; staff Bernie Palacios, Rosa Aquino</p> <p>Supervisor and staff</p> <p>Supervisor and staff</p> <p>Supervisor and staff</p> <p>Supervisor and staff</p> <p>SOF, Bernie Palacios</p>	<p style="text-align: center;"><u><b>Completion Date</b></u></p> <p>1/23/06</p> <p>3/31/06</p> <p>3/31/06 ongoing</p> <p>ongoing</p> <p>ongoing</p> <p>ongoing</p> <p>6/30/06</p> <p>Under review</p>	<p style="text-align: center;"><u><b>Progress</b></u></p> <p>Completed. Supervisor hired 1/23/06. There are 4 employees in this section.</p> <p>Federal grants section caught up with all quarterly reports as of 3/31/06</p> <p>Regular communication is needed to address questioned costs, determine status of drawdowns, and clarify questions.</p> <p>Use internet or follow up phone call</p> <p>Good opportunity to meet counterparts and grantor agency will usually pay for 1 DOF staff to attend</p> <p>General information should be accessible to all Federal Grants staff</p> <p>Program has not been launched.</p>
	<p><b>2 Recommend improvements in the drawdown process</b></p> <p>A. Provide Treasurer with a breakdown of all drawdowns by business unit. This will make posting of receipts and payment of vendors quicker.</p> <p>B. Assign one Treasury staff responsible for monitoring pending payments that are federally funded - both CIP and Others.</p> <p>b.1. Monitor CIP drawdowns and process payments based on established procedures</p> <p>b.2. Confirm receipt of non-CIP drawdowns with Treasurer and process payments.</p> <p>C. Analyze drawdown and payment patterns for federally funded vendors - CIP and Others</p>	<p>Bernie, Federal Grants Supervisor</p> <p>Bernard Kileleman</p> <p>Bernard Kileleman</p> <p>Bernard Kileleman</p> <p>Audit Coordinator/SOF staff</p>	<p>Ongoing</p> <p>Ongoing</p>	<p>Completed.</p> <p>Completed.</p> <p>Test sampling of federal payment vouchers to ensure that clearance patters are within 3 days.</p>

### CNMI Audit Resolution Plan - FY 2005

	<b>High Risk Area: Federal Grants Management</b>	<b>Goal: Complete 100% of the quarterly and annual reports for all grants</b>		
	c.1. Report payment vouchers that are outside of the set limit to Treasurer  D. Revisit issue with access to federal and CIP account for other staff.	Audit Coordinator/SOF staff SOF	Ongoing	This will be decided between the Treasurer and SOF
<b>3</b>	<b>Overview of federal grants process and update DOF Standard Operating Procedures</b> A. Update DOF Standard Operating Procedures  B. Update DOF standard operating procedures 1. Start with Federal Grants Section; drawdown process 2. Reconciliation Section 3. Travel Section 4. Payroll Section 5. Payables Section 6. Finance Section 7. Administrative Section - Including record keeping	Rosa Aquino Nola Sablan Bobbie Cabrera Elaida Macaranas Mary Masga Bernie Lillian Gumba	Pending approval of request  Pending	Funding is a challenge. Submitted grant request to DOI  Estimated 5 month project.

## Kosrae State - Audit Problem Resolution Action Plan (FY 2003 Single Audit)

<b>1</b>	<b>Problem:</b> Lack of end of year GFAAG reconciliation and biannual inventory. Audit finding # 2002-05. Repeated from 99-01.	<b>Issue:</b> ledger recon.	<b>Measure:</b> Quarterly and yearly recon. Within 30 days of quarter/year end.	<b>Progress Reporting:</b> Quarterly/yearly schedule of fixed assets with recon dates. Signed off by Director and filed.
	<u><b>Steps to address the problem</b></u>	<u><b>Who</b></u>	<u><b>Completion date</b></u>	<u><b>Progress</b></u>
1	Assign staff for responsibility	Director Desingated		Jun-04 Complete
2	Work with Depts/Planning/C&E to complete inventory	staff/Nimos		Jun-05 Complete
3	Submission of quarterly progress report	D/staff/Nimos		Oct-05 Complete/need recon. With system ledgers
4	Reconciliation with system ledger	D/staff/Nimos		Oct-05 ongoing
	<b>NOTE: This is a repeated finding which has been taken off (resolved) in the FY03 audit</b>			

<b>2</b>	<b>Problem:</b> Lack of travel advance subledger reconciliation. Audit finding #2003-03. Repeated from 99-02.	<b>Issue:</b> ledger reconciliation	<b>Measure:</b> Monthly reconciliation within 30 days after month ends.	<b>Progress Reporting:</b> Monthly schedule of all reconciled travel advances with reconciliation dates. Signed off by Director.
	<u><b>Steps to address the problem</b></u>	<u><b>Who</b></u>	<u><b>Completion date</b></u>	<u><b>Progress</b></u>
1	Initiate write-offs on advances prior to fy2000.	Director Designated	Nov. 2005	Complete
2	Monthly reconiliation	staff/Espil	monthly since Jan 04	ongoing****
	****All travel advance records since 2000 are current and updated. The citation in the audits has to do with the old converted records from the old Dialoq system which lack supporting details in the new FOCUS. These have been recommended for write-offs.			

### Kosrae State - Audit Problem Resolution Action Plan (FY 2003 Single Audit)

<b>3</b>	<b>Problem:</b> Lack of periodic reconciliation of general ledger with subledger on housing loan receivables. Audit finding # 2003-04/repeated from 99-02.	<b>Issue:</b> ledger reconciliation	<b>Measure:</b> Monthly reconciliation within 30 days after month ends.	<b>Progress Reporting:</b> Monthly schedule to be submitted by HRLF to Director on a monthly basis.
	<u>Steps to address the problem</u>	<u>Who</u>	<u>Completion date</u>	<u>Progress</u>
1	Hire accountant to do accounting records at HRLF	Director, DC&I HRLF	Oct-03	Complete
2	Submission of Detail schedule to Finance	Administrator	monthly since Jan 06	Complete/ongoing
3	Monthly reconciliation by Finance Staff	Salik	monthly since Jan 06	Complete/ongoing

<b>4</b>	<b>Problem:</b> Lack of timely cash collection deposits. Audit finding # 2003-07. Repeated from 2000-2001, and 2002.	<b>Issue:</b> Cash management	<b>Measure:</b> Daily deposit of cash collection	<b>Progress Reporting:</b> Weekly cash deposit reports with amount and date deposited. Signed off by Treasurer.
	<u>Steps to address the problem</u>	<u>Who</u>	<u>Completion date</u>	<u>Progress</u>
1	All collections must be deposited at the end of each day.	E. Abraham	Every day since Jan 2006	Ongoing
2	Weekly reports must be submitted to Director	E. Abraham	Every day since Jan 2004	Sometimes/Need policy enforcement

## Kosrae State - Audit Problem Resolution Action Plan (FY 2003 Single Audit)

<b>5</b>	<b>Problem: Lack of periodic encumbrance reconciliation. Audit finding # 2002-19. Repeated from 2000-2001.</b>	<b>Issue:</b> encumbrance reconciliation	<b>Measure: Quarterly encumbrance reconciliation after end of quarter</b>	<b>Progress Reporting: Quarterly schedule of encumbrances with reconciliation dates. To be submitted by Chief Accountant and signed off by Director.</b>
	<u><b>Steps to address the problem</b></u>	<u><b>Who</b></u>	<u><b>Completion date</b></u>	<u><b>Progress</b></u>
1	Assign specific staff to reconcile specific encumbrances by fund	Finance Administrator	Jan-04	complete
2	Issue quarterly schedule of outstanding encumbrances to Departments/Offices for verifications	Admin./Chief Accountant	Quarterly since January 2004	Complete/ongoing
3	Procurement/Supply specialists follow through verifications	Nimos/Betty	Quarterly since January 2004	Complete/ongoing
4	Encumbrance reconciliation within 30 days after quarter ends.	Assign staff/	Quarterly since January 2004	Complete/ongoing
	<b>NOTE: This is repeated finding in since FY00 that has been taken off (resolved) in FY03.</b>			

<b>6</b>	<b>Problem: Lack of reconciliation on "clearing account for proper transfers to general ledger accounts. Finding #2003-06. Repeat from 2002.</b>	<b>Issue:</b> clearing account recon.	<b>Measure: Monthly reconciliation of clearing account</b>	<b>Progress Reporting: Quarterly reports on clearing account status to be submitted to Director's and signed off by Admin. Finance.</b>
	<u><b>Steps to address problem:</b></u>	<u><b>Who</b></u>	<u><b>Completion date</b></u>	<u><b>Progress</b></u>
1	Undertake monthly reconciliation and transfer of clearing account	Salik	Quarterly since Jan.06	ongoing/first report due March 15

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

<b>Problem: Lack of timely loans payable reconciliation finding # 2004-1</b>		<b>Issue:</b> Loans payable reconciliation	<b>Measure:</b> Monthly reconciliation within 30 days of the end of each month	<b>Progress Reporting:</b> Monthly schedule of all reconciled loans payable to be signed off by the Secretary of Finance
<u>Steps to address the problem</u>		<u>Who</u>	<u>Completion date</u>	<u>Progress</u>
1 Provide Official communications showing RMI position of not paying of the loan.		Assistant Secretary of Accounting and Administration	9/30/2005	Cabinet decision not to pay back loan has been made.
The Auditors will propose adjustments for the write-off and will be incorporated in the Audited Financial Statements for FY 06.				
<b>Problem: Component Units not auditable and inability to produce exceptional books. Finding # 2004-2</b>		<b>Issue:</b> Unauditable Component Units	<b>Measure:</b> Monthly monitoring and reporting of Component Units Progress towards rectifying books	<b>Progress Reporting:</b> (1) Monthly reports of component units progress to Secretary and Assistant Secretary (Accounting Dept.) highlighting each months works (preferably to be contingent on monthly objectives for each month. For example, each month objective will differ signify progression. Report to be signed off by Secretary of Finance. (2) The Component Units were being audited by independent auditors and there is a possibility of their inclusion in the RMIs Audited Financial Satements for FY 05, according to Deloitte.
<u>Steps to address the problem</u>		<u>Who</u>	<u>Completion date</u>	<u>Progress</u>
1 Apply for a grant for a specialist to aid component units		Director of Budget/OIDA	March 2006	Grant has been awarded (\$75,000)
2 If awarded, work closely with Specialist and fostering an understanding that each component unit shall be responsible to providing reports to MoF.		Assist Secretary of Acctg and Admin	June 2006	Have started bidding out for the consultancy service.
3 If not awarded, send out memo to respective component units requiring them to submit monthly reports to MoF.		Secretary of Finance	Jan-06	not applicable
4 Ensure that Component Units are well aware of the GASB requirements and Dateline		Assist Secretary of Acctg & Admin.	October 2006 (start of FY 07)	Part of the joint responsibilities of the Ministry of Finance and the Consultant. Once the Consultant is in place, a discussion on the GASB ret's and dateline will be made with the Component Units
5 Designate the Assistant Secretary of Accounting and Administration to monitor on a monthly basis of the progress being made.		through Secretary of Finance		
		Secretary of Finance		Component units have started submitting their quarterly reports to MoF.

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

<b>Problem:</b> No. 2004-3 indicated RMI in non compliance with laws and regulation specifically the Appropriated Funds Act of 1977. Repeated finding since 2003.		<b>Issue:</b> Exceeding allotted appropriation.	<b>Measure:</b> Have instituted a policy on quarterly allotment for each Ministry/ Agency thereby 95% of ministries/agencies stay within budget at year end.	<b>Progress Reporting:</b> (1) To date, MoF has been strictly abiding by this policy. And ensuring compliance to policy, the Budget Office diligently screen purchase requests. (2) A Quarterly Allotment Scheme has been implemented to ensure that each Ministry will not exceed their quartely budgets. In cases wherein a particular Ministry exceeds the budget, the excess expenditures will be charged to their next quarter's budget.
<u>Steps to address the problem</u>		<u>Who</u>	<u>Completion date</u>	<u>Progress</u>
1	Issue Memo to Ministries/ Agencies about new scheme whereby a threshold of 25% quarterly expenditure.	Secretary of Finance	Sep-05	Incoming purchase requests exceeding the quarterly allotment are returned to respective ministry/agency as of November 2005 .
2	Closely monitor purchase requests and ensuring that request does not exceed appropriation.	Assist Secretary and Director of Budget/OIDA and staffs responsible in overseeing purchase requests.	Sep-06	More stringent and collaborative undertaking with respect to reviewing and certifying purchase requests. An understanding that Budget Office absolutely will not authorize expenditure
2	Issue another memorandum to ministries/agencies notifying these entities that MoF stringently disallow over-expenditure	Secretary of Finance	Jan-06	completed
3	Closely monitor purchase requests and ensuring that request does not exceed appropriation.	Assistant Secretary and Director of Budget/OIDA and staffs responsible in overseeing purchase requests.	Sep-06	Rigorous yet collaborative undertaking with respect to reviewing and certifying purchase requests. An understanding internally that Staff should not authorize spending exceeding appropriation.
4	Send a Quarterly report to each Ministry/ Agency containing the spending pattern of such Ministry and an over all information of the government's financial status.	Asst Secretary for Acctg & Admin, Accountant, Director of Budget/IODA	Sep-06	A draft memo was made and expects to send out such memo and reports every 30th day of the month following the end of the quarter.
5	Bi-weekly meeting of Management Committee to monitor expenditures of the government.	Secretary of Finance	continuous	The Ministry of Finance prepares a Monthly Forecast of Revenues and Expenditures and base the monthly expenditures on this.



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

<b>Problem:</b> Finding 2004-4 stated RMI not properly depositing public funds in FDIC banks as stipulated by law.		<b>Issue:</b> Non compliance to laws and regulation	<b>Measure:</b> Memorandum of Understanding between Marshall Islands Development Bank and the Government.	<b>Progress Reporting:</b> Not applicable
<u><b>Steps to address the problem</b></u>		<u><b>Who</b></u>	<u><b>Completion date</b></u>	<u><b>Progress</b></u>
1	Seek the assistance of the Banking Commisioner who should provide assurance that depositing public funds in non FDIC bank.	Secretary of Finance	Feb-06	Coordinated with the Banking Commissioner
2	Seek Cabinet assistance through the Minister of Finance, to ensure that the public funds are deposited safely and obtain cofirmation from Bank	Secretary of Finance	Jan-06	Waiting for the response from the Banking Commissioner.
3	Seek Cabinet approval through the Minister of Finance, to consider transferring of \$7M in Trust Fund to other banks such Bank of Guam, who is already a FDIC member	Secretary of Finance	Jan-06	Waiting for the response from the Banking Commissioner.

<b>Problem:</b> Finding 2004-5 is no longer applicable as both Head Start and C.A.R.E Programs are no longer functioning. However to prevent cash operations outside the RMI Treasury, the following steps will be undertaken.		<b>Issue:</b> Establishment of account outside RMI Treasury.	<b>Measure:</b> 100% compliance to common rule on Cash depository	<b>Progress Reporting:</b>
<u><b>Steps to address the problem</b></u>		<u><b>Who</b></u>	<u><b>Completion date</b></u>	<u><b>Progress</b></u>
1	Ensure that in the future, all bank accounts are maintained within Repmar Treasury and under control of the Secretary of Finance	Secretary of Finance, Treasurer, Asst. Secretary for Acctg and the Chief of Acctg	Jan-06	Some of the accounts are now being maintained by the Secretary of Finance (e.g. Compact Funds)
2	In any case Repmar grant banking outside of the Treasury dept, as deemed necessary, the following control measures will be undertaken: (1) Demand monthly reports [expenditure report supported by original vendor invoices & monthly bank recon.]; (2) Operate on a Reimburseable basis; (3) Accounting records to be kept within the Ministry to closely monitor spending.	Secretary of Finance, Asst. Secretary for Acctg & Chief of Acctg	Jan-06	No action

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

<b>Problem:</b> Finding 2004-6 stated the lacking of RMI in complying with allowable cost and cost principles as stipulated in Fiscal Procedures Agreement (FPA).		<b>Issue:</b> Non complying with FPA on allowable cost and cost principles	<b>Measure:</b> Quarterly report on FPA compliance to Secretary of Finance	<b>Progress Reporting:</b> Reports detailing compliance with FPA to Secretary of Finance signed off by both Assistant Secretaries of Accounting and Administration and Budget.
<u>Steps to address the problem</u>		<u>Who</u>	<u>Completion date</u>	<u>Progress</u>
1	Set up mechanism to ensure strict compliance to FPA. Specifically creating a working group that will deal with FPA rules and regulations on finding issues.	Assistant Secretaries of Budget & Acctg/ Admin	Sep-05	A Fiscal Officers Association has been established with elected officers. Second Quarterly meeting was held last January in which the Audit findings were among the issues discussed. The keynote speaker in the said meeting was President Kessai Note.
2	Distribute copies of the FPA to individual ministry/agency fiscal officers.	Assistant Secretaries of Budget & Acctg/ Admin	Oct-05	Oral report has been conveyed to Secretary of Finance explaining on steps that have been taken to strengthen compliance with the FPA. Reported by the Budget Director.
3	Conduct a workshop on the FPA	Assistant Secretaries of Budget & Acctg/ Admin	Jan-06	Planning in progress. To include members of the Fiscal Officers Association in the workshop.
4	Follow up meeting with ministries/agencies dealing with FPA, in particular the compact sector grant recipients.	Assistant Secretaries of Budget & Acctg/ Admin	Mar-06	Planning to commence in January 2006.
5	Hire a Compliance Officer who will oversee all Compact and Federal Funds and see to it that all Ministries are complying with the FPA.	PSC, Asst Secretary for Acctg & Admin, Secretary of Finance	Dec-06	Initially, we have hired a Deputy Chief of Accounting and Compliance Officer to do the task. However, we still plan to hire a Compliance Officer whose main task and responsibility is the Compact and Federal Funds.

<b>Problem:</b> Federal Grant Programs incurring expenditures not allowable and not directly related to objectives and intent. Finding 2004-7.		<b>Issue:</b> Federal Program expend not abiding to rules and regulations.	<b>Measure:</b> At least 50% reduction in question cost from 04 audit.	<b>Progress Reporting:</b> Quarterly report showing amount of potential question costs to the Secretary of Finance.
<u>Steps to address the problem</u>		<u>Who</u>	<u>Completion date</u>	<u>Progress</u>
1	Formalized a Federal Grant Working Group	Drctr of Budget & Sr Fed Grant Officer	Aug-05	Completed
2	Print a Federal Grant Manual describing the major issues key issues with respect to Federal Grant compliance issues.	Drctr of Budget & Sr Fed Grant Officer	Oct-05	Completed
3	Thorough examination of incoming purchase requests and related federal grant activities to ensure full compliance with Federal Grant allowable cost/cost principles.	Drctr of Budget/OIDA & Sr Fed Grant Coordinator.	Sep-06	Internal understanding that Federal Grant activities are subject to thorough examination.

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

<b>Problem:</b> Lacking appropriate internal control to prevent unallowable expenditures. Findings 2004-8 and 2004-9. Repeat finding from 2000-2003.		<b>Issue:</b> Procurement Procedures not complying with the FPA	<b>Measure:</b> at least 90% compliance with FPA.	<b>Progress Reporting:</b> Monthly report of documentation verifying compliance with FPA. The report is addressed to the Secretary of Finance.
<u>Steps to address the problem</u>	<u>Who</u>	<u>Completion date</u>	<u>Progress</u>	
1 Audit finding issues Meeting with Federal Grant and Fiscal Officers on the Compliance issues in particular those identified as audit findings.	Director of Budget, Assistant Secretary of Acctg, and Sr Federal Grant Coordinator.	Mar-05	Planning in progress.	
2 Continuously remind fiscal officers of the importance of adequate supporting document in meeting the terms of the FPA. This will be done through not certifying purchase requisition which does not meet general minimum requirements.	Director of Budget, Assistant Secretary of Acctg, and Sr Federal Grant Coordinator.	Sep-06	Constant reminder to certifying officials at the Ministry of Finance that all Compact related expenditures need to be thoroughly reviewed and must include relevant supporting documents and ample justification.	
3 Ministry of Finance Management Team meeting to discuss in inclusion of additonal elements to the purchase requests will be discussed.	Secretary of Finance	Mar-06	Monthly meeting with staffs and bi-weekly meeting with Management Committee is being done. Additional req'ts for purchases are being discussed to ensure that the purchases are valid.	
4 Send out a memo informing ministries/agencies to add more justifications.	Secretary of Finance	Apr-06	No action to date.	
5 Prepare guidelines for each expenditure as to its allowable and valid costs.	Secretary of Finance	Sep-06	The Minsitry of Finance is in the process of making the guidelines and procedures manual.	

<b>Problem:</b> Encumbrances not closed after the required closing date as stipulated in the FPA. <b>Finding 2004-10.</b>		<b>Issue:</b> Period of Availability of Federal Grants.	<b>Measure:</b> Quarterly review of open encumbrances.	<b>Progress Reporting:</b> Quarterly reports signed off by the Assistant Secretary of Accounting and Administration. The report will update the Secretary on open encumbrances and what measures to resolve open encumbrances to take for following quarter. Moreover, RMI requested for a 90-day extension on the liquidation of the open encumbrances, and the DOI granted to March 21, 2005.
<u>Steps to address the problem</u>	<u>Who</u>	<u>Completion date</u>	<u>Progress</u>	
1 Designate the Assistant Secretaries of Accounting and Budget to monitor open encumbrances and to ensure encumbrance are properly liquidated.	Secretary of Finace	Jan-06	This item is always one of the agenda in the bi-weekly management committee meetings. The Secretary of Finance requests for a report from the assigned Assistant Secretaries on the open encumbrances and commitments for that period.	
2 Monthly review of open encumbrance with relevant staffs and subsequently work with relevant ministries to properly deobligate these encumbrances.	Assistant Secretaries of Accounting and Budget.	Sep-06	The Acctg Division through the Accounts Payable monitors items that have been encumbered but not yet paid, and advises the Secretary of Finance. As part of the process flow, the Acctg Division prepares a Monthly or Quarterly Report of Encumbrances that includes the period they were encumbered.	

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

<b>Problem:</b> Finding 2004-11 stated that RMI subrecipients are not complying with Federal Circular A-128.		<b>Issue:</b> Non compliance with Federal provisions on subrecipient monitoring.	<b>Measure:</b> 90% reduction in non compliance of sub recipients of federal funds.	<b>Progress Reporting:</b> Monthly reports to the Secretary of Finance on subrecipient monitoring with respect to federal funds.
<u><b>Steps to address the problem</b></u>		<u><b>Who</b></u>	<u><b>Completion date</b></u>	<u><b>Progress</b></u>
1	Designate the Assistant Secretaries for Accounting & Administration & Senior Federal Grants Coordinator to work closely with Subrecipients on Audit requirements	Secretary of Finance	Mar-06	100 % completed. The MoF worked closely with the sub recipients on the importance of audit and complying with audit requirements. To date, these sub recipients are audited by external auditors. Deloitte sees the possibility of including these units in RMI's audited financial statements.
<b>Problem:</b> Finding 2004-12 states that RMI is not in compliance with the Common Rule with regards to acquisiton, recording, safeguarding, and maintaining of Capital Assets.		<b>Issue:</b> Fixed Asset not complying with Common rule of Capital Assets.	<b>Measure:</b> 100 removal of qualified opinion.	<b>Progress Reporting:</b> Monthly Report to Secretary of Finance indicating progress of capital assets monitoring, evaluating, safeguarding and recording.
<u><b>Steps to address the problem</b></u>		<u><b>Who</b></u>	<u><b>Completion date</b></u>	<u><b>Progress</b></u>
1	Compile and complete RMI fixed asset ledger.	Assistant Secretary of Budget	Nov-05	90% completed
2	Use the service of a contracted consultant to evaluate and finalize RMI fixed asset presentation.	Secretary of Finance	Dec-05	Planning of Consultant to visit RMI in progress.
3	Established group to conduct a physical inventory of Capital Assets once every two years.	Chief of Procurement and Supply through the Secretary of Finance.	Sep-06	TheMoF, through the Procurement & Supply Division conducted a physical count of all fixed assets last March 2006.
4	Involve the Ministries and assign one person who will be accountable for all fixed assets in that Ministry. This person will also be involved in the annual physical count of fixed assets per Ministry.	Secretary of Finance through the Chief Procurement and Supply	Sep-06	Draft memo was prepared.
5	An Accountability form will be used to establish accountabilities of fixed assets.	Secretary of Finance through the Chief Procurement and Supply	Sep-06	A draft of accountability form was made.

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

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

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

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

<b>Problem:</b> Not enough price quotations and or justification as to the basis of vendor selection. Audit finding # 4-2. Repeated finding from FY03 and FY04		<b>Issue:</b> Procurement	<b>Measure:</b> reduce non-compliance by 95% by end of FY05	<b>Progress Reports:</b> Check boxes have been inserted on the requisition forms to remind the requestor to meet procurement requirements
<b><u>Steps to address the problem</u></b>		<b><u>Who</u></b>	<b><u>Completion date</u></b>	<b><u>Progress</u></b>
1	RQ forms have been modified to include check boxes to remind requestors to attach price quotations and justification of vendor selection.	Millan Isack	complete	Procurement Office ensures everyone checkmarks the boxes for compliance and makes corrections for RQs not in compliance
2	Since the modification of the RQ forms, it is now easier to track the non complying offices who are getting fewer as their RQs are being returned to them.	Edwin & Tasia	on-going	Requisitions not in compliance are returned to the requestors or modified by Supply as possible.

<b>Problem:</b> Record keeping. Audit finding # 4-12		<b>Issue:</b> Procurement	<b>Measure:</b> reduce errors leading to finding by 98%	<b>Progress Reports:</b> Bids & other relevant documents are filed by the procurement officers and copies retained by grant managers
<b><u>Steps to address the problem</u></b>		<b><u>Who</u></b>	<b><u>Completion date</u></b>	<b><u>Progress</u></b>
1	All relevant supporting documents are filed by the procurement officers. Copies of the documents are retained by the originating office.	procurement officers& grant managers	complete	process is being followed
2	Finance Grant Management Officer (GMO) verifies that everything is present and allowable before RQs are processed	Gandhi	complete	process is being followed

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

<b>Problem:</b> No entity-wide maintenance plan. Audit finding # 4-22.		<b>Issue:</b> Fixed Assets	<b>Measure:</b> At end of FY2006, 95% of the Ministries/ agencies have adopted a maintenance plan	<b>Progress Reports:</b> Cost Reduction Plan Policies and Initiatives adopted in September 02 requires that Executive Branch agencies shall develop and implement maintenance schedules to prolong the useful life of assets.
	<b><u>Steps to address the problem</u></b>	<b><u>Who</u></b>	<b><u>Completion date</u></b>	<b><u>Progress</u></b>
1	Each Executive Branch agency is required to develop its own maintenance plan	head of agency	Sept-06	Departments are now coming up with their own maintenance agreements with local as well as outside vendors as appropriate.
2	The departments are encouraged to contract local as well as outside vendors when appropriate to maintain their equipment. Government does not have the capacity to perform maintenance on all equipment.	head of agency	in progress	There are two computer companies on island. Departments who buy computers from these companies, open purchase orders to have them maintain their computers as necessary. Maintenance agreements are formed between departments and vendors for specialised equipment.

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

<b>Problem:</b> Cash drawdowns not disbursed on a timely manner. Audit finding #4-13.		<b>Issue:</b> Cash Management	<b>Measure:</b> Cash drawdowns disbursed within three days of receipt	<b>Progress Reports:</b> Report of Federal Grants pending disbursements reviewed by Director of BNT on a weekly basis.
	<b><u>Steps to address the problem</u></b>	<b><u>Who</u></b>	<b><u>Completion date</u></b>	<b><u>Progress</u></b>
1	Right after the drawdown report is prepared and drawdown request is sent, a report of AP pending for Federal Grants Fund is printed noting the last APV# and sent to disbursement section.	Gandhi	complete	This is an on-going process to ensure ROP complies with federal rules for cash management. This action plan has also been sent to Department of Education (DOE).
2	As soon as drawdown is received, disbursement section is notified to disburse all pending disbursement in the report given to them earlier within three days.	Gandhi and Ellen	complete	same as above
3	After three days are up, a report of pending disbursement is printed for the Federal Grants Fund limiting the APV # to the last number in the earlier report. A reminder and report is sent to disbursement section for immediate disbursement if there is voucher still pending	Gandhi, Ellen & BNT Director	complete	Director of BNT follows up to ensure drawdowns are disbursed on a timely manner.

<b>Problem:</b> Three price quotation violation for federal procurement. Audit finding #4-11. This finding resulted in Questioned Costs in the amount of \$78,608 in fiscal year 2004.		<b>Issue:</b> Procurement US Fed	<b>Measure:</b> Three price quotations are attached to RQs or justified for all RQs	<b>Progress Reports:</b> All purchases, local or otherwise use the same modified RQ forms that include check boxes for reminders of the price quotation and reason for vendor selection requirement.
	<b><u>Steps to address the problem</u></b>	<b><u>Who</u></b>	<b><u>Completion date</u></b>	<b><u>Progress</u></b>
1	RQ forms have been modified to include check boxes to remind requestors to attach price quotations and justification of vendor selection.	Millan Isack	complete	Procurement Office ensures everyone checkmarks the boxes for compliance and makes corrections for RQs not in compliance
2	Since the modification of the RQ forms, it is now easier to track the non complying offices who are getting fewer as their RQs are being returned to them.	Edwin & Tasia	on-going	Requisitions not in compliance are returned to the requestors or modified by Supply as possible.



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

<b>Problem:</b> No procurement documents on file evidencing the procurement rationale. Audit finding #4-18. This finding resulted in \$208,325 for fiscal year 2004.				<b>Issue:</b> Procurement US Fed	<b>Measure:</b> reduce non-compliance by 95% by end of FY06	<b>Progress Reports:</b> All contracts and supporting documents are retained by the procurement officer in charge. Copies are retained by the Federal Management Officer at Finance Office.
	<b><u>Steps to address the problem</u></b>	<b><u>Who</u></b>	<b><u>Completion date</u></b>	<b><u>Progress</u></b>		
1	All service contracts must have all supporting documents present before signing. Copies are retained by the procurement officer.	Secilile	on going	Procurement officer ensures all bidding documents, etc. are present before signing the contract. Department are notified for any necessary document missing.		
2	Grant Management Officer checks requests for payment on contracts to ensure progress reports or evidence of performance is present before payment is made	Gandhi	on going	Payment Voucher approver ensures required progress reports and or invoices are attached before approving the payment.		

## **APPENDIX D: “The 21<sup>st</sup> Century Public Leader: Tools and Competencies” Session Description and Material**

Government is being transformed at all levels – and throughout the world – with major change occurring in how government operates and does business. Four significant trends affecting government have been identified in research conducted by the IBM Endowment for the Business of Government: 1) Changing rules; 2) Emphasis on performance and results; 3) Demands to improve service delivery; and 4) increasing collaboration.

Technology advances have played an important role in driving change in the operation of government, as it has in the private sector.

Public sector leaders in the 21<sup>st</sup> Century will need to understand and influence legal frameworks, organizational structures and business practices to ensure that their organizations are positioned to meet the ever-evolving demands of government. Leaders will need to enable their managers to be productive and hold them accountable for results. Citizen-centric service delivery will be the norm, with public input and evaluation central to priority setting and resource alignment. Resource stewardship resulting in clean audits, timely and accurate financial statements, and ability to measure outcomes and their costs will become increasingly critical. Partnerships and collaboration across levels and organizations of government – and the private sector – will be essential to ensuring the public good is achieved. Finally, leading change in organizations will be constant and increasingly intensive.

This one-day session is designed to provide you with a deeper understanding of these trends affecting governance, and the role you play as an effective public sector leader. The session will assist you in developing strategies for:

- Leading and motivating managers to become more productive and results-oriented
- Ensuring citizen participation to help you set goals and priorities;
- Responding to constant change
- Building effective collaborative partnerships
- Communicating the importance of resource stewardship

This session will be delivered by Dr. Evan Berman of the Public Administration Institute at Louisiana State University. A professor of public administration, Dr. Berman has nearly 100 publications in human resource management, productivity, ethics and local government. Dr. Berman serves on the editorial boards of *Public Administration Review* and the *Review of Public Personnel Administration*. His books include *Public Sector Performance* (Westview, 1999), *The Professional Edge: Competencies for Public Service* (ME Sharpe, 2004), and *Performance and Productivity in Public and Nonprofit Organizations* (ME Sharpe, 2006, 2<sup>nd</sup> edition). Dr. Berman has been a policy analyst with the National Science Foundation and works with numerous local jurisdictions on matters of team building, productivity improvement, strategic planning and citizen participation.

# **The 21<sup>st</sup> Century Public Leader: Tools and Competencies**

**Prof. Evan M. Berman, Ph.D.  
Louisiana State University  
Public Administration Institute  
Baton Rouge, LA 70803  
[berman@lsu.edu](mailto:berman@lsu.edu)**

## **Today's Workshop**

### **Morning:**

#### **8:45- 10:00:**

- **Introduction & Input**
- **Leadership Competencies**

#### **10:15-12:15:**

- **What is Public Performance & Productivity?**
- **Managing Change Successfully**
- **Break Out Groups**

## **Today's Workshop**

**Afternoon:**

**1:45- 2:45:**

- **Motivation**
- **Psychological Contracts**

**3:00- 4:15:**

- **Quality Paradigm**
- **Other Productivity Strategies**

**4:15- 5:30:**

- **Break Out Groups**
- **End of Workshop**

## **The Instructor**

## **The Instructor**

**Dr. Evan Berman:**

- **Ph.D., George Washington University, 1988**
- **Professor, Public Administration @ LSU**
- **Author of 7 books and 100+ articles, book chapters, etc.**
- **Specializes in productivity, local government, analytical techniques, HRM**
- **Works extensive with local governments on performance measurement, survey research, training workshops**

## **Participant Input**

## **Participant Input**

- **What would you like to learn or get out of the workshop today?**
- **What are one or two specific changes or improvements that you expect to implement in the next year?**

## **Leadership Competencies**

## **Leadership Competencies**

**U.S. Office of Personnel Management:**

**5 Leadership Competencies for Management  
Executive Positions (SES):**

- **Leading Change**
- **Leading People**
- **Results-Driven**
- **Business Acumen**
- **Building Coalitions/Communications**

<http://www.opm.gov/ses/competencies.asp>

## **Leadership Competencies**

**A Slightly Different List:**

**Leadership Domains for Managers and  
Executives:**

- **Strategy Development & Execution**
- **Ethics, Values and Judgment**
- **Technical Expertise of Areas**
- **Leading and Managing People**

# Leadership Competencies

## 1. Strategic Leadership

- **Key Foci:**
  - Vision
  - Change Management
- **New Emphases:**

From omnipotent single agency to community focus → network leadership

Why? Major problems require collaboration
- **Competencies:**
  - Assessment
  - Strategic Planning (all steps)
  - Community-Based Visioning, Planning & Change (p.77)

## *PLANNING TO COORDINATE AND COORDINATING THE PLAN Evidence From Local Governments*

TABLE 1: Engaging in Coordinated Planning

<i>"In our jurisdiction we . . ."</i>	<i>Agree or Strongly Agree %</i>	<i>Somewhat Agree %</i>	<i>Don't Know %</i>	<i>Disagree<sup>a</sup> %</i>
Often work with other jurisdictions to address regional problems.	76.7	17.3	1.0	5.0
Frequently participate in community-based planning activities.	74.3	20.3	1.5	4.0
Encourage private organizations to participate in community-wide planning activities.	71.3	22.3	4.5	2.0
Partner with other jurisdictions to encourage regional initiatives.	69.3	19.3	3.5	8.0
Lead in developing community-wide responses to community issues.	65.2	27.8	2.0	5.0
Encourage community organizations to plan their activities together.	64.4	23.8	6.4	5.5
Lead in building community-wide consensus on important matters.	63.9	22.8	2.0	10.9
Provide resources for community-based consensus building.	55.9	24.8	5.0	14.4
Speak out on important social matters.	51.7	30.3	3.0	14.9





#### **RECOMMENDED PRACTICE:**

##### **The Role of the Finance Officer in Economic Development (2006) (CEDCP)**

**Background.** A vibrant local economy is integral to the community's vitality and the financial health of the regional jurisdictions. A central component of fostering the local economy is economic development and redevelopment. Oftentimes economic development requires the financial participation of local governments. This participation can take the form of both traditional and non-traditional public sector financial tools. The local government financial officer should provide the financial expertise in the use and long-term impacts of these tools. The financial officer has the dual responsibilities of facilitating the ongoing economic vitality of the community, and guaranteeing fiduciary oversight of the entity's resources. Consequently, the finance officer must be established as a key participant in the jurisdiction's economic development program.

**Recommendation.** The Government Finance Officers Association (GFOA) recommends that financial officers participate in the economic development processes and provide professional information on the use and impacts of financing tools and incentives. This recommendation advises finance officers to:

- Participate throughout the Development Process.
- Facilitate the Overall Development Financial Framework.
- Developing analytical tools to evaluate the specific use of financial incentives
- Analyze Specific Development Proposals.
- Monitor and Evaluate Ongoing Project Compliance.
- Facilitate the Jurisdiction's Ongoing Development Program.

#### **Examples of specific tasks:**

- Contributing to the development of the entity's vision and strategy
- Becoming a primary member of the development professional team
- Participating in the overall process of evaluating development proposals
- Facilitating the mgt. framework for coordinating all financial analysis
- Obtaining and validating information provided by the developer
- Assessing the reasonableness of the public revenues and costs
- Participating in the identification of development components that are integral to the success of the financing plan
- Assisting in educational forums and public information efforts

# Leadership Competencies

## 2. Moral Leadership

- **Key Foci:**
  - Individual Judgment
  - Values Management
- **New Emphases:**

From legal compliance to public service values. Why? Legal compliance alone is inadequate.
- **Competencies:**
  - Awareness of Public Service Values
  - Ability to Implement & Measure Ethics

# Leadership Competencies

**Public Values (from Am. Soc. for Public Admin.):**

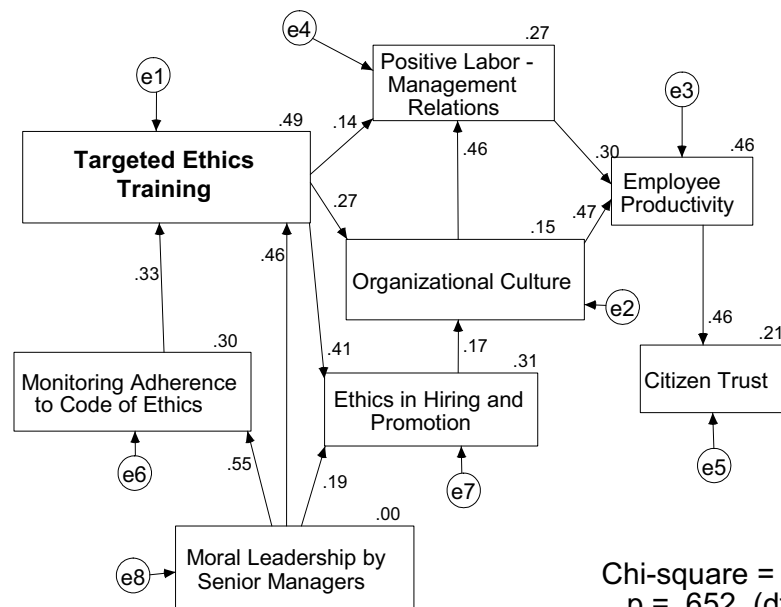


- Serve the Public Interest
- Respect the Constitution and Law
- Demonstrate Personal Integrity
- Promote Ethical Organizations
- Strive for Professional Excellence

**Ethics Management:**

- Modeling exemplary moral leadership by leaders
- Adopting a Code of Ethics
- Conducting an Ethics Audit
- Using Ethics as criterion in hiring and promotion
- Ethics in training programs
- Ethics in performance appraisal

J. West and E. Berman. (2004). "Ethics Training Efforts in U.S. Cities: Content and Impact." *Public Integrity*, vol.6, no.3, pp. 189-206. *Best Article Award*.



## Leadership Competencies

### 3. Technical Leadership

- **Key Foci:**
  - Area Expertise
  - Program Management
- **New Emphases:**

From area expertise to professionalism in management & multiple inputs. Why? Need better mgt decisions & collaboration.
- **Competencies:**
  - Program Management (strategy, etc.)
  - Accountability & Performance Measurement
  - Citizen & Community Input Processes, Communication & Collab. Decision-Making

# Leadership Competencies

## 4. People Leadership

- **Key Foci:**
  - Subordinate Productivity
  - Conflict Management
- **New Emphases:**

From directive supervision to coaching supervision focused on outcomes. Why?  
Need for more employee productivity.
- **Competencies:**
  - Negotiate performance expectations
  - Monitor and adjust performance  
(e.g., psychological contracts, p.132)

# Leadership Competencies

“In our jurisdiction, when we hire or promote managers .....”

Agree/ Str.Agree

We ask candidates how they handle difficult teamwork situations	75.6 %
We make people skills a criterion in hiring and promotion	69.6
We make people skills a criterion in performance appraisals	69.6
We ask managers how they know their own strengths and weaknesses	67.9
We ask managers how they inspire and motivate others	62.2
We ask candidates how they assess others' strengths and weaknesses	51.9
We ask candidates about their guiding values	45.1
We ask candidates how they manage others' hostile emotions	39.3
We interview former coworkers to assess candidates' people skills	33.3
We ask candidates how they manage their own negative, emotional behaviors such as anger or jealousy	15.7

*note: preliminary research findings.*

# Recap

## Key Leadership Competencies

- **4 areas: strategy, ethics, technical & people**
- **Increasingly involve communities and citizens**
- **Emphasize public service values & openness**
- **Include increased accountability**
- **Getting the most from employees through good people skills**
- **Competencies vary greatly among jurisdictions**

# Break

# **What is Performance?**

## **What is Performance?**

### **Chapter 1:**

- **Definition of Performance, p.5**
  - efficiency v. effectiveness
  - public versus private
- **The Diffusion of Productivity Innovations**
  - S-shaped curve
  - Implications
- **Brief History of Productivity**
  - Needs of different periods, PODSCORB

# Managerial Mediocrity

E. Berman and J. West. (2003). "What is Managerial Mediocrity? Definition, Prevalence and Negative Impact (Part 1)" and "Solutions to the Problem of Managerial Mediocrity: Moving Up to Excellence (Part 2)." Public Performance & Management Review, vol. 27, no.2 (December), pp. 7-50.

"Managerial mediocrity is broadly defined as having only a ***modest commitment to the contemporary values and practices of public administration.***"

Application to three areas: public participation, performance and accountability

## Measurement

*"In our city, most managers..." (7 point Likert Scale, Strongly Agree – Strongly Disagree)*

### A. Commitment to Performance

*Embrace professional standards  
Are committed to improving effectiveness and efficiency  
Exhibit a lot of energy and personal drive  
Would rather overcome obstacles than accept them  
Set high standards for their programs  
Know nationally recognized 'best practices'*

### B. Commitment to Accountability

*Conduct thorough program evaluations  
Use performance measurement effectively in most programs  
Provide detailed accountability about their programs  
Regularly conduct performance audits  
Receive training in ethics principles and practices  
Ensure that all employees are aware of ethics standards and requirements*

# Measurement

## C. Commitment to Public Participation

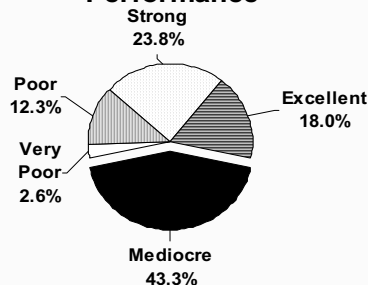
*Seek frequent input from comm. leaders in defining program goals*  
*Solicit feedback from community leaders about our performance*  
*Have regular discussions with comm. leaders on city problems*  
*Seek citizen input to assess program performance*  
*Encourage public participation processes in decision making*  
*Are effective in building community consensus*

## D. Data collection:

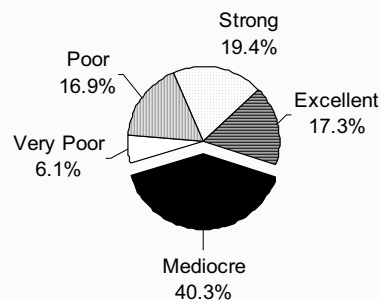
- Respondents: Senior managers (directors, city managers) with over 11 years experience in their jurisdiction
- Mail survey (cities > 50,000 pop; approx. 280 items) n= 200
- In-depth interviews

## Perceived Managerial Commitment

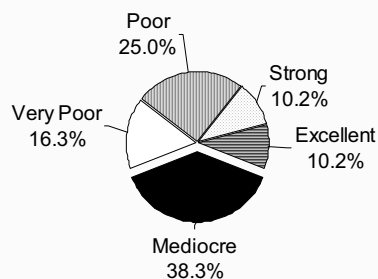
### Performance



### Public Participation



### Accountability



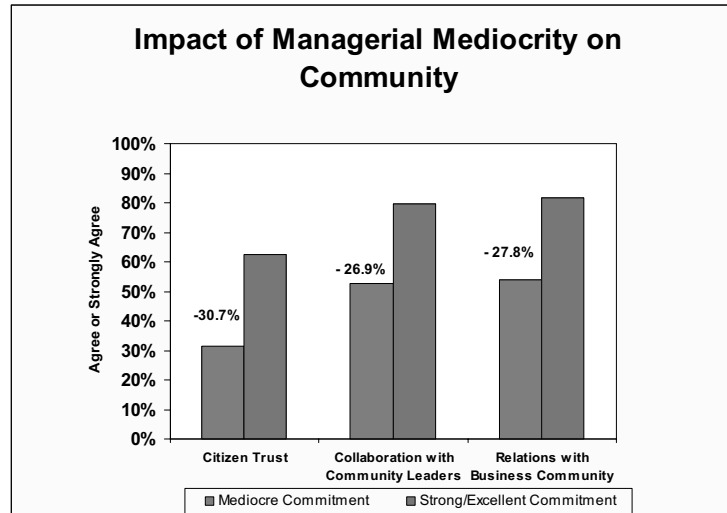
### Scale

1.00-1.99: Excellent  
 2.00-2.50: Strong  
 2.51-3.50: Mediocre  
 3.51-4.50: Poor  
 4.51-7.00: Very Poor



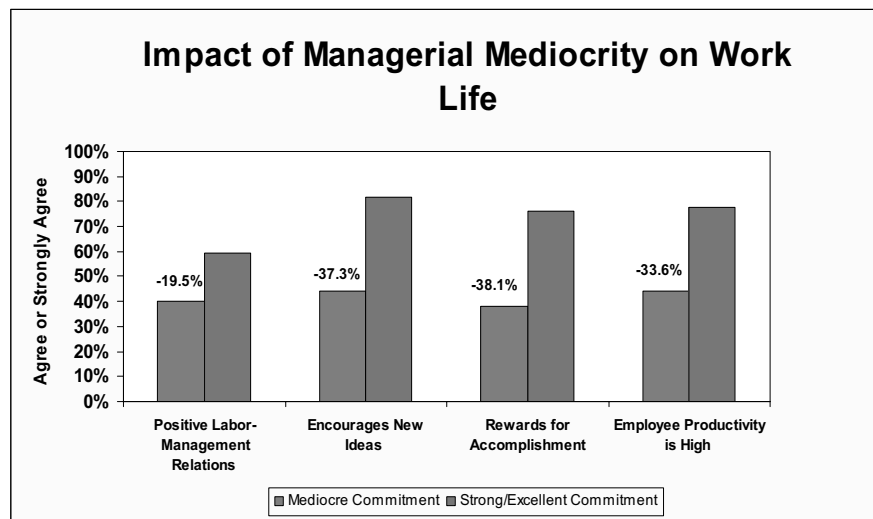
# Impact of Mediocrity

So what?



# Impact of Mediocrity

So what? – 2



## Strategies

### **What can be done about managerial mediocrity?**

- “Managers need to have a tick mark on the door to know how high they should leap.”
- “Withhold their bonuses – money is a way to concentrate their attention.”
- “Support conference participation, but require that they present to the management team what they have learned.”
- “Require managers to sign a Code of Ethics and hang it up on their wall.”

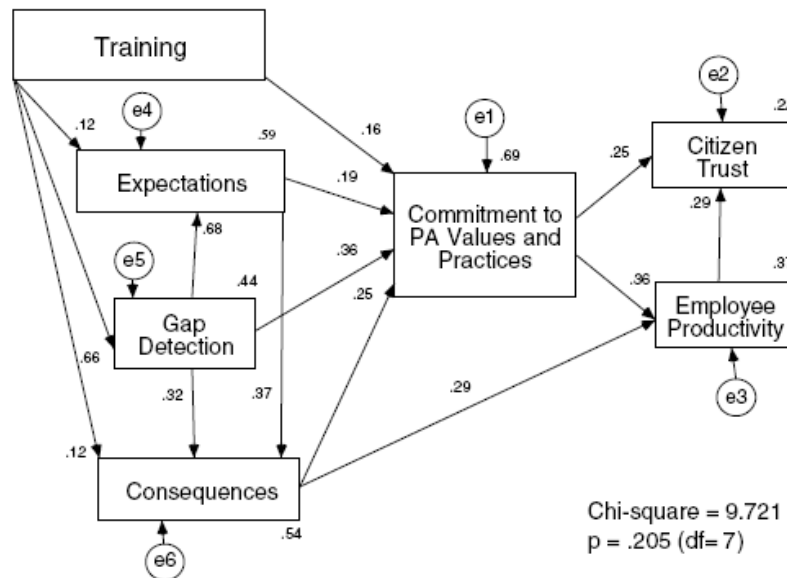
## Strategies

### **What can be done about managerial mediocrity? -2**

- “Conduct semi-annual performance appraisal of managers and give constructive feedback.”
- “Address their defensiveness and brainstorm with them possible solutions.”
- “Identify a “theme” such as customer service and stick with it for a prolonged period.”
- “Give praise for improvement and tolerate honest mistakes.”

# Strategies

**What can be done about managerial mediocrity?**



# Managing Change

# Managing Change

## Chapter 3:

- **Five Conditions for Success, p.44**
  - top management/leader support
  - an urgent need for change
  - support from a critical mass
  - some 'ripe apples.'
  - sufficient trust
- **Change in small units**

# Managing Change

## Breakout questions:

1. **Identify one past improvement and one future improvement that participants you will do.**
2. **Then, discuss how the five conditions for success affected the past improvement.**
3. **Then, discuss the relevance of the conditions to future efforts. How do you assess these conditions? How can they be ensured?**  
**Note: If conditions cannot be met, then go to another productivity improvement strategy.**

## **Lunch Break**

## **Review of Workshop Goals**

- **What are our workshop goals?**
- **How are we doing towards achieving them? Are any adjustments needed?**

# Motivation and Productivity

## Motivation

### Chapter 7:

- **What motivates? How much motivation?**
- **5 Needs that Motivate (p.127)**
  - Meeting physical security needs
  - Being part of the group
  - Being able to accomplish or creative
  - Getting and using power
  - Personal, non-work needs met through work
- **Conditions that Demotivate**
- **A Climate for Motivation**

# Motivation

## Psychological Contracts (p.132)

- **Why? Because we are not all alike**
- **Definition:**

**“Psychological contracts are *informal* agreements between managers and individual workers that aim to increase worker commitment by clarifying and aligning the expectations of workers and their supervisors.”**
- **Processes of establishing psychological contracts involve constructive dialogue through which mutual expectations are defined, tested for acceptance, and agreed upon.**

# Motivation

**E. Berman and J. West. (2003). “Psychological Contracts in Local Government: A Preliminary Survey.” Review of Public Personnel Administration, vol.23., no.4, (December), pp.267-285.**

Table 1. Use of Psychological Contract Processes

	<i>Yes (%)</i>
A. Actual use of psychological contracts	
Most supervisors establish psychological contracts with their employees.	57.3
Included elements:	
(a). Communication of reciprocal expectations, only	36.6
(b). Above, with encouraged balance of subordinate expectations <sup>a</sup>	20.7
B. Required use of psychological contracts	
We require every member of this organization to establish a psychological contract (or similar understanding called by another name) with his or her immediate superior.	19.2
Included elements:	
(a). Communication of reciprocal expectations, only	8.8
(b). Above, with encouraged balance of subordinate expectations <sup>b</sup>	10.4

	<i>Respondents Identifying Item (%)</i>
A. Work	
Workload	87.1
Work schedules	75.3
Responsibility or authority	55.9
Quality of work	52.7
Training	39.8
Performance objectives	34.4
Following orders	23.7
Off-site travel	7.5
B. Communication and relationships	
Working relationship with immediate superior	78.5
How and when feedback is given	53.3
Interpersonal relations (general)	45.2
Specific behaviors of employees/managers	35.5
Individually preferred working styles	29.0
Individually preferred communication	28.0
C. Careers and other	
Job security	69.9
Rewards (specific)	59.1
Promotion	58.1
Career development of employees	44.1
Employee/manager influence on what happens to them	41.0
Loyalty	28.0
Rewards (decision-making process)	26.9
Other, please specify: _____	2.2

#### Supervisor - what I expect to get from Subordinate

1. Arrive to work on time
2. Follow the Chain of Command
3. Be a team player
4. Set priorities when it comes to work performance and duties
5. Ask questions when he is unsure of a procedure; ask for help when needed.
6. Complete projects before moving on to others.
7. Accept constructive criticism
8. Refer persons to me when asked to perform tasks outside of realm of work.

#### Subordinate - What he expects to get from me (Supervisor)

1. Don't expect me to perform a task that you would not do yourself
2. If you reprimand me for being late, reprimand others under your command that are also late
3. Allow me the opportunity to be flexible, in regard to children and family
4. I expect to put in a day's work in a day's time
5. Back me up on things in the office especially when I am right
6. I expect that if I make mistakes on paperwork or lab testing then approach me discreetly so that you and I can resolve or fix the mistake. In other words, no one else in the office has to needs to know my mistakes



#### Supervisor - What I am willing to give to Subordinate

1. I have an "open door" policy. If there is a problem in arriving to work on time, talk to me, and let us come see if we can reach a solution.
2. Let me know what I can do to gain and maintain your respect.
4. If I do not know the answers to your questions, I will find someone who does.
5. If at times the work is overwhelming and people are constantly requesting information from you, we will sit down and come up with a game plan.
6. We all make paperwork mistakes, but whenever you make a mistake, I will present you with your mistake and attempt to relay what is needed to correct it.
7. I will also be cognitive of my surroundings when approaching you with work related mistakes, and use my office in a closed door session for discussion.

#### Subordinate - what he is willing to give to me:

1. I will try to do anything asked as long as it is not immoral or illegal
2. I am harder on myself than you will ever be, I understand the chain of command and I will do my best to follow the rules
3. I will keep you updated, and will not bring family problems to work
4. I will do my best to perform a day's work and a day's time
5. When approached by individuals outside the section to work on other documents, I will direct them to you and let them consult you on the task needed to be performed
6. I will try to ask questions when in doubt about procedures, and I will try to remember your "open door" policy.

#### **Typical assessment:**

On Mondays, my supervisor and I review our contract. Thus far, it has greatly improved my performance at work. It also opened needed lines of communication between my supervisor and I. I still struggle with some things. I have arrived late once since the contract, and my supervisor sees this as a great improvement. I also purchased a note book and keep a daily record of all work I complete. My supervisor is able to read the daily diary when she wishes. It keeps her abreast of happenings in the office as well as keeping me on track with work. I also no longer bring my non-work books to work. This has enabled me to work when I'm at work.

My supervisor has also made great strides. We talk daily about any office updates or when regulations or policies are changing. She is quicker to give feedback on my work and sends emails to me regarding work regularly now.

This contract, all though only a few weeks into it, has really enabled my supervisor and I to open lines of communication. I feel that my work has greatly improved because I am certain what is expected of me. I am also receiving what I want from work. My supervisor has lived up to her end of the contract. In the next month, we will re-assess our needs and determine if changes to the contract should be made.

# Individual Assignment

**Develop a plan to develop a psychological contract with someone:**

- 1. What will you be asking for?**
- 2. What are you willing to give?**

## Break

## **More Tools and Strategies....**

## **Tools and Strategies**

### **Three Sources Modern Performance Improvement Strategies**

- **Quality Paradigm (ch. 5)**
- **Information Technology (ch. 6)**
- **Strategic Planning (ch.4)**

# Tools and Strategies

## Traditional Sources Performance Improvement Strategies

**Note: many are updated!**

- **Motivation (ch. 7)**
- **Organizational Structure (ch.9)**
- **Work Rationalization (ch.10)**

# Quality Paradigm

## Chapter 5

- **A New Paradigm (p. 89, 90)**
- **Citizen and Customer-Oriented**
  - **Customer and Citizen-Service**
  - **Accountability: Citizen- and Customer-oriented performance measurement. (pp.143-144)**

**Example: Performeters**

    1. **What do citizens most care about, and how can we measure that?**
    2. **To whom is this information provided, and how?**

# Quality Paradigm

## Chapter 5

- **Process Re-engineering (p. 97)**
  - **Redesign service production/delivery**
  - **A “blank slate” approach**
  - **Assess readiness – think 5 conditions for success!**
  - **Track step steps**
  - **Set a “stretch” objective**
  - **Redesign the process**
  - **Implement the process**

# Information Technology

## Chapter 6

- **Strategic Questions (p. 109)**
- **IT Opportunities**
- **IT Strategic Issue**
- **Getting Support for new IT projects**

# **Traditional Strategies**

## **Chapter 10**

- **Cost reduction**
- **Revenue Enhancements**
- **Auditing**
- **Task Analysis**
- **Staffing Analysis**
- **Efficiency Analysis**
- **Project Management**

**Your turn!**

# **Insular Government Planning Session**

- 1. What the problem?**
- 2. What the intended goal? How is success measured?**
- 3. What the Improvement Strategy? (e.g., IT, strategic planning, re-engineering customer service, performance measurement)**
- 4. Are the five conditions met? If not, what can be done to ensure these conditions? (p.44)**
- 5. Develop an action plan: • goal • rationale/urgent need • team selection • first steps • further steps • timeline (p.52)**

# **Insular Government Planning Session**

**Reporting of Action Plans...**



***Concluding  
thoughts or questions? .....***



**The End**



# **The 21<sup>st</sup> Century Public Leader: Tools and Competencies**

**Prof. Evan M. Berman, Ph.D.  
Louisiana State University  
Public Administration Institute  
Baton Rouge, LA 70803  
[berman@lsu.edu](mailto:berman@lsu.edu)**

## **APPENDIX E: Summary of Conference Evaluations**

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

**Pacific Islands Training Initiative  
Virgin Islands Training Initiative**

**Montreal, Quebec, Canada**

**May 7 – 11, 2006**

#### **EVALUATION SUMMARY**

**(25 Evaluations Completed)**

To ensure that conferences and meetings that the Graduate School, USDA 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 GFOA Conference and IGFOA Meeting by circling the appropriate number.

#### **GFOA Conference**

- 1) The GFOA Conference sessions were relevant and timely.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
60%	40%	0%	0%	0%

**Score: 4.6**

2) What sessions of the GFOA Conference would you suggest should be followed up by PITI/VITI through training and/or other types of seminars?

- Effect of new audit standards regarding internal control and materiality of finding ways to mitigate effects
- Revenue collection tools / Cost savings or cost reduction
- Digital technology & e-government / Planning for financial stability
- Cost sharing / revenue enhancements within / between count, city, townships (villages) and state
- Managerial communication skills
- Property Management / What to do after a disaster
- PAFR
- The trend that government performance measurements would truly reflect factual, if the general public is involved.
- Now that you're the boss; what happens?
- Stress management for finance officers / What to do after a disaster / Human Resource Management
- All GASB
- What's it all about? Interpreting financial data in the public sector / Time to go! New guidance on accounting for termination benefits
- Project Management, Property Insurance, Stress Management
- Performance-based budgeting
- Linking budgets to results
- Stress management, motivation, changing attitudes, management staff communication
- Disaster recovery, how to evaluate the credit worthiness of your municipality
- Capital Assets / ERP System
- Performance Measurements, Communicating with citizens about what they would want from the government

### IGFOA Meeting

3) The IGFOA meeting sessions were relevant and timely.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
76%	20%	4%	0%	0%

**Score: 4.7**

- 4) The meeting's objectives were substantially met.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
64%	36%	0%	0%	0%

**Score: 4.6**

- 5) Logistics for bringing participants to and from Montreal were handled satisfactorily.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
72%	28%	0%	0%	0%

**Score: 4.7**

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

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
72%	28%	0%	0%	0%

**Score: 4.7**

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

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
64%	32%	4%	0%	0%

**Score: 4.6**

- 8) What sessions of the IGFOA Meeting were the most relevant and meaningful to you?

- Insular Government Program Report, Panel discussion on Leadership Competencies
- Progress reports by each group. Very helpful knowing how others are doing and created a sense of sharing problems and commonalities among all insular groups
- Learning about competencies, identifying them and how to improve on it in the workforce
- Ensuring productivity within work place
- Panel discussion
- Discussion at end of first day. Networking sessions
- Cutting expenses. Panel meeting
- Lecture by Dr. Berman
- How to handle competency through performance measurements. Also, this session made me more committed to working on reducing audit findings
- Dr. Berman's presentation
- Group discussions – facing problems / action taken to overcome problems
- Each islands presentation and panel discussions were great
- The 21<sup>st</sup> Century Public Leader
- Leadership session
- Performance base budgeting / Involving citizens with performance measurement
- Cost saving measures, audience participation
- Evaluating disaster recovery preparedness, Performance evaluation for cities
- Cost cutting discussion, DOI technical assistance criteria, ideas on being more effective as a manager
- New era for “E” government / Capitol Asset

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

- The 21<sup>st</sup> Century Public Leader for IGFOA and GASB42 from GFOA
- Tools & competencies of a public leader / GASB updates that affects financial reporting
- How to ensure that limited revenues cover the departments overall expenditures effectively / have employees to be performance oriented
- Performance Budget / Competencies – very important
- Leadership competencies and performance will improve bad work habits to improve work performance
- Implementing a PAFR report or a citizen's report for the community or public in American Samoa
- Increased accountability , getting the most from employees through good people

skill – sharing

- Performance & Productivity meeting / Creating Popular Annual Reports –PAFR
- The fact that government now seem to focus on involving the public in major government performance measurements
- Prioritizing work day / applying techniques to become more effective
- How to handle stress on the job / audit resolution
- I can't seem to pick out two important items as they were all important to my learning. I have always made sure I learn something new from any lecture no matter how many times I have heard about the subject. This has always worked for me and try to apply them whenever possible
- Identification of management competencies / Importance of moral leadership
- Focus and improving productivity / attempting performance based budgeting
- Public / private partnerships – fostering growth / communication recognizing attitudes of audiences
- Items for credit ratings / citizen participation in development of performance measures
- Techniques for managing change
- Challenges of being a manager. Delegation and trusting staff ability
- Managing change, development of action plan
- Leadership workshop – be patient, motivation takes time

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

- All sessions were informative
- Individual presentations
- All were good
- Poor service from shuttle buses
- All – continue excellent work
- Audits

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

- As a first time attendee – impressed with the coordination of the various sessions, exhibitors and complimentary services.
- Excellent keynote speakers. Professors that have abilities to make learning less boring and more fun and yet make the sessions interesting
- Next year – Priority - follow up training/seminar on 21<sup>st</sup> Century Public Leader
- Continue to keep IGFOA meetings directly after GFOA, however, extending IGFOA another day would possibly prevent brain overload.
- Too much materials to cover in one day and make the workshop too long and blunt
- Very timely and useful information. Good work
- The subject matter and organization of this IGFOA was much better than last year
- Three stars class hotel are preferred due to extra fee charges at a five stars hotel. GFOA-IGFOA are just great and look forward to attend the future meetings/conferences
- Some sessions should be offered more than once because of conflicting schedules; topics of interest offered concurrently
- Encouraging island governments to interact more to the level of seating, focus on challenges

## **APPENDIX F: Montreal IGFOA Conference Participant List**

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

**May 10 - 11, 2006**

**Marriott Hotel**

**Montreal, Quebec, Canada**

### **Confirmed Participant List**

#### **American Samoa**

Magalei Logovi'i, Budget Director

Jilla Piroozmandi, Special Assistant to Treasurer

Cathy Saelua, Budget Supervisor

Kara Lutali, Budget Analyst

Vivian Viar, Senior Accountant

Heidi Leasiolagi, Staff Accountant

Semalama Sagapolutele, Staff Accountant

#### **CNMI**

Robert Schrack, Special Assistant to the Secretary of Finance

#### **Guam**

Lourdes Perez, Director, Department of Administration

Goody Rosario, Accountant, Department of Administration

#### **Federated States of Micronesia**

Rose Nakanaga, Assistant Secretary for Finance, Department of Finance and Administration

#### **Chuuk State**

Winiplat Bisalen, Director of Finance

#### **Kosrae State**

Tiser Reynold, Budget Officer, Office of the Budget

#### **Republic of Palau**

Ruth Wong, Comptroller, Ministry of Finance

Millan Isack, Procurement Officer, Ministry of Finance

Naomi B. Ueki, Chief Accountant, Palau Civil Service Pension Plan

Tomasa Rechesengel, Chief Financial Officer, Palau Social Security Administration

Gail Rengiil, Director of Finance, Koror State Government



**U.S. Virgin Islands**

Bernice Turnbull, Commissioner of Finance

Ira Mills, Director, Office of Management and Budget

Marc Biggs, Commissioner, Department of Property and Procurement

Gerda Sebastien, Administrator, Fiscal & Personnel Services, Depart. of Property & Procurement

Frank Schulerbrandt, Esq., Chief Executive Officer, Economic Development Authority

Diana F. Richardson, Director, Business Office, Department of Planning & Natural Resources

Yvonne Pryce, Director, Business Office, Department of Labor

Ethlyn Springette, Accountant, Department of Labor

Pauline Arnold, General Ledger, Department of Finance

**U.S. Department of the Interior/Office of Insular Affairs**

Edgar Johnson, Acting Director, Technical Assistance

Marina Tinitali, Accountability & Insular Policy Specialist

**Graduate School, USDA**

Jack Maykoski, Director, International Institute

Ellard-James Hurley, Program Manager

Jason Aubuchon, Program Manager

Stephen Latimer, Program Manager

**Resource Consultants**

Deborah Milks, Consultant

Frank Crawford, Consultant

Dr. Evan Berman, Consultant