



FEDERAL GRANTS PROGRAMS
ACCOUNTABILITY AND AUDIT CONFERENCE
June 14-16, 2007, San Francisco, California

CONFERENCE PROCEEDINGS



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July 16, 2007

Dear Grants Conference Participant:

I would like to take this opportunity to thank all of the participants who attended and actively participated in the Federal Grants Programs Accountability and Audit Conference that was held June 14-16, 2007 in San Francisco, California. On behalf of the US Department of the Interior's Office of Insular Affairs, it was an honor to host a gathering of dedicated public sector officials representing both the U.S. federal government and the U.S.-affiliated insular governments of American Samoa, the Commonwealth of the Northern Mariana Islands, Guam, the US Virgin Islands, the Republic of Palau and the Republic of the Marshall Islands.

As I mentioned during my opening comments, the proper and effective management of U.S. federal grants in the insular areas is a responsibility we all share. Collectively, we must find ways to better serve the beneficiaries of federal programs in the insular areas and build confidence on the part of taxpayers, legislators and agencies that federal dollars are spent wisely and in a manner that promotes accountability and transparency.

I would encourage you to use this report as a way to share the results of the conference with colleagues and senior executives within your organizations. It is my hope that this report also serves as a reminder of the commitments that were made in the course of the conference to strengthen grant alliances between the federal government and our insular government counterparts. In particular, please be sure to review Appendix R, which summarizes the action plans that were developed by representatives of the insular governments and federal agencies that attended the conference.

Strengthening grant alliances between the federal government and our insular counterparts is a constant process, and I am hopeful that in the coming years we can all continue to work together to share challenges and best practices in administering grants. I want to assure you of the continued support of the Department of the Interior and the Office of Insular Affairs. My staff and I are committed to maintaining the dialogue that we began in San Francisco, and we hope that you will not hesitate to contact us if there's anything that any of us can do for you.

Thank you again for your commitment to the success of this conference, and I look forward to our future collaboration in the years to come.

Sincerely,

Nikolao Pula
Director, Office of Insular Affairs
U.S. Department of the Interior

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I. Executive Summary

Proper and effective management of U.S. federal grants in the insular areas is a critical responsibility shared by both the insular areas and the Federal agencies providing grants. Recent designations of high risk grantee status of individual insular government departments and/or entire governments created an urgent need to address the issues causing the high risk designation. In an effort to improve accountability and grants management in the insular areas, the U.S. Department of the Interior's Office of Insular Affairs (OIA) sponsored the "Federal Grants Programs Accountability and Audit Conference" June 14 – 16, 2007 in San Francisco, California. OIA felt that, collectively, the insular areas and federal agencies must find ways to better serve the beneficiaries of federal programs in the insular areas and build confidence on the part of taxpayers, legislators and agencies that federal dollars are spent wisely and in a manner that achieves their purposes and promotes accountability and transparency.

With management and logistics support provided by the Graduate School, USDA, the conference was designed to facilitate communication among all the participants to find ways to eliminate long standing audit findings while simultaneously ensuring more effective service delivery to beneficiaries and proper use of government funds. Thirty-four federal government participants representing sixteen federal agencies attended the conference along with financial and program managers of key federal programs from the four U.S. flag territories of the U.S. Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands (CNMI). In addition representatives from the Republic of the Marshall Islands and the Republic of Palau's finance offices attended the conference. The Federated States of Micronesia did not take part in the conference due to scheduling conflicts of key finance office staff. (Please see Appendix V for the conference participant list and Appendix W for conference participant contact information).

The goals of the conference were to:

- Provide a forum for federal and insular government grant managers to discuss areas of common interest and concern in an effort to improve the grants management process;
- Examine grant management best practices being employed by the insular governments; and
- Enhance fiscal accounting and program performance of the insular governments in the delivery and implementation of federal grant programs.

The conference was comprised of a series of presentations, panel discussions, and small group break-out sessions. These activities afforded the participants many opportunities to identify ways in which to improve grants management and accountability. Conference participants, both the insular areas and the Federal agencies, agreed they faced many challenges in improving the effectiveness of grants management. Some of the key challenges the grant recipients and the grantor agencies cited were:

- Communications between grantees and grantors,
- Ability of Federal agencies to conduct oversight and assistance visits,

- Accountability of grantees and responsiveness of grantors,
- Record-keeping practices and policies for grants,
- Political interference, and
- Many different requirements for different grants.

In their formal and informal discussions, the participants identified several actions that could help address the most significant challenges in effective grants management:

- Increase emphasis on improved communications among all parties,
- Convene grants conferences at least every other year,
- Adopt a single draw-down system for all Federal agencies,
- Provide training on grants management more often and to a broader audience,
- Coordinate grants at the state level in the insular areas,
- Cooperate among Federal agencies to coordinate oversight and assistance visits,
- Increase coordination and cooperation between fiscal grants managers and programmatic grants managers, and
- Share a deepened recognition of the unique circumstances the insular governments experience.

The conference provided the participants many opportunities to articulate and address the issues they face in grants management. Many specific issues were raised and resolved during the conference. Many more issues were raised that require additional communication, problem-solving, and coordination. The insular governments and Federal agencies agreed to continue the dialogue started during the conference and try to resolve these issues in a timely manner.

II. Background

On August 9, 1999 President Clinton issued an Executive Memorandum that created the Interagency Group on Insular Areas (IGIA). In calling all major Federal departments and executive agencies to the table, the order launched what has become an integrative process to address crosscutting insular policy issues, ensure program coordination, and promote responsiveness to those special circumstances that distinguish the territories from the fifty states.

The IGIA identified concerns related to the implementation of federal programs in the insular areas around the quality of program results being achieved, financial management and accountability, and the federal capacity to provide meaningful and effective technical assistance to the territorial governments in support of program delivery. Toward this end, OIA convened a three-day working conference during October 2000 of Federal representatives and Territorial officials to explore issues that impeded grant prospects and management. The June 2007 conference was the second OIA sponsored grants conference, with a greater focus on accountability and grants management.

Encouraging sound financial management techniques has long been a hallmark of the Department of the Interior's Technical Assistance program with the Pacific territories and the U.S. Virgin Islands and the results have paid off. At the December 2003 meeting of the Insular Government Finance Officer's Association (IGFOA) in Honolulu, OIA challenged each government to become compliant and current with their annual financial management reporting requirements. At that time only one government had begun work on their 2003 financial statement while several of the insular governments were years behind with producing their single audits. By June 2006 six of the seven insular governments had submitted their Fiscal Year 2005 single audit to the national clearinghouse on time and with significant improvement in both audit findings and questioned costs. For the first time, two governments - the Republic of Palau and Pohnpei State of the FSM, received unqualified audit opinions with Pohnpei State reporting zero questioned costs in FY 2005.

The June 2007 conference aimed to raise the bar even higher by encouraging communication among all the participants in an effort to find ways to eliminate long standing audit findings while simultaneously ensuring more effective service delivery to beneficiaries and proper use of government funds.

III. Conference Goals

The conference goals were developed in consultation with representatives of the insular areas, Federal agencies, and technical experts working in the insular areas. Feedback from the 2000 Grants Conference was also used to establish the goals and design the conference. Based on input from all the sources and key stakeholders, the following three goals were developed:

- Provide a forum for federal and insular government grant managers to discuss areas of common interest and concern in an effort to improve the grants management process;

- Examine grant management best practices being employed by the insular governments; and
- Enhance fiscal accounting and program performance of the insular governments in the delivery and implementation of federal grant programs.

IV. Welcome: Nikolao Pula, Director, Department of Interior/Office of Insular Affairs

Nikolao Pula opened the conference by extending his gratitude and thanks to the participants for being able to spend time at the meeting. He emphasized that Federal grant programs are very important to people in the insular areas as well as the taxpayers of the United States. Mr. Pula stated, “Federal grants are an important part of the engine of the economies of insular areas, which are typically small, isolated, and resource-poor. The opportunity to utilize the grant funds for the benefit of health, education, public works, etc., is extremely important to isolated island communities.”

Mr. Pula noted that the conference had a strong agenda that would help both the Federal grantor agencies and the insular areas assist each other. He stated, “The last time OIA hosted a conference of this magnitude to address Federal grants was in 2000. At that conference, there was a lot of focus on grants and available funds that could be applied for by the insular areas. The conference also raised many other issues related to grants and grants management. This agenda is a bit more focused on accountability. Often times when we talk about accountability it connotes making sure things are monitored and transparent. But accountability is a two-way street. We are accountable as grant managers in the islands, and we are accountable as Federal government grant managers as well. Ultimately, we are all accountable to the US taxpayers and the beneficiaries of the grant programs.”

Mr. Pula expressed his hope that over the next few days the Federal grantor agencies and the insular areas could start a new road in working and cooperating together. He held the expectation that everyone would take something back from this conference through the information exchanged and solutions explored.

In his remarks, Mr. Pula commented that communication can be difficult, particularly between cultures and, therefore, how important it is to keep repeating ourselves until messages sink in. “More than education, experience, and training, a person’s level of resilience will determine who succeeds and who fails. This is true in the cancer ward, in the Olympics and in the board room. We talk about the attributes of a leader, manager, and federal worker, and talk about those qualities that make us feel good about a person. Whether you are a manager or director or employee, resiliency is important. I’ve worked in a variety of jobs – high paying and low paying jobs – and I think that when we do the kind of work that we do, it’s important to take stock of ourselves, to look at ourselves and realize we’re at different stages of our life. Having that attribute of resiliency is important.”

Mr. Pula related a story of a famous high talking chief in Samoa who was known for his great talent in public speaking. He asked this chief one day what it was that made him so charismatic when engaged in such a forum. The chief explained that he had a habit of removing his sandals so his feet could touch the earth or soil of a particular village or place. Then he would focus his mind and body on the energy which often comes from the ground

and feel it build within him. This feeling often gives him confidence and familiarity with the surroundings to help him speak clearly and enthusiastically. Mr. Pula later referenced this story to all the grant managers and urged them to take the opportunity to remove their shoes and feel grounded with new areas they visit. He also encouraged them to make time to put their feet in the shoes of their counterparts and see from their lenses how they perceive certain challenges, and to try and understand those different points of view. Perhaps with such experiences and a better understanding of different perceptions, grant managers may be able to shift paradigms and work creatively together to resolve some of the same long standing issues that need fixing.

In closing Mr. Pula stated, “We must all have the courage to be honest about our problems and have the willingness to fix those problems. I hope we can have action items at the end of this conference to establish goals, communicate further and be resilient about it. Thank you for being here. I wish you well. Good luck here and good luck when you go back home.”

V. Review Agenda/Expectations/Introductions: Dr. Pat Keehley, Facilitator

Conference facilitator Dr. Pat Keehley reviewed the conference agenda (*Appendix A*) then led the conference participants through a brief series of ‘warm-up’ tasks. Participants introduced themselves to three other people whom they did not previously know. Participants at each table then discussed their expectations and goals for the conference. Each table identified the three most important expectations and reported them to the entire group. (These expectations are listed in *Appendix B*.) The most frequently cited expectations among the participants were to:

- Improve communications between insular areas and Federal grantor agencies,
- Learn more about how to develop and handle indirect costs,
- Discuss audit findings and how to resolve and close them,
- Learn more about internal controls and how to apply them to the grants management process, and
- Compare best practices among the insular areas in grants management.

VI. Analysis of Federal Grant Audit Findings: Deborah Milks, CPA

Ms. Debbie Milks presented information on the Audit Improvement Project and Federal Grant audit findings (see *Appendix C* for the presentation materials). The four flag territory insular areas have made significant progress in resolving the audit issues within the control of the finance and accounting functions, reducing the number of findings from 220 in 2001 to 143 in 2004. While finance office findings have been reduced, the number of findings from other departments and programs have increased. One area in which the number of findings has increased is grants management. Ms. Milks emphasized that finance offices are not responsible for these findings. The agencies and programs receiving the grants need to develop corrective action plans (CAPs) and resolve the findings.

Ms. Milks reviewed her analysis of the audit findings and the causes cited by the auditors. She noted the auditors often cited 'lack of internal controls' as the cause for a finding.

A participant from the Guam Public School System noted the difficulty he was having with Federal agencies 'closing' audit findings and asked what he could do to get responses from the Federal agencies and how to expedite the closure process.

OIA Response (Marina Tinitali): The auditee should ensure that the package prepared to support the resolution of a finding is complete. The specific recommendations of the independent auditors should be addressed in the response. Format should be clearly written:

- Auditor's Recommendation
- Auditee's corrective action
- Narrative of actions taken
- Documentation to allow verification that corrective action was completed

The package should be sent to the Federal program manager (auditee should keep a copy of the completed package). If no response is received from the Federal agency within reasonable time period (e.g., 30 days), a follow-up communication should be sent (phone call, email, letter). If no response is received, the auditee may send a request to OIA for assistance (from Governor to Nikolao Pula, Director of Insular Affairs; or from the Department Director to Marina Tinitali, Accountability Specialist & Audit Liaison Officer). The communication to OIA should include details of the findings and corrective actions, communication information for the Federal program manager and calendar of communication attempts, and request OIA's assistance in resolving the matter. OIA will then communicate with the Federal agency's POCs and with the agency's OIG as necessary.

VII. Cognizant Agency for Audits: OIA: Marina Tinitali, Accountability Policy and Audit Liaison Officer, Department of Interior, Office of Insular Affairs

Ms. Marina Tinitali discussed the responsibilities of OIA as the cognizant agency for audits, and the goal of OIA to assist all of the territories and freely associated states to improve fiscal and management practices thereby helping to ensure the accountability for Federal funds and the integrity of Federal grant programs.

OIA provides grants management oversight and technical advice for all OIA funded grant programs, monitors each grantee's compliance with the Single Audit Act and OMB Circular A-133 as required, and provides funding for training of local staff and consultants and experts to help develop and implement policies and procedures intended to improve government practices.

Annual financial and federal awards audits (Single Audits) are to be completed by grantees and submitted to OIA within nine months after the fiscal year or based upon an approved time extension. Historically, grantees were several years delinquent on completing their annual Single Audits. OIA worked with each territory and freely associated state to encourage completion of the audits with the knowledge that corrective actions had not been

taken and, therefore, audit opinion qualifications and audit findings would be restated. The island governments applied the approach and are now working to resolve the recurring issues in completed audits of the more recent fiscal years (2004 baseline).

Ms. Tinitali, in her role as the Audit Liaison Officer for OIA, receives and reviews each single audit and organizes the required OIA Management Determination on each corrective action. The Management Determination focuses on whether the grantee's stated corrective actions will be adequate to fully resolve the issues and, if not, what additional actions will be required. It is imperative that in each single audit report:

- Corrective actions be identified per individual finding.
- The corrective actions specifically address the finding and the auditor's recommendation.
- The actions be completed by the grantees with adequate documentation to allow verification by OIA (or other Federal agency).
- Communication occur between the Federal grantor agency and the individual within the local government responsible for performing the corrective action or other designated POC.

Reminder: OIA is available to assist in the communication between the parties to help ensure the finding is fully resolved and closed.

Ms. Tinitali stressed the importance of the identification of the root cause(s) of the issue and the obstacles to resolution. Based upon the identifications, Ms. Tinitali, in her role as the Accountability Policy Specialist for OIA, works within OIA and with other Federal agencies to help secure available funding and technical expertise to assist grantees to develop and implement viable solutions, especially if the solution solves systemic problems that are cross-cutting (affecting more than one Federal program). The progress of each of the island governments to resolve systemic problems and improve their administration of Federal grant programs is tracked by Ms. Tinitali. The assessments are provided to senior management of OIA and other offices within DOI, the US Congress, the Government Accountability Office (GAO) and other interested parties.

In response to a recommendation by the GAO, OIA will also be working with the grantee governments to identify a deadline for achieving an unqualified ("clean") audit opinion on their financial statements. Currently, the Government of Palau has received clean audit opinions three years in a row, and Pohnpei, FSM State, had a clean opinion on its FY 2005 financial statements. OIA is hoping that the trend will continue for both Palau and Pohnpei, and that others will shortly follow. OIA anticipates that Guam will be the next territory to receive a clean opinion. Ms. Tinitali will work with each island government to identify a realistic timetable for clean opinions.

OIA is focused on assisting grantees to improve accountability and the administration of Federal grant programs. This will be a team effort amongst OIA, other Federal agencies and the responsible parties in the territories and freely associated states. Ms. Tinitali expressed the hope that we will listen to each other to identify and address challenges out in the islands, and offer our time and resources to help find solutions to those challenges. Ms. Tinitali also

pledged her efforts to keep the momentum expected from this conference rolling and to ensure communication amongst the working groups of Federal departments and agencies. The various Federal and joint groups such as the working group of Federal grant managers present at this conference, the Interagency Group on Insular Affairs (IGIA), the Federal Regional Council and its Outer Pacific Committee are all committed to developing solutions that may be applied consistently throughout the territories and freely associated states.

VIII. Federal Grants Programs Accountability and Audit Conference: Morgan Aronson, Department of Interior, Office of Inspector General

Ms. Morgan Aronson, the National Single Audit Coordinator (NASC) for the Office of the Inspector General, DOI, discussed the OIG's responsibilities, single audit reviews, and the procurement of audit services (see Appendix D for the presentation materials). The OIG monitors audit work performed by nonfederal auditors on Federal programs, conducts desk reviews and quality control reviews, notifies auditor oversight bodies about substandard audit work, and provides single audit technical assistance to auditors, auditees, DOI bureaus, and other Federal agencies.

The NASC conducts desk reviews of all insular area single audits. The desk reviews analyze the auditor's reports, schedule of expenditures of Federal awards, the schedule of findings and questioned costs, financial statements, and the notes to the financial statements. The quality control review assesses auditor proficiency, audit planning, and test work (internal controls and compliance).

Ms. Aronson also presented information to help the insular areas procure audit services. She also cited several websites that provide additional data on audit firms and services (see *Appendix D* for more information).

Discussions

Why doesn't IG office provide copies of auditor's review papers?

They are the property of IG's office and are working papers. We do sometimes copy finance officers on letters, and we do copy Marina Tinitali and Nik Pula on messages. We don't relay reviews of auditors to the auditee, since there are certain issues that the auditors do not comply with and things may be more severe in the auditee's impression than they are in our impression.

What happens if the audit firm is not qualified?

If an audit is deemed substandard and not in accordance with federal requirements, the audit would need to be reissued.

How do we clean up audit findings that are two years old or more?

We don't generally get involved in reviewing specific issues, as they're more program and management issues that we can't get involved in. That should generally be left with Marina Tinitali and her group, and I'd recommend that if you have findings that are years old and

you aren't getting responses from your federal agencies, you should talk to your auditor and let them know. Sometimes, however, there are findings that actually repeat every year. Then they should be left open.

IX. Review of Grant Oversight: Humbarto Melara and Arona Maiava, Jr., Department of Homeland Security, Office of the Inspector General

Representatives of the DHS/OIG's office presented information about their office, its role and responsibilities, sources for government auditing standards, and the laws, regulations, and guidelines requiring use of government accounting and auditing standards (see *Appendix E*). They then discussed accountability, the audit process, types of audits, and types of audit findings. They also offered some advice on how to handle audits:

- Familiarize the grant managers with, and follow the terms and conditions of, the grant programs/awards;
- Acquire adequate resources to implement and manage the grant programs;
- Assign accountability [responsibility] – how are grant funds being managed? Who is responsible for the various stages of the process (such as program and financial management)?;
- Maintain proper documentation of how grant funds are being managed/spent; and
- Perform oversight and periodic internal reviews of how the program is being managed and grant funds being spent.

X. Panel 1: Strengths and Challenges to Effective Grants Management in the Insular Areas

Representatives of four insular areas and four different functions presented a panel discussion on the strengths and challenges to effective grants management in the insular areas. The panelists were:

- Lourdes Perez, Director of Administration, Guam
- Debra Gottlieb, Acting Director, Office of Management and Budget, US Virgin Islands
- Edith Deleon Guerrero, Executive Director, Workforce Investment Agency, CNMI
- Pat Tervola, Deputy Director, Office of Procurement, American Samoa

A summary of the strengths and challenges presented by the panelists can be found in *Appendix F*.

Ms. Perez began her presentation with a description of the scope of the grants administration challenge on Guam (see *Appendix G*). The Government of Guam's Department of Administration manages and provides oversight for over \$100 million from more than 222 grants spread among 45 grantees from 16 different Federal grantor agencies. These grants do

not include grants provided to the Guam Public School System, which administers and manages its own grants. In addition, Guam has five oversight entities, ranging from the Governor's Office to the Office of the Public Auditor.

Ms. Perez cited several challenges facing Guam in the grants process. The drawdown process and the time differences between Guam and the mainland created significant problems. Although the Federal government is supposed to use only two different drawdown systems, Guam has to use several to receive its grant funds. In addition many of the drawdown systems close very early in Guam's day (8:30am, 10:00am, and 11:00am for the three most frequently used systems).

Ms. Perez then mentioned several problems with the audit and finding resolution processes. Coordination and follow through on the audit findings were significant issues. There was often confusion over the responsible agency specific to a finding.

Procurement findings did not seem to accommodate the unique circumstances faced by the islands. For many products and services Guam has a very limited number of vendors. Auditors, the line agencies, and the Attorney General's Office have disagreements about when (and how) to apply local procurement law and when Federal laws apply. She also noted that cash management can be a problem; the government has no control over when vendors cash paper checks. Thus, uncashed checks may sit on the books for months or even years.

Ms. Gottlieb made the following speech:

"As you are aware all governments are beset by problems whether they are caused by rapid unplanned growth or by projected or unexpected economic decline. There are many factors that influence our day to day decisions including our funding priorities and yes - our political realities. The United States Virgin Islands is no different.

Challenges

First and foremost, among our challenges and opportunities for improvement were our antiquated Financial Management System (FMS) and the current implementation of our "new" Enterprise Resource Planning or ERP system, which is still in its infancy stage. Almost twenty (20) years ago the U. S. Department of the Interior assisted the Virgin Islands with funding for its FMS. It was difficult, almost impossible to get employees to change their manual ways of processing data and information to an automated environment.

Today, thanks to the Territory's pro-active change management efforts, funded with a grant from Interior, our new ERP is being embraced but the process is challenging. For years we "chicken fixed" the FMS with patch after patch to address our unique needs, while not fully exploring and definitely underutilizing the full potential of this system. Today, the Government of the Virgin Islands is trying to implement a few essential ERP modifications early on, to ensure a smooth transition later, while remaining cognizant of the vendor's recommendation to not over customize the system. Fiscal Year 2007 is the base year for implementation of the ERP, with the requisite data conversion from the prior fiscal year (FY 2006). Despite the "growing pains" inherent in any system implementation of this magnitude the Government of the Virgin Islands anticipates the benefits and rewards of being able to

reconcile monthly, meeting financial reporting deadlines, and overall ensuring full compliance with the terms and conditions of federal grant awards. This is our goal, and with accountability, transparency, Performance Base Budgeting and a new “credible” financial management system (the ERP), we are definitely proactively striving to achieve it!

Another area for improvement in the islands has to do with limited personnel with updated knowledge of Grants Management and the Code of Federal Regulations relating to individual programs, a full ERP skills set, and a thorough understanding of the OMB Circulars, including the Cost Principles. The Office of Management and Budget’s Federal Grants Management Unit’s (FGMU) goal has been and still is to train and develop a cadre of Certified Grants Managers. Although funding constraints have hampered timely realization of this goal, the identification or reprogramming of federal funds to address grant certification (not certificate training) is still essential. The recruitment and retention of qualified experienced Program/Grants Managers and staff continue to be a “stumbling block” because of a low salary scale coupled with the high cost of living on the islands.

While the Government of the Virgin Islands (GVI) conducts training and encourages promotions from within (based on qualifications), we are not where we would like to be yet, relative to certification and continuous professional development. GVI’s commitment to meet the deadline of the Single Audit Act remains firm; however our stride has slipped somewhat due to competing mandates and priorities.

On the positive side between July of 2000 and April of 2006 the Virgin Islands issued seven (7) single audit reports for Fiscal Years 1998, 1999, 2000, 2001, 2002, 2003 and 2004. We also issued agreed upon procedures for Fiscal Years 1996 and 1997. Nine (9) reports in six (6) years. Prior to that 6-year period GVI released its FY 1995 Single Audit. More recently, we have encountered set-backs in issuing our Fiscal Year 2005 report, which has been rescheduled for issuance in the summer of this year. Our greatest obstacle, in addition to closing our books on time has been to get the “Component Units” of the government (other semi-autonomous or independent instrumentalities) to complete and timely submit their own A-133 compliant audits for inclusion in GVI’s annual financial audit.

The Government of the Virgin Islands anticipates a surge in findings for the Fiscal Year 2007 audit, since this will be the first year on the ERP. However, to address meeting the audit deadline, GVI has been exploring the feasibility of running concurrent audits for two (2) fiscal years. Additionally, after many years with the same external auditor, earlier this year, the Virgin Islands awarded a new contract for auditing services to a different CPA (Certified Public Accounting) firm. Besides its knowledge of accounting principles and auditing standards, we expect the new firm to be technologically savvy with sensitivity to cultural differences, including language barriers.

Full implementation of the ERP, which is a phased approach, will culminate in achieving a fully integrated new financial management system or ERP or GVI Munis system. The down-side to such a powerful system, with decentralized processing and approval, is the challenge that our newly created Bureau of Information Technology (BIT) must face. In short, BIT must holistically address the infrastructure and technological needs of the U.S. Virgin Islands with a Master Project Plan as opposed to a “piecemeal” approach. Among other things, the plan should address connectivity, system down time, contingency planning, and support.

Other generic concerns include Legislative over-appropriations, government “red tape,” staff shortages in key areas, high poverty levels, and too many employees “wearing too many hats” at the same time (a/k/a multiple duties and responsibilities).

Strengths

The experiences of Hurricanes Hugo and Marilyn confirmed what we already knew – that Virgin Islanders are resilient people. Yet our strength in managing federal grants in this insular area can best be seen in the following.

Commitment from the Governor and his administration to achieving full compliance with the Single Audit Act of 1984.

As adopted from prior GFOA sessions, regular audit meetings with the Federal Programs Managers in the Territory. This facilitates problem identification and resolution, shared experiences and “best practices”, and a better understanding of the merits of reducing and eliminating audit findings. The Virgin Islands went from a high of one hundred and twenty (120) findings in Fiscal Year 1999 down to thirty (35) in Fiscal Year 2004.

Buy-in of the Chief Executive (Governor) regarding Performance Base Budgeting (PBB) and the need to address PBB in concert with his overall Strategic Plan for the U. S. Virgin Islands.

Implementation of PBB with the Fiscal Year 2008 Executive Budget. Presently, VI OMB is conducting on-going PBB training territory-wide thanks to funding from Interior.

The University of the Virgin Islands (UVI), an institution of higher learning which is “historically American, uniquely Caribbean, and globally interactive” provides access to a pool of qualified students in the areas of Accounting, Finance, Public Administration, etc. Similarly it is an avenue for personal and professional development for employees, including the attainment of graduate degrees. A higher percentage of UVI students and graduates are full-time employees continuing their studies on a part-time basis. More than 35% of OMB employees have a Master’s degree (some have two). The caliber of our employees is rising, and with it the ability to tackle our financial and grants administration issues that challenge us.

There are still many challenges facing us in the Virgin Islands, but our commitment is solid and our strengths outweigh our weaknesses. We are collectively focused on achieving better and doing better for the children, the people, and the Government of the Virgin Islands. Accepting less than this is no longer an option.”

Edith Deleon Guerrero, the Executive Director of the Workforce Investment Agency in the CNMI, made a presentation on her agency and its grant management issues (see Appendix H). She stressed that the grantee agencies and the grantors share many common objectives. To achieve these shared goals, her agency tries to:

- Manage federal grants in accordance with program, federal, and state guidelines,
- Meet or outperform established grant performance benchmarks and those of the Grantor Agencies’ benchmarks as well (if any),

- Conform to all OMB circulars and grants administrative requirements, and
- Continuously seek technical assistance guidance from the cognizant/grantor agency on the most prudent and efficient way to manage federal grants to avoid being labeled as “high risk grantee”.

The challenges she and her agency encounter are:

- Bottleneck issues that affect participants and vendors alike,
- Accountability,
- Reporting accuracy and timeliness, and
- Capacity issues.

Pat Tervola of American Samoa closed the panel presentations with a discussion of the challenges they face in grants management. American Samoa strives for transparency and accountability. It is currently working on procurement reform, operating on a centralized purchasing system. The government is moving towards “best value procurement” which has been adopted in some levels of state-level procurement. It is also moving towards performance-based contracting.

Mr. Tervola stressed the need for training. The staff is only as good as how much they have been trained—whether in procurement or dealing with grants.

Mr. Tervola closed with some wisdom from his grandfather, or at least someone’s grandfather. He said, “There are two groups of people. The first group is hardworking, while the second group is the one that likes to take credit for the work the first group does. My grandfather recommended that I join the first group, since there’s no competition there.”

Discussions

How much training do you think is necessary?

Training in the field is very important—but also cross-training and “train the trainers” type of activities.

It is important to also emphasize the process of procurement and ‘process improvement’ activities within island government agencies. Procurement is technical knowledge with lots of constant changes that need to be kept up with. We need to keep learning and spreading knowledge among employees.

XI. Panel 2: Creating Alliances that Help Avoid High Risk Status

Executives from Federal agencies comprised the second panel. This panel addressed how insular areas could better manage their grants and avoid becoming a ‘high risk’ grantee. The panel members were:

- Philip Maestri, US Department of Education
- Kristen McCall, Centers for Disease Control, Department of Health and Human Services
- Dennis Stewart, US Department of Agriculture Food and Nutrition Service
- Marina Tinitali, US Department of Interior/Office of Insular Affairs

Phil Maestri made a presentation on high risk and how to avoid becoming a high risk grantee (see *Appendix I*). An agency or department becomes high risk when it:

- Has a history of unsatisfactory performance,
- Is not financially stable,
- Has a management system that does not meet standards,
- Has not conformed to terms and conditions of previous awards, or
- Is otherwise not responsible.

Mr. Maestri noted that an agency can get off high risk status when it:

- Completes its audits on time,
- Receives clean opinions,
- Has minimal findings,
- Demonstrates working controls,
- Shows effective monitoring, and
- Runs effective programs with allowable activities.

To prevent becoming a high risk grantee, Mr. Maestri recommended focusing on the basics. Specifically, he suggested that agencies:

- Develop the discipline of following procedures and controls,
- Have a plan, this helps to prevent last-minute rush to spend,
- Don't get too carried away, simple is best, and
- Stick to the basics—controls, documentation, and program goals.

Kristen McCall, of the Centers for Disease Control, talked about a study being conducted to find ways to better support the insular areas and their health grants (see *Appendix J*). The study has identified a number of challenges for the insular areas:

- It is burdensome for insular areas to apply for, carry out and report on multiple categorical funding programs.
- One person may be in charge of application and reporting requirements for a dozen or more grant programs.

- Infrastructure, facilities, technology, equipment, is inadequate.
- Organizational issues, difficulties in hiring, understaffing, and budget crises, make it difficult for the insular areas to apply for grants and meet grant execution, monitoring, and reporting requirements.
- Fiscal systems in the insular areas may be inadequate or difficult to deal with. Getting funds out of the local government system takes time and may cause delays in program implementation because the government cannot afford to front program costs.

The CDC study also identified challenges that it faced in dealing with the insular areas. Some of these challenges are:

- A lack of understanding of the insular area context, distance and communication barriers.
- A lack of coordination, multiple grant applications may be due at same time.
- Grants do not offer sufficient flexibility.
- CDC communication protocols are not efficient. Snail mail for official notifications can mean program delays.
- No-cost extensions were disallowed.

Ms. McCall cited several strengths in the health grant area:

- The Staff
- Do a lot with limited resources
- Committed to public health service
- Good at multi-tasking
- Collaborations- Multiple and productive
- With other insular areas
- With CDC
- With local community
- With other programs

Finally, Ms. McCall closed with recommendations and actions currently underway. The CDC has made these recommendations:

- Institute flexibility where needed.
- Develop improved and streamlined communication processes to the insular areas from CDC.
- Develop workshop on effective grants management that includes key personnel from the Ministry of Finance, Program Directors and Managers, and Procurement and Grants Offices.

- Develop drawdown policies that are consistent across all grants and cooperative agreements.
- Grant review process should take into consideration the difference in context.

The CDC also has other efforts underway to improve the grants process with the insular areas. Some of these efforts are to:

- Reduce the application and reporting burden,
- Improve program integration,
- Better tailor CDC announcements for the insular areas, and
- Explore the possibility of CDC presence closer to the region (Pacific).

Dennis Stewart, of the USDA Food and Nutrition Service (FNS), discussed the FNS program and the expectation it has for its recipients. The US Department of Agriculture's Food and Nutrition Service (FNS) provides more than \$ 50 billion annually in Federal food assistance to needy persons in the United States; over \$ 155 million of this total is provided to the territories represented at this conference.

FNS grants are a system of mutual obligations—clear expectations for performance. Admittedly it is something FNS doesn't always do a good job with, so at the outset there is sometimes not a clear understanding of what the expectations are. One key as you embark on a program is to make sure you have clear expectations from program administration. The grantor-grantee relationship with the islands has some unique circumstances--long distances, tight federal travel moneys, and other inherent difficulties.

FNS expects all of its state and territorial government partners to administer these food assistance programs as required by laws established by our elected representatives. In order to ensure that program benefits are delivered properly and governments thereby avoid "high risk" designations and possible fiscal sanctions, FNS asks its state and territorial partners to agree to the following principles of good governance:

The Federal Government will provide:

- Clear expectations for program administration
- Benefit and administrative funds timely,
- Technical assistance, and
- Monitoring and counsel to correct deficiencies.

The States and Territorial Governments will provide:

- Training and monitoring of staff who administer programs to ensure that they know and apply program rules and regulations,
- Timely and accurate reports to ensure accountability of expenditures, and

- Responsive communications with Federal oversight agencies so administrative issues can be corrected before they reach critical stages.

Administrative issues need to be corrected before they reach critical levels. Grantors and grantees need to work creatively together to make sure appropriate communication systems are in place—whether they're cross-cultural communications systems or the technology of communications. How can these elements be strengthened to work towards some of our processes and procedures? They are not easy issues, but in order to convert these general concerns into specific commitments, FNS needs you to be as specific as possible about technology, cross-cultural communications, etc. Grantor agencies need to get this recorded here to move the issue forward over the next decade—rather than just talk about it.

Marina Tinitali, DOI/OIA, closed the panel presentations with a discussion of accountability. Accountability is being good stewards of resources. The funds are for the health, safety, education of youth and future of island territories. Accountability is about being responsible for our actions—being committed, having passion, being ethical, knowing what the programs are supposed to do and following the guidelines for them. We want to see that there is a level of commitment out there—a roadmap that guides you on your actions. In strengthening alliances we want to know where holes are—and how to close them.

Knowledge and Organization are the keys:

As a program manager - Questions to ask myself should include:

1. What is the intent of the program?
2. Who does it service?
3. What are the items of service?
4. How much do I have to do what needs to be done?
5. Do I have a budget to follow?
6. Do I have a plan to follow?
7. What are the financial requirements?
8. What are the reporting requirements?
9. How will I monitor progress?
10. How will I evaluate success?
11. Do I have a checklist to ensure all proper steps are taken?
12. What functions are being done by other offices/departments?
13. Are the other offices/departments' actions in compliance with my program's requirements?

14. What steps do I have in place to ensure success – programmatic and financial?
 - a. Includes reconciliation between my tracking reports / official financial management system reports / reports to Federal agencies
15. Do I keep written documentation for all activities that require such? (e.g., payroll, contracting, purchases, equipment inventory, costs incurred, local matching)
16. Are my files complete?
17. Do I have written procedures to help make sure that I am doing what is required? (i.e., internal controls, standard operating procedures)
18. Do I have adequate staff and tools to get the job done in compliance with Federal program requirements?
19. Have I adequately addressed all audit issues that relate to my program?
20. How am I addressing problems that occur during the normal, everyday course of my work?
21. Do I contact the Federal grantor officials as often as I need to for guidance?
22. Can OIA and the working group of Federal managers help me?

Discussions

Issue: Common problem - Federal program managers are not able to travel out to the islands to review programs. We need to do more than talk about problems and get people together to work these issues out. One participant admitted she has a program that has not been reviewed in at least 10 years, and she has not been able to get authorization to travel out to the island area.

Federal Participant A: I really don't know what's going on, especially in American Samoa. I call weekly, and do what I can to try to manage the grants, but it's difficult—not really planning, more like writing a document. We get an SF-269 report yearly showing us the money was spent, but we don't know where the money was spent. I work with all the federal colleagues, I have to ask them to drop in to find out what's going on in our agency.

Federal Participant B: We always point this out as an issue. OIA could be supportive—through insular agency groups, etc. Do a survey among grants agencies on how frequently they're able to get out to the islands. We in regional offices scream and yell but Washington ultimately makes decisions on travel to review programs.

OIA: OIA is fortunate to have Field Representative located out in the Pacific areas. In our communications, we may be able to have OIA Field Reps or other OIA staff look at items that are of common interest to Federal agencies. For example, if procurement is an issue, we can look at it in an inter-agency fashion. Also, there are many reports out there that may contain information about your programs. For example, the annual single audits that are completed. Although the audits concentrate on the “big ticket items”, Federal awards of

\$3mill or more, there are many issues highlighted that are cross-cutting, related to more than one Federal program. Federal agencies should also look to their own OIGs for assistance in conducting reviews and to see whether there are reports, review etc. that are completed, in-progress or scheduled. You can always request that a review be completed. Other reviews are conducted by GAO and other Federal OIGs. We should also be requiring and reviewing narrative and financial status reports. The grant requirements say that we should be receiving reports, and we as program managers should be enforcing grant requirements such as reporting and completion deadlines. At any time we may also request reports from the finance offices such as labor reports, cost transaction reports and so forth that are specific to our individual grant program.

Federal Participant C: I am able to approve travel. Participant B is about to go out to the islands and will look at the program of participant A. Participant A, let's talk more about your program and see about the need for further reviews.

OIA: If we accomplish nothing more today, we have truly shown how this conference is successfully fostering communication and helping to find a solution to a problem.

We (Guam Public School System) are high risk; we look at that as a challenge. We have problems and challenges with USDOE and other agencies. We were told that the money would be taken away—and that's when we woke up and started replacing people in positions. This was the first time that we met with people in DC. We actually communicate, on a quarterly basis, via video conferencing. Even though there are time differences we wake up early to meet with them. Those moneys need to get to the classroom for children to be fed, and this was an eye-opener for GPSS. We now put on standard operating procedures (SOP) training, and it trickles down all the way to the delivery level.

XII. Small Group Break-Out Session: Strengths and Challenges

Following the morning and early afternoon presentations and panel discussions, conference participants broke into small groups comprised of those involved or interested in specific content areas. The five sectors identified were health, education, labor, USDA (food and nutrition programs), and all other areas (e.g., environment). Each group was asked to complete three tasks:

- Identify their strengths in the grants management area,
- List the challenges they face in their grants processes, and
- Propose solutions for the highest priority challenges.

The small groups presented their products (see Appendix K) to the entire conference and answered questions and issues raised by the other participants.

XIII. Property Procurement and Management: Philip Maestri, US Department of Education

Mr. Maestri discussed procurement and property management issues in the context of grants management (see Appendix L). He reviewed the laws, rules and regulations applicable to

procurement and property management and emphasized that everyone is accountable for following these requirements. He stressed that there are five basic principles relevant to both procurement and property management:

- Accountability
- Transparency
- Performance
- Results
- Documentation

There is an increasing demand at all levels for accountability. Accountability can be achieved through effective internal controls, policies, and procedures. Controls, policies and procedures help ensure:

- Laws and regulations are followed,
- Fewer audit findings,
- Reliable/timely information is obtained, reported, and used for decision-making, and
- Programs and resources are protected from fraud, waste, and abuse.

This demand for accountability extends from the procurement process to the purchase of goods and services to the accounting for property until it is removed from inventory. Mr. Maestri pointed out some best practices in both procurement and property management and closed with steps everyone can take:

- Follow the rules and regulations,
- Maintain documentation,
- Keep written policies and procedures current and accurate,
- Communicate and cooperate,
- Provide training to ensure everyone knows their role and responsibility, and
- Remember: We are ALL Accountable!

XIV. Administrative Reporting Requirements: Sefton Boyars, CPA

Mr. Boyars made a presentation on the administrative requirements and cost principles that program and financial managers must follow as recipients and sub-recipients of federal assistance as described in OMB Circulars A-102 and A-110 (see Appendix M). He emphasized that all grants have strings attached (some type of local cost contribution, continuing responsibilities, etc.), therefore agencies should only accept those grants that further their core objectives.

OMB Circular A-192 covers the administrative requirements for most grants. The circular includes general provisions, pre-award requirements, post-award requirements, and after-the-

grant requirements. The most critical post-award requirements address such issues as program income, property rules, procurement, monitoring sub-grants, records retention and access, and suspension and/or termination of the grant.

Training Options

For the rest of the morning on the second day of the conference, participants were given a choice among three different training sessions. Given the time limitations on the conference, each participant was able to attend only one of the three sessions offered. A brief summary of the material covered in each training session is presented in the sections below.

XV. Training Option A: Developing a Grant Budget: Deborah Milks, CPA

Ms. Milks began the session with an overview of problems with grant budgets and grant applications from the perspective of both the insular governments and the federal agencies (see Appendix N for the course materials). The funding stream is very different for different agencies so their requirements can be quite different. The U.S. DOE has mostly formula grants and they do not require a great amount of detail, while the grants from HHS require more. The insular governments have more internal problems with coordinating the e-filings through grants.gov with their own budget processes.

A primary concern with both federal agencies and the governments is ensuring that the grant funds are applied for, granted, and used in a timely manner so as not to lose funding for lack of time. Beginning the process early is a major consideration.

Ms. Milks led the group through several techniques for estimating and documenting the requested funding by type of expenditure.

- Personnel costs are detailed by position, gross pay and benefits.
- Equipment purchases are detailed by type and estimated amount.
- Categories with numerous small items such as supplies, materials, utilities, freight can be estimated as a % of the number of staff, as a lump sum with a current year adjustment, or other valid estimation method.
- Travel should outline the expected conferences or required trips and the estimated costs.
- Indirect costs, if there is an approved rate, can be added to the grant budget within the specific grantor or grant restrictions. Costs which are included in the indirect cost formula cannot also be requested directly in the grant budget (this often includes items such as utilities).

Ms. Milks cautioned that estimation methods should be validated year to year and that it is not acceptable to simply copy what has been submitted in previous years.

Finally, the group discussed the need to ensure that the requested budget was linked to the goals of the program and the costs were necessary and reasonable.

XVI. Training Option B: Sub-Recipient Monitoring: Phil Maestri, US Department of Education

Mr. Maestri conducted a workshop on program and sub-recipient monitoring (see Appendix O for the course materials). The session explored techniques for monitoring that reflect the risks, or exposure, that results from expending Federal funds. He covered OMB Circular A-133, which requires recipients of Federal funds to monitor their expenditures to ensure compliance with Federal program laws and regulations, the provisions of contracts and grant agreements, and the achievement of performance and program goals.

Mr. Maestri indicated that program monitoring was one of the most critical components of the grants management process. The grantee's responsibilities are to demonstrate the project's success and to demonstrate financial accountability. He cited two ways to ensure accountability-- robust internal controls and regular monitoring. The grantee is also responsible to:

- Verify expenditures are consistent with laws and regulations,
- Verify drawdowns are consistent with planned activities,
- Ensure valid and reliable data, and
- Resolve issues raised in previous audits and site visit reports.

Basic federal regulations require:

- Routine technical performance reports,
- Routine review of expenses vs. budget,
- Periodic on-site visits,
- Option to perform audits,
- Requires monitoring even if subject to A-133, and
- Documentation and corrective action.

The objectives of monitoring are to verify and ensure:

- Program performance,
- Allowable expenditures, and
- Regulation compliance.

Some of the tools and techniques used in performance monitoring are:

- Performance indicators,
- Site visits,
- Performance reports, and
- Performance conferences.

Some of the tools and techniques used in financial monitoring are:

- GAPS reports,
- Audits,
- Site visits,
- Expense reviews, and
- Accounting reports.

Mr. Maestri ended with a discussion of the guidelines used by the U.S. Department of Education and presented some of the ‘red flags’ he looks for when conducting reviews. One of the key ‘red flags’ is when funds, program accomplishments, and time are not being expended at comparable rates.

XVII. Training Option C: Internal Controls Concepts and Standards: Sefton Boyars, CPA

Mr. Boyars’ training session provided an overview of internal control concepts, the importance and application of internal controls in the work place, and the benefits gained from employing internal controls in an organization’s overall management approach (see Appendix P for the course materials). Participants were introduced to the internal control framework that all major standard setting bodies use. Finally, Mr. Boyars stressed the importance of a risk assessment, one of the crucial aspects of internal control.

In lay terms, internal controls are the processes used to make sure things get done the way they are supposed to be done. They are not an ‘add-on’, they are not ‘extra’ they are an integral part of the way agencies do their work. They are simply a part of the process agencies do automatically as a normal part of doing its business. In more technical terms, internal controls are an integral component of an organization’s management that provides reasonable assurance that agencies achieve:

- Effective and efficient operations, including the use of its resources,
- Reliable financial reporting, and
- Compliance with applicable laws and regulations.

The discipline of internal controls has three fundamental concepts:

- It is a continuous, built-in component of operations.
- It is affected by people (so it can go wrong).
- It provides reasonable assurance, not absolute assurance.

There are five interrelated components of internal control:

- Control environment,
- Risk assessment,

- Control activities,
- Information and communications, and
- Monitoring.

Mr. Boyars closed with a discussion of what could happen if effective internal controls were not in place and practiced. Some of the things that could happen are:

- The program may be ineffective.
- Government funds may be misspent.
- Grant programs may be reduced, or even eliminated.
- The entity may be considered to be “high risk”.
- Individual managers may be subject to criticism, or even fired.

XVIII. Preparing Indirect Costs Proposals: Deborah A. Moberly, Indirect Services Coordinator, National Business Center, U.S. Department of Interior

Ms. Moberly began her session on indirect costs with an introduction of the National Business Center (NBC) group from the Department of Interior and its background (see Appendix Q). The NBC was split from the OIG in Jan 2003 as auditors are no longer able to do audit and non-audit functions, such as assist with and review indirect cost proposals. She proceeded to a general explanation of the various definitions of “costs” and rates when preparing an indirect cost plan and the basic formula for calculating the indirect cost rate.

There are exceptions to an approved indirect cost rate made by certain federal agencies and specific grants such as the U. S. Department of Education and the Fish and Wildlife restoration fund. Ms. Moberly’s handout detailed the formulas needed for determining the rates for these exceptions and she provided the group with web site and other contact information to obtain further assistance.

There were many questions and comments from the group:

What financial statement is used for the indirect cost calculations (one financial statement is by object class and the other is by function)?

Only the total of all expenditures is used, so it does not matter which of the financial statement types is used; the total is the same.

American Samoa has a separate indirect cost negotiation with HHS from the one approved by DOI as the cognizant agency. Why?

OIA agreed to obtain the answer for this question.

What financial data can be used to submit the indirect cost plan early (by April 1)?

It is required to use the audited financial statements.

If a proposal is not submitted or approved on time, what indirect cost rate can the government use?

They cannot use a rate which has not been approved.

How long does it normally take to get a rate approved once the NBC receives the indirect cost proposal?

Normally about 4 months.

Why are the insular governments behind in getting approved indirect cost rates?

The assumption from NBC was that the governments had not yet received their FY2005 audits, which are needed for the FY2007 rates. However, since the audits are complete, the question remains with the insular governments. OIA will work with NBC and the island governments to help resolve this problem.

XIX. Small Group Break-out Session: Action Planning

After the presentations and training sessions, conference participants broke into groups representing each insular area. Each insular area group was tasked to review the strengths and challenges in grants management listed by the sector area groups during the previous small group work session and decide which were most relevant to their own insular area. Then the groups were asked to do five additional tasks:

- Identify which government leaders needed to be briefed on the conference,
- List who would conduct the briefings and when,
- Select the highest priority challenges for their insular area,
- Develop solutions for each significant challenges, and
- Develop action plans to implement the proposed solutions.

The products generated by each insular area are summarized in *Appendix R*.

XX. Cash Management Improvement Act: Fred Williams, U.S. Department of Treasury (FMS) Cash Management Planning: Deborah Milks, CPA

Fred Williams from U.S. Treasury reviewed the general definitions and purpose of the Cash Management Improvement Act of 1990 (see Appendix S for his course materials). He spoke about the various funding patterns and how they apply for specific types of grants. Mr. Williams gave a brief overview of the preparation of the annual Treasury State Agreement (TSA) and the related calculation for interest owing or due between the insular government and the U.S. Treasury.

Deborah Milks reviewed FY2005 audit findings from Guam, the CNMI, the Virgin Islands and American Samoa which were a result of the CMIA and discussed how they relate to the

grantee program managers (see Appendix T for her course materials). It was pointed out that program managers usually do not directly affect the timing of cash draws or cash disbursements; however the program managers can assist the finance office with understanding the funding patterns for their vendors.

Ms Milks further emphasized that the governments should calculate an appropriate and supportable clearance pattern and establish an appropriate process to match drawdowns with disbursements. If the process is in place, the auditors should audit the clearance pattern and the process, not specific disbursements.

There was discussion among the group members as to whether it is appropriate for a single autonomous agency to submit a separate TSA from the General Government (as in the case of GPSS and GovGuam). Mr. Williams said that it could be done, however, it is normal for the government to present one agreement.

There was further discussion between Fred Williams and Marina Tinitali on the CMIA requirements and the timing of drawdowns and disbursements in relation to grant requirements resulting in:

Some grantees do not have realistic clearance patterns determined. The Treasury has resources available to assist grantees in determining realistic clearance pattern(s).

Federal grantor agencies are looking at advances, expenditures, reimbursements and drawdowns in relation to grant and agency requirements. OIA will not question program costs if based solely upon noncompliance with the CMIA, and believes other Federal agencies do the same. Any issues regarding interest earned will be given to the Treasury to determine.

XXI. Small Group Break-out Session: Improving Federal Grants Administration through Internal Controls — Integrating Internal Controls into our Audit Resolution Plans

After the morning presentation on cash management, each insular area government broke into a group to update and complete its action plan (see Appendix R). The revised action plans included the person responsible for taking each action, by when the action should be completed, and what follow-up activities needed to be completed to ensure the action plan was implemented.

XXII. Conference Evaluation

To close the conference, the participants completed the conference evaluation form (see Appendix U for a summary of the evaluations) and provided feedback about what worked well and what could have been done more effectively (also in Appendix U). In general the conference was very well received. On a scale of 1-5 with 1 being the lowest score and 5 the highest the average rating for the three conference goals were:

- Provide a forum for federal and insular government grant managers to discuss areas of common interest and concern in an effort to improve the grants management process — 4.4
- Examine grant management best practices being employed by the insular governments — 3.9
- Enhance fiscal accounting and program performance of the insular governments in the delivery and implementation of federal grant programs — 4.1.

When asked about other specific aspects of the conference, the participants also rated the conference highly:

- The conference was relevant and timely — 4.5

The following were informative and productive:

- Panels — 4.3
- Small Group Discussions — 4.2
- Sector Group Discussions — 4.1
- The meeting was effectively managed — 4.6
- The action plans developed during the meeting will strengthen federal-insular grant alliances — 4.2

Although conference participants had many suggestions for future conferences, some of the most common comments were:

- Make the conference longer and/or cover fewer topics,
- Have similar conferences more often and possibly in each insular area,
- Allow more time for one-on-one meetings between insular sector staff and their federal government counterparts.

Appendix A: Conference Agenda

Federal Grants Programs Accountability and Audit Conference
Sponsored by the U.S. Department of the Interior, Office of Insular Affairs

June 14 – 16, 2007
Holiday Inn Golden Gateway Hotel
San Francisco, California

The goals of the conference are to:

1. Provide a forum for federal and insular government grant managers to discuss areas of common interest and concern in an effort to improve the grants management process;
2. Examine grant management best practices being employed by the insular governments;
and
3. Enhance fiscal accounting and program performance of the insular governments in the delivery and implementation of federal grant programs.

Wednesday, June 13th

Participants Arrive

Registration

8:00 – 10:00 am
and
6:00 – 8:00 pm Holiday Inn Golden Gateway Hotel, Emerald Room

Thursday, June 14th

8:30 am	Welcome Nikolao Pula, Director, Department of Interior/Office of Insular Affairs
9:00 am	Review Agenda/Expectations Facilitator - Pat Keehley Analysis of Federal Grant Audit Findings – Deborah Milks Cognizant Agency for Audits: OIA – Marina Tinitali DOI/OIG's Review of Audits – Morgan Aronson, DOI-OIG
10:00 am	Review of Grant Oversight Department of Homeland Security, Office of the Inspector General Humbarto Melara & Arona Maiava, Jr.
10:30 am	Break

10:45 - 11:30 am Panel 1: Strengths and Challenges to Effective Grants Management in the Insular Areas

Panelists:

Lourdes Perez

Director of Administration, Guam

Debra Gottlieb

Acting Director, Office of Mgt and Budget, US Virgin Islands

Edith Deleon Guerrero

Executive Director, Workforce Investment Agency, CNMI

Pat Tervola

Deputy Director, Office of Procurement, American Samoa

12:00 – 1:00 pm Lunch

1:00 – 1:45 pm Panel 2: Creating Alliances that Help Avoid High Risk Status

Philip Maestri

US Department of Education

Kristen McCall

Centers for Disease Control, Deptt of Health and Human Services

Marina Tinitali

US Department of Interior/Office of Insular Affairs

Dennis Stewart

US Department of Agriculture Food and Nutrition Service

2:30 – 2:45 pm Break

2:45 – 3:30 pm Small Group Break-Out Sessions – Program Groups

Assignment: Review list of challenges and possible solutions developed after the first panel. Identify strengths, challenges, and possible solutions. Record on flip chart paper and be prepared to brief the plenary

3:30 pm – 4:30 pm Small Group Report

Friday, June 15

8:00 – 8:30 am Federal Agency Meeting

8:30 – 8:40 am Overview of Day 2 Activities

8:40 - 9:30 am Property Procurement and Management

Philip Maestri, US Department of Education

This session will focus on the principles and standards of property procurement and management. Topics will include a discussion of

procurement options, documentation requirements, inventory and asset management and tracking, and segregation of duties. Information presented will focus on issues relevant to insular government grant recipients.

9:30 – 10:30 am

Administrative Reporting Requirements

Sefton Boyars, CPA

This session will provide participants with the administrative requirements and cost principles that program and financial managers must follow as recipients and sub-recipients of federal assistance as described in OMB Circulars A-102 and A-110.

10:30 – 10:45 am

Break

10:45 am - 12:00 pm

Training Options

Option A: Developing a Grant Budget (Deborah Milks, CPA)

Now that you've decided to apply for a grant, what costs should be proposed and how do you estimate those costs? This session will cover those costs that are crucial for formulating a budget for grant proposals.

Option B: Sub-Recipient Monitoring (Phil Maestri, US Department of Education)

Do you know where your funds went? This presentation explores techniques of monitoring that reflects the risk, or exposure, that results from expending federal funds. OMB Circular A-133 requires recipients of federal funds to monitor their expenditures. This is to ensure compliance with federal program laws and regulations, the provisions of contracts or grant agreements and that performance goals are achieved. This session will present guidance relative to several different monitoring tools and the selection of an appropriate tool for any pass-through/ sub-recipient relationships.

Option C: Internal Controls Concepts and Standards (Sefton Boyars, CPA)

This presentation will provide an overview of Internal Control concepts, the importance and application of Internal Controls in the work place, and the benefits gained from employing Internal Controls in an organization's overall management approach. Participants in this presentation will become aware of the Internal Control framework that all major standard setting bodies utilize. In addition, they will gain insight into risk assessment, one of the crucial aspects of internal control.

12:00 – 1:00 pm	Lunch
1:00 – 2:30 pm	Finance and Accounting Personnel Preparing Indirect Costs Proposals Deborah A. Moberly, Indirect Services Coordinator, National Business Center, U.S. Department of Interior Program Personnel Small Group Program Insular – Federal consultative sessions
2:30 – 2:45 pm	Break
2:45 – 3:30 pm	Small Group Insular Discussion Assignment: Meet in insular government groups. Identify who should be briefed on the conference results and what they should be told. Discuss strengths, challenges, and possible solutions. Identify a few action steps that will help improve the grants management process for the insular area.
4:30 pm	Small Groups Reports – Submit Action Plans Conference Evaluation
5:00 pm	Adjourn
Saturday, June 16	(Sessions intended primarily for insular government officials but all conference attendees are invited to attend)
8:30 – 10:30 am	Cash Management Improvement Act, Fred Williams, CMIA Program Manager, US Treasury Department Cash Management Planning, Deborah Milks, CPA
10:15– 10:30 am	Break
10:30am – 11:15 am	Insular Area Work Session Review plans from yesterday. Ensure who, what and when are identified Add steps on internal controls
11:30 am	Adjourn

Appendix B: Participant Expectations for the Conference

1. Capacity building -Effective grants management
2. Facilitated discussion group in indirect costs
3. Policies and procedures for internal controls
4. Improving communication before crisis
5. Taking a look at best practices in insular areas
6. Learning about “systems” in place to manage grants
7. Improve communications and relationships
8. How to separate politics and compliance
9. How to install internal controls
10. Types of oversight being used on grants
11. Concerns with grant implementation
12. Communication between federal government and insular Areas
13. Best practices for internal controls (Fiscal programs)
14. Effective communication between grantors and grantees to resolve audit findings
15. Indirect cost proposals
16. Communication-Grantee to Grantor
17. Internal controls
18. Maintaining knowledge of programs and keeping skills necessary to effectively manage programs
19. Best practices for Grants management
20. Indirect costs
21. Better communications
22. Comparability requirements to include IDC (indirect costs)
23. Coordination on island (among agencies)
24. What do they need after grant

25. Develop interaction with program managers
26. Effective internal controls methods to develop before things are out of control
27. Gain insights from other areas
28. OIA all audits on time
29. No findings
30. Better communications (from Feds to islanders; from Feds to Feds)
31. How to implement Internal Controls (VI)
32. Audit Findings: How to improve relationship with Auditors, How to have a smoother process
33. Budget Process- how to write budgets
34. Gather legislation from island government on fiscal management (last 30 yrs)
35. Communication issues
36. Reporting requirements
37. Audit resolution strategy

**Appendix C: Slides for Analysis of Federal Grant Audit Findings
Presentation: Deborah Milks**

Audit Improvement Project

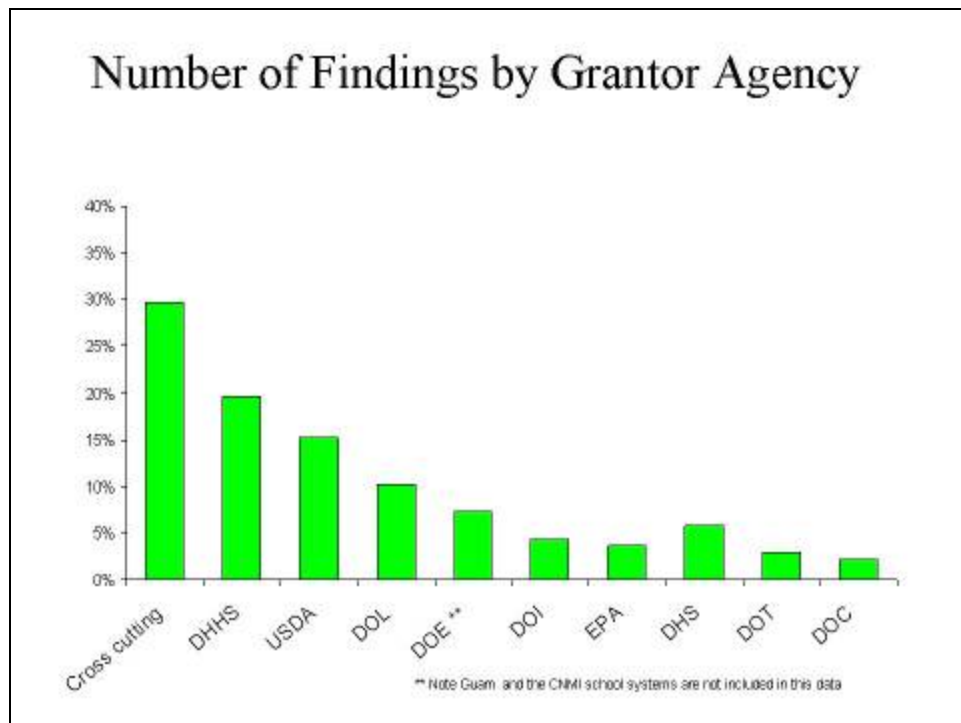
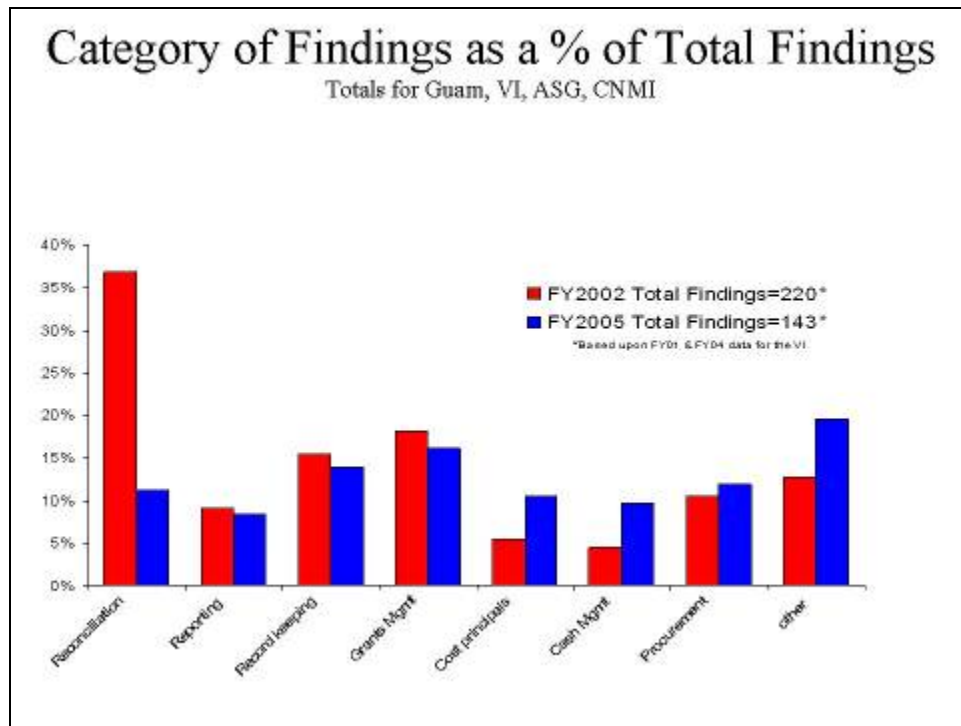
- Progress since the FY2002 audit
 - Timeliness
 - Auditor “management”
 - Audit committee/internal auditor
 - Internal audit analysis
 - Corrective Action Plans
 - The A.F.T.E.R. analysis
 - Issues outside the control of finance

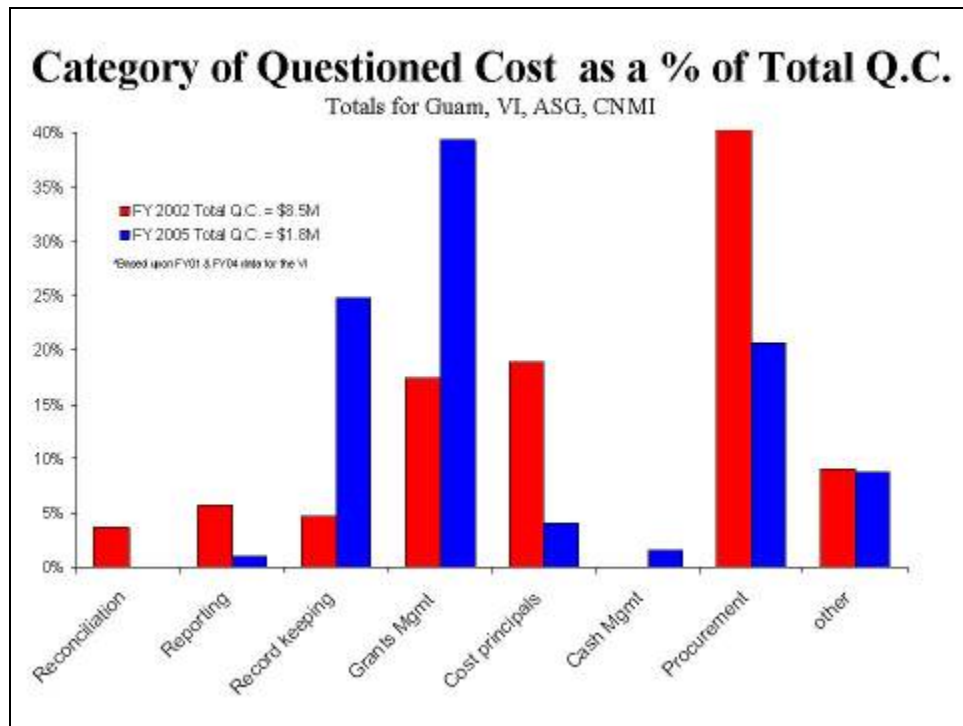
Internal audit analysis

- Shine a light on areas that cause audit problems
- Determine What is the problem
- Figure out Who caused the problem
- Assign responsibility to Fix the problem
- Allow the government to focus resources
- Ensure the government has the tools to help solve the problem

A.F.T.E.R. analysis

	2002	2003	2004	2005
Number of F.S. Opinion Qualifications/Exceptions	18	9	3	2
Number of Major Federal Program Qualifications/Exceptions	14	12	10	11
Number of F.S. Findings				
A. Internal Control and Compliance	11	1	0	-
B. Internal Control Only	54	6	5	5
C. Compliance Only	0	0	0	1
TOTAL	65	7	5	4
Percentage of Findings Repeated	40%	30%	40%	0%
Number of A-133 Findings				
A. Internal Control and Compliance	29	22	16	30
B. Internal Control Only	15	1	9	-
C. Compliance Only	0	0	0	-
TOTAL	44	23	25	30
Percentage of A-133 Findings Repeated	69%	41%	40%	23.3%
Number of months Y/E the F.S. were Released	15	14	10	9
Number of Qualifications/Exceptions Related to C.U.	2	6	2	1
\$ of Questioned Costs-Current Year	\$4,258,861	\$1,243,982	\$514,466	\$564,346
\$ of Questioned Costs- Cumulative	\$51,540,337	\$41,600,469	\$25,137,159	\$10,509,029
\$ of Questioned Costs Resolved - Current Year	\$21,471	\$10,983,850	\$16,977,796	\$15,212,478





**Appendix D: Slides for DOI/OIG's Review of Audits Presentation:
Morgan Aronson**

Federal Grant Program Accountability and Audit Conference



Morgan Aronson
National Single Audit Coordinator
Department of the Interior
Office of Inspector General

Overview

- OIG Responsibilities
- Single Audit Reviews
- Procurement of Audit Services

OIG Responsibilities

- Monitor audit work performed by nonfederal auditors on Federal programs.
 - Desk Reviews
 - Quality Control Reviews
- Notify auditor oversight bodies about substandard audit work.
- Provide single audit technical assistance to auditors, auditees, DOI bureaus, and other Federal agencies.

More OIG Responsibilities

- Consider grantee requests for extensions for submission of their single audit reports.
- Draft OIG policy regarding single audits.
- Serve as OIG's liaison to the single audit community.
 - Single Audit Roundtable
 - PL 106-107 Grant Streamlining Policy Workgroups

Reviewing Single Audits

1. Auditee sends the audit report to the Federal Audit Clearinghouse (FAC).
2. NSAC downloads audit report from the FAC website.
3. NSAC sends a copy of the audit report to DOI's Office of Financial Management for findings resolution.
4. NSAC performs a desk review of the audit report.

Desk Reviews

What We Review

- Auditor's reports
- Schedule of Expenditures of Federal Awards
- Schedule of findings and questioned costs
 - Federal award findings
 - Corrective action plan
- Data Collection Form
- Financial statements
- Notes to the financial statements

Desk Reviews

What We Find

- Schedule of Expenditures of Federal Awards
 - Omitted CFDA numbers
 - Omitted pass-through numbers
- Schedule of Findings and Questioned Costs
 - Omitted elements from findings
 - Omitted elements from corrective action plan
- Inconsistencies between auditor's reports, Schedule of F&QC, and Data Collection Form
- Omitted note disclosures

Quality Control Review

What We Review

- Auditor proficiency
 - Licensing
 - Continuing professional education (CPE)
 - Peer review
- Audit planning
 - Selection of major programs
 - Identification of compliance requirements
- Testwork
 - Internal control
 - Compliance

Quality Control Reviews

What We Find

- Auditor proficiency
 - Insufficient CPE
- Audit planning
 - Misidentification of applicable compliance requirements
- Testwork
 - Incomplete understanding of internal control
 - Omitted compliance procedures

Procuring Audit Services *The RFP*

- Description of entity and records to be audited.
- Nature of services required.
- Mandatory qualifications of the auditor.
- Period of the audit.
- Exit conference requirements.
- Assistance available to proposers.
- Reports required.

Procuring Audit Services *The RFP – cont.*

- Time requirements.
- Contractual arrangements.
- Working papers.
- Right to reject.
- Description of auditor.
- Evaluation criteria.

Procuring Audit Services

The Contract

- Audit scope, objective, and purpose.
- Any deadlines for the work to be performed.
- Cost of the audit.
- Report format.
- Professional auditing standards and requirements to be followed.

Procuring Audit Services

The Contract – cont.

- Any required clauses (i.e., equal employment opportunity, suspension and debarment).
- Description of the financial statements and supplemental schedule(s) to be audited.
- Reporting period.
- Management's responsibilities.
- Auditor's responsibilities.

Procuring Audit Services

- Federal Audit Clearinghouse
<http://harvester.census.gov/sac/>
- AICPA Peer Review Public File
<http://aicpa.org/centerprp/publicfile01.htm>
- State Boards of Accountancy and State CPA Societies
<http://aicpa.org>
Link: "Legislative Activities and State Licensing Issues"

My Contact Information

Morgan Aronson



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12030 Sunrise Valley Drive
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Reston, VA 20191



Appendix E: Slides for Review of Grant Oversight Presentation

Office of Inspector General
U.S. Department of Homeland Security

**The Department of Interior's
Office of Insular Affairs (OIA)**

DHS, Office of Inspector General – Presentation for
**OIA's Federal Grants Programs
Accountability and Audit Conference**

San Francisco, California
June 14-16, 2007

Office of Inspector General
U.S. Department of Homeland Security



Robert Lastrico, Western Regional Director
Humberto U. Melara, Supervisory Auditor
Arona Maiava, Auditor-In-Charge
Office of Disaster Assistance Oversight
DHS, Office of Inspector General

OVERVIEW

- Inspector General – Mr. Richard L. Skinner
- Inspector General Office – Organization/ Structure
- Office of Disaster Assistance Oversight

OIG PURPOSE/ MISSION

Inspector General Act of 1978, as amended,

- To serve as an independent and objective inspection, audit, and investigative body to promote effectiveness, efficiency, and economy in the Department of Homeland Security's programs and operations, and to prevent and detect fraud, abuse, mismanagement, and waste in such programs and operations.

GAO
States

By the Comptroller General of the United

Government Auditing Standards

2007 Revision

- Government auditing is a key element in fulfilling the government's duty to accountable to the public.
- A number of statutes and other mandates require that auditors follow generally accepted government auditing standards (GAGAS).
- Where a statute or other mandate does not exist, auditors will find it useful to follow GAGAS in work regarding the use of government funds.

The following are among the laws, regulations, and guidelines that require use of GAGAS:

- **The Inspector General Act of 1978**, as amended, 5 U.S.C. App. (2000)
- **The Chief Financial Officers Act of 1990** (Public Law 101-576)
- **The Single Audit Act** Amendments of 1996 (Public Law 104-156)
- The Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*

Auditors are alert to other laws, regulations, or other authoritative sources that could require the use of GAGAS. For example, state and local laws and regulations may require auditors at the state and local levels of government to follow GAGAS.

OMB Circulars & Code of Federal Regulations (CFR)

- OMB, Circular A-102– Grants and Cooperative Agreements with State and Local Governments.
- OMB, Circular A-87 – Cost Principles ...
- Title 28, CFR Part-66 (Common Rule) – Dept. of Justice, non-disaster/ preparedness grants.
- Title 44, CFR Part-13 (Common Rule) – FEMA disaster grants.

ACCOUNTABILITY

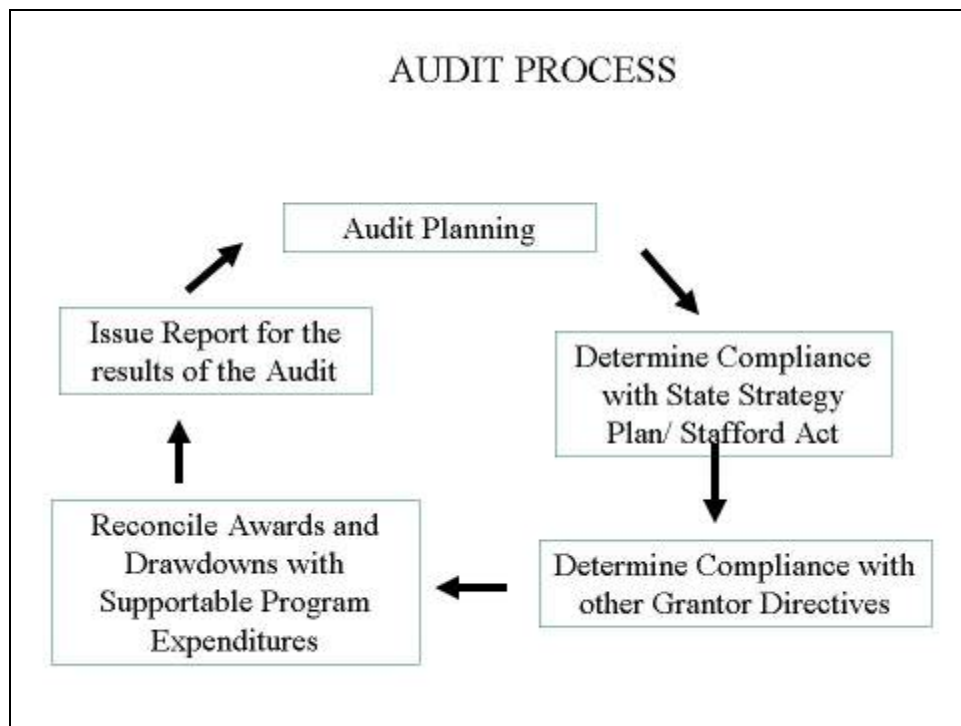
The concept of accountability for public resources is key in our nation's governing processes. Legislators, other government officials, and the public want to know.

Type of Audits

All engagements begin with objectives, and those objectives determine the type of work to be performed and the auditing standards to be followed.

The types of audit work, as defined by their objectives that are covered by GAGAS, and type of audits we conducted are classified as,

- **Financial Audits** (i.e., Audits of DHS, financial statements).
- **Performance/ Program Audits** (i.e., Audits of HSGP, UASI and FEMA Mitigation, Public Assistance Programs).
- **Attestation Engagements/ Compliance Audits/** limited scope type of reviews (i.e., Review of entity's expenditures claimed relates to compliance with the applicable law, regulations, and grant requirements).



Frequent Audit Findings

- **Performance Audits**
 - Program (i.e., State Plans not properly prepared; no standards for evaluating program goals; training/ exercises not performed; sub-grantees not being monitored; inadequate staffing or organization, etc.).
 - Financial (i.e., Accounting systems not provide adequate accounting of grant expenditures; Program and finance department efforts were not properly coordinated; Procurement issues; questioned costs, etc.)
- **Compliance Audits**
 - Work performed was not in compliance with applicable laws, regulations, and grant requirements.
 - Costs claimed were not eligible/ excessive/ unsupported.
 - Poor project accounting/ contracting practices.

Helpful Advise/ Tips

- Familiarize/ follow the terms and conditions of the grant programs/ awards;
- Acquire adequate resources to implement and manage the grant programs;
- Assign **ACCOUNTABILITY [RESPONSIBILITY]** – **how** are grant funds being managed? and **who** is responsible for the various stages of the process? such
as Program and Financial management;
- Maintain proper documentation of **how** are grant funds being managed/ spent;
- Perform oversight/ and period internal reviews of how the program being managed/ and grant funds being spent.

DISCUSSION/ QUESTIONS ? ? ?

PLEASE FEEL COMFORTABLE TO CONTACT
BOB LASTRICO, WESTERN REGIONAL
DIRECTOR, OR US ANYTIME YOU HAVE A
QUESTION.

WE WISH YOU SUCCESS & ENJOY YOUR
STAY IN SAN FRANCISCO!!!
THANK YOU.

DHS, OIG-WESTERN REGIONAL,
ODAO (510) – 637- 4311

Appendix F: Strengths and Challenges to Effective Grants Management in the Insular Areas

GUAM

Challenges:

1. Size of Grant \$100M, 6 staff
2. 45 local Agencies < 200 grants
3. Multiple Oversight agencies
4. Communication and coordination
5. Drawdown
 - a. many different methods
 - b. narrow window for Guam time
 - c. Passwords/changes/computer knowledge
6. Challenge to coordinate audit findings
7. Confusion over which agency is responsible
8. Limited number of vendors
9. Cash Management-Vendors don't cash

Strengths

1. Financial mgmt sys can be modified to meet grant requirements
2. Leadership has been stable
3. Cash flow process in DOA
4. Grants Management Training
5. Good Relationship with Auditor

VIRGIN ISLANDS

Challenges

1. Antiquated Fiscal Mgmt System
2. Conversion to ERP
3. Limited number of trained Staff
4. Knowledge of CFRs
5. Recruitment and Retention
6. Low wage scale/high cost
7. Behind in Fiscal Audits (9 reports in 6 yrs)
8. Component units are behind
9. Surge of findings for '07
10. BIT – infrastructure needed
11. Too many employees with too many hats

Strengths

1. New ERP monthly recon
2. Performance-Based Budgeting (PBB)
3. New CPA Auditor
4. Commitment from Government to keep up with audits
5. Have Regular Audit meetings
6. Governor supports PBB
7. FY-08 Implement PBB
8. USVI access to trained employees and CPE
9. OMB - 35% have Master Degrees
10. DOI Support

CNMI

Challenges:

1. Bottleneck-too much red tape
2. Accountability –Audit findings
3. Reporting accuracy
4. Capacity issues-upgrading our staff

Strengths

1. Passion and commitment of island people

AMERICAN SAMOA

Challenges

1. Local laws/Federal laws/Grant
2. Lack of internal controls
3. Vague understanding of rules
4. Unclear understanding of CAP
5. Problems with Stores Inventory
6. Time difference on Cash Draws
7. 1-800 numbers which don't work
8. Date sensitive correspondence routed from the Governor on down with no other contact info

Strengths

1. Collaborative policy with Treasury Dept
2. Changes in procurement regulations to
 - a. “Best Value”
 - b. Move to Bulk purchasing and Performance procurement
3. Upgrade to FMS Paid Contract Module

**Appendix G: Slides for Ms. Perez' presentation on Panel 1:
Strengths and Challenges to Effective Grants
Management in the Insular Areas**

**Strengths and Challenges to Effective
Grants Management in the Insular Areas**



Federal Grants Programs Accountability and Audit
Conference
US DOI Office of Insular Affairs
June 14 – 16, 2007

The Government of Guam Experience

- Challenges to Effective Grants Management
 - Over \$100 million in Federal Grants
 - 16 Major Grantor Agencies
 - Approximately 45 Grantee Agencies
 - Number of Grants/Sub-Grants – 222 to 233
 - Numerous Oversight & Administration
 - Governor's Office
 - Lt. Governor's Office – State Clearinghouse
 - Bureau of Budget & Management Research
 - Department of Administration
 - Grantee Agency or Agencies

Role of the Department of Administration

- The Central Accounting Office of the Government of Guam – handles all financial, cash and accounting and federal accounting for line agencies (except for majority of GPSS grants received directly by GPSS)
- A Pass Through for Autonomous/Semi-Autonomous Agencies
- Overseas GSA – where requisitions are received and purchases orders are processed
- Prepares, transacts, receives and disburses drawdowns
- Prepares financial statements & reports
- Pays vendors, etc.
- Manage the Audit Process through Audit Committee
- Oversee cash management with Treasurer of Guam
- Run the Personnel Management Office of the central government

Specific Challenges

- Drawdowns Methodology & Time Zone Differential
- Various Methods - Electronic and Manual
 - Smartlink closes at 8:30 a.m. Guam Time
 - ASAP closes at 10:00 a.m. Guam Time
 - E-Payment closes at 11:00 a.m. Guam Time
 - PAPRS
 - ECHO
 - Grant Tracking System
 - DOI-Fax
 - SF 270
 - Vouchers -Agency Generates – FHWA/Motor Carrier/Military Affairs/GEPA 270
 - » Password woes
 - » Frequent changes/automatic lockouts
 - » Some require > ave. computer knowledge to maneuver

The Guam Experience

- From Grants Application to Grants Administration
- (insert Flow Chart)
- Cash Management
- (insert Flow Chart)

The Single Audit Experience

- Coordination & Follow Through
- Numerous Oversight – Confusion over the responsible agency specific to a finding
- Procurement Findings - Limited No. of Vendors; Disagreement between Interpretation of local procurement law; when can GovGuam purchase directly from a federal vendor
- Cash Management – no control over when vendors cash paper checks

Strengths

- FMS can be modified to meet certain grant requirements, such as period of availability.
- Leadership in key departments have been relatively stable – ensuring continuity and focused attention.
- DOA controls cashflow process – from drawdown to disbursement for most of the grants.
- Departments control programmatic issues.
- Staff continue to receive grants management training to improve skills and knowledge.
- Good relationship with OPA/Independent Auditor and most federal agencies/US Treasury

**Appendix H: Slides for Ms. Guerrero's presentation on Panel 1:
Strengths and Challenges to Effective Grants
Management in the Insular Areas**

**WORKFORCE
INVESTMENT ACT OF 1998**

Superseded the former Job
Training and Placement Act
(JTPA)

WIA TITLE 1 FUNDS

CNMI receives program year funds for

Youth

Adult and

Dislocated Workers

Program Objective

To provide qualifying individuals who are considered most in need assistance in employment and skills training to help them find meaningful and sustainable employment or career so that they can become self reliant.

Common Interest

- Manage federal grants in accordance to the programs federal and state guidelines
- Meet or outperform established grant performance benchmarks and that of the Grantor Agencies benchmarks as well, if any.
- Conform to all OMB circulars and grants administrative requirements
- Continuously seek technical assistance guidance from the cognizant/grantor agency on the most prudent and efficient way to manage federal grants to avoid being labeled as "high risk grantee"

Program Challenges

- Bottleneck Issues that affect participants and vendors alike
- Accountability
- Reporting accuracy and timeliness
- Capacity Issues

**Appendix I: Slides for Mr. Maestri's presentation on Panel 2:
Creating Alliances that Help Avoid High Risk Status**

High Risk Prevention

U.S. Department of Education

How You Become a High-risk Grantee

- 34 CFR §80.12
 - Has a history of unsatisfactory performance
 - Is not financially stable
 - Has a management system that does not meet standards
 - Has not conformed to terms and conditions of previous awards
 - Is otherwise not responsible

Statistics on Single Audit Findings

- 1167 total findings
- 29% 341 Unallowable costs or activities
- 9% 105 cash management
- 4% 39 property management
- 6% 74 procurement & suspension & debarment
- 16% 189 reporting
- 9% 104 subrecipient monitoring

When Can You Get off High-risk?

Audits on time
Clean opinions
Minimal findings
Working controls
Effective monitoring
Effective programs with allowable activities

High risk prevention

- Develop discipline following procedures and controls
 - Politics vs Controls
- Have a plan
 - Prevents last-minute rush to spend
- Don't get too carried away
 - Simple is best
- Stick to the basics
 - Controls
 - Documentation
 - Program goals

- Look for best practices
 - Don't reinvent the wheel
- Build cross-agency partnerships
- Share the ownership
 - Finance vs Program

**Appendix J: Slides For Ms. McCall's Presentation on Panel 2:
Creating Alliances that Avoid High Risk Status**

*Creating Alliances
that
Help Avoid High Risk Status*

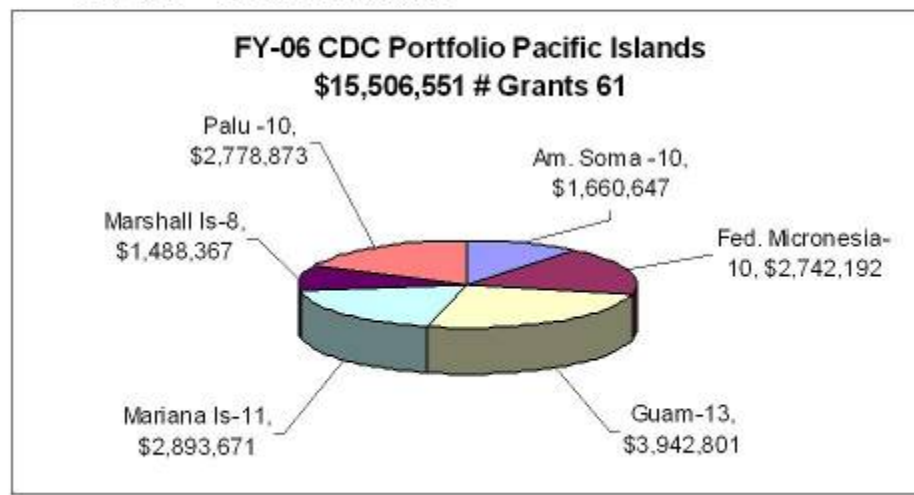
Centers for Disease Control & Prevention

US Dept of Health & Human Services

- **Nealean Austin** Grants Mgt Officer
- **Kaetz Beartusk** Project Officer of the Future
- **Kristen McCall** Coordinating Office for Global Health
- **Harald Pietz** Portfolio Mgt Program

CDC's Grants to the Insular Areas

- **USVI-** \$4.8 million



Program Areas

- Communicable Diseases
 - HIV, TB, Hepatitis, BT preparedness
- Non-communicable Diseases
 - Diabetes, Cancer, Injury

Alliances with the Insular Areas

- 2 year participatory research project initiated by a CDC division
- Worked closely with the IAs to look at 3 areas of grant relationship
 - Funding
 - Data
 - Technical Assistance

Purpose & Approach

- **Purpose:** To identify ways for CDC to work more collaboratively with the IAs (in the area of chronic disease)
- **Approach:** 2 working groups
 - 1 within CDC; 1 within IAs
 - Layered approach:
 - Site Visits
 - Key Informant Interviews
 - Focus Groups
 - Stakeholder Meetings

The Challenges

- Burdensome for IAs to apply for, carry out and report on multiple categorical funding programs.
- 1 person may be in charge of application and reporting requirements for a dozen or more grant programs

Challenges- IAs

- Infrastructure
 - Facilities, technology, equipment
- Organizational
 - Difficulties hiring, understaffing, budget crises
- Fiscal System
 - Getting funds out of the local govt system takes time- may cause delays in program implementation
 - Can't afford to front program costs

Challenges- CDC

- Lack of understanding of IA context- distance and communication barriers
- Lack of coordination- multiple apps due at same time
- Grants don't offer sufficient flexibility
- Communication protocols- Snail mail for official notifications can mean program delays
- No-cost extensions disallowed

Strengths- IAs

- The Staff
 - Do a lot with limited resources
 - Committed to public health service
 - Good at multi-tasking
- Collaborations- Multiple and productive
 - With other IAs
 - With CDC
 - With local community
 - With other programs

Recommendations

- Institute flexibility where needed
- Develop improved and streamlined communication processes to the IAs from CDC.
- Develop workshop on effective grants mgmt that includes key personnel from Min. of Finance, Program Directors and Managers and Procurements and Grants Office

- Develop drawdown policies that are consistent across all grants and cooperative agreements.
- Grant review process should take into consideration the difference in context.
Tailor.

The Good News Is...

- **CDC currently has no grantees in high risk status!**
- **But we're *the Prevention Agency*- we want to work to avoid problems in the future**

Alliances

- **Building them at “home” (CDC)**
- **Grants Office**
- **Program/Project Officers**
- **CDC Cross-Cutting Level**

Current Areas of Effort

- **Reducing Application and Reporting Burden**
- **Greater Program Integration**
- **Better Tailoring of CDC Announcements for the IAs**
- **Exploring Possibility of CDC Presence Closer to the Region (Pacific)**

Appendix K: Grants Management Breakout Session—Strengths and Challenges

USDA

Challenges

1. Infrastructure/IT/Payroll
2. Sub-Grantee Reporting and Responsiveness
3. Grantee reporting and Responsiveness
4. Grantee Funding
5. Co-mingling of funds/"Borrowing from Peter to pay Paul"/
6. Lack of Resources /Communication (Remoteness, Transfer of Info)
7. Procurement Justification (after Purchase)
8. Developing Flexible Procurement processes
9. Process Complexity / Lengthy
10. Disbursement Process
11. Politics vs. Internal Controls (Mgmt circumvents internal controls)
12. Local laws conflict with Federal Laws
13. Federal: Reporting (Timeliness, Quality)
14. Federal: Compliance
15. Federal: Time Zones
16. Federal: Cash Management
17. Federal: Drawdown Process
18. Federal: Turnover in management / staff
19. Federal: Communication & Responsiveness /Email etc/ Phone not effective (CNMI: Commissioner CC's AS:DIR (Official)
20. Language

Solutions

Communication:

1. Annual; Submission of current Org Chart or contact information
2. Orgs should have process to ensure current contact info
3. More frequent conferences
4. Contact your Federal agency
5. Ask for help (Feds & Territories)
6. Communicate with sister agency / departments
7. CC: appropriate individuals

Co-mingling Money (unallowable) (audit finding)

1. Specific Training
2. Proper Documentation / doc retention
3. Follow Procedures / Policies
4. Empower Staff
5. Cross Training FM/ PGM Staff
6. Ensure Corrective actions are adequate

Local Laws vs. Federal Laws

1. Training to remind hierarchy of laws

Strengths (None mentioned)

HEALTH: Medicare/Medicaid

Challenges

1. Ineffective communication
2. Lack of funding for travel
3. Staff issues
 - a. turn-over
 - b. lack of staff, lack of skilled staff
 - c. inexperienced staff
 - d. constant need for training
 - e. over-worked staff
4. Understanding programs requirement
5. Time zone differences
6. Disconnect between finance and programs
7. Difficulty in finding local
8. Grant cycles are mismatched to procurement deadlines

Solutions

1. Face-to-face interactions
2. Piggy-back travel with territories' visits to mainland
3. Use video conferencing
4. Train the trainers for institutional knowledge
5. Provide lots of technical assistance
6. Have budget flexibility (e.g. contract staff)
7. Adjustment of work hours
8. Build relationships with programs and finance
9. Annual meeting between programs and fiscal
10. Provide TA to grantees to educate legislators on the need for matching

Wish List

1. One federal government drawdown system
2. Tailor RFPs to the insular areas
3. Federal coordination and integration to reduce application and reporting burden

Strengths (Best Practices)

1. Leveraging travel to create and opportunity to have a face-to-face dialogue with grantors
2. Monthly meetings between programs, fiscal staff and auditors to discuss issues and solutions (VI)
3. Once-a-year- training of programs and fiscal staff (Guam)
4. Thorough TA via e-mail
5. Pacific area liaison to insular areas (Honolulu-based)
6. Federal Regional Councils to coordinate Insular area activities
7. Leveraging non-government organizations and CBOs to participate in identifying best practices
8. Intermediaries between programs and finance staff

LABOR

Challenges

1. Communications / Time Zone / Geographic Locations
2. Language barrier
3. Accounting principles-lack of understanding of terminology
4. Lack of agency liaison
5. Financial report on encumbrances / fiscal and program years / obligations
6. A-133 compliance requirements may not be applicable to the islands (specific to programs A-133 requirements)
7. Insufficient funding for formula grants
8. Technological resources / assistance

Solutions

1. E-mails / Fax #s on all written communications / technology / interactive training materials, etc.
2. Make sure language is not a barrier in the procurement process
3. Make sure accounting firm is familiar with program requirements
4. Identify the Liaison
5. Better communications between OMB / Finance / Programs / Service Providers
6. Official notice from grantor agency advising of applicable A-133 requirements to the islands/state

7. Revise formulas for grants for insular areas
8. More funding for technology infrastructure for states without these resources to include training of personnel
9. Recognition by federal agencies on some of the unique problems affecting the insular areas

Strengths

1. Inter-Agency communication is easier to collaborate in a small island setting (technical information, etc.)
2. Potential to leverage resources
3. Tenure / Continuity of personnel
4. Relationships with FPOs and State program personnel
5. Improved communications amongst federal agencies as a result of conferences such as today's.
6. Recent improved technology

EDUCATION

Challenges

1. Procurement
 - a. Laws and Regulations
 - b. Lack of understanding by auditors & fiscal people about when Federal and when local laws apply
2. Communications
 - a. Time difference
 - b. Language barriers
 - c. Knowing your State and Federal counter part based on the specific programs
 - d. Responses from Federal agencies
 - e. Communication within the Insular Department
3. Cost and Time allocation and distribution
4. Audit Findings
 - a. (past and current resolution with the Federal Entities)
 - b. State resolution to the findings
 - c. Feds have to agree finding is resolved and closed
 - d. How to 'clear the books' of old audit findings
 - e. How to resolve repeat findings
5. Understanding of the Grant requirements
 - a. Confusion on the program parameters
 - b. Conflicting information from the Feds to the State and vice versa
 - c. Reporting guidelines unclear
 - d. In frequency and lack of Program reviews

6. USDOE- lack of funding for travel and reviews
 - a. Programs that are High Risk on the flip side will get a review

Resolutions

1. Procurement
 - a. Training
 - b. Establish and follow Standard Operating Procedure
 - c. Ensuring laws and regulations are followed – internal controls
 - d. Clarification on which laws are to be followed or applied (State/Local)
2. Communications
 - a. Inter-agency forums to foster communications (task forces)
 - b. Clarify communication needs/routes and close loop
 - c. Identification of Point of Contact for program and fiscal issues (name, phone#, email address)
3. Cost and Time allocation and distribution
 - a. Technical assistance from Federal agencies (shadow system not part of the payroll to help reach the goal)
 - b. Record keeping and documentation
4. Audit Findings
 - a. Establish audit committees(audit resolution committee)
 - b. Request Federal Agency to issue Program Determination Letter
5. USDOE lack of program reviews
 - a. Utilize video conferences
 - b. Combining site visits with another agencies cooperative approach to achieving the reviews by piggy backing off another agency's site visit
6. Understanding of the Grant requirements
 - a. Training

Strengths

1. Able to do the job with limited resources
2. Commitment between teachers and staff is incredible /better than at the State Level.
3. Unitary Government – combined state and local
 - a. DOE – less bureaucracy
4. Strong sense of ownership
5. Commitment to meet and overcome challenges
6. Commitment to Education

OTHER

Challenges

1. Location
2. Training
3. Politics
4. Communication

Solutions

1. Location
 - a. Available technology and network
 - b. frequent communication
 - c. more grant conferences
2. Training
 - a. Train-the-trainer
 - b. Bring trainer
 - c. Outreach
3. Politics
 - a. Qualify employees
 - b. Consistency / SOP
4. Communication
 - a. Funding for technology
 - b. Site visit
 - c. Team building

Strengths

1. Dedicated Partnership
2. Communication, Technology
3. Training
4. Dedicated Staff / Committed

**Appendix L: Slides for Property Procurement and Management
Presentation: Phil Maestri, U.S. Department of
Education**

Procurement Property Management & Accountability



Phil Maestri
Office of the Secretary
U.S. Department of Education
San Francisco
June 2007

Overview

- Accountability
- Procurement of Goods & Services
- Property Management
- Why Is All This Important?
- Wrap-Up: What Can We ALL Do?
- Resources
- Questions?

Not Rocket Science

- Accountability
- Transparency
- Performance
- Results
- Documentation

Accountability

- There is an increasing demand at all levels
- Effective internal controls, policies, and procedures are key
- Helps ensure:
 - Laws and regulations are followed
 - Fewer audit findings
 - Reliable/timely info is obtained, reported, and used for decision-making
 - Programs and resources are protected from fraud, waste, and abuse

Duties and Responsibilities

- EVERYONE is Accountable and Responsible
- Clearly Defined and Documented
- Right Mix and Number of Staff
- Staff Properly Trained
- SEGREGATION OF DUTIES

Following the Rules

- Procurement Rules and Regulations:
 - State/Territory
 - US Federal Government (GSA, agency-specific)
 - “Best Practices” as a model for establishing procurement operation

Procurement of Goods & Services

Goods: Very Common

- Pencils to Computers

Services:

- Most Common = Maintenance Services:
 - Cleaning, Landscaping
 - Electricians, Plumbers
- Business Consultants = Increasing Use:
 - Financial (Accountants)
 - Management
 - Information Technology

Procurement Sources

- Authorized Vendors
 - Usually certified by official entity (State or Territorial government)
 - History of consistently high-quality product
- Corporate Capability and Capacity
- Small and Disadvantaged Firms
- Make Sure NOT on Debarred/Suspended List

Procurement Sources

- Over time, a list of sources for goods and services is established
- List should be reviewed periodically to refresh sources:
 - Purge sources no longer available (out of business)
 - Add new sources to stimulate competition

Procurement of Goods & Services

- Primary Objective – To get the best product at the best price
- “Best Value” – Balancing act between best price versus best value for the money spent

Define Specifications For Goods

- Important in order to avoid mistakes in delivery
- Pencils to Computers – Make sure you know what you want and describe it in detail (“pencils with no erasers” “computers without CD-ROM”)
- Delivery Time and Location
- Specify Condition on Delivery and Quantities
- Inspection and Acceptance Contract Clauses

Define Requirements for Services

- Request For Proposal or Task Order
 - Statement of Work
 - Statement of Objectives
 - Contacts and Management Structure
 - Both vendor and you
 - Performance Measures and Rewards/Penalties
 - Issue Resolution Process
 - Status Reporting and Meeting Requirements
 - Proposed schedule for work
 - Milestones and key deliverables
 - Inspection and Acceptance Criteria

Procuring Goods & Services

- Competitive Sourcing
 - Request For Proposal (RFP)
 - Task Order – subset of an existing service contract
- Vendor Registers or Lists (usually minimum of three sources)
- Open Competition – Bidders Conference
- Sole Source – ***NOT TO BE USED UNLESS AN EMERGENCY AND MUST BE PROPERLY JUSTIFIED***

Funding Availability

- Ensure before ordering goods/services – Implications for accounting later if not addressed
- Timely payments to vendors - Ability to pay upon delivery (often for services, payment is periodic such as monthly)
 - Important in order to maintain positive relationships with vendors, suppliers, & service providers
- Ensure proper use of funds for intended purposes
- Obligation of funds in Financial Management System

Submit Order for Goods/Services

- Wait for delivery as specified in contract or vendor agreement
- May require some type of pre-delivery preparation:
 - Set-up space (office space for consultants)
 - Storage
 - Training
 - Announcement

Procurement Documentation

- ALL documentation must be kept in a readily accessible file
- Ensure ALL required authorizing signatures have been obtained

Procurement Documentation

- Purchase Requisition – Requests and authorizes the purchasing department to order goods or services
- Purchase Order – Formal request, signed by an authorized buyer, to an outside supplier
- Receiving Report – Document stating that the listed quantities of goods have been received and specifying their overall condition

Procurement Documentation

- Supplier's Invoice – Supplier's response to a previously issued purchase order, showing the amount to be paid
- Disbursement Voucher (*aka*: Payment Voucher) – Authenticates a liability for an expenditure and authorizes payment
- Check Voucher – A disbursement check with an attached copy or abbreviated version of the voucher

Property Management Begins!

- Arrival of goods
- Inspect and either accept or reject delivery
 - Verify all specifications and requirements have been met:
 - If "YES" = Accept
 - If "NO" = Reject & specify problem
- Tag goods for inventory purposes
- Ensure goods are delivered timely to the user

Property Management Continued

- Establish Accounting for Lifecycle of Goods
 - Depreciation methodology
- MAINTAIN RECORDS – Important for inventory accountability and other purposes (insurance)

Where Is It Now?

- It is essential to continuously track:
 - What items you have & how many
 - Where ALL items are located
 - Condition of items (expiration dates)
 - Continued usability of items (recalls, obsolete)
 - Disposal of surplus or aged items
 - Annual inventory

Arrival of Service Provider

- Orientation of Vendor to Organization and Staff
- Assist When or Where Necessary to Facilitate Vendor's Completion of Task – ***YOU DO HAVE A RESPONSIBILITY HERE!***

Service Vendor “DO’s”

DO:

- Let the vendor do the job they were hired to do
 - do not micro-manage
- Monitor the vendor's performance
- Avoid requirements “creep”
- Respond quickly and decisively when problems arise – festering problems only get worse!
- COMMUNICATE with the vendor

Who Cares?

- **Persistent Audit Findings:**
 - Inability to account for property
 - Lack of sufficient documentation to support purchases
 - Insufficient, outdated, or non-existent written procurement procedures
 - Lack of competitive sourcing (sole source)
 - Instances of fraud, waste, and abuse

Why Should You Care?

High-risk grantee

Wrap-Up: What Can We All Do?

- Follow the Rules & Regulations
- Maintain Documentation
- Written Policies and Procedures
- Communication and Cooperation
- Training
- **Remember: We are ALL Accountable!**

Resources

- Government Accounting Standards Board
www.gasb.org - information on **GASB Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments**
- General Services Administration (GSA) www.gsa.gov
Federal Acquisition Regulations (FAR)
- Joint Financial Management Improvement Program
www.jfmip.gov – look under *Inventory, Supplies, and Materials System Requirements and Framework for Federal Financial Management Systems*

Resources

- Office of Management and Budget www.omb.gov
- Department of Agriculture - National Finance Center
www.nfc.usda.gov - look under "products"
- Department of Interior National Business Center
www.nbc.gov
- Education Dept. General Administrative Regulations (EDGAR)
<http://www.ed.gov/policy/fund/reg/edgarReg/edgar.html>

Questions?



**Appendix M: Slides for Administrative Reporting Requirements
Presentation: Sefton Boyars**

We will cover

- Should we accept a grant?
- Which cross-cutting rules apply to grants
- Overview of the contents of OMB Circular A-102

1

Should we accept a grant?

- All grants have strings attached
- Almost all will require some cost contribution
- Most grants have continuing responsibilities
- Therefore, we should accept only those grants that further our core objectives

2

Which cross-cutting rules apply to grants

- Administrative rules
 - OMB Circular A-102
 - 2 CFR 215 (A-110)
- Cost Principles
 - 2 CFR 220 (A-21)
 - 2 CFR 225 (A-87)
 - 2 CFR 230 (A-122)

3

Overview of the contents of OMB Circular A-102

- General provisions
- Pre-Award Requirements
- Post-Award Requirements
- After-the-Grant Requirements

4

General and Pre-Award Requirements

- Definitions
- High-risk grantees

5

Some significant definitions

- Cost sharing
- Equipment
- Obligations
- Outlays
- Prior approval
- State

6

“High-risk” grantees

- Result from poor history or unstable financial structure
- Agencies can add additional requirements
 - Must relate to the problem
- Agencies must explain the reason for the high-risk designation and how to obtain reconsideration

7

Post-Award Requirements

- Program income
- Property rules
- Procurement
- Monitoring subgrants
- Records retention and access
- Suspension and termination

8

Program income

- Grantees are encouraged to earn program income
- Income received during the grant period
- Does not include taxes, fines, sales of property
- Use of program income
 - Usually deducted from allowable costs
 - If approved, can add to grant funds
 - If approved, can use as cost sharing or matching

9

Real property

- Title rests with the grantee
- Grantee will use for original purpose
- If no longer needed, ask grantor for instructions
 - Grantee retains title, pays Feds FMV
 - Sell property, give Feds their share
 - Transfer title, receive share of FMV
 - Offset costs of replacement property

10

Equipment

- Title rests with grantee
- State uses its own rules
- For other grantees/subgrantees
 - Use as long as it's needed
 - Then hierarchy of uses
 - Can set reasonable use fees, but can't compete unfairly
 - With approval, can use equipment as a trade-in

11

Requirements for managing property

- Does not apply to states
- Maintain property records
- Take physical inventory at least once every two years
- Establish controls to safeguard property
- Maintain the property
- Obtain best price if selling it

12

Disposition if equipment is no longer needed

- Does not apply to states
- If FMV per unit is under \$5,000, grantee has no obligation
- If per unit value is over \$5,000, keep or sell and give agency its share
- If grantee does not act, agency may direct action

13

Monitoring subgrants

- Grantees manage grants and subgrants
- Grantees monitor activities supported by grants and subgrants
- Monitoring must be comprehensive
- Remember, you are responsible for funds expended by subgrantees!

14

Record retention period

- Generally 3 years from date of expenditure report
- Extended by claims, audits, etc.
- Agency can arrange to keep records
- Grantee can use microfilm, copies, etc.

15

Access to records

- Agency and GAO have access for reviews, audits, etc
- They have access to all pertinent records
- They have access as long as records are retained

16

Effect of suspension and termination

- New obligations are unallowable
- Costs from prior obligations are OK
- Grantee may be "Debarred or Suspended"

17

**Appendix N: Slides for Developing a Grant Budget Training
Session: Deborah Milks**

Developing a Grant Budget

****how to keep the grantor agency happy, the auditor
happy and your government out of trouble**

Have you seen these before?

Criteria: In accordance with allowable cost principals, capital expenditures for equipment are allowable as a direct cost when approved by the awarding agency

Condition: No prior grantor approval was obtained for the purchase of a vehicle

Criteria: In accordance with applicable grant terms and conditions, the grantee is prohibited from incurring expenditures for cellular phones, except as approved by the grantor

Condition: We noted expenditures for cell phone services specifically prohibited by the grantor

What good is a good budget?

- Financial Plan
- Establishes accountability
- Establishes responsibility for outcomes
- Allows you to track productivity
- Helps avoid last minute "I'm out of..."

"Budgets are the principal control mechanism to assure effectiveness and efficient expenditure of resources"

- CYA

Where do you start?

- Start EARLY!!
- Look at (don't copy) prior year submissions and budget to actual data
- Review audits and their recommendations
- Know what is eligible for that grant
- Determine the output and outcomes for the program
- Estimate workload for the new year
- Gather information on any new or unique needs

What about that pesky budget office?

- On-line applications at Grant.gov are not an excuse to skip your internal government process
- Are matching or in-kind funds required?
- Are there personnel issues?
- Is there enough time before the grant expires to
 - conform to the required purchasing requirements?
 - order and receive the goods?
 - pay the invoice and drawdown the funds?

BUDGET INFORMATION - Non-Construction Programs						
SECTION A - BUDGET SUMMARY						
Grant Program Function or Activity (a)	Catalog of Federal Domestic Assistance Number (b)	Estimated Unobligated Funds		New or Revised Budget		
		Federal (c)	Non-Federal (d)	Federal (e)	Non-Federal (f)	Total (g)
1.		\$	\$	\$	\$	\$ 0.00
2.		\$	\$	\$	\$	\$ 0.00
3.		\$	\$	\$	\$	\$ 0.00
4.		\$	\$	\$	\$	\$ 0.00
5. TOTALS		\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
SECTION B - BUDGET CATEGORIES						
5. Object Class Category:	GRANT PROGRAM FUNCTION OR ACTIVITY				Total (5)	
	(1)	(2)	(3)	(4)		
a. Personnel	\$	\$	\$	\$	\$ 0.00	
b. Fringe Benefits	\$	\$	\$	\$	\$ 0.00	
c. Travel	\$	\$	\$	\$	\$ 0.00	
d. Equipment	\$	\$	\$	\$	\$ 0.00	
e. Supplies	\$	\$	\$	\$	\$ 0.00	
f. Contractual	\$	\$	\$	\$	\$ 0.00	
g. Construction	\$	\$	\$	\$	\$ 0.00	
h. Other	\$	\$	\$	\$	\$ 0.00	
i. Total Direct Charges (sum of 6a-6h)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	
j. Indirect Charges	\$	\$	\$	\$	\$ 0.00	
k. TOTALS (sum of 6i and 6j)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	
7. Program Income		\$	\$	\$	\$	\$ 0.00

SECTION C - NON-FEDERAL RESOURCES					
(a) Grant Program	(b) Applicant	(c) State	(d) Other Source	(e) TOTALS	
8.	\$	\$	\$	\$ 0.00	
9.	\$	\$	\$	\$ 0.00	
10.	\$	\$	\$	\$ 0.00	
11.	\$	\$	\$	\$ 0.00	
12. TOTALS (sum of lines 8 and 11)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	
SECTION D - FORECASTED CASH NEEDS					
	Total for 1st Year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
13. Federal	\$ 0.00	\$	\$	\$	\$
14. Non-Federal	\$ 0.00	\$	\$	\$	\$
15. TOTAL (sum of lines 13 and 14)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
SECTION E - BUDGET ESTIMATES OF FEDERAL FUNDS NEEDED FOR BALANCE OF THE PROJECT					
(a) Grant Program	FUTURE FUNDING PERIODS (Year)				
	(b) First	(c) Second	(d) Third	(e) Fourth	
16.	\$	\$	\$	\$	
17.	\$	\$	\$	\$	
18.	\$	\$	\$	\$	
19.	\$	\$	\$	\$	
20. TOTALS (sum of lines 16-19)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	
SECTION F - OTHER BUDGET INFORMATION					
21. Direct Charges:		22. Indirect Charges:			
23. Reserve:					

Can we guess? (cost estimation techniques)

- Don't simply cut and paste from last year !!
- Include as much detail as reasonably possible
- Personnel
 - Cost per FTE
 - Specific identification
- % of another object class
 - Is there a relationship
 - Can you reasonably calculate the %

Other methods of estimating costs

- Actual volume * actual unit price
 - # examination gloves * .10/ea
- Workload * average unit cost
 - # hospital days * daily rate for food cost
- Employment * dollar amount
 - Works ok for small categories of miscellaneous costs (like office supplies)
- Ratio between nonpersonnel object classes
 - % for freight applied to \$ purchased
- Lump sum adjusted
 - Previous costs adjusted for a known change (utility increases)

How to apply the methods

- Don't use the same formula year after year without testing its validity
- Try using two methods and comparing
- Give detail and justify the formula
- Work harder on larger, more significant costs

Travel

- All travel must be justified and clearly linked to the goals and objectives of your project
- List the travel details
 - dates, location, purpose
- List the travelers—by name or title
- Get solid estimates for airfare
 - Include any required or accepted layovers
- Specifically calculate per diem cost

(file the expense report on time)

Equipment

- Don't ask for the same item year after year
- Ensure it is needed for the specific grant
- Obtain price quotes as specific justification for the cost
- Be sure to include enough for freight costs

(keep track in an asset inventory listing)

Indirect Costs

- Indirect costs are defined as charges an organization incurs that benefits all projects generally
- Examples may include but not be limited to utilities charges and facilities charges (e.g., telephone usage, rental fees).
- Be sure to check the application package to determine if any restrictions have been placed on indirect costs.
- You may charge the negotiated indirect cost rate that has been established between the applicant and cognizant Federal agency.

Other considerations

- Justify your funding request in accordance with project activities keeping in mind that all costs must be *reasonable* and *necessary*
- Do not request funds for "miscellaneous" purposes
- Check your budget figures for consistency
- Other category--examples include but are not limited to communication costs (e.g., telephone, postage) and conference registration fees
- Expenditures should be carefully linked to the goals, objectives, and activities described in the project narrative portion of your application

Adult Education Performance Measures Core Indicator 1: Demonstrated improvements in literacy skill levels in reading, writing, the English language, numeracy, problem-solving, English language acquisition, and other literacy skills	Base Year Target Years		
	2000	2001	2002
Intermediate ABE The percentage of adult learners enrolled in intermediate ABE who completed that level.	17% of beginning level enrollees will acquire (validated by formal assessment) the level of basic skills needed to complete the educational functioning level	18% of beginning level enrollees will acquire (validated by formal assessment) the level of basic skills needed to complete the educational functioning level.	20% of beginning level enrollees will acquire (validated by formal assessment) the level of basic skills needed to complete the educational functioning level.

**Appendix O: Slides for Sub-Recipient Monitoring Training Session:
Phil Maestri, U.S. Department of Education**



Grantee Responsibilities

- Demonstrate project's success
- Demonstrate financial accountability

Two ways to Ensure Accountability

- Robust internal controls
- Regular monitoring

Grantee Responsibilities

- Verify expenditures are consistent with laws and regulations
- Verify drawdowns are consistent with planned activities
- Ensure valid & reliable data
- Previous audits / site visit reports

Who do you monitor?

- Subrecipients
- Contractors
- Your own house

Subrecipient Monitoring

- Basic federal regulations
 - Routine technical performance reports
 - Routine review of expenses vs. budget
 - Periodic on-site visits
 - Option to perform audits
 - Requires monitoring even if subject to A-133
 - Documentation and corrective action

Program Monitoring

- Federal regulations same as subrecipient
- Objective of monitoring:
 - Program performance
 - Allowable expenditures
 - Regulation compliance

Monitoring Approach

- Risk-based (common sense)
 - Size of program/award
 - % of program/recipient's workload
 - Complexity of task
 - Prior experience
 - Location (remote)
 - Sophistication of administrative systems

Monitoring For Results

- ☆ **Performance monitoring:**
 - Tools: performance indicators, site visits, performance reports, performance conferences.
- ⌚ **Financial monitoring:**
 - Tools: GAPS reports, audits, site visits, expense reviews, accounting reports.

Monitoring Using * GAPS *

Track spending patterns for each grant

Why:

- Identify performance problems
- Identify financial management problems
- Work in partnership to resolve

What To Look For

Rate of draws: Commensurate with approved scope of work & project milestones?

Not too slow

Not too fast

ED's Drawdown Policy

- Drawdown only enough cash to meet the grant's immediate need
- Minimize time between drawdown and pay out of funds

Red Flags

- Not drawing down funds // Regular draw downs not being made
 - Is work being performed?
 - Are performance indicators being met?
 - Is there a financial management problem?

Red Flags

- Large amount of unobligated funds at end of budget period
 - Has grantee made substantial progress?
 - Consider other issues based on your knowledge of the grant. Examples:
 - Did project have a late start?
 - Did key personnel leave the project?

A-133 Single Audit

- Non-federal entities that expend \$500,000 or more in federal awards annually are required to comply with the Single Audit Act of 1996
- Use A-133 audit info as a monitoring tool

Common Audit Exceptions

- ⊘ Poor recordkeeping
- ⊘ Unallowable costs/activities
- ⊘ Missing time & effort reports
- ⊘ Failure to follow procurement standards
- ⊘ Lack of internal controls
- ⊘ Incorrect/no indirect cost rate
- ⊘ Poor cash management (e.g., excessive draws)



Questions???

**Appendix P: Slides for Internal Controls Concepts and Standards
Training Session: Sefton Boyars**

Overview of Internal Controls

Presented by

Sefton Boyars

CPA, CGFM

1

This presentation should help you:

- Become familiar with internal control concepts
- Understand the five components of internal control
- Determine who is responsible for internal controls
- Understand the risks if internal controls are ineffective

2

Internal controls

- Integral component of an organization's management that provides reasonable assurance that agencies achieve:
 - Effective and efficient operations, including the use of its resources
 - Reliable financial reporting
 - Compliance with applicable laws and regulations

3

Internal control has three fundamental concepts

- It is a continuous, built-in component of operations
- It is effected by people
- It provides reasonable assurance, not absolute assurance

4

Reasonable assurance

- Confidence that risks are reasonably reduced
- Not a “money-back” guaranty
- Costs should not exceed benefits
- Costs can be non-financial

5

There are two types of internal control

- Prevention techniques
- Detection techniques

6

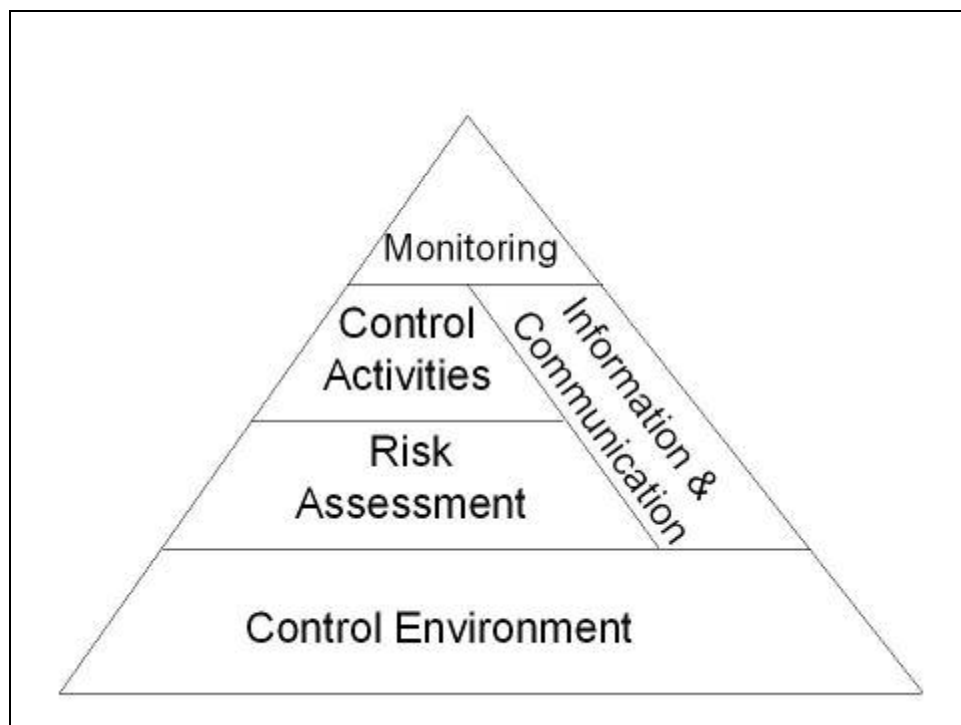
Internal Control Components

7

Five interrelated components of internal control

- Control environment
- Risk assessment
- Control activities
- Information and communications
- Monitoring

8



The control environment

- Comprises the foundation for the other internal control components
- Establishes how the organization functions
- Determines how trustworthy are the people and the records
- Includes the incentives set for management and employees

10

The control environment includes

- Integrity and ethical values
- Commitment to competence
- Independent oversight
- Management's philosophy and operating style
- Human resources policies and practices

11

Risk assessment

- “Internal control should provide for an assessment of the risks the agency faces from both external and internal sources.”
- Clear, consistent objectives are a precondition for risk assessment
- Identify and analyze relevant risks and determine how risk will be managed
- Consider impact and the likelihood of the risk
- Not just a one-time activity, but a continuous process

12

Need to balance the various risks

- How likely is the occurrence?
- How much impact would the occurrence have?
- What are the “fatal flaws?”
 - What could go wrong that would have major impact?
 - Preventing such problems is the major control objective

13

One way to evaluate risk

Risk item	Chance of Occurrence	Impact of Occurrence	Assessment of Risk
Risk 1	H/M/L	H/M/L	H/M/L
Risk 2	H/M/L	H/M/L	H/M/L
Risk 3	H/M/L	H/M/L	H/M/L

14

Review the controls to prevent the “fatal flaws”

- Are they in place?
- Does management take them seriously?
- Will they be effective?
- How can you test them?

15

Who is responsible
for internal controls?

Everyone in the
process!

16

What can happen if effective
controls are not put in place?

- The program may be ineffective
- Government funds may be misspent
- Grant programs may be reduced, or even eliminated
- The entity may be considered to be “high risk”
- Individual managers may be subject to criticism, or even fired

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Appendix Q: Slides for Preparing Indirect Costs Proposals
Presentation: Deborah A. Moberly, National Business
Center, U.S. Department of Interior

Preparing Indirect Cost Proposals

Presented by
Indirect Cost Services

Office of Insular Affairs Conference
San Francisco, CA
June 2007

Agenda

- Introduction
- Terminology
- Fixed Carryforward Schedule
- 3 percent Limitation on Fish & Wildlife Restoration Fund
- Complete Proposal Submission
- Indirect Cost Services Web Site

2

Who is NBC?

- National Business Center was created in 1999
- NBC is a service organization under Interior's Assistant Secretary of Policy, Management & Budget
- Outstanding customer service record
- Indirect Cost Services transferred to NBC in January 2003

3

Indirect Costs Rates Are:

- A means to recover general and administrative overhead
- Limited by Federal law and regulation
- A ratio of costs that support all programs (indirect) to costs that benefit individual programs or activities (direct)

4

Indirect Costs

- Incurred for common or joint objectives and cannot be readily identified with a particular final cost objective or funding source
- Necessary to the general operation of the organization
- Approved by the cognizant agency's cost negotiator through an indirect cost rate or direct cost allocation plan

5

Direct Costs

- Costs that can be identified specifically with a final cost objective such as a specific activity, program or grant (direct program costs)
- Can benefit more than one program but can be easily allocated to the funding sources that benefit (direct allocation)
- Are approved for payment by the Federal grant officer or their representative

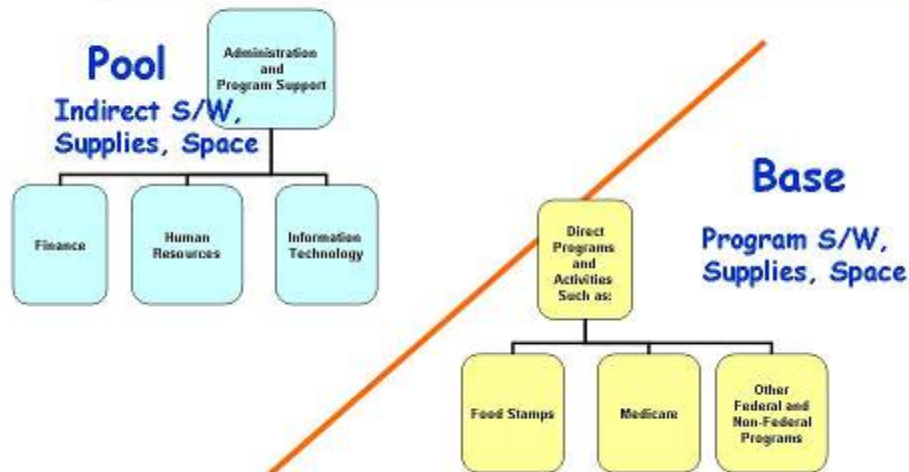
6

Direct or Indirect Cost

- The decision to treat a cost as direct or indirect depends on the treatment of that cost within the grantee's accounting system
- Costs should be consistently treated as direct or indirect and not duplicated

7

Direct versus Indirect Costs



8

Types of IDC Rates

- **Provisional**
 - Temporary estimated rate pending final rate
 - Used for funding, interim reimbursement and reporting on awards
- **Final**
 - Based on actual costs
 - Used to close-out contracts
- **Predetermined**
 - Estimated based on stable historical rate
- **Fixed with Carryforward**
 - The difference between estimated costs and actual costs of the period covered by the rate is carried forward as an adjustment to the rate computation of a subsequent period

9

What Is The Carryforward Process?

- Designed to adjust future rates for variances in past estimated costs with actual costs experiences
- The actual under- or overrecovery is carried forward and netted against the current year's indirect cost pool
- Process compensates for any differences between actual indirect costs incurred and previously proposed costs

10

Carryforward Terminology

- Indirect Costs Incurred
- Indirect Costs Recoverable Based on Negotiated Rate
- Underrecovery
- Overrecovery

11

Sample Carryforward Computation

Notes	Title/Description	Proposed
A	FY 2006 Direct Cost Base	\$41,765,945
B	FY 2006 Indirect Cost Rate	8.45%
C	FY 2006 Recoverable Indirect Costs (A*B)	\$3,529,222
D	FY 2006 Indirect Costs	\$2,600,280
E	FY 2006 CSCAP or SWCAP	18,240
F	FY 2004 Overrecovery Carryforward to FY 2006	\$45,000
G	FY 2006 Indirect Cost Pool (D+E+F)	3,463,520
H	FY 2006 Recoverable Indirect Costs (from C)	-3,529,222
I	FY 2006 Overrecovery Carryforward to FY 2008 (G+H)	-65,702
J	FY 2008 Indirect Costs	2,600,280
K	FY 2008 CSCAP or SWCAP	18,240
L	FY 2008 Indirect Cost Pool (J+K)	\$2,552,818
M	FY 2008 Direct Cost Base	\$41,765,945
N	FY 2008 Indirect Cost Rate (L/M)	6.11%

Note: State/territorial governments that submit first and second year indirect cost rate proposals need only submit J through N information.

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Other Considerations

- Pittman-Robertson (PR) Wildlife Restoration and Dingle-Johnson (DJ) Sport Fish Restoration – 3 percent SWCAP limitation
- Department of Education – Restricted Rates

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PR-DJ 3 Percent Limitation

FY 2004 Actual PR/DJ Base Expenditures:			
A	Wildlife Restoration - Pittman-Robertson Act (PR)	\$472,025	
B	Sport Fish Restoration - Dingell-Johnson Act (DJ)	274,385	
C	Total Actual Base Expenditures	746,410	A+B
D	Multiplied by 2004 Negotiated indirect cost rate	32.00%	
E	PR/DJ Indirect Reimbursements	238,851	C*D
F	FY 2004 Actual PR/DJ Total Expenditures	1,747,181	
G	FY 2004 PR/DJ Actual Direct Expenditures per Accounting Records	\$1,508,330	F-E
H	FY 2004 Total Direct Expenditures of State/Territorial Government	\$7,194,442	
I	Ratio of PR/DJ Actual to Total Direct Expenditures	20.97%	G/H

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PR-DJ 3 Percent Limitation

Continued

I	Ratio of PR/DJ Actual to Total Direct Expenditures	20.97%	G/H
J	FY 2004 Central Service Cost Allocation Plan (CSCAP)	363,451	
K	CSCAP portion related to PR/DJ	\$76,198	I*J
Final Apportionment of Federal Aid Funds for Fiscal Year 2004:			
L	Wildlife Restoration - Pittman-Robertson Act (PR)	313,426	
M	Sport Fish Restoration - Dingell-Johnson Act (DJ)	975,956	
N	Total	1,289,382	L+M
O	Multiplied by 3% Limitation	3.0%	
P	3% Limitation	\$38,681	N*O

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Calculating the new CSCAP

If the CSCAP portion related to PR/DR (K) is less than the 3% limitation (P), there is no reduction to the FY 2004 CSCAP amount. Claim the amount from "J."

If the CSCAP portion related to PR/DR (K) is greater than the 3% limitation (P), there is a reduction to the FY 2004 CSCAP amount as follows:

Take CSCAP from "J"		\$363,451
Amount based on the ratio of total direct to PR/DJ direct (K)	\$76,198	
Amount based on 3 % limitation (P)	38,681	
Difference is amount to be deducted from CSCAP		37,517
Adjusted CSCAP (claim this amount):		<u>\$325,934</u>

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IDC Rate Adjustment for PR-DJ Limitation

TITLE/DESCRIPTION	Proposed	Adjusted	Accepted
FY 2004 Direct Salaries Base	\$15,811,323		\$15,811,323
FY 2004 Indirect Cost Rate	32.00%		32.00%
FY 2004 Recoverable Indirect Costs	<u>\$5,059,623</u>		<u>\$5,059,623</u>
FY 2004 Indirect Costs	\$4,177,090		\$4,177,090
FY 2004 CSCAP	363,451	-\$37,517	325,934
FY 2002 Underrecovery Carryforward to FY 2004	<u>182,023</u>		<u>182,023</u>
FY 2004 Indirect Cost Pool	4,722,564	-37,517	4,685,047
FY 2004 Recoverable Indirect Costs	<u>-5,059,623</u>		<u>-5,059,623</u>
FY 2004 Overrecovery Carryforward to FY 2006	-337,059	-37,517	-374,576
FY 2006 Indirect Costs	4,177,090		4,177,090
FY 2006 CSCAP	363,451	-37,517	325,934
FY 2006 Indirect Cost Pool	<u>\$4,203,482</u>	<u>-\$75,034</u>	<u>\$4,128,448</u>
FY 2006 Direct Salaries Base	<u>\$15,811,323</u>		<u>\$15,811,323</u>
FY 2006 Indirect Cost Rate	<u>26.59%</u>	<u>-0.48%</u>	<u>26.11%</u>

17

DOE Restricted Rates

- Calculated by DOE
- Submit two copies of your proposal to NBC; one is then sent to DOE
- Both rates are issued at the same time

18

What is a Complete Proposal?

- | | |
|---|---|
| • Completeness Checklist | • Audited Financial Statements including reconciliation schedule |
| • Signed Certification | • Actual cost year indirect cost pool and direct cost base schedule |
| • Signed Accounting Verification (1 st & 2 nd years only) | • Proposed year indirect cost pool and direct cost base schedule |
| • Current Organization Chart | • Carryforward Computation and Rate |
| • Description of accounting system and function of Indirect Cost Personnel | • Or Indirect Cost Rate Computation Schedule |
| • 3% Analysis for Fish & Wildlife Restoration Act | |

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Indirect Cost Services Web Site

- www.nbc.gov/icshome.html
 - Tools for Processing Indirect Cost Proposals
 - Completeness Checklist
 - Indirect Cost and Lobbying Certifications
 - Sample Proposals
 - Templates
 - Fixed Carryforward Schedule
 - Reconciliation of ICP Expenditures with Single Audit
 - Links to other helpful Web sites

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Questions



Appendix R: Session Notes from Second Small Group Exercise— Action Planning

American Samoa

What key points or bits of information should we share with government leaders?

- Importance of revisiting, reinforcing internal controls
- Accountability for everyone
- Understanding Federal and Local rules interplay)
- “Best Value” Procurement
- Accurate , Complete, Timely Reporting
- Importance of Organizational Structure to support Grants and other assistance
- Training – Aptitude & Attitude

Who should we brief about the conference?

- Governor and Cabinet
- FONO
- Authorities (Boards & Management)
- Program Administrators
- Finance Officers

Who will arrange for the briefing? By when?

- Toetasi
- Within 30 days of June 15, 2007

Identify ASG’s strengths in the grants management process.

- Existing Management systems / policies
- Program plans
- Sound financial management system (IFAS)
- High Risk Status

Identify the greatest challenges to ASG’s grants management process.

- Lack of territory-wide policy (grants)
- Record-keeping
- Reporting

- Enforcement of policies
- Insufficient funding
- Lack of evaluation, monitoring, and follow-up
- Political interference

Identify ASG's solutions to some of the challenges.

TASK or STEP	WHO	BY WHEN
Establish territory-wide policy on grants	GTF / OFP	w/i 60 days
Appoint point-person	GTF	Right now
Redundant Paper Management System	DEPT / OGPO	ASAP On-going
Enforce Policies follow-up by OGPO	DEPT / OGPO	ASAP On-going
Revise Formulae Seek additional funding=Reality	DEPT / OGPO/ GO CONGRESSMAN	w/i 120 days On-going
Increase / Enhance Transparency Grant Report on-line Fiscal / Program Local FOIA	OGPO	w/i 360 days On-going

Commonwealth of the Northern Mariana Islands

Key Points to Discuss with Leaders

- Federal Funds Spending Process and Timeliness
- Enforcement/Modification of Local and Federal Policies and Procedures
- Consolidated balances allowability to cover the shortfall of local funding levels due to the local economic conditions with prior approval of USDOE
- Audit Quality will become an important consideration for future federal funding assistance

Who to Brief about the Conference

- Key State Officials
- Key department heads
- Key Program Staff

Who to Brief and When

- Conference Attendees and ASAP

Strengths in Grants Management Process

- Program Managers
- Dedicated and Qualified Staff
- Timeliness and Efficiency of reports
- Better communications between departments
- Better documentation

Challenges in Grants Management Process

- Grants Compliance
- Coordination amongst department with respect to administrative processes (bottleneck issues)
- Capacity Issues

Challenges in Grants Management Process

- Grants Compliance
- Coordination amongst department with respect to administrative processes (bottleneck issues)
- Capacity Issues

Solutions to Challenges

- Grants Management Technical Assistance Training
- Investment in human skills development in all areas
- Arrange inter-departmental monthly or quarterly meetings to address issues facing each federal program

Tasks Who and When

- Request for USDA training
- Finance representative to organize departmental meetings ASAP
- Plan for professional trainings across the board within the CNMI Government

Guam

KEY POINTS TO BRING BACK TO GUAM

- Continue to improve relationship and communications with Federal counterparts.
- Use of single drawdown system
- Expand Internal Audit Committee to include Program Managers government wide.
- Expand training opportunities to all government employees and leverage internal resources within the Government.
- A-133 Audit Requirements Matrix on “Exceptions to Regulations due to Uniqueness”
- Monitoring of grant programmatic and fiscal activity from the State Office (Guam State Clearinghouse
- Recovery of administrative costs (departmental).
- Tracking of stand-in costs

WHO SHOULD WE BRIEF

- Governor of Guam
- Lt. Governor of Guam
- Through the Guam State Clearinghouse then eventually distributed to Director Heads.
- Briefing will be conducted no later than 45 days upon return (Facilitator – Jason Tedtaotao)

Government of Guam’s Strengths in the Grant Process

- Guam State Clearinghouse continuous coordinated efforts with Bureau of Budget and Management Research in grants review.
- Improved Financial Management Systems
- Continuous improvement on technological infrastructure.
- Experienced and knowledgeable government staff providing program continuity and sustainability.

Government of Guam’s Challenges to Grants Management

- Cash Management
- Negotiation of Indirect Cost Rates

Government of Guam’s Solutions to Challenges

- Cash Management
- Renegotiate treasury agreement

- Convert from Voucher system to EFT (Dept. of Public Works)

Action Item 1 – DOA (45 days)

- Analysis of actual clearance patterns (Kathy Kakigi)
- Submission of analysis to Treasury (Director Lou Perez)
- Initiate discussions and follow-up with U.S. Treasury (Kathy Kakigi)
- To meet with grantor agency for implementation by FY08 (Arleen Unpingco Pierce).

Government of Guam's Solutions to Challenges

- Negotiating Indirect Cost Rate
- Ensure we complete financial statements and audit reports.
- Improve the methodology on capturing indirect and department's administrative costs government wide.

Action Item 2(a) – DOA/BBMR (45 days)

- BBMR to outline indirect cost methodology and distribute government wide. (Matt Quinata)
- BBMR to collect and conduct analysis on indirect and direct costs. (Matt Quinata)
- BBMR to initiate discussions with Department of Interior (NBC) on methodology. (Carlos Bordallo)

Government of Guam's Solutions to Challenges

- Negotiating Indirect Cost Rate
- Ensure we complete financial statements and audit reports.
- Improve the methodology on capturing indirect and department's administrative costs government wide.

Action Item 2(b) – GPSS (December 2007)

- GPSS to develop with U.S. DOI indirect cost rates (Frances Danieli & Superintendent Luis Reyes)

Virgin Islands

What key points or bits of information should we share with government leaders?

- Importance of adhering to internal controls.
- The need to develop a list of authorized vendors with a rating as to their performance.
- Change from lowest bidder to best value in Request for Proposals.
- Grants are not free, there are always strings attached that may be adverse.
- Program managers and Agency Heads need to be familiar all the rules and requirements of the grant.

Who should we brief about the conference?

- The Governor and Lt. Governor
- All Department Heads that are managing federal programs.
- All federal program managers and fiscal managers.
- Agencies that have an impact on the execution of any federal grants and contracts.

Who will arrange for the briefing? By when?

- Debra Gottlieb and Austin Nibbs will brief the Governor and Lt. Governor by June 30th.

Identify our government's strengths in the grants management process.

- The Governor supports Performance Based Budgeting and timely Single Audits.
- Conversion from the FMS to the ERP.
- More timely submission of grant financial reports.
- Improved cash management
- FGMU will be more proactive with training on Federal Grants.
- Weekly Audit Committee Meetings

Identify the greatest challenges to our grants management process.

- Conversion from the FMS to the ERP.
- Limited Grants Training
- Lack of coordination between the program managers and the fiscal managers.
- Lack of familiarity with the CFRs.
- IT Connectivity.
- Timely completion of our Single Audits.

Identify solutions to some of the challenges.

- On going training and regular meetings.
- Moving towards a cadre of trained grant managers.
- Do multi-year single audits to become current.
- Develop IT infrastructure plan
- Buy in by all parties to improve grants management
- Development of SOPs and training manuals for the ERP
- Technical assistance and funding for training.

Keep in mind.....

- Internal resources
- Technical experts
- Policy manuals
- Internet
- Training
- Program
- PITI/VITI
- On the job
- Other options

Palau

What key points or bits of information should we share with government leaders?

- Type of Training conference
- Type up and disseminate information of common interest
- Materials on strengths and challenges to effective grants
- Creating alliances that help to avoid “High Risk” status

Who should we brief about the conference?

- Ministers
- Grant Managers, Grant Managers in Finance
- Finance Personnel involved in Grants: Procurement Officers,

Who will arrange for the briefing? By when?

- Comptroller & Director of BNT by July 2007

Identify our government’s strengths in the grants management process.

- Little turnover of Management and staff
- Stable automated FMS

Identify the greatest challenges to our grants management process.

- Working with several managers
- Managers with
- No experience
- New with little or no knowledge of our procurement laws and regulations
- Federal Regulations – sometimes are difficult to comprehend and comply with

Identify solutions to some of the challenges.

- Workshop to discuss and disseminate policy and procedures to all managers and staff involved
- Designate key person in each ministry to ensure that program managers comply with grant terms and conditions and work closely with procurement officers to be in compliance with all laws and regulations (Federal and local)
- Action Plan

Federal Government Agencies

Challenge: Communications



- Develop a central data base of contact information
 - Name/Contact information/Programs covered/Insular Areas covered
 - OIA will take the lead to consolidate & disseminate the information by July 31
- Backup snail mail with e-mail copies
- Send express mail (DHL/Fed Ex) to the Governor's office of the insular area
- Consider establishing a list serve
- Ask insular areas to develop a contact list similar to the Gov Guam Office on Aging

Challenge: Training

- Current DOI training provided to the Public Auditors, Finance officers association, general government
- Submit a list of training needs to Captain Wamsley by July 31 for compilation and submission to OIA and distribution to Federal agencies
- Use a quarterly OIA call to talk about training plans and needs
- Target training areas which cross cut across all grants
- Develop a mechanism for pooling the various Federal agencies' existing/ proposed training efforts in the Pacific so they can be offered more efficiently
- Pool resources from the grantors to contribute to training costs
- Develop a tool kit of training resources
- Consider bringing more Pacific financial and program managers to the annual USDA Basic Grants Management workshop in Honolulu
- Engage the HHS Region IX Outer Pacific Committee and Federal Regional Council in developing strategies and collaborative efforts for fiscal training in the Pacific

**Appendix S: Slides for Cash Management Improvement Act
Presentation: Fred Williams, U.S. Treasury (FMS)**

Department of the Treasury
Financial Management Service



“CMIA 2007”

*Federal Grants Programs Accountability & Audit Conference
U.S. Department of the Interior, Office of Insular Affairs*

***Strengthening Island Government
Cash Management Practices***

*Fred Williams, U. S. Treasury (FMS)
San Francisco, CA
June 13-16, 2007*

***Federal Grants Programs Accountability & Audit Conference
U.S. Department of the Interior, Office of Insular Affairs***

Conference Goals

- Provide a forum for federal and insular government grant managers to discuss areas of common interest and concern in an effort to improve the grants management process;
- Examine grant management best practices being employed by the insular governments; and
- Enhance fiscal accounting and program performance of the insular governments in the delivery and implementation of federal grant programs.

Conference Expectations & Challenges

- Capacity Building
- Improving Communications Before Crisis
- Improving Communications and Relationships Between Fed and Insular Governments
- Best Practices
- Resolution of Audit Findings
- Improving Cash Management
- Improving the Drawdown Process
- One Federal Drawdown System

My Goal

**PROVIDE YOU
every important concept & requirement of the
Cash Management Improvement Act (CMIA)**



**so that you can administer your program
easily and audit finding free!**

Key Definitions

- CMIA
- A-102 / P.L. 106-107 / Common Rule
- Grant
- Major Program (Subpart A)
- Non-Major Program (Subpart B)
- Treasury-State Agreement (TSA)
- Drawdown
- Disburse
- Paid Out from Program Purposes
- Clearance (Float) Time
- Funding Technique
- State/Territory Interest Liability
- Federal Interest Liability

REALLY GOOD NEWS!

- ☺ Insular Government Cash Management Practices Have Improved Immensely Over the Past 2-3 Years
- ☺ Auditor Attention to Cash Management Issues Has Increased Therefore Audit Findings Have Increased – this will make program administration even better!

Proposed
Presentation Agenda

Subject to Test Question

- ✓ **CMIA Overview**
- ✓ **Key Issues: Treasury-State Agreement**
- ✓ **Key Issues: Annual Report**
- ✓ **How To Obtain \$\$\$ for Administrative Costs**
- ✓ **Review of Cash Management Audit Findings**
- ✓ **Where Do We Go From Here?**
- ✓ **Questions**
- ✓ **Optional Meetings with Each Territory**



CMIA Universe

- **Federal Grants to States Are A Huge Cash Flow (\$250 Billion Annually)**
- **Customers: 50 States/5 Territories/DC**
- **Partners: 20 Federal Grant Agencies**
- **245 Federal Grants**
- **Tangible Annual Savings for Treasury = \$16 - \$50 million**
- **Intangible Savings Even Greater**
- **4 Staff Members**

Major Responsibilities States & Territories (31 CFR 205.29)

- **Minimize Time Between Drawdown of All Federal Funds and the Disbursement for Program Purposes**
- **Designate a State Official Representative**
 - **Comply with CMIA Program Requirements**
 - **Maintain Records Prescribed in 31 CFR Part 205**
- **Adhere to Funding Techniques in TSA**
- ✓ **Notify FMS of New Programs – New Clearance Patterns**
- **Prepare Interest Calculations as Prescribed in 31 CFR 205**

Major Responsibilities: Federal Agencies & FMS (31 CFR 205.30)

- *Designate a Federal Program Official Representative*
- Advise Treasury on the Provision of the TSA
- *Issue Grant Awards and Payments Efficiently & Timely*
- Provide Comprehensive Payment Information to State Grantees
- *Keep Records on the Availability of Funds*
- Review Annual Interest Reports for Reasonableness
- *Review State Practices As Necessary to Ensure Compliance With Subpart B*
- Incorporate CMIA Compliance Into On-site Reviews of Grantees

CMIA Key Administrative Requirements

- ***Treasury-State Agreement***
 - ✓ *Update Within 30-Days of Program Change,*
 - ✓ *Or, Annually Upon Issuance of New Single Audit Report*
- ***CMIA Annual Report***
 - ✓ *Due NLT December 31*

Major Features Treasury-State Agreement

- Agents, Authority, Duration
- Covered Programs (threshold calculation)/Covered Agencies
- Definition of Funding Techniques
- Grant-By-Grant Application of Funding Techniques
- Clearance Pattern Methodology
- Interest Calculation Methodology
- Interest Calculation Costs, Signatures. Attachments

OPTION 1: ZERO BALANCE (ZBA)

The State requests funds for the actual amount of payments that will clear the account that day. The State will receive the funds requested from the Federal agency by wire on the same day.

OPTION 4: ESTIMATED CLEARANCE

The State requests funds in accordance with a clearance pattern that is dollar-weighted. The State estimates (based on historical data) the amount of funds that will clear the account each day following the disbursement.

OPTION 2: AVERAGE CLEARANCE

A single draw is made to cover an entire disbursement. The draw is made on the dollar-weighted average day of clearance based on a clearance pattern. The average day of clearance is the length of time it takes a dollar to clear the bank.

**OPTION 3:
MODIFIED AVERAGE CLEARANCE**

A single draw is made to cover an entire disbursement. The draw is made on the dollar-weighted average day of clearance based on a clearance pattern. The amount of the draw is an estimate based on the previous draw which is reconciled to the actual amount at the time of the next draw or as agreed to by the Federal agency and FMS.

**OPTION 6:
PRE-ISSUANCE**

States with statutory restrictions on expending funds that are not in the State's Treasury are permitted to draw funds up to 3 days prior to the issuance of checks or warrants. The amount of the draw must be for the amount of the payments to be issued. The State incurs interest from the date of deposit until the day the funds clear for program purposes.

OPTION 8: PAYMENT SCHEDULE

For special programs or program components, a Territory may determine a reasonable estimate of expenditures and draws funds at regular intervals throughout the funding period. The amount of the draw may be equal amounts or variable amounts depending on the circumstances.

OPTION 9: REIMBURSEMENT

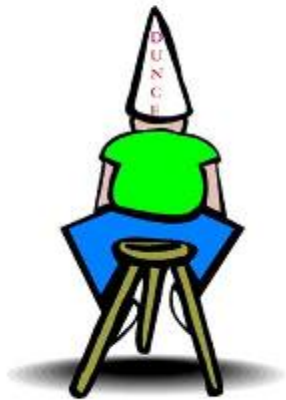
For special programs or program components, a State may disburse its own funds for program purpose and subsequently request a reimbursement of its expenditures from the Federal agency.

This is the least efficient cash management practice. It is only approved with the concurrence of the FMS and the Federal program agency.

Major Features **CMIA Annual Report**

- **Interest Is Calculated Annually Reported December 31**
- **Interest Is Exchanged March 31 (After FPAs & FMS Review Claims)**
- **Interest Is Calculated for Each Major Grant Program**
- **Calculation of An Interest Liability Requires:**
 - ✓ **Amount of Issuance**
 - ✓ **Date of Issuance**
 - ✓ **Date Federal Funds Where Requested**
 - ✓ **Date Federal Funds Where Received**
 - ✓ **Clearance Times**
- **States Are Compensated for Administrative Costs**
- **FMS Reports Outcomes to States & FPAs Including Discussion of Opportunities for Process Improvements**

Single Audit Review **Key to CMIA Compliance**



CMIA Audit **Requirements**

OMB Circular A-133
Compliance Supplement

Part 3-C

Compliance Requirements
Cash Management

A-133: Compliance Supplement
Section C. CASH MANAGEMENT
Compliance Requirements
(3-C-1 through 3-C-4)

Suggested Audit Procedures
Cash Management Compliance

1. For programs tested as major for States, verify which of those programs are covered by the Treasury-State Agreement in accordance with the materiality thresholds in 31 CFR section 205.5, Table A).
2. For those programs identified in procedure 1, determine the funding techniques used for those programs. For those funding techniques that require clearance patterns to schedule the transfer of funds to the State, review documentation supporting the clearance pattern and verify that the clearance pattern conforms to the requirements for developing and maintaining clearance patterns as specified in the Treasury-State Agreement (31 CFR sections 205.12, 205.20, and 205.22).
3. Select a sample of Federal cash draws and verify that:
 - a. The timing of the Federal cash draws was in compliance with the applicable funding techniques specified in the Treasury-State Agreement or Subpart B procedures, whichever is applicable (31 CFR sections 205.11 and 205.33).
 - b. To the extent available, program income, rebates, refunds, and other income and receipts were disbursed before requesting additional Federal cash draws as required by the A-102 Common Rule (§ ___.21) and OMB Circular A-110 (§ ___.22).

Suggested Audit Procedures
Cash Management Compliance

4. Where applicable, select a sample of reimbursement requests and trace to supporting documentation showing that the costs for which reimbursement was requested were paid prior to the date of the reimbursement request (31 CFR section 205.12(b)(5)).
5. Review the calculation of the interest obligation owed to or by the Federal Government, reported on the annual report submitted by the State to ascertain that the calculation was in accordance with Treasury regulations and the terms of the Treasury-State Agreement or Subpart B procedures. Trace amounts used in the calculation to supporting documentation.

States and Other Recipients

6. For those programs where Federal cash draws are passed through to subrecipients:
 - a) Select a representative sample of subrecipients and ascertain the procedures implemented to assure that subrecipients minimize the time elapsing between the transfer of Federal funds from the recipient and the pay out of funds for program purposes (A-102 Common Rule § ___.37(a)(4)).
 - b) Select a representative sample of Federal cash draws by subrecipients and ascertain that they conformed to the procedures.



State of the CMIA Program 2007

ANNUAL REPORT 2006 – In A Nutshell

Initial Data

- **Total Number Interest Liability Calculations: 1228**
- **State Interest Liabilities Paid to Treasury for Early Drawdown: \$ 62.4 Million**
- **Total Number FIL Claims: 207**
- **Total FIL Claims (\$): \$ 6.8 Million**
- **Total Number FIL Claims Greater Than \$5000: 44**
- **Total Number FIL Claims Denied: 24**
- **Total FIL Claims Denied: \$ 1.4 Million**
- **Total FIL Claims Approved: \$ 5.4 Million**
- **Percentage FIL Claims Denied (\$): 21 %**
- **Total Number Prior Period Adjustment Claims: 34**
- **Reimbursed Administrative Costs to the States: \$ 1 Million**

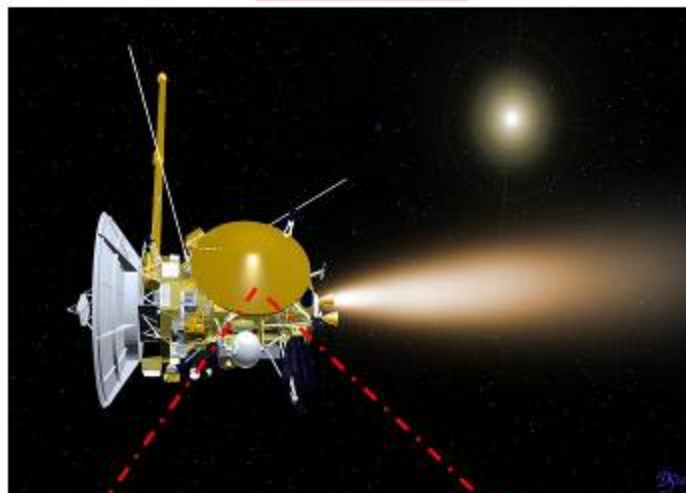
CMIA OUTCOMES: 13-Year Summary

State & Federal Interest Liabilities + State Adm Costs
(In Millions of Dollars)

Year	State	Federal	State Adm Costs	Net Interest Savings
FY 1994	\$ 34.0	\$ 4.0	\$ 2.7	\$ 27.3
FY 1995	\$ 67.0	\$ 6.5	\$ 1.1	\$ 59.4
FY 1996	\$ 66.0	\$ 13.0	\$ 0.9	\$ 51.1
FY 1997	\$ 61.0	\$ 4.9	\$ 0.9	\$ 55.2
FY 1998	\$ 53.0	\$ 3.8	\$ 0.8	\$ 48.4
FY 1999	\$ 35.0	\$ 4.5	\$ 0.9	\$ 29.6
FY 2000	\$ 66.1	\$ 22.9	\$ 1.1	\$ 42.1
FY 2001	\$ 64.7	\$ 14.9	\$ 1.0	\$ 48.8
FY 2002	\$ 28.1	\$ 6.9	\$ 1.0	\$ 20.2
FY 2003	\$ 21.3	\$ 2.6	\$ 1.0	\$ 17.7
FY 2004	\$ 17.7	\$ 1.5	\$ 0.9	\$ 15.3
FY 2005	\$ 36.9	\$ 3.6	\$ 0.9	\$ 32.4
FY 2006	\$ 62.4	\$ 5.4	\$ 0.9	\$ 56.1
Totals	\$ 612.2	\$ 94.5	\$ 14.1	\$ 503.6

TANGIBLE Savings for Treasury (92-06) = \$ 503.6 millions

CMIAS



**Internet Based
Treasury-State Agreement & Annual Reporting
System**

In Summary

- **Accurately Calculate the Threshold to Determine A Major Program / Include All Major Programs In the TSA**
- **Identify Appropriate Funding Techniques For Each Program & Use Them to Time Payments**
- **Reimbursement Is A Very Inefficient Choice to Fund Programs As You Lose Investment Opportunity for Your Government By Using Local Revenues Instead of Federal Funds**
- **Advance Funding Is Okay – but, you incur an interest liability**
- **Debbie Has The Formula for Clearance Pattern Calculation (and almost everything that is important)☺**
- **Ensure that the interest calculation methodology in the TSA is appropriate and is used for the annual report**
- **Invest Funds In An Interest Bearing Bank Account**
- **Donut Hold Your Breath Waiting for A Single Federal Payment System**

Where To Get More Information ?

- **U.S. Department of the Treasury
Financial Management Service (FMS)**

**Fred Williams, CMIA Program Manager
Federal Finance Operations
Email: fred.williams@fms.treas.gov
Voice: 202-874-6736**
- **Web Link to CMIA: www.fms.treas.gov/cmia**

***Together We'll Make CMIA
A Success For Everyone !***



***Thanx,
The CMIA Team !***

**Appendix T: Slides for Cash Management Planning Presentation:
Deborah Milks**

Understanding the Cash Management Plan

**Office of Insular Affairs
Federal Grants Programs
Accountability and Audit Conference
San Francisco, California
June 14-16, 2007**



Review of the FY 2005 Audit findings

- Included every insular government
- Increasingly specific
- Include questioned costs
- Refer to the TSA and CMIA

Gov Guam
Finding 05-28

Criteria: In accordance with applicable cash management requirements the time elapsed between the receipt of Federal funds and the clearance of disbursed checks should be minimized. The current TSA clearance pattern is 1 day.

Condition: 33% of the transactions tested exceeded 1 day, ranging from 2 to 284 days

Cause: Lack of a uniform policy for drawdowns and **no clearance pattern study** was conducted.

Recommendation:

- Establish and implement a uniform policy.
- Perform a **detailed study of actual clearance periods** for categories of payments (payroll, off-island vendors, welfare payments, etc)
- Set up the process so that **any given disbursement easily be traced back** to the Fed cash receipt date

CNMI
Finding No. 2005-14

Criteria: The terms stipulated in the Cash Management Improvement Act Agreement (CNMIAA) should be followed by the grantee for selected major programs. Additionally, the CNMI shall be **liable for interest** on federal funds from the date federal funds are credited until those funds are paid out for program purposes.

Condition: Of 78 samples tested, 77 items were paid out between 2 to 152 days from the date federal funds were credited to the CNMI's account.

Cause: **Delays in internal payment requests**

Corrective Action:

- Substantial overall Federal receivable
- Receivable of \$1.1M for the tested capital projects
- The **technique of selecting specific invoices is flawed** in that overall program expenditures vs drawdowns is not considered
- The projects had a net receivable balance after the draw down was received
- Differing expectations** between the U.S. Treasury and the grantor

CNMI
Finding N, 2005-15

Criteria: Per OMB A-133, when entities are funded on a **reimbursement basis**, program costs must be paid for by local funds before reimbursement is requested.

Condition: Funds were drawn on several large projects for which expenditures have neither been charged to the program or disbursed. Interest liability has been calculated.

Cause: Lack of procedures to ensure advances are disbursed within a timely manner.

Corrective Action: We feel that the audit technique of selecting specific invoices is flawed in that the overall program expenditures versus draw downs is not considered. Managing large disasters with hundreds of projects sometimes results in duplicate or excess draw downs. When this occurs, the **excess funds drawn are applied to other projects within the disaster** that have reimbursable costs not drawn.

Virgin Islands
Finding 04-04

Criteria: The Cash Management Improvement Act (CMIA) requires grantees to establish a financial management system that includes procedures to minimize the time elapsed between the transfer of funds from the U. S. Department of Treasury and the disbursement of funds by the grantee.

The Treasury-State agreement requires the Government to use the pre-issuance clearance funding technique for nonpayroll costs and average clearance for payroll costs.

Pre-issuance—deposit not more than 3 days prior to disbursement

Average Clearance—deposit on the day the payroll check is released using dollar weighted average day of clearance

Situation: In 8 of 30 nonpayroll disbursements tested, the **draw down was not requested in compliance with the pre-issuance funding pattern.**

Cause: Internal controls not working.

Corrective Action: User agencies will verify the total of checks drawn and the date of release.

American Samoa
05 FS-3

Cash Management: The system that calculates compliance with the cash management agreement between the Territory and the U.S. Treasury does not capture 99% of each program's expenditures as stated in the agreement.



Audit Procedures



- For funding techniques that require clearance patterns ..., review documentation supporting the clearance pattern and verify that the clearance pattern conforms to the requirements for developing and maintaining clearance patterns
- Select a sample of Federal cash draws and verify that the timing of the Federal cash draws was in compliance with the applicable funding techniques specified in the Treasury-State Agreement
- Where applicable, select a sample of reimbursement requests and trace to supporting documentation showing that the costs for which reimbursement was requested were paid prior to the date of the

Cash Management Plan

- List the major grants as defined by the CMIA
- List the drawdown process for each grant
- Understand the process used to identify and verify when the drawdown is received
- Establish spending patterns by grant and expenditure type
- Establish clearance patterns by grant and expenditure type



Cash Management Plan

- Determine reporting requirements in your individual system by grant
 - drawdown request dates
 - deposit dates
 - disbursement dates
- Develop reporting system to establish drawdown amounts
 - vendor cash disbursements pending by grant
 - payroll payable by grant



Dollar Weighted Average Clearance Pattern

A single draw is made to cover an entire disbursement. The draw is made on the dollar-weighted average day of clearance based on a clearance pattern. The average day of clearance is the length of time it takes a dollar to clear the bank.

Check No	Issue Date	Clear Date	# days	Amount	\$ Weighted
1	15-Mar	20-May	66	100	1.2
2	17-May	12-Jun	26	300	1.4
3	17-May	20-May	3	5000	2.7
4	17-May	20-May	3	154	0.1
Total			98	5554	5.4
Average Days			24.5		1.3



Other funding techniques

- Payment Schedule:**

For special programs or program components, a Territory may determine a reasonable estimate of expenditures and draws funds at regular intervals throughout the funding period. The amount of the draw may be equal amounts or variable amounts depending on the circumstances.

- Pre-Issuance:**

If there are statutory restrictions on expending funds that are not in the Treasury, the Territory is permitted to draw funds up to 3 days prior to the issuance of checks. The amount of the draw must be for the amount of the payments to be issued. The Territory incurs interest from the date of deposit until the day the funds clear for program purposes.



Appendix U: Summary of Conference Evaluations (49 evaluations submitted)

Please take a few moments to complete this evaluation. Your input and suggestions will be very useful to us in ensuring that future events are as responsive to your needs as possible. On a scale of 1 - 5, with 5 being the highest score and 1 being the lowest score, please rate the conference by circling the appropriate number.

(1) The conference was relevant and timely.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
54%	40%	6%	0%	0%

Score: 4.5

Comments:

- All topics were relevant. We continually have issues with insular territories and any time we are able to provide reinforcement is great. Very timely. Ditto above.
- Great topics and great speakers. The topics chosen for the conference was a good starting point. Discussion and presentation on these topics lead to other important discussions regarding critical issues that gave both grantor and grantee a sense of understanding and idea to address possible resolutions.
- The topics and presentations were on target with issued that have been persistent problems.
- Conference was very good.
- Timely in that we can make adjustments to our management of grants in this fiscal year and moving forward.
- The information was valid, however, persons with the same job related issues should have been grouped together during the conference, ie., DOE, FMS, FS, etc.
- A similar conference should be held in each territory to allow greater participation by program managers.
- Relevant because it coincides with the budget preparation for the fiscal year.
- High risk grantee calls into question everything the territories do in regard to federal grant administration. This conference and the conferences will be key to helping our Territory to overcome this status in the near future.
- The conference was very meaningful. It allowed the Guam Public School System the opportunity to meet with federal counterparts and share perspectives regarding issues that other insular areas share and experience.
- Great job. Always interesting.

- Liked the emphasis on understanding procurement, property management, internal controls, and the role of audits in administering and overseeing grants. Liked the dialogue throughout all sessions between feds and insular area grantees, as well as the concrete examples of problems and solutions discussed by all attendees.
- Need at least an additional day because not all territorial grantees were able to share their concerns because of time limitation. More group discussions. Best of all it is organized (conference).

(2) Goal # 1 of the conference (Provide a forum for federal and insular government grant managers to discuss areas of common interest and concern in an effort to improve the grants management process) was met.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
49%	47%	2%	2%	0%

Score: 4.4

Comments:

- It was great to hear the issues that other insular governments are facing and the realization that the issues are similar.
- Very good representation of insular government grant managers and federal – the session/activity on strengths, challenges/solutions was very useful and informative.
- The 1st day's breakout groups by department/agency and insular area grantees was well facilitated and brought out good insights into challenges and possible/real life solutions.
- More meetings like this to expose managers to problems and solutions to similar situation.
- Next time, more one on one time should be given for Federal program managers, Island fiscal managers, and Island program managers (invite next time) to meet.
- Could have used more time for federal managers to talk more specifically and come up with a plan of action for tackling issues.
- However, more federal agencies should be included in the training.
- Provided a venue to share best practices and insight of grant expectations.
- Indirect cost confused more than clarified most issues.
- It is my opinion that the goal was met, although for how long?
- My observations lead me to believe that a forum was indeed present in the conference by the show of dialogue, questions and answer, comments and opinions, and interaction from participants.

- Had the chance to meet grantors who I worked with in the department. Before this meeting, they were only names on pieces of paper. I now have faces to go with the names. We now can talk more easily.
- For future conferences, the continual blend of panelists that consist of fiscal (audit) and program specific created a well rounded aspect of creating an alliance to help avoid high risk status. For an example, Dennis Steward, USDA/FNS provided a program perspective that helped bridged the GAP in terms of program involvement which is a critical part of the alliance process. My understanding is that prior panelists did not cover both program and fiscal aspect.

(3) Goal #2 of the conference (Examine grant management best practices being employed by the insular governments) was met.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
21%	53%	24%	4%	0%

Score: 3.9

Comments:

- I liked the idea of using examples regarding best practices being employed by the insular governments during the general discussions. Maybe more examples could be used.
- The best practices of other insular governments varied and was informative to help formulate or enhance our best practices.
- There are many more “best practices” that were never discussed. Participant should have been asked to come up with 1 or 2 “best practices” from their particular program or department.
- I would have liked to see more of what’s working in the territories – especially in those jurisdictions with clean audits.
- We did not appear to address this issue
- Need more time on developing/mentioning “best practices”
- Not sure we looked at the insular governments for their own examples of best practices.
- I soon realized other places experience the same problems. Had chance to hear what other people are doing to solve problems in their islands.
- Positives and negatives were revealed and we’ve been able to gain a greater understanding on how individual territories have implemented effective and efficient practices.
- Don’t think this goal was achieved.

(4) Goal #3 of the conference (Enhance fiscal accounting and program performance of the insular governments in the delivery and implementation of federal grant programs) was met.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
27%	61%	10%	2%	0%

Score: 4.1

Comments:

- Obviously will be sometime before we know if goal was indeed achieved.
- I think that the presenters from the federal government provided adequate information that may assist insular governments enhance and adhere to fiscal accounting and program performance.
- Time will tell. It appears that attendees may be willing to initiate projects.
- Had a chance to hear what feds and grantors had to say regarding expectations and concerns.
- However, more detail should be included as it pertains to fiscal accounting.

(5) The following were informative and productive:

(a.) Panels:

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
41%	51%	6%	2%	0%

Score: 4.3

(b.) Small Group Discussions:

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
29%	63%	8%	0%	0%

Score: 4.2

(c.) Sector Group Discussions:

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
29%	56%	13%	2%	0%

Score: 4.1

Comments:

- The insular areas panel was very informative
- Panels offered a wide selection of issues
- More interactive discussion should have been included following the panels.
- Both panels were informative. However, the Federal blend of program and fiscal (audits) Panel members were effective in capturing the goals of the conference.
- Group discussions gave chance for everyone to talk and ask question in a less intimidating environment
- These discussions, small group/sector group, provided an opportunity for the federal agency officials and insular government participants to work together and share ideas.
- Small group discussions should perhaps have been structured more and set up so islanders are leading, not the Feds.
- Federal Government Section: no focus, too much discussion
- These were the strongest components of the conference specifically the small groups that were a blend of the insular governments.

(6) The meeting was effectively managed.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
55%	45%	0%	0%	0%

Score: 4.6

Comments:

- DOI and USDA Graduate School staff were very effective in facilitating discussions and Q & As between grantees and federal agencies. Very efficient in getting notes to us on Day 2 from Day 1. DOI and USDA kept all meetings running within 15 minutes of schedule and the agendas and speakers selected were all effective, good speakers.

- Kudos to USDA Graduate School officials! It was fun and well managed; excellent planning and preparation. Thank you for the pre, interim, and post accommodations and for making us feel comfortable.
- Very good time management of the flow of the agenda
- Timely and efficiently facilitated
- Great
- Kudos!!!
- Facilitation was excellent.
- Some portions should have been allotted more time. Too many things crammed into meeting. Ambitious schedule.

(7) The action plans developed during the meeting will strengthen federal-insular grant alliances.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
40%	40%	18%	0%	2%

Score: 4.2

Comments:

- It was great that we successfully identified problem areas and drew up corrective action plans that may strengthen alliance. I think constant communication between parties may result in the success of the corrective action plans.
- We just have to make ensure that we carry the information back to the Territory.
- Allowed the Guam Public School System (GPSS) to meet with insular counterparts as well as share common issues.
- Great idea.
- Everyone appears willing – waiting for results.
- Agreed based on the involvement and participation of the FSM, RMI and Palau.
- Uncertain. Concern is that plans will not be specific enough or monitored to ensure they are taken.
- Will see.
- Follow-through!
- I didn't attend this session because I was in the indirect cost discussion group.
- If the stakeholder key thus communicated.

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

- Sub-Recipient Monitoring: Work with federal program officer and director of finance on receiving financial status report on a monthly basis. Create a formula for new RFP contract to keep track of \$ spending and match records with finance (pss). Monitor all contract services.
- As a relatively new program officer working with the territories, understanding the cross cutting issues/problems with grants administration and management has been very important. Liked the dialogues between/among grantees and the feds. Good questions and answers to common questions.
- Internal control procedures and importance of communication between grantors and grantees
- Very informative. Will share with fellow employees.
- Importance of re-enforcing and revising current policies and procedures.
- Perceived difficulties in completing drawdowns due to time zone issues. Will explore issue with program and financial personnel.
- Recognition that management training is important to successful program administration. Will explore need for management training with program personnel.
- Addressing grant issues of requested problems and using other islands experience and comments.
- Indirect cost allocation plan to include the federal reimbursements in the department level rather than in a centralized tier, maximizing federal grants reimbursement to the government.
- Federal agencies do want to see insular governments succeed in the administration of grants.
- There is a commonality of purpose/goals and objectives from all the stakeholders.
- OIG offices are our allies – raises the standards to which we apply.
- Review single audit reports to ID
- Internal control issues and task agencies to correct deficiencies.
- Review past corrective actions proposed and confirm implementation.
- Single audits: preventing, addressing, understanding the process and clearing single audits. And Internal Controls.
- Write up clearer, complete and realistic corrective action plans. Develop/modify regulations to enhance internal control and prevent single audits.
- Importance of corrective action follow thru on audit findings. I just responded to an audit and I will implement the corrective actions by adding internal controls to ensure the findings do not reoccur.

- Internal controls (preventative and detective). I will have to identify my department's internal controls and determine if they work and serve their intended purpose.
- Treasury management – CMIA to get grants or EFT
- Accountability: comply with local/federal policies and procedures for internal controls.
- Grantee reporting and responsiveness: improve reporting/responses with respect to accuracy, timeliness, and quality.
- Importance of communication between local and federal government and grantors/grantees.
- Training essential for insular program managers/coordinators government officials.
- Cash Management Plan: Sit with director of finance and learn more about how drawdown are made for my program (clear picture)
- The procurement processing and the documentations.
- Audit findings and how to prevent them.
- Understanding procurement processing in more depth.
- Communication and training
- Procurement and indirect cost
- Internal controls and federal issues
- Procurement processing and requirement
- The inability (due to budgets and staffing) for some Federal program staff to visit the territories. Federal program managers need to work together with other agencies so if one agency is visiting an island, request that agency to perform some additional procedures to benefit the other agency.
- Who to contact for assistance (DOI)
- Internal controls and standards
- Administrative Reporting Requirements
- We were able to meet federal counterparts and met with key federal players to assist GPSS on issues we commonly face
- The concept that “everyone” is accountable for grants process. Importance of internal control.
- Disbursement occurs with the check clears the bank. Discussion with financial person to ensure compliance.
- Internal controls concepts and standards: update and maintaining existing internal controls
- Cash management = offer vendors EFT.
- Need for common training needs that could ideally be fulfilled by the USDA Graduate School.

- DOI needs to survey federal agencies to determine that on-site program monitoring is occurring.
- Even though the indirect costs presentation was boring and confusing the formula considerations will be very useful.
- Adherence to procurement rules
- Administrative/common rules
- Cash management and sub-recipient monitoring
- The panel on creating alliances
- Procurement and management
- Audit findings, reporting and response
- Grants management and cash flow
- Not enough decision makers in attendance
- Sister agency resource available, try to establish contacts.
- Specifics on what high risk designation means
- How the federal partners can work together on some of the problems.
- Structural challenges undermine the delivery of programs. Dealing with challenges surfaced at least 10 years ago.
- People care about doing what is required by participating and presenting information alliances.

(9) What sessions or aspects of the conference were the least relevant and meaningful to you?

- CMIA, however it was not irrelevant. I enjoyed the presentation in that we got a good foundation for CMIA. My job is outside the financials, but the session did give me an appreciation for what vendors go through to receive payment. Therefore, it was least relevant to my role but still a worthwhile session to attend.
- Cash Management Act
- Internal Controls (X 2)
- Monitoring Grants
- None (X 10)
- The insular work sessions
- Procurement
- Indirect Costs
- Indirect cost was meaningful but could have been presented more clearly.

- Grant oversight by Homeland Security officials
- Audit
- All sessions were meaningful and very informative and meaningful.
- All related.

(10) Please provide any other comments concerning the conference that will make future conference more meaningful and enjoyable.

- The conference was great and very informative. Great job to all!!
- Very informative, productive.
- I would like to see:
- Clear action plans by each territorial government that are given to each federal agency.
- Monitoring by DOI-OIA periodically to determine what assistance is needed from Federal agencies to keep plans on track.
- Pooling of training needs of various Federal agencies to have USDA Graduate School to provide management training for several territorial agencies more cost effectively that could (is being) provided by each Federal agency separately.
- Please inform federal presenters, especially those that review, approve and/or deny grant applications, activities, etc. to be frank with us regarding shortcomings in territories/ submission.
- Longer period. More program personnel and longer time to discuss. Thanks.
- The meeting of Federal agency representatives was good, but it only broke the surface. More meetings, or possibly, an entire conference for the Federal community would be meaningful and enjoyable.
- Meals were great. Very good opportunity to meet attendees and network.
- Break-out sessions seemed to work well.
- The indirect cost rate proposals did not satisfy my expectation. The handouts provided were not enough to go around, and we were told to leave them. They should not have distributed the handouts if they wanted them back. Also, Ms. Moberly did not appear to be prepared for this most important and truly needed session. There could have been quality time spent on this subject but there were confusion and she could not answer a critical questions. This area is becoming reality for most entities and could have been better delivered. No question could be answered. Unacceptable and the audience began to have side bar conversations. This session lost the audience.
- The conference was a little heavy on the fiscal side. In order for grants management to be successful the program people and fiscal people (as a team) should be in these

meetings (even better if their Director is also around). I think the right fiscal people might be represented but not as much with the program side.

- Payment system (single drawdown system availability)
- Ms. Tinitali did an exceptional job with her support and input with this conference. Job well done.
- I would like to see this type of conference annually. This would enable local governments (insular governments) to gain insight on issues relevant to grants management. In addition, GPSS is disappointed that only one representative was allowed to attend. The other 2 GPSS representatives had to use other means to attend this very “critical” conference. We suggest that GPSS be reimbursed as a result of 2 “no shows” from Guam.
- Conference was well put together and gave me a lot of clarification regarding grants and the procedures of it.
- Would like to see these conferences put on every other year, and have time set aside for federal agencies to work with grantees to offer specific technical assistance (TA).
- This conference should be reconvened and re-presented on each island (territory) to expose more players to the materials presented here.
- These types of conferences should be held more frequently – at least every 2 years.
- Bring together program, finance, decision makers and awarding agency representatives to work on specific areas of concern, as well as Islands that don’t have audit findings to share best practices.
- More of these conferences for the insular areas.
- More group discussions (additional day). Participants should be brought back every year for follow-ups on improvement and upgrades, instead of waiting for another 2 years.
- To continue with this type of meeting between all finance and program individuals.
- Small group breakouts were very useful. These give everyone a chance to talk freely.
- More microphones
- Reduce number of topics. Reduce number of work group sessions.
- Recommendations need to be incorporated into an action plant that can be tracked for outcomes.
- Discuss specific problems with like programs (encourage program groups).
- We need to have training on Guam for all other government staff.
- More group discussion.
- Hold every two years. More than 3 days needed...5 days would be best. Integrate case studies and actual experiences in session presentations.
- Expand invitation to insular governments, i.e., Palau, FSM, and RMI and consider each circumstance and scope.

- Allow island insular officials to meet separately with federal counterparts.
- The small group discussions really helped. It is great that insular federal grantees were able to discuss their challenges. It is interesting that we all have similar problems.
- Frequent visits and communication with federal.
- OK, not to be overly PC but I thought Pat's photo slides, which were meant to be humorous, were fairly insensitive. I actually thought the first photo was a Pacific photo. In any case, the photos showed people in hardship and struggle and precarious situations and were all filled with "brown" people. Not in good humor or good taste.
- Tasks for 3:00 pm breakout groups on 6/15 should have been printed out - - not just read off the screen. In opening slide show, slides appeared to utilize scenes of third world people – exclusively – to create humor. Perhaps could find humor derived less from poor people.

Appendix V: List of Conference Participants

Insular Government Participants

American Samoa

- Pat Galea'I, Director, Office of Federal Programs, ASG Federal Grants Coordinator
- Toetasi Tuiteleleapaga, Esq. Chief Legal Counsel, Office of the Governor
- Savali Savali Jr., Treasurer, Treasury Department
- Brian Mix, Controller, Treasury Department
- Epifania Iosefo, Staff Accountant for Indirect Costs, Treasury Department
- Alapasa Tuato'o, Grants Administrator/Manager, Department of Treasury
- Norma Smith, Asst. Director for Administrative Services, Depart. of Human and Social Services
- Solagaliua Solaita, Asst. Director, Food Stamps Program, Depart. of Human and Social Services
- Florence Seumanutafa, WIC Financial Manager, Department of Human and Social Services
- Makerita Enesi, Chief, Employment Development and Training Div., Dept. of Human Resources
- Suli Sopoaga, Financial Administrator, Department of Education
- Milaneta Tinitali, Program Manager, Early Childhood Education, Department of Education
- Anetere'a Puletasi, Medicaid Director, LBJ Tropical Medical Authority
- Pat Tervola, Deputy Chief Procurement Officer

Commonwealth of the Northern Mariana Islands

- Robert Schrack, Special Assistant to the Secretary of Finance, Department of Finance
- Walter Macaranas, Administrative Officer CNMI Nutrition Assistance Program
- Edith DeLeon Guerrero, Executive Director, CNMI Workforce Investment Agency
- Gloria Castro, Administrative Services Manager, CNMI Div. of Environmental Quality
- Sue Ellis, Manager Procurement Branch, Division of Procurement & Supply
- Dorinda Salas, Food Service Program Administrator, CNMI Public School System
- Florida Grizzard, Comptroller, CNMI Public School System

Guam

- Jason S. Tedtaotao, Special Assistant, Policy Compliance and Training, Guam State Clearinghouse
- Lourdes Perez, Director, Department of Administration
- Kathy Kakigi, Controller, Department of Administration
- Suzanne Sison, Acting Chief Public Health Off., Depart. of Public Health and Social Services
- Maria Connelly, Director, Department of Labor
- Victoria Helen Mafnas, Administrative Services Officer, Department of Labor
- Arleen Unpingco Pierce, Controller, Department of Public Works
- Trini F. Borja, Administrative Services Officer, Guam Environmental Protection Agency
- Anita T. Cruz, Acting Assistant Chief Procurement Officer
- Matthew Quinata, Chief Auditor, Bureau of Budget and Management Research
- Francis Danieli, Acting Chief Financial Officer, Guam Public School System
- Katrina Celes Pieper, Assist Superintendent, Special Education Div., Guam Public School System
- Ignacio C. Santos, Administrator, Federal Programs Division, Guam Public School System

U.S. Virgin Islands

- Nathan Simmonds, Policy Advisor, Office of the Governor
- Austin Nibbs, Executive Assistant Commissioner, Department of Finance
- Jasmin Greaux, CMIA Coordinator, Department of Finance
- Debra Gottlieb, Executive Director, Office of Management & Budget
- Clement “Cain” Magras, Associate Director, Office of Management and Budget
- Winston Simon, Senior Grants Analyst, Office of Management and Budget
- Clarrisa Belleau, Special Asst. to the Deputy Commissioner, Department of Human Services
- Lennox Zamore, Acting Administrator Financial Programs, Depart. of Human Services
- Diane Jeffers, Administrator Pre-School Services, Department of Human Services
- Daisy Mae Millin, Director Federal Grants & Audit, Department of Education
- Elodia Weekly, State Director Special Nutrition Program, Department of Education
- Jaime Velez, Director of Unemployment Insurance, Department of Labor

- Priscilla Berry Quetel, Executive Director Medicaid Program, Department of Health
- Lynn A. Millin, Commissioner, Department of Property & Procurement

Republic of the Marshall Islands

- Jemi Nashion, Ministry of Finance
- Jien Lekka, Ministry of Finance
- Wenda Langrine Malachi, Ministry of Finance

Republic of Palau

- Ruth Wong, Controller, Ministry of Finance
- Marino Rechesengel, Director, Bureau of National Treasury, Ministry of Finance

U.S. Federal Government Participants

US Department of Interior/Office of Insular Affairs

- Nikolao Pula, Director
- Edgar Johnson, Director, Technical Assistance
- Marina Tinitali, Accountability and Insular Policy Specialist
- Tiffany Taylor, Budget Analyst

US Department of the Interior/Office of Inspector General

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