




# PACIFIC & VIRGIN ISLANDS TRAINING INITIATIVES

## *2023-2024 ANNUAL REPORT*

The Pacific & Virgin Islands Training Initiatives (PITI-VITI) are programs of the United States Department of the Interior's Office of Insular Affairs (DOI-OIA), administered by the the Graduate School USA. This report covers the program period April 1, 2023 to March 31, 2024. Additional program information is available online at [www.pitiviti.org](http://www.pitiviti.org).



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# 2023 ELDP Highlight



**Ms. Geralyn Delacruz was chosen to represent the ELDP Class of 2023 at a graduation ceremony in Saipan, CNMI, and shared these remarks.**

*"...our island cultures are tied into shaping us to become "better versions of ourselves". Through the lessons and experiences shared with other leaders from our neighboring islands, we have learned that we are all similar with unique characteristics. We have learned that we have similar problems and challenges, with the same goals of making our home "a better place".*



A. Samoa



CNMI



FSM



Guam



Palau



RMI



USVI

Cover: Members of the Office of the Auditor-General of the Republic of the Marshall Islands during APIPA 2023.

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# About PITI-VITI



ELDLP participants presented a gift to CNMI Governor, Hon. Arnold I. Palacios after he welcomed them to Saipan with a traditional island dinner, where he had the opportunity to meet emerging island leaders.



The U.S. Department of the Interior's mission related to insular areas is specified in the Department's Strategic Plan. Mission Area 4, "Fulfilling our Trust and Insular Responsibilities," includes the goal to "strengthen economic and health capacities in the US Territories and fulfilling US compact obligations to the freely associated states." Responsibility for this two-pronged goal is held by DOI's Office of Insular Affairs (DOI-OIA), which assists the U.S.-affiliated islands in "developing more efficient and effective government by providing financial and technical assistance, and to help manage federal / islands relations by promoting appropriate federal policies."

As part of DOI-OIA's Technical Assistance Program, the Graduate School USA's (GSUSA) International Institute provides training and related services through its Pacific and Virgin Islands Training Initiatives (PITI-VITI) to assist insular governments in improving government financial management and program performance across the Pacific and Virgin Islands.

# PITI-VITI Strategic Goals



## Strategic Goal 1:

Improve Leadership and Management Capacity to Effectively Perform.



## Strategic Goal 2:

Improve Financial Management Systems and Practices.



## Strategic Goal 3:

Increase Effectiveness and Program Results.



## Strategic Goal 4:

Institutionalize Regional Professional Organizations and Communities of Practice.



## Strategic Goal 5:

Improve the Capacity and Capabilities of the Public Sector Work Force in Critical Positions and Functions.

The PITI-VITI program was designed and developed by DOI-OIA. Under contract with GSUSA, PITI-VITI is managed in collaboration with insular area leadership and the audit and finance communities of practice. Since 1991, the collaborating parties envisioned PITI-VITI as a program to enable ongoing and evolving support to each insular area and across areas to achieve continuous improvements in auditing, grants management, leadership, economic development, human resources, and public financial management.

Five important issues have surfaced over time as cross-cutting, fundamental, and relevant—both for DOI-OIA in fulfilling important components of its mission, and for each of the insular areas in fulfilling their commitments to good

### **Financial Management and Accountability:**

While each of the insular area finance offices utilizes modern financial management information systems, maintaining competence in evolving financial management standards remains challenging. Several insular areas struggle with high-risk grants status for various federal grants. The lack of proximity to federal representatives and resources has led to difficulties in managing financial systems and implementing best practices.

### **Public Service Capacity:**

Although the level and depth of talent across insular areas differ, the governments' workforce challenges are greatly compounded by the lack of well-planned and well-resourced succession programs to replace key personnel and leadership in virtually every insular area. Insular area governments struggle attracting and retaining qualified professional staff as they compete with the private sector and manage the effects of sustained outmigration, which severely limits the pool of qualified professionals. Moreover, high travel costs make professional training prohibitive for government entities, which find that the costs to retain trained professionals is extraordinarily high. Workforce development and scholarship programs also suffer from the high overall costs to attract and retain trained workers, as well as weak linkages to actual needs in each island's economy.

### **Audit Timeliness and Quality:**

Economic development depends significantly on good governance and fiscal responsibility. Compliance with the Single Audit Act is a major focus of U.S. assistance to the insular areas. Since 1999, the insular areas have progressed in the timeliness and quality of single audit issuance. However, substantial ongoing support is required to sustain the hard-won current achievements against the headwinds of complex U.S. GASB standards and the relentless impact of attrition on island budget and finance offices.

### **Fiscal Reform and Stability:**

: The insular economies generally suffer from low growth rates and vulnerability to external shocks, resulting in volatile economic outcomes over time. Reliance on tourism creates both economic and fiscal challenges for insular areas. The failure to modernize tax regimes and broaden tax bases—coupled with undisciplined or inattentive spending—has led all the insular areas to suffer from at least one recent period of fiscal distress, with most insular areas experiencing repeated cycles of fiscal distress. Reliance on U.S. federal assistance varies across the insular areas, but most governments strive to reduce this reliance through enhanced economic growth and improved public financial management. An often-stated goal and long-awaited diversification of economic activity has proven elusive. Similarly, loud and persistent calls for improved public sector dialogue with the private sector and improved public sector policies in support of private sector growth require effective and sustained implementation. Fiscal reform to achieve a stronger and more predictable economy is necessary to improve private sector growth.

### **Need for Rapid Response to Urgent, Emerging Issues:**

The insular areas remain among the most geographically isolated of the U.S. government's constituents. As crises emerge—whether fiscal, economic, or environmental—the lack of access to professional expertise becomes more pronounced. Professional technical support which can be mobilized quickly remains an ongoing need.

governance. Over time, the breadth and depth of GSUSA's activities to support DOI-OIA's mission have broadened and deepened, as described in the list below.

Through PITI-VITI's annual planning processes, program managers work in close collaboration with insular government officials to review accomplishments, assess effectiveness, develop training plans, and budget for planned activities. Periodically, PITI-VITI management revises its strategic plans to focus its efforts and resources on the most critical emerging issues facing the insular governments and DOI-OIA.

PITI-VITI's vision is informed by the Department of the Interior's "Strategic Plan for Fiscal Years 2018-2022" and DOI/OIA's "Budget Justification and Performance Information" issued annually. These documents highlight the following strategies:

- Supporting self-governance and self-determination, as measured by the quality and impact of insular government single audits;
- Strengthening economic capacities in the insular areas, as measured by increased investment in infrastructure, public services, and private sector development;
- Fulfilling U.S. Compact obligations.

Specifically, the DOI-OIA Strategic Plan seeks to "equip the insular areas with the statistical and management information necessary for informed leadership decision making, expert consultants to effectively improve insular government financial policies and procedures, and strong financial management systems along with technical planning abilities."

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

Based on this vision and mission, PITI-VITI works to achieve the five strategic goals highlighted below. Each of the activities implemented by PITI-VITI in 2019 supports the strategic goals above. In addition, PITI-VITI utilizes performance measurement and monitoring mechanisms to assess its progress toward meeting program goals and ensuring accountability.

# About the Graduate School USA

🌐 [graduateschool.edu](https://graduateschool.edu)



The Graduate School USA's main headquarters, located in Washington, DC.



The Pacific & Virgin Islands Training Initiatives (PITI-VITI) are administered by the Graduate School USA (GSUSA), an institution that has been supporting public servants and the public sector for over 100 years. GSUSA has its roots as the first U.S. organization founded with the mission of providing continuing education to federal employees when it first opened its doors in October 1921. Then known as the USDA Graduate School, GSUSA was originally established by the Secretary of Agriculture with the express purpose of offering professional development courses for USDA scientists. From its beginnings, the focus of GSUSA has been to develop individuals to make government more efficient and effective.

Graduate School USA is currently a wholly-owned subsidiary of American Public Education, Inc. (APEI). APEI is a leading education services provider that offers respected, innovative and affordable educational programs to the military, public health, and federal communities.

GSUSA connects people, ideas, and organizations by designing customized capacity-building solutions. Our international training and customized programs help current and future leaders grow professionally. Building on our legacy of leadership development and professional training, GSUSA supports a variety of clients, including U.S.-based agencies with global missions, international organizations, the private sector, non-governmental organizations, and academic and public institutions worldwide.

Today, GSUSA offers over 600 courses in financial management, grants management, accounting, auditing, human resource management and information technology, among others. GSUSA has experience working with more than 100 countries with access to hundreds of training courses and subject matter experts in nearly every field. GSUSA remains dedicated to helping government become more efficient and effective and to supporting working adults as they achieve occupational success and personal growth. Whether helping public sector professionals do their jobs more effectively or helping members of the community better position themselves to enter the workforce or move ahead in their careers, GSUSA's mission has remained consistent for over one hundred years.





# The Association of Pacific Islands Public Auditors (APIPA)

apipa2023.pitiviti.org

Association of Pacific Islands Public Auditors, Office of the Inspector General, and Graduate School USA represented at the APIPA 2023 Conference in Majuro.



### Strategic Goal 3:

Increase Effectiveness and Program Results.



### Strategic Goal 4:

Institutionalize Regional Professional Organizations and Communities of Practice.

The Association of Pacific Islands Public Auditors (APIPA) comprises the public auditors for each of the U.S.-affiliated insular areas and the public auditors of Samoa and Fiji. For over thirty years, APIPA has hosted an annual conferences to discuss issues related to auditing and financial management, providing practitioners with opportunities to obtain professional training as required by government auditing standards. In addition to supporting the annual APIPA conferences, PITI-VITI also provides each insular government public audit office the opportunity to attain up to 40 hours of Continuing Professional Education (CPE) credits annually for each employee as required by government auditing standards.

By providing training during the annual APIPA conference and delivering targeted audit training for insular jurisdictions, PITI-VITI and APIPA's work supports the institutional strengthening of public audit offices throughout the region.



**406**  
**APIPA**  
**Participants**



**13,844**  
**CPE Credit**  
**Hours**



**2,198**  
**Course**  
**Certificates**

## APIPA'S 34<sup>TH</sup> ANNUAL CONFERENCE








The Association of Pacific Islands Public Auditors (APIPA) completed its 34th annual conference from August 28 – September 1, 2023, returning to in-person training after three years of virtual meetings. The Office of the Auditor-General of the Republic of the Marshall Islands hosted the conference under the leadership of APIPA Chairman Junior Patrick, also the Auditor-General of the Republic of the Marshall Islands. The conference theme was “Shining a Light on Public Accountability.”

The 2023 APIPA conference opened with a welcoming address from His Excellency David Kabua, President of the Republic of the Marshall Islands. He highlighted the importance of public accountability and transparency in the Pacific islands. Keynote speakers included Ambassador Carmen G. Cantor, Assistant Secretary for Insular and International Affairs, who praised the participants’ commitment to public service and urged them to leverage the learning opportunities. Mr. Mark Lee Greenblatt, Inspector General for the U.S. Department of the Interior, commended the attendees’ dedication to transparency and integrity.

The APIPA 2023 conference provided training for 406 auditing and financial accountability officials from 12 Pacific Island governments and territories. The conference delivered twenty courses in Audit, Audit Supervisory, Finance, and Advanced Finance and Management tracks.

PITI-VITI provided Graduate School USA subject matter experts in auditing, accounting, financial management, leadership, and external quality control reviews of audit offices. The opening plenary featured Ms. Nicki Miller, Deputy Assistant Inspector General for Inspections and Evaluations, discussing “The Future of Accountability.” She focused on the evolving demands for quick information access and the need for auditors to use innovative tools and methods for effective oversight.

The APIPA 2023 closing plenary session facilitated by Mr. Drummond Kahn shifted focus to practical application. Island government audit offices presented recent audit findings and recommendations. These audits covered various topics, including pandemic unemployment assistance, education overtime payments, reimbursable federal grants, transportation finances, embassy operations, and air and fisheries performance. Facilitated by Mr. Drummond Kahn, the session offered valuable insights into public auditors’ work and progress in the region’s accountability and auditing. The topics presented by insular governments are as follows:

-  Republic of Palau, Office of the Public Auditor Audit of Pandemic Unemployment Assistance (PUA): Findings, Recommendations, and Criminal Prosecutions  
Presenters: Reggie Mabel, Dilrae Mechol, Sumch Chin
-  Guam Office of Public Accountability Guam Department of Education Overtime Payments  
Presenters: Vince Duenas
-  Office of the Chuuk State Public Auditor Reimbursable Federal Grants  
Presenters: Manuel San Jose, Shannaleen Braiel, Rosalinda Mori
-  Office of Public Auditor, Yap State Government Financial Audit of Yap Transportation  
Presenters: Jessica Luktingag
-  Republic of the Marshall Islands Office of the Auditor-General Audit of RMI Embassy in Japan  
Presenters: Lynna Rockyland, AJ Enos, David John
-  Federated States of Micronesia National Office of the Public Auditor Performance audit on Caroline Islands Air, Inc  
Presenters: Brenda Carl; Shelolyn Neth
-  Federated States of Micronesia National Office of the Public Auditor Performance audit on the National

Fisheries Corporation (NFC)  
Presenters: Keller Phillip; Ethel J. Alik

A total of eight instructors delivered twenty courses to 406 total participants. A total of 2,198 course certificates were awarded to conference participants, who earned 13,844 collective hours of Continuing Professional Education.

The 2023 APIPA conference hosted participants from various regions, including American Samoa, the Commonwealth of the Northern Mariana Islands, the Federated States of Micronesia (including National, Chuuk State, Kosrae State, Pohnpei State, Yap State), the Republic of the Marshall Islands, the Republic of Palau, Samoa, and Kiribati. The upcoming 35th annual APIPA Conference will take place in the Republic of Palau during the summer of 2024.

## APIPA BY THE NUMBERS

In addition to individually evaluating each of the 20 courses delivered during the 2023 APIPA Conference, the Graduate School USA also analyzes the overall conference participation and experience. Participants provide background information when registering for the conference and complete evaluations after each course. Participants are invited to complete a post-conference electronic survey to provide feedback on the APIPA conference. The APIPA Secretariat received a 22 percent overall completion rate for the voluntary survey, as 108 participants completed the survey.

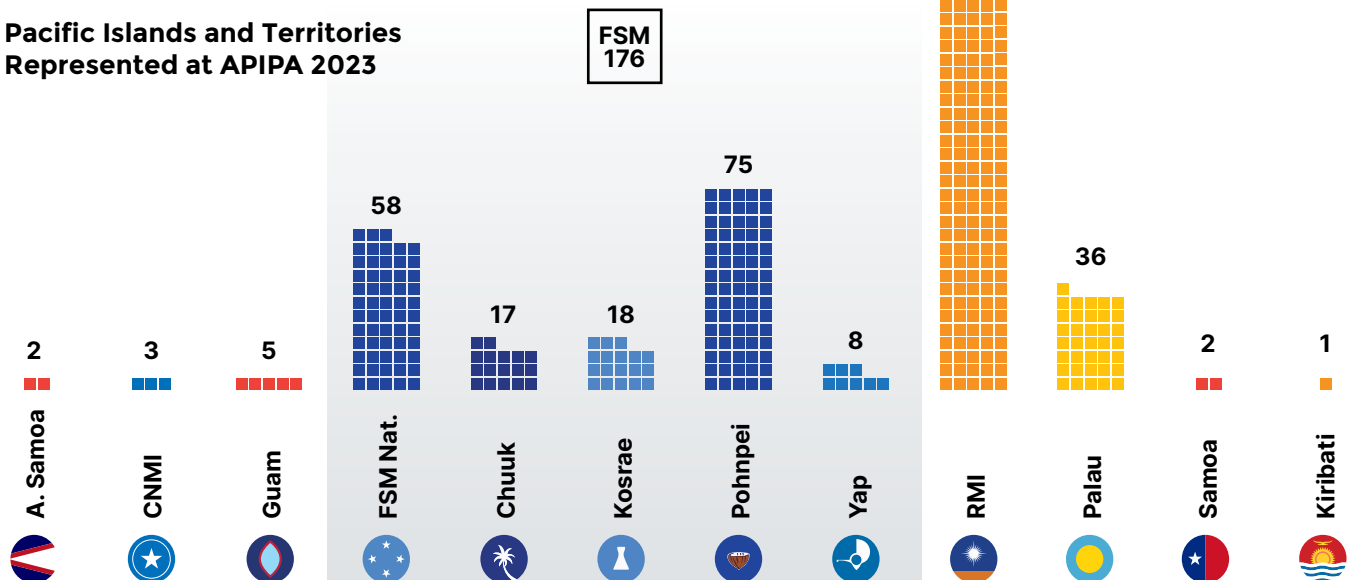
## CONFERENCE COMPOSITION

The 2023 APIPA Conference was attended by 406 participants from various countries. The Republic of the Marshall Islands had the largest delegation of 181, followed by FSM – Pohnpei State with 75 and FSM National following with 58 attendees. The conference also welcomed smaller delegations, including 36 from Palau, 5 from Guam, 2 participants from American Samoa, 3 from the CNMI, 2 from Samoa, and 1 from Kiribati. The APIPA conference was offered to participants at no cost.

APIPA reaches many new participants each year, expanding accountability training in the Pacific and U.S. Virgin Islands. Of the 406 participants, 47 percent of APIPA 2023 indicated that this was their first APIPA conference, while 24 percent indicated that this was their second or third conference. Sixteen percent of participants have attended 4-6 APIPA conferences, while 13 percent have attended seven or more conferences.

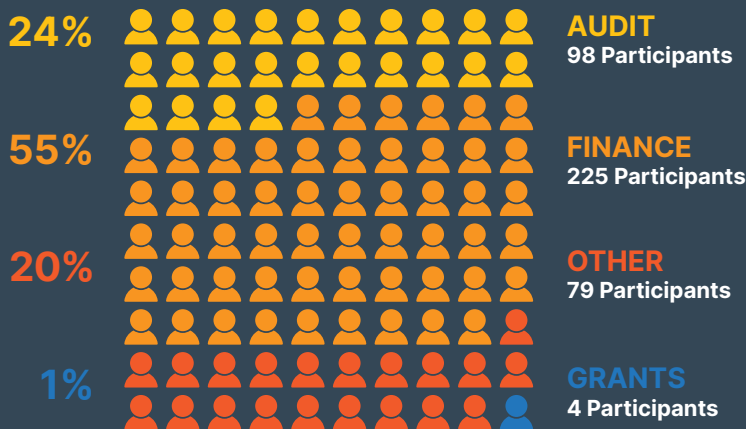
Each year, APIPA courses are customized to meet new and emerging needs. APIPA also continually provides foundational accounting and auditing classes to address the needs of new participants, many of whom are just getting started in their field. While 24 percent of participants come from audit offices, the remaining 76 percent represent finance offices, grants management offices, or other offices.

### Pacific Islands and Territories Represented at APIPA 2023



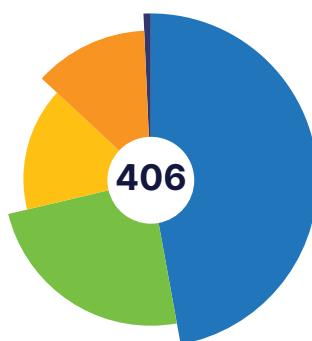
## PROFESSIONS REPRESENTED AT THE APIPA 2023 CONFERENCE

While 24 percent of participants came from audit offices, the remaining 76 percent represented finance offices, grants management offices, or other offices.



## APIPA 2023 PARTICIPANT EXPERIENCE

The data revealed the diversity of experience among the APIPA 2023 participants. Nearly half of the participants indicated that this was their first APIPA conference, while an additional 24 percent of participants indicated this was their second or third conference. This showed the importance of continuing to offer introductory finance and audit courses for the new participants. In addition, 16 percent of participants have attended 4-6 APIPA conferences, while 13 percent have attended seven or more conferences.



## COURSE EVALUATIONS

Following each APIPA course, conference participants are asked to complete a course evaluation as part of the regular Graduate School USA evaluation cycle. Participants are asked to rate the course content, the instructor, and facilities and assess their knowledge of course content before and after the course.

As indicated below, the APIPA Secretariat focused on three representative questions to determine the conference's overall success. Respondents generally rated the 2023 APIPA courses highly, with an aggregate average of more than 4.58 on a scale of 1 to 5.

## CONFERENCE FEEDBACK

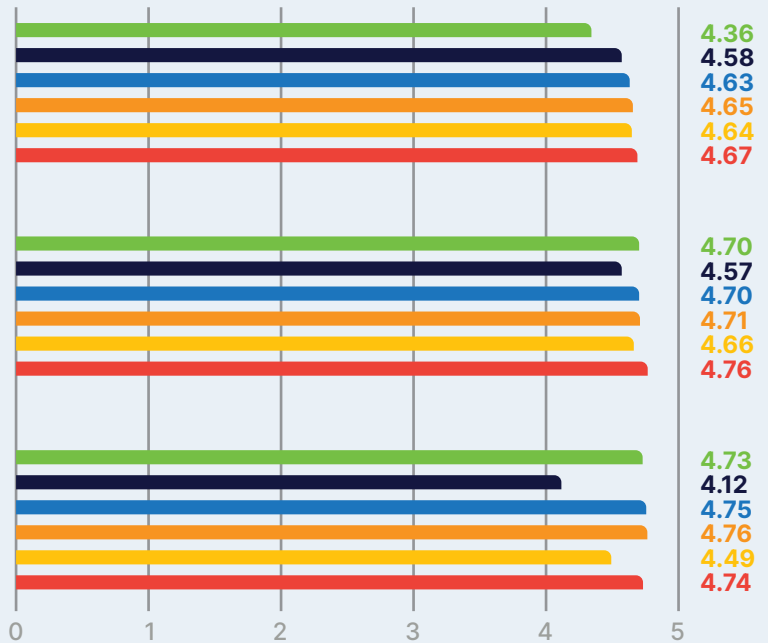
After the conference, participants were asked to rate their overall experience by completing an evaluation. Notably, attendees gave a 4.70 rating on a 5-point scale for the statement "conference sessions developed my knowledge and skills" and a 4.73 rating out of 5 for the variety of topics offered in training sessions.

APIPA 2023 APIPA 2022 APIPA 2021 APIPA 2020 APIPA 2019 APIPA 2018

The keynote speakers shared information or ideas that I can use.

Overall, I found that APIPA developed my knowledge and skills.

The variety of topics allowed me to make good choices on which training sessions to attend.



Mr. Manuel San Jose Jr., Public Auditor, and members representing Chuuk State Audit Office and the FSM Development Bank at APIPA 2023.

After three years of virtual conferences, 406 participants convened in Majuro to attend APIPA 2023.





# The Island Government Finance Officers Association (IGFOA)

🌐 [igfoa.pitiviti.org](http://igfoa.pitiviti.org)



### Strategic Goal 3:

Increase Effectiveness and Program Results.



### Strategic Goal 4:

Institutionalize Regional Professional Organizations and Communities of Practice.

The Government Finance Officers Association (GFOA), a U.S. and Canadian-based community of practice, addresses issues related to accounting, budgeting, economic management, debt management, pension administration, and technology, all of which apply directly to the insular areas. Since 2000, PITI-VITI has supported the efforts of the Island Government Finance Officers Association (IGFOA), a professional organization comprised of the Chief Financial Officers and key permanent financial staff of each U.S.-affiliated insular government. The IGFOA provides insular government finance officers opportunities to discuss

common challenges and share successful best practices. In addition, the IGFOA fosters peer accountability, whereby each government self-reports on the status of their audits and progress against key finance office performance measures.

The focus of the IGFOA has evolved through the years. While early conferences focused on traditional, accounting-focused training, in recent years, GSUSA program managers, DOI-OIA officials, and IGFOA members have identified three priority areas:



Finance leaders and professionals convened in Portland, Oregon for the GFOA and IGFOA summer conferences.



- /// improving the quality and timeliness of single audits in the insular areas;
- /// tracking the performance of finance offices through performance measures; and
- /// measuring the ‘fiscal health’ of each government through the Performeter.

The IGFOA has consistently addressed emerging financial issues likely to impact the insular areas. Recent meetings have focused on prioritizing the review of single audits from FY20 to FY22, addressing audit delays, and planning for timely future audits. Discussions have also highlighted collaborating with GFOA’s Federal Liaison Center, adapting to changes in accounting regulations, preparing for new GASB standards, the effective management of financial systems, sharing audit experiences and Performeter analyses, tax policy and updates on funding and Compact renewals relevant to the Freely Associated States.

Three IGFOA conferences were held during the 2023-2024 PITI-VITI program year.

## IGFOA SUMMER CONFERENCE

Finance officers and government financial officials from U.S.-affiliated Island jurisdictions and territories met in Portland, Oregon, for the 2023 Summer GFOA and IGFOA conferences. Attendees represented the Commonwealth of the Northern Mariana Islands, the Federated States of Micronesia (covering the FSM national government, Chuuk, Pohnpei, and Yap), Guam, the Republic of the Marshall Islands, the Republic of Palau, and the U.S. Virgin Islands governments.

The IGFOA pre- and post-conference meetings adjoined the 117th Government Finance Officers Association (GFOA) conference.

- /// An IGFOA pre-conference meeting was held on May 20, 2023.
- /// The 117th GFOA Conference was held from May 21-24, 2023.
- /// An IGFOA post-conference meeting continued from May 24-25, 2023.

At the 117th Government Finance Officers Association conference, participants joined over 6,000 attendees from the United States, Canada, and other locations. Participants attended an extensive program of more

than 83 sessions covering various topics on emerging issues, including Finance Office Management and Process Improvement, Leadership, ERP Systems and Technology, Accounting and Financial Reporting, and Fiscal Management. The insular governments held pre-meeting and post-meeting discussions intended to “reset” priorities for the IGFOA and its members. During the pre-meeting, participants presented their governments’ single audit status for FY20 and FY21. They discussed the delays they had experienced and identified strategies for getting back on track with the audit and improving the single audit process. Participants then identified the GFOA sessions they planned to attend and debrief during the post-meeting.

Following the GFOA sessions, the participants met for the post-meeting to review key issues and ideas presented at the Conference in the post-meeting. The participants discussed the applicability of these issues and ideas to the insular governments. They also attended presentations on collaborating with GFOA’s Federal Liaison Center, presentations on the GASB-87 Lease accounting standards, Enterprise Resource Planning, and effective ways of employee engagement within their respective governments. The participants summarized key takeaways and developed three follow-up activities that each insular government plans to discuss at the IGFOA Virtual 2023 Conference.

## IGFOA 2023 VIRTUAL CONFERENCE

The Island Government Finance Officers’ Association (IGFOA) convened a virtual check-in meeting on September 14, 2023. Fifty-three government finance leaders and staff from the U.S.-affiliated Island jurisdictions, including American Samoa, the Commonwealth of the Northern Mariana Islands, the Federated States of Micronesia—the FSM national government, Chuuk, Pohnpei, and Yap—Guam, the Republic of the Marshall Islands, the Republic of Palau, the U.S. Virgin Islands attended the meeting.

The virtual meeting addressed the challenge of audit timeliness faced by insular governments. Data was shared with participants, showing the governments’ collective audit delay. Although this issue was common to all governments, the need to understand these audit challenges to tackle future problems was discussed. Finance officers from each island government then provided updates on their audit status, action plans, challenges, and achievements.



Daril Hermogenes, Grants Specialist from the CNMI Office of Grants Management, attended the Winter IGFOA held in Honolulu, Hawaii.





## IGFOA 2023 WINTER CONFERENCE

The Island Government Finance Officers Association (IGFOA) held its annual winter meeting in Honolulu, Hawaii, from December 12-14, 2023. The meeting brought together 43 public sector finance leaders and representatives from US-affiliated island jurisdictions and territories, including the CNMI, Guam, Palau, the Marshall Islands, the U.S. Virgin Islands, and the Federated States of Micronesia. Additionally, four representatives from the Washington D.C. and Hawaii Department of Interior's Office of Insular Affairs attended the meeting and contributed to the discussions.

Before the meeting, GSUSA staff conducted virtual meetings with the finance offices of each of the eleven U.S.-affiliated insular governments. These discussions were aimed at better understanding specific issues and challenges unique to each government, particularly those impacting the timely completion of their single audits. The insights gained from these conversations contributed to the formulation of the IGFOA Winter Conference agenda and identified key focus areas for the status updates of each insular government.

The timeliness of insular government single audits was central to the conference's agenda. The meeting also focused on exchanging insights, shaping actionable strategies, and discussing regional issues and resolutions. Hon. Kaleb Udui, Palau's Minister of Finance, highlighted the significance of challenges like economic hardships and uncertainties in Compact agreements and acknowledged the progress resulting from the IGFOA meetings.

Discussions also covered various issues, such as changes in Financial Management Information Systems (FMIS) and transitions to new audit firms. Participants presented updates on their single audits and on initiatives completed since June 2023, especially focusing on their challenges and successes. Additional presentations shared during the conference included a success story, 'ten audit don'ts' for best practices, and the development of action plans to ensure the issuance of timely audits.

A major challenge encountered by numerous U.S.-affiliated insular areas has been the transition of their single audit management from Deloitte to Ernst & Young. This change has introduced significant transitional requirements that have posed difficulties for many of the governments involved. To address these concerns and to suggest ways to enhance efficiency, a representative from Ernst & Young participated in the IGFOA Winter Conference, providing valuable insights and recommendations.

Additional discussion topics included a presentation of the Performer analysis, which offers insights into the financial health of insular governments. The meeting also addressed the financial implications of renewing the Compacts of Free Association with the Freely Associated States, highlighting the potential impact of US Congressional delays in authorization and appropriation. An update on the implementation of GASB lease standards was also delivered.

The IGFOA participants will meet for a virtual meeting in April 2024, followed by the IGFOA in-person conference in Orlando, Florida, from June 8-14, 2024.

For more information about the IGFOA and its activities, please visit <https://pitiviti.org/igfoa>.



ELDP alumni, Ryan Camacho ('19), Francyne Wase-Jacklick ('19), Tracy Norita ('17), and Ayako Yamaguchi-Eliou ('21) attended the three-day Winter IGFOA in Honolulu, Hawaii.





# Economic Advisory Group for Palau

palaeag.org

Palau EAG members reviewed regional initiatives from the University of Hawaii at Manoa.



### Strategic Goal 1:

Improve Leadership and Management Capacity to Effectively Perform

## BACKGROUND

In 2022, the United States and the Republic of Palau established an Advisory Group on Economic Reform (“Advisory Group”) as called for in the 2010 Palau Compact Review Agreement (“2010 CRA”). The purpose of the Advisory Group was “to contribute to the long-term economic sustainability of Palau by recommending economic, financial and management reforms.” Two Advisory Group meetings were scheduled to be held annually, in Palau and Hawaii, unless otherwise agreed by the members. The Advisory Group is tasked to report, “annually not less than thirty (30) days prior to the annual bilateral economic consultations to be held on or about June 1 every year on the Government of Palau’s progress on implementing reforms.”

In 2022, the governments of the United States and Palau named five Advisory Group members:



***Dr. James K. Galbraith***

Chairman

Selected by the United States from among three candidates provided by Palau. Dr. Galbraith holds the Lloyd M. Bentsen Jr. Chair in Government/Business Relations at the Lyndon B. Johnson School of Public Affairs and a professorship in Government at The University of Texas at Austin.



***Dr. Denise Eby Konan***

Member designated by the United States. Dr. Konan is Dean of the College of Social Sciences and Professor of Economics at the University of Hawaii at Mānoa (UHM). As Dean, she provides leadership to twelve academic departments that deliver nearly a fifth of degrees offered on campus.



***Dr. Peter Watson***

Member designated by the United States. Dr. Watson is President & CEO of The Dwight Group, the D.C.- based investment bank. He previously served as President & CEO of the U.S. Overseas Private Investment Corporation (OPIC), now the U.S. Development Finance Corporation (DFC). Prior to OPIC, Dr. Watson served as Chairman of the U.S. International Trade Commission (ITC).



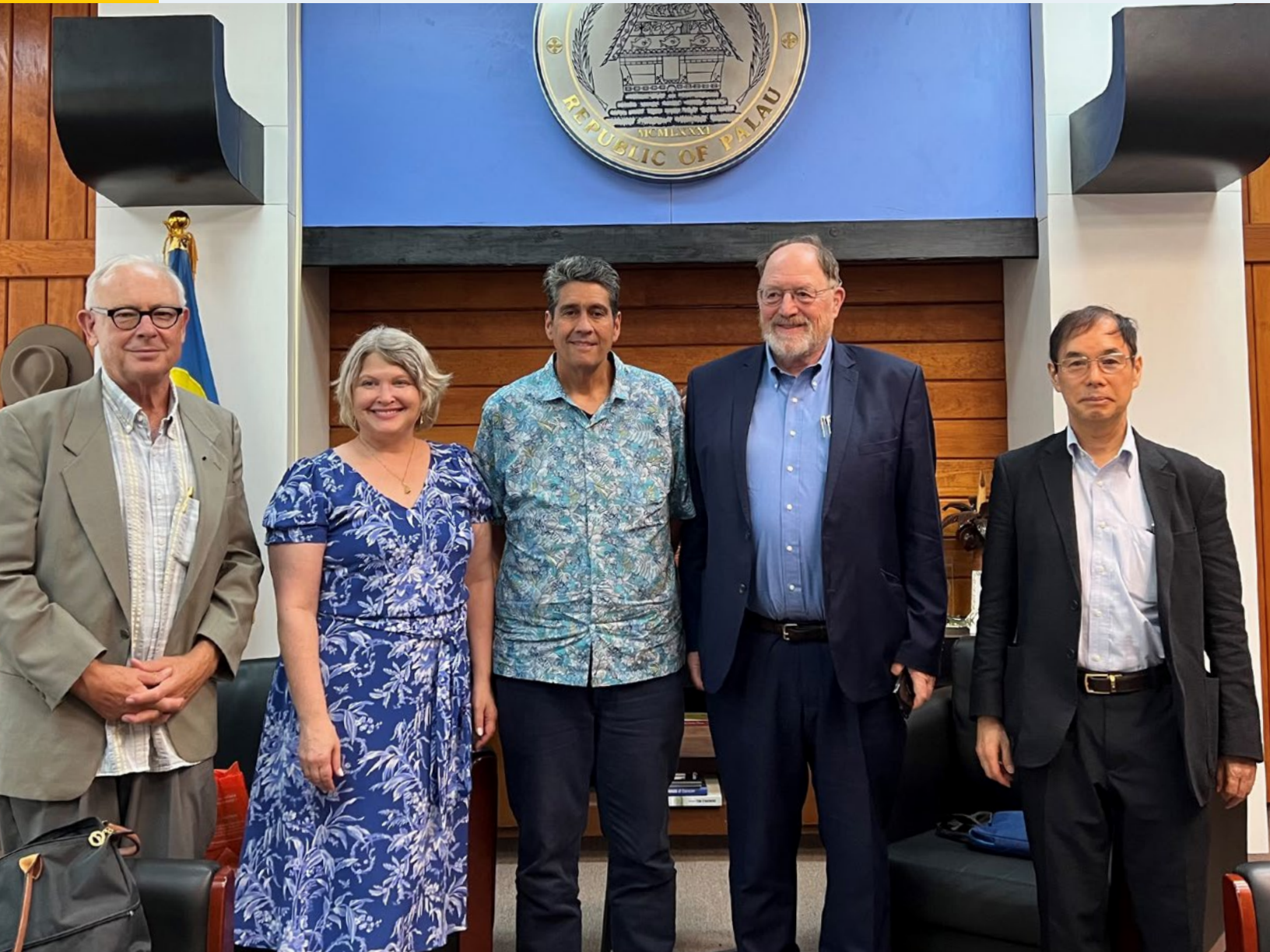
***Hon. Kaleb Udui, Jr.***

Member designated by the Republic of Palau. Mr. Udui serves as the Minister of Finance for the Republic of Palau under the Whipps administration since his confirmation in February 2021. Previously, Mr. Udui served as President of the National Development Bank of Palau and as a private businessman.



***Dr. Naoyuki Yoshino***

Member designated by the Republic of Palau. Dr. Yoshino is Professor Emeritus at Keio University, Tokyo, Japan and until March 2020 was Dean of the Asian Development Bank Institute (ADBI). Dr. Yoshino has served as a visiting scholar at the Massachusetts Institute of Technology (United States), University of New South Wales (Australia), Fondation Nationale des Sciences Politiques (France), and University of Gothenburg (Sweden).



Palau EAG members with Palau President, H.E. Surangel Whipps, Jr.



## **ECONOMIC ADVISORY GROUP FOR PALAU EXTENDED BY 2023 U.S.-PALAU COMPACT REVIEW AGREEMENT**

Legislation signed into law by the President of the United States of America on March 9, 2024, mandates continuation of the Palau Economic Advisory Group created by the 2010 CRA under the revised terms of Article 7 of the 2023 U.S.-Palau Compact Review

Agreement (“2023 CRA”) upon entry into force of that Agreement. The purpose of the Economic Advisory Group for Palau (“Advisory Group”) was slightly restated “to contribute to the economic growth and sustainability of Palau by recommending economic, financial, and fiscal management measures.” Further, the new mandate specifies that upon entry into force of the 2023 CRA, the existing (five) members, “shall be redesignated for a three-year term, after which the Signatory Governments shall designate members...giving favorable consideration to current members.” The Advisory Group shall continue to meet twice per year and, “shall report and make

recommendations to the Signatory Governments on these matters and otherwise as it deems advisable by May 1 of each year.”

Finally, “Subject to the availability of appropriated funds, the Government of the United States shall provide for technical and administrative assistance for the Advisory Group and support necessary for it to accomplish its purpose.”

## SECRETARIAT TO THE ADVISORY GROUP

The Graduate School USA (GSUSA), under contract with the Department of the Interior through the Pacific Islands Training Initiative, serves as the Secretariat to the Advisory Group. Secretariat support to the Advisory Group is a natural extension of the work of the Economic Monitoring and Analysis Program (EconMAP), also managed by the Graduate School USA. Since 2012, EconMAP’s annual outputs for Palau have included: (1) a full annual Economic Review, (2) an annual Economic Brief, and (3) an annual Statistical Appendix. While the Economic Review and Economic Brief present an independent, third-party annual assessment of Palau’s economic and policy environment, the annual Statistical Appendix is produced in collaboration with Palau officials and is ultimately adopted as the nation’s “official” economic statistics. Providing the Advisory Group members with timely economic data and analysis extends EconMAP’s ongoing work in Palau.

As Secretariat, GSUSA maintains a website dedicated to the Advisory Group, which includes a broad range of relevant documents to inform the Advisory Group members, and an archive of annual reports and information on meetings and activities of the Advisory Group. In addition, GSUSA prepares travel and provides logistical support to all five Advisory Group members; assists in implementation of the member-developed agenda for each meeting; provides meeting facilitation and logistics as requested; supports the Advisory Group Chair and members in the drafting of their annual report for submission to the US and Palau governments (by May 1) in advance of the Annual Bilateral Economic Consultations; provides website and communication support; and provides briefings and/or economic updates to each Advisory Group meeting and to Annual Bilateral Economic Consultations, as may be requested.

As a related matter, GSUSA was invited to provide facilitation support to the US and Palau for their 2023 bilateral consultations held in Palau, June 21-22, 2023.

## CYCLE 2: INITIATED WITH MEETINGS IN HONOLULU AND PALAU

The second annual cycle for the Palau EAG began with two days of meetings in Honolulu from August 20-21, 2023. On the evening of August 20, the EAG members (absent Minister Udui) met with a representative group of the Palauan diaspora resident on Oahu, Hawaii. The dialogue with Palauans provided the Advisory Group members with a better understanding of the issues important to Palauans resident in the US and afforded an opportunity for the attending Palauan citizens to be updated on key issues in Palau, especially progress toward new economic assistance arrangements under the Compact.

The Advisory Group held their second (annual) meeting in Palau from August 22-26, 2022. All five members joined this second country visit which included:

- / Welcoming discussions with the President of Palau and his Cabinet;
- / An internal meeting in which the members were briefed on economic developments and undertook internal deliberations;
- / A comprehensive, day-long dialogue with each Palau ministry enabling discussion about: current challenges, opportunities, policy priorities, and initiatives;
- / Meetings with visiting missions from Japan representing: the Japan-Palau Parliamentary Friendship League and the Japan Prefecture Assembly with Taiwan Parliamentarians;
- / Meetings with entities with which the Advisory Group has established—or is working to establish—productive relationships: Palau Community College, Palau National Communications Corporation, Palau Public Utilities Corporation, Palau e-Gov Project, Palau National Development Bank, Palau Ministry of Education (Human Capital Development and Remote Learning), Palau Ministry of Finance (Data Analysis);

- /// A land and sea tour highlighting health, education, and infrastructure needs; and
- /// A Leadership De-briefing with Palau executive and legislative leadership.

## CYCLE 2: SUB-GROUP MEETING IN TOKYO AND VIRTUAL MEETING TO COMPLETE ANNUAL REPORT

The Advisory Group will hold their second in-person meeting in Tokyo, Japan, from March 28-April 2, 2024. To preserve budget resources only three members

will participate: Members Yoshino, Udui, and Watson. Professor Yoshino took the lead in planning and implementing the agenda with minimal support from the GSUSA Secretariat. Meetings in Tokyo are planned (among others) as follows:

- /// Masato Kando, Vice Minister of Finance;
- /// Debt Management Bureau, Ministry of Finance (Japan's experiences of savings bonds and lessons for Palau);
- /// Taiji Inui, Former Central Bank of Japan system engineer and computer system expert (Digital currency and savings bond technical requirements);

Palau EAG members met with members of the Palau diaspora in Honolulu, Hawaii.



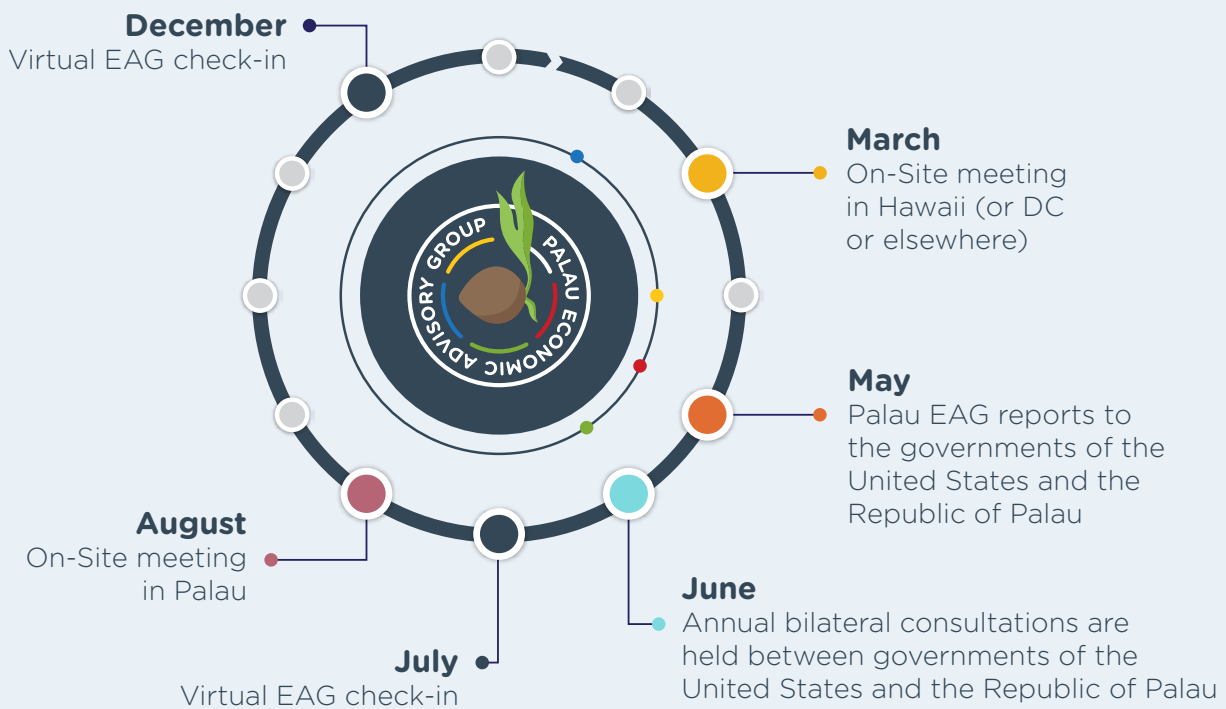
- / Hakubun Shimomura, President, and Makoto Oniki, Director General (Japan-Palau Friendship Association of Senators);
- / Japan Bank for International Cooperation (JBIC) President Hayashi and Vice President Ohishi (fiber-optic cable project to connect Singapore and Palau by NEC)
- / Completed internal discussions to

In early April, GSUSA will support the convening of a virtual Advisory Group meeting to enable the finalization of the 2nd Annual report of the Advisory Group for Palau by May 1, 2024, giving the US and Palau governments sufficient time to review prior to the planned bilateral economic consultations the week of June 24, 2024.

## PLANNED SCHEDULE OF MEETINGS GOING FORWARD

The Advisory Group is expected to establish a regular—albeit still flexible—annual cycle of meetings consistent with their mandates under the 2023 CRA. The current members also propose two in-person meetings annually with one in Palau and supplemented by 1-2 virtual meetings to maintain momentum on initiatives and to keep themselves timely informed of developments within Palau and with respect to the overall US-Palau relationship.

The annual cycle of meetings and reports for the Palau Economic Advisory Group



# The Audit Improvement Program

audit.pitiviti.org

Ernst & Young representative Chris Wolseley, CPA, discuss audit timeliness issues with insular government representatives at the IGFOA.



## Strategic Goal 1:

Improve Leadership and Management Capacity to Effectively Perform



## Strategic Goal 2:

Improve Financial Management Systems and Practices

Among the most important annual activities undertaken by the Pacific and Virgin Islands Training Initiatives (PITI-VITI) is providing ongoing support to insular area governments in their efforts to maintain effective finance offices with well-trained staff. Throughout the insular areas, finance officers are involved in the core functions of public organizations— budgets and accounting, economic development, debt management, treasury and cash management, labor relations, risk management and the associated financial management information systems.

Within these broad functions, the finance officer is often viewed as a professional who can approach problems with precision, accuracy, and a long-term view. Finance officers are frequently brought in as “experts”—the problem solvers, advisors, and, often, the final arbiters of the analysis to whom principals and elected officials turn. The critical importance of the finance officer is even more pronounced during times of financial stress. Insular government finance officers must be able to manage the increasingly complex world of public sector finance effectively. To remain effective, finance officers rely more than ever on the availability and accuracy of quality financial data.





The Audit Improvement Project and the Island Government Finance Officers' Association (IGFOA) were designed to support the insular government finance officers in this endeavor. Together, these two programs ensure that finance officers have the necessary tools to affect sound decision-making and improve governance throughout the Pacific and Virgin Islands.

As such, audit improvement remains a cornerstone of the financial management improvement efforts launched more than a decade ago by DOI-OIA and PITI-VITI. Improving the timeliness and quality of the insular areas' single audits and building on prior successes remain critical focuses of annual programming efforts, training, and technical assistance.

## ASSESSING FY22 AUDITS ISSUED IN 2023

### Timeliness

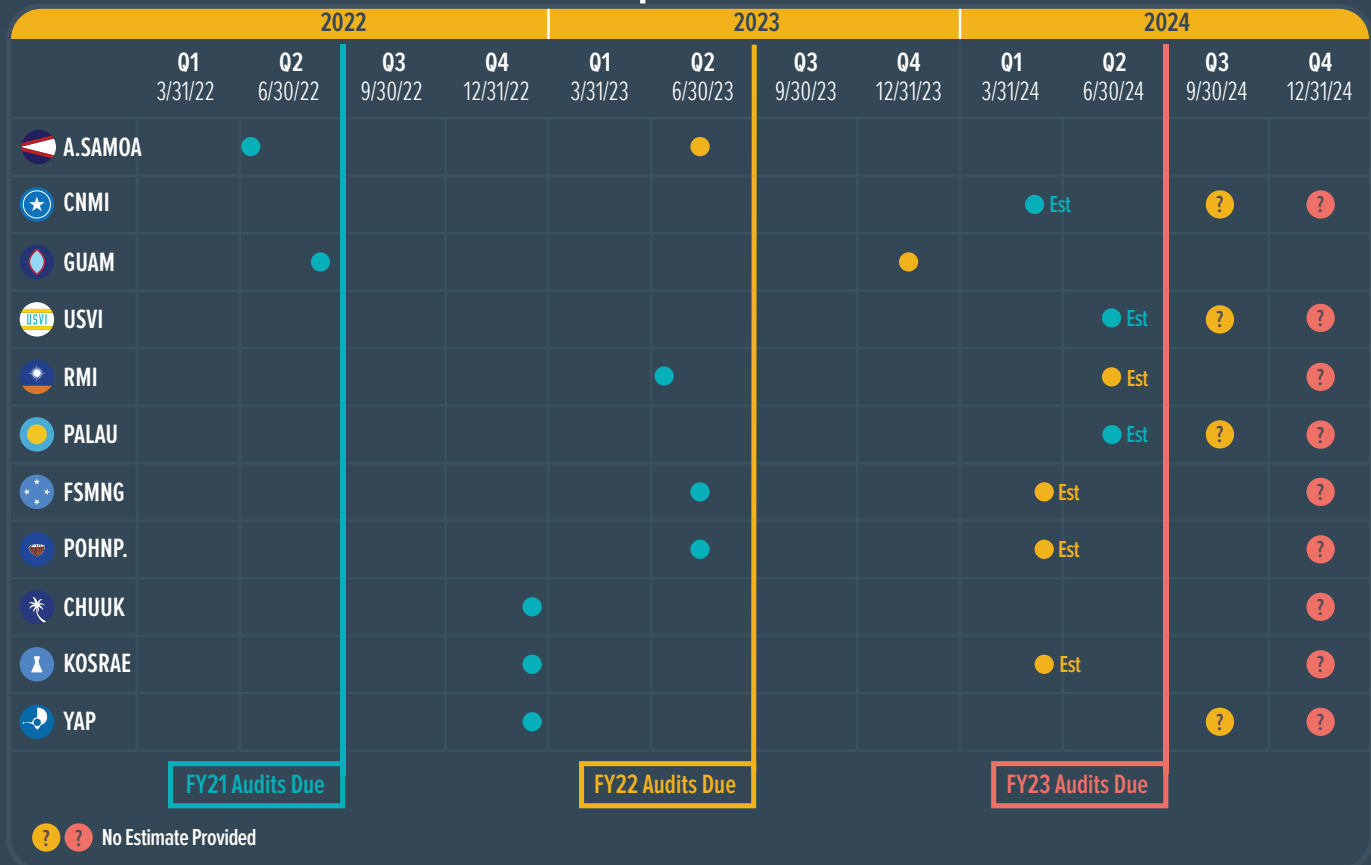
The U.S. Office of Management and Budget (OMB) maintained the June 30, 2023 deadline for submitting audit reports for the fiscal year ending September 30, 2022. However, many island governments have requested and received 3-month extensions for their FY22 audits from the US Department of Interior.


-  **American Samoa** issued their FY22 audits on time on June 27, 2023.
-  **Guam** completed their FY22 audits as of November 2023 outside the completion window of June 30, 2023.


## AUDIT TIMELINESS

### FY21-FY23 Insular Government Audit Issuance Dates

Only two insular governments have issued FY22 audits, which were due June 30, 2023. Three insular governments have not yet issued their FY21 audits.






 The **Federated States of Micronesia** National Government, Pohnpei State, Kosrae State, Yap State, the Republic of Marshall Islands and Chuuk State have not yet issued FY22 audits, though they are in the final draft as of April 2024.

 The **US Virgin Islands**, the Republic of Palau, and the CNMI have not issued their FY2021 audits. The USVI, Palau, and CNMI have not begun or have estimated dates for completion of their FY22 audits.

Over the last three years, the timeliness of island government audits has significantly declined due to disruptions in office operations, limited availability of auditors, and increased single audit requirements due to the large dollar and volume increases in new government programs. This trend is particularly concerning, as 10 of the 11 island governments still need to meet the June 30 deadline for their FY22 audits, while three governments have not yet begun the FY22 audit process. Overall, insular governments were delayed 92 months releasing their FY21 audits. Additional technical support and encouragement are critical to assist the governments in returning to timely audits.

### Quality

As noted above, nine island governments have yet to release their Fiscal Year 2022 audits. In 2023, six insular areas released their FY21 audits indicating the following:

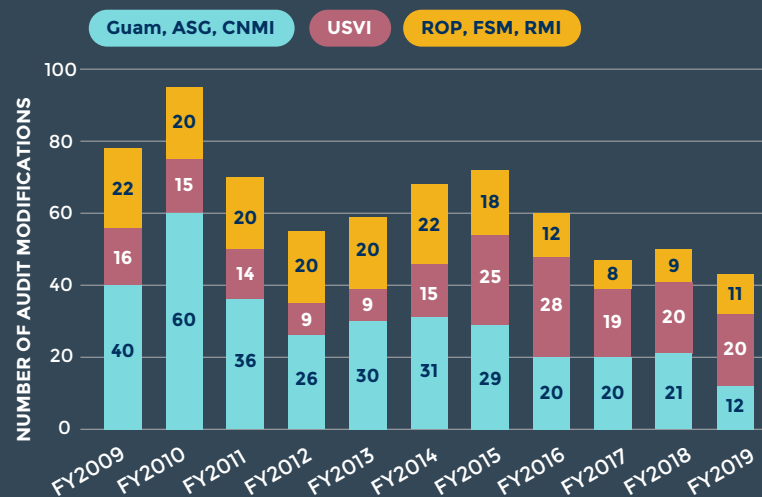
-  Some of the insular governments are maintaining the quality of their audits. FSM National, Guam, and Kosrae reported zero financial statement modifications; American Samoa, Chuuk State, Pohnpei State, and Yap State received one qualification.
-  The overall number of audit opinion modifications has increased. An analysis of the types of audit findings occurring across the insular areas reveals that basic financial statement reconciliations and grants management continue to be significant issues. Federal monies related to Covid were granted so quickly and in such large sums that they resulted in a number of single audit issues.
-  The auditors for several governments continue to include findings highlighting the weak financial condition of the governments, including budget

## AUDIT RESULTS: QUALITY

### Total Financial Statement and Federal Program Modifications FY2009-2019

The audit improvement project began with 139 audit modifications (at that time called 'qualifications') across all of the insular governments in FY2003. In FY2019 there were a total of 43 modifications (extrapolating from FY18 for the US Virgin Islands). The USVI is separated not only due to the date of the audit, but also the size of the government revenues and resulting major programs and findings.

Five governments have had zero financial statement modifications for the past 10 years. Guam, ASG and the CNMI have significantly reduced the number of modifications in federal programs in the last 5 years. This chart will be updated to include FY20 data once all insular governments issue audits.



overruns, inability to pay long-term pension and other obligations, and lack of resources necessary to manage operations. In addition, the auditors are showing increased interest and expressing concern about Information Technology operations, including lax security protocols and missing off-site backup operations.

There remains an ongoing need to continue to work with each insular government on their audits. Changes and turnover in financial operations occur regularly and new staff need ongoing training and technical assistance to maintain quality operations.

## ADDITIONAL ISSUES

A key component of PITI-VITI's technical support is ensuring that insular government finance offices are aware of and trained on new accounting and reporting requirements well ahead of the effective dates. Over the last twenty years, the Governmental Accounting Standards Board (GASB) has made major changes to

the financial statement presentation and the calculation of fund balance. Other recent changes include the U.S. Government Accountability Office's (GAO) major update to federal grant compliance regulations, GASB's requirement to include the government's pension liability in the government financial statements, and requirements to include liabilities related to other post-employment benefits and tax abatement disclosures.

The implementation date of the new GASB standard for accounting for leases and SBITA is effective as of FY23, and the insular areas will continue to need assistance in determining how leases will be reported in the financial statements. In 2023, PITI-VITI delivered on-site training to the governments of Guam, CNMI, RMI, and USVI, specifically designed to assist in the implementation of the latest GASB requirements.

Several of the member governments have implemented new financial management systems. The Republic of the Marshall Islands and Guam selected and implemented new systems in 2022 and 2023, respectively. The Federated States of Micronesia National and State governments, however, are still in the proposal stage for



Lucy Nuñez from the Department of Finance, and Somere Webber from the Office of Management and Budget, give an audit update on the U.S. Virgin Islands government during the Summer IGFOA in Portland, OR.

a new system. PITI-VITI continues to provide technical assistance and training sessions for the finance officers in project management and best practices in systems planning, acquisition, and implementation. In the technical world of financial management systems, competing vendors often oversell their product's capability and ease of implementation.

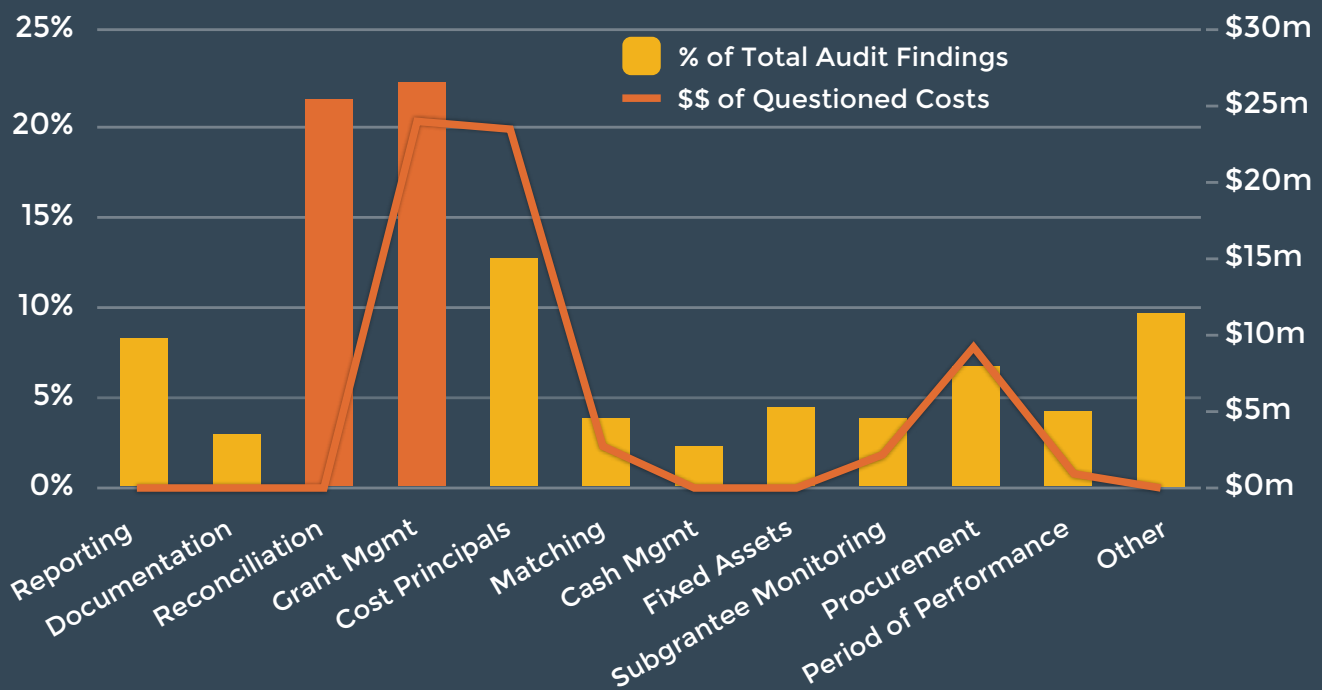
The Pacific and Virgin Islands Training Initiatives (PITI-VITI) is committed to equipping finance officers with the necessary knowledge to navigate challenges and manage processes effectively. It has been observed by external auditors that technological vulnerabilities exist, potentially exposing systems to cyberattacks—a risk not uncommon to cities and counties across the United States. In light of this, insular governments have acknowledged the increasing importance of developing robust cybersecurity plans. Such plans are essential for responding to and recovering from cyber incidents. The Island Government Finance Officers' Association (IGFOA) has continued emphasizing the significance of

cybersecurity, underscoring its vital role in safeguarding digital infrastructure.

## FINANCE OFFICE PERFORMANCE MEASURES

The insular government finance officers strive to model many best practices identified through their participation in the annual Government Finance Officers' Association conference. A key project in this regard has been the identification and development of finance office performance measures for the Pacific and Virgin Island governments. PITI-VITI has facilitated the development, selection and refinement of common measures through the Island Government Finance Officers' Association (IGFOA). The ten current measures primarily focus on issues identified through the single

### AUDIT ISSUE AS A % OF TOTAL FINDINGS Currently Completed Audits FY20 - FY22



audit, including accounting cycle areas of reconciliation, cash management, grant management and fixed assets, among others.

In addition to measuring current insular government operations, the measures are intended to improve finance office efficiency over time. As such, the measures are updated from time to time to reflect emerging trends and standards and to track progress against targeted goals. PITI-VITI assistance includes on-site process review and improvement on the accuracy, timeliness and usefulness of selected measures. As governments continue to integrate these measures into their regular operations, they offer a “dashboard” of

current operations which often serves as baseline data to set strategic goals.

The finance officers continue to practice peer accountability with the offices reporting their results to each other at the semiannual conferences. Members will reconvene in June 2023 to present performance measures that address recurring, overarching audit findings with the intent of providing the finance officers with internal progress reporting.

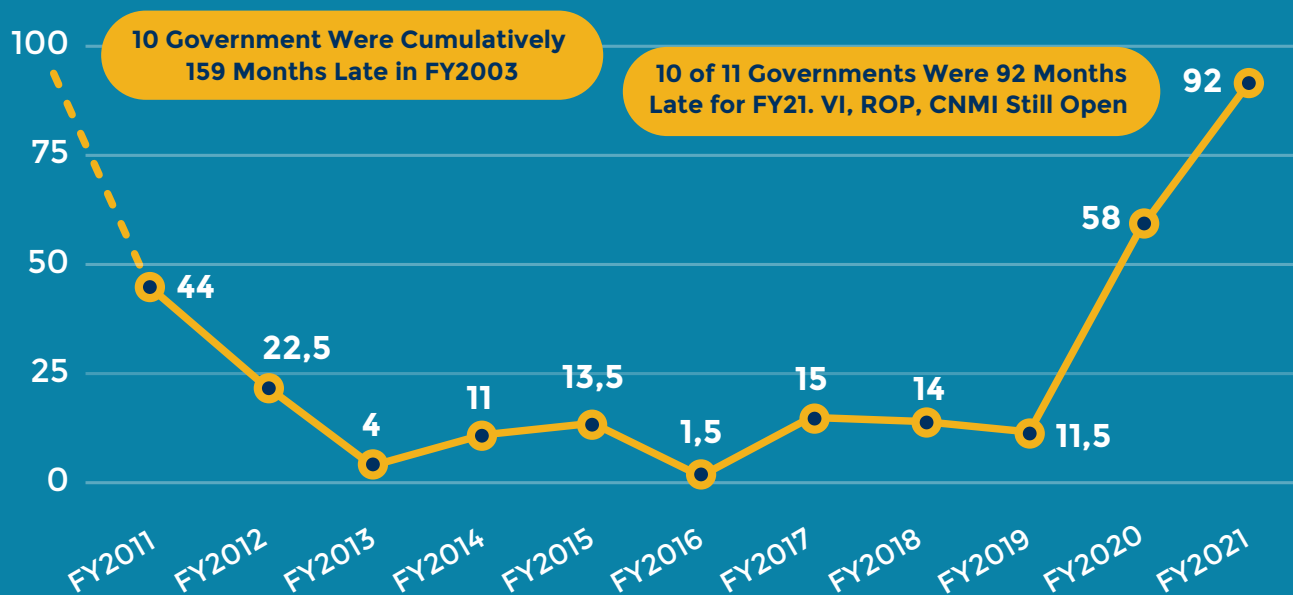
## AUDIT RESULTS: TIMELINESS

### Number of Months Late FY2003-FY2019

The PITI/VITI project focus on Audit Improvement in the insular governments initiated in 2003. At that time, the governments, as a whole, were in an audit crisis. The audits were neither relevant (untimely) nor reliable (excessive qualifications) 10 of the 11 governments late with a total of 139 audit qualifications.

Since that time, the governments made increasing progress towards clearing their qualifications (now termed modifications), both the number and severity, hitting a low in FY19 of 43 overall. In other words, the users could place more reliance on the numbers in the financial statements and on the governments’ compliance with federal grant regulations.

However, timeliness has slipped precipitously. From the FY2003 high of 10 governments 159 months late to the lows of 1-2 governments late by a few months (the VI being an exception), the FY2021 audit had 10 governments late with a total of 92 months. At this writing, only Guam and American Samoa have issued their FY2022 audits.



# 10 CURRENT FINANCE OFFICE PERFORMANCE MEASURES

## 1. Reduction in Federal Grant Receivable Balance

This measures the effectiveness of the finance operations to bill and collect federal funds. Many of the governments operate on a reimbursable basis with the US federal government so precious local cash is used to pay for federal programs up front.

- Annually or quarterly less than 5%

## 2. Bank Reconciliations Completed on a Timely Basis

Bank reconciliations are the foundation of all other general ledger reconciliations. A timely bank reconciliation also helps the finance office use their FMIS as opposed to relying upon side cash tracking systems. A completed bank reconciliation includes posting all adjustments to the general ledger.

- 10-15 days after month end

## 3. Completion of Fixed Asset inventory

The value of the measure is to set up interim steps to complete the inventory. For instance, completion by X number of departments each month or a spot check of a certain number of departments (assuming they are responsible for their own inventory) each quarter. Given that the auditors focus on the major federal programs, a best practice is to ensure that those departments keep an accurate and up-to-date inventory of items purchased with federal program funds.

- 100% of major federal programs every quarter

## 4. Reduction in Overdue Travel Advances Issued this Fiscal Year

Collection of overdue travel advances measures the % of travel advances which are beyond the government's allowed period to file expense reports. The purpose is to 1) ensure that federally funded travel is expensed within the grant period and thus 2) enhance federal cash flow. It is also a measure of the effectiveness of the finance office to ensure government regulations are followed.

- Reduce by 50% each quarter to a target of 0% overdue advances

## 5. Actual vs Estimated Revenues

Although the task of revenue estimates varies by government and may be outside of the finance office responsibilities, this measure is important to ensure a government is budgeting within its means. The finance offices have the skills to aid with calculated the estimates if there appears to be a problem with accuracy. It is also an easy measure to calculate.

- Varies by less than 5% on a quarterly basis

## 6. Number of Days to Process an Invoice Paid by Federal Funds

The purpose of this measure depends upon the source of funds to pay the invoice. In the case of grant funds, cash should not

be an issue, so the measure can define the efficiency of finance operations. Local funds are more restricted, so an additional measure for invoices paid with general funds will indicate how efficiently the finance office fairly prioritizes vendors.

- 3-15 days

## 7. \$ and % of Unspent Federal Funds

The purpose of this measure is to highlight any problems in the grant spending process. As such, programs with multi-year funds and programs which require matching funds which may not be available (like Medicaid) should be excluded from the calculations.

- Targets vary by insular government.

## 8. Number of Training Hours per Finance Office Employee

The purpose of this measure is to ensure that ALL finance office staff are given opportunities for appropriate training. Often, high level staff are allowed to travel to conferences or training (which may or may not be helpful in their jobs) while other staff do not receive any formal training. The finance office is encouraged to develop appropriate on-line or local course opportunities.

- 24 hours/year target in line with requirements for certified accountants

## 9. Percentage of Employee Evaluations Completed

This measure is helpful in encouraging finance managers to connect with their staff and provide meaningful feedback on performance. Since many governments do not have the funding for staff increases, it is even more important to provide some one-on-one encouragement and advice for younger, newer staff.

- At least annually

## 10. Reconcile Encumbrances

The reserve for encumbrances is no longer reported in the fund balance section of the financial statements but in a footnote to the statements. As it has become less obvious, the balances of invalid, dated encumbrances have increased in all governments. 8 governments are in the process of acquiring new financial management systems which will require the conversion of outstanding encumbrances. For those reasons, the group adopted an initiative to concentrate on clearing their encumbrance files. The governments reported on their encumbrance balance change from FY20 to FY21. The results were inconclusive and did not necessarily represent any efforts to clear invalid encumbrances. Five of the reporting governments increased their encumbrance balances, but that was more reflective of increased FY2021 activity in construction and government operations after the FY20 lockdowns. The reporting for clearing old balances will need to be refined.

- Reduction of invalid, outdated encumbrances to zero

# The Performer & A.F.T.E.R. Analysis

pitiviti.org/performers



Frank Crawford, CPA, meets with Palau Finance Minister, Hon. Kaleb Udoi, Jr. and the Palau finance team to discuss the government’s financial health.



**Strategic Goal 1:**

Improve Leadership and Management Capacity to Effectively Perform



**Strategic Goal 3:**

Increase Effectiveness and Program Results.

The Performer has a rich history of providing valuable financial analysis to insular governments within the United States. Initially developed in 2001 for state and local governments, the scope and methodology of the Performer has since been adapted to meet the unique needs of the Pacific and Virgin Islands governments. Each year, the Performer provides a continuous, independent assessment of each insular government’s financial health and success based on audited financial statements.

In 2023, new Performer scores were issued based on the most recently available audits for each insular government. Most insular governments received Performer results based on their FY21 audits; however, the governments of Palau, the Commonwealth of Northern Marianas, and the U.S. Virgin Islands received Performer results based on their FY20 audits.

Traditionally, the Performer has been utilized across the insular governments to improve public awareness of each government’s fiscal health. The Performer is a unique tool customized for insular governments:

- / The Performer provides over fifteen years of data for each government to analyze financial trends—both positive and negative;
- / Insular government finance officers regularly utilize the Performer to explain their government's overall financial health to non-financial stakeholders, especially members of the legislative and executive branches;
- / Since the Performer uses common metrics, Performer scores are broadly comparable across each of the insular governments;
- / Each Performer contains an AFTER Analysis (Audit Findings, Timeliness and Exception Resolution), which details the timeliness and accuracy of financial statements by tracking the number and type of single audit qualifications, and the timeliness of audit publication, for each government.

When the Performer project began, insular governments had a history of being unreliable in their financial reporting, with audits being delayed and containing multiple qualifications. However, in the present day, the Performer has become more relevant due to the use of timely and accurate audits. Moreover, finance officers and elected officials strategically use Performers to ensure better-informed governance.

Participants at the IFGOA conference receive updates on insular government Performers.



## ENHANCEMENTS TO THE PERFORMER

Notably, the Performer continues to evolve to respond to insular government needs; several years ago, the Performer report was enhanced to show not only an overall government score but also disaggregated scores in three categories:

- / Financial Position indicates a government's cumulative financial health. Relevant Performer ratios include the level of the government's total unrestricted net position, the level of unassigned fund balance of the General Fund, and current and quick ratios related to cash flow sufficiency.
- / Financial Performance indicates a government's financial performance for the fiscal year. Relevant Performer ratios include Intergenerational Equity and the Change in Total Net Position.
- / Financial Capability indicates the future financial flexibility and sustainability of a government. Relevant Performer ratios include the per capita levels of taxes paid and debt burden, along with a debt-to-assets coverage ratio, among others.

These categories clarify which factors contribute to each government's overall Performer score and help focus efforts to improve scores. It is often the case, for example, that a government has a very strong year of financial performance while continuing to suffer from a low Performer score as a result of a poor overall financial position.

## PERFORMER TRENDS FOR FY-2021

In 2023, Performers were developed for all eleven U.S. insular areas, using data from their government-audited financial statements. These Performers were based on the Fiscal Year 2021 financial statements for most areas. However, for Palau, the Commonwealth of Northern Marianas, and the U.S. Virgin Islands, the Performers were based on their audited Fiscal Year 2020 financial statements, as their 2021 audits had not been released yet.

2021 Performer results were shared with the insular government heads of finance at the IGFOA Winter Conference in December 2023. Highlights from the

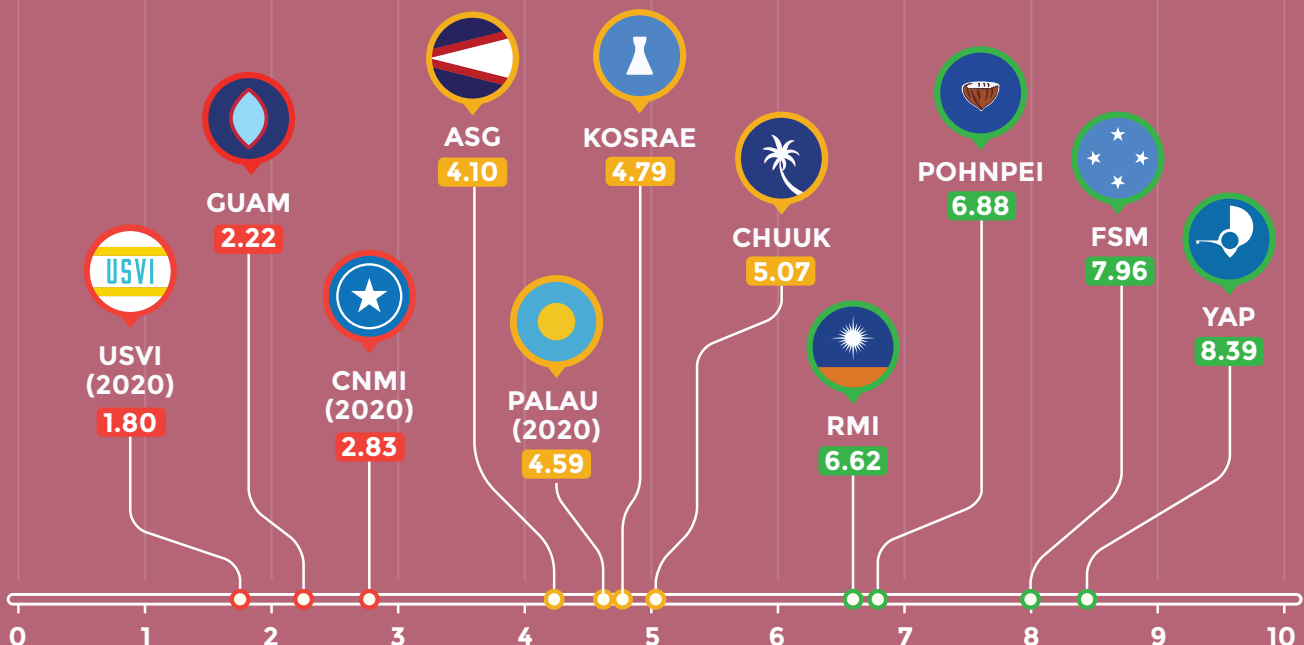


factors and circumstances surrounding reports include the following:

- / For 4 of the 8 insular governments, the fiscal year ending September 30, 2021, produced improved results. In addition, the CNMI 2020 financial statements showed an increased improvement from their FY19 score.
- / For all governments except the FSM and its four states and the RMI, the impact of GASB 68's pension requirements in 2015 still remains a significant factor, with many of the governments' pension systems severely underfunded.
- / For the FSM National Government, the RMI, and Palau, the Social Security programs offered by the government remain at some of their lowest funding levels in the model's history, although most governments have now addressed their pension deficiencies in some manner with increased contributions.
- / Variance for all Performer scores from last year was within 20%, except for the CNMI.
- / 4 governments received unmodified opinions (formerly known as unqualified or clean opinions) on their financial statements, with 4 additional governments only having 1 qualification each.
- / Only two governments, American Samoa and Yap State, received unmodified (clean) opinions on both their Financial Statement audit and the audit of compliance with federal program monies (Single audit).
- / 2 governments posted \$0 of new questioned costs this year, 6 governments had less than \$1 million in new questioned costs, and 2 governments had new questioned costs that exceeded \$1 million this year.
- / The RMI continues to remain the model of consistency, deviating no more than 1.5 points over the last 10 years, settling in with a 6.62 for FY2021, a decline of .3 % from their score of 6.64 in FY 2020, which was their 4th highest score in the history of the model.
- / Yap State achieved the top score of 8.39, while FSM National also did well, earning a score of 7.91.

## FY-2021 Performer Scores by Insular Governments

(FY-2022 Performer Scores will be released following the publication of Insular Government Single Audits)



# The Executive Leadership Development Program (ELDP)

🌐 [eldp.pitiviti.org](http://eldp.pitiviti.org)

ELDP Class of 2023



## Strategic Goal 1:

Improve Leadership and Management Capacity to Effectively Perform.



## Strategic Goal 5:

Improve the Capacity and Capabilities of the Public Sector Work Force in Critical Positions and Functions.

Attracting and retaining qualified staff to work in core public sector government positions is among the greatest challenges insular governments face. Highly educated and promising employees are often trained by local governments only to be offered higher-paying jobs in the private sector or component units. Talented islanders frequently move to the United States for more lucrative work opportunities.

The Executive Leadership Development Program (ELDP) was commissioned in 2008 to assist insular governments with developing and retaining qualified and skilled staff to lead their respective governments into the future. The demand for the creation of the ELDP stemmed from IGFOA leadership prior to program inception. They identified a knowledge gap in leadership and management skills across the insular areas, expressing a desire to develop the “next generation” of insular government leaders.



ELDP Pacific Class of 2023  
Graduation in Saipan, CNMI



## ELDP PACIFIC – 2023

During the 2023 PITI-VITI program year, the ELDP Pacific cohort completed three sequences: (a) in-person in Pohnpei, Federated States of Micronesia; (b) virtually, through eight digital sessions; and (c) in-person, in Saipan, Commonwealth of the Northern Marianas Islands.

The 2023 ELDP Pacific program participants met for three in-person residential sessions in Guam, Pohnpei, and CNMI, and two virtual sequences. Over the course of nine months, these sessions focused on developing public service values and skills in leadership, management, policy development, advocacy, government operations, and finance. Participants from the 2023 U.S. Virgin Islands ELDP met for four virtual weeks with peers from Washington, D.C., as part of the Graduate School USA’s Executive Leadership Program (ELP).

Twenty-four new participants graduated from the Pacific Class of 2023, and four new participants graduated from the ELDP Virgin Islands Class of 2023. These 28 insular government officials join 206 program alumni — an extraordinary group of Pacific and Virgin islanders with diverse professional backgrounds, exceptional personal qualities, and an enduring commitment to public service. ELDP alums represent virtually every government agency and serve the insular governments as elected representatives, ambassadors, judges, cabinet members, directors, and dedicated public servants.

Their second ELDP residential training week and third overall ELDP sequence took place in April in Pohnpei, Federated States of Micronesia (FSM). This session focused on leading institutions, wherein participants developed policy advocacy skills using leadership concepts and principles learned in earlier ELDP sessions. Teams analyzed financial and economic data to develop policy reform strategies addressing challenges specific to island jurisdictions. Other activities included updating individual leadership development plans, presenting team project updates, and one-on-one progress reviews with ELDP program advisors which focused on continued professional growth. Throughout this week, ELDP participants also engaged with a variety of experienced leaders and experts, including H.E. David Panuelo, President of the FSM; Ms. Degi Young, World Bank Resident Representative; Ms. Anna Mendiola, President and CEO of the FSM Development Bank; and several other distinguished figures.

The fourth session of the ELDP was delivered virtually between May and July 2024. The participants continued to focus on “Leading Others,” using an island-style approach to explore leadership skills. Throughout this session, participants also conducted leadership interviews, actively participated in discussion forums, and presented updated team presentations to a panel of insular government officials.

Finally, in June, the cohort gathered in Saipan, CNMI, for their fifth and final capstone week. They participated in discussions addressing ethical challenges, the pace of cultural change, and the core characteristics of island leadership. Reflecting on their growth, participants delivered individual keynote presentations and final team presentations to a panel of experts.

The culminating week in Saipan featured keynote presentations from experienced leaders including Hon. Arnold Palacios, Governor of the CNMI; Hon. Theresa Kim-Taitano, CNMI Family Court; Ms. Maisie Tenorio, Executive Director of the Northern Marianas Coalition Against Domestic & Sexual Violence; and Rev. Francis X. Hezel, SJ, Historian and Former Director of the Micronesian Seminar.

The program’s graduation ceremony in the CNMI was included dignitaries, program alumni, family, and friends. Highlights included an opening speech by Hon. Carmen G. Cantor, Assistant Secretary for Insular and International Affairs at the Department of the Interior’s Office of Insular Affairs, who commended the graduates for their commitment and dedication. Hon. Carmen G. Canto, DOI OIA Assistant Secretary for Insular and International Affairs Secretary stated, “Your achievements here today not only reflect your commitment to personal growth but your dedication to serving your governments and, more broadly, the Pacific region...I am proud that my office has been able to support this vital initiative.”

Representatives of the ELDP Class of 2023, Mr. Andy Choor and Ms. GERALYN DelaCruz expressed their

gratitude, emphasizing the program’s role in their personal and professional development. “This program has taught us that the heart of leadership is serving people,” said Mr. Choor. Ms. DelaCruz reflected, “The ELDP has helped us become better versions of ourselves.”

## ELDP US VIRGIN ISLANDS – 2023

In 2023, the Executive Leadership Development Program (ELDP) celebrated the graduation of four participants from the U.S. Virgin Islands. These individuals were selected for their leadership potential, commitment to public service, and promising career paths. Throughout the program, they engaged with over a hundred peers from the U.S. federal community, focusing on improving their leadership abilities and professional development.

The 2022-2023 ELDP for the Virgin Islands participants was conducted virtually. They began the program in early September 2022 and successfully completed all four scheduled virtual training weeks, which spanned from September 2022 to the graduation week in June 2023.

As part of the ELDP, the Virgin Islands participants assessed their developmental strengths and areas for growth, which is aligned with the Executive Core Qualifications. They also developed personalized leadership development plans and took part in practical learning experiences. This included interacting with leaders, participating in shadowing assignments, reading leadership literature, and involvement in community service projects.

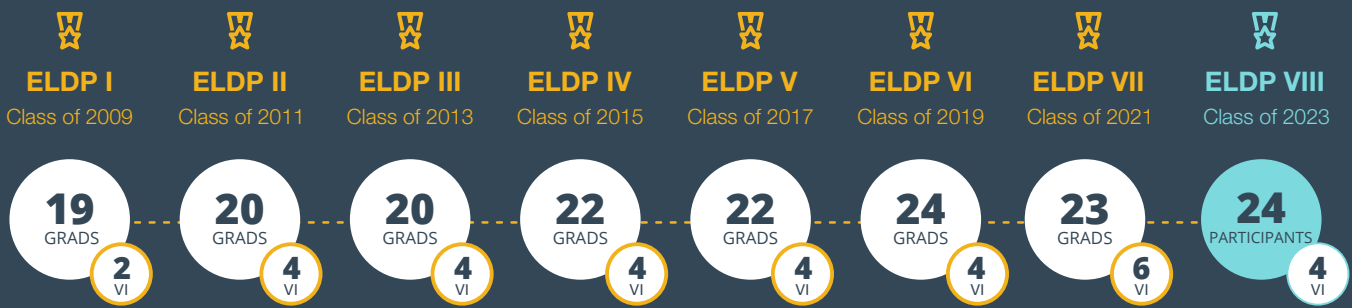
With the addition of these four graduates, the Interior Department has supported the participation of a total of 33 leaders from the Virgin Islands. PITI-VITI will open applications for the 2025 ELDP cohort in May 2024, with graduation anticipated in June 2025.



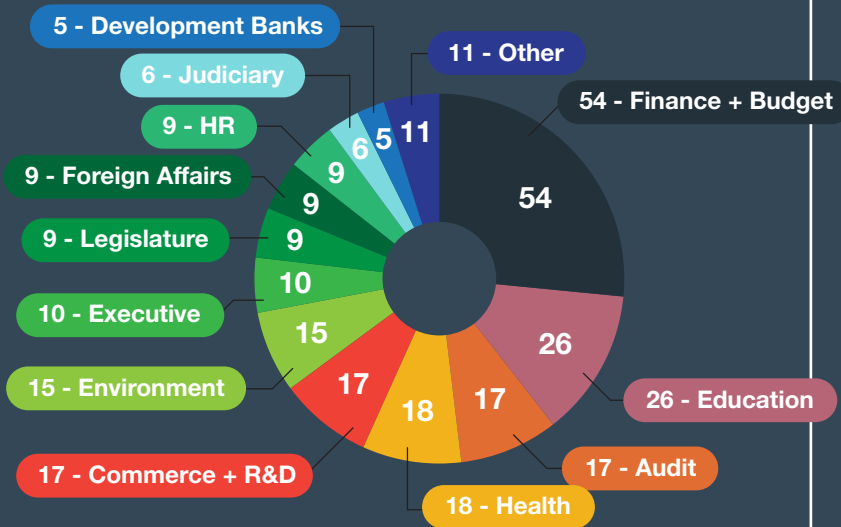
Graduate School USA

Richard Salas (CNMI), Lawrence Jay Alcairo (Guam), Benjamin Wakefield (RMI), and Trifonovitch Sound (FSM) celebrating during the ELDP 2023 graduation ceremony.

## 206 ELDP PARTICIPANTS BY PROGRAM YEAR



### ELDP PARTICIPANTS BY SECTOR (2008-2023)

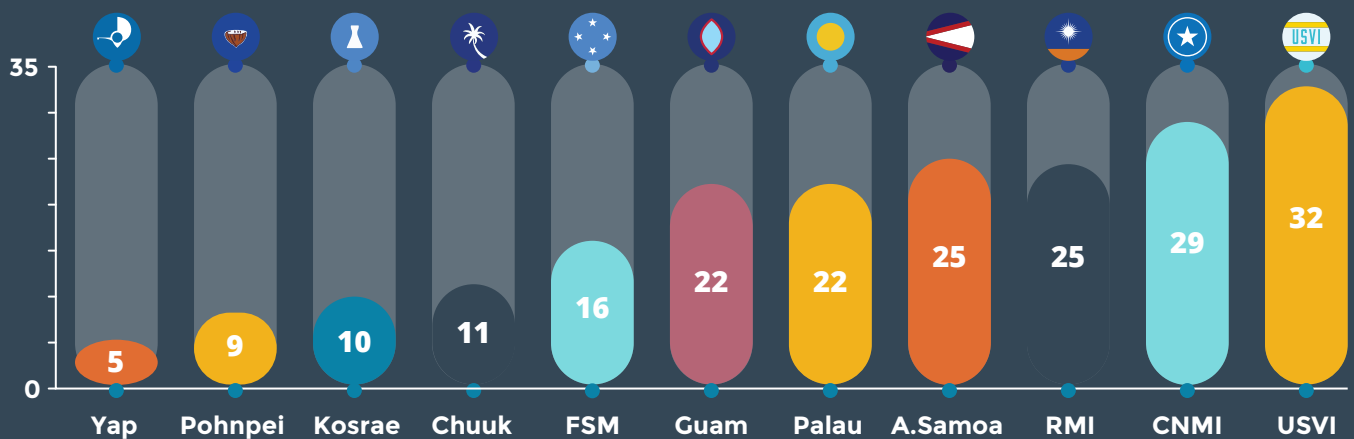


### 206 ELDP PARTICIPANTS BY PROGRAM YEAR

**38%** Male (79 alumni)  
**62%** Female (127 alumni)



### 206 PARTICIPANTS BY INSULAR AREA



# ELDP PARTICIPANTS

(2008-2023) PACIFIC AND VIRGIN ISLANDS



*Celebrating 206 Program Participants!*

## ELDP CLASS OF 2023 SESSION SCHEDULE

Date / Time	Module	Hrs
<b>ELDP Session 3 (on-site, Pohnpei)</b> - April 17-21, 2023		
<b>ELDP Session 4 (virtual)</b> - May 2023 - July 2023		
<b>May 18, 2023: 9:00 a.m. - 2:00 p.m.</b> Includes one-hour break	<b>THE SEED of Process - Module 1: Getting Things Done</b> How to leverage your time and achieve results in five key steps.	4
<b>June 1, 2023: 9:00 a.m. - 2:00 p.m.</b> Includes one-hour break	<b>THE SEED of Process - Module 2: Building a High-Performance System</b> How to organize, orchestrate and optimize your team and workflows.	4
<b>June 15, 2023: 9:00 a.m. - 2:00 p.m.</b> Includes one-hour break	<b>THE SEED of People - Module 1: The Key to Preventing Workplace Drama</b> How to set clear expectations and manage difficult employees.	4
<b>June 29, 2023: 10:00 a.m. - 1:00 p.m.</b> Includes hourly stretch break	<b>THE SEED of People - Module 2: Growing Peak Performers</b> A blueprint for developing competent and committed team members.	3
<b>July 12, 2023: 10:00 a.m. - 1:00 p.m.</b> Includes hourly stretch break	<b>THE SEED of People - Module 3: Four Practical Protocols to Develop Skill</b> How to build competence through enhanced communication and effective teaching.	3
<b>July 20-21 - Team Presentation 3</b> (virtual)		
<b>July 26, 2023: 10:00 a.m. - 1:00 p.m.</b> Includes hourly stretch break	<b>THE SEED of People - Module 4: Three Powerful Ways to Inspire Will</b> How to: How to Deliver Meaningful Praise; Listen to and Handle Complaints; Resolve Conflicts.	2
	<b>CLOSING and OPEN Q&amp;A</b>	1
<b>ELDP Session 5 (on-site, CNMI)</b> - August 14-18, 2023		
<b>August 18 - Team Presentation 4</b> (on-site)		

Note: All sessions will be delivered live via Zoom. Details and access links are at <http://micropoly.org>. Four-hour sessions will include a one hour break. All other sessions will include hourly stretch breaks.



ELDP Participants gathered in Palikir, FSM, to present their reform plans to the President of Micro-Poly, a role played by Mr. Benjamin Graham, former Chief Secretary of the Republic of the Marshall Islands.



**The Pacific and Virgin Islands Training Initiatives (PITI-VITI) have confirmed upcoming dates for key program activities.**

Please contact us at [info@pitiviti.org](mailto:info@pitiviti.org) or visit the sites referenced below for additional information.



### IGFOA Virtual Meeting

📅 Thursday, April 4, 2024, at 2:00 PM Hawaii time  
 🌐 <https://pitiviti.org/virtual-igfoa-meeting>



### GFOA & IGFOA SUMMER MEETINGS

📅 June 8 – 13, 2024  
 🌐 <https://pitiviti.org/gfoa-summer-2024>



### APIPA 2024 MEETING

📅 August 26, 2024 – August 31, 2024  
 🌐 <http://apipa2024.org>



### IGFOA WINTER MEETING

📅 December 2024  
 🌐 <https://pitiviti.org/igfoa-winter-2024>



### ELDP APPLICATION CLASS OF 2025

📅 May 2024 – Announce ELDP USVI  
 June 2024 – Announce ELDP Pacific  
 🌐 <https://eldp.pitiviti.org>

Looking Ahead



# The Economic Monitoring and Analysis Program (EconMAP)

[econmap.pitiviti.org](http://econmap.pitiviti.org)

The EconMAP team presented a Compact update to finance participants at the winter IGFOA Conference.



### Strategic Goal 1:

Improve Leadership and Management Capacity to Effectively Perform



### Strategic Goal 2:

Improve Financial Management Systems and Practices



### Strategic Goal 3:

Increase Effectiveness and Program Results.

**EconMAP provides professional expertise to supplement statistical reporting and economic analysis.** The U.S. Department of the Interior's Office of Insular Affairs designed the Economic Monitoring and Analysis Program (EconMAP) to address the need for continued professional expertise to supplement existing statistical development and economic analysis in the three Freely Associated States (FAS): the Republic of the Marshall Islands (RMI), the Federated States of Micronesia (FSM) and the Republic of Palau.

**Prior reports on the impact of COVID were replaced with the normal Economic Report series and analysis of economic recovery.** Following the gradual conclusion of

the COVID-19 pandemic towards the end of 2022, the RMI and FSM reopened their borders for travel, following Palau's reopening in the latter half of 2021. As a result, EconMAP was once again able to travel to the FAS and resume compilation of the normal statistical and economic series and reports. The former COVID impact studies and Briefs were replaced with more comprehensive Economic Reports, and prior analysis of the impact of COVID was replaced with a discussion of recovery.

**Despite disruptions caused by COVID, EconMAP was able to maintain the majority of the statistical series.**

EconMAP has assisted the FSM, RMI, and Palau with the provision of GDP time series, employment, outmigration, government finance and external statistics on an annual and recurrent basis. While the end of COVID enabled a return to normal statistical work, the delays in audit deadlines and change in government auditors inhibited each of the FAS from issuing timely audits. While the FSM and RMI both completed the FY21 audits they remained 1 year behind schedule. In the case of Palau, the latest audits available were for FY20 and the country is currently 2 years behind. Throughout the COVID period and during 2023 EconMAP managed to maintain statistical series by replacing audit data with downloads from the governments' Financial Management Information Systems.

**EconMAP Technical Support.** During the 2023 program cycle, the EconMAP long-term regional economist and statistician conducted full-time work based in Palau. During the year a new statistician was recruited to replace the anticipated reduction in effort of the former statistician, and a new data analyst was recruited.

**Highlights of outputs** and activities for the 2023 EconMAP program cycle include:

- ✔ Completion of preliminary Statistical Appendices for FY2023 for Palau, with the RMI data limited to FY2022 and a reduced statistics set for the FSM for FY2022.
- ✔ Publication of annual Economic Reports for the RMI and Palau;
- ✔ Support to the International Monetary Fund (IMF) staff during their visits to the RMI in May 2023, Palau in September 2023, and the FSM in December 2023;
- ✔ Support in the preparation of the Palau Economic and Fiscal Update as required by the Fiscal Responsibility and Debt Management Act.
- ✔ Continuation of a three-country study on COVID response and data gaps covering migration,

EconMAP team member Kevin O'Keefe presented a Compact Update with Palau Community College president Patrick Tellei.



remittances, foreign investment, and micro/small enterprises, with the Palau report completed and significant progress on the RMI report.

- /// Ongoing support for the Palau Economic Advisory Group, including facilitating bilateral meetings with the US in August.
- /// Assistance with the reform of the Palau CSPP and RoPSSA pension plans, alongside continued support for the tax reform initiative post-implementation.
- /// Support for Palau's Economic Symposium in November 2023, featuring a keynote presentation on macroeconomic and fiscal risks facing Palau, and the implications of passage of the new Compact of Free Association.

## ECONOMIC STATISTICS

The EconMAP statistics program primarily produces yearly time series data on key economic indicators for each Freely Associated State (FAS). These datasets form the foundation of the Annual Economic Reviews and Briefs. The final statistical series are recognized as official government statistics, aiding decision-making within the FAS and facilitating the work of regional and global organizations such as the IMF, ADB, World Bank, and various UN agencies. The quality and scope of these statistics have continuously improved, now aligning closely with international standards for country monitoring and surveillance.

EconMAP is committed to supporting each country's efforts to build internal statistical capacity and to meet their specific data needs, such as providing preliminary estimates. It also maximizes support for local statistics personnel. In some instances, however, capacity supplementation is needed to ensure that the core datasets are available and timely.

## STATISTICAL WORK DURING 2023

### All Three FAS

Resumption of Travel. In 2023, travel to the FSM and RMI became possible after three years of exclusively remote

support. Priority was given to addressing backlogs in the FSM through staff travel, while the RMI continued to receive effective remote support for another year.

### Audit delays

Several insular government audits have become significantly overdue, initially because of Covid-19 and subsequently due to the transition to new auditors. This disruption has affected the usual yearly schedule for updating economic statistics, leading to the current estimates being labeled as "preliminary."



### Palau

Palau has a small but effective economic statistics team and very good administrative source data. The tourism-based economy generates greater information needs than FSM and RMI. Deliverables during the 2023-24 program year included:

- /// Preliminary economic statistics for FY2023;
- /// Annual economic statistics series for FY2023;
- /// Continuation of customized data analysis to monitor COVID-19 impacts on Palau's economy and mitigation programs, and to inform economic reforms including Tax reform and minimum wage policy;
- /// Support to Palau statistics on data development, particularly to enable the utilization of new/changed data arising from the Tax reforms.
- /// Tourism Statistics.



### RMI

Capacity supplementation is essential in the Marshall Islands due to longstanding human resource constraints, and source data shortcomings. Deliverables during the 2023-2024 program year included:

- /// Preliminary economic statistics for FY2023;
- /// Annual economic statistics series for FY2023;
- /// Support for CPI redevelopment and HIES Analysis



FSM has some statistical capacity but requires capacity supplementation. Staff development has been held back by challenges due to local institutional factors, geography, and weaker demand for statistics.

- The lack of tax data prevented the compilation of GDP-by-industry series for FY2016-21. The resumption of travel to FSM allowed for a partial breakthrough, thanks to EconMAP’s coordination with the FSM’s Finance and Statistics departments, providing initial estimates for FY16-22. Nonetheless, to finalize revised estimates and ensure future GDP data availability, it is necessary to finalize agreements for the annual provision of tax data from FSM Finance. EconMAP is actively working through FSM Statistics to resolve these data sharing challenges.
- Institutional hurdles, such as inter-departmental data sharing difficulties, and the statistical staff’s focus on the population census have affected FSM’s statistical foundation. Despite these issues, updates for critical data points like employment, CPI, and trade to FY22 were accomplished.

Deliverables during the 2023-2024 program year included preliminary economic statistics for FY2023.



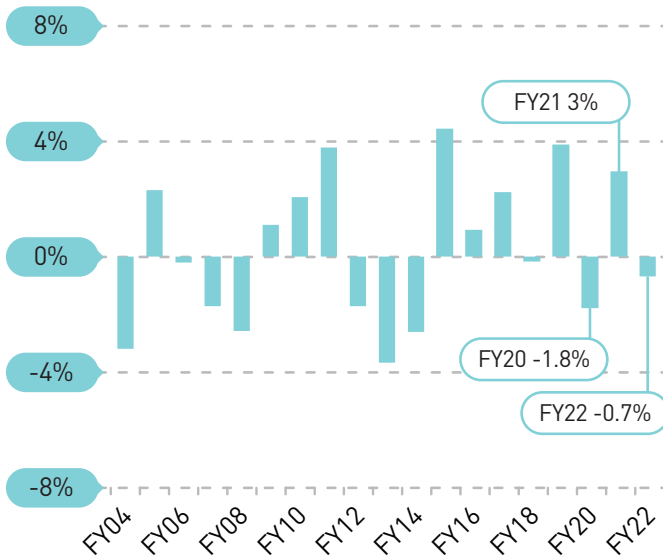
## FSM: ECONOMIC DEVELOPMENTS AND ISSUES

**The FSM economy is projected to have grown by 1.5 percent during COVID-19.** Initial economic impact analysis indicated that GDP was likely to have fallen by close to 7% during the FY2020-FY2021 period. However, recent national accounts estimates indicate that after a contraction in FY2020 of 1.8 percent, the economy grew by 3.0 percent in FY2021 and contracted by 0.7 percent in FY2022. The receipt of large aid flows to mitigate health and economic impact of COVID-19 all significantly reduced the overall impact of the pandemic.

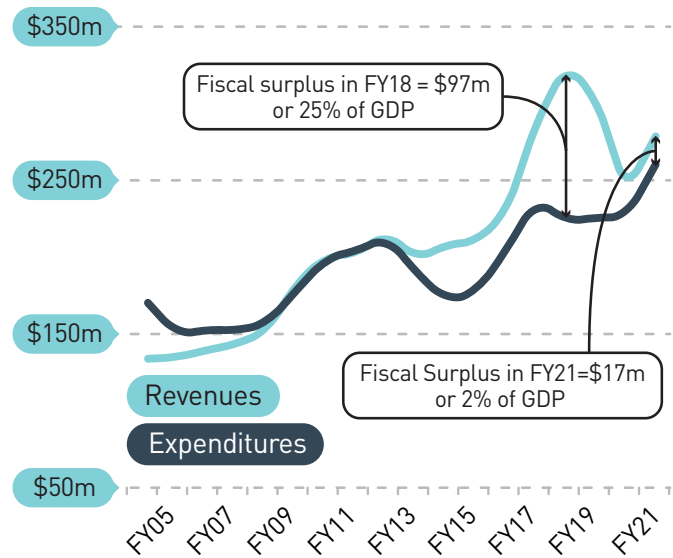
**Implementation of Vessel Day Scheme leads to rapid growth in sovereign rents.** Regional fisheries effectively fall under the Parties to the Nauru Agreement (PNA), which has led to a remarkable and sustained increase in member country revenues from the sale of vessel days—a fivefold increase for the FSM since the start of the amended Compact. The FSM received \$73 million of revenues—equivalent to 20 percent of projected GDP in FY2017 and has remained at similar levels since that time.

**After a period of modest inflation during the COVID-19 era, inflation rose by 5.0 and 6.2 percent in FY2022 and FY2023.** Inflation was relatively modest during the early years of COVID-19 and prices rose by 2.8 percent in FY19-FY21. However, as the world economy emerged

FSM GDP Growth



FSM Revenues and Expenditures



from COVID-19, the impact of global supply shortages, expansionary fiscal policies, and Ukraine war resulted in high rates of global inflation. However, the increase in prices in the FSM was limited to food and fuel while the prices of other commodities were largely unaffected with the result that inflation pressures in the FSM were less than in many other economies.

**Creation of the FSM domicile for Japanese corporations has led to large inflows of resources.**

In 2005 the FSM passed corporate tax legislation that enabled the creation of an overseas domicile which has created a steadily growing stream of revenues to the National government. In FY2018 there was an unusual and very large receipt of \$84 million. Again, in FY2019 there was a further large receipt of \$62 million. Although large payments are to be expected periodically, this level of payment was exceptional and in FY2020 and FY2021 corporate taxes returned to more normal levels of \$10 and \$11 million, respectively.

**National government runs large fiscal surpluses as state governments operate constrained budgets and struggle to maintain balance.**

Large discrepancies between State and National fiscal outcomes have been a cause of concern for some time. In the FY15-FY21 period, the national government fiscal surplus averaged 12.6 percent of GDP, while the state governments ran a small average fiscal balance of 0.5 percent of GDP. The state governments where service delivery occurs have been constrained due to the decline in value in the real value of the Compact sector grants.

**The recent plebiscite to amend the constitutional will alter the distribution of revenues, expenditures and fiscal balance in the FSM.** Reflecting the lack of equity between the national and state governments a constitutional convention and subsequent plebiscite was held in July 2023 to amend the constitution and allocate fishing fee revenues equally between the state and national governments. The electorate voted in favor of the proposed change which is now part of revenue sharing arrangements between the national and state governments. In response, the national government repealed various laws that had earmarked resources in favor of the states. The net effect of these changes will be an increase in state expenditures and a reduction in the national government fiscal surplus.

**Large fiscal surplus has supported rapid growth in the nation's own FSM Trust Fund.** The large increase in sovereign rents and fiscal surplus was utilized in two

major ways. First, and most importantly, the FSM has created a national trust fund (FSMTF). At the end of November 2022, the FSMTF was estimated to be close to \$350 million and is a considerable achievement. Second, the increase in resources has permitted significant growth of national government congressionally projects. By FY2018 these projects had grown to \$23 million achieving a record level of \$29 million in FY2020, but in FY2021 had fallen to \$16 million reflecting the reduction in sovereign rents. It is to be expected that the recent constitutional changes will result in a reduction in congressional projects and contributions to the FSMTF.

**The 2023 Amended Compact agreement comes with more resources but a significant amount of reporting.**

The annual sector grants will increase from the current level of \$100 million (including the Supplemental Education Grant) to \$140 million. Federal grants and services will continue as will the Joint Economic Management and Financial Accountability Committee. The role of JEMCO has been expanded but the focus has shifted from ex-ante grant approval to ex-post monitoring. There are a host of annual reporting requirements including the (i) budget and investment framework, (ii) infrastructure development plan, (iii) implementation plan, (iv) financial reports, including annual and quarterly reports, and (v) performance report. While the new arrangements come with significant benefits, there remains considerable uncertainty over when the US Congress will pass the Compact law.



**RMI: ECONOMIC DEVELOPMENTS AND ISSUES**

**The overall economic impact of COVID-19 is estimated to have been far less than originally projected.** Initial estimates of the impact of COVID-19 had projected an overall decline of 5.5 percent of GDP. However, the economy is estimated to have contracted by 2.4 percent during FY19-FY22, similar to the normal year-to-year fluctuations. If the volatile impact of the fishing sector is subtracted from this total, the overall impact of COVID-19 falls to a very modest reduction of 0.2 percent. Given the collapse of the KBE local government, high inflation, and reduced COVID-19 related stimulus, the economy is projected to have contract by 0.6 percent in FY23.

**After a period of modest inflation during COVID-19, inflation rose by 7.4 percent in FY23.** Inflation was

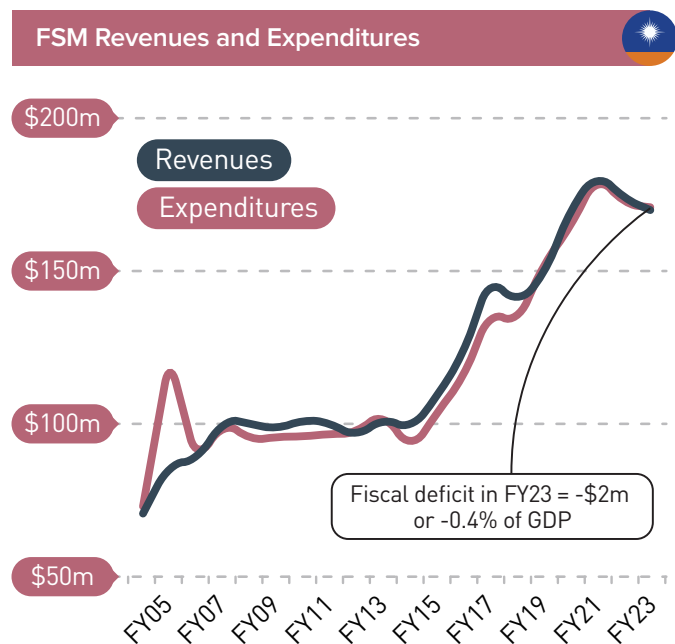
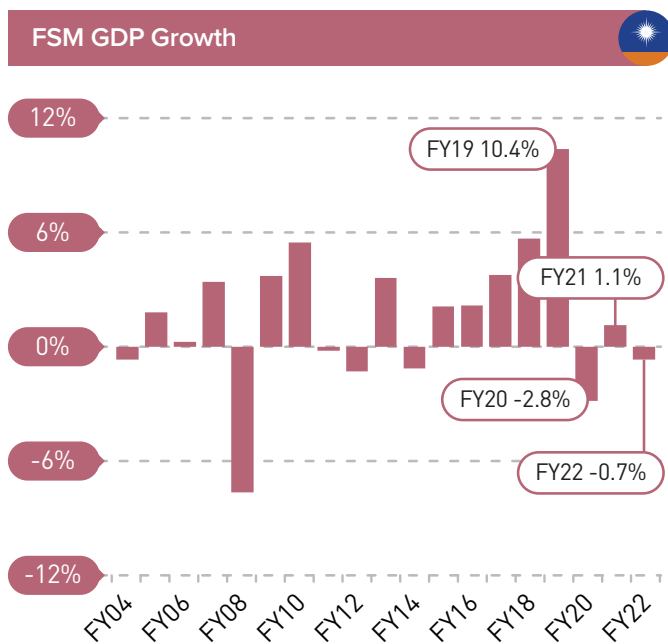
relatively modest during the COVID-19 period and prices rose by 4.4 percent in FY19-FY22. The high rates of global inflation experienced after the Ukraine war were not immediately felt in the RMI, reflecting the low weight of transport prices in the CPI. In FY23 inflation rose by 7.4 percent with food and additional taxes being the main contributors.

**Fiscal policy in the RMI has been driven by available revenue, with expense adjusting automatically to rises in revenues.** At the start of the amended Compact through the first 10 years to FY14, revenues averaged 50 percent of GDP with expense averaging 51 percent. From FY14 onward, sovereign rents, fishing fees, and fees from the ship and corporation’s registry expanded rapidly, and revenues had risen to an average of 64 percent of GDP by FY21-FY23. Expense largely mirrored this growth and averaged 62 percent in the same period. Although some of the expansion is due to COVID-19, the rapid growth reflects the observed operation of a fiscal policy in the RMI in which expense adjusts automatically to the revenue ceiling.

**Due to the favorable provisions of the 2023 Amended Compact and re-evaluation of the IMF’s DSA, the RMI is likely to lose its grant only status.** External debt has fallen sharply to sustainable levels as a result of the RMI being accorded “grant only” status. This requirement has inhibited the surge of debt that occurred during the original Compact period and during the early stages

of the 2003 Amended Compact. However, with the favorable outcome of the 2023 Compact negotiations with continued US grant support, the next update of the DSA is likely to incur a loss of the RMI’s grant only status. The switch to a mix of loans and grants will result in additional cost and fiscal risk to the RMI.

**The 2023 Amended Compact agreement comes with more resources but a significant amount of reporting.** The annual sector grants will increase from the current level of \$35 million (including the Supplemental Education Grant) to \$50 million. In addition, there is \$8 million a year for supplemental health and a series of other onetime grants. Federal grants and services will continue as will the Joint Economic Management and Financial Accountability Committee. The role of JEMFAC has been expanded but the focus has shifted from ex-ante grant approval to ex-post monitoring. There are a host of annual reporting requirements including the (i) budget and investment framework, (ii) infrastructure development plan, (iii) implementation plan, (iv) financial reports, including annual and quarterly reports, and (v) performance report. While the new arrangements come with significant benefits, there remains considerable uncertainty over when the US Congress will pass the Compact law.





## PALAU: ECONOMIC DEVELOPMENTS AND ISSUES

**Palau’s economy is projected to decline by a total of 21 percent in FY23 compared with the pre-pandemic levels of FY19.** Due to the impact of COVID-19, GDP contracted by 6.7 percent in FY20 and a further 13.9 percent in FY21, despite the assistance of the government- and donor-supported mitigation programs: the CROSS and US CARES Acts, respectively. Although the pandemic diminished in FY21, the economy continued to contract in FY22 by 1.5 percent followed by a nominal improvement of 0.2 percent in FY23, as construction slowed and weakened the recovery.

**Although inflation in Palau has been historically low it rose to high rates in FY22 and FY23.** Inflation averaged 13.2 percent in Palau in FY22 due to rising food and fuel prices. This increase reflected global supply shortages, expansionary fiscal policies in the world economy, and the Ukraine war. As inflation began to abate in the global economy, the introduction of the Palau Goods and Service Tax in Palau at the start of 2023 added a spike to local inflation. While the impact of PGST is a onetime occurrence, inflation continued to be high (12.4 percent) in FY23.

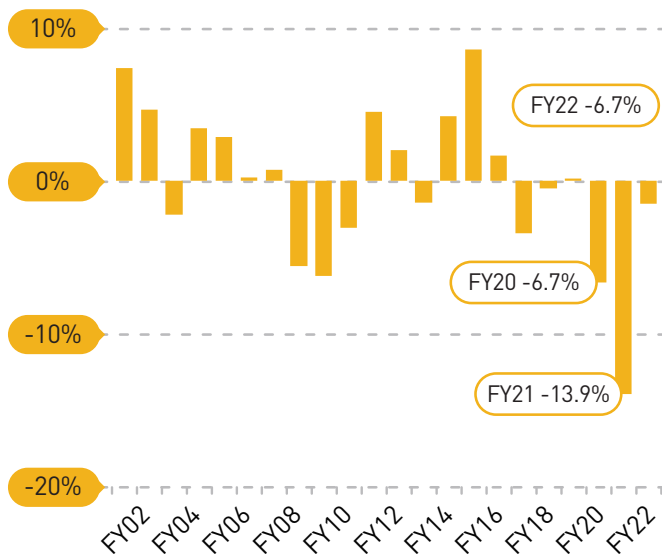
**Total financing needs of 22 percent of GDP were required to maintain government operations during COVID crisis.** Palau has generally run a conservative economic policy and maintained fiscal balance. However,

with the onset of the pandemic the fiscal position deteriorated rapidly, and Palau recorded its largest deficit ever of 13.0 percent of GDP in FY20. Under tight controls the deficit fell to 7.4 percent in FY21 and by FY22 had largely been eradicated, falling to 0.2 percent. In FY23 the deficit rose to 1.7 percent reflecting increases in several areas of expenditures despite the beneficial impact of the PGST.

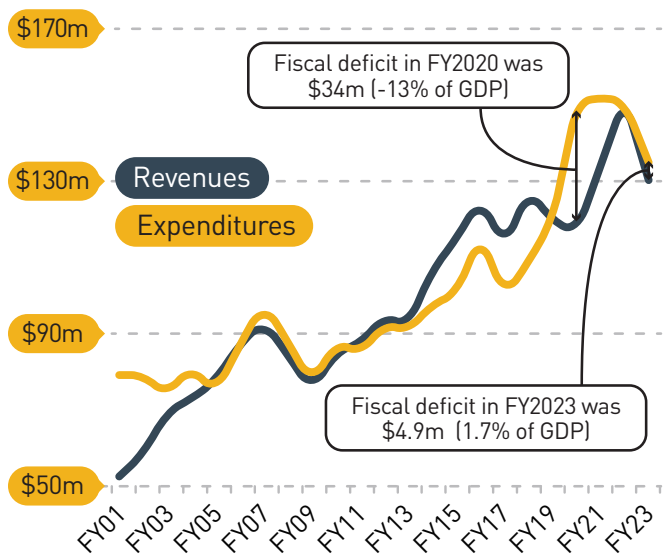
**Palau completes the successful introduction of a major tax reform initiative with the introduction of two new taxes.** A major development in 2023 was the introduction of a tax reform package, including the Palau Goods and Services Tax and a Business Profits Tax. The design of the reforms as widely debated in a series of hearings and state-level town hall meetings. An economic symposium was held in May 2021 supported by the Chamber of Commerce, and the bill was passed into law in September. Revenues from the PGST exceeded expectations and helped restore fiscal balance in FY23, reducing the need for deficit financing. The major drawback was a large increase in inflation mirroring the 10 percent rate of tax and the return to profitability of businesses following the negative impact of COVID-19.

**External debt to GDP ratio is projected to have maxed out at 71 percent in FY23.** The debt to GDP ratio rose rapidly to 70 percent in FY21 and rose slightly in FY23. In FY24 it is projected to fall to 67 percent and gradually decline thereafter. While further debt will be incurred during this period, growth in the economy and the impact

**Palau GDP Growth**



**Palau Revenues and Expenditures**





EconMAP team member Kevin O'Keefe presented a Compact Update with Palau Community College president Patrick Tellei.



EconMAP team member, Kevin O'Keefe, delivers a presentation in the Federated States of Micronesia.

of inflation will result in stabilization of the debt to GDP ratio. Debt service has also risen due to the increase in international interest rates but hopefully will fall as global inflation comes under control. However, the availability of the 2023 Amended Compact grant stream for fiscal consolidation—six years at \$10 million annually—will greatly assist Palau to reduce its indebtedness.

**Agreement over the terms of the second Compact Review Agreement was reached with the US but awaits approval by the US Congress.** The major areas of economic assistance include:

1. Annual grants of \$20 million for operations to be used for education, health, climate adaptation and the

environment, the administration of justice and public safety. The agreement allows for an annual 2 percent adjustor in lieu of inflation indexation.

2. Infrastructure grants of \$5 million plus the 2 percent adjustor.
3. Infrastructure maintenance grants of \$5 million a year plus 2 percent adjustor.
4. A series of 6 annual grants of \$10 million beginning in FY24 for fiscal consolidation of debt incurred before April 1, 2023.
5. Two tranches of \$50 million to be deposited in the Palau COFA Trust Fund.



# Training & Technical Support

learn.pitiviti.org



Participants engaging in group discussion during the Introduction to Grants Management course in Pohnpei, FSM.



### Strategic Goal 1:

Improve Leadership and Management Capacity to Effectively Perform



### Strategic Goal 2:

Improve Financial Management Systems and Practices



### Strategic Goal 3:

Increase Effectiveness and Program Results.



### Strategic Goal 5:

Improve the Capacity and Capabilities of the Public Sector Work Force in Critical Positions and Functions.

## INTRODUCTION AND JURISDICTIONAL BREAKDOWN

A particular strength of the PITI-VITI program is its demonstrated ability to ‘harmonize’ the strategic goals and priorities of federal and insular governments to design and effectively implement training and technical assistance that delivers improved results. PITI-VITI has offered classroom training courses in various subject areas, drawing from the rich curriculum and instructor resources offered by the Graduate School USA.

Recent training topics have highlighted ethics, governmental accounting, grants management, auditing, leadership and management, performance-based management, fraud, internal controls, and updated GASB lease training. In addition to traditional classroom-style training, PITI-VITI also delivered consultative activities targeted to support government and site-specific initiatives.

In the 2023-2024 program year, PITI-VITI conducted 76 total classroom and consultative activities: 47 formal classroom-style courses and 29 informal training, presentation, and consultative engagements. These totals include:

- 10 sessions of the Executive Leadership Development Program, primarily for current participants but also for program alumni;
- 19 consultative engagements, including presentations and informal workshops;
- 27 classroom-style training courses;
- 20 courses delivered during the 2023 APIPA Conference.

In total, 386 classroom and consultative hours were delivered to 4,002 participants. There were also 25,524 Continuing Professional Educational (CPE) units awarded through classroom training.



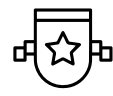
# 662

Total Classroom and Consultative Hours



# 4,002

Total PITI-VITI Participants



# 25,524

Total Continuing Professional Education (CPE) Units Delivered



Graduate School USA

PITI-VITI Instructor Chris Pembroke meeting with the RMI Finance Office in Majuro.



## COURSE PARTICIPANTS BY JURISDICTION

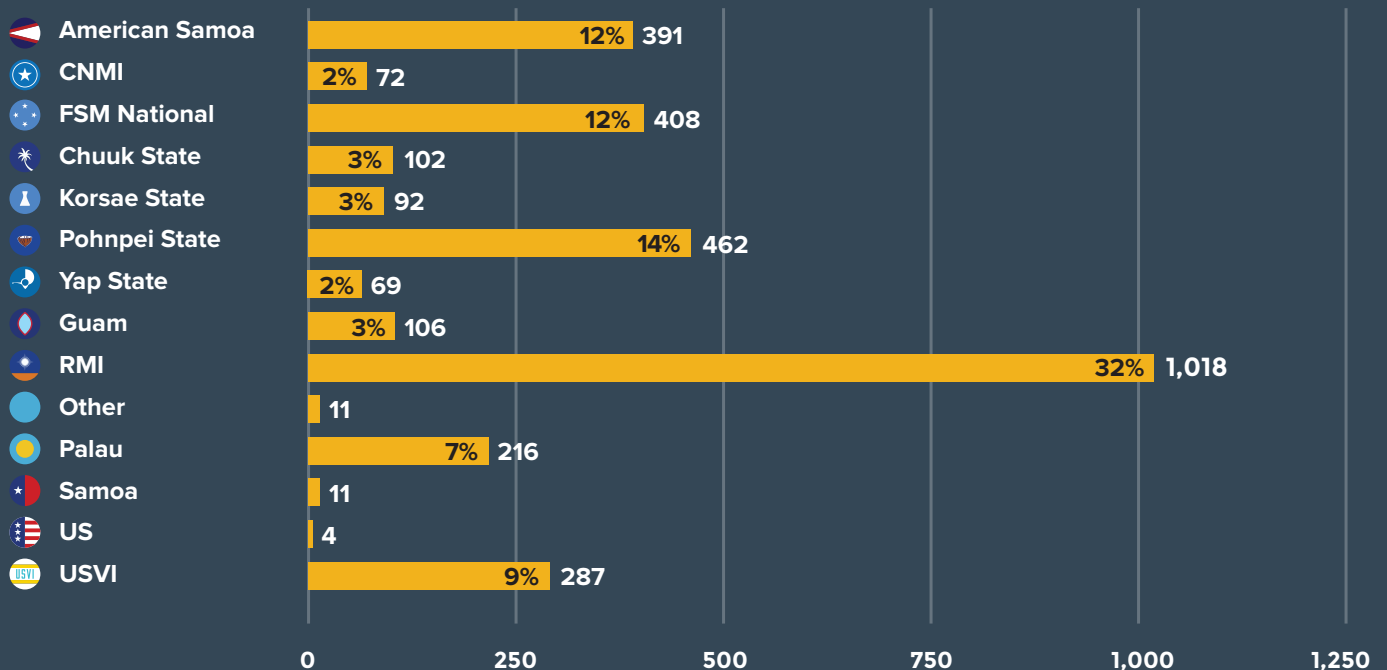
The graph below indicates that a total of 3,249 participants attended 47 PITI-VITI courses during the 2023-24 program year. This number reflects both on-site courses and virtual attendees and is consistent with the 3,901 participants who completed courses in the prior program year.

The Federated States of Micronesia represented the largest number of PITI-VITI course participants this program year with a total of 1,133, which includes FSM National (408), Chuuk State (102), Kosrae State (92), Pohnpei State (462), and Yap State (69). The Republic of the Marshall Islands (RMI), which hosted the 2023 APIPA Conference, had 1,018 participants, followed by American Samoa (391), the US Virgin Islands (287), Palau (216), Guam (106), and the Commonwealth of the Northern Mariana Islands (CNMI) (72).

This year, the participation from the U.S. Virgin Islands (USVI) in PITI-VITI training programs increased to 287 individuals, up from 189 in the previous year. These participants enrolled in eight courses designed specifically for USVI government employees.

Looking ahead to the 2023-2024 program year, a rise in demand for in-person training is anticipated. However, virtual courses will continue to be an important part of the PITI-VITI program. Despite leading to a reduction in total participant numbers, maintaining a mix of in-person and online training allows PITI-VITI to offer both specialized training for government employees on-site and broader, region-wide education virtually.

**Total Participants by Jurisdiction 2023-2024 - 3,249**





PITI-VITI instructor Drummond Kahn with American Samoa participants who attended his ethics course.



## OPTIMIZED RESPONSES TO TRAINING REQUESTS

PITI-VITI is recognized for its quick and efficient response to government training requests, effectively utilizing travel funds to conduct multiple training sessions across different insular government jurisdictions. By strategically combining training requests, PITI-VITI maximizes resource use and minimizes costs while delivering tailored, high-quality training. Several illustrative examples follow below.

**Guam and the Federated States of Micronesia:** Following a request from the Guam Office of Public Accountability for audit training, PITI-VITI arranged an en-route stop to also fulfill training needs from the Office of the National Public Auditor and the State Auditors in the Federated States of Micronesia. This strategic planning allowed PITI-VITI to extend its reach and impact without significantly increasing expenses.

**American Samoa Government Training:** In response to a request from the American Samoa Territorial Audit Office for ethics training for all government agencies, PITI-VITI organized a specialized day-long in-person session led by a PITI-VITI instructor and a local legal expert. This initiative was expanded with a two-day course on internal controls tailored for auditors and managers, attracting participants from various departments such as Search and Rescue, Education, and Veterans Affairs.

**U.S. Virgin Islands Training Initiative:** PITI-VITI conducted a session in December 2023 for U.S. Virgin Islands Inspector General officials that not only covered audit training but also included internal auditors from the utility sector and offered performance budgeting training to the Virgin Islands Office of Management and Budget. This comprehensive approach ensured a broad range of government officials received relevant, practical training.

PITI-VITI's strategy of integrating consultation services with hands-on training has proven to be highly effective. This method addresses immediate training needs while providing insular government employees with a practical understanding of the subject matter. As a result, the training delivered by PITI-VITI is both relevant and valuable, enhancing the skills and knowledge of insular government employees significantly. This demonstrates PITI-VITI's commitment to delivering focused and impactful training that leads to tangible improvements.

## REGIONAL AUDIT TRAINING

PITI-VITI provides audit training and technical support to ensure that insular audit offices fully comply with the competence and quality control requirements in Government Auditing Standards. These professional requirements contain standards both for audit offices and for each individual auditor's competence. Two important auditing standards PITI-VITI supports for insular audit offices are:

- / **Competence - Continuing Professional Education.** Each auditor must obtain at least 80 hours of continuing professional education every two years, and at least 24 of these hours must be audit training in the government environment;
- / **Quality Control -** Each audit office must undergo an external quality control review (“peer review”) every three years.

Audit offices without trained staff or without an external quality control review are likely not conducting their audit work in accordance with Government Auditing Standards. PITI-VITI has worked with the insular government audit offices since 1991 to provide necessary training and to assist in developing and conducting a peer review program through the Association of Pacific Islands Public Auditors (APIPA).

PITI-VITI invited topic recommendations from audit offices for both the APIPA conference and for local training, which were delivered through in-person sessions. Principals and staff members contributed suggestions and requested topics for training. Training included a combination of content from each instructor’s subject matter expertise and curriculum from the Graduate School USA’s Government Audit Training Institute. APIPA topics included basic auditing principles such as *Basic Auditing*, *ABCs of the Single Audit*, and more advanced topics such as internal controls, developing audit objectives, reporting

and auditing sustainability information, leadership, and financial statement auditing.

Overall, in 2023, PITI-VITI provided audit instruction and technical expertise at the APIPA Annual Conference and delivered 20 customized audit training courses for Continuing Professional Education to public audit office staff in the insular areas. These courses included topics ranging from writing audit reports to emotional intelligence for auditors, decision-making, developing audit objectives, and training on Government Auditing Standards. Training locations for in-person, on-site training in the 2023-24 audit curriculum included American Samoa, Guam, the Federated States of Micronesia, the Republic of the Marshall Islands, and the U.S. Virgin Islands, combined with a series of general and office-hosted virtual programs throughout the program year. In 2023-24, more than 1,953 participants took part in the PITI-VITI audit training, earning a total of 12,608 Continuing Professional Education (CPE) credits.

PITI-VITI’s regional audit training also contributed to outcome-oriented results that improved auditing and transparency in the region. In 2023-24, insular government audit offices:

- / Developed more capacity and expertise in performance, financial, investigative, and grant auditing, including hiring staff and staff development through training in these areas;



PITI-VITI Instructor Drummond Kahn and members of the Office of Management and Budget after a week-long training in the U.S. Virgin Islands.



- // Improved audit report quality;
- // Facilitated broad discussion of audit results through insular government legislatures, media, and the public.

Our strength and tradition rest with the importance and contact that in-person, on-site training can bring. We also remain nimble in using technology tools to offer training in the region best tailored to the specific needs of insular audit professionals. PITI-VITI will remain flexible to keep and expand the capacities we've developed based on current demands.

## REGIONAL FINANCE TRAINING

In the fiscal year 2023-24, PITI-VITI provided targeted financial training to government personnel across the insular areas, significantly impacting regional financial management practices. The APIPA conference served as a major event for finance professionals, with essential courses such as Governmental Accounting Basics, GASB Update, ABCs of the Single Audit, and AICPA Quality Management Standards. Over 443 participants took part in PITI-VITI's finance training activities throughout the year, mainly from central government finance offices, as well as other government departments, component units, and offices.

Courses were customized to meet the specific needs of the government where feasible. Notable examples include:

- // **USVI Lease Accounting Standards Training** - PITI-VITI conducted in-person training in the USVI from June 21 to 24, 2023, to facilitate the adoption of new lease accounting standards. This training introduced participants to the new GASB 87, 96, and 94 standards, focusing on methodologies for identifying leases, Subscription-Based Information Technology Arrangements, and frameworks for public-private and public-public partnerships. The approach included classroom sessions, individual consultations with experts to apply learned concepts to their leases, and a Microsoft Excel tool to help analyze the financial impact of their leases. A total of 25 USVI participants received this tailored training.

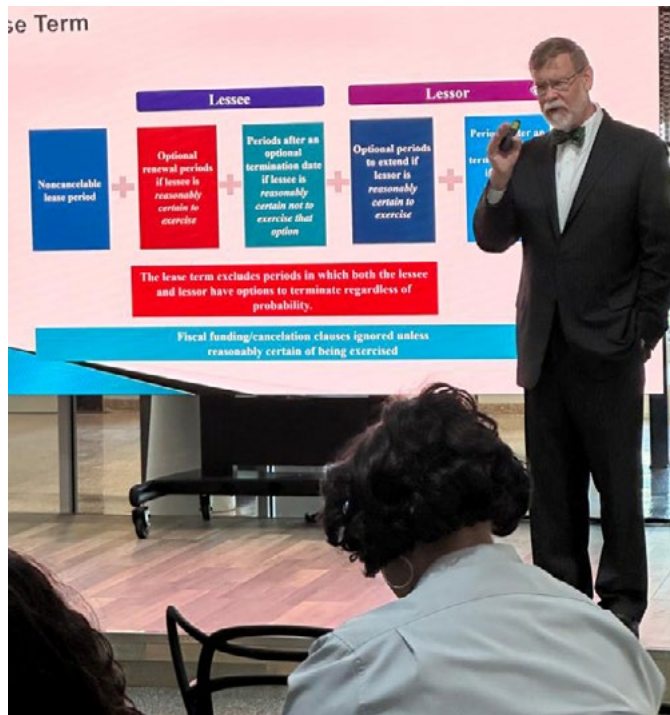
- // **RMI Lease Accounting Standards Implementation Training** - For the RMI, a virtual training session was held on July 11, 2023, with an in-person follow-up on August 30, 2023, to assist with the new lease accounting standards implementation. The training aimed to equip the RMI finance staff with the knowledge to effectively understand and apply the new GASB standards through virtual and direct on-site consultation in Majuro. Forty-five participants from the RMI benefited from this training effort.

- // **Enhancing Audit Quality and Timeliness** - Addressing the challenges of COVID-related delays, FMIS transitions, changes in auditing firms, and reduced capacity within island government finance offices, PITI-VITI placed a renewed emphasis on improving single audit quality and timeliness in the



PITI-VITI Instructor Jeanne Yamamura delivered training on Governmental Accounting Basics in Majuro, RMI





2023-2024 program year. Activities included basic finance and auditing courses at the APIPA conference and specialized sessions at the IGFOA conferences focusing on *Managing the Audit Engagement*, *Analyzing Audit Findings*, and *Developing Action Plans in Response to Audit Findings*. These dedicated sessions were designed to strengthen the audit process and enhance the quality of audit outcomes, ensuring that government officials are well-equipped to manage audit engagements and effectively respond to audit findings.

PITI-VITI’s ongoing commitment to providing finance support ensures that insular government agencies have the assistance needed to address issues causing delays to their single audits and to implement changing accounting and auditing standards—consistent with the program goals of enhancing financial management and audit quality across the insular areas.

PITI-VITI Instructor Dave Bean reviews GASB lease accounting standards for officials from the U.S. Virgin Islands.



PITI-VITI delivered customized grants training to participants in Pohnpei, FSM.



## REGIONAL GRANTS TRAINING

PITI-VITI’s regional grants training initiative is designed to address the unique challenges faced by insular governments in effectively managing federal grants. These challenges include recurring audit findings related to grant activities, cost principles, cash management,



eligibility, and internal control weaknesses, among others. Overall, insular government face challenges related to staff shortages, procurement difficulties, IT system issues, and a lack of policies and procedures.

The purpose of PITI-VITI's grants management training program is to provide targeted training and technical assistance to improve oversight, performance, and compliance with federal funds. By focusing on dynamic changes in grant requirements and providing up-to-date tools and strategies, PITI-VITI's grants training has successfully raised awareness, skill levels, and improved grant outcomes across the insular government jurisdictions. In 2023, PITI-VITI welcomed many new participants to grants training, enhancing their understanding and abilities in executing grants effectively and efficiently.

Specific examples of the training provided include:

#### **Project Management and Grants Writing in the USVI**

- In July 2023, 62 USVI government professionals completed Project Management Essentials for Grants, focusing on using project management skills to enhance grant oversight and implementation. Additionally, 41 professionals attended a course on *Grants Management: Writing Good Goals and Objectives Well*, aimed at improving the writing of work and evaluation plans. These sessions, targeting primarily Departments of Administration and Finance among other federal grant recipients, included training on local challenges, information exchange, and emphasized internal assessments and monitoring for improvement.

#### **Customized Grants Management Training in Pohnpei, FSM**

- In August 2023, 23 participants in Pohnpei engaged in *Introduction to Grants Management* course which was tailored to Pohnpei state and covered updates to program/project narratives, preparation for continuation applications, and processes for grant modifications. Furthermore, 27 government workers took part in a specialized course on *Grants Management: Writing Good Goals and Objectives Well*, focusing on interpreting Notice of Funding Opportunities (NOFOs) and Funding Opportunity Announcements (FOAs) to ensure that program activities and expenses were allowable and justified.

#### **Grants Training at the APIPA 2023 Conference in Majuro**

- At the August 2023 APPIA Conference, three courses related to grants management

were conducted: *Implementing Internal Controls, Improving Grant Management Oversight, and Acquisition, Communication, and Leadership Skills for Grants*. These sessions, with a collective attendance of 315 participants, were centered on internal controls, work plan improvements, program evaluation, and compliance with Uniform Guidance and Compliance Supplement principles.

#### **Virtual Grants Training Delivered Regionally**

- In January, a virtual session on *Using Project Management to Improve Grant Administration* was offered to 124 students from all USAPI jurisdictions, addressing common findings and challenges in grants management. Additionally, in March, the *Introduction to Grants Management* session was delivered virtually to insular area participants, aiming to provide foundational knowledge in grants management practices for effective oversight and successful grant outcomes.

These efforts reflect PITI-VITI's commitment to empowering insular government professionals with the knowledge, skills, and tools necessary to manage and oversee federal grants more effectively, ensuring compliance and improving financial management practices across the insular areas.

## **APIPA PEER REVIEW & INSTITUTIONAL SUPPORT**

PITI-VITI actively assists insular audit offices, which adhere to Government Auditing Standards, by ensuring they meet the requirement to undergo an external quality control review (commonly referred to as a "peer review") every three years. The forthcoming cycle of assessments and reporting is set for 2024. All participating audit offices are up-to-date with their review obligations, and the scheduled evaluations in 2024 will maintain their compliance with these requirements.

In supporting the Association of Pacific Islands Public Auditors (APIPA), PITI-VITI plays a crucial role in providing training and technical assistance related to auditing standards. During the 2023-24 period, PITI-VITI offered the following support to APIPA:

#### **Peer Review Schedule Development**

- PITI-VITI collaborated with APIPA to establish a timetable for





Guam OPA representative and ELDP alumnus Vince Duenas leads a discussion on Peer Review at the APIPA 2023 executive meeting in Majuro.



the peer review process, aiding in the planning and execution of these essential evaluations.

- / **Training on Government Auditing Standards** - To promote proficiency and adherence to auditing standards among island auditors, PITI-VITI facilitated training sessions. This included hosting two virtual workshops focused on the APIPA Peer Review Manual and conducting one in-person training session on the Standards in Majuro. The in-person session coincided with the APIPA Principals' meeting during the APIPA Annual Conference and saw participation from public auditors across nearly all insular areas.
- / **Technical Support for Peer Reviews** - PITI-VITI provides ongoing, remote technical assistance to APIPA peer review teams. This support is vital as it helps these teams effectively carry out and conclude their review processes.

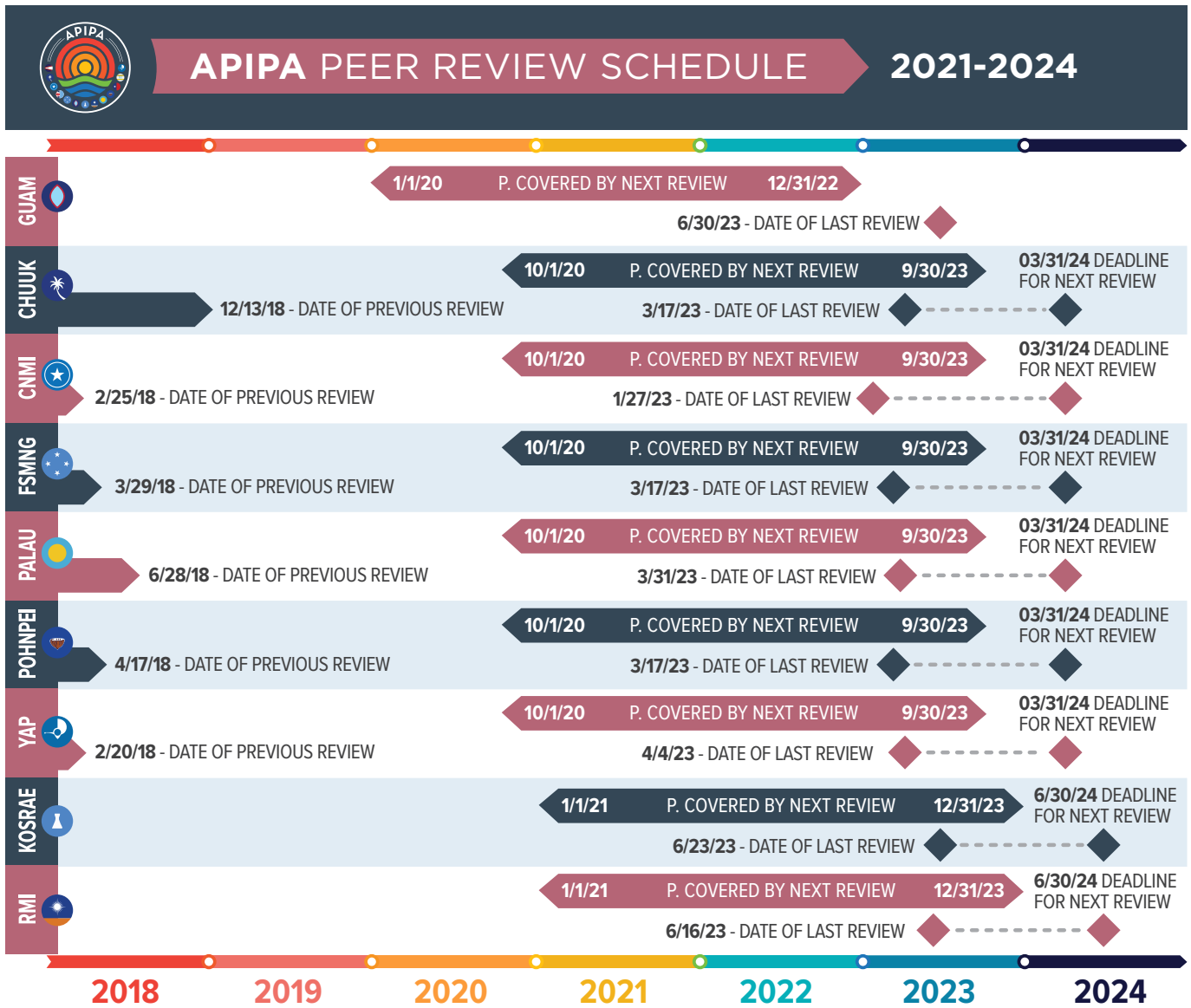
Through these initiatives, PITI-VITI reinforces its commitment to enhancing the quality and compliance of insular audit offices with recognized auditing standards, ensuring they remain competent and aligned with best practices in governmental auditing.

## TECHNICAL ASSISTANCE TO AUDIT OFFICES

PITI-VITI extends its support to insular government audit offices beyond training, offering specialized technical assistance upon request. During the 2023-24 program year, PITI-VITI provided expert advice and technical

guidance to several government audit offices on a variety of critical issues. The areas of assistance encompassed:

- / **Audit Independence** - Guidance on maintaining audit independence when audit offices have additional government responsibilities. This included advising on documenting potential threats and safeguards as per auditing standards.
- / **Audit Report Writing** - Assistance with audit report writing, including peer reviews of report language to ensure alignment between audit findings and objectives. This also involved reviewing and discussing draft audit objectives and scopes to enhance clarity and precision following audit objectives training.
- / **Audit Policy and Procedure Manuals** - Reviews and discussions on draft policy and procedure manuals for audit offices, focusing on how these manuals interact with external quality control reviews.
- / **Staff Recruitment and Retention** - Consultations on strategies for recruiting and retaining qualified staff, especially considering the specific licensing and certification requirements for audit managers and staff in some jurisdictions.
- / **External Quality Control for Peer Review** - Advice on managing external quality control issues related to peer reviews, including the documentation and retention of completed training records.
- / **Communication with External Financial Statement Auditors** - Facilitation of discussions between audit offices and island finance offices regarding the outcomes of external financial assessments.



PITI-VITI’s team of subject matter expert instructors frequently serve as reviewers or advisors for insular government audit offices, providing valuable insights and support.

Throughout the year, inquiries on audit standards, audit scope and objectives, documentation of received training, audit and office manuals, and issues of independence were among the most common topics addressed. This targeted support underscores PITI-VITI’s commitment to strengthening the audit capabilities and compliance of insular government audit offices with international auditing standards.

## TECHNCIAL ASSISTANCE ACTIVITIES

### *Facilitation of First Annual Bilateral Economic Consultation between the US and Palau*

The Graduate School USA supported and facilitated the First Annual Bilateral Economic Consultation between the United States and the Republic of Palau, held in Koror, Palau from June 21-23, 2024. This event served as a platform for high-level discussions and strategic planning aimed at deepening economic cooperation between the two nations. Representatives from both the



H.E. Surangel Whipps, Jr., President of Palau; and Hon. Carmen G. Cantor, Assistant Secretary for Insular and International Affairs, U.S. Department of the Interior, led delegations from Palau and the United States, respectively.



US and Palau came together to address key economic challenges and explore opportunities for mutual growth and development. The consultation underscored the importance of information sharing, capacity building, and collaborative efforts in supporting Palau's economic development goals.

Throughout the consultation, participants emphasized the need for sustained cooperation and effective communication to bolster the economic partnership between the United States and Palau. Deliberations centered on Palau's unique economic landscape, including challenges such as infrastructure development and the lack of local banking institutions. The dialogue also touched upon the potential involvement of various US agencies, such as Commerce and USAID, in providing support for economic growth and private sector development in Palau. These discussions laid the groundwork for enhanced collaboration and coordination between the two nations to address shared challenges and drive economic progress.

The event concluded with a shared commitment to continued engagement and partnership in advancing economic initiatives that benefit both the United States and Palau. The consultation not only provided a forum for exchanging ideas and best practices but also set the stage for future endeavors aimed at reducing Palau's reliance on a narrow economic base and promoting

sustainable growth. By fostering a spirit of cooperation and mutual understanding, the First Annual Bilateral Economic Consultation marked a significant step towards strengthening the economic ties between the United States and the Republic of Palau for the benefit of both nations.

### ***Facilitation of Compact Implementation and Planning Retreat***

Graduate School USA played a pivotal role in facilitating the Compact Implementation & Planning Retreat held in Washington, DC from January 9-11, 2024. The retreat aimed to establish protocols and procedures guiding USG oversight in preparation for fully compliant partnerships with each FAS, addressing potential challenges in meeting mandated responsibilities. Discussions centered on transitional responsibilities related to the onset of new Compact Agreements, emphasizing the importance of clarity in messaging and implementation.

Throughout the two-day retreat, participants engaged in dialogue to identify timelines for mandated responsibilities for all parties involved. Lessons learned from the transition from the original Compact to the amended version were shared, highlighting the need for

a cohesive approach moving forward. The agenda also focused on addressing disparate views and perceptions versus reality, ensuring a comprehensive understanding of the Compact agreements and their implications.

Key outcomes of the retreat included reaching agreements on advancing outcomes with each FAS and finalizing documentation of planned US implementation intentions. Emphasis was placed on achieving clarity within the USG regarding messaging and implementation strategies for the new Compact Agreements. The event underscored the importance of early engagement with each FAS, effective public-facing messaging, and proactive measures to promote USG interests and ensure successful implementation of the Compact agreements.

### **Assessment of GDP in U.S. Flag Territories**

From March 19-22, 2024, Graduate School USA supported the Department of the Interior's Office of Insular Affairs (OIA) conducting a statistical assessment of American

Samoa. This initiative aimed to evaluate existing data sources within the territory and to explore the feasibility of providing third-party technical assistance to enhance the timeliness and accuracy of statistical data, particularly GDP. The team, including economists Melissa Braybrooks (DOI) and Dr. Mark Sturton (GSUSA/EconMAP), alongside statistician Glenn McKinlay (GSUSA/EconMAP), engaged with the American Samoa Department of Commerce (DOC) and related agencies to understand current data collection practices, the organizational structure, the legal framework enabling statistical data compilation, and data series which are presently available.

The assessment's agenda focused on several critical areas. The objective was to familiarize the team with data already collected by territorial government offices and to assess its current form. A significant part of the visit involved identifying institutions and data sources necessary for annual GDP estimation, with a goal of uncovering underutilized or unused data, and evaluating the potential for producing economic statistics that could inform territorial decision-making. Discussions also highlighted the importance of administrative data and identified legislative barriers to accessing records. Input from the DOC helped

Retreat participants met at the Department of the Interior to discuss Compact implementation and planning (January 2024)



facilitate engagement with other American Samoa offices and ensured a coordinated approach.

This visit to American Samoa marks the beginning of a broader initiative by the U.S. Department of the Interior’s Office of Insular Affairs to conduct similar statistical assessments across other U.S. flag territories, including Guam, the Commonwealth of the Northern Mariana Islands (CNMI), and the U.S. Virgin Islands, in the upcoming 2024-2025 PITI-VITI program year. These assessments underscore Interior’s commitment to improve the quality and timeliness of statistical data in the territories, thereby enhancing economic planning and decision-making processes.

**RMI Development Dialogue**

In late March, the RMI Development Dialogue, facilitated by GSUSA and convened by the newly elected President of RMI, H.E. Hilda Heine, took place in Majuro, marking

a initial step towards shaping her Agenda 2030. This initiative was designed to gather insights from various RMI ministries and offices, defining President Heine’s administrative priorities for her 2024-2027 term and laying groundwork for the future. The dialogue welcomed the President, her Cabinet, and leading Heads of Departments (HODs), centering discussions around critical issues such as climate change adaptation, tax reform, migration challenges, Compact implementation, and enhancing infrastructure.

GSUSA helped facilitate the event. In addition, GSUSA distributed the RMI 2023 Economic Review to all participants, and delivered presentations that highlighted RMI’s current economic situation and the pressing policy issues it faces. Discussions included preparation for the 2023 Compact Amendment implementation, adjusting minimum wage levels, and devising strategies to counteract population decline. These discussions will inform the GSUSA EconMAP program within the RMI for the upcoming PITI-VITI program year.

Participants in the U.S. Virgin Islands spent a week learning about grants management writing objectives and project management essentials grants, instructed by David Rykken.



# PITI-VITI Press Releases

2023

## 2023

**April**

Empowering Future Leaders to Understand Policy Advocacy in the Pacific Islands

**June**

Island Government Finance Officers Association (IGFOA) Summer 2023 Meeting Concludes in Portland, Oregon, Navigating the Way for Growth and Collaboration



**August**

Emerging Pacific Island Leaders Celebrate Completion of the ELDP 2023 Program in Saipan



**September**

The Association of Pacific Islands Public Auditors (APIPA) 34<sup>th</sup> Annual Conference: Shining a Light on Public Accountability in the Pacific Successfully Concludes



**November**

The Pacific and Virgin Islands Training Initiatives Successfully Concludes Grants Training in American Samoa

**December**

Island Finance in Focus: Advancing Timely Audits and Regional Coordination at the IGFOA 2023 Winter Meeting



# PITI-VITI 2023-2024 Program Activities by Quarter

## FIRST QUARTER 2023: APRIL-JUNE

ACTIVITY	COURSE TITLE	SITE	DATES	INSTRUCTOR	PARTICIPANTS	HOURS
ELDP	ELDP Pacific - Cohort 8 Session 3 Micro-Poly	Pohnpei, FSM	Apr 17-21, 2023	J Berlin, A Mendiola, D Milks, M Okada	24	40
Grants	Lyndon B Johnson Tropical Medical Center (Virtual Meeting)	American Samoa	May 3, 2023	R Adachi	4	1
ELDP	ELDP Pacific - Cohort 8 - THE SEED of Process - Module 1: Getting Things Done	Regional	May 18, 2023	G Furuya, D. Bacon	24	4
IGFOA	Catching Up with Single Audits	Regional	May 20-25, 2023	D Milks	28	3
IGFOA	A Deeper Dive into GASB Standards	Regional	May 20-25, 2023	F Crawford	28	3
IGFOA	IGFOA 2023 Summer Meeting	Portland	May 20-25, 2023	D Milks, F Crawford	28	3
Accounting	Preparing for the Year-End Close - Government	USVI	May 30-Jun 2, 2023	J Yamamura	36	20
ELDP	ELDP Pacific - Cohort 8 - THE SEED of Process - Module 2: Building a High-Performance System	Regional	Jun 1, 2023	G Furuya, D. Bacon	24	4
ELDP	Executive Leadership Development Program USVI - Graduation Week	USVI	Jun 11-16, 2023	Center for Leadership and Management	24	40
ELDP	ELDP Pacific - Cohort 8 - THE SEED of People - Module 1: The Key to Preventing Workplace Drama	Regional	Jun 15, 2023	G Furuya, D. Bacon	24	4
Accounting	Leases, Leases and More: The Implementation of GASB Statements 87, 96 and 94	USVI	Jun 20-24, 2023	F Crawford, D Bean, C Pembroke	25	8
EconMAP	Annual Bilateral Economic Consultation between the United States of America and the Republic of Palau	Palau	Jun 21-22, 2023	K O'Keefe, J Aubuchon	40	16
ELDP	ELDP Pacific - Cohort 8 - THE SEED of People - Module 2: Growing Peak Performers	Regional	Jun 29, 2023	G Furuya, D. Bacon	24	3

## SECOND QUARTER 2023: JULY-SEPTEMBER

ACTIVITY	COURSE TITLE	SITE	DATES	INSTRUCTOR	PARTICIPANTS	HOURS
Grants	Lyndon B Johnson Tropical Medical Center (Virtual Meeting)	American Samoa	July 7, 2023	R Adachi	4	1
Accounting	Leases, Leases and More: The Implementation of GASB Statements 87, 96 and 94	RMI	July 11, 2023	F Crawford	45	2
ELDP	ELDP Pacific - Cohort 8 - THE SEED of People - Module 3: Four Practical Protocols to Develop Skill	Regional	July 12, 2023	G Furuya, D. Bacon	24	3
ELDP	ELDP Pacific - Cohort 8 - Team Presentations	Regional	July 20-21, 2023	J Berlin, A Mendiola	24	6
Project Management	Project Management Essentials for Grants	USVI	July 24 -25, 2023	D Rykken	62	10
Grants	Grants Management: Writing Good Goals and Objectives Well	USVI	July 26-27, 2023	D Rykken	41	10
ELDP	ELDP Pacific - Cohort 8 - THE SEED of People - Module 4: Three Powerful Ways to Inspire Will	Regional	July 26, 2023	G Furuya, D. Bacon	24	2
ELDP	ELDP Pacific - Cohort 8 Session 5 Graduation Week	Regional	Aug 14-18, 2023	J Berlin, A Mendiola, D Milks, M Okada	24	40
EAG	Discussion with the Palau Diaspora	Honolulu	Aug 20, 2023	K O'Keefe, EAG Members	15	3
EAG	University of Hawaii: Engagement in Palau	Honolulu	Aug 21, 2023	K O'Keefe, EAG Members	20	3
Grants	Introduction to Grants Management	Pohnpei	Aug 21-22, 2023	D Rykken	23	10
Grants	Grants Management: Writing Good Goals and Objectives Well	Pohnpei	Aug 23-24, 2023	D Rykken	27	10
EAG	Economic Advisory Group Meetings in the Republic of Palau	Palau	Aug 23-Sept 1, 2023	K O'Keefe, EAG Members	12	40
APIPA	Balancing Oversight Responsibilities in Challenging Circumstances	RMI	Aug 27, 2023	N Miller	55	4
APIPA	Opening Plenary Session: The Future of Accountability	RMI	Aug 27, 2023	N Miller	313	4
APIPA	Leadership, Motivation and Accountability for High Performance Audits	RMI	Aug 27, 2023	M Binder	85	4
APIPA	Basic Auditing	RMI	Aug 28, 2023	C Pembroke	69	8
APIPA	Governmental Accounting Basics	RMI	Aug 27-28, 2023	J Yamamura	142	12



## SECOND QUARTER 2023: JULY-SEPTEMBER (CONTINUED)

ACTIVITY	COURSE TITLE	SITE	DATES	INSTRUCTOR	PARTICIPANTS	HOURS
APIPA	Performance Auditing: Findings, Evidence, and Reporting	RMI	Aug 28, 2023	D Kahn	75	8
APIPA	Improving Grant Management Oversight	RMI	Aug 27- 28, 2023	D Rykken	47	12
APIPA	Creative and Critical Thinking for Auditors	RMI	Aug 29, 2023	M Binder	94	8
APIPA	APIPA Peer Review and Yellow Book Update	RMI	Aug 29, 2023	D Kahn	19	8
APIPA	GASB Update: Wait, I thought we were getting a break!	RMI	Aug 29, 2023	C Pembroke	142	8
APIPA	Acquisition, Communication, and Leadership Skills for Grants	RMI	Aug 29, 2023	D Rykken	116	8
APIPA	Contract and Procurement Fraud	RMI	Aug 30, 2023	D Kahn	137	8
APIPA	Emotional Intelligence for Auditors	RMI	Aug 30, 2023	M Binder	27	8
APIPA	Implementing Internal Controls	RMI	Aug 30, 2023	D Rykken	152	8
Audit	RMI Finance: Preparing to Implement GASB 87 Lease Accounting Standards	RMI	Aug 30, 2023	C Pembroke	12	4
APIPA	ABCs of the Single Audit	RMI	Aug 30, 2023	J Yamamura	54	8
APIPA	Pulling the Thread: A Fraud Conversation with an Auditor and an Investigator	RMI	Aug 31, 2023	K Bell, D House	124	4
APIPA	Streamlining the Audit Process, New Techniques	RMI	Aug 31, 2023	C Pembroke	51	4
APIPA	Presentation and Briefing Techniques	RMI	Aug 31, 2023	M Binder	117	4
APIPA	AICPA Quality Management Standards	RMI	Aug 31, 2023	J Yamamura	53	4
APIPA	Closing Plenary Session: Accountability and Transparency in the Pacific: Successes in our Islands	RMI	Aug 31, 2023	D Kahn	325	4
Grants	Lyndon B Johnson Tropical Medical Center (Virtual Meeting)	American Samoa	Sep 12, 2023	R Adachi	4	1
IGFOA	IGFOA Virtual Meeting	Regional	Sep 14, 2023	D Milks, F Crawford, K O'Keefe	53	3

## THIRD QUARTER 2023: OCTOBER-DECEMBER

ACTIVITY	COURSE TITLE	SITE	DATES	INSTRUCTOR	PARTICIPANTS	HOURS
Grants	Lyndon B Johnson Tropical Medical Center (Virtual Meeting)	American Samoa	Oct 5, 2023	R Adachi	4	1
Grants	Lyndon B Johnson Tropical Medical Center (Virtual Meeting)	American Samoa	Oct 10, 2023	R Adachi	4	1
Audit	Awarding and Management of Contracts	American Samoa	Oct 25, 2023	R Adachi	32	8
Audit	What to Do Before and After the Auditor Arrives	American Samoa	Oct 26, 2023	R Adachi	31	8
Grants	New Grantee Orientation	American Samoa	Oct 30, 2023	R Adachi	92	8
EconMAP	Palau Development Symposium: FY23 Economic and Fiscal Update	Palau	Nov 16, 2023	K O'Keefe, P Tellei	100	2
EconMAP	Palau Development Symposium: Compact Update	Palau	Nov 17, 2023	K O'Keefe, P Tellei	100	2
EconMAP	FAS Economic Overview: Compact Periods, Economic Performance, Economic Structures, and Implications of Compact Renewal	Honolulu	Nov 30, 2023	K O'Keefe	40	2
EconMAP	FAS: Tracking the Single Audits	Honolulu	Dec 1, 2023	J Aubuchon; M Tinitali	40	1
Audit	Planning, Budgeting and Performance Measurement	USVI	Dec 6, 2023	D Kahn	51	8
Audit	Compliance Auditing	USVI	Dec 7, 2023	D Kahn	29	16
Audit	Planning Audit Assignments	USVI	Dec 11, 2023	D Kahn	15	8
IGFOA	Don't Drive Your Auditor Crazy! Ten Issues to Avoid	Honolulu	Dec 12-14, 2023	D Milks	23	2
IGFOA	Lessons Learned from GASB-87 (Lease Standard) Implementation, and Update & Performer Updates	Honolulu	Dec 12-14, 2023	F Crawford	23	2
IGFOA	Insular Government Audit Findings and Response Strategies	Honolulu	Dec 12-14, 2023	J Yamamura	23	2
IGFOA	IGFOA Winter Conference	Honolulu	Dec 12-14, 2023	D Milks, F Crawford, K O'Keefe J Yamamura	23	2
Audit	Skills for Leading and Managing Audit Projects	USVI	Dec 13, 2023	D Kahn	14	12
EAG	Virtual Meeting of the Economic Advisory Group	Palau	Dec 20, 2023	K O'Keefe, EAG Members	6	2

## FOURTH QUARTER 2024: JANUARY-MARCH


ACTIVITY	COURSE TITLE	SITE	DATES	INSTRUCTOR	PARTICIPANTS	HOURS
EconMAP	Compact Implementation and Planning Retreat	Washington DC	Jan 9-11, 2024	K O'Keefe, J Aubuchon	30	24
Audit	Ethical Decision Making for Government Employees	American Samoa	Jan 16, 2024	D Kahn	54	8
Audit	Managers' Roles in Assessing Internal Control	American Samoa	Jan 17, 2024	D Kahn	62	8
Audit	Auditors' Roles in Assessing Internal Control	American Samoa	Jan 17, 2024	D Kahn	44	8
Grants	Using Project Management to Improve Grant Administration	Regional	Jan 29-31, 2024	D Rykken	124	6
Audit	The Art and Science of Designing and Executing High Impact Equity-Focused Performance Audits	Guam	Feb 28-Mar 1, 2024	K Memmott	18	24
EconMAP	Chuuk State Leadership Fiscal Update: Preparing for the New Compact Agreement and FSM Revenue Sharing	Chuuk, FSM	Feb 22, 2024	K O'Keefe	20	3
Audit	Performance Auditing A-Z: Survey through Reporting	FSM National	Mar 4-6, 2024	K Memmott	46	24
EAG	Palau Economic Consultation Support	Japan	Mar 27-31, 2024	EAG Members	5	20
Grants	Introduction to Grants Management	Regional	Mar 18-20, 2024	D Rykken	37	6
Project Management	Introduction to Project Management	Regional	Mar 24-27, 2024	C Corbin	19	16



Public finance Professionals in collaborative discussions at the IGFOA 2023 Conference



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