



ISLAND GOVERNMENT FINANCE OFFICERS' ASSOCIATION

CONFERENCE REPORT

SAN ANTONIO, TEXAS • MAY 25-27, 2011



ISLAND GOVERNMENT FINANCE OFFICERS' ASSOCIATION (IGFOA)
Annual Meeting
Embassy Suites, San Antonio Riverwalk – Downtown
San Antonio, Texas
May 25 – 27, 2011

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EXECUTIVE SUMMARY

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

The Spring 2011 IGFOA Conference focused on implementing GASB-54 (Fund Balance and Governmental Fund Type Reporting) and performance improvements in finance office operations. The objectives of the conference were to:

- Review key issues and ideas presented during the GFOA Conference and discuss how they apply to the insular governments.
- Review GASB-54 and apply the new standard in a case study and in individual governments.
- Identify best practices in implementing GASB-54 and how the standard impacts other financial management, budgeting, and legislative practices.
- Review the status of performance measures in finance offices.
- Apply internal controls to the prevention and detection of fraud.

Tiser Reynold, Director, Department of Administration and Finance, Kosrae State Government, Marina Tinitali, Accountability and Insular Policy Specialist at the Office of Insular Affairs (OIA), and Stephen Latimer, Program Manager for the Graduate School, welcomed the group to San Antonio. Ms. Tinitali and OIA thanked each of the governments for their hard work and great progress on accountability and audits. Stephen Latimer welcomed everyone on behalf of the Graduate School, USA, noting that this is the 23rd IGFOA meeting. He stressed the importance of performance measures in the world of finance and emphasized GFOA, OIA, and IGFOA plan to pursue this initiative to improve financial management and operational performance in the insular financial offices.

The conference participants started the IGFOA meeting by discussing the most important issues they heard in the GFOA conference. Some of the key issues mentioned were:

- The need to run lean government processes by eliminating unnecessary or overlapping functions and/or processes.
- The opportunity to use data mining to detect fraud or other problems.

- GASB 54 creates the need to combine reports for special funds into the general fund.
- The need for increased transparency, especially details about on-going projects and how bond money is being used.
- The GFOA self-assessment tool provides the opportunity to assess and improve finance office performance.
- Finance Offices need to review their banking relationships to determine the amount the banks are charging for common activities.

Frank Crawford made a presentation on GASB 54 and its impact on the governments' financial reporting. He stressed, 'if your government reports governmental funds, then GASB 54 will affect you'. He provided background on the need for GASB 54, the effect it will have on financial reporting, and the steps needed to implement the standard. Finally, he led the participants through a case study in which the standard was used on a real-world financial statement.

Ms. Debbie Milks led a discussion on the finance office performance measures project. She noted that IGFOA began the finance office performance measures project at their December 2009 meeting. At that meeting, the finance officers agreed to select measures that would highlight areas in the finance operations which needed improvement. At each subsequent meeting of the IGFOA, the finance officers were asked to present their measures. Progress has been inconsistent. The initial presentations were often a measure at a single point in time; "bank reconciliations are complete as of September 30" or a corrective action plan with a goal but no measure of the progress; "complete bank reconciliations in 30 days". It did not appear that the offices had incorporated performance measures as a routine management tool.

Ms. Milks commented that at this conference, the quality and sophistication of the performance measure presentations improved dramatically. The finance offices have developed true measures, collected data on these measures over time, and have used the measures to improve performance or better understand problems. The measures reflect both high level organizational performance (e.g., number of audit findings or questioned costs) and basic process performance (e.g., percent of reports issued timely, number of outstanding travel advances). In addition, the measures reported over time demonstrate the improvements in performance of the finance offices.

Ms. Milks also presented the combined results of the FY2009 audits (VI for FY2008). She noted that in FY09 the top four issues noted in the audit findings were procurement, cash management, record keeping, and reconciliation. These top findings have been the same since FY2002 when the Graduate School first began keeping a tally of the overall results. Since these issues are generally under the control of the finance offices, it is an important measure of financial operations (compared to findings related to program operations). She noted the trend of the financial audit qualifications and timeliness from FY03 to FY09 shows dramatic improvement, however. This improvement is a direct result of the finance offices managing the audit process and ensuring that they respond to, and correct, financial statement issues.

Mr. Stephen Morgan, the former City Auditor in Austin, Texas, made a presentation on the use of management controls to prevent and detect fraud. Mr. Morgan emphasized that the head of government, the President or Governor, has the most responsibility for internal controls in the government.

Mr. Morgan presented five different models relevant to management/internal controls. Financial managers and operational managers both need to understand the models and how to operationalize them in their organizations. The models were:

- The Committee of Sponsoring Organizations Enterprise Risk Model (COSO/ERM),
- Performance Management,
- Performance Measurement,
- Performance Auditing, and
- Fraud Triangle or Diamond.

Mr. Morgan stated that by understanding and applying all of these models, financial and program managers can prevent and detect fraud. He then provided numerous examples from his work experience and led a discussion among the conference participants about situations from their work environments.

At the end of the conference, participants completed an evaluation rating the conference on several dimensions and providing comments to open-ended questions. The participants rated the conference extremely highly. On a scale of 1 - 5, with 5 being the highest score and 1 being the lowest score, the average ratings were:

1. The GFOA conference sessions were relevant and timely.
Score: 4.5
2. The IGFOA conference sessions were relevant and timely.
Score: 4.8
3. The conference's objectives were substantially met.
Score: 4.7
4. Logistics for bringing participants to and from San Antonio were handled satisfactorily.
Score: 4.8
5. The conference site (hotel) was comfortable and conducive to the meeting.
Score: 4.8
6. Support services by the Graduate School staff during the conference were handled well and in a timely manner.
Score: 4.9

The narrative comments about the conference were equally positive. Most participants found every session and topic to be valuable. Participants particularly liked the sessions on performance measurement, preventing and detecting fraud, and GASB 54.

BACKGROUND

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

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

For the past few conferences IGFOA has emphasized improving accounting and financial practices in the governments. The current conference focused primarily on how to implement the new auditing standard, GASB-54-- Fund Balance and Governmental Fund Type Reporting. The conference also covered developing and using performance measures to monitor and improve financial office performance, findings from the single audits, and using management controls to prevent and detect fraud. (See Appendix A for the complete conference agenda).

CONFERENCE GOALS

The theme for the 105th Annual Conference of the GFOA was "Navigating the New Normal in Government Finance." One component of the 'New Normal' was GASB-54 (Fund Balance and Governmental Fund Type Reporting) and its application in government finance. Another component of the "New Normal" was to ensure that the operations of the government were efficiently utilizing scarce resources. The Spring 2011 IGFOA meeting continued this focus on implementing GASB-54 and performance improvements in finance office operations.

The objectives of the IGFOA Meeting were to:

- Review key issues and ideas presented during the GFOA Conference and discuss how they apply to the insular governments.
- Review GASB-54 and apply the new standard in a case study and in individual governments.
- Identify best practices in implementing GASB-54 and how the standard impacts other financial management, budgeting, and legislative practices.
- Review the status of performance measures in finance offices.
- Apply internal controls to the prevention and detection of fraud.

The 24 IGFOA conference participants represented all insular area governments and all the FSM states except Yap. (See Appendix B for a complete list of the participants.)

WELCOMING REMARKS

Tiser Reynold, Director, Department of Administration and Finance, Kosrae State Government, welcomed the group to San Antonio on behalf of the IGFOA President, Commissioner Angel Dawson from the U. S. Virgin Islands.

Marina Tinitali, Accountability and Insular Policy Specialist at the Office of Insular Affairs (OIA), welcomed everyone to the conference on behalf of OIA Director Nikolao Pula and Director of Technical Assistance Charlene Liezear. Ms. Tinitali expressed that OIA was pleased with the progress made in the islands with the assistance of the Graduate School. She announced that all grants were now being managed through www.grants.gov, except for grants to the Republic of the Marshall Islands (RMI), the Federated States of Micronesia (FSM), and the Republic of Palau (ROP). Ms. Tinitali and OIA thanked each of the governments for their hard work and great progress on accountability and audits. Ms. Tinitali also welcomed all of the new participants to IGFOA, especially those from Guam, which has always been an excellent IGFOA member and manager of financial resources.

Stephen Latimer welcomed everyone on behalf of the Graduate School, USA, noting that this is the 23rd IGFOA meeting, having met twice yearly since 2000. Mr. Latimer asked each of the new participants to introduce themselves and their government. The group discussed the theme of this year's GFOA, "The New Normal," and what it means for their governments: 'got no money,' 'technology and IT,' 'more for less.' Mr. Latimer closed by noting the importance of performance measures in the 'New Normal' and emphasized GFOA, OIA, and IGFOA plan to pursue this initiative to improve financial management and operational performance in the insular financial offices.

REVIEW OF GFOA CONFERENCE HIGHLIGHTS

The conference participants started the IGFOA meeting by discussing the most important issues they identified in the GFOA conference. Some of the key issues mentioned were:

- The need to run lean government processes by eliminating unnecessary or overlapping functions and/or processes.
- The opportunity to use data mining to detect fraud or other problems.
- GASB 54 creates the need to combine reports for special funds into the general fund.
- The need for increased transparency, especially details about on-going projects and how bond money is being used.
- The GFOA self-assessment tool provides the opportunity to assess and improve finance office performance.

- Finance Offices need to review their banking relationships to determine the amount the banks are charging for common activities.

(For the complete listing of issues identified by the IGFOA participants, refer to Appendix C.)

GASB 54: FUND BALANCE AND GOVERNMENTAL FUND TYPE REPORTING - A CASE STUDY

Frank Crawford made a presentation on GASB 54 and its impact on the governments' financial reporting. He stressed, 'if your government reports governmental funds, then GASB 54 will affect you'. He provided background on the need for GASB 54, the effect it will have on financial reporting, and the steps needed to implement the standard. Finally, he led the participants through a case study in which the standard was used on a real-world financial statement.

Defined in its simplest terms, fund balance is unspent revenue in a fund. GASB 54 becomes effective this fiscal year (FY2011) for all of the insular governments. The Government Accounting Standards Board developed GASB 54 to address several specific issues:

- Statement 34 had no effect on fund balance reporting.
- Significant variation in how standards are applied, leading to significant divergence in practice.
- Widespread confusion about terminology.
- Mismatch between what governments are reporting about fund balance and what users of financial statements actually need.

As an illustration of the problems the standard is trying to address, Mr. Crawford presented the following situation. Under the current standard, if the amounts constrained to specific purposes are reported in the *general fund*, they are shown as reserved. BUT, if the amounts constrained to specific purposes are reported *outside* the general fund, they are shown as unreserved.

What GASB 54 does--GASB 54 changes the fund balance classifications from reserved and unreserved to:

- Nonspendable
- Restricted
- Committed
- Assigned
- Unassigned

Non-spendable fund balances are:

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

Restricted fund balances have:

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

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

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

Assigned fund balances are:

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

Unassigned fund balances are:

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

Thus, in the problem illustrated above, under the new standard, the amounts constrained to specific purposes are reported in the same classifications *regardless of the fund they are in*.

After presenting the concepts behind GASB 54, Mr. Crawford provided several examples and worked through a case study using real-world financial data. (See Appendix D for the slides from the GASB 54 presentation and Appendices E1-E4 for the case study materials).

MORE ON 54! GASB 54: FUND BALANCE AND GOVERNMENTAL FUND TYPE REPORTING

After the GASB 54 case study, Mr. Crawford led a discussion on:

- what we have learned thus far in implementing the standard,
- implications for other financial/budgeting systems and processes, and
- what the governments should do to prepare for implementing GASB 54.

What we have learned thus far about implementing the standard—

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

Some of the implications for other financial/budgeting systems and processes are—

- Legislators need to actively consider how to address interest and other miscellaneous revenue in funds.
- Procurement processes need to know where funding comes from.
- Finance Offices need to establish policies for spending flow and authority to assign.
- Budget processes need to be aware of the new fund structures (e.g., are prior year funds being used to balance the current year budget?).

What the governments need to do to prepare for implementing GASB 54—

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

- Write policies on spending flow/spending prioritization and authority to assign.

FINANCE OFFICE PERFORMANCE MEASURES

Ms. Debbie Milks gave an update on the Finance Office Performance Measures project. IGFOA began the discussion of finance office performance measures at their December 2009 meeting. At that meeting, the finance officers agreed to select measures that would highlight areas in the finance operations which needed improvement. At each subsequent meeting of the IGFOA, the finance officers were asked to present their measures. Progress has been inconsistent. The initial presentations were often a measure at a single point in time; “bank reconciliations are complete as of September 30” or a corrective action plan with a goal but no measure of the progress; “complete bank reconciliations in 30 days”. It did not appear that the offices had incorporated performance measures as a routine management tool.

At this conference, the quality and sophistication of the performance measure presentations improved dramatically. The finance offices have developed true measures, collected data on these measures over time, and have used the measures to improve performance or better understand problems. The measures reflect both high level organizational performance (e.g., number of audit findings or questioned costs) and basic process performance (e.g., percent of reports issued timely, number of outstanding travel advances). In addition, the measures reported over time demonstrate the improvements in performance of the finance offices (see Appendices F through M for the individual government reports on their performance measures).

The next major indication of progress in the performance measures project is for all governments to have a completed framework for their key measures. Most of the finance officers included some elements of each of the three main components of the finance office measurement project, presented below, but few contained them all. The three components of the finance office measurement project are:

- 1) Prepare a plan to collect measures. The plan should address the following:
 - What do you want to measure?
 - ◆ Remember that a measure is a number and it should be useful to the management and customers of the finance office
 - What is your baseline number?
 - ◆ What is the starting point? Depending upon the measure, this could be a dollar value, a number of days, a % error rate, etc
 - What is your goal or target?
 - Make it a goal, but make it realistic.
 - How will you measure it?
 - How will the data be collected?
 - Who will collect the data and put together the table or chart?

- How often will you collect the data (monthly, weekly, quarterly)?
- Who will get the report?
- What actions you will take based upon the results of the data?

2) Collect and present the performance data. Your presentation should include:

- A series of numbers on a chart or graph over a period of time -- **this is required**
- An indication of your goal -- either in the title or on the chart or in the narrative
- An explanation of why this measure is important
- An explanation of what it will take to reach the target.

3) Develop a plan to address problems highlighted by the measure. If the measure indicates that you are at or near your goal, an improvement plan is not needed. If you do not show progress, then a plan is needed to accomplish the goal.

The finance officers agreed to continue to collect data on their individually selected measurements and report on their progress towards achieving their goals at the December 2011 IGFOA meeting. In addition the finance offices will participate in a group exercise to measure the collection rates of overdue travel advances and the number of hours of training provided to the finance office employees. (The finance officers agreed to submit updated implementation plans to Ms. Milks by June 30, 2011.)

Government Reports on their Finance Office Performance Measures

Guam—Ms. Kathy Kakigi presented the measures used by the Department of Administration Finance Office (DOA). She reported that her office is using measures primarily to meet standards and improve performance. The processes they are working to improve and their associated measures are:

- Travel clearance--percent of TA's cleared
- Financial Status Report (FSR)—accuracy and completeness of final FSR's submitted
- Direct Payments—number of direct payments
- Request for Establishment/Modification of Accounts—error rate

(Guam's full presentation can be seen in Appendix F.)

Pohnpei State Government—Mr. Andrew Joseph discussed Pohnpei's performance measures. They report three key measures:

- Bank reconciliations
- Accounts receivables-travel advances
- Documents processed

(Pohnpei's presentation slides can be seen in Appendix G.)

Kosrae State Government---Ms. Shrue Nedlic stated that Kosrae developed performance measures in five different areas:

- Transaction processing (monthly bank reconciliation and reconciliation of receivables)
- Financial reporting (number of days after the end of the quarter to issue departmental reports and percent of reports issued timely)
- Staff development
- Human resources (percent of staff with current performance appraisals completed)
- Process documentation (percent of SOPs completed)

Ms. Nedlic presented data to show the progress her office has made since it started collecting and reporting performance data (see Appendix H).

American Samoa—Ms. Carri-Lee Magalei reported her office is using measures to identify and understand specific problematic processes. She indicated her office was collecting data on:

- The number of days to pay vendors
- The number of quick purchase orders vs. the number of 'normal' purchase orders
- The number of journal entries.

Ms. Magalei said her office was just beginning to collect and use the data to better understand these three processes and hoped to have more data to report at the December IGFOA conference. (See Appendix I for the slides from the ASG presentation.)

Chuuk State Government—Ms. Kathy Sound presented Chuuk's performance measures. Chuuk was focused on reducing audit findings related to missing payroll documents or supporting information and storage. They report two measures:

- Percent of findings resolved for missing payroll documents
- Percent of findings resolved for storage

Ms. Sound also provided data showing the progress Chuuk has made in addressing these findings over the past few years. (The presentation slides for Chuuk are in Appendix J.)

U. S. Virgin Islands—Ms. Denise Rhymer discussed the performance measures being used by the USVI Department of Finance Business Office. One of the office's key tasks is to process invoices, both travel advances and vendor payments. The office uses two measures:

- The number of invoices processed
- The number of days to process invoices

Ms. Rhymer presented data to show how the office was doing (see Appendix K) and mentioned the need to separate the data for travel advances and vendor payments because the processes were different.

Republic of Palau—Ms. Priscilla Soalablai presented the performance measures for Palau. The measures being used are:

- The number of travel advances outstanding
- The amount of money of accounts payable advance payments
- The amount of money in General Accounts receivables

Ms. Soalablai showed slides with data from the last few years and the performance improvements made during that time (see Appendix L).

Republic of the Marshall Islands—Mr. Alfred Alfred, Jr., made a presentation on the RMI's performance measures. RMI is tracking three measures on three different issues. The issues and their respective measures are:

- Audit findings—number of findings
- Questioned costs—amount of questioned costs (in dollars)
- Fund balance in the general fund—surplus (or deficit) per month

Mr. Alfred presented data and charts to show the improvements (see these charts in Appendix M).

SINGLE AUDIT ISSUES AND ACTION PLANNING

Ms. Milks presented the combined results of the FY2009 audits (VI for FY2008). She noted that in FY09 the top four issues noted in the audit findings were procurement, cash management, record keeping, and reconciliation. These top findings have been the same since FY2002 when the Graduate School first began keeping a tally of the overall results. Since these issues are generally under the control of the finance offices, it is an important measure of the financial operations compared to findings related to program operations.

The trend of the financial audit qualifications and timeliness from FY03 to FY09 shows dramatic improvement, however. This improvement is a direct result of the finance offices managing the audit process and ensuring that they respond to, and correct, financial statement issues.

The number of qualifications in the Single Audit has remained at the same level over the seven year period. The finance officers cannot directly affect the operations of the grantee departments where many compliance issues occur. The finance offices require assistance from the public auditors and chief executives of their governments to help focus line agencies on the grant related qualifications.

(It should be noted that Ms. Milks' presentations include the combined results from all the insular governments. Several of the governments have been able to clear all their findings and qualifications. The presentation slides are found at Appendix N.)

Cash Management

Most of the insular governments have findings related to implementation of the Cash Management Improvement Act (CMIA). Generally, the issue is that the auditor has found checks which have cleared outside the number of days the government has set up in their Treasury-State agreement. There appear to be several misunderstandings on the part of the government and/or the auditors.

1. Application of the CMIA does not include the freely associated states of FSM, RMI, or ROP. However, those governments must still comply with federal cash management controls.
2. Guam, the VI, American Samoa and the CNMI must file a Treasury-State Agreement (TSA) annually with the U.S. Treasury. In that agreement the government lays out the funding techniques they will use for their various federal grants.
3. The Treasury-State Agreement is accepted by the U.S. Treasury, but is not audited by that federal agency. Treasury relies upon the external audit to note misstatements and inaccuracies with the TSA as well as noncompliance with the agreement.
4. Funding techniques, such as the average clearance pattern, must be supported with data and analysis by the insular government. The technique must be recalculated at least every five years and include a sample of at least 90 days.
5. The insular government is responsible for ensuring that the auditors are aware of, and given the supporting worksheets and calculations for, the clearance pattern.
6. The insular government is also responsible to ensure that their drawdown process complies with the stated funding techniques in the TSA and that their compliance has been documented.
7. Drawdowns must be matched on a grant by grant basis to the check disbursements. Draws from one federal agency cannot be made to cover checks for a different agency's grants.
8. The auditors should audit the TSA support for the clearance pattern to determine if it is accurately calculated. The auditors will also audit the drawdown process to ensure that drawdowns are made in accordance with the TSA. Individual checks which clear outside the clearance pattern should not be questioned.

(A sample of the TSA procedure manual from Vermont and an illustration of the average clearance pattern technique are presented at Appendix O. Appendix P contains the best

practice ideas generated by the conference participants to address audit issues during a small group break-out session.)

LINKING MANAGEMENT CONTROLS TO PREVENTING OR DETECTING FRAUD

Mr. Stephen Morgan, the former City Auditor in Austin, Texas, made a presentation on the use of management controls to prevent and detect fraud. Mr. Morgan emphasized that the head of government, the President or Governor, has the most responsibility for internal controls in the government. (The terms 'management controls' and 'internal controls' are used interchangeably here.) The old definition of internal controls is 'the set of things managers do to prevent bad things from happening'. The new definition is 'everything the organization does to accomplish its mission (e.g., hiring, performance measurement, leadership, strategic planning, etc.).

Mr. Morgan presented five different models relevant to management/internal controls. Financial managers and operational managers both need to understand the models and how to operationalize them in their organizations. The models were:

- The Committee of Sponsoring Organizations Enterprise Risk Model (COSO/ERM),
- Performance Management,
- Performance Measurement,
- Performance Auditing, and
- Fraud Triangle or Diamond.

(Appendix Q has more details about the models and the slides from the presentation. Appendix R has Mr. Morgan's handout for this session.)

The COSO/ERM Model—this model is a best practice model and covers all aspects of the organization. Enterprise Risk Management is defined as a process, effected by an entity's management and other personnel, applied in a strategic setting and across the enterprise (department/agency), designed to identify potential events that may affect the entity, and manage risk to be within the entity's risk appetite, to provide reasonable assurance regarding the achievement of entity objectives. The model identifies five capability stages of maturity—immature, repeatable, defined, mature, and world class. As an organization matures and moves higher on the maturity capability stages, its risks of failure decrease and its capacity to achieve its mission increases.

The Performance Management Model—this model is more like the standard management Plan-Do-Check-Act system, except with a focus on performance. The performance accountability system in this model is:

- Plan—Strategic and Annual Planning
- Do—Performance Budgeting
- Check—Performance Measurement and Reporting

- Act—performance-based Decision Making

The Performance Measurement Model—the performance measurement model focuses on processes and performance measures to manage and run the organization. The model is:

- Mission Statement
- Goals
- Performance
 - ◆ Input
 - ◆ Process
 - ◆ Output
 - ◆ Outcome
- Implementation
- Assessment

The organization's mission statement drives the development of its goals. Processes are defined to accomplish the goals of the entity and performance measures are put in place to determine how well the processes are operating and whether they are leading to the accomplishment of the goals and the fulfillment of the organization's mission.

The Performance Auditing Model—the performance audit model is typically done by an external entity (not the entity doing the work) after the fact, rather than as part of managing the operation. The steps in the audit model are:

- Identify the program's inputs, processes, outputs, and outcomes,
- Identify the program's performance expectations and actual conditions,
- Develop and prioritize performance audit objectives based on risk and vulnerability assessment,
- Assess existing performance measurement system including relevance and reliability of measures,
- Develop and implement 'ad hoc' performance measurement system,
- Analyze program performance using selected performance expectation as 'criteria' and performance aspects or measures as 'condition', and
- Identify causes of variances and develop audit recommendations.

The Fraud Triangle or Diamond Model—the fraud triangle has three components—pressure/incentive, opportunity, and rationalization. All three of these components contribute to the likelihood of fraud. The fraud diamond includes a fourth component—competence. The higher each of these four components is, the greater the likelihood of fraud.

Mr. Morgan stated that by understanding and applying all of these models, financial and program managers can prevent and detect fraud. He then provided numerous examples from

his work experience and led a discussion among the conference participants about situations from their work environments.

CLOSING REMARKS

Marina Tinitali, Accountability and Insular Policy Specialist at the Office of Insular Affairs (OIA), thanked the participants for working so hard during the conference and for the positive accomplishments they and their governments have achieved over the past few years. She also thanked the Graduate School and instructors for organizing and running the conference. She closed by challenging the conferees to keep up the momentum on all of their financial management improvement initiatives and looked forward to seeing their results at the next IGFOA conference.

CONFERENCE EVALUATION

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

7. The GFOA conference sessions were relevant and timely.
Score: 4.5
8. The IGFOA conference sessions were relevant and timely.
Score: 4.8
9. The conference's objectives were substantially met.
Score: 4.7
10. Logistics for bringing participants to and from San Antonio were handled satisfactorily.
Score: 4.8
11. The conference site (hotel) was comfortable and conducive to the meeting.
Score: 4.8
12. Support services by the Graduate School staff during the conference were handled well and in a timely manner.
Score: 4.9

The narrative comments about the conference were equally positive. Most participants found every session and topic to be valuable. Participants particularly liked the sessions on performance measurement, preventing and detecting fraud, and GASB 54.

APPENDIX A - AGENDA

ISLAND GOVERNMENT FINANCE OFFICERS' ASSOCIATION (IGFOA) Annual Meeting Embassy Suites, San Antonio Riverwalk - Downtown San Antonio, Texas May 25 – 27, 2011

The theme for the 105th Annual Conference of the GFOA is “Navigating the New Normal in Government Finance.” One component of the ‘New Normal’ is GASB-54 (Fund Balance and Governmental Fund Type Reporting) and its application in government finance. Another component of the “New Normal” is to ensure that the operations of the government are efficiently utilizing scarce resources. This IGFOA meeting will continue to focus on implementing GASB-54 and performance measures in the finance office operations.

The objectives of the IGFOA Meeting are to:

- Review key issues and ideas presented during the GFOA Conference and discuss how they apply to the insular governments.
- Review GASB-54 and apply the new standard in a case study and in individual governments.
- Identify best practices in implementing GASB-54 and how the standard impacts other financial management, budgeting, and legislative practices.
- Review the status of performance measures in finance offices.
- Apply internal controls to the prevention and detection of fraud.

Sunday, May 22

10:00 – 11:30 am

Overview of GFOA Conference/IGFOA Meeting

Embassy Suites Hotel, Texas B Room

Introductions

Review of GFOA Conference

Review of IGFOA Meeting

Wednesday, May 25

12:10 pm

GFOA Conference Ends
Lunch on Own

1:30 – 1:45 pm

Opening of IGFOA Meeting
Texas Conference RoomWelcome Remarks:

Commissioner Angel Dawson, IGFOA President, U.S. Virgin Islands, Department of Finance

Marina Tinitali, Accountability and Insular Policy Specialist, U.S. Department of Interior/Office of Insular Affairs

Stephen Latimer, Program Manager, Pacific and Virgin Islands Training Initiative, Graduate School

1:45 - 2:00 pm

Review agenda and introductions

Steve Medlin, Facilitator

2:00 – 2:45pm

Review GFOA Conference Highlights

Moderators: Debbie Milks and Steve Medlin

Small Group Discussions:

- **What were the most important ideas, concepts, issues, or practices you heard about during the GFOA Conference?**
- **How do they apply to you and your government?**

Small Group Presentations

2:45 – 3:00 pm

Break

3:00 - 4:45 pm

GASB 54: Fund Balance and Governmental Fund Type Reporting
A Case Study

Frank Crawford, CPA

4:45 – 5:00 pm

Wrap up Day One and Prepare for Day Two

6:30 pm

Group Dinner – Restaurant to be Determined

Meet in front of the Embassy Suites Hotel at 6:30 pm

Thursday, May 26

8:30 – 8:45 am

Review results from Wednesday and overview of Thursday's agenda

8:45 – 10:15 am

More on 54!!

GASB 54: Fund Balance and Governmental Fund Type Reporting

- Status in Insular Governments
- Preparing for 2011
- Next Steps

Frank Crawford, CPA

10:15 – 10:30 am

Break

10:30 am – 12:00 pm

More on 54!!

GASB 54: Fund Balance and Governmental Fund Type Reporting (Continued)

Impacts on Other Financial and Budget Practices

- Legislative Changes
- Questions and Answers

Frank Crawford, CPA

12:00 – 1:15 pm

Lunch (To Be Provided)

Embassy Suites Hotel

(IGFOA Executive Board to Meet over Lunch)

1:15 – 2:45 pm

Finance Office Performance Measures

Moderator: Debbie Milks, CPA

Presentations by Island Governments (10 minutes each)

2:45 – 3:00 pm

Break

3:00 - 4:45 pm

Single Audit Issues and Action Planning

Moderator: Debbie Milks, CPA

Small Group Exercise: Identify Best Practices and Solutions to common problems

- Budgeting wages and salaries
- Complying with the Cash Management Act
- Document Management
- Managing the fixed asset inventory process
- Dealing with procurement issues

4:45 – 5:00 pm

Wrap up Day Two and Prepare for Day Three

Friday, May 27

8:30 – 8:45 am

Review results from Thursday and overview of Friday's agenda

8:45 – 10:15 am

Linking Management Controls to Preventing or Detecting Fraud

Steve Morgan, CIA, CGFM

10:15 – 10:30 am

Break

10:30 – 11:45 am

Linking Management Controls to Preventing or Detecting Fraud (Cont.)

Steve Morgan, CIA, CGFM

Small group exercise to identify internal controls weaknesses within the insular government finance offices

Group Report Outs

11:45 am – 12:30 pm

Working Lunch

12:30 – 1:30 pm

Government Report Outs

1:30 – 2:00 pm

Conference Wrap-up and Evaluations

2:00 pm

Adjourn

APPENDIX B - PARTICIPANT LIST

ANNUAL CONFERENCE OF THE Island Government Finance Officers' Association (IGFOA) in conjunction with the Government Finance Officers' Association (GFOA) Conference San Antonio, Texas May 22-27, 2011

American Samoa

Carri-Lee Magalei, Senior Accountant, Department of Treasury
Matt Grady, Controller, Department of Treasury
Heidi Leasiolagi, Accountant, Department of Treasury
Taliilagi Iongi-Amituanai, Accountant, TOFR
Salu Tuigamala, Deputy Director, TOFR
Amelia Moeai, Accounts Payable, TOFR

CNMI

Joaquin Blanco, Technical Financial Analyst, Office of Management and Budget

Guam

Kathy Kakigi, Controller, Department of Administration
Claudia Acfalle, Chief Procurement Officer, Department of Administration
Anita Cruz, Buyer Supervisor, Department of Administration

Pohnpei State

Thomas Pablo, Director, Department of Finance and Administration
Andrew Joseph, Chief of Finance, Department of Finance and Administration

Kosrae State

Tiser Reynold, Director, Department of Administration and Finance
Ursula Abalos, Financial Advisor, Department of Administration and Finance
Shrue Nedlic, Department of Administration and Finance
Margarette Abraham, Department of Administration and Finance

Chuuk State

Kathy Sound, Department of Administrative Services

Republic of the Marshall Islands

Alfred Alfred, Jr., Secretary of Finance, Ministry of Finance

Boris Anni, Chief Accountant, Ministry of Finance

Republic of Palau

Priscilla Soalablai, Chief, Finance & Accounting

Darren Fritz, Budget Analyst, Budget Office, Ministry of Finance

U.S. Virgin Islands

Muriel Felton, Senior Accountant, Department of Finance

Calvert Birmingham, Department of Finance

Denise Rhymer, Special Assistant, Office of Management and Budget

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

Marina Tinitali, Accountability and Insular Policy Specialist

Graduate School

Stephen Latimer, Program Manager

Jason Aubuchon, Project Manager

Resource Consultants

Dr. Steve Medlin, Facilitator

Deborah Milks, CPA

Frank Crawford, CPA

Steven Morgan, CIA, CGFM

APPENDIX C - SUMMARY OF GFOA CONFERENCE HIGHLIGHTS

GROUP ONE

1. US Economy is three times the size of China's
2. Lean Government (Elimination of unnecessary functions and processes)
3. Importance of Finance Officers should be emphasized

GROUP TWO

1. Internal Controls:
 - a. Bank Recon...daily
 - b. Payroll—ghost employees (go to departments and distribute checks)
2. AIP / vendor multiple addresses...multiple vendor #s, risk of duplication of invoices
3. Be suspicious of PO Boxes...where is the money going?
4. Employee Travel—highly recommend business travel cards rather than employee submit receipts for credit cards.
5. Treasury Management – Interaction with ERP and Fixed Assets

GROUP THREE

1. Disclosure
 - a. Use of IT
 - b. Broader engagement of citizens
2. New GASB Pronouncements
 - a. GASB 59-62 (Debbie Milks)
 - b. GASB 54 (Frank Crawford)
3. Work better with Lean Process Improvements
 - a. Efficiency
 - b. Cut Costs – declining resources
4. Performance Measures

- a. Need for communications
- b. Accountability
- c. Measure success/failure
- d. Measurable

GROUP FOUR

1. Lean Government
 - a. Less time lower cost and great quality
 - b. Gradual improvement governments can absorb
2. Outsourcing IT
 - a. Less cost
 - b. Stimulates the economy (private sector)
3. What's new in design and implementation
 - a. Instituting good financial management practices
 - b. Defining financial boundaries
4. Getting the most out of your banking relationships
 - a. Banks are pushing for clients to use technology

GROUP FIVE

1. Auditors be proactive in conducting trainings to departments or communicating weaknesses should focus more on compliance
2. Importance of citizens' engagement in the budgeting and planning process
3. Integration of IT (FMIS)

APPENDIX D - GASB 54: FUND BALANCE AND GOVERNMENTAL FUND TYPE REPORTING - A CASE STUDY

GASB 54 Case Study: Fund Balance and Governmental Fund Type Definitions

Lisa R. Parker, CPA
Project Manager, GASB
Frank Crawford, CPA
President, Crawford & Associates, P.C.



What we wish to accomplish with this session...

- ▶ Gain a better understanding of the new fund balance classifications (Nonspendable, Restricted, Committed, Assigned and Unassigned)
- ▶ Gain a better understanding of the new definitions for each of the governmental fund types (Special Revenue, Capital Project, Debt Service and Permanent)
- ▶ Use these understandings to complete an interactive case study

New Fund Balance Classifications



3

Nonspendable Fund Balance

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

4

Restricted Fund Balance

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

5

Committed Fund Balance

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

6

Assigned Fund Balance

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

7

Unassigned Fund Balance

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

8

What about Stabilization (Rainy-Day) Amounts?

- ▶ Stabilization was not previously considered a specific purpose
- ▶ If constraints on stabilization amounts meet criteria to be reported as restricted or committed, then stabilization can be considered a specific purpose
- ▶ Stabilization amounts should not be reported as assigned
- ▶ A minimum fund balance policy (in lieu of a true stabilization arrangement) is not considered a stabilization amount

9

What about Encumbrances?

- ▶ Encumbrances should **not** be displayed separately within the restricted, committed, and assigned categories
- ▶ Amounts are classified as restricted, committed, and assigned based on the source and strength of the constraints placed on them—encumbering those amounts does not further affect them

10

Specific purpose details displayed

	General Fund	Major Special Revenue Funds Highway Fund School Aid Fund	Major Debt Service Fund	Major Capital Projects Fund	Other Funds	Total
Fund balances:						
Nonspendable:						
Inventory	\$ 125,000	\$ 108,000	\$ 16,000	—	—	\$ 249,000
Permanent fund principal	—	—	—	—	\$ 164,000	164,000
Restricted for:						
Social services	240,000	—	—	—	—	240,000
Parks and recreation	80,000	—	—	—	—	80,000
Education	55,000	—	—	—	—	55,000
Highways	—	—	—	\$ 444,000	—	444,000
Road surface repairs	—	24,000	—	—	—	24,000
Debt service reserve	—	—	\$ 200,000	—	—	200,000
School construction	—	—	—	301,000	—	301,000
Law enforcement	—	—	—	—	214,000	214,000
Other capital projects	—	—	—	51,000	—	51,000
Other purposes	30,000	—	—	—	—	30,000
Committed for:						
Zoning board	18,000	—	—	—	—	18,000
Economic stabilization	210,000	—	—	—	—	210,000
Homeland security	110,000	—	—	—	—	110,000
Education	50,000	—	103,000	—	—	153,000
Health and welfare	75,000	—	—	—	—	75,000
Assigned to:						
Parks and recreation	50,000	—	—	—	—	50,000
Library acquisitions	50,000	—	—	—	—	50,000
Highway maintenance	—	244,000	—	—	—	244,000
Debt service	—	—	306,000	—	—	306,000
Public pool	—	—	—	121,000	—	121,000
City Hall renovation	—	—	—	60,000	—	60,000
Other capital projects	50,000	—	—	471,000	—	521,000
Other purposes	80,000	—	73,000	—	176,000	329,000
Unassigned:						
525,000	—	—	—	—	—	525,000
Total fund balances	\$ 1,746,000	\$ 390,000	\$ 192,000	\$ 512,000	\$ 1,440,000	\$ 4,842,000

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

11

Classification totals displayed—details disclosed in the notes

	General Fund	Major Special Revenue Funds Highway Fund School Aid Fund	Major Debt Service Fund	Major Capital Projects Fund	Other Funds	Total
Fund balances:						
Nonspendable	\$ 125,000	\$ 108,000	\$ 16,000	—	—	\$ 249,000
Restricted	405,000	24,000	—	\$ 206,000	\$ 796,000	1,445,000
Committed	461,000	—	103,000	—	—	564,000
Assigned	236,000	258,000	73,000	306,000	652,000	1,495,000
Unassigned	525,000	—	—	—	—	525,000
Total fund balances	\$ 1,746,000	\$ 390,000	\$ 192,000	\$ 512,000	\$ 1,440,000	\$ 4,842,000

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Classifying Residual Balances

- Spending prioritization policies (the flow assumption)
 - Restricted vs. unrestricted
 - Committed, assigned, unassigned
 - Multiple policies
 - The “default” policy
 - Negative balances
 - General fund
 - Other funds

13

Example spending prioritization policies for a special revenue fund

- The flow assumption for this special revenue fund is to **use restricted amounts before unrestricted amounts and to use the default policy for its unrestricted fund balance**. If expenditures incurred exceed the amounts that have been restricted, committed, and assigned to a specific purpose and results in a negative residual amount for that specific purpose, amounts assigned to other purposes in that fund are reduced to eliminate the deficit.

14

Note Disclosures

- ▶ Description of authority and actions that lead to committed and assigned fund balance
- ▶ Government's policy regarding order of spending
 - Restricted and unrestricted fund balance
 - Committed, assigned, and unassigned
- ▶ Encumbrances, if significant, are disclosed in conjunction with other disclosures of significant commitments

15

Note Disclosures

- ▶ Stabilization arrangements
 - Authority for establishing
 - Requirements for additions
 - Conditions under which amounts may be used
- ▶ Minimum fund balance policies

16

Special Revenue Funds

Statement 54 Definition:

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

17

Special Revenue Funds

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

18

Capital Projects & Debt Service Funds

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

19

Capital Projects Funds

Statement 54 Definition:

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

20

Debt Service Funds

Statement 54 Definition:

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

21

Permanent funds

- ▶ No change in the definition of permanent funds from its original definition in GASB 34

22

So, with that....

► On to the case study

- Step 1 will be to review the financial statements found in Exhibit 1 (governmental funds balance sheet and governmental funds statement of revenues, expenditures and changes in fund balance) and familiarize yourself with the fund structure
- Note that the fund balance section of the balance sheet is blank
 - That's why this is a case study, remember?

23

Step 2

- Step 2 will be to read and familiarize yourself with the case study assumptions found in Exhibit 2
- This exhibit contains the information you will need in order to complete the case study

24

Step 3

- In Step 3, using the information found in both exhibits 1 and 2, determine if there will be any changes to the fund structure that will be necessary for external financial statement reporting (due to the new definitions you learned earlier)
- Use the worksheet found in Exhibit 3 to assist you in this step

25

Step 4

- In Step 4, using the information found in both exhibits 1 and 2, and your completed worksheet in Exhibit 3, determine the appropriate classification of fund balance of the governmental funds, and complete the fund balance section found in Exhibit 1
- Use the worksheet found in Exhibit 4 to assist you in this step

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Questions??

APPENDIX E1 - GASB 54 CASE STUDY INFORMATION

Exhibit 2

GENERAL INFORMATION

It is the City's policy to first use restricted fund balance prior to the use of unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The City's policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used. In the initial GASB 54 implementation year, beginning fund balances for all special revenue, capital project, and debt service funds will be classified as restricted, unless they are negative, in which they must be shown as negative unassigned. Beginning fund balance in the General Fund will all be classified as unassigned.

According to Ordinance No. 572 adopted in July 2002, all interest revenue that is allocated monthly to the non-general funds is based on the outstanding cash balance of those funds at the end of each month. The ordinance states that the interest will be used for the intended purpose(s) of each fund.

All transfers are determined through the budgetary process. The budget is adopted by resolution. Transfers to all funds (except the General Fund) will be for the fund's intended purpose(s). Any adjustments to the original transfers budget are approved by resolution.

The government's highest level of legal authority, as described in Statement 54, is an ordinance.

FUND INFORMATION

General Fund – Included in the "Receivable from other Governments" is a \$100,000 grant receivable that is restricted for transportation purposes. Of that \$100,000 receivable, \$40,000 is considered deferred revenue (a liability) because it was not received within the City's availability period (60 days). All other grant revenues have been received and spent in the current fiscal year. In addition, all donations for specific purposes have been received and spent in accordance with donor requirements in the current fiscal year.

Golf Course Fund – Golf course fund charges for services rates and fees are set by the City's golf course manager, and do not require any action by the City Council. Miscellaneous revenue has been recorded in this fund and is considered assigned for golf course operations due to its recording there.

E911 Fund – The E-911 taxes were implemented pursuant to an ordinance approved by a public vote a few years ago. Intergovernmental (grants) and miscellaneous revenues (donations) must be used for E911 purposes in accordance with grantor and contributor requirements.

Hotel/Motel Tax Fund – The hotel/motel taxes were implemented pursuant to an ordinance approved by a public vote a few years ago. Miscellaneous revenues represent donations from external contributors that must be used for tourism purposes.

Cemetery Care Fund – Charges for services revenues represent 12.5% of cemetery lot sales and interments. These revenues must be used for cemetery capital outlay in accordance with state statutes.

APPENDIX E2 - GASB 54 CASE STUDY FINANCIALS

City of Example, Oklahoma
Governmental Funds Balance Sheet
June 30, 2011

	<u>General Fund</u>	<u>Golf Course Fund</u>	<u>E-911 Fund</u>	<u>Hotel/Motel Tax Fund</u>	<u>Cemetery Care Fund</u>	<u>TOTAL</u>
ASSETS						
Cash, including time deposits	\$ 2,000,000	\$ (10,000)	300,000	325,000	20,000	\$ 2,635,000
Receivable from other governments	550,000	-	-	-	-	550,000
Accounts receivable, net	450,000	-	25,000	10,000	-	485,000
Due from other funds	10,000	-	-	-	-	10,000
Inventory	5,000	-	-	-	-	5,000
Total assets	<u>\$ 3,015,000</u>	<u>\$ (10,000)</u>	<u>\$ 325,000</u>	<u>\$ 335,000</u>	<u>\$ 20,000</u>	<u>\$ 3,685,000</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	100,000	20,000	-	10,000	-	130,000
Due to other funds	-	11,000	-	-	-	11,000
Refundable court bonds	20,000	-	-	-	-	20,000
Deferred revenue	300,000	-	-	-	-	300,000
Total liabilities	<u>420,000</u>	<u>31,000</u>	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>461,000</u>
Fund balances (deficit):						
Nonspendable						
Restricted						
Committed						
Assigned						
Unassigned						
Total fund balances (deficit)	<u>2,595,000</u>	<u>(41,000)</u>	<u>325,000</u>	<u>325,000</u>	<u>20,000</u>	<u>3,224,000</u>
Total liabilities and fund balances	<u>\$ 3,015,000</u>	<u>\$ (10,000)</u>	<u>\$ 325,000</u>	<u>\$ 335,000</u>	<u>\$ 20,000</u>	<u>\$ 3,685,000</u>

See accompanying notes to the basic financial statements.

City of Example, Oklahoma

	<u>General</u>	<u>Golf Course</u>		<u>Hotel/Motel</u>	<u>Cemetery</u>	
	<u>Fund</u>	<u>Fund</u>	<u>E-911 Fund</u>	<u>Tax Fund</u>	<u>Care Fund</u>	<u>TOTAL</u>
REVENUES						
Taxes	\$ 3,500,000	\$ -	\$ 165,000	\$ 130,000	\$ -	\$ 3,795,000
Intergovernmental	880,000	-	35,000	-	-	915,000
Charges for services	400,000	350,000	-	-	4,800	754,800
Fines and forfeitures	300,000	-	-	-	-	300,000
Licenses and permits	35,000	-	-	-	-	35,000
Investment earnings	10,000	200	4,000	5,000	200	19,400
Miscellaneous	160,000	1,000	24,000	5,000	-	190,000
Total revenues	<u>5,285,000</u>	<u>351,200</u>	<u>228,000</u>	<u>140,000</u>	<u>5,000</u>	<u>6,009,200</u>
EXPENDITURES						
Current:						
General Government:						
City clerk	60,000	-	-	-	-	60,000
City treasurer	60,000	-	-	-	-	60,000
Human resources	115,000	-	-	-	-	115,000
General government	<u>275,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>275,000</u>
Total General Government	<u>510,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>510,000</u>
Public Safety and Judiciary:						
City attorney	75,000	-	-	-	-	75,000
Ambulance	300,000	-	-	-	-	300,000
Police	1,850,000	-	158,000	-	-	2,008,000
Municipal court	130,000	-	-	-	-	130,000
Fire	1,230,000	-	-	-	-	1,230,000
Civil emergency management	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,000</u>
Total Public Safety and Judiciary	<u>3,605,000</u>	<u>-</u>	<u>158,000</u>	<u>-</u>	<u>-</u>	<u>3,763,000</u>
Transportation:						
Street	650,000	-	-	-	-	650,000
Public Transportation	<u>550,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>550,000</u>
Total Transportation	<u>1,200,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,200,000</u>
Cultural, Parks, and Recreation:						

Golf	-	484,200	-	-	-	484,200
Library	275,000	-	-	-	-	275,000
Cemetery	110,000	-	-	-	-	110,000
Parks	350,000	-	-	-	-	350,000
Total Cultural, Parks and Recreation	735,000	484,200	-	-	-	1,219,200
Community/Economic Development:						
Community development	200,000	-	-	-	-	200,000
Business incubator	80,000	-	-	-	-	80,000
Tourism	-	-	-	125,000	-	125,000
Total Community/ Economic Development	280,000	-	-	125,000	-	405,000
Debt Service:						
Principal	140,000	50,000	-	-	-	190,000
Interest and other charges	10,000	3,000	-	-	-	13,000
Capital Outlay	10,000	-	20,000	50,000	-	80,000
Total Expenditures	6,490,000	537,200	178,000	175,000	-	7,380,200
Excess (deficiency) of revenues over expenditures	(1,205,000)	(186,000)	50,000	(35,000)	5,000	(1,371,000)
OTHER FINANCING SOURCES (USES)						
Transfers in	3,100,000	160,000	-	-	5,000	3,265,000
Transfers out	(1,400,000)	-	-	-	-	(1,400,000)
Total other financing sources and uses	1,700,000	160,000	-	-	5,000	1,865,000
Net change in fund balances	495,000	(26,000)	50,000	(35,000)	10,000	494,000
Fund balances (deficit) - beginning	2,100,000	(15,000)	275,000	360,000	10,000	2,730,000
Fund balances (deficit) - ending	\$ 2,595,000	\$ (41,000)	\$ 325,000	\$ 325,000	\$ 20,000	\$ 3,224,000

See accompanying notes to the basic financial statements.

APPENDIX E3 - GASB 54 CASE STUDY, FUND CLASSIFICATIONS-BLANK

CITY OF EXAMPLE, OKLAHOMA

ANALYSIS OF GOVERNMENTAL FUND TYPE CLASSIFICATIONS FOR GASB 54 IMPLEMENTATION

JUNE 30, 2011

FUND NAME	Majority Revenue Source	What type of fund balance classification (restricted, committed or assigned) is this fund's majority revenue source?	Type of Expenditures	FUND CLASSIFICATION	
				Before	After
General Fund	Sales Tax		Anything	General	
Cemetery Care Fund	12.5% lot and interment sales		Capital outlay	Special Revenue	
E-911 Fund	E-911 taxes		Operations and capital	Special Revenue	
Hotel/Motel Tax Fund	Hotel/motel tax		Operations and capital	Special Revenue	
Golf Course Fund	Golf charges for service		Operations, capital, debt service	Special Revenue	

NOTES:

APPENDIX E4 - GASB 54 CASE STUDY, FUND BALANCE CLASSIFICATIONS-BLANK

CITY OF EXAMPLE, OKLAHOMA SCHEDULE OF FUND BALANCE CLASSIFICATIONS - GASB 54 JUNE 30, 2011

				TOTAL
Fund Balances:				
Nonspendable:				
Sub-total Nonspendable				
Restricted for:				
Sub-total Restricted				
Committed to:				
Sub-total Committed				
Assigned to:				
Sub-total Assigned				
Unassigned:				
TOTAL FUND BALANCES				

APPENDIX F - GUAM'S PERFORMANCE MEASURES SLIDES

GOVERNMENT OF GUAM Performance Measures

TRAVEL BRANCH

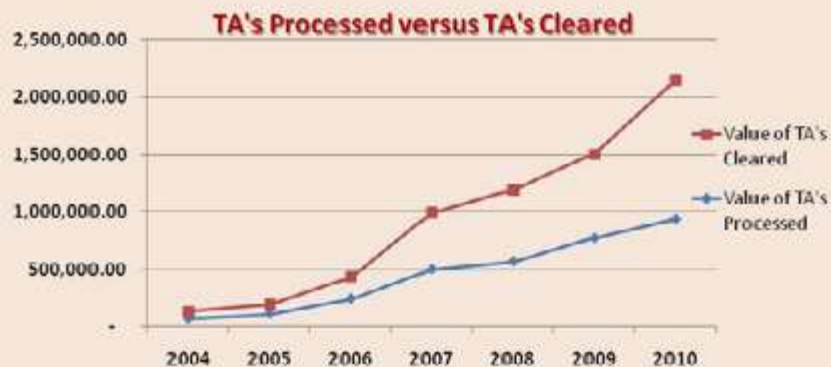
Travel Authorizations (T.A.) Processed vs. Cleared

Why is this measure important?

Federal grants that authorize travel reimbursements are an important collection measure that we must be able to report before the Final Financial Statement Report (FFSR) is turned into the grantor. These travel funds reimbursed will replenish the General Fund.

What will it take to achieve the targets?

All federal grant travelers must clear the General Ledger section upon returning from their travel. Once the travel clearance is completed the sub ledger will reflect this clearance within our travel clearance menu of the AS400 system. This allows for the traveler to be authorize to travel again in the future. After the clearance has been input in to the system another approving authority the Bureau of Budget Management & Research (BBMR) who reviews all travel type (local & federal) request will be able to see that this travel has cleared their travel.



[illegible]

	Employee A			Employee B			Employee C		
	YES	NO	%	YES	NO	%	YES	NO	%
Travel Clearance	15	0	100%	22	0	100%	29	0	100%
Expenditures	14	1	93%	19	3	86%	28	1	97%
Drawdowns	5	10	33%	14	8	64%	22	7	76%
Indirect Cost	13	2	87%	15	0	68%	23	6	79%
Sub-ledger (zero)	9	6	60%	20	2	91%	22	7	76%
De-obscure	14	1	93%	22	0	100%	27	2	93%
	70	20		112	13		151	23	

FEDERAL GRANTS BRANCH FINAL FINANCIAL STATUS REPORT CHECKLIST (FFSR)

Department of Administration Division of Accounts	
Federal Grants Single Audit and Compliance Branch Final Financial Status Report Checklist	
Grant Name: <u>Open American Investments</u>	Final Financial Status Report Checklist
Audit No.: <u>81010H0000114</u>	Grant No.: <u>FD001</u>
Final Checklist - verified with SO, final section on outstanding final circumstances	
Expenditures are at least out	☒ Yes ☐ No
Remarks: _____	
Expenditures are at least out	
Expenditures are at least out	☒ Yes ☐ No
Remarks: _____	
Grants are all completed	
Grants are all completed	☐ Yes ☒ No
Remarks: <u>NO DIRECT PAYMENT</u>	
Calculated and completed statement for indirect cost	
Calculated and completed statement for indirect cost	☒ Yes ☐ No
Remarks: _____	
Indirect cost reflects zero balance	
Please attach print out of Indirect cost to final FFSR	
Indirect cost reflects zero balance	☒ Yes ☐ No
Remarks: _____	
Inform agency to discontinue outstanding circumstances	
Inform agency to discontinue outstanding circumstances	☒ Yes ☐ No
Remarks: _____	
Prepared by: <u>Glenn Prince</u>	Date: <u>10/04/11</u>

APPROPRIATION BRANCH Direct Payments

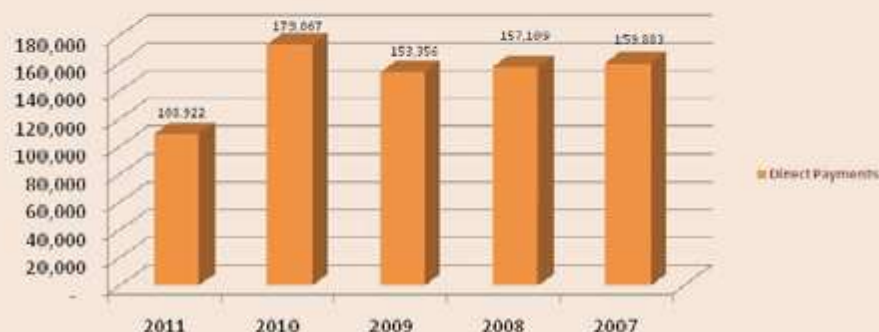
Why is this measure important?

A qualifying Direct Payment has going through the proper procurement process and will be honored for processing. A Direct Payment would be appropriate to expedite a payment process only after the issuance of an approved purchase order accompanied by a receiving report to ensure that the order was completed.

What will it take to achieve the targets?

Training all new Appropriation Branch Accounting Technicians and certifying that they will be able to properly identify all payment requests that qualifies a Direct Payment. Tracking all rejected payment that did not qualify as a Direct Payments for future training with the external Departments will be useful information to educate the external department on how to determine a qualifying Direct Payment.

Number of Direct Payments



DIRECT PAYMENT INSTRUCTIONS

Direct Payment Instructions

- [illegible]

	FY2009	FY2010	FY2011
Error Rate	0.50%	0.15%	0.48%
Acceptable Error Rate (1.00%)	1.00%	1.00%	1.00%

[illegible]

APPENDIX G - POHNPEI STATE GOVERNMENT'S PERFORMANCE MEASURES SLIDES







SINGLE AUDITS

FY10 :

**Review of subsequent transactions
are on-going;
Final draft expected on June 30, 2011**

PRIOR YEAR FINDINGS:

**Feedback on maintenance schedules
from Departments**

BANK RECONCILIATION

Why is this measure important?

1. Assist management in keeping track of cash balance in order to avoid overdrafts;

2. Identify mis-postings made by the bank.

What will it take to achieve the target /goal?

As reported in the last IGFOA meeting, our efforts in this area are still not on target. However, efforts have been made insofar as bringing all accounts up to date. Because of employee turnover rate in this area, we are utilizing the assistance of our Financial Advisor to assist new employee meet 100% reconciliation by the end of FY2011.

PAYROLL	Reconciled up to March 2011
COMPACT II	Reconciled up to January 2011
GENERAL FUND	Reconciled up to December 2010

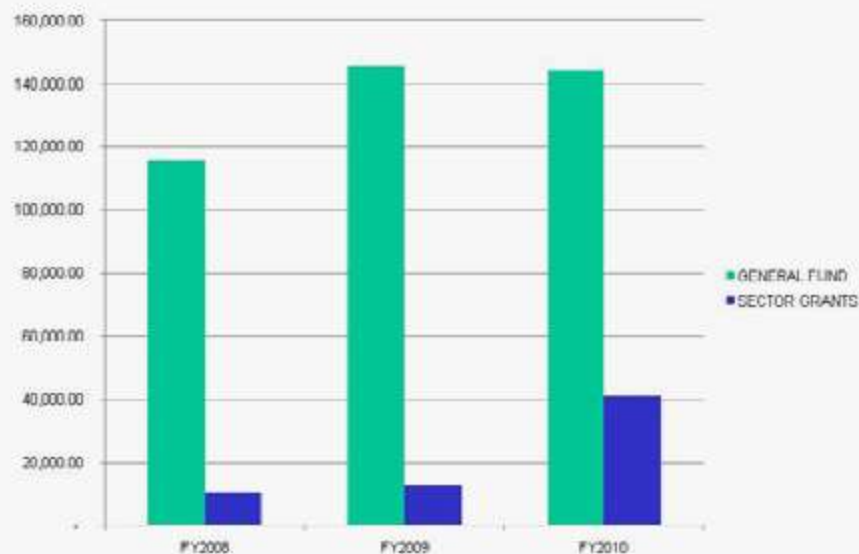
ACCOUNTS RECEIVABLE: TRAVEL ADVANCES

Why is this measure important:

1. Ensure that provisions in our Financial Management are enforced;
2. Maintain transparency and clean audit.

What will it take to achieve the targets?

1. More vigilant in notices being sent, ensuring vouchers are filed timely by travelers; enforce collection through payroll deductions.
2. Integrity of reports: Advance account does not match balance sheet.
3. Require assistance from Software Provider

TRAVEL ADVANCES, CONT'D

DOCUMENTS PROCESSING

Why measure is important?

1.Transaction processed timely assist in the early completion of the single audit;

What will it take to achieve target?

1.Feedback from customers

2.The Division of Finance rarely receives complaints from customer; an indication that we have achieved our target in this area.

DOCUMENTS PROCESSING, CONT'D

Average number of days for processing

	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11
Contracts and other emp. Docs	14	14	15	15	13	12	7
Requisitions/ other purch docs	3	3	5	4	3	3	3
Travel Authorizations	14	12	14	12	12	10	11

KALAHNGAN / THANK YOU!

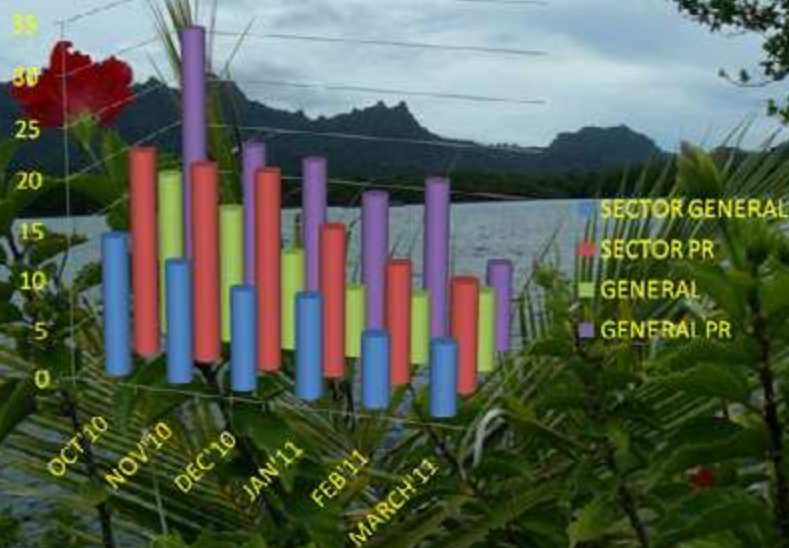
APPENDIX H - KOSRAE STATE GOVERNMENT'S PERFORMANCE MEASURES SLIDES



Transaction Processing

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

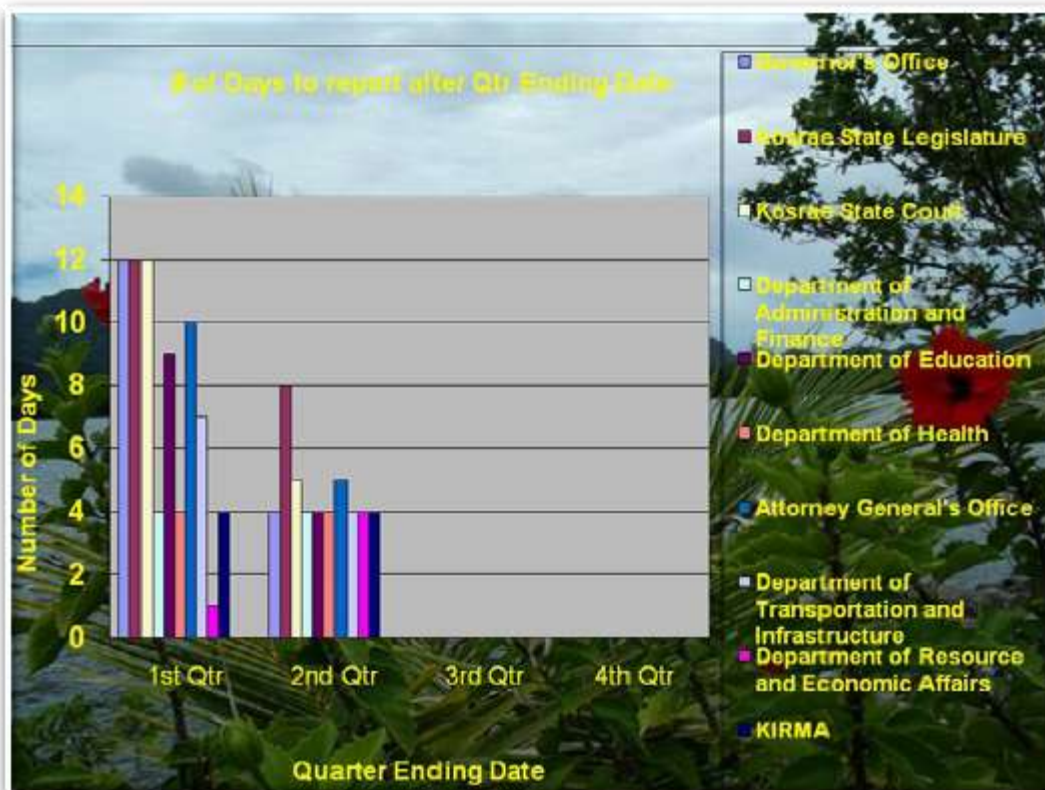
BANK RECONCILIATION AFTER END OF MONTH

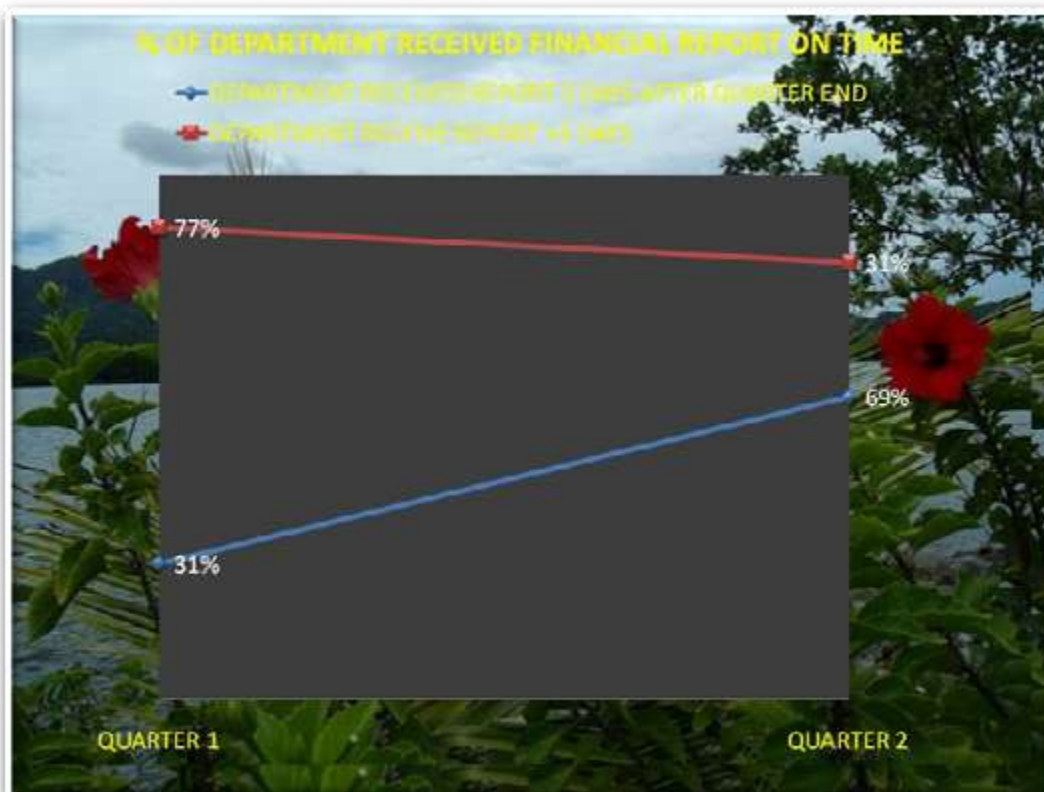




FINANCIAL REPORTING

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





Staff Development

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



Human Resources

100% of staff to receive job appraisal

Only 1 staff was appraised due to the leadership transition period. Will be done by September 2011



Process Documentation

- Beginning date of the SOP has been extended to July 2011 and will be completed by November 2011.
- Revisiting prior policies issued and revise if necessary



APPENDIX I - AMERICAN SAMOA GOVERNMENT'S PERFORMANCE MEASURES SLIDES

ASG Treasury Performance Measures

1. Timely Payment on Invoices

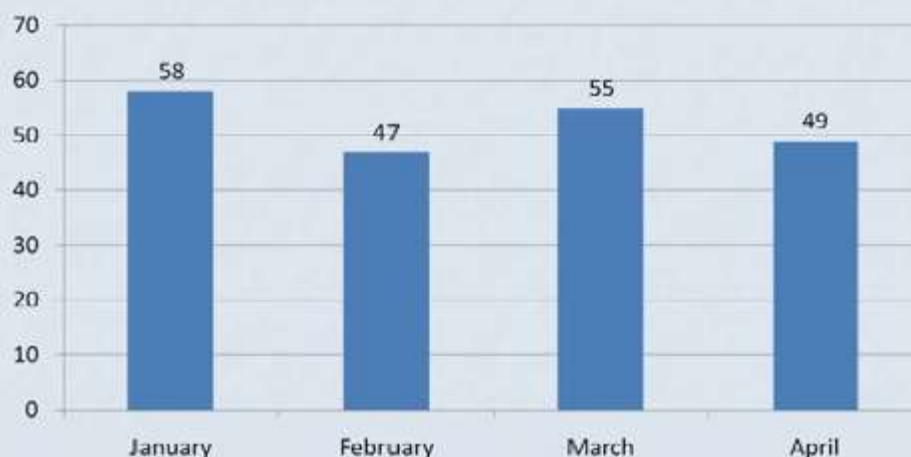
- Why is this measure important?

Currently, there are no regulations requiring that the American Samoa Government (ASG) pay on invoices within a specified period of time. However, the ASG's failure to meet its obligations in a timely manner can have a negative impact on its ability to function effectively and efficiently.

1. Timely Payment on Invoices

- What will it take to achieve targets?
 - Review procedures for processing invoices
 - Identify best practices for employees to follow
 - Set up training sessions with department personnel responsible for purchasing and verifying of goods to ensure proper and complete documentation is submitted to Accounts Payable
 - Begin tracking average days from invoice-to-payment on quarterly basis to monitor improvement

Avg # of days to pay vendors



2. Output: QPO vs PO

- Why is this measure important?

The sheer volume of QPOs raises questions as to the types of transactions being processed. QPO payments should be analyzed to determine the appropriateness of using the QPO process for these payments.

2. Output: QPO vs PO

- What will it take to achieve targets?

- Analyze QPO payments to determine appropriateness of using QPO process.
- Review and update list of allowable purchases under the QPO process.



3. Reduction of Excessive Use of Journal Vouchers

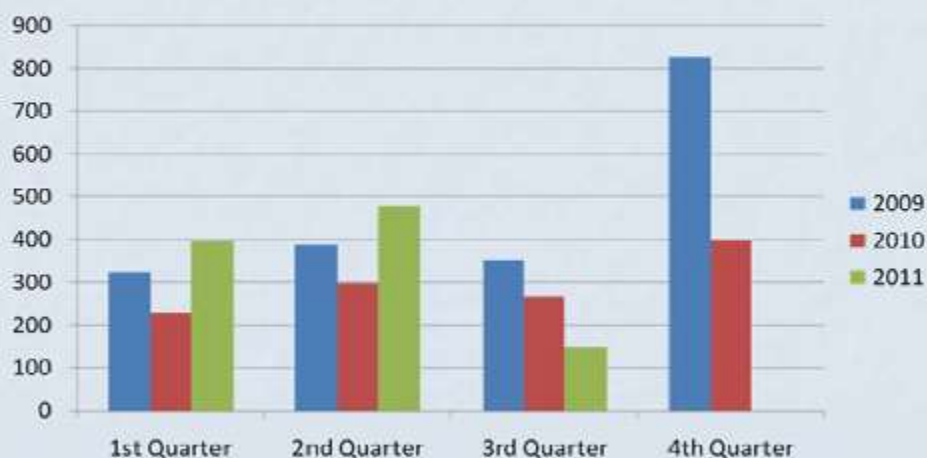
- Why is this measure important?

The excessive use of journal entries by finance staff reflects a system that is not operating properly. There are valid reasons for journal entries, such as year-end accruals and subsequent reversing entries. However, most journal entries are for booking transactions that are not posted automatically.

3. Reduction of Excessive Use of Journal Vouchers

- What will it take to achieve targets?
 - Review and analyze journal voucher activity to identify transactions that can be posted electronically
 - Set up procedures and controls for posting transactions electronically.
 - Begin tracking the number of journal vouchers generated on a quarterly basis and monitor for improvement.

of Journal Entries per quarter



APPENDIX J - CHUUK STATE GOVERNMENT'S PERFORMANCE MEASURES SLIDES

Chuuk State Performance Measure

Kathy Sound
Chief of Finance, Department of
Administrative Services

MY PERFORMANCE MEASURE IS FOCUSED ON OUR WEAKNESSES ON DOCUMENTATION

1. ON OUR 2007 AUDIT REPORT WE HAD FINDINGS ON PAYROLL WHERE DOCUMENTS & SUPPORTINGS WERE NOT PROVIDED

HOWEVER, WE DID MANAGE TO MAKE SOME CORRECTIVE ACTIONS AND WE WERE ABLE TO REMOVE THE FINDINGS IN 2008 AUDIT REPORT

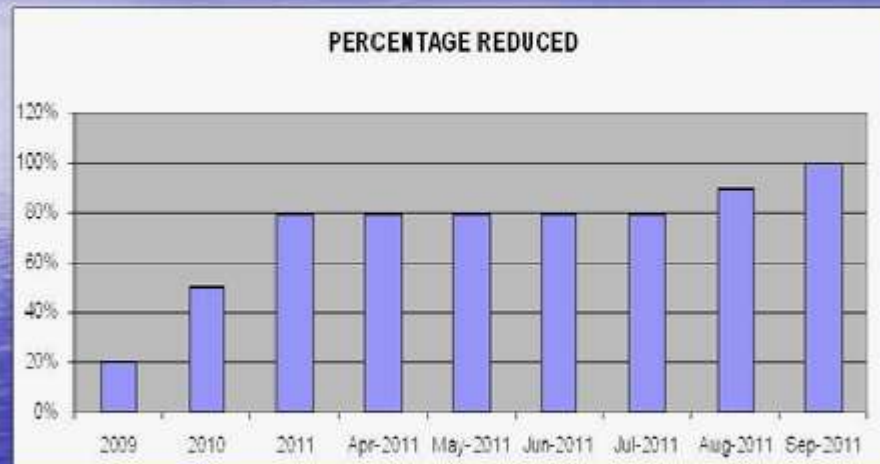
2. WE SOMETIMES ENDED UP PAYING STORAGE ON OUTSIDE PURCHASED DUE TO MISSING OR INCOMPLETE SUPPORTINGS

- WE ALSO MADE SOME CORRECTIVE ACTIONS BUT PROBLEM IS NOT FULLY RESOLVED YET, THEREFORE OUR GOAL IS TO RESOLVE 100% BY SEPT 30, 2011

PERCENTAGE ON RESOLUTION TO THE FINDINGS



STORAGE PAYMENT SOLUTION



APPENDIX K - U. S. VIRGIN ISLANDS PERFORMANCE MEASURES SLIDES

UNITED STATES VIRGIN ISLANDS AMERICA'S PARADISE

- Population: **113,689**
- Size of Government: **9,882**
- Size of Finance Office: **DOF 94 OMB 44**
- Fiscal Year 2011 Budget **\$ 844.47 Million**

Some things you may not know about the Territory

- Territory it consists of four (4) main islands:
 - St. Thomas,
 - St. Croix,
 - St. John, and
 - Water Island
- U.S. citizens who cannot vote in U.S. presidential elections;
- Cannot exercise a representative vote in Congress;
- Elected Delegate in the U.S. House of Representatives who chairs and votes in congressional committees.

The
United States
Virgin Islands'
Flag



The Great Seal of
the Government
of the United
States Virgin
Islands





Department of Finance: Business Office

- Compiles annual budget estimates
- Monitors appropriated and allotted funds
- Processes personnel and payment documents

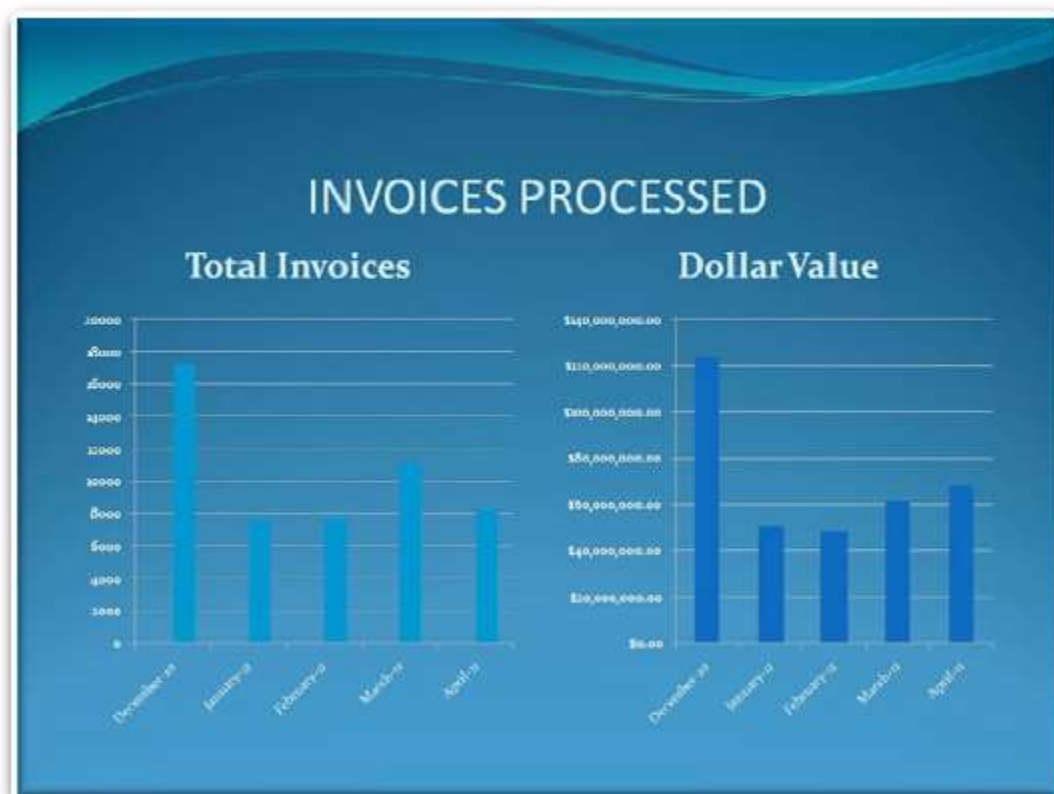
Type of Invoices

- Travel Advances
- Vendor Payments

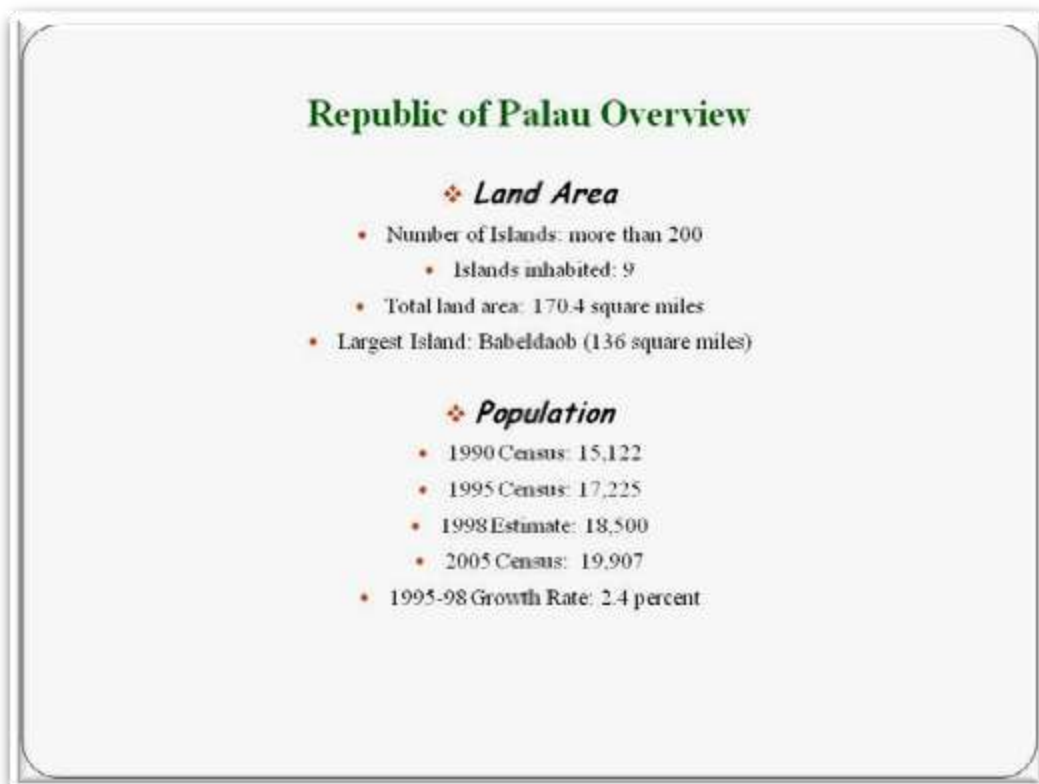
Performance Measures

Invoices Processed

Period	Total Invoices Processed	Dollar Amount Processed	No. of days to process payment invoice
Dec-10	17238	\$123,602,512.92	7
Jan-11	7613	\$50,818,268.67	5
Feb-11	7676	\$48,381,782.42	5
Mar-11	11148	\$61,139,272.95	5
Apr-11	8184	\$68,138,782.65	5



APPENDIX L - REPUBLIC OF PALAU PERFORMANCE MEASURES SLIDES



Republic of Palau overview –cont'd..

❖ *Political Status*

- Sovereign nation since 1994
- Compact of Free Association with the United States for 50 years (1994-2044)
 - 16 states
 - Bicameral legislature
- American-style democracy with three branches of government

❖ *Economy*

- Currency: US dollar
- Income sources: Compact Funds, Local Taxes & Fees
- tourism, services, trade, subsistence fishing and agriculture

❖ Only in Palau - you can swim amongst thousands of jellyfish without getting stung.

ROP National Government

➤ Total Government Employees:	2055
• Civil Service Employees.....	1937
• Contract Employees:	118
➤ Ministry of Finance Employees:	125
• BNT Employees	31
✓ Div of F&A	19
➤ FY2011 National Budget:.....	\$54.6m
➤ Ministry of Finance Budget.....	\$2.2m
• BNT Budget.....	\$631k

Ministry of Finance Update

I. ROPNG Single Audit update

- FY2010 single audit – auditors are still in the process of drafting the audit report.
- Expected to have the draft report out by mid June, with final audit report out soon after that.
- MoF -on going meetings with ministries and departments on the findings and corrective actions taken, specifically on compliance issues with major programs.

Ministry of Finance Update

II ROPNG implementation of GASB 54 - Fund Balance

- Currently working with Crawford & Associates on:
 - Proper identification of funds by required categories
 - Review approved Public Laws and Legislations to ensure funds are correctly identified and set up properly.

Ministry of Finance Update – *cont'd.*

III. Performance Measures Updates

1) Travel Advances

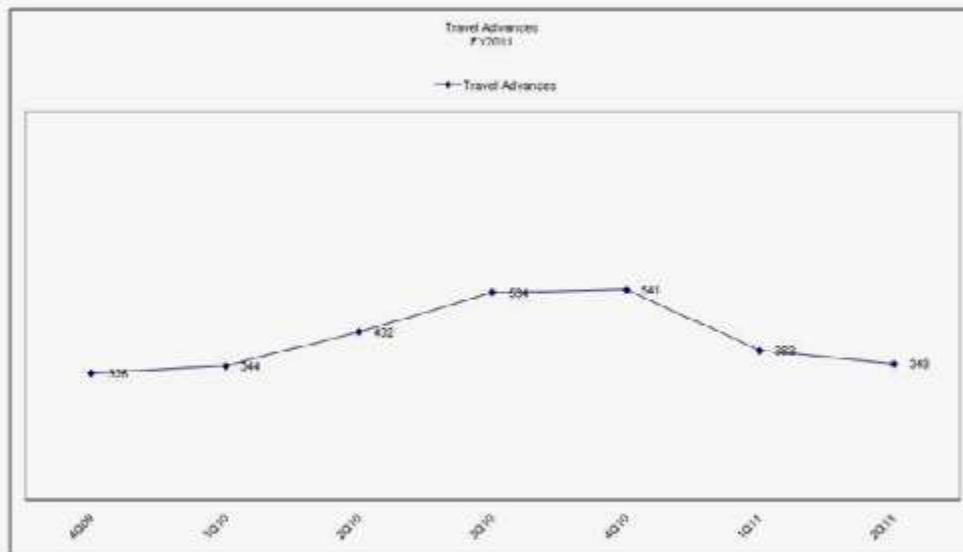
Why is this measure important?

- To reduce the total outstanding travel advances by 90% by the end of FY2012, or at least clear the amounts over 90 days to zero.

What will it take to achieve the targets?

- Staff to - generate TA report from IDC system thru-out the month. Identify outstanding Travel Advances over 30 days, then initiate payroll deduction form for review and approval, and submittal to payroll for processing. Travel Voucher Claims are dependent on travel completion dates, so travel advances should be part of the staff daily work assignments.

Ministry of Finance Update – *cont'd.*



Ministry of Finance Update – *cont'd.*

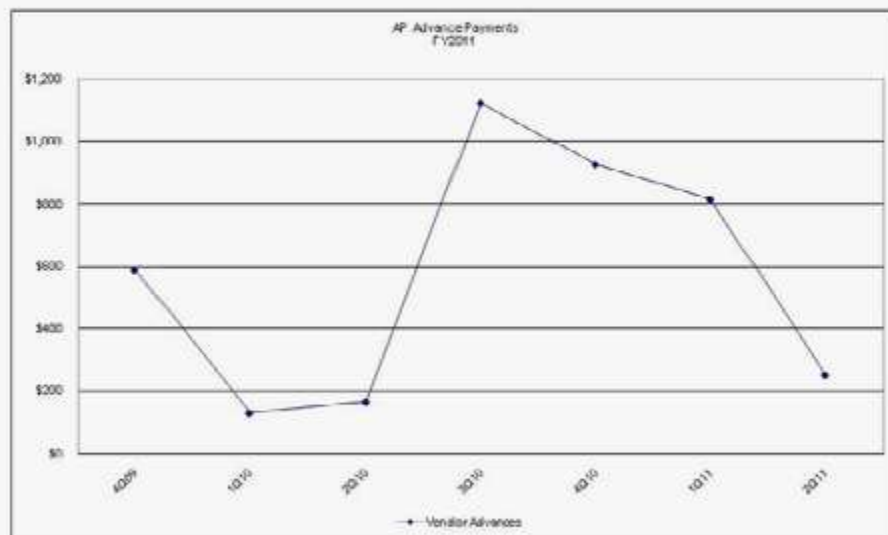
III. Performance Measures Updates

2). AP Advance Payments

- Why is this measure important?
 - To reduce Vendor advance payments by 90% by the end of FY2011, or at least clear the amounts over 30 days. Implementation of AP advance payment reconciliation began in FY10. This is necessary to achieve our cash flow requirements.
- What will it take to achieve the targets?
 - AP advance payment to be identified and notices to be sent to vendors or individual contractors with outstanding payments. Data entries and transaction updates are done daily, so this should be part of the staff daily work assignment, but must be reconciled on monthly basis.

Ministry of Finance Update – *cont'd.*

III. Performance Measures Updates



Ministry of Finance Update – *cont'd.*

III. Performance Measures Updates

3) General Accts. Receivables

Why is this measure important?

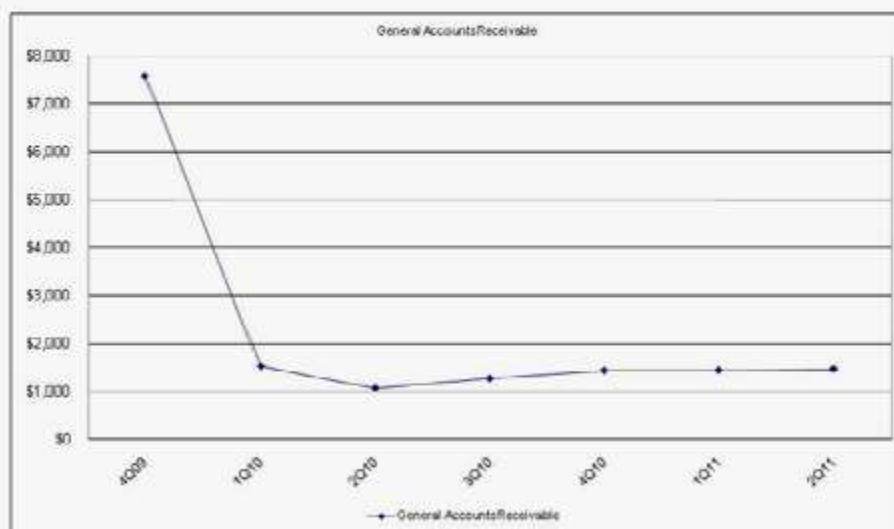
- To reduce total receivables down to current by the end of FY2012. This is important for our cash flow requirements and financial reporting.

What will it take to achieve the targets?

- Staff to generate AR aging report from the subledger system and reconcile to G/L AR account balance. Identify all accounts over 60 days old and send notice to customers or contractors. Do follow up via phone calls, document all communications, etc., on a weekly or monthly basis.

Ministry of Finance Update – *cont'd.*

III. Performance Measures Updates



Ministry of Finance Update – *cont'd.*

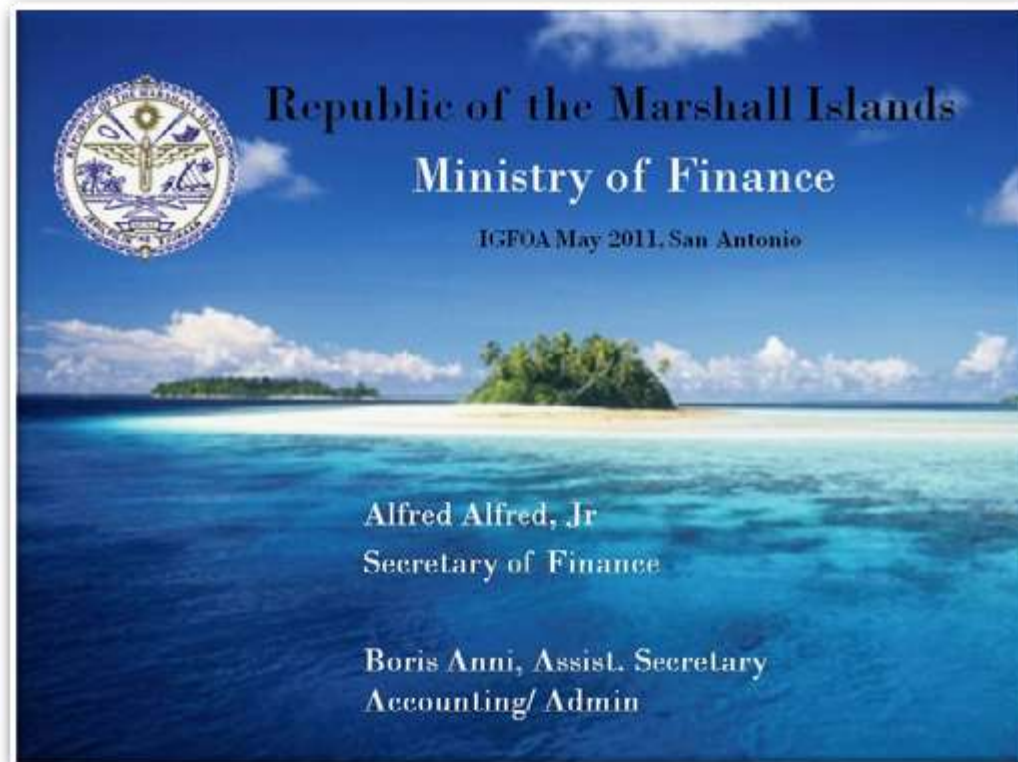
IV. SUMMARY

- FY2010 Audit Report is on-going with draft to be out by early – mid June 2010.
- Fund Balance implementation – by end of FY2011
- Continue to focus on Performance Measures
- Continue to implement work plans to meet requirements as outlined in ROPNG national laws and policies.
- **Looking forward to new expectations over the next few years ..**

Kom Kmal Mesulang

Thank you Very Much!

APPENDIX M - REPUBLIC OF THE MARSHALL ISLANDS PERFORMANCE MEASURES SLIDES



Structure of Presentation

- Basic information
 - Republic of the Marshall Islands
 - RMI Government
 - RMI Ministry of Finance
- PM 1: Audit Findings
- PM 2: Question Costs
- PM 3: Fund Balance – General Fund
- Concluding Notes

Basic information

Official Name: Republic of the Marshall Islands

Population: 60,000

Capital City: Majuro (20,500) , host all government Ministries

Govt Component Units: 9 Ministries and 12 component units

FY 11 Global Budget: \$130M

Size of Govt: 2,238

MoF Employees: 88

Accounting software: CDC 4-Gov

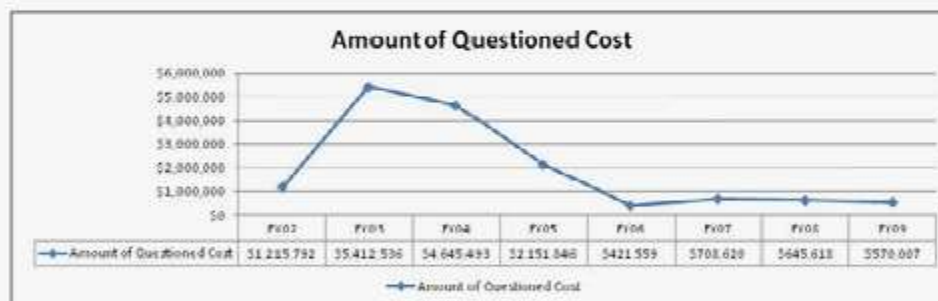
Capital Building



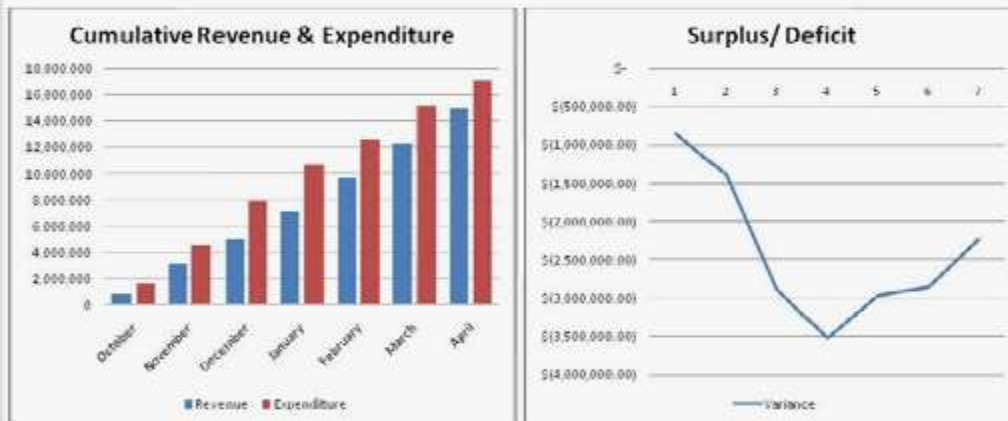
PERFORMANCE MEASURE 1 – AUDIT FINDINGS



PERFORMANCE MEASURE 2 – QUESTION COST



PERFORMANCE MEASURE 3 – Fund Balance

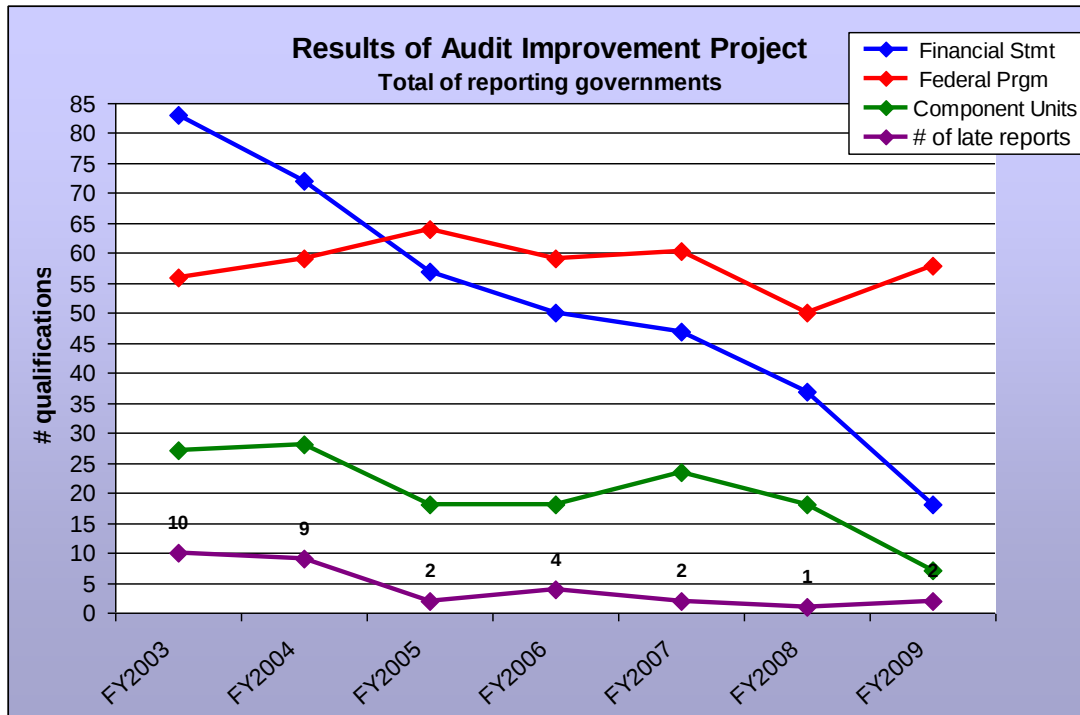


Concluding Note

- As Joseph P. Quinlan of Bank of America clearly illustrated in his keynote address on Monday:
 - There are widespread misrepresentations of the potential of the U.S. economy. Empirical evidence show that it is still strong and will continue to be the number one economic superpower.
 - This is an encouraging message for the island economies as there is a direct co-relation between US economic performance and revenue potential for the island governments.
- Thus, we should be positioning ourselves for this eventuality by enhancing our financial and accountability processes.

APPENDIX N - AUDIT IMPROVEMENT PROJECT ANALYSIS SLIDES

Island Government Finance Officers Association Audit Improvement Project Dashboard



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

WHY IS THIS MEASURE IMPORTANT?

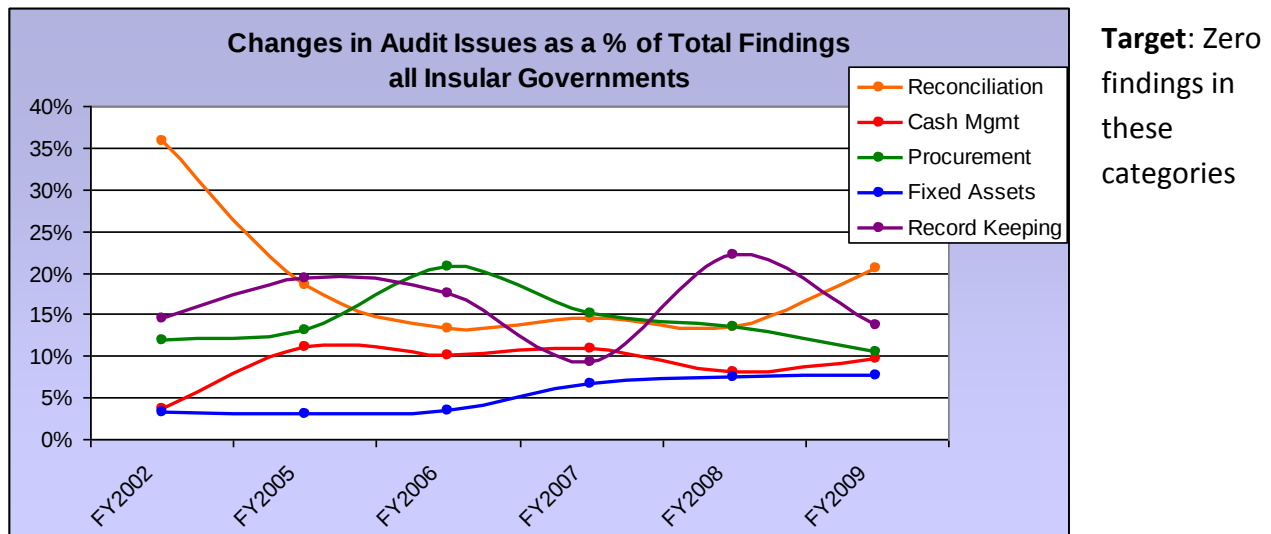
The measure is important for the Department of Interior and the Graduate School to determine if efforts in audit improvement are working. Individual governments are able to benchmark their own efforts against the trend for all the governments.

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

WHAT WILL IT TAKE TO ACHIEVE THE TARGETS?

The government finance officers should increase efforts to ensure that the local grant managers are aware of the problems with federal grants and to assist with the development of plans to

address the qualifications. The 4 governments which still have financial statement and component unit qualifications should make clearing those qualifications a priority.

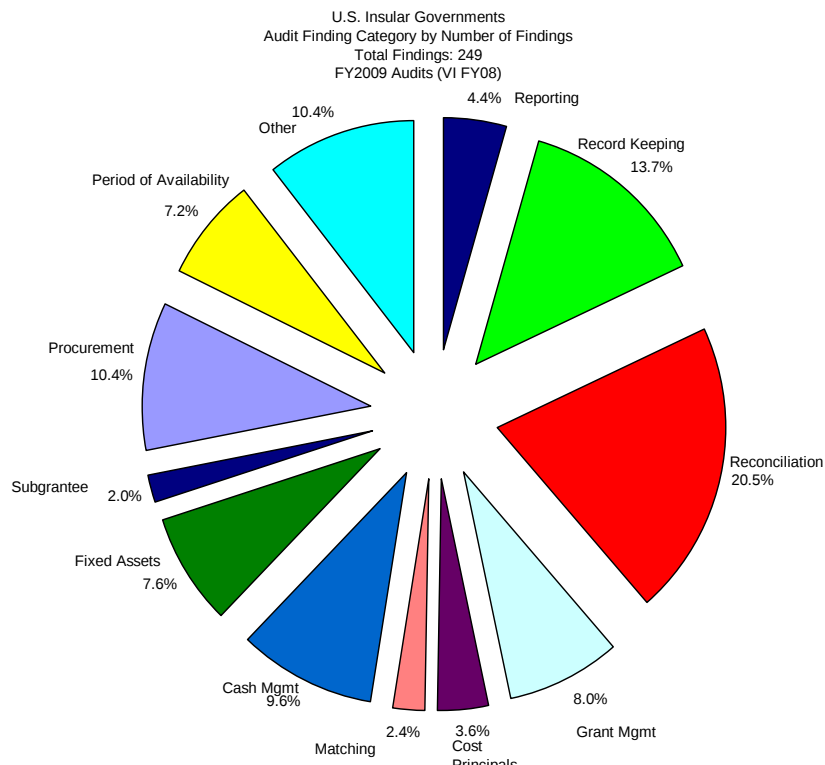


WHY IS THIS MEASURE IMPORTANT?

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

WHAT WILL IT TAKE TO ACHIEVE THE TARGETS?

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

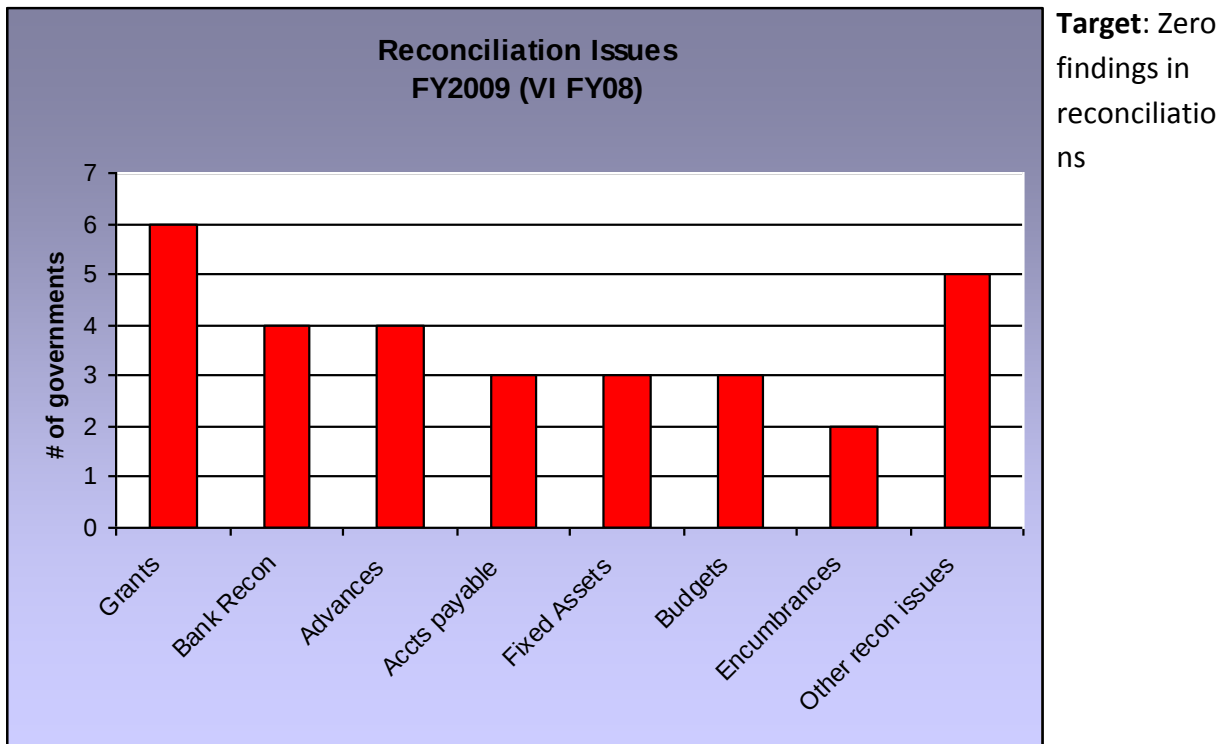


WHY IS THIS MEASURE IMPORTANT?

Measuring the categories of findings each year over all the governments allows the Department of Interior and the Graduate School to note trends and changes in issue areas. Those areas can then be targeted for training or other initiatives for improvement. The individual governments can measure their own categories against the total.

WHAT WILL IT TAKE TO ACHIEVE THE TARGETS?

Other than the general target to decrease overall findings, the IGFOA group has not targeted for improvement of one issue against the total.



WHY IS THIS MEASURE IMPORTANT?

Timely and accurate reconciliations are the foundation of the finance office operations and are under the direct control of the finance officers. If problems with reconciliations increase, financial reporting is less reliable.

WHAT WILL IT TAKE TO ACHIEVE THE TARGETS?

The finance officers must insure that their systems, procedures and expectations are set to ensure that reconciliations are performed on a periodic basis. If the reconciliation is not performed, a plan should be developed to address the issues.

APPENDIX O - CASH MANAGEMENT GUIDELINES

CASH MANAGEMENT FINDINGS FROM FY2009 AUDIT AND GOVERNMENT RESPONSES

The cause of the above condition is the lack of a formal methodology and procedures over the drawdown of Federal funds to ensure compliance with cash management requirements

RMI “The Ministry of Finance has no control over when checks are to be taken or to be cleared at the bank and there have been instances where vendors hold on to the checks for a number of days.”

“ROP does not have control over check clearing date after the check release or disbursement date.”

Guam “We do not control as to when these disbursed checks were to be presented for payments at the designated bank”

FSM National “We also noted that the long outstanding payments were issued shortly after the cash receipt date but did not clear the bank for lengthy periods”

VERMONT STATE REGULATIONS

Average Clearance

Technique: The government shall request funds such that they are deposited by ACH on the dollar-weighted average day of clearance for the disbursement, in accordance with the clearance patter. The request shall be made in accordance with the appropriate Federal agency cut-off time. The amount of the request shall be for the exact amount of that disbursement.

This technique requires a drawdown based on a bank account clearance pattern. For instance, the average day of clearance for the Vendor Account is 2 days. This means that on average, it takes 2 days for a check issued to be cashed at a bank. A program using average clearance and making payments from the government's Vendor Account would therefore time the draw downs so that funds arrive in the bank account 2 days after each disbursement (e.g. Checks cut on Wednesday are requested for overnight ACH payment on Thursday to arrive in the bank account on Friday). This technique is typically used for programs that make disbursements on a regular basis (such as payroll or monthly payments).

Clearance Patterns

A clearance pattern is a statistical representation showing the average time it takes a payment to clear a bank account after the issuance date. It essentially represents how much is cashed and when. Clearance patterns must be updated every five years per CMIA regulations and must be calculated using a period of activity of no less than 90 days.

Although federal regulations require updates to the clearance patterns every 5 years, they also state that if at any time the government becomes aware that a clearance pattern is no longer valid, it must be revised. When this occurs, the Treasury State Agreement must be revised to reflect the current clearance pattern.

There are three pieces of information the Government must identify for each disbursement in the population:

- 1.) Date of check issue/disbursement
- 2.) Date debited from the Bank Account
- 3.) Amount of payment

Method of calculating the dollar-weighted average day of clearance:

1. To determine the number of days each check was outstanding (clearance time), the issue date shall be subtracted from the date the check cleared the bank account.
2. Multiply the clearance time times the total of the check for a weighted amount.
3. Divide the sum of the weighted amounts by the sum of the total checks.
4. The dollar-weighted average day of clearance for the disbursement shall be determined by the division of the weighted amounts by the total amount.

Do not exclude EFT/Direct Deposit payments in clearance pattern calculations.

Each of the clearance patterns is calculated in calendar days, not business days. This should be kept in mind when scheduling drawdown requests. A drawdown due on Saturday may be scheduled for Friday deposit and a drawdown due on Sunday should be scheduled for Monday deposit per the regulations.

At least every five years the Department of Finance & Management must make sure its clearance patterns are recalculated. This will ensure current data will be used when drawing federal funds.

The government must ensure that all clearance patterns reflect their assigned program's clearance activity. If at any time the government determines that a clearance pattern does not accurately reflect a program's disbursement activity, the clearance pattern must be revised and the TSA updated.

WEEKLY ACTUAL REIMBURSEMENT

Technique: *The State shall request funds such that they are deposited in a government account in accordance with the clearance pattern. The request shall be made in accordance with the appropriate Federal agency cut-off. The amount of the request shall be the actual sum of expenditures that have been incurred, recorded, identified and reconciled as billable from the preceding week, Monday through Friday. In all cases the request for funds will occur after the state has disbursed funds.*

This funding technique is used for weekly draws of the xyz program. Draws occur on Monday (for Tuesday deposit) for all expenditures incurred during the previous week. Due to the average daily expenditure patterns and the application of 5 and 4 day respective clearance patterns, this technique is interest neutral.

Under the "average clearance" funding technique, the Government may submit claims for reimbursement such that the funds are deposited, by ACH on the dollar-weighted average day of clearance, in the Government's bank account on the fourth day following the release of funds for vendor disbursements and on the day in which payroll checks are released for payroll related costs. Furthermore, reimbursement requests shall be for the exact amounts disbursed.

Date of issue	Date cleared the bank	# days	Amount	# days * Amt = weight
1/4/2011	1/5/2011	1	500.00	500.00
1/4/2011	1/5/2011	1	600.00	600.00
1/4/2011	1/9/2011	5	200.00	1,000.00
1/4/2011	1/14/2011	10	50.00	500.00
Total		17	1,350.00	2,600.00
Average		4	Weighted average 2600 / 1350 =	1.93

APPENDIX P - BEST PRACTICE SUGGESTIONS FROM GROUP AUDIT REVIEW EXERCISE

GROUP ONE: BUDGET

Budgeting for Personnel under limited/declining environment

- Hiring freeze
- No salary increases
- Elimination of non-critical/essential vacancies
- Filling of any critical vacancies
 - ◆ Done on a case-by-case basis
 - ◆ Strict approval
- Consolidation of budget for certain employee benefits
- Reduction of working hours

GROUP TWO: FIXED ASSETS

- Fixed assets module with a threshold to identify established category
- Reconciliation of what is generated in the module (quarterly)
- Non-payment of fixed assets unless it is received and tagged

GROUP THREE: CASH MANAGEMENT

- ACH payments to minimize cash flow issues
 - ◆ Implementation of telecheck and debit/credit machines
 - ◆ Plans for expansion
- Creation of a Crystel Report of all federal checks disbursed and distrusted daily to agencies
- New vendors requesting IB numbers. Bank infrastructure is required.
- Putting a program in place for collection of NSF checks
- Develop a clearance pattern
- Establish different levels of cost
 - ◆ Vendors: local vs off-island
- Eliminate waste

GROUP FOUR: PROCUREMENT

- Set up goals and objectives
- Set up SOPs for difference processes
- Training other departments regularly

GROUP FIVE: DOCUMENTATION AND RECONCILIATION

Documentation

- Develop a document maintenance policy and procedures
- Have a secure storage space (control area)
- Have a control administrator
- Training/communicate policies
- Testing

Reconciliation

- Develop a reconciliation policy and procedures
- Train personnel
- Checklist/log monitoring
- Ask if the ILL is in the WILL or if the ILL is in the SKILL

APPENDIX Q - MANAGEMENT CONTROLS TO PREVENT AND DETECT FRAUD SLIDES

Management Controls to Prevent and Detect Fraud

**Presented to the IGFOA/GFOA Annual
Conference by Stephen L. Morgan
San Antonio, Texas
May 27, 2011**

1  EGAPP

Management Controls to Prevent and Detect Fraud

- **Session One: What are the Management Control Models?**
- **Session Two: How does COSO/ERM, Performance Management, Measurement, and Auditing Discourage or Encourage the Occurrence of Unethical Behavior or Fraud?**

2  EGAPP

Session One Outline: What are the models?

- I. COSO/ERM**
- II. Performance Management**
- III. Performance Measurement**
- IV. Performance Auditing**
- V. Fraud Triangle or Diamond**

I. COSO/ERM Model in the Private and Public Sectors

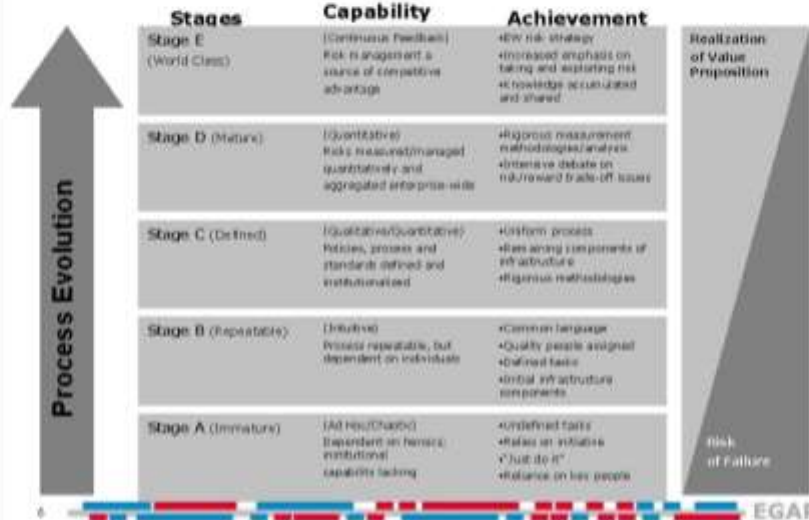


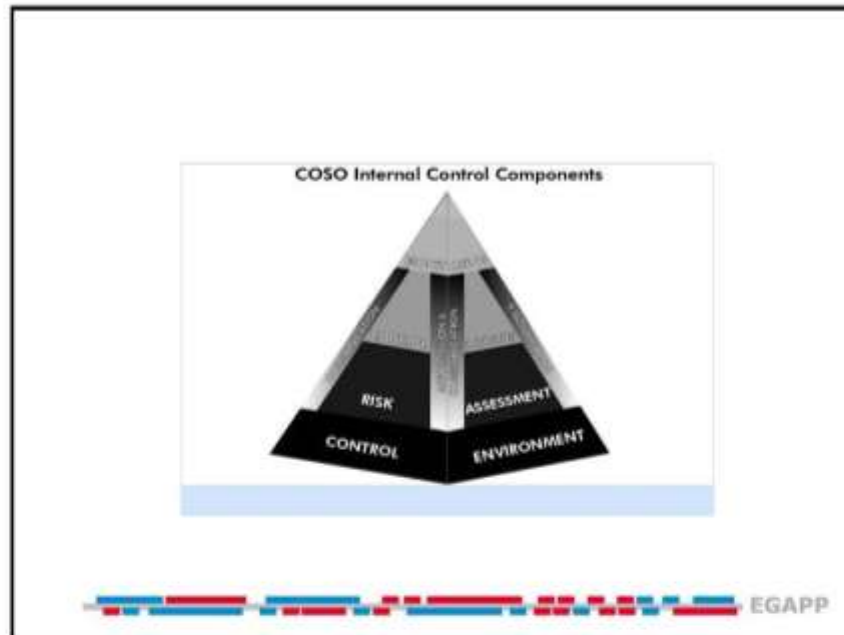
Enterprise Risk Management Defined

- **Enterprise risk management is a process, effected by an entity's board of directors, management and other personnel, applied in strategy setting and across the enterprise (department/agency), designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives.**

1  EGAPP

Capability Stages of Maturity





II. Performance Management: Performance Accountability System



Management Control System



EGAPP

Performance Management: Austin's Performance Accountability System



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EGAPP

Performance Expectations or Goals

COMPONENTS OF PERFORMANCE ACCOUNTABILITY			
MISSION PERFORMANCE GOALS			
INPUT ECONOMY - Financial - amount - timing - Physical - quantity - quality - timing - price	PROCESS EFFICIENCY - Productivity - Unit Cost	OUTPUT EFFECTIVENESS - Quantity - Quality - products - delivery - Timeliness - Price/Cost	OUTCOME EFFECTIVENESS - Mission & Outcome tied - Achievement - Financial Viability - Cost-Benefit - Cost-Effectiveness
CROSSCUTTING PERFORMANCE GOALS			
Compliance with Laws and Regulations			
Accounting, Reporting, Disclosure			
Continuous Improvement			
Reliability, Validity, & Availability of Information			
Underlying Values (ethics, equity)			
Customer and Stakeholder Satisfaction			

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Sources of Criteria for Establishing and Quantifying Performance Expectations/Goals

- Historical trends and baselines
- Program requirements or intent
- Customer expectations or demands
- Industry or sector standards
- Benchmarking within the organization
- Benchmarking outside the organization

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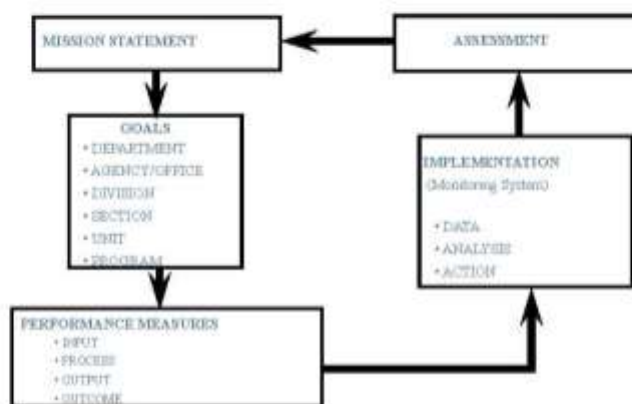
EGAPP

Exercise #1

- **What is the best source of criteria for establishing performance expectations?**
- **How do we determine if performance expectations are reasonable?**
- **Does your organization establish reasonable performance expectations?**

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III. Organizational Performance Measurement System

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Analyze/Audit Organizational Performance

Model Component	Expectation/Goal (Criteria)	Measure (Condition)
Input Economy	In FY 2010, decrease the purchasing office's personnel allocation by five positions.	Number of purchasing office positions deleted in FY 2010.
Process Efficiency	In FY 2010, provide vehicle preventive maintenance services at the unit cost \$500 or less per vehicle serviced.	Average vehicle preventive maintenance unit costs in FY 2010.
Output Quality (accuracy)	In FY 2010, reduce the restaurant critical inspection error rate by 10 percent.	Percentage reduction in the restaurant critical inspection error rate in FY 2010.
Output Quantity	In FY 2010, expand "green energy" electrical services to 1000 additional homes and businesses.	Number of additional homes and businesses in FY 2010 receiving "green energy."
Output Timeliness	In FY 2010, all Level 1 emergency calls will be responded to with a unit on site within six minutes.	Response times (range) to Level 1 emergency calls in FY 2010.
Outcome Effectiveness customer satisfaction	In FY 2010, increase convention center customer satisfaction rate from 4.5 to 4.7 on a 5.0 scale.	Change in convention center customer satisfaction rate during FY 2010.

Why Performance Goals Are Not Accomplished

- Theoretical framework is flawed, i.e., no direct cause and effect relationship exists between program and desired outcomes
- Intervening or external variables which negate, deflect, or mask the program's effect, i.e., GASB's emphasis on explanatory information
- Management systems/processes are deficient
- Program goals/expectations are unrealistic/unattainable
- Inputs/resources are inadequate
- Fraud or unethical behavior get in the way

Exercise #2

- How should organizational performance analyses and reports be used?
- Should performance reports be provided to external stakeholders? (stockholders, investors, citizens, media, etc.)

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IV. Performance Audit Process

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Professional Organizations Provide Audit Guidance and Technical Assistance

- **GAO issues professional standards updates and technical guidance through the "Yellow Book" website including regulatory updates**
- **IIA publishes the International Professional Practices Framework— the "Red Book" and related papers, advisories, practice guides**
- **AICPA issues SASs and technical guidance**
- **International Auditing and Assurance Standards Board issues International Standards on Auditing (Financial Only)**

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The Performance Audit Planning Process

Auditors Develop New Information and Verify Existing Information

"Performance audits are defined as engagements that provide assurance or conclusions based on an evaluation of sufficient, appropriate evidence against stated criteria, such as specific requirements, measures, or defined business practices. Performance audits provide objective analysis so that management and those charged with governance and oversight can use the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability. (1.25) Performance audit objectives may vary widely and include assessments of program effectiveness; economy and efficiency; internal control; compliance; and prospective analyses. These overall objectives are not mutually exclusive. (1.28)

Source: Government Auditing Standards, 2007 Revision

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How to Conduct a Measurement Based Audit

- **Identify the program's inputs, processes, outputs, and outcomes**
- **Identify program's performance expectations and actual conditions**
- **Develop and prioritize performance audit objectives based on risk and vulnerability assessment**
- **Assess existing performance measurement system including relevance and reliability of measures**

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How to Conduct a Measurement Based Audit—Cont.

- **Develop and implement "ad hoc" performance measurement system**
- **Using selected performance expectations as "criteria" and performance aspects or measures as "condition," analyze program performance**
- **Identify causes of variances and develop audit recommendations**

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**New Book on Performance Auditing from
theIIA.org**

**Performance Auditing: A Measurement
Approach (Second Edition)**

Raaum and Morgan

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**Auditor Roles and Processes: Auditors
Determine if Controls are Mitigating
Organizational Risk**

- **Assurance/Accountability (Audit)**
- **Consulting/Advisory Assistance**
- **Integrity – Investigative Audits**
 - Deterrence
 - Detection
 - Investigation
 - Follow Through

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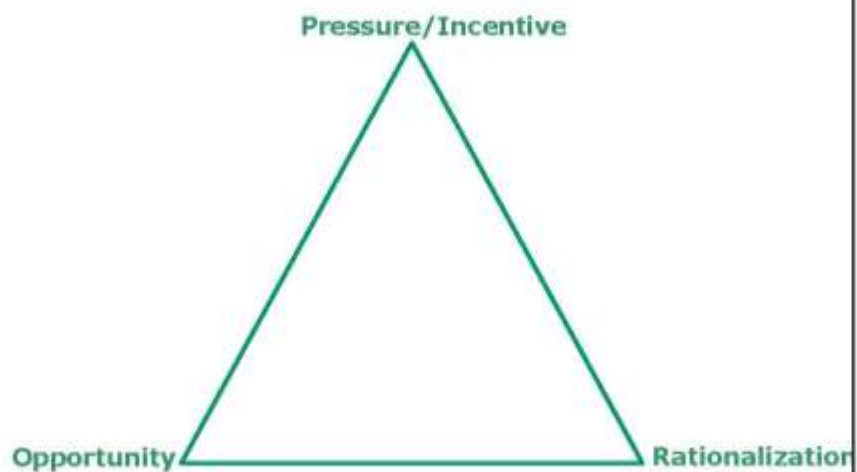


Exercise #3: Types of Risk—Can you define these? Which risks can result in fraud?

- Inherent risk
- Control risk
- Audit risk
- Reputational risk

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V. FRAUD TRIANGLE



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Exercise #4: Fraud Models

What additional aspect could be added to the fraud triangle to convert it into a fraud diamond?

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Session Two Outline: How do the models impact fraud?

- I. Facilitated Exercise: "The Good News"**
- II. Facilitated Exercise: "The Bad News"**
- III. Aspects of the systems that discourage (prevent, deter, or detect) unethical behavior or fraud**
- IV. Aspects of the systems that may encourage unethical behavior or fraud**

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EGAPP

I. Exercise #5: What aspects of the models discourage unethical behavior or fraud?

COSO/ERM?

- **Tone at the top (New Austin CM)**
- ?
- ?
- ?
- **Describe a "real life" example.**

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Exercise #6: What aspects of the models discourage unethical behavior or fraud?

Performance Management

- **Accountability for quality (Airport, Fire)**
- ?
- ?
- ?
- **Describe a "real life" example.**

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Exercise #7: What aspects of the models discourage unethical behavior or fraud?**Performance Measurement**

- Measure customer satisfaction (COA Airport)
- ?
- ?
- ?
- Describe a "real life" example.

31  EGAPP

Exercise #8: What aspects of the models discourage unethical behavior or fraud?**Performance/Internal Auditing**

- Risk/Vulnerability Assessment (Fleet Audits)
- ?
- ?
- ?
- Describe a "real life" example.

32  EGAPP

II. Exercise #9: What aspects of the models might encourage unethical behavior or fraud?

COSO/ERM?

- Overreliance on "technical" risk assessment (New York Banks).
- ?
- ?
- ?
- Describe a "real life" example.

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Exercise #10: What aspects of the models might encourage unethical behavior or fraud?

Performance Management

- Unrealistic/Unattainable Goals (Budgets)
- ?
- ?
- ?
- Describe a "real life" example.

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Exercise #11: What aspects of the models might encourage unethical behavior or fraud?

Performance Measurement

- **Measuring individual employee performance**
- ?
- ?
- ?
- **Describe a "real life" example.**

35  EGAPP

Exercise #12: What aspects of the models might encourage unethical behavior or fraud?

Performance/Internal Auditing

- **Exception Based Audit Approach (need balanced perspective)**
- ?
- ?
- ?
- **Describe a "real life" example.**

36  EGAPP

III. Aspects of Models That Prevent/Deter or Detect Unethical Behavior or Fraud

- **"Soft controls" including "tone at the top," establishing an ethical culture, and supporting values such as honesty, transparency, and accountability**
- **"Hard controls" such as accounting systems, policies and procedures, and routine internal monitoring of inputs, processes, outputs, and outcomes**
- **Sustained support for audits, self assessments, and reporting mechanisms**

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EGAPP

EXAMPLES FROM THE CITY OF AUSTIN

- Performance Management System's Continuous Improvement**
- Implementation of Detailed Guidelines for Performance Management including "Measure Change Controls"**
- Self Assessments and Audits to Ensure Measures are Relevant and Reliable**
- Close coordination between performance auditors, fraud investigators, and management to identify and report potential integrity violations (see extra handout)**

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IV. Aspects of Models that Might Encourage Unethical Behavior or Even Fraud

- **Establishing unreasonable expectations for employees and managers**
- **Tolerating the "gaming" of systems" (process for establishing expectations and rewarding expectations)**
- **Ignoring unethical or illegal behavior**
- **Failing to address perceptions of inequities**
- **Creating overly complex systems/processes**

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EXAMPLES FROM THE CITY OF AUSTIN

- **"Everything is a shade of grey" (efficiency and timeliness)**
- **"Providing oversight for federal funds doesn't matter" (funding and outcomes)**
- **What would you have done in my place? (externally imposed performance goals)**
- **"He won the Silver Star" (entity wide controls)**

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Conclusion: Management, Audit and Investigative Environment Becoming Increasingly Complex

- Human Capital
- Knowledge Management
- Information and Process Technology
- Economic and Financial Sustainability
- Globalization
- Accounting and Reporting

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Conclusion: Management and Auditors Should Cooperate to Optimize Performance and Discourage Fraud

- Fight for ethics and against corruption
- Establish and sustain governance structures including a formal agreement to prevent, deter, and report fraud
- Solve problems with intergovernmental and global partnerships
- Encourage "worldwide best practices"
- Nurture a positive organizational culture and values

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APPENDIX R - MANAGEMENT CONTROLS TO PREVENT AND DETECT FRAUD HAND-OUT

ADMINISTRATIVE BULLETIN

TITLE:	<u>Fraud, Waste, and Abuse Reporting, Investigation and Prevention</u>
BULLETIN NO:	_____
EFFECTIVE DATE:	_____
REVISED:	_____ ANNUAL:
	_____ AS NEEDED:
PREPARED BY:	_____
ORIGINAL DATE:	_____ REVISED:

CITY MANAGERS APPROVAL:	_____

I. PURPOSE.

- A. The purpose of this bulletin is to establish procedures for investigating allegations of wrongdoing.

II. APPLICATION.

- A. This bulletin applies to all City employees and involves allegations, acts, and suspected acts of wrongdoing by City employees, contractors, subcontractors, or vendors.
- B. A more specific procedure required by law or approved by the City Manager supersedes this bulletin to the extent of a conflict.
- C. This bulletin supersedes and replaces Administrative Bulletin 83-08, titled "Fraud, Waste, and Abuse Prevention," adopted April 29, 1983 and revised May 15, 1995, and

Administrative Bulletin 06-03, titled "Reporting and Notification of Fraud, Waste, and Abuse," adopted December 22, 2006 .

III. DEFINITIONS

In this bulletin:

"Abuse" means:

1. the misuse of a City office, employment, contract, or other position with the City to obtain personal gain or favor from another City employee, vendor, or citizen; or
2. the violation of a City policy, procedure, rule, or regulation in a way that impairs the effective and efficient execution of City operations.

"Fraud" includes, without limitation,

1. the unauthorized taking of a City resource for personal gain by deception including by forgery or by altering any document;
2. the misappropriation of funds, supplies, or another City resource, including but not limited to fraud, theft, embezzlement, and misrepresentation;
3. the intentionally improper handling of or reporting of money or financial transactions;
4. the intentionally improper destruction or removal of records or other City resources;
5. the misuse of official City information for personal benefit; or
6. the misuse of City employment to obtain a personal gain or favor from a member of the public or from another City employee.

"Investigation" means an investigation of wrongdoing.

"Waste" means:

1. the grossly inefficient or uneconomical use of City assets or resources; or
2. unnecessarily incurring costs to the City as a result of grossly inefficient practices, systems, or controls.

"Wrongdoing" includes;

1. fraud, waste, or abuse; or
2. an illegal act in connection with a City program, function or activity.

IV. EXPECTATIONS.

- A. The City Manager expects all City employees to:
 1. uphold the public trust,
 2. avoid wrongdoing,
 3. avoid behavior that a reasonable observer could perceive as wrongdoing,
 4. support efforts to prevent, detect, investigate, and correct wrongdoing,
 5. be aware of and comply with all laws and policies, and
 6. adhere to the highest standards in:
 - a. decision making,
 - b. the exercise of the powers entrusted to the employee as a public servant, and
 - c. the stewardship of public property under the employee's control.
- B. The City Manager expects supervisors and managers to:
 1. be knowledgeable about the content and operation of the City's compliance and ethics programs;
 2. exercise reasonable oversight with respect to the implementation of the City's compliance and ethics programs;
 3. create and maintain a working environment for employees in which doing the right thing is:
 - a. expected;
 - b. valued;
 - c. rewarded; and
 - d. protected;
 4. initiate appropriate measures to prevent, detect, investigate, and correct wrongdoing;
 5. implement necessary management controls to prevent and detect wrongdoing;
 6. investigate allegations of wrongdoing, or refer allegations of wrongdoing to an appropriate investigative authority; and
 7. protect an employee who reports wrongdoing in good faith from retaliation.

V. REPORTING

- A. Where to Report.
 - 1. An employee who knows of or suspects wrongdoing shall report the wrongdoing immediately to the employee's manager or supervisor, or if that is not feasible, to the next highest person in the employee's chain of command to whom the employee may comfortably report the wrongdoing, including the department director, the assistant city manager, and the city manager.
 - 2. A City employee who is contacted by a member of the public who alleges wrongdoing shall immediately report the allegation to the employee's department director, the director of the department in which the wrongdoing is alleged to have occurred, or to the City Manager's office.
 - 3. A supervisor or manager who is contacted by a subordinate or by another City employee who alleges wrongdoing shall immediately report the allegation to the department director, the director of the department in which the wrongdoing is alleged to have occurred, or to the City Manager's office.
 - 4. An employee who is uncomfortable reporting wrongdoing through the employee's chain of command may report wrongdoing to the City Auditor's Office, the Human Resources Department, or a law enforcement agency.
- B. The City Auditor shall maintain a hotline for receiving reports of wrongdoing.
- C. A supervisor or manager may not retaliate in any way against an employee who, in good faith, reports wrongdoing. The Personnel Policy on "Reporting Fraud Or Other Illegal Acts" is incorporated by reference. Each supervisor and manager shall become familiar with the protection afforded to employees who report wrongdoing in good faith under that policy and under state law. Each supervisor and manager shall consult with the City Attorney or the Human Resources Department before taking an adverse personnel action against a City employee who reports wrongdoing.

VI. NOTIFICATION.

- A. A department director shall notify the Assistant City Manager with oversight over the department, the City Manager, and either the Human Resources Department, the City Auditor, or the Austin Police Department if an allegation of wrongdoing concerns:
 - 1. more than a routine administrative or personnel matter;
 - 2. more than a technical or de minimis violation of law or policy;
 - 3. a matter of heightened public interest;

4. a violation of the public trust by an official or employee in a position of discretion or responsibility; or
 5. the loss or, exposure to loss, of a significant City resource or amount of money.
- B. The notice required above should be provided as follows:
1. in the case of a human resources matter, the Human Resources Department;
 2. in the case of an allegation of fraud or financial wrongdoing, the City Auditor;
 3. in the case of criminal wrongdoing, the Austin Police Department; or
 4. if a director is unsure which department should receive the notice, the director may notify any of the three departments enumerated above. The department receiving the notice shall refer the notice to the appropriate department.
- C. The Human Resources Department, in consultation with the City Auditor, the City Attorney, and the Austin Police Department may issue guidelines to help department directors determine into which of the categories enumerated above an allegation should be assigned.

VII. INVESTIGATIONS.

- A. Responsibility.
1. Each department director is responsible for insuring the proper investigation of allegations of wrongdoing in the director's department.
 2. When the City Manager, the City Auditor, the Austin Police Department, or the Human Resources Department initiates an investigation, or takes over the conduct of an investigation, the City Manager, the City Auditor, the director of Human Resources, or the commander in charge of the Austin Police Department's Integrity Crimes Unit, respectively, is responsible for the investigation. Unless it would compromise the investigation to do so, the person responsible for the investigation shall notify the director of the department in which the wrongdoing is alleged to have occurred of the investigation.
 3. Notwithstanding any other provision of this administrative bulletin, the City Manager may assign responsibility for an investigation to any of the manager's subordinates.
- B. Assistance and Referral.
1. The person responsible for an investigation shall obtain the advice of the City Attorney, the City Auditor, the Financial Services Department, the Human Resources Department, the Police Department, and the Integrity Office, as appropriate in carrying out an investigation. The person responsible for an

- investigation should consider the complexity of a matter, the need for independence, and the needs for expertise in deciding whether to ask for assistance with an investigation.
2. A department director may refer an investigation to:
 - a. in the case of a human resources matter, the Human Resources Department;
 - b. in the case of an allegation of fraud or financial wrongdoing, the City Auditor; or
 - c. in the case of criminal wrongdoing, the Austin Police Department.
 3. Except as provided by VII. A. 3., a department director shall refer an investigation to the Human Resources Department, the City Auditor, or Austin Police Department as provided above if the allegation of wrongdoing concerns:
 - a. more than a routine administrative or personnel matter;
 - b. more than a technical or de minimis violation of law or policy;
 - c. a matter of heightened public interest;
 - d. a violation of the public trust by an official or employee in a position of discretion or responsibility; or
 - e. the loss or, exposure to loss, of a significant City resource or amount of money.
 4. If a department director refers an investigation to the City Auditor, the Austin Police Department, or the Human Resources department any one of those departments, in consultation with the others, may:
 - a. take over the conduct of the investigation;
 - b. assist the originating department in conducting the investigation; or
 - c. refer the investigation back to the originating department for investigation.
- C. Conduct of an Investigation.
1. A City agent or employee who is responsible for an investigation shall:
 - a. ensure that an investigation is conducted professionally and competently,
 - b. ensure that an investigation is properly documented,
 - c. preserve evidence,
 - d. preserve access to witnesses,
 - e. protect the rights of everyone involved,
 - f. preserve workplace safety, and
 - g. manage risk to the City.
 2. A City agent or employee who is participating in an investigation shall:
 - a. avoid accusations;

- b. avoid alerting suspected individuals that an investigation is underway;
 - c. avoid making statements which could provide a basis for a suit for false accusation or other offenses;
 - d. in the case of an investigation of a matter described in subpart B.3., not contact the suspected individual to determine facts or demand restitution unless specifically directed to do so by the Human Resources Department, the City Auditor's Office, or the Austin Police Department;
 - e. not discuss any facts, suspicions or allegations associated with the case with anyone who is not connected with the conduct of the investigation;
 - f. unless otherwise instructed by the person responsible for the investigation, direct all inquiries from the suspected individual, or the suspected individual's representative to the City Attorney's office.
3. Each City employee shall fully cooperate with an investigation.

D. The Management Integrity Committee.

- 1. The Management Integrity Committee consists of the City Auditor, the City Attorney, and an Assistant City Manager designated by the City Manager.
- 2. The Management Integrity Committee shall:
 - a. define and oversee working relationships among the City Auditor, law enforcement authorities, and city management;
 - b. reduce barriers and coordinate communication among the City Auditor, law enforcement authorities, and city management;
 - c. facilitate access to records;
 - d. develop citywide guidelines for referring cases for prosecution;
 - e. recommend policies and procedures related to preventive, detective, and corrective internal controls;
 - f. monitor remedies to ensure consistency City-wide;
 - g. ensure that appropriate referrals are made to appropriate law enforcement authorities when potential criminal violations are suspected to have occurred;
 - h. as needed, advise the appropriate level of management to take immediate action to protect public safety or to protect employees from retaliation (for example, get an employee out of a situation through temporary assignment);
 - i. advise the City Manager's office of ongoing or underlying internal control deficiencies identified in more than one case;
 - j. ensure the City Manager's office is kept informed of progress being made to complete high profile or especially sensitive investigations.

VIII. CONFIDENTIALITY.

A. Internal Confidentiality.

1. In order to protect the reputation of an innocent person, to avoid liability, and to protect the possibility of recovery, activities associated with ongoing investigations may only be discussed with:
 - a. a City officer, employee, or agent with a need to know, or who is participating in or advising the investigation;
 - b. a person participating in the investigation; a person who is questioned or asked to provide information in furtherance of the investigation; and
 - c. a representative of a law enforcement agency or regulatory body with jurisdiction over the matter being investigated.
2. A city employee who is aware of an investigation shall act to:
 - a. ensure that the investigation is not compromised or prejudiced; and
 - b. ensure that the City's rights are not compromised.

B. External Confidentiality.

1. City employees participating in an investigation shall handle complaints about misconduct with discretion.
2. If an employee responsible for handling a request under the Public Information Act receives a request related to an investigation of which the employee is aware, the employee shall immediately advise the person responsible for the investigation and the Law Department of the request.
3. Because the City is subject to the Public information Act, and because it may be necessary for a witness to come forward to cooperate with an investigation or to serve as a witness in a legal proceeding, a person conducting an investigation shall seek advice from the Law Department before assuring an informant of confidentiality.

C. Confidentiality regarding personnel actions.

- a. A City employee has no expectation of privacy or confidentiality with respect to information regarding the employee's job performance, including the reasons for an employee's dismissal, demotion, promotion, or resignation, or any other personnel action.

IX. MANAGEMENT RESPONSE.

- A. If during an investigation a department director becomes aware of a weakness in management controls that would expose the City to current or ongoing risk, the director shall immediately inform the City Manager.

- B. After an investigation is complete a department director shall provide a report of the investigation and the director's disposition of the matter to the City Manager, and to the Director of the Human Resources Department.
- C. Each department director is responsible for taking any appropriate personnel action based on the outcome of an investigation. Personnel actions should not depend on the outcome of any criminal process or wait on a criminal process or criminal investigation.
- D. Where appropriate, a department director should inform a complainant of the outcome of an investigation that was initiated because of the complaint and of any personnel actions or process changes taken as a result of the investigation.
- E. A department director shall immediately inform the City Manager of a case that is referred to APD for investigation or referred for criminal prosecution.
- G. When an investigation results in a department director adopting new procedures to avoid a recurrence of a problem, the department director shall advise the City Manager and the City Auditor.
- H. The Human Resources Department shall retain copies of case files for reports created under this part.

APPENDIX S - CONFERENCE EVALUATION SUMMARY

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

Pacific Islands Training Initiative Virgin Islands Training Initiative

San Antonio, Texas
May 22 - 27, 2011

EVALUATION SUMMARY (24 Evaluations Completed)

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

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

GFOA CONFERENCE

1. The GFOA Conference sessions were relevant and timely.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
(54%)	(42%)	(4%)	(0%)	(0%)

Score: 4.5

2. What sessions of the GFOA Conference would you suggest should be followed up by PITI/VITI through training and/or other types of seminars.
 - Lean Government and GASB 54.
 - Continue with the performance measures and internal controls.
 - Technology

- Performance Management (X2)
- Performance Measurement (X2)
- Fraud Detection
- Lean Process
- Lean Government Session
- Engaging the public in the budget process
- Bank Relationship
- GASB 54 and Capital Assets. Also, Intangible Assets.
- Capital Asset Management
- GASB 54 Implementation
- GASB 54 (X2)
- Topics on Audit/Fraud
- GASB 54, A Leaner Government, Performance
- Best practices on Budgeting and Performance Management

IGFOA MEETING

3. The IGFOA meeting sessions were relevant and timely.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
(83%)	(17%)	(0%)	(0%)	(0%)

Score: 4.8

4. The meeting's objectives were substantially met.

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

Score: 4.7

5. Logistics for bringing participants to and from San Antonio were handled satisfactorily.

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

Score: 4.8

- 6) The IGFOA meeting site (Embassy Suites Hotel) was comfortable and conducive to the meeting.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
(83%)	(17%)	(0%)	(0%)	(0%)

Score: 4.8

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

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
(91%)	(9%)	(0%)	(0%)	(0%)

Score: 4.9

- 8) What sessions of the IGFOA Meeting were the most relevant and meaningful to you?
- Group Discussion: Island Governments sharing procedures/weakness with each other
 - All: Performance Meeting, GASB 54, Fraud Prevention
 - All sessions were relevant and meaningful considering what our government is going through financially.
 - All of them. GASB 54, Performance Measure and presentation by Stephen on Fraud
 - Performance Measures, GASB 54, Fraud
 - Fraud Detection and Prevention
 - Fraud Detection
 - All of it.
 - All
 - GASB 54, Performance Measures, Session on Fraud, Waste, and Abuse
 - Performance Measurement
 - Performance Measures & GASB 54 (X2)
 - Performance Measure (X2)
 - Fund Balance with Frank; Audit Issues, Fraud (Limiting)
 - GASB 54 (X2)
 - Management Controls to Prevent and Detect Fraud
 - Audit/Fraud

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

- GASB 54 – Will start gathering documents to implement this
- Performance – This is an on-going process but will revisit upon arrival to see how it can be improved and used
- Performance Measures- Institute plan of action immediately
- Leaner Government – Eliminate waste. Do more with less.
- Clean up travel advances, Enforce regulations pertaining to cleaning up outstanding travel advances
- GASB 54 because it goes into effect at fiscal year end. I really enjoyed performance measures because pictures get points across more so than words sometimes. If I can master performance measures, it'll help to have buy-in back at my home assignment.
- Performance Measurement
- GASB 54
- GASB 54: Initiate actions to position RMI toward compliance
- Performance: educate staff on performance and instruct and encourage it's use in routine monitoring works.
- Performance Measures: Know what to do and how to do it.
- GASB 54: Collecting all information that is needed.
- Performance Measures, GASB 54.
- Meetings and work at getting better.
- Actual experiences from Peers. 1) Corrective Actions.
- GASB 54 - Provide staff with information provided by Frank.
- Performance Measurements - Apply PM tool to staff. Require each branch to prepare and monitor PM.
- Implement performance measurement and conduct periodic monitors
- GASB 54
- Process measurements
- Through development of Action Plans
- Lean Process. I am going back and apply in all our processes.
- Performance Measures
- Detecting Fraud
- Will apply through action plan adopted
- Since I work directly with Fixed Assets at home, I will be returning home with the added knowledge I gained during the entire week of meetings.
- Performance Measures and how to detect fraud and also GASB 54

- Performance Measures: 1) Have goals and objectives 2) SOP's to be in place.
 - Lean process and Performance Measures. Will try to convince key personnel to start implementation at least on a graduate basis.
 - Continue to impose performance measures to ensure tasks reports are done on a timely basis.
 - 1) Process and Procedures; 2) Performance Measures; 3) How justify fraud and abuse
 - GASB 54
 - Preventing and Detecting Fraud
 - GASB 54 Session
 - Performance Measures
 - Measuring of objectives to get more concise information and results. Better understanding of GASB 54.
 - Performance Measures
 - Travel Advances
- Will apply to make better productions on my work performance.

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

- GASB 54 – Still need to have training on
 - Fraud
 - Fraud Detection and Prevention Session
 - None (X9)
 - N/A (X3)
 - Can't think of one
 - Can't think of any. Thought everything was pretty relevant to our government
 - All were meaningful
 - All of it especially Fraud sessions.
 - None, everything is relevant and meaningful which are very important for us to understand and apply in our government.
 - Those on GASB 54 and the fixed assets
 - Least relevant: IT issues
- Meaningful: Financial Policies; GASB 54

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

- I would love to attend them all. It was truly rewarding, educational, and inspirational.

- This really improves the overall operations of my government – by providing these trainings.
- Thank you for the group dinner at Landry's. Excellent activity.
- It's working out great. Keep it up. Lots of thanks and I really appreciate it.
- Everything has been very helpful and meaningful. It will really help our government in many ways where its kind of an eye opening for us that we do can make improvement.
- Everything has been very helpful and meaningful. It will really help our government in many ways where its kind of an eye opening for us that we do can make improvement.
- Everything and every session were meaningful. It is just a matter of implementing what we learned. Thank you.
- This is my first conference. I'm just thankful I had the chance to collect so important information to use back at work.
- I look forward to these to keep us informed and intuned with our finances and performance measures.
- Have more seating within the conference
- Performance Budgeting
- Good Job!
- Well organized. No comments.
- Continuity is important – thought that progress is slow when different personnel attend rather than sticking to same ones. Thank you!!
- None
- I'm a true believer in frequent short breaks, maybe 10 minutes or even 5 on the hour. It helps maintain the energy and concentration level.
- The level of meaningful and enjoyable aspect of both conferences are ok.
- I am happy with GFOA arrangements. Plan on having IGFOA in one of the islands.

APPENDIX T - PARTICIPANT CONTACT INFORMATION

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