

*Financial Statements*

TERRITORY OF AMERICAN SAMOA

SINGLE AUDIT REPORT

SEPTEMBER 30, 2009

TERRITORY OF AMERICAN SAMOA  
SINGLE AUDIT REPORT  
SEPTEMBER 30, 2009

CONTENTS

	<u>Page</u>
GENERAL PURPOSE FINANCIAL STATEMENTS:	
Independent Auditors' Report on Basic Financial Statements	*
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
FEDERAL FINANCIAL ASSISTANCE PROGRAMS:	
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	4
Independent Auditors' Report on Schedule of Expenditures of Federal Awards	8
Schedule of Expenditures of Federal Awards	10
Notes to Schedule of Expenditures of Federal Awards	23
Schedule of Findings and Questioned Costs	25
Status of Prior Year Findings	51

\*Incorporated by reference

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Governor of the Territory of American Samoa

We have audited the basic financial statements of the Territory of American Samoa (The Territory) as of and for the year ended September 30, 2009 and have issued our report thereon dated June 7, 2010. We qualified an opinion on the Statement of Net Assets, Balance Sheet - Governmental Funds, Reconciliation of the Statement of Net Assets to the Balance Sheet - Governmental Funds, Statement of Net Assets - Proprietary Funds and Statement of Fiduciary Net Assets - Fiduciary Funds, the respective financial position of the governmental activities, the business-like activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information and we disclaimed an opinion on the Statement of Activities, Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds, Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities, Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds, Statement of Cash Flows - Proprietary Funds and Statement of Changes in Fiduciary Net Assets - Fiduciary Fund because:

- With respect to the primary government we were unable to satisfy ourselves about:
  - i. the amount of the due to/from other funds - pooled cash;
  - ii. the accuracy of physical inventory records;
  - iii. the balance of immigration bond deposits received and recorded;
  - iv. the accuracy of the beginning fund balances;
  - v. significant failures in the internal control structure related to general accounting and grants administration.
  
- With respect to the discretely presented component units, we were not able to satisfy ourselves about:
  - i. the financial position and activities of the American Samoa Telecommunications Authority.

Except as discussed in the preceding paragraphs, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

The Territory's basic financial statements include the operations of the fiduciary fund, the American Samoa Government Employee Retirement Fund and its component units, the American Samoa Power Authority, the American Samoa Community College, the American Samoa Telecommunications Authority, and the American Samoa Medical Center Authority. Any federal awards received by the fiduciary fund and The Territory's component units are not included in the Schedule of Expenditures of Federal Awards during the year ended September 30, 2009. Our audit, described below, did not include the operations of the fiduciary fund and The Territory's component units because the fiduciary fund and each component unit is required to engage other auditors to determine their reporting requirements in accordance with OMB Circular A-133, and issue a separate report if necessary.

## INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered The Territory's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Territory's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of The Territory's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects The Territory's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of The Territory's financial statements that is more than inconsequential will not be prevented or detected by The Territory's internal control. These conditions were considered in determining that the system of financial accounting and reporting in operation for The Territory for the year ended September 30, 2009 was inadequate. There were significant failures in the operation of the internal control structure related to general accounting and grants administration. We consider the deficiencies described in the accompanying schedule of findings and questioned costs Finding Nos. 09 FS-1 through 09 FS-6 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by The Territory's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that all of the significant deficiencies described above are material weaknesses.

## COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether The Territory's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Finding Nos. 09 FS-1 through 09 FS-6. The effects of the instances of noncompliance have not been corrected in the 2009 basic financial statements of The Territory.

The Territory's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit The Territory's response and, accordingly, we express no opinion on it.

Because of the limitations on the scope of our audit caused by items discussed in paragraph one, we issued a qualified opinion on the Statement of Net Assets, Balance Sheet - Governmental Funds, Reconciliation of the Statement of Net Assets to the Balance Sheet - Governmental Funds, Statement of Net Assets - Proprietary Funds and Statement of Fiduciary Net Assets - Fiduciary Funds, the respective financial position of the governmental activities, the business-like activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information and we disclaimed an opinion on the Statement of Activities, Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds, Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities, Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds, Statement of Cash Flows - Proprietary Funds and Statement of Changes in Fiduciary Net Assets - Fiduciary Fund.

This report is intended solely for the information and use of the Governor and management of The Territory and officials of the Department of the Interior and other federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

RC Holsinger Associates, P.C.

Wexford, Pennsylvania  
June 7, 2010

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Governor of the Territory of American Samoa  
Pago Pago, American Samoa

COMPLIANCE

We have audited the compliance of the Territory of American Samoa (The Territory) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2009. The Territory's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of The Territory's management. Our responsibility is to express an opinion on The Territory's compliance based on our audit.

The Territory's basic financial statements include the operations of the fiduciary fund, the American Samoa Government Employee Retirement Fund and its component units, the American Samoa Power Authority, the American Samoa Community College, the American Samoa Telecommunications Authority, and the American Samoa Medical Center Authority. Any federal awards received by the fiduciary fund and The Territory's component units are not included in the Schedule of Expenditures of Federal Awards during the year ended September 30, 2009. Our audit, described below, did not include the operations of the fiduciary fund and The Territory's component units because the fiduciary fund and each component unit is required to engage other auditors to determine their reporting requirements in accordance with OMB Circular A-133, and issue a separate report if necessary.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Territory's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of The Territory's compliance with those requirements.

As described in Finding Nos. 09 DOI-1 through 09 DOI-4, 09 DOT-1 through 09 DOT-3, 09 PR-1 and 09 PR-2, 09 ARRA DOL-1 and 09 ARRA DOL-2, 09 ARRA DOT-1, 09 ARRA DHHS-1 through 09 ARRA DHHS-3 in the accompanying schedule of findings and questioned costs, The Territory did not comply with requirements regarding:

- Activities allowed or unallowed
- Eligibility
- Allowable costs/cost principles
- Administrative requirements
- Standards for financial management systems
- Grant payment requirements
- Claims reimbursements
- Equipment and real property management
- Retention and access requirements for records
- Special provisions
- Procurement and suspension and disbarment
- Matching, level of effort, earmarking

that are applicable to its major federal programs listed in Part I of the accompanying schedule of findings and questioned costs. Compliance with such requirements is necessary, in our opinion, for The Territory to comply with the requirements applicable to that program.

The system of financial accounting and reporting in operation for The Territory for the year ended September 30, 2009, was inadequate. There were significant failures in the operation of the internal control structure related to general accounting and grants administration. We noted evidence of a failure of identified control in preventing or detecting misstatements of accounting information and a lack of appropriate management oversight, review and approval of transactions.

Because of the significance of the items noted in the preceding paragraph and in the schedule of findings and questioned costs, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on The Territory's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2009. The scope of our work was also not sufficient to enable us to express, and we do not express, an opinion on the items not tested.

The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs.

## INTERNAL CONTROL OVER COMPLIANCE

The management of The Territory is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered The Territory's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Territory's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in The Territory's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A *control deficiency* in The Territory's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects The Territory's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by The Territory's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding Nos. 09 DOI-1 through 09 DOI-4, 09 DOT-1 through 09 DOT-3, 09 PR-1 and 09 PR-2, 09 ARRA DOL-1 and 09 ARRA DOL-2, 09 ARRA DOT-1, 09 ARRA DHHS-1 through 09 ARRA DHHS-3 to be significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by The Territory's internal control. However, we believe that all of the significant deficiencies described above are material weaknesses.

The Territory's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit The Territory's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Governor and management of The Territory and officials of the Department of the Interior and other federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

RC Holsinger Associates, P.C.

Wexford, Pennsylvania  
June 7, 2010

INDEPENDENT AUDITORS' REPORT ON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the basic financial statements of the Territory of American Samoa (The Territory) as of and for the year ended September 30, 2009 and have issued our report thereon dated June 7, 2010. We qualified an opinion on the Statement of Net Assets, Balance Sheet - Governmental Funds, Reconciliation of the Statement of Net Assets to the Balance Sheet - Governmental Funds, Statement of Net Assets - Proprietary Funds and Statement of Fiduciary Net Assets - Fiduciary Funds, the respective financial position of the governmental activities, the business-like activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information and we disclaimed an opinion on the Statement of Activities, Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds, Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities, Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds, Statement of Cash Flows - Proprietary Funds and Statement of Changes in Fiduciary Net Assets - Fiduciary Fund because:

- With respect to the primary government we were unable to satisfy ourselves about:
  - i. the amount of the due to/from other funds - pooled cash;
  - ii. the accuracy of physical inventory records;
  - iii. the balance of immigration bond deposits received and recorded;
  - iv. the accuracy of the beginning fund balances;
  - v. significant failures in the internal control structure related to general accounting and grants administration.
  
- With respect to the discretely presented component units, we were not able to satisfy ourselves about:
  - i. the financial position and activities of the American Samoa Telecommunications Authority.

The Territory's basic financial statements include the operations of the fiduciary fund, the American Samoa Government Employee Retirement Fund and its component units, the American Samoa Power Authority, the American Samoa Community College, the American Samoa Telecommunications Authority, and the American Samoa Medical Center Authority. Any federal awards received by the fiduciary fund and The Territory's component units are not included in the Schedule of Expenditures of Federal Awards during the year ended September 30, 2009. Our audit, described below, did not include the operations of the fiduciary fund and The Territory's component units because the fiduciary fund and each component unit is required to engage other auditors to determine their reporting requirements in accordance with OMB Circular A-133, and issue a separate report if necessary.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. This schedule is the responsibility of the management of The Territory of American Samoa.

The scope of our work was not sufficient to enable us to express, and we do not express an opinion on the accompanying schedule of federal awards for the year ended September 30, 2009.

The Territory of American Samoa did not comply with the compliance requirements governing the administration of federal award programs. No adjustment has been made to the amounts reported in the schedule of expenditures of federal awards for any potential loss or disallowance of federal awards that may result because of this noncompliance.

This report is intended solely for the information and use of the Governor and management of The Territory of American Samoa and officials of the Department of the Interior and other federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

RC Holsinger Associates, P.C.

Wexford, Pennsylvania

June 7, 2010

TERRITORY OF AMERICAN SAMOA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
SEPTEMBER 30, 2009

Federal Grantor / Program Title	CFDA No.	Total Grant Approp.	FY 2009 Expenses Sept. 30, 2009
DEPARTMENT OF AGRICULTURE:			
Specialty Crop Block Program 9/30/09	10.170	\$ 103,445	\$ 4,494
Food Stamp Program 9/30/07	10.551	908,425	1,849
9/30/08		1,133,551	37,152
9/30/09		5,078,100	<u>4,614,350</u>
			4,653,351
National School Lunch Program 9/30/07	10.555	14,408,489	10,784
9/30/08		15,284,820	6,741,876
9/30/09		17,725,763	<u>10,881,893</u>
			17,634,553
Special Supplemental Nutrition Program for Women, Infants & Children 9/30/05	10.557	1,366,400	(2,593)
9/30/07		1,812,981	(21,183)
9/30/08		1,890,304	70,905
9/30/09		9,084,726	<u>8,609,277</u>
			8,656,406
Cooperative Forestry Assistance 9/30/07	10.664	111,000	52,234
9/30/08		98,000	<u>81,623</u>
			<u>133,857</u>
Total Department of Agriculture			<u>\$ 31,082,661</u>
DEPARTMENT OF COMMERCE:			
Interjurisdictional Fisheries Act of 1986 9/30/08	11.407	\$ 314,850	\$ 88,732
Coastal Zone Management Administration Awards 9/30/07	11.419	918,001	26,334
9/30/08		859,000	320,843
9/30/09		898,001	<u>367,517</u>
			714,694
Financial Assistance for National Centers for Coastal Oceans 9/30/07	11.426	68,588	11,147
9/30/08		299,963	35,340
9/30/09		254,857	<u>138,543</u>
			185,030

\*Denotes a major federal financial assistance program. See Note 3.

See notes to schedule of expenditures of federal awards.

TERRITORY OF AMERICAN SAMOA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED  
SEPTEMBER 30, 2009

Federal Grantor / Program Title	CFDA No.	Total Grant Approp.	FY 2009 Expenses Sept. 30, 2009
<b>DEPARTMENT OF COMMERCE - CONTINUED:</b>			
Marine Sanctuary Program	11.429		
9/30/04		\$ 154,805	\$ (8,184)
9/30/05		203,511	(397)
9/30/06		373,100	<u>65,150</u>
			56,569
Pacific Fisheries Data Program	11.437		
9/30/08		252,000	68,413
Unallied Management Projects	11.454		
9/30/09		34,987	<u>33,116</u>
Total Department of Commerce			<u>\$ 1,146,554</u>
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</b>			
Community Development Block Grants/Special Purpose Grants Insular Areas	14.225		
9/30/04		\$ 345,955	\$ 5,489
9/30/05		31,298	2,485
9/30/06		2,369,559	1,586,754
9/30/07		1,663,233	1,154,887
9/30/08		892,781	<u>124,159</u>
Total Department of Housing and Urban Development			<u>\$ 2,873,774</u>
<b>DEPARTMENT OF INTERIOR:</b>			
Sport Fish Restoration Program	15.605		
9/30/08		\$ 1,740,082	\$ 28,369
9/30/09		1,883,368	<u>1,641,288</u>
			1,669,657
Fish and Wildlife Management Assistance	15.608		
9/30/03		193,804	40,461
9/30/05		143,960	<u>40,587</u>
			81,048
Economic & Political Development of the Territories & the Trust Territory of Pacific Islands	15.875	*	
Basic Operating Grant:			
General Government Operations		15,998,016	\$ 15,998,016
High court - operating		1,202,289	<u>775,177</u>
Total Basic Operating			16,773,193
Construction Improvement Program			
9/30/08-9/30/09	15.875	*	10,603,884

\*Denotes a major federal financial assistance program. See Note 3.

See notes to schedule of expenditures of federal awards.

TERRITORY OF AMERICAN SAMOA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED  
SEPTEMBER 30, 2009

Federal Grantor / Program Title	CFDA No.		Total Grant Approp.	FY 2009 Expenses Sept. 30, 2009
DEPARTMENT OF INTERIOR - CONTINUED:				
Operations and Maintenance Program 9/30/08-9/30/09	15.875	*	\$ 99,000	\$ 99,000
Other	15.875	*		
9/30/07			696,935	349,466
9/30/08			545,845	181,423
9/30/09			914,375	<u>297,779</u>
				<u>828,668</u>
				28,304,745
Historic Preservation Fund Grants-In-Aid	15.904			
9/30/04			378,048	9,869
9/30/05			379,421	2,505
9/30/06			379,741	77,393
9/30/07			381,952	87,746
9/30/08			385,134	<u>242,789</u>
				<u>420,302</u>
Total Department of Interior				<u>\$ 30,475,752</u>
DEPARTMENT OF JUSTICE:				
Services for Trafficking Victims 9/30/05	16.320		\$ 337,500	\$ 38,666
Juvenile Accountability Block Grants 9/30/06	16.523		28,581	4,043
Juvenile Justice & Delinquency Prevention Allocation to States	16.540			
9/30/06			114,713	52,003
9/30/07			184,145	86,258
9/30/08			350,000	<u>23,147</u>
				161,408

\*Denotes a major federal financial assistance program. See Note 3.

See notes to schedule of expenditures of federal awards.

TERRITORY OF AMERICAN SAMOA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED  
SEPTEMBER 30, 2009

Federal Grantor / Program Title	CFDA No.	Total Grant Approp.	FY 2009 Expenses Sept. 30, 2009
DEPARTMENT OF JUSTICE - CONTINUED:			
Crime Victims Assistance	16.575		
9/30/06		\$ 271,000	\$ 116,056
9/30/07		265,159	82,919
9/30/09		86,493	<u>2,918</u>
			201,893
Violence Against Women Formula Grants	16.588		
9/30/06		1,105,300	310,745
9/30/07		1,556,153	411,304
9/30/08		950,496	393,904
9/30/09		364,928	<u>28,052</u>
			<u>1,144,005</u>
Total Department of Justice			<u>\$ 1,550,015</u>
DEPARTMENT OF LABOR:			
Senior Community Service Employment Program	17.235		
9/30/09		\$ 1,174,073	\$ 521,095
9/30/10		1,286,831	<u>724,389</u>
			1,245,484
WIA - Adult Program	17.258		
9/30/07		70,968	6,186
9/30/08		118,532	36,147
9/30/09		101,316	<u>79,747</u>
			122,080
WIA - Youth Activities	17.259		
9/30/06		102,155	52
9/30/07		48,245	3,771
9/30/08		131,813	9,973
9/30/09		131,813	<u>130,567</u>
			144,363

\*Denotes a major federal financial assistance program. See Note 3.

See notes to schedule of expenditures of federal awards.

TERRITORY OF AMERICAN SAMOA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED  
SEPTEMBER 30, 2009

Federal Grantor / Program Title	CFDA No.		Total Grant Approp.	FY 2009 Expenses Sept. 30, 2009
DEPARTMENT OF LABOR - CONTINUED:				
WIA - Dislocated Workers	17.260			
9/30/07			\$ 130,108	\$ 12,725
9/30/08			51,104	33,458
9/30/09			157,319	<u>118,069</u>
				<u>164,252</u>
Total Department of Labor				<u>\$ 1,676,179</u>
DEPARTMENT OF TRANSPORTATION:				
Airport Improvement Program	20.106	*		
9/30/09			\$ 9,135,882	\$ 9,453,838
 Highway Planning & Construction	 20.205	 *		
9/30/01			10,000	351
9/30/02			50,000	3,600
9/30/03			8,837,589	2,463,942
9/30/04			18,353,794	7,988,472
9/30/05			9,000,000	4,718,444
9/30/06			2,494,946	175,272
9/30/07			1,135,000	192,074
9/30/08			3,285,600	2,990,988
9/30/09			2,125,000	<u>2,013,757</u>
				20,546,900
National Motor Carrier Safety	20.218			
9/30/08			350,000	195,104
9/30/09			350,000	<u>56,094</u>
				251,198
Formula Grants for Other than Urbanized Areas	20.509			
9/30/02			179,032	20,922
9/30/04			223,682	114,906
9/30/05			231,293	198,348
9/30/06			363,388	<u>10,115</u>
				344,291
State and Community Highway Safety	20.600			
9/30/07			2,454,352	382,205
9/30/09			1,342,145	<u>498,223</u>
				880,428
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703			
9/30/07			66,207	1,440
9/30/08			66,207	4,246
9/30/09			111,567	<u>94,972</u>
				<u>100,658</u>
Total Department of Transportation				<u>\$ 31,577,313</u>

\*Denotes a major federal financial assistance program. See Note 3.

See notes to schedule of expenditures of federal awards.

TERRITORY OF AMERICAN SAMOA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED  
SEPTEMBER 30, 2009

Federal Grantor / Program Title	CFDA No.	Total Grant Approp.	FY 2009 Expenses Sept. 30, 2009
GENERAL SERVICES ADMINISTRATION:			
Help America Vote Act	39.011		
9/30/03		\$ 1,000,000	\$ 105,939
9/30/04		2,319,361	<u>180,827</u>
Total General Services Administration			<u>\$ 286,766</u>
NATIONAL FOUNDATION OF ARTS & HUMANITIES:			
Promotion of the Arts - Partnership Agreements	45.025		
9/30/09		\$ 284,355	<u>\$ 284,355</u>
Total National Foundation of Arts & Humanities			<u>\$ 284,355</u>
ENVIRONMENTAL PROTECTION AGENCY:			
Environmental Protection Consolidated Grants - Program Support	66.600		
9/30/09		\$ 3,345,459	<u>\$ 1,512,602</u>
Total Environmental Protection Agency			<u>\$ 1,512,602</u>
DEPARTMENT OF ENERGY:			
State Energy Program	81.041		
9/30/09		\$ 160,000	\$ 160,000
9/30/10		113,000	<u>2,054</u>
Total Department of Energy			<u>\$ 162,054</u>
DEPARTMENT OF EDUCATION:			
Special Education - State Grants	84.027	*	
9/30/08		\$ 6,202,408	\$ 2,550,610
9/30/09		6,297,058	<u>4,364,412</u>
			6,915,022
Special Education - State Grants	84.027A		
9/30/10		1,550,103	3,542
Rehabilitation Services - Basic Support	84.126		
9/30/08		928,801	111,427
Rehabilitation Services - Basic Support	84.126A		
9/30/09		738,967	663,345

\*Denotes a major federal financial assistance program. See Note 3.

See notes to schedule of expenditures of federal awards.

TERRITORY OF AMERICAN SAMOA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED  
SEPTEMBER 30, 2009

Federal Grantor / Program Title	CFDA No.	Total Grant Approp.	FY 2009 Expenses Sept. 30, 2009
DEPARTMENT OF EDUCATION - CONTINUED:			
Centers for Independent Living	84.132		
9/30/08		\$ 154,540	\$ 11,779
9/30/09		154,046	<u>138,257</u>
			150,036
Rehabilitation Services - Client Assistance Program	84.161		
9/30/06		30,000	(1,326)
9/30/07		83,800	2,555
9/30/08		82,860	34,387
9/30/09		52,859	<u>40,101</u>
			75,717
Independent Living - State Grants	84.169		
9/30/08		27,464	(5,600)
Independent Living - State Grants	84.169A		
9/30/09		29,019	26,832
Independent Living Services for Older Individuals Who are Blind	84.177		
9/30/08		40,000	1,828
Independent Living Services for Older Individuals Who are Blind	84.177B		
9/30/09		76,476	34,291
Grants for Infants and Families with Disabilities	84.181		
9/30/06		592,467	4,157
9/30/07		592,467	49,427
9/30/08		582,117	<u>397,386</u>
			450,970
Byrd Scholarship	84.185		
9/30/09		60,000	60,000
Safe and Drug Free Schools and Communities - State Grants	84.186		
9/30/07		135,069	73,892
9/30/08		900,459	250,108
9/30/09		865,459	<u>591,386</u>
			915,386
Supported Employment Services for Individuals With Severe Disabilities	84.187		
9/30/09		322,125	119,298

\*Denotes a major federal financial assistance program. See Note 3.

See notes to schedule of expenditures of federal awards.

TERRITORY OF AMERICAN SAMOA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED  
SEPTEMBER 30, 2009

Federal Grantor / Program Title	CFDA No.	Total Grant Approp.	FY 2009 Expenses Sept. 30, 2009
DEPARTMENT OF EDUCATION - CONTINUED:			
Assistive Technology	84.224		
9/30/07		\$ 125,000	\$ 5,214
9/30/08		125,000	9,574
9/30/09		125,000	<u>6,560</u>
			21,348
DOE - TFASEG	84.256		
9/30/08		1,120,787	907,974
9/30/09		1,050,930	<u>98,076</u>
			1,006,050
Reading First State Grants	84.357		
9/30/08		1,633,283	941,352
9/30/09		623,668	<u>165,156</u>
			1,106,508
Literacy & School Libraries	84.364		
9/30/09		26,494	26,494
Consolidated Grants to Insular Areas	84.922	*	
9/30/08		16,324,789	5,195,859
9/30/09		16,967,046	12,147,750
9/30/10		1,261,695	<u>35,266</u>
			17,378,875
Consolidated Grants to Insular Areas	84.922A		
9/30/10		7,146,925	<u>325,558</u>
Total Department of Education			<u>\$ 29,386,927</u>
DEPARTMENT OF HEALTH & HUMAN SERVICES:			
Public Health Emergency Preparedness	93.069		
9/30/10		\$ 646,502	\$ 3,150
Maternal & Child Health Federal Consolidated Programs	93.110		
9/30/08		94,644	16,786
9/30/09		244,605	<u>167,245</u>
			184,031
Project Grants and Cooperative Agreements for Tuberculosis Aids Control Programs	93.116		
9/30/08		125,809	59,363
9/30/09		383,646	<u>274,128</u>
			333,491

\*Denotes a major federal financial assistance program. See Note 3.

See notes to schedule of expenditures of federal awards.

TERRITORY OF AMERICAN SAMOA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED  
SEPTEMBER 30, 2009

Federal Grantor / Program Title	CFDA No.	Total Grant Approp.	FY 2009 Expenses Sept. 30, 2009
DEPARTMENT OF HEALTH & HUMAN SERVICES - CONTINUED:			
Protection & Advocacy for Mentally Ill Individuals	93.138		
9/30/07		\$ 215,800	\$ (4,296)
9/30/08		221,300	<u>87,769</u>
			83,473
Projects for Assistance in Transition from Homelessness (PATH)	93.150		
9/30/06		45,000	2,492
9/30/07		95,000	4,568
9/30/08		95,000	<u>60,815</u>
			67,875
Community Health Center Planning	93.224		
9/30/08		594,775	329,962
9/30/09		584,523	<u>212,342</u>
			542,304
Traumatic Brain Injury State Demonstration Grant Program	93.234		
9/30/07		20,000	8,040
9/30/08		20,000	<u>15,557</u>
			23,597
Substance Abuse & Mental Health Services	93.243		
9/30/08		1,313,095	(428,937)
9/30/09		1,313,095	255,631
9/30/10		1,313,095	<u>1,087,671</u>
			914,365
Immunization Grants	93.268		
9/30/07		373,004	28,838
9/30/08		517,166	<u>147,656</u>
			176,494
Centers for Disease Control - Investigations, Surveillance and Technical Assistance	93.283		
9/30/08		858,875	116,286
9/30/09		2,497,907	1,279,446
9/30/10		820,463	<u>117,301</u>
			1,513,033
Promoting Safe and Stable Families	93.556		
9/30/08		230,723	(227,636)
Low-Income Home Energy Assistance Program	93.568		
9/30/08		49,855	2,745
9/30/09		111,406	<u>88,565</u>
			91,310

\*Denotes a major federal financial assistance program. See Note 3.

See notes to schedule of expenditures of federal awards.

TERRITORY OF AMERICAN SAMOA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED  
SEPTEMBER 30, 2009

Federal Grantor / Program Title	CFDA No.	Total Grant Approp.	FY 2009 Expenses Sept. 30, 2009
DEPARTMENT OF HEALTH & HUMAN SERVICES - CONTINUED:			
Community Services Block Grant	93.569		
9/30/07		\$ 653,357	\$ 144,068
9/30/08		903,645	803,179
9/30/09		365,952	<u>57,095</u>
			1,004,342
Head Start	93.600		
9/30/09		2,468,802	1,903,368
9/30/10		2,109,037	<u>346,990</u>
			2,250,358
Election Assist. Individual Disability	93.617		
9/30/03		700,000	76,448
OPAD/HAVA	93.618		
9/30/08		35,000	13,880
Development Disabilities - Basic Support	93.630		
9/30/06		195,775	(614)
9/30/07		275,930	1,792
9/30/08		560,291	121,622
9/30/09		444,167	<u>377,827</u>
			500,627
Consolidated Supportive Services	93.633		
9/30/09		1,337,103	1,337,103
Social Services Block Grant	93.667		
9/30/05		927,717	3,703
9/30/07		1,150,554	17,379
9/30/08		1,707,052	76,936
9/30/09		1,673,765	<u>1,258,898</u>
			1,356,916
Diabetes, Endocrinology and Metabolism Research	93.847		
9/30/07		295,564	96,991
National Bioterrorism Hospital Preparedness Program	93.889		
9/30/07		371,644	54,906
9/30/08		586,694	52,860
9/30/09		305,868	148,376
9/30/10		135,862	<u>26,665</u>
			282,807
HIV Care Grants	93.917		
9/30/08		64,973	35,183
9/30/09		30,347	<u>12,146</u>
			47,329
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938		
9/30/08		101,318	29,394

\*Denotes a major federal financial assistance program. See Note 3.

See notes to schedule of expenditures of federal awards.

TERRITORY OF AMERICAN SAMOA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED  
SEPTEMBER 30, 2009

Federal Grantor / Program Title	CFDA No.	Total Grant Approp.	FY 2009 Expenses Sept. 30, 2009
DEPARTMENT OF HEALTH & HUMAN SERVICES - CONTINUED:			
HIV Demonstration, Research, Public and Professional Education Projects 9/30/09	93.941	\$ 10,000	\$ 7,966
Epidemiologic Research Studies of Aids and HIV Infection in Selected Population Groups 9/30/08	93.943	174,435	49,457
HIV/AIDS Surveillance 9/30/08	93.944	10,000	9,613
Training Care Systems Planning and Development 9/30/09	93.953	54,000	5,015
SSD - Mental Health Infrastructure 9/30/07	93.958	2,359,722	250
9/30/08		2,449,167	78,883
9/30/09		2,910,164	<u>2,608,973</u>
			2,688,106
Preventive Health Service - Sexually Transmitted Disease 9/30/08	93.977	63,247	9,365
9/30/09		44,273	<u>39,102</u>
			48,467
Cooperative Agreement for State-Based Diabetes Control 9/30/08	93.988	51,537	16,921
Preventive Health & Health Services Block Grant 9/30/07	93.991	52,036	1,539
9/30/08		51,057	49,629
9/30/09		55,534	<u>1,327</u>
			52,495
Maternal & Child Health Services Block Grant 9/30/08	93.994	496,117	459,402
Tuberculosis & Lab 9/30/09	93.997	87,666	<u>62,887</u>
Total Department of Health & Human Services			<u>\$ 14,102,011</u>

\*Denotes a major federal financial assistance program. See Note 3.

See notes to schedule of expenditures of federal awards.

TERRITORY OF AMERICAN SAMOA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED  
 SEPTEMBER 30, 2009

<u>Federal Grantor / Program Title</u>	<u>CFDA No.</u>	<u>Total Grant Approp.</u>	<u>FY 2009 Expenses Sept. 30, 2009</u>
DEPARTMENT OF HOMELAND SECURITY:			
Boating Safety Financial Assistance 9/30/09	97.012	\$ 812,149	\$ 206,849
Homeland Security Grant Program 9/30/08	97.067	691,648	74,743
Real ID Program: Driver's License Security Grant Program 9/30/08	97.089	300,000	<u>181,500</u>
Total Department of Homeland Security			<u>\$ 463,092</u>
TOTAL 2009 FEDERAL AWARDS EXPENDED			<u>\$ 146,580,055</u>

\*Denotes a major federal financial assistance program. See Note 3.

See notes to schedule of expenditures of federal awards.

TERRITORY OF AMERICAN SAMOA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED  
AMERICAN RECOVERY AND REINVESTMENT ACT FUNDS  
SEPTEMBER 30, 2009

Federal Grantor / Program Title	CFDA No.		Total Grant Approp.	FY 2009 Expenses Sept. 30, 2009
DEPARTMENT OF AGRICULTURE:				
Supplemental Nutrition Assistance Program 9/30/09	10.551	**	\$ 964,000	\$ 274,046
Total Department of Agriculture				<u>\$ 274,046</u>
DEPARTMENT OF JUSTICE:				
Edward Byrne Memorial Formula Grant Program 9/30/09	16.804	**	\$ 596,575	\$ 60,301
Total Department of Justice				<u>\$ 60,301</u>
DEPARTMENT OF LABOR:				
Senior Community Service Employment Program 9/30/09	17.235	**	\$ 269,887	\$ 45,976
Workforce Initiative Act - Adult Program 9/30/09	17.258	**	75,000	24,207
Workforce Initiative Act - Youth Activities 9/30/09	17.259	**	387,530	210,510
Total Department of Labor				<u>\$ 280,693</u>
DEPARTMENT OF ENERGY:				
State Energy Program 9/30/09	81.041	**	\$ 9,275,000	\$ 119,365
Weatherization Assistance for Low-Income Persons 9/30/09	81.042	**	359,755	61,466
Total Department of Energy				<u>\$ 180,831</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Health Center Integrated Services Development Initiative 9/30/09	93.703	**	\$ 1,773,050	\$ 159,648
Aging Home - Delivered Nutrition Services 9/30/09	93.705	**	20,000	6,522
Aging Congregate Nutrition Services 9/30/09	93.707	**	40,625	17,694
Total Department of Health and Human Services				<u>\$ 183,864</u>
TOTAL 2009 AMERICAN RECOVERY AND REINVESTMENT ACT FUNDS EXPENDED				<u>\$ 979,735</u>
TOTAL 2009 FEDERAL AWARDS EXPENDED FROM PAGE 21				<u>\$ 146,580,055</u>
TOTAL 2009 FEDERAL EXPENDITURES				<u>\$ 147,559,790</u>

\*\*Denotes a major ARRA federal financial assistance program tested. See Note 3.

See notes to schedule of expenditures of federal awards.

TERRITORY OF AMERICAN SAMOA  
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 SEPTEMBER 30, 2009

NOTE 1 - ACQUISITION/ORGANIZATION

The Schedule of Expenditures of Federal Awards is prepared using the modified accrual basis of accounting.

NOTE 2 - REPORTING ENTITY

The Territory of American Samoa (The Territory), for purposes of the financial statements, includes all of the funds of the primary government as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. The Schedule of Expenditures of Federal Awards does not include the federal financial assistance received by its component units, The American Samoa Community College, and LBJ Tropical Medical Center. LBJ Tropical Medical Center and the American Samoa Community College also file a separate single audit report with the Federal Audit Clearinghouse.

The Title IV Student Financial Assistance Programs are audited by other auditors and reported on separately.

Federal financial assistance received by the Development Bank of American Samoa, an organization related to The Territory, is not included in the Schedule of Expenditures of Federal Awards.

NOTE 3 - MAJOR PROGRAMS

The major programs included in the accompanying Schedule of Expenditures of Federal Awards are as follows:

<u>CFDA No.</u>	<u>Program</u>	<u>Total Grant Expenditures</u>
MAJOR PROGRAMS		
10.551	Department of Agriculture - Food Stamp Program	\$ 4,653,351
10.555	National School Lunch Program	17,634,553
10.557	Special Supplemental Nutrition Program for Women, Infants and Children	8,656,406
15.875	Department of Interior - Economic and Political Development of the Territories and Trust Territory of Pacific Islands	28,304,745
20.106	Department of Transportation - Airport Improvement Program	9,453,838
20.205	Highway Planning and Construction	20,546,900

TERRITORY OF AMERICAN SAMOA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED  
SEPTEMBER 30, 2009

NOTE 3 - MAJOR PROGRAMS - Continued

<u>CFDA No.</u>	<u>Program</u>	<u>Total Grant Expenditures</u>
84.027	Department of Education - Special Education Program	\$ 6,915,022
84.922	Consolidated Grants Administration	<u>17,378,875</u>
	Total major programs tested	113,543,690
<b>AMERICAN RECOVERY AND REINVESTMENT ACT FUNDS</b>		
10.551	Department of Agriculture - Supplemental Nutrition Assistance Program	\$ 274,046
16.804	Department of Justice - Edward Byrne Memorial Formula Grant Program	60,301
17.235	Department of Labor - Senior Community Service Employment Program	45,976
17.258	Workforce Initiative Act - Adult Program	24,207
17.259	Workforce Initiative Act - Youth Activities	210,510
81.041	Department of Energy - State Energy Program	119,365
81.042	Weatherization Assistance for Low-Income Persons	61,466
93.703	Department of Health and Human Services - Health Center Integrated Services Development Initiative	159,648
93.705	Aging Home - - Delivered Nutrition Services	6,522
93.707	Aging Congregate Nutrition Services	<u>17,694</u>
	Total major ARRA programs tested	<u>979,735</u>
	Total programs tested	<u>\$ 114,523,425</u>
	Total federal expenditures	<u>\$ 147,559,790</u>
	Percentage of federal expenditures tested	<u>77%</u>

TERRITORY OF AMERICAN SAMOA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED SEPTEMBER 30, 2009

PART I - SUMMARY OF AUDITORS' RESULTS

**Financial Statements**

Type of auditors' report issued:

Qualified

Internal control over financial reporting:

- Material weakness(es) identified: ✓ yes \_\_\_ no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ✓ yes \_\_\_ no
- Noncompliance material to financial statements noted ✓ yes \_\_\_ no

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? ✓ yes \_\_\_ no
- Significant deficiency(ies) identified that are considered to be material weakness(es)? ✓ yes \_\_\_ no

Type of auditors' report issued on compliance for major programs: Disclaimer

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

✓ yes \_\_\_ no

Identification of major programs:

<u>CFDA Number</u>	<u>Federal Program</u>
	<i>Department of Agriculture</i>
10.551	Food Stamp Program
10.555	National School Lunch Program
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
	<i>Department of Interior</i>
15.875	Economic and Political Development of the Territories and Trust Territory of Pacific Islands
	<i>Department of Transportation</i>
20.106	Airport Improvement Program
20.205	Highway Planning and Construction
	<i>Department of Education</i>
84.027	Special Education Program
84.922	Consolidated Grants Administration



TERRITORY OF AMERICAN SAMOA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
YEAR ENDED SEPTEMBER 30, 2009

PART II - FINANCIAL STATEMENT FINDINGS

Questioned  
Costs

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**09 FS-1**

**Requirement:** The requirement of the Common Rule for the Uniform Administrative Requirements for Grants and Cooperative Agreements with State and Local Governments (the Common Rule) that relate to standards for financial management and internal control (Subpart C .20) state that the grantee must have sufficient internal control systems and accounting procedures to demonstrate that federal funds have not been used for unauthorized purposes.

**Condition:** There were significant failures in the operation of the internal control structure within the general accounting division of the Treasury Department. We base this conclusion on the following observations:

- Pooled cash is not supported by a listing of the outstanding transactions that comprise the balance.
- During our procurement inventory physical counts, we were unable to agree the amount of inventory in the warehouse to the inventory listing for 24 out of 44 items.
- Immigration Bonds are not supported by a detail listing of each bond that has been posted by a sponsor for each immigrant.
- During our accounts payable out-of-period liabilities search, we noticed several items for which an incorrect determination relating to which fiscal year they needed to be recorded. This resulted in an adjustment to the financial statements. This also resulted in incorrect amounts being included on the grants spreadsheet.
- Trial balances were not closed or reconciled in a regular or timely manner throughout or at the year end.
- Control systems failed to detect postings to improper periods, unallowable costs, missing documentation required for payment processing and expenditures exceeding budget.
- During the fiscal year September 30, 2009, and the period subsequent to date of the audit report, we became aware of various reviews by different federal agencies. These reviews have resulted in the proposed material questioned costs and these reviews also indicated the lack of controls over spending of federal funds.
- Of the 769 items selected for testing expenditures for compliance of the major grant programs, The Territory was not able to provide documentation for 11 (1% of total) items.
- In an examination of payroll transactions, 5 out of 60 time cards/sign-in sheets to support information input into computer were not provided.

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TERRITORY OF AMERICAN SAMOA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
YEAR ENDED SEPTEMBER 30, 2009

Questioned  
Costs

**Cause:** The internal control failures in the daily operations of the general accounting division of the Treasury Department are attributed to:

- Lack of adequately trained personnel in key positions. The Comptroller position was vacant during the fiscal year. Since this position was vacant, no employee with delegated responsibility for overseeing, reviewing and implementing the overall accounting function.
- The Territory has not had a Chief Territorial Auditor for the last year. With this vacancy, no reviews have been completed to identify internal control failures and make recommendations for improving controls.
- Without a regular and timely closing process during the fiscal year, accounting personnel do not detect and correct errors in a reasonable timeframe.
- The internal control activities are not monitored to determine if established control activities are functioning as intended.

**Effect:** Internal controls are not operating as intended to prevent material misstatements from occurring and being detected. Work prepared by accountants and clerks working in the General Accounting department is not being reviewed in a timely manner. Bank reconciliations, general ledger account reconciliations, journal entries and other recordkeeping activities are not being performed, summarized, and reviewed in a manner to prevent and detect errors. We believe this finding represents a reportable condition and a material weakness in internal control. We have, however, not identified any specific questioned costs associated with this finding.

**Recommendation:** It is crucial to the operation of the internal control structure that preventative and detective controls be developed, monitored and maintained by qualified and competent personnel. Accountants and clerks within general accounting should be adequately trained and supervised; account reconciliations, journal entries, and other transactions should be appropriately reviewed and approved; and financial data should be accurately summarized on a timely basis.

**Auditee Response and Corrective Action Plan:** ASG agrees with this finding.

- Pooled Cash: The Deputy Treasurer is in charge of correcting the pooled cash finding. There is still work needed to complete the reconciliations of both the Worker's Compensation and Immigration Bond funds.

TERRITORY OF AMERICAN SAMOA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
YEAR ENDED SEPTEMBER 30, 2009

Questioned  
Costs

- Procurement inventory physical counts: Due to the tsunami of September 29, 2009, Procurement had to re-locate most of its inventory to make room for the FEMA disaster relief equipment and supplies. Procurement's focus at that time was FEMA inventory. ASG first responder agencies were authorized by the CPO to draw necessary equipment and supplies needed for the disaster relief efforts. All goods drawn were listed accordingly where Stores Inventory prepared the proper documents for all agencies to be charged at a later date. Procurement will continue following its procedures; the inventory finding of the past two years has been due to DOE inventory. DOE has finally cleared their inventory problems.
- Immigration Bonds: The internal auditor of the Governor's Office is assigned to reconcile the immigration bond account with the Immigration Office's listing. Treasury will utilize the Territorial Auditor's Office to follow through with the reconciliation.
- Accounts Payable out-of-period liabilities: More devotion will be given to training the Accounts Payable staff on the following:
  - Invoices (of \$10,000 or more) paid after September 30<sup>th</sup> should be posted to the September 30<sup>th</sup> date.
  - Invoices paid after September 30<sup>th</sup> should not be batched by vendor causing a huge lump sum payment (\$10,000 or more). This will result in payments being audited under accounts payable accruals.
- Trial balances: The Deputy Treasurer, Grants Manager and Chief Accountant are responsible for closing the trial balances timely.
- Control systems: The Budget Office, Procurement, The Office of Property Management and Treasury continue to document and distribute policies and procedures regarding internal controls in the various areas of finance. These offices discuss and review policies with their own staff prior to training other ASG departments. Treasury management has hired a comptroller who will start September 1<sup>st</sup> 2010.

Contact: Logovii Magalei, Treasurer, Department of Treasury  
Phone: 684.633.4155

TERRITORY OF AMERICAN SAMOA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
YEAR ENDED SEPTEMBER 30, 2009

Questioned  
Costs

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09 FS-2

**Requirement:** The Common Rule requirements that relate to post-award requirements (Subpart C) provide the structure for the administration of federal financial assistance programs.

**Condition:** The Territory does not maintain an adequate system of internal controls to ensure compliance with the following requirements:

- Allowable costs and cost principles - Items were charged to grant expenditures that were not supported with all required documentation.
- Administrative requirement - There were multiple instances of failures in the eligibility procedures, financial procedures and overall management of grant funds to insure compliance and adherence to the grant requirements.
- Claims for reimbursements - Claims for reimbursements were not supported with documentation in sufficient detail to show that the requests were for reimbursement of allowable expenditures.

\$ -

**Cause:** The structure for the administration of federal financial assistance programs is decentralized. Departmental personnel are responsible for complying with financial and administrative requirements of the grant programs assigned to their departments.

As a result of our visits to each department and our observations and inquiries of the department personnel, we have concluded that, in general, department personnel are not well versed in the administrative and financial requirements of the programs within their departments. Many of the administrative requirements related to federal financial assistance programs are detailed and specific in scope and require specialized knowledge and rigorous controls to ensure compliance.

**Effect:** Noncompliance with laws and regulations governing federal financial assistance may occur and not be detected. We believe this finding represents a reportable condition and material weakness in internal control. However, we have not identified any specific questioned costs associated with this finding.

**Recommendation:** The Territory should implement procedures to be sure that department personnel responsible for the administration of the grant programs are trained and knowledgeable about all of the requirements of grant administration. The individual given responsibility must also have a level of authority to direct activity to ensure compliance with laws, grant guidelines, and the Common Rules.

TERRITORY OF AMERICAN SAMOA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
YEAR ENDED SEPTEMBER 30, 2009

Questioned  
Costs

**Auditee Response and Corrective Action Plan:** ASG agrees with this finding. Until all documentation is provided during the single audit and FS-1 finding is cleared, ASG will continue to be cited on administration of federal financial assistance programs. Please see corrective action plans for other findings because they all tie in to 09 FS-2.

Contact: Logovii Magalei, Treasurer, Department of Treasury  
Phone: 684.633.4155

**09 FS-3**

**Requirement:** An adequate internal control structure would imply that control issues identified in previous years would be addressed and solved. Each of the conditions noted in Finding Nos. FS-1 and FS-2 above has been described in previously issued reports. The recommendations made in those reports, as well as those issued by federal agencies, have not been fully resolved by The Territory. It is The Territory management's responsibility to establish and maintain an adequate internal control structure.

**Condition:** The recommendations made in previous single audit reports, as well as reports issued by federal agencies, have not been fully resolved by The Territory.

\$ -

**Cause:** The cause of unresolved findings is related to the issues surrounding the control environment as well as a lack of understanding and urgency by management to ensure that appropriate actions are taken to resolve findings.

**Effect:** By not fully resolving findings, The Territory is maintaining a system of internal control that is not effective and has material weaknesses. Additionally, if findings are not addressed in one year, they tend to carry over into following years. We believe this finding represents a reportable condition and material weakness in internal control. However, we have not identified any specific questioned costs associated with this finding.

**Recommendation:** The Territory should continue to address and resolve any and all findings identified in this year and previous years.

TERRITORY OF AMERICAN SAMOA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
YEAR ENDED SEPTEMBER 30, 2009

Questioned  
Costs

**Auditee Response and Corrective Action Plan:** ASG acknowledges this finding. Although the single audit report states ASG has not addressed the findings, there has been improvement from previous years. Questioned costs have decreased from \$297,069 in 2007 to \$100 in 2008 to \$0 in 2009. Missing documentation has decreased from 14% in 2007 to 1% in 2008 and remains at 1% in 2009. Previous findings such as bank reconciliations, fixed assets and grant reporting have been cleared. However, ASG understands there is much more left to be done such as clearing the five qualifications. As part of its corrective action plan, ASG hired a territorial auditor at the start of FY 2010. ASG built a storage facility to house all finance records. ASG has also hired a comptroller who will begin September 2010. Treasury has begun documenting and distributing finance policies to other departments. For the first time since 2004, ASDOE, DHSS and DOH are cleared of audit findings. ASG continues to aim for a clean audit by 2012.

Contact: Logovii Magalei, Treasurer, Department of Treasury  
Phone: 684.633.4155

**09 FS-4**

**Requirement:** Budgetary requirements are established by law and are required to be followed. Numerous departments and functions of the general fund exceeded the budget appropriation.

**Condition:** A budget overrun totaling \$13,814,376 occurred. A breakdown by department and function is included in the notes to the financial statements in the general purpose financial statements for the year ended September 30, 2009.

\$ -

**Cause:** The cause of the overruns is due to a lack of adherence by management to established budgets.

**Effect:** Budget overruns affect future appropriations and expenditures. We believe this finding represents a reportable condition and material weakness in internal control. However, we have not identified any specific questioned costs associated with this finding.

**Recommendation:** The Territory should comply with budgets and appropriations. Timely and accurate reports should be given to the Departments to review to ensure costs allocated to their department are appropriate. Management and Departments should be held accountable for overruns.

TERRITORY OF AMERICAN SAMOA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
YEAR ENDED SEPTEMBER 30, 2009

Questioned  
Costs

**Auditee Response and Corrective Action Plan:** ASG concurs with this finding. As part of its corrective action plan, Treasury will provide monthly Budget-to-Actual reports for all departments. Reports will be ready after the 15<sup>th</sup> (closing date) of each month. Departmental management will be accountable for overruns. Treasury will withhold payments on any account that is overrun. Exceptions are through supplemental budgets prepared by the Budget Office and approved by the local legislature.

Contact: Logovii Magalei, Treasurer, Department of Treasury  
Phone: 684.633.4155

**09 FS-5**

**Requirement:** The Common Rule governing retention and access requirements for records (Subpart C .42) requires records to be retained for three years.

**Condition:** The records of The Territory have not been maintained in an organized manner. Items selected for review could not be documented as described in 09 FS-1.

\$ -

**Cause:** The cause of the above condition is a lack of formal procedures regarding the maintenance and storage of records.

**Effect:** Documentation may be misplaced, lost, destroyed, and this occurrence may not be detected. We believe this finding represents a material instance of noncompliance and a material weakness in internal control.

**Recommendation:** We recommend that The Territory implement procedures and allocate the facilities to ensure the retention and retrieval of records, in an orderly and timely manner.

**Auditee Response and Corrective Action Plan:** ASG concurs with this finding. Based on the repetition of this finding from previous audit reports, as part of its corrective action plan ASG built a storage facility during 2009. The storage room was put into use at the start of 2010; it maintains three years worth of payroll and payment documentation (current fiscal year and two prior years). The Disbursing manager is responsible for the facility. Payroll documentation is filed in alphabetical order by department. Payments are stored by month and in check order. If departments require documentation, the request is forwarded to Disbursing and copies are provided.

Contact: Logovii Magalei, Treasurer, Department of Treasury  
Phone: 684.633.4155

TERRITORY OF AMERICAN SAMOA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
YEAR ENDED SEPTEMBER 30, 2009

Questioned  
Costs

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**09 FS-6**

**Requirement:** OMB Circular A-87 cost principles for insurance and indemnification establishes allowable cost principles for self-insurance programs. It requires contributions to reserves to be based on sound actuarial principles using historical experience and reasonable assumptions. Reserve levels must be analyzed and updated at least biannually for each major risk being insured and take into account any reinsurance, coinsurance, etc.

**Condition:** The Territory established an internal service fund on October 1, 2001 to operate a self insured program for Workers Compensation insurance. At the time of creating the fund The Territory established the “premium” to be contributed by all those who participate in the program based upon prior experience. At September 30, 2004 The Territory established a reserve for future claims for the first time based upon awarded settlements. Although The Territory has revised this reserve for September 30, 2009, The Territory did not prepare an analysis to determine if the rates being charged to participants were reasonable.

\$ -

**Cause:** There is a lack of concern for the requirements of internal service funds as established by the OMB Circular A-87. The Territory did not previously establish reserves for claims and did not have an understanding of the reserve levels. Upon establishment of the reserve no analysis was performed to determine if the "premium" rate is reasonable. We believe this finding represent a material instance of noncompliance and a material weakness in internal control.

**Effect:** Since establishment of this fund in 2001, this internal service fund has accumulated a fund balance of approximately \$5.0 million after reserving for future claims of approximately \$0.8 million. It appears that the “premiums” being charged to grants are excessive. We believe this finding represents a material instance of noncompliance and a material weakness in internal control.

**Recommendation:** The Territory should review the “premium” rates being charged to participating funds in terms of claims submitted and adjudicated but not paid, submitted but not adjudicated and incurred but not submitted. Based upon this analysis, The Territory should adjust the rates charged to reflect the actual experience of the internal service fund. They should also establish procedures to insure “premium” rates are reviewed biannually.

TERRITORY OF AMERICAN SAMOA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
YEAR ENDED SEPTEMBER 30, 2009

Questioned  
Costs

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**Auditee Response and Corrective Action Plan:** ASG acknowledges this finding.

Contact: Logovii Magalei, Treasurer, Department of Treasury  
Phone: 684.633.4155

TERRITORY OF AMERICAN SAMOA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
YEAR ENDED SEPTEMBER 30, 2009

Questioned  
Costs

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PART III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Department of Interior  
Basic Operations  
CFDA #15.875

**09 DOI-1**

**Requirement:** OMB Common Rule 20 requires that accounting records must be supported by such source documentation as cancelled checks, accounts payable vouchers, paid bills, purchase orders, payroll time and attendance records, contracts, and sub grant documentation etc.

**Condition:** We selected a sample of 43 transactions from the expenditure activity of this program and found the following exceptions:

- Two items were not supported by an original invoice (C56514, two instances).
- One item was not supported by an invoice (Q120699).

\$ -

**Cause:** These missing documents are due to the lack of adherence to the accounting documentation procedures required by the Common Rule 20. Internal controls over documentation procedures are either missing or ineffective.

**Effect:** There is an inability to verify documentation due to the possible misplacement, loss, destruction or non-occurrence of supporting information. The lack of purchase orders, invoices and receiving reports make it impossible to determine that the sample items were properly approved and actually received by The Territory.

**Recommendation:** The Territory should establish and document appropriate policies and procedures regarding proper and efficient accounting records to provide support for each transaction.

**Auditee Response and Corrective Action Plan:** ASG agrees with this finding. The item cited as missing an invoice was compensation for a non-employee. Both sign-in sheet and adding machine tape showing amount to be paid was attached to the voucher but not a proper invoice. As part of its corrective action plan for the two conditions cited:

1. If original invoices are misplaced or lost, the Accounts Payable manager can certify copies as replacement.
2. Items without proper invoices will be forwarded to departments for compliance to Accounts Payable policies.

Contact: Logovii Magalei, Treasurer, Department of Treasury  
Phone: 684.633.4155

TERRITORY OF AMERICAN SAMOA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
YEAR ENDED SEPTEMBER 30, 2009

Questioned  
Costs

**09 DOI-2**

**Requirement:** OMB Common Rule 42 requires that financial records, supporting documents and other records pertinent to an award shall be retained for a period of three years from the date of submission of the last expenditure report.

**Condition:** We selected a sample of 43 transactions from the expenditure activity of this program and found the following exceptions:

- Thirteen items were improperly included in fiscal year 2009 (Q120375, Q120376, Q120377, Q120373, Q120374, Q120379, Q120380, Q120381, Q120382, Q120383, Q120395, Q120391, Q120699).

\$ -

**Cause:** The failure to properly record expenses in the correct fiscal year can be attributed to the lack of internal control over procurement procedures.

**Effect:** The failure to record expenses in a timely manner can result in over expenditures during a fiscal year. This can lead to a failure to comply with grant agreements which could result in additional restrictions being placed on funds or reduction in funding.

**Recommendation:** The Territory should develop and implement policies and procedures based upon the Common Rule for the proper and efficient maintenance of records to support each transaction. A method of monitoring should also be established to ensure that the procedures are effective and expenditures are being recorded timely.

**Auditee Response and Corrective Action Plan:** ASG agrees with this finding. This finding is part of accounts payable accruals similar to FS-1. More devotion will be given to training the Accounts Payable staff on the following:

- Invoices (of \$10,000 or more) paid after September 30<sup>th</sup> should be posted to the September 30<sup>th</sup> date.
- Invoices paid after September must not be batched by vendor causing a huge lump sum payment (\$10,000 or more).

Contact: Logovii Magalei, Treasurer, Department of Treasury  
Phone: 684.633.4155

TERRITORY OF AMERICAN SAMOA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
YEAR ENDED SEPTEMBER 30, 2009

Questioned  
Costs

Department of Interior  
Construction in Progress  
CFDA #15.875

**09 DOI-3**

**Requirement:** OMB Common Rule 20 requires that accounting records must be supported by such source documentation as cancelled checks, accounts payable vouchers, paid bills, purchase orders, payroll time and attendance records, contracts, and sub grant documentation etc.

**Condition:** We selected a sample of 47 transactions from the expenditure activity of this program and found the following exceptions:

- One item's accounts payable voucher did not match the retainage amount (C56598).

\$ -

**Cause:** These missing documents are due to the lack of adherence to the accounting documentation procedures required by the Common Rule 20. Internal controls over documentation procedures are either missing or ineffective.

**Effect:** There is an inability to verify documentation due to the possible misplacement, loss, destruction or non-occurrence of supporting information. The lack of purchase orders, invoices and receiving reports make it impossible to determine that the sample items were properly approved and actually received by The Territory.

**Recommendation:** The Territory should establish and document appropriate policies and procedures regarding proper and efficient accounting records to provide support for each transaction.

**Auditee Response and Corrective Action Plan:** ASG agrees with this finding. Although the retainage amount on the accounts payable voucher was accurate, the backup documentation provided by the contractors was wrong and not completely modified to show the adjustment. The summary was corrected but not the retainage detail sheet. As part of its action plan, Treasury will make certain any and all corrections are accurately reflected throughout the supporting documents. This issue has been brought to the attention of the accounts payable employee responsible for retainage.

Contact: Logovii Magalei, Treasurer, Department of Treasury  
Phone: 684.633.4155

TERRITORY OF AMERICAN SAMOA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
YEAR ENDED SEPTEMBER 30, 2009

Questioned  
Costs

Territorial Office of Fiscal Reform  
Construction in Progress  
CFDA #15.875

**09 DOI-4**

**Requirement:** OMB Common Rule 20 requires that accounting records must be supported by such source documentation as cancelled checks, accounts payable vouchers, paid bills, purchase orders, payroll time and attendance records, contracts, and sub grant documentation etc.

**Condition:** We selected a sample of 35 transactions from the expenditure activity of this program and found the following exceptions:

- Three item's check date was earlier than the accounts payable voucher date (42350, 41527, 42559).

\$ -

**Cause:** These untimely documents are due to the lack of adherence to the accounting documentation procedures required by the Common Rule 20. Internal controls over documentation procedures are either missing or ineffective.

**Effect:** There is an inability to verify documentation due to the possible misplacement, loss, destruction or non-occurrence of supporting information. The lack of purchase orders, invoices and receiving reports make it impossible to determine that the sample items were properly approved and actually received by The Territory.

**Recommendation:** The Territory should establish and document appropriate policies and procedures regarding proper and efficient accounting records to provide support for each transaction.

**Auditee Response and Corrective Action Plan:** ASG concurs with these two findings. The corrective action put in place for the accounts payable voucher is as follows:

1. Vouchers will be entered (filled out) by the Accounts Payable person.
2. Vouchers will then be checked by her supervisor.
3. Next step will be manager approval prior to voucher entering the system and the check printed.

Contact: Salu Tuigamala, Deputy Director, TOFR  
Phone: 684.633.1329

TERRITORY OF AMERICAN SAMOA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
YEAR ENDED SEPTEMBER 30, 2009

Questioned  
Costs

Department of Transportation  
Territorial Office of Fiscal Reform - Airport Improvement Program  
CFDA #20.106

**09 DOT-1**

**Requirement:** OMB Common Rule 20 requires that accounting records must be supported by such source documentation as cancelled checks, accounts payable vouchers, paid bills, purchase orders, payroll time and attendance records, contracts, and sub grant documentation etc.

**Condition:** We selected a sample of 29 transactions from the expenditure activity of this program and found the following exceptions:

- Four item's check date was earlier than the accounts payable voucher date (42530, 42300, 41215, 40944).

\$ -

**Cause:** These untimely documents are due to the lack of adherence to the accounting documentation procedures required by the Common Rule 20. Internal controls over documentation procedures are either missing or ineffective.

**Effect:** There is an inability to verify documentation due to the possible misplacement, loss, destruction or non-occurrence of supporting information. The lack of purchase orders, invoices and receiving reports make it impossible to determine that the sample items were properly approved and actually received by The Territory.

**Recommendation:** The Territory should establish and document appropriate policies and procedures regarding proper and efficient accounting records to provide support for each transaction.

**Auditee Response and Corrective Action Plan:** ASG concurs with this finding. The corrective action put in place for the accounts payable voucher is as follows:

1. Vouchers will be entered (filled out) by the Accounts Payable person.
2. Vouchers will then be checked by her supervisor.
3. Next step will be manager approval prior to voucher entering the system and the check printed.

Contact: Salu Tuigamala, Deputy Director, TOFR  
Phone: 684.633.1329

TERRITORY OF AMERICAN SAMOA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
YEAR ENDED SEPTEMBER 30, 2009

Questioned  
Costs

**09 DOT-2**     **Requirement:** OMB Common Rule 20 requires that accounting records must be supported by such source documentation as cancelled checks, accounts payable vouchers, paid bills, purchase orders, payroll time and attendance records, contracts, and sub grant documentation etc.

**Condition:** We selected a sample of 29 transactions from the expenditure activity of this program and found the following exceptions:

- One item was not supported by an invoice nor receipt (41544).     \$           -

**Cause:** These missing documents are due to the lack of adherence to the accounting documentation procedures required by the Common Rule 20. Internal controls over documentation procedures are either missing or ineffective.

**Effect:** There is an inability to verify documentation due to the possible misplacement, loss, destruction or non-occurrence of supporting information. The lack of purchase orders, invoices and receiving reports make it impossible to determine that the sample items were properly approved and actually received by The Territory.

**Recommendation:** The Territory should establish and document appropriate policies and procedures regarding proper and efficient accounting records to provide support for each transaction.

**Auditee Response and Corrective Action Plan:** ASG concurs with this finding. The ASG Travel and Transportation Policy Manual page 2 Section 3.3.2 EXPENSE REPORTING indicates at the end of the bolded underlined paragraph, “**Failure to provide documentation will result in repayment of all advanced travel funds.**” The Territorial Office of Fiscal Reform (TOFR) will adhere to the above stated policy. The amount not supported by invoice or receipt will be collected from the ASG employee.

Contact:        Salu Tuigamala, Deputy Director, TOFR  
Phone:           684.633.1329

**09 DOT-3**     **Requirement:** Financial Reporting Forms are required to be submitted by the Department of Transportation Airport Improvement Program OMB Circular A-133 Compliance Supplement. Financial Statements are required to be reconciled to and supported by proper documentation.

TERRITORY OF AMERICAN SAMOA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
 YEAR ENDED SEPTEMBER 30, 2009

Questioned  
Costs

**Condition:** We selected 29 transactions from the expenditure activity of this program and found the following exceptions:

- SF-269 Financial Status Report was not provided to the audit team to review.
- SF-270 Request for Advance or Reimbursement was not provided to the audit team for review.
- FAA Form 5100-126 Financial Government Payment Report did not reconcile to the financial records.
- Drawdown supporting scheduled did not reconcile to the financial records.

\$ -

**Cause:** These missing and incorrect documents are due to the lack of internal control over the reporting process required by OMB.

**Effect:** The failure to comply with reporting requirements during a fiscal year could result in additional restrictions being placed on funds, reduction in funding, and repayment of funds by the grantee.

**Recommendation:** The Territory should review and enforce the reporting terms to guarantee that all requirements and deadlines are met timely and accurately.

**Auditee Response and Corrective Action Plan:** ASG concurs with this finding. TOFR was not notified by the Port Administration nor by ASESRO that part of the funds for the Airport Hangar contract were ARRA funding; TOFR believed the project was fully funded by FEMA. *See ASESRO's response to 09 ARRA DOT-1 for the corrective action plan as it is the same finding.*

Contact: Salu Tuigamala, Deputy Director, TOFR  
 Phone: 684.633.1329

Payroll

**09 PR-1**

**Requirement:** OMB Common Rule 20 requires that accounting records must be supported by such source documentation as cancelled checks, accounts payable vouchers, paid bills, purchase orders, payroll time and attendance records, contracts, and sub grant documentation etc.

TERRITORY OF AMERICAN SAMOA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
YEAR ENDED SEPTEMBER 30, 2009

Questioned  
Costs

**Condition:** We selected a sample of 60 transactions from the payroll activity and found the following exceptions:

- Two scantron cards could not be provided (Sample #1 and 3).
- Seven timecards could not be provided to compare to the scantron (Sample #5, 29, 31, 34, 36, 37 and 39).
- One timecard shows time in but not time out (Sample #48).
- One scantron provided was a copy and not the original (Sample #52).

\$ -

**Cause:** These missing documents are due to the lack of adherence to the accounting documentation procedures required by the Common Rule 20. Internal controls over documentation procedures are either missing or ineffective.

**Effect:** There is an inability to verify documentation due to the possible misplacement, loss, destruction or non-occurrence of supporting information. The lack of purchase orders, invoices and receiving reports make it impossible to determine that the sample items were properly approved and actually received by The Territory.

**Recommendation:** The Territory should establish and document appropriate policies and procedures regarding proper and efficient accounting records to provide support for each transaction.

**Auditee Response and Corrective Action Plan:** ASG concurs with this finding. Treasury management and the Payroll division met earlier this year to discuss this finding. In the past, timecards, scantrons and leave slips were filed separately. Items arrived stapled together and then separated after processing. As part of its corrective action plan, the Payroll division is to file all documentation together by employee and store by department in the records facility.

Regarding the items showing discrepancies (time in but not time out and timecard hours not matching scantron hours), department timekeepers were notified again to make certain employee time are accurate prior to submitting to Payroll.

Contact: Logovii Magalei, Treasurer, Department of Treasury  
Phone: 684.633.4155

TERRITORY OF AMERICAN SAMOA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
YEAR ENDED SEPTEMBER 30, 2009

Questioned  
Costs

**09 PR-2**

**Requirement:** OMB Common Rule 42 requires that financial records, supporting documents and other records pertinent to an award shall be retained for a period of three years from the date of submission of the last expenditure report.

**Condition:** We selected a sample of 60 transactions from the payroll activity and found the following exceptions:

- One item the hours reported on the timecard and the scantron did not agree (Sample #8).

\$ -

**Cause:** These missing documents are due to the lack of adherence to the accounting documentation procedures required by the Common Rule. Internal controls over documentation are incomplete and ineffective.

**Effect:** The lack of supporting documentation makes it impossible to determine that the sample items were properly approved and allocated by The Territory.

**Recommendation:** The Territory should develop and implement policies and procedures based upon the Common Rule for the proper and efficient maintenance of records to support each transaction. A method of monitoring should also be established to ensure that the procedures are effective.

**Auditee Response and Corrective Action Plan:** ASG concurs with this finding. Treasury management and the Payroll division met earlier this year to discuss this finding. In the past, timecards, scantrons and leave slips were filed separately. Items arrived stapled together and then separated after processing. As part of its corrective action plan, the Payroll division is to file all documentation together by employee and store by department in the records facility.

Regarding the items showing discrepancies (time in but not time out and timecard hours not matching scantron hours), department timekeepers were notified again to make certain employee time are accurate prior to submitting to Payroll.

Contact: Logovii Magalei, Treasurer, Department of Treasury  
Phone: 684.633.4155

TERRITORY OF AMERICAN SAMOA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
YEAR ENDED SEPTEMBER 30, 2009

Questioned  
Costs

Department of Labor  
Senior Community Service Employment Program  
American Recovery and Reinvestment Act Funds  
CFDA #17.235

**09 ARRA  
DOL-1**

**Requirement:** OMB Common Rule 20 requires that accounting records must be supported by such source documentation as cancelled checks, accounts payable vouchers, paid bills, purchase orders, payroll time and attendance records, contracts, and sub grant documentation etc.

**Condition:** We selected 30 transactions from the expenditure activity of this program and found the following exceptions:

- Two items were not supported by an original receiving report (P38139, two instances). \$ -

**Cause:** The missing documents are due to the lack of adherence to the accounting documentation procedures required by the Common Rule 20. Internal controls over documentation procedures are either missing or ineffective.

**Effect:** There is an inability to verify documentation due to the possible misplacement, loss, destruction or non-occurrence of supporting information. The lack of purchase orders, invoices and receiving reports make it impossible to determine that the sample items were properly approved and actually received by The Territory.

**Recommendation:** The Territory should establish and document appropriate policies and procedures regarding proper and efficient accounting records to provide support for each transaction.

**Auditee Response and Corrective Action Plan:** ASG concurs with this finding. The original receiving report (R/R) was forwarded to Disbursing for filing. The R/R was misplaced during the transfer of documents to the storage facility. A copy from Accounts Payable records was provided to the auditors. Receiving reports are routed from Procurement to Accounts Payable to Disbursing for filing.

Contact: Logovii Magalei, Treasurer, Department of Treasury  
Phone: 684.633.4155

TERRITORY OF AMERICAN SAMOA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
YEAR ENDED SEPTEMBER 30, 2009

Questioned  
Costs

Department of Labor  
Workforce Initiative Act - Youth Recovery  
American Recovery and Reinvestment Act Funds  
CFDA #17.259

**09 ARRA  
DOL-2**

**Requirement:** OMB Common Rule 42 requires that financial records, supporting documents and other records pertinent to an award shall be retained for a period of three years from the date of submission of the last expenditure report.

**Condition:** We selected a sample of 63 transactions from the expenditure activity of this program and found the following exceptions:

- One item was not supported with a time card that accurately reflected the time worked resulting in overpayment (Q129991). \$ -

**Cause:** These missing documents are due to the lack of adherence to the accounting documentation procedures required by the Common Rule. Internal controls over documentation are incomplete and ineffective.

**Effect:** The lack of supporting documentation makes it impossible to determine that the sample items were properly approved and allocated by The Territory.

**Recommendation:** The Territory should develop and implement policies and procedures based upon the Common Rule for the proper and efficient maintenance of records to support each transaction. A method of monitoring should also be established to ensure that the procedures are effective.

**Auditee Response and Corrective Action Plan:** ASG will continue to work closely with the grantee (i.e. DHR-WIA Division) of this program to establish appropriate procedures to prevent repeats of this exception.

Contact: Pat Galea'i, Executive Director, ASESRO  
Phone: 684.633-5652

TERRITORY OF AMERICAN SAMOA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
YEAR ENDED SEPTEMBER 30, 2009

Questioned  
Costs

Department of Transportation  
Territorial Office of Fiscal Reform - Airport Improvement Program  
CFDA #20.106

**09 ARRA  
DOT-1**

**Requirement:** ARRA funds are required to be separately tracked according to OMB Memorandum M 09-21, Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009.

**Condition:** ARRA funds and traditional grants were being held and tracked within the same account as non-ARRA funds.

\$ -

**Cause:** The Territorial Office of Fiscal Reform employees were unaware that they received ARRA funds. Due to this they were unaware of all reporting requirements.

**Effect:** The failure to comply with reporting requirements during a fiscal year could result in additional restrictions being placed on funds, reduction in funding, and repayment of funds by the grantee.

**Recommendation:** The Territory should review and enforce the reporting terms to guarantee that all requirements and deadlines are met timely and accurately.

**Auditee Response and Corrective Action Plan:** TOFR should have been fully aware of the fact that they received ARRA funds. Both the Department of Port Administration and TOFR have copies of the grant agreement and certifications. Moreover, this particular ARRA project has been on the ASESRO website for over a year. ASESRO will continue to work closely with TOFR to ensure that separate accounts are established for ARRA funded projects. ASESRO will also assist TOFR in reconciling their ARRA accounts not later than 5 days after the end of every quarter. A draft list of required financial information is prepared and will be forwarded to TOFR pertaining to this reconciliation process. ASESRO will add this process to its quarterly procedures.

Lastly, ASESRO plans to conduct additional workshops to adequately guide ARRA fund recipients in their reporting, compliance, and performance responsibilities.

Contact: Pat Galea'i, Executive Director, ASESRO  
Phone: 684.633-5652

TERRITORY OF AMERICAN SAMOA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
YEAR ENDED SEPTEMBER 30, 2009

Questioned  
Costs

Department of Health and Human Services  
Health Center Integrated Services Development Initiative  
American Recovery and Reinvestment Act Funds  
CFDA #93.703

**09 ARRA  
DHHS-1**

**Requirement:** OMB Common Rule 20 requires that accounting records must be supported by such source documentation as cancelled checks, accounts payable vouchers, paid bills, purchase orders, payroll time and attendance records, contracts, and sub grant documentation etc.

**Condition:** We selected a sample of 49 transactions from the expenditure activity of this program and found the following exceptions:

- One item was not supported with a receiving report (P38841). \$ -

**Cause:** This missing document is due to the lack of adherence to the accounting documentation procedures required by the Common Rule 20. Internal controls over documentation procedures are either missing or ineffective.

**Effect:** There is an inability to verify documentation due to the possible misplacement, loss, destruction or non-occurrence of supporting information. The lack of purchase orders, invoices and receiving reports make it impossible to determine that the sample items were properly approved and actually received by The Territory.

**Recommendation:** The Territory should establish and document appropriate policies and procedures regarding proper and efficient accounting records to provide support for each transaction.

**Auditee Response and Corrective Action Plan:** ASG concurs with this finding. This instance concerns receiving reports for advanced payments. When departments receive items from Procurement, they sign a receiving report and are given a copy to submit to Accounts Payable for completion of payment process. Departments are responsible for receiving receipts reaching Accounts Payable. Accounts Payable clerks check every quarter for outstanding reports. As part of its corrective action plan, Accounts Payable will not process future advanced payments if departments have outstanding receiving reports from prior advance payments. Exceptions are if purchased items have not yet been received.

Contact: Logovii Magalei, Treasurer, Department of Treasury  
Phone: 684.633.4155

TERRITORY OF AMERICAN SAMOA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
YEAR ENDED SEPTEMBER 30, 2009

Questioned  
Costs

Department of Health and Human Services  
Aging Home-Delivered Nutrition Services  
American Reinvestment and Recovery Act Funds  
CFDA #93.705

**09 ARRA  
DHHS-2**

**Requirement:** OMB Common Rule 20 requires that accounting records must be supported by such source documentation as cancelled checks, accounts payable vouchers, paid bills, purchase orders, payroll time and attendance records, contracts, and sub grant documentation etc.

**Condition:** The Territory was not able to provide documents or other records as sufficient or corroborating evidence in support for the eligibility of the sub sample listing of recipients in regards to this program.

\$ -

**Cause:** On September 29, 2009 a powerful tsunami, triggered by an 8.3 magnitude earthquake, hit American Samoa. The Territory's office building that administered this program was destroyed by the tsunami waters which reached the roof of the building. Consequently, computers, paper files and storage facilities in The Territory's building were submerged under seawater and marine debris for a length of time and most original documents were unrecoverable.

**Effect:** The lack of supporting evidence prohibited testing of expenditures in relation to The Territory's compliance with federal regulations for this program.

**Recommendation:** The Territory should have any original documents found professionally cleaned to preserve and retain as much original documentation as possible.

**Auditee Response and Corrective Action Plan:** Documentation for the sub sample listing of recipients could not be provided as the Territorial Administration on Aging (TAOA) office building was destroyed by the September 29, 2009 tsunami. The TAOA office has been relocated to AP Lutali building.

Contact: Fa'afiti Tauanuu, Director, TAOA  
Phone: 684.633.1251

TERRITORY OF AMERICAN SAMOA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
 YEAR ENDED SEPTEMBER 30, 2009

Questioned  
Costs

Department of Health and Human Services  
 Aging Congregate Nutrition Services  
 American Reinvestment and Recovery Act Funds  
 CFDA #93.707

**09 ARRA  
DHHS-3**

**Requirement:** OMB Common Rule 20 requires that accounting records must be supported by such source documentation as cancelled checks, accounts payable vouchers, paid bills, purchase orders, payroll time and attendance records, contracts, and sub grant documentation etc.

**Condition:** The Territory was not able to provide documents or other records as sufficient or corroborating evidence in support for the eligibility of the sub sample listing of recipients in regards to this program.

\$ -

**Cause:** On September 29, 2009 a powerful tsunami, triggered by an 8.3 magnitude earthquake, hit American Samoa. The Territory's office building that administered this program was destroyed by the tsunami waters which reached the roof of the building. Consequently, computers, paper files, and storage facilities in The Territory's building were submerged under seawater and marine debris for a length of time and most original documents were unrecoverable.

**Effect:** The lack of supporting evidence prohibited testing of expenditures in relation to The Territory's compliance with federal regulations for this program.

**Recommendation:** The Territory should have any original documents found professionally cleaned to preserve and retain as much original documentation as possible.

**Auditee Response and Corrective Action Plan:** Documentation for the sub sample listing of recipients could not be provided as the Territorial Administration on Aging (TAOA) office building was destroyed by the September 29, 2009 tsunami. The TAOA office has been relocated to AP Lutali building.

Contact: Fa'afiti Tauanuu, Director, TAOA  
 Phone: 684.633.1251

Total Questioned Costs

\$ -

TERRITORY OF AMERICAN SAMOA  
STATUS OF PRIOR YEAR FINDINGS  
YEAR ENDED SEPTEMBER 30, 2009

<b>08 FS-1</b>	<b>2008 Finding</b>	<b>Status</b>
	<p>There were significant failures in the operation of the internal control structure within the finance division of the Treasury Department.</p>	<ul style="list-style-type: none"><li>• Currently, a senior staff member has been identified to follow through with the ASG audit corrective action plan.</li><li>• Out of period liabilities are checked during the months of October to January. Journal entries are dated by invoice date and not payment date.</li><li>• The bank accounts cited are being reconciled by High Court. This finding continues from FY 2007 because High Court did not date their reconciliations - no evidence was given that the reconciliations were completed timely. High Court will continue to reconcile their accounts and have committed to submitting their reports by year end (9/30).</li><li>• Treasury now has a storage facility and is filing payroll documentation in alphabetical order by employee. Payroll documentation includes: scan tron, time card and any sick or annual leave. The Disbursing Manager is responsible for the storage facility.</li><li>• Treasury implemented year end closing in August rather than September. Late payments and discrepancies in postings delayed timely closing. Treasury will continue to work for a timely year end closing.</li></ul>

TERRITORY OF AMERICAN SAMOA  
STATUS OF PRIOR YEAR FINDINGS - CONTINUED  
YEAR ENDED SEPTEMBER 30, 2009

<b>2008 Finding</b>	<b>Status</b>	
	<p>For FY 2009, policies implemented by the former comptroller continue today. Expenses are reviewed for assurance that they are being paid from the proper account, that there is funding in the account, that the cost is allowable and that all supporting documentation is included. Controller review is now the responsibility of the Treasurer (and Deputy Treasurer when Treasurer is not in the office); any inquiries are forwarded to the Chief Accountant, Grants Manager and Accounts Payable Manager. Items with discrepancies are returned back to the originating department for compliance. Postings to the General Ledger (GL) are monitored by the Grants Manager and General Accounting Division Head. Treasury is actively seeking for a Comptroller.</p>	
<b>08 FS-2</b>	<p>There are deficiencies in the internal control structure design of the Territory's General Fixed Assets.</p>	<p>Currently, an accountant from Treasury and the Special Assistant from Property Management reconciles the GL and OPM records on a quarterly basis. Discrepancies are verified through payment documentation before entering into GL and OPM records. When OPM does the inventory, items not on their records are verified for payment information and then tagged.</p>
<b>08 FS-3</b>	<p>The Territory does not maintain an adequate system of internal controls to ensure compliance with The Common Rule that relates to post-award requirements for the administration of federal funds assistance programs.</p>	<p>The Treasury Grants Division continues to work with department finance officers in following requirements related to financial assistance programs. Treasury has placed strict guidelines concerning payments of any kind; any item missing proper documentation and authorization is returned to the department. The Grants Division also reviews for unallowable items prior to payment.</p>

TERRITORY OF AMERICAN SAMOA  
STATUS OF PRIOR YEAR FINDINGS - CONTINUED  
YEAR ENDED SEPTEMBER 30, 2009

	<u>2008 Finding</u>	<u>Status</u>
<b>08 FS-4</b>	Recommendations made in previous single audit reports and reports filed by the federal agencies have not been addressed adequately by the Territory.	Treasury created an audit team responsible for working with our independent auditors and with addressing the single audit findings. The only item Treasury has not addressed is 07 FS-7.
<b>08 FS-5</b>	Budgetary requirements are established by law and are required to be followed. Numerous departments of the general fund exceeded appropriations.	Treasury and the Budget Office will work together to resolve this finding.
<b>08 FS-6</b>	The Common Rule governing retention and access requires records to be retained for three years. The Territory's records have not been retained in an organized manner.	Treasury built a storage room to maintain all payment and payroll documentation. Payment documentation is stored in numerical check number order by month issued. Current fiscal year documentation is with the Disbursing Division; prior two years are stored in the storage facility located near the Tax Office. Payroll documentation is filed in alphabetical order by employee. The Disbursing Manager is responsible for the storage facility.
<b>08 FS-7</b>	OMB Circular A-87 cost principles for insurance and indemnification established allowable cost principles for self-insurance programs. No analysis has been prepared to assure that the premium rate for the Worker's Compensation Internal Service Fund is reasonable.	ASG has not addressed this issue yet.

TERRITORY OF AMERICAN SAMOA  
STATUS OF PRIOR YEAR FINDINGS - CONTINUED  
YEAR ENDED SEPTEMBER 30, 2009

	<u>2008 Finding</u>	<u>Status</u>
<b>08 USDA-1</b>	The Common Rule requires that financial records, supporting documents and other records are retained for a period of three years from the submission date of the last expenditure report.	<p>Advanced payments - A specific Accounts Payable clerk is responsible for tracking receiving reports (R/R) for advanced payments. He contacts departments and Procurement monthly for outstanding R/Rs. Once received, a copy is filed with Accounts Payable while the original is forwarded to Disbursing to attach to payment backup. The receiving report in question was for an advanced purchase order of unleaded gas. This finding should not repeat in FY 2009.</p> <p>Quick Purchase Orders - Quick purchase orders (QPO) do not require receiving reports, however, authorized departmental personnel must sign-off on invoices indicating items were received. Grant analysts check for signatures when reviewing documentation for a grant payment run.</p>
<b>08 DOT-1</b>	The Davis Bacon Act states all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by federal assistance funds must be paid wages not less than those established for the locality of the project by the Department of Labor.	TOFR reviews and approves payroll prior to preparing and cutting checks. This finding should not repeat in FY 2009.
<b>08 DOE-1</b>	The Common Rule requires that financial records, supporting documents and other records are retained for a period of three years from the submission date of the last expenditure report.	Except for advanced payments, Accounts Payable does not process payments without receiving reports. This finding does not repeat in FY 2009.

TERRITORY OF AMERICAN SAMOA  
STATUS OF PRIOR YEAR FINDINGS - CONTINUED  
YEAR ENDED SEPTEMBER 30, 2009

	<u>2008 Finding</u>	<u>Status</u>
<b>08 DHHS-1, 2, 3, 4, 5</b>	The Common Rule requires that financial records, supporting documents and other records are retained for a period of three years from the submission date of the last expenditure report.	Advanced payments - A specific Accounts Payable clerk is responsible for tracking receiving reports (R/R) for advanced payments. He contacts departments and Procurement monthly for outstanding R/Rs. Once received, a copy is filed with Accounts Payable while the original is forwarded to Disbursing to attach to payment backup.  Quick Purchase Orders - Quick purchase orders (QPO) do not require receiving reports, however, authorized departmental persons must sign-off on invoices indicating items were received. Grant analysts check for signatures when reviewing documentation for a grant payment run.  Travel Authorizations - ASG Travelers are required to file expense reports no later than 30 days form their return date. Receipts for transportation, lodging and registration are required. Tickets and boarding passes are also submitted. Travel is suspended for employees if expense reports are not filed timely. After 60 days, their paycheck is held until they file.
<b>08 DOI-1, 2</b>	The Davis Bacon Act state all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by federal assistance funs must be paid wages not less than those established for the locality of the project by the Department of Labor.	The Procurement Office has policies and procedures in place to certify payroll periods and labor rates. This finding should not repeat I FY 2009.
<b>08 PR-1</b>	OMB Common Rule 42 requires that financial records, supporting documents and other records pertinent to an award shall be retained for a period of three years from the date of submission of the last expenditure report.	Similar findings to those of the ASDOE Payroll Audit. Human Resources (HR) has been updating personnel files to include tax withholding forms and having withholding statuses match the payroll prelist. Treasury conducts random checks every quarter to make certain findings cited do not occur. Treasury and HR report quarterly to USDOE. Random checks include all ASG employees and not just DOE.

TERRITORY OF AMERICAN SAMOA  
STATUS OF PRIOR YEAR FINDINGS - CONTINUED  
YEAR ENDED SEPTEMBER 30, 2009

	<u>2008 Finding</u>	<u>Status</u>
<b>08 PR-2</b>	OMB Common Rule 20 requires that accounting records must be supported by such source documentation as cancelled checks, accounts payable vouchers, paid bills, purchase orders, payroll time and attendance records, contracts and sub grant documentation, etc.	Treasury built a storage room to maintain all payment and payroll documentation. Payment documentation is stored in numerical check number order by month issued. Current fiscal year documentation is with the Disbursing Division; prior two years are stored in the storage facility located near the Tax Office. Payroll documentation is filed in alphabetical order by employee. The Disbursing Manager is responsible for the storage facility.