Report of Independent Auditors
and Financial Statements with
Required Supplementary Information for

Territory of American Samoa

September 30, 2012

MOSS-ADAMS LLP

Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the Territory of American Samoa (the "Territory" or "ASG"), as of and for the year ended September 30, 2012, which collectively comprise the Territory's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Territory's management. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of the following component units: American Samoa Community College, American Samoa Medical Center Authority, American Samoa Power Authority, and American Samoa Telecommunications Authority, whose financial statements reflect all of the assets and all of the operating revenues of the aggregate discretely presented component units. The financial statements of the American Samoa Community College, American Samoa Medical Center Authority, American Samoa Power Authority, and American Samoa Telecommunications Authority were audited by other auditors, whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for these component units, is based solely upon the reports of the other auditors.

Except as discussed in the following paragraph, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Territory's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

We were unable to satisfy ourselves as to the accuracy of the Immigration Bonds Liability of $7.8 million within the Agency Fund.

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information, with the exception of the Immigration Bonds Liability account within the Agency Fund, of the Territory of American Samoa as of September 30, 2012, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to determine the accuracy of the immigration bonds liability of the Agency Fund, the financial statements present fairly, in all material respects, the financial position of the aggregate remaining fund information of the Territory of American Samoa as of September 30, 2012, and the changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2013 on our consideration of the Territory's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management discussion and analysis and budget comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Moss Adams LLP

Seattle, Washington
July 30, 2013

This section of the Territory of American Samoa (the "Territory") Basic Financial Report presents a narrative overview and analysis of the financial activities of the Territory for the fiscal year ended September 30, 2012. We encourage readers to consider the information presented here in conjunction with the letter of transmittal and the financial statements. Fiscal year 2011 comparative information has been included, where appropriate.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended September 30, 2012, the Territory's total net assets of the primary government increased by $26,936,086 or 16.3% from the prior year.

- During the year, the Territory's expenses for governmental activities were $251,010,020 and were funded by federal program revenues of $190,686,524 and further funded with taxes, fees and other general revenues that totaled $89,154,017.

- In the Territory's business-type activities, which include the airport, industrial park, and shipyard, program expenses exceeded program revenues by $1,406,084.

- As of September 30, 2012, the General Fund reported a net fund balance (deficit) of ($10,687,573) from the prior year total fund balance (deficit) of ($7,727,686).

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the Territory and its component units using the integrated approach as prescribed by GASB Statement No. 34. Included in this report are government-wide statements for each of two categories of activities - governmental and business-type, along with a separate category for discretely-presented component units. The government-wide financial statements present the most complete financial picture of the Territory from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business type activities separately and combined. These statements include all assets of the Territory (including infrastructure capital assets) as well as all liabilities (including all long-term debt).

Reporting the Territory as a Whole

The Statement of Net Assets and the Statement of Activities

The Statement of Net Assets and the Statement of Activities provide an overall assessment of the Territory's financial condition, and whether its financial condition improved, declined or remained steady over the past year. These statements include all assets and liabilities using the accrual basis of accounting. In addition all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

These two government-wide statements report the Territory's net assets and changes in them from the prior year. Net assets - the difference between assets and liabilities – represent a fundamental measure of an entity's financial condition, or position. Over time, increases or decreases in the Territory's net assets are one indicator of whether its financial health is improving, deteriorating, or remaining steady.

In addition, you must consider other nonfinancial factors, such as changes in the Territory's overall economic environment, the condition of the Territory's roads and other infrastructure, and the quality of services to assess the overall health and performance of the Territory.

As mentioned above, in the Statement of Net Assets and the Statement of Activities, we divide the Territory into three kinds of activities:

- Governmental activities - Most of the Territory's basic services are reported here, including public safety, health and welfare, education, culture, general administration, and public works. Income taxes and federal grants finance most of these activities.

- Business-type activities - The Territory charges various fees to recover the costs of operating certain services it provides. The Territory's airport, industrial park, and shipyard authority are activities reported here.

- Discretely-presented component units - These account for activities of the Territory's reporting entity that do not meet the criteria for blending, specifically the American Samoa Power Authority, the American Samoa Community College, the Lyndon B. Johnson Hospital, and the American Samoa Telecommunications Authority.

Reporting the Territory's Most Significant Funds

Fund Financial Statements

The fund financial statements are designed to report information about the most significant funds - not the Territory as a whole. Some funds are required to be established by law and/or by contract or grant agreements. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is using certain taxes, grants and other money, in accordance with applicable laws and regulations.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Governmental funds - Most of the Territory's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Territory's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Territory's programs. The differences of results in the Governmental Fund financial statements to those in the Government-Wide financial statements are explained in a reconciliation following each Governmental Fund financial statement.

Proprietary funds - When the Territory charges customers for the services it provides - whether to outside customers or to other units of the Territory - these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Fund Net Assets. In fact, the Territory's enterprise funds are essentially the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

Fiduciary funds - The Territory is responsible for assets of these funds that - because of a trust arrangement or other fiduciary requirement - can be used only for trust beneficiaries or others parties, such as the American Samoa Government Employees Retirement Fund ("Retirement Fund"). The Territory is responsible for ensuring that the assets reported in these funds are used for their intended purpose. All of the Territory's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the Territory's government-wide financial statements because the Territory cannot use these assets to finance operations.

FINANCIAL ANALYSIS OF THE TERRITORY AS A WHOLE

Net Assets

The Territory's combined net assets increased from $256,089,547 to $283,540,465 between fiscal years 2011 and 2012. This is due to a 13.4% decrease in expenses and a 5.0% decrease in revenues.

	Governmental Activities		Business-type Activities		Total	
	2011	2012	2011	2012	2011	2012
Capital assets, net	$ 212,480,481	$ 244,614,472	$ 90,621,849	$ 88,904,728	$ 303,102,330	$ 333,519,200
Other assets	65,886,730	58,668,403	3,493,662	3,611,832	69,380,392	62,280,235
Total assets	$ 278,367,211	$ 303,282,875	$ 94,115,511	$ 92,516,560	$ 372,482,722	$ 395,799,435
Current liabilities	$ 76,162,583	$ 66,972,387	$ 3,544,789	$ 1,431,006	$ 79,707,372	$ 68,403,393
Non-current liabilities	36,685,803	43,855,577	-	-	36,685,803	43,855,577
Total liabilities	$ 112,848,386	$ 110,827,964	$ 3,544,789	$ 1,431,006	$ 116,393,175	$ 112,258,970
Net assets						
Invested in capital assets, net of related debt	$ 212,123,828	$ 243,893,287	$ 89,282,849	$ 88,555,640	$ 301,406,677	$ 332,448,927
Restricted	2,490,056	4,362,320	-	1,652,753	2,490,056	6,015,073
Unrestricted	(49,095,059)	(55,800,696)	1,287,873	877,161	(47,807,186)	(54,923,535)
Total net assets	$ 165,518,825	$ 192,454,911	$ 90,570,722	$ 91,085,554	$ 256,089,547	$ 283,540,465

Changes in Net Assets

For the years ended September 30, 2011 and 2012, net assets of the primary government changed as follows:

	Governmental Activities		Business-type Activities		Total	
	2011	2012	2011	2012	2011	2012
Revenues						
Program revenues	$ 192,576,041	$ 200,724,364	$ 18,436,100	$ 8,424,630	$ 211,012,141	$ 209,148,994
Taxes and other general revenues	92,345,151	79,116,177	27,412	26,481	92,372,563	79,142,658
Total revenues	284,921,192	279,840,541	18,463,512	8,451,111	303,384,704	288,291,652
Expenses						
General government	136,825,605	69,732,332	-	-	136,825,605	69,732,332
Public safety	16,033,438	76,569,456	-	-	16,033,438	76,569,456
Health and welfare	22,768,036	29,935,764	-	-	22,768,036	29,935,764
Public works	13,157,710	40,477,909	-	-	13,157,710	40,477,909
Education and culture	74,552,211	15,780,936	-	-	74,552,211	15,780,936
Economic development	24,536,093	15,563,350	-	-	24,536,093	15,563,350
Interest	2,745,319	2,950,273	-	-	2,745,319	2,950,273
Non-major activities	-	-	1,669,468	1,881,264	1,669,468	1,881,264
Airport	-	-	8,929,210	7,949,450	8,929,210	7,949,450
Total expenses	290,618,412	251,010,020	10,598,678	9,830,714	301,217,090	260,840,734
Excess (deficiency) before transfers	(5,697,220)	28,830,521	7,864,834	(1,379,603)	2,167,614	27,450,918
Transfers	(1,851,108)	(1,894,435)	1,851,108	1,894,435	-	-
Increase (decrease) in net assets	$ (7,548,328)	$ 26,936,086	$ 9,715,942	$ 514,832	$ 2,167,614	$ 27,450,918

FINANCIAL ANALYSIS OF THE TERRITORY AS A WHOLE (CONTINUED)

In 2012, governmental activities revenues showed a decrease of $4,450,651 or 1.6% decrease in revenues versus $39,608,122 or 13.6% decrease in expenses. Business-type activities showed a decline in revenues of $10,012,401 or 54.2%. Expenses also showed a decrease from the previous year of $767,964 or 7.2%.

Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the Territory's taxpayers and citizens. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note all taxes are classified as general revenue even if restricted for a specific purpose.

For the year ended September 30, 2012, total expenses for governmental activities amounted to $251,010,020. Of these total expenses, taxpayers and other general revenues funded $79,116,177 while those directly benefiting from the programs funded $10,037,840 from charges for services and $190,686,524 from grants and contributions.

	Net Revenue (Expense) of Governmental Activities			
	Total Expense of Services		Net Revenue (Expense) of Services	
	2011	2012	2011	2012
General government	$ 136,825,605	$ 69,732,332	$ (47,504,604)	$ (30,275,600)
Public safety	16,033,438	76,569,456	(10,526,143)	(27,450,281)
Health and welfare	22,768,036	29,935,764	(7,237,201)	32,390,292
Public works	13,157,710	40,477,909	(4,358,477)	(25,284,032)
Education and culture	74,552,211	15,780,936	(16,539,523)	(10,668,118)
Economic development	24,536,093	15,563,350	(9,131,104)	13,952,356
Interest	2,745,319	2,950,273	(2,745,319)	(2,950,273)
Total	$ 290,618,412	$ 251,010,020	$ (98,042,371)	$ (50,285,656)

FINANCIAL ANALYSIS OF THE TERRITORY AS A WHOLE (CONTINUED)

Business-type Activities

In reviewing the business-type activities net revenue (expense), the following highlights should be noted:

- Total business-type activities reported a deficit in revenue of ($1,406,084) for the year ended September 30, 2012.

- Of the business-type activities, the airport reported net program expenses of ($2,112,247). Non-major business-type activities, including the industrial park and shipyard authority reported net program revenue of $706,163.

	Net Revenue (Expense) of Business-type Activities			
	Total Expense of Services		Net Revenue (Expense) of Services	
	2011	2012	2011	2012
Airport	$ 8,929,210	$ 7,949,450	$ 7,693,962	$ (2,112,247)
Non-major activities	1,669,468	1,881,264	143,460	706,163
Total	$ 10,598,678	$ 9,830,714	$ 7,837,422	$ (1,406,084)

A FINANCIAL ANALYSIS OF THE TERRITORY'S FUNDS

As the Territory completed its 2012 fiscal year, the governmental funds reported a combined fund balance of ($1,818,829), or a 245.1% decrease from the prior year's combined fund balance of ($527,022). The enterprise funds reported combined net assets of $91,085,554 or an increase of 0.5% from 2011.

Other fund highlights include:

- For the year ended September 30, 2012, the General Fund's total fund balance decreased by $2,959,887 from the prior year's fund balance of ($7,727,686) for a total fund deficit of ($10,687,573).

- The airport enterprise fund, after the recognition of capital grants and contributions of $6,096,456 reported a decrease in net assets of $323,008.

- The Retirement Fund posted an increase in net assets of the fund of $18,413,961 or 10.1% for the year, which included net appreciation of the fair value of investments of $25,297,602.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2012, the Territory had $333,519,200 invested in capital assets, net of depreciation, including land and land improvements, buildings, infrastructure and various machinery and equipment. See table below. This represents a net increase of $30,416,870 or 10% over the prior year.

	Governmental Activities		Business-type Activities		Total	
	2011	2012	2011	2012	2011	2012
Land	$ 1,591,761	$ 1,606,754	$ 1,871,894	$ 1,871,894	$ 3,463,655	$ 3,478,648
Buildings and structures	76,326,071	86,598,864	38,103,612	42,494,590	114,429,683	129,093,454
Land improvements	19,301,063	18,958,022	36,476,433	33,612,892	55,777,496	52,570,914
Machinery and equipment	21,122,391	23,440,498	2,457,613	2,783,843	23,580,004	26,224,341
Infrastructure	84,744,735	101,857,099	-	-	84,744,735	101,857,099
Construction in progress	9,394,460	12,153,235	11,712,297	8,141,509	21,106,757	20,294,744
Total capital assets	$ 212,480,481	$ 244,614,472	$ 90,621,849	$ 88,904,728	$ 303,102,330	$ 333,519,200

This year's more significant capital asset additions included the AP Lutali Executive Office Building re-roofing and renovations, convention center renovations, Tula Elementary re-roofing, Manulele Elementary repairs and renovations, Route 6 Fagasa Road, Permanent Bank Stabilization – Amaluia Village, FHWY Fagasa Village Road 3, Route 014 Airport Drainage for Airport Road, ARRA Ferry Shelter, Parks and Recreation – Recreational Courts, Parks and Recreation – West Shoreline Sites, and TAOA Office Building repair.

See Note 5 to the financial statements for more detailed information on the Territory's capital assets and changes therein.

Long-Term Obligations

At year-end, the Territory had $59,643,845 in long-term obligations outstanding, which represents a $3,924,001 or 7.0% decrease from the prior year. Currently, the business-type activities of the Territory have no long-term debt. The Territory's changes in long-term obligations by type are as follows:

	Governmental Activities		Business-type Activities		Total	
	2011	2012	2011	2012	2011	2012
Accrued compensated absences	$ 14,169,803	$ 14,920,630	$ -	$ -	$ 14,169,803	$ 14,920,630
FEMA loan	3,051,602	3,135,899	-	-	3,051,602	3,135,899
DOI loan	12,659,790	11,964,601	-	-	12,659,790	11,964,601
Workers compensation claims	1,246,062	1,527,390	-	-	1,246,062	1,527,390
ASG Retirement Fund - $10M loan	7,953,252	7,516,151	-	-	7,953,252	7,516,151
ASG Retirement Fund - $20M loan	14,051,677	12,191,516	-	-	14,051,677	12,191,516
Landfill closure and post-closure	287,658	287,658	-	-	287,658	287,658
Claims and judgments	2,300,000	8,100,000	-	-	2,300,000	8,100,000
Total long-term debt	$ 55,719,844	$ 59,643,845	$ -	$ -	$ 55,719,844	$ 59,643,845

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

See Note 8 to the financial statements for more detailed information on the Territory's long-term obligations and changes therein.

ECONOMIC FACTORS

Fiscal Year (FY) 2012 marked a turning point in American Samoa's long-fought road to recovery from the triple blows of the Great Recession, the closure of the Samoa Packing cannery, and the 2009 Tsunami. John F. Kennedy commented in 1963 that "a rising tide lifts all boats." In 2012, Kennedy's words still rang true, as the rising tide of the American economy reached the distant shores of American Samoa. Tax revenues for the first time in 5 years reached their pre-recession levels, indicating that the private sector was clearly on the rebound. Tri Marine Group broke ground on its state-of-the-art cold storage facility, marking the completion of the first of three phases towards the reopening of the Samoa Packing cannery scheduled for 2014. Tri Marine estimates that its tuna processing operation will ultimately add nearly 2,000 jobs to the local economy. The American Samoa Visitor's Bureau continued its efforts in FY 2012 to promote the Territory as America's undiscovered Jewel of the South Pacific, and brought in nearly 20 cruise ships, with over 45,000 crew and passengers to American Samoa. FY 2012 also marked the first full year of operations for ASG's Ronald Reagan Marine Railway, which had continued success as a fully self-funded entity.

The year was not without its financial speed-bumps. LBJ Hospital's ongoing struggles to deal with an unsustainable cost structure resulted in emergency legislation in FY 2012 to provide for a $3 million bail-out from the ASG, which increased the ASG's ending deficit balance from $7 million to $10 million. In addition, the legislation required the assignment of future proceeds from the Territory's 2% Wage Tax to LBJ Hospital to fund the Hospital's operations, which will put a further strain on ASG's tenuous cash flow. Finally, the Bank of Hawaii, in November 2012 announced that it was bringing its near half-a-century presence in American Samoa to an abrupt end, sending shock waves through the local economy.

Despite these challenges, the economic outlook for FY 2013 going forward remains positive. FY 2013 ushered in a change in Administration, and with it a new direction. The Moliga Administration set a bold agenda focused on spurring economic development, improving the quality and efficiency of Government services, and marshaling the resources necessary to restore the Territory's crumbling infrastructure. The Administration moved quickly to secure a new American financial institution to replace the departing BOH. In addition, the Governor appointed a new Board of Directors for the LBJ Hospital, who in turn brought in a new management team to return the beleaguered Hospital to solvency.

ECONOMIC FACTORS (CONTINUED)

Finally, the new Administration took decisive steps in FY 2013 to address the Government's perennial year-end deficits and cash flow difficulties. The centerpiece of the Administration's plan involves the implementation of a Gross Receipts Tax that will provide for lower tax rates, assessed on gross receipts rather than income, and applied across the board to all businesses to ensure that all business entities are contributing to the economic system in which they operate. The Gross Receipts Tax has seen dramatic success where it has been adopted, in other Territories, as well as States and municipalities throughout the United States. The Gross Receipts Tax is a long-term solution that will take time to fully implement. However, once implemented, it will allow the Government to fully invest in the Territory's infrastructure, healthcare system, and Villages. In the interim, the Administration is actively pursuing plans to acquire additional funding through bond initiatives that will enable the Government to address its more immediate cash needs in order to pay down its debts and legal obligations, and in so doing, eliminate its deficit position.

CONTACTING THE TERRITORY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Territory's finances and to show the Territory's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer's Office at:

Executive Office Building
Hwy 1
Pago Pago
American Samoa 96799
Telephone: (684) 633-4155
Fax: (684) 633-4100

TERRITORY OF AMERICAN SAMOA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	$ 12,953,983	$ 1,319,560	$ 14,273,543	$ 18,036,859
Investments	7,707,583	-	7,707,583	3,046,268
Taxes receivable, net	1,775,839	-	1,775,839	-
Accounts receivable, net	9,085,831	1,155,595	10,241,426	22,271,956
Due from U.S. Government	26,537,438	1,136,677	27,674,115	6,355,902
Due from primary government	-	-	-	4,457,825
Inventories	-	-	-	24,403,244
Prepaid expenses	607,729	-	607,729	1,788,913
Other assets	-	-	-	1,036,326
Capital assets				
Land and construction in progress	13,759,989	10,013,403	23,773,392	26,726,234
Depreciable buildings, equipment, and land improvements	230,854,483	78,891,325	309,745,808	135,627,393
Total assets	303,282,875	92,516,560	395,799,435	243,750,920
LIABILITIES				
Due to agency fund-pooled cash	4,383,331	-	4,383,331	-
Accounts payable	16,094,538	456,876	16,551,414	22,558,975
Income tax refunds payable	4,820,345	-	4,820,345	-
Accrued expenses	6,440,695	625,042	7,065,737	7,029,857
Due to component units	9,069,213	-	9,069,213	-
Contract retention	721,185	349,088	1,070,273	-
Deposits	1,102,716	-	1,102,716	282,966
Unearned revenue	10,079,486	-	10,079,486	17,734,235
Long-term debt payable within one year	6,860,878	-	6,860,878	1,577,131
Other liabilities	7,400,000	-	7,400,000	1,930,120
Non-current liabilities				
Long-term debt payable after one year	27,947,289	-	27,947,289	8,319,310
Other liabilities due after one year	15,908,288	-	15,908,288	8,156,639
Total liabilities	110,827,964	1,431,006	112,258,970	67,589,233
NET ASSETS				
Invested in capital assets, net of related debt	243,893,287	88,555,640	332,448,927	158,129,841
Restricted	4,362,320	1,652,753	6,015,073	3,510,524
Unrestricted	(55,800,696)	877,161	(54,923,535)	14,521,322
Total net assets	$ 192,454,911	$ 91,085,554	$ 283,540,465	$ 176,161,687

See accompanying notes.

TERRITORY OF AMERICAN SAMOA
STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2012

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues: Charges for Services	Program Revenues: Operation Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-Type Activities	Net (Expense) Revenue and Changes in Net Assets: Totals	Component Units
PRIMARY GOVERNMENT									
Governmental activities									
General government	$ 69,732,332	$ (3,778,961)	$ 6,409,241	$ 7,705,404	21,563,126	$ (30,275,600)	$ -	$ (30,275,600)	$ -
Education and culture	76,569,456	2,490,694	-	51,609,869	-	(27,450,281)	-	(27,450,281)	-
Health and welfare	29,935,764	569,314	83,614	62,811,756	-	32,390,292	-	32,390,292	-
Public safety	15,780,936	219,120	76,946	3,149,118	2,105,874	(10,668,118)	-	(10,668,118)	-
Economic development	15,563,350	288,253	2,932,372	26,871,587	-	13,952,356	-	13,952,356	-
Public works	40,477,909	211,580	535,667	14,435,912	433,878	(25,284,032)	-	(25,284,032)	-
Interest	2,950,273	-	-	-	-	(2,950,273)	-	(2,950,273)	-
Total governmental activities	251,010,020	-	10,037,840	166,583,646	24,102,878	(50,285,656)	-	(50,285,656)	-
Business-type activities									
Non-major activities	1,881,264		2,253,500	-	333,927	-	706,163	706,163	-
Airport	7,949,450		1,503,505	-	4,333,698	-	(2,112,247)	(2,112,247)	-
Total business-type activities	9,830,714		3,757,005	-	4,667,625	-	(1,406,084)	(1,406,084)	-
Total primary government	$ 260,840,734		$ 13,794,845	$ 166,583,646	$ 28,770,503	$ (50,285,656)	$ (1,406,084)	$ (51,691,740)	$ -
COMPONENT UNITS									
American Samoa Power Authority	$ 113,964,499		$ 107,070,042	$ 574,763	$ 15,474,719				$ 9,155,025
American Samoa Community College	15,063,540		14,919,129	-	-				(144,411)
American Samoa Medical Center Authority	38,650,089		24,727,406	-	818,489				(13,104,194)
American Samoa Telecommunications Authority	19,116,558		18,842,440	-	-				(274,118)
	$ 186,794,686		$ 165,559,017	$ 574,763	$ 16,293,208				$ (4,367,698)
GENERAL REVENUES									
Taxes									
Income taxes for general purposes						$ 39,250,779	$ -	$ 39,250,779	$ -
Excise taxes						24,056,786	26,481	24,083,267	-
Intergovernmental						6,077,581	-	6,077,581	8,597,819
Tobacco settlement proceeds						2,016,281	-	2,016,281	-
Payments from the Territory of American Samoa						-	-	-	10,489,002
Miscellaneous						7,714,750	-	7,714,750	2,667,273
Transfers						(1,894,435)	1,894,435	-	-
Total general revenues and transfers						77,221,742	1,920,916	79,142,658	21,754,094
CHANGES IN NET ASSETS						26,936,086	514,832	27,450,918	17,386,396
NET ASSETS, beginning of year						165,518,825	90,570,722	256,089,547	158,775,291
NET ASSETS, end of year						$ 192,454,911	$ 91,085,554	$ 283,540,465	$ 176,161,687

See accompanying notes.

TERRITORY OF AMERICAN SAMOA
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	General Fund	Grant Fund	Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 5,860,169	$ 3,624,663	$ 260,065	$ 419,237	$ 10,164,134
Due from other funds-pooled cash	509,869	-	-	-	509,869
Investments	3,193,707	-	-	3,789,149	6,982,856
Taxes receivable, net	1,775,839	-	-	-	1,775,839
Accounts receivable, net	245,902	7,693,522	-	1,146,257	9,085,681
Due from U.S. Government	-	24,986,895	-	1,550,543	26,537,438
Prepaid expenses	592,504	-	-	15,225	607,729
Total assets	$ 12,177,990	$ 36,305,080	$ 260,065	$ 6,920,411	$ 55,663,546
LIABILITIES AND FUND BALANCES					
Liabilities					
Due to other funds-pooled cash	$ -	$ 7,868,739	$ -	$ 418,410	$ 8,287,149
Accounts payable	1,496,250	14,307,738	-	259,844	16,063,832
Income tax refunds payable	4,820,345	-	-	-	4,820,345
Accrued expenses	4,423,117	370,971	-	19,361	4,813,449
Due to component units	8,738,396	330,817	-	-	9,069,213
Due to internal service fund	2,525,000	-	-	-	2,525,000
Contract retention	-	502,888	-	218,297	721,185
Deposits	-	1,102,716	-	-	1,102,716
Unearned revenue	862,455	9,098,597	-	118,434	10,079,486
Total liabilities	22,865,563	33,582,466	-	1,034,346	57,482,375
Fund balances					
Nonspendable	592,504	-	-	-	592,504
Restricted	-	2,722,614	260,065	1,379,641	4,362,320
Committed	1,933,058	-	-	3,372,508	5,305,566
Assigned	-	-	-	1,133,916	1,133,916
Unassigned	(13,213,135)	-	-	-	(13,213,135)
Total fund balances	(10,687,573)	2,722,614	260,065	5,886,065	(1,818,829)
Total liabilities and fund balances	$ 12,177,990	$ 36,305,080	$ 260,065	$ 6,920,411	$ 55,663,546

See accompanying notes.

TERRITORY OF AMERICAN SAMOA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

Fund balances - total government funds		$ (1,818,829)
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets	$ 420,630,208	
Less: Accumulated depreciation	(176,247,144)	244,383,064
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
ASGERF-loan	(12,191,516)	
ASGERF-LBJ loan	(7,516,151)	
Compensated absences	(14,920,630)	
Claims and judgments	(8,100,000)	
Other liabilities	(15,388,158)	(58,116,455)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.		8,007,131
Net assets of governmental activities		$ 192,454,911

See accompanying notes.

TERRITORY OF AMERICAN SAMOA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	General Fund	Grant Fund	Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	$ 62,206,531	$ -	$ 2,217,465	$ -	$ 64,423,996
Licenses and permits	984,537	-	-	-	984,537
Intergovernmental	14,725,669	174,398,111	-	3,155,812	192,279,592
Charges for services	5,142,824	-	-	2,814,051	7,956,875
Fines and fees	2,758,390	-	93,550	-	2,851,940
Indirect	4,484,513	-	-	-	4,484,513
Tobacco settlement proceeds	-	-	2,016,281	-	2,016,281
Miscellaneous	1,545,591	1,155,302	1,100,000	77,380	3,878,273
Total revenues	91,848,055	175,553,413	5,427,296	6,047,243	278,876,007
EXPENDITURES					
Current					
General government	42,441,119	19,834,111	-	-	62,275,230
Education and culture	22,980,758	42,425,860	-	-	65,406,618
Public works	7,796,904	27,661,482	-	5,019,523	40,477,909
Health and welfare	3,059,195	26,317,149	-	-	29,376,344
Public safety	9,073,841	6,376,824	-	-	15,450,665
Economic development	4,516,421	6,287,669	-	-	10,804,090
Capital outlays	-	48,163,835	-	-	48,163,835
Principal	-	-	3,562,773	-	3,562,773
Interest	-	-	2,315,654	-	2,315,654
Total expenditures	89,868,238	177,066,930	5,878,427	5,019,523	277,833,118
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,979,817	(1,513,517)	(451,131)	1,027,720	1,042,889
OTHER FINANCING SOURCES (USES)					
Transfers in	-	1,907,118	697,890	-	2,605,008
Transfers out	(4,939,704)	-	-	-	(4,939,704)
Total other financing sources (uses)	(4,939,704)	1,907,118	697,890	-	(2,334,696)
CHANGES IN FUND BALANCES	(2,959,887)	393,601	246,759	1,027,720	(1,291,807)
FUND BALANCES (DEFICIT), beginning of year	(7,727,686)	2,329,013	13,306	4,858,345	(527,022)
FUND BALANCES (DEFICITS), end of year	$ (10,687,573)	$ 2,722,614	$ 260,065	$ 5,886,065	$ (1,818,829)

See accompanying notes.

TERRITORY OF AMERICAN SAMOA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2012

Net change in fund balances - total government funds		$ (1,291,807)
Amounts reported for governmental activities in the statement of net assets are different because:		
Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.		
Expenditures for capital assets, net	$ 48,163,835	
Less: Current year depreciation	(15,997,222)	32,166,613
Debt proceeds provide current financial resources to government funds, but debt obligations increase long- term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Accrued interest payable	(654,619)	
Principal payments	3,562,773	2,908,154
Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in governmental funds.		
Individual income taxes		(1,116,431)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Claims and judgments	(5,800,000)	
Change in long-term compensated absences	(750,827)	(6,550,827)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported on the statement of activities.		
		820,384
Change in net assets of governmental activities		$ 26,936,086

See accompanying notes.

TERRITORY OF AMERICAN SAMOA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
SEPTEMBER 30, 2012

	Enterprise Funds			Governmental Activities: Internal Service Fund
	Airport	Non-Major Activities	Total	
ASSETS				
Cash and cash equivalents	$ 1,090,062	$ 229,498	$ 1,319,560	$ 2,789,849
Investments	-	-	-	724,727
Due from other funds-pooled cash	-	-	-	3,393,949
Accounts receivable, net	132,911	1,022,684	1,155,595	150
Due from general fund	-	-	-	2,525,000
Due from U.S. Government	1,136,677	-	1,136,677	-
Capital assets, net	87,923,823	980,905	88,904,728	231,408
Total assets	90,283,473	2,233,087	92,516,560	9,665,083
LIABILITIES				
Accounts payable	217,723	239,153	456,876	30,706
Accrued expenses	489,174	135,868	625,042	1,627,246
Contract retention	349,088	-	349,088	-
Total liabilities	1,055,985	375,021	1,431,006	1,657,952
NET ASSETS				
Invested in capital assets	87,574,735	980,905	88,555,640	231,408
Restricted	1,652,753	-	1,652,753	-
Unrestricted	-	877,161	2,529,914	7,775,723
Total net assets	$ 89,227,488	$ 1,858,066	$ 91,085,554	$ 8,007,131

See accompanying notes.

TERRITORY OF AMERICAN SAMOA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2012

	Enterprise Funds			Governmental Activities:
	Airport	Non-Major Activities	Total	Internal Service Fund
OPERATING REVENUES				
Charges for services	$ 1,503,505	$ 2,253,500	$ 3,757,005	$ 2,080,965
OPERATING EXPENSES				
Personnel	1,965,412	946,153	2,911,565	580,006
Operations and maintenance	932,492	754,567	1,687,059	1,080,494
Depreciation and amortization	5,051,546	180,544	5,232,090	40,342
Total operating expenses	7,949,450	1,881,264	9,830,714	1,700,842
OPERATING (LOSS) INCOME	(6,445,945)	372,236	(6,073,709)	380,123
OTHER REVENUES AND FINANCING SOURCES				
Taxes	26,481	-	26,481	-
Transfers in	1,762,758	131,677	1,894,435	440,261
Capital contributions	4,333,698	333,927	4,667,625	-
CHANGES IN NET ASSETS	(323,008)	837,840	514,832	820,384
TOTAL NET ASSETS, beginning of year	89,550,496	1,020,226	90,570,722	7,186,747
TOTAL NET ASSETS, end of year	$ 89,227,488	$ 1,858,066	$ 91,085,554	$ 8,007,131

See accompanying notes.

TERRITORY OF AMERICAN SAMOA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2012

	Enterprise Funds			Governmental Activities Internal Service Fund
	Airport	Non-Major Activities	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 1,450,469	$ 1,908,276	$ 3,358,745	$ -
Receipts from other funds	-	-	-	2,080,965
Payments to suppliers	(1,887,900)	(728,023)	(2,615,923)	(1,108,064)
Payments to employees	(2,069,309)	(1,037,262)	(3,106,571)	(297,694)
Internal activities - receipt from (payment to) other funds	-	-	-	(66,378)
Net cash (used) provided by operating activities	(2,506,740)	142,991	(2,363,749)	608,829
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Tax receipts	26,481	-	26,481	-
Additions to fixed assets and work-in process	(4,002,253)	(502,629)	(4,504,882)	(7,720)
Loan payment to general fund	-	-	-	(3,000,000)
Loan repayments from general fund	-	-	-	475,000
Receipts of federal capital grants	4,909,081	333,927	5,243,008	-
Net cash provided by capital and related financing activities	933,309	(168,702)	764,607	(2,532,720)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	-	-	-	(66)
Sale of investments	-	-	-	400
Net cash provided by investing activities	-	-	-	334
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Operating transfers in	1,762,758	131,677	1,894,435	440,261
Repayment of advances	-	(100,000)	(100,000)	-
Net cash provided by non-capital financing activities	1,762,758	31,677	1,794,435	440,261
CHANGE IN CASH AND CASH EQUIVALENTS	189,327	5,966	195,293	(1,483,296)
CASH AND CASH EQUIVALENTS, beginning of year	900,735	223,532	1,124,267	4,273,145
CASH AND CASH EQUIVALENTS, end of year	$ 1,090,062	$ 229,498	$ 1,319,560	$ 2,789,849
RECONCILIATION OF OPERATING INCOME TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES				
Operating (loss) income	$ (6,419,464)	$ 372,236	$ (6,047,228)	$ 380,123
Adjustments to reconcile operating (loss) income to net cash (used) provided by operating activities				
Depreciation and amortization	5,051,546	180,544	5,232,090	40,342
Change in assets and liabilities				
Accounts receivable, net	(53,036)	(345,224)	(398,260)	-
Due from other funds	-	-	-	(66,378)
Accounts payable and accrued expenses	(1,059,305)	(64,565)	(1,123,870)	254,742
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	$ (2,480,259)	$ 142,991	$ (2,337,268)	$ 608,829

See accompanying notes.

TERRITORY OF AMERICAN SAMOA
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
SEPTEMBER 30, 2012

	Pension Trust	Agency
ASSETS		
Cash and cash equivalents	$ 15,519,995	$ 11,147,949
Due from other funds-pooled cash	-	4,383,331
Investments	183,421,220	-
Accounts receivable, net	592,251	-
Contributions receivable	798,620	-
Prepaid expenses and other assets	67,428	-
Capital assets, net	311,528	-
Total assets	200,711,042	15,531,280
LIABILITIES		
Accounts payable	92,366	6,534
Deposits	-	1,896,123
Contribution refunds	477,465	-
Federal tax refunds	-	5,835,083
Immigration bonds	-	7,793,540
Total liabilities	569,831	15,531,280
NET ASSETS		
Held in trust for pension benefits	$ 200,141,211	$ -

See accompanying notes.

TERRITORY OF AMERICAN SAMOA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
YEAR ENDED SEPTEMBER 30, 2012

	Pension Trust
ADDITIONS	
Contributions	
Sponsors	$ 7,456,517
Members	2,936,240
Total contributions	10,392,757
Investment income	
Interest	1,324,920
Dividends	1,565,799
Lease revenue from Centennial Office Building	703,058
Other income	11,320
Net appreciation in fair value of investments	25,297,602
	28,902,699
Less investment fees	(279,363)
Less Centennial Office Building maintenance expenses	(599,008)
Net investment income	28,024,328
Net additions	38,417,085
DEDUCTIONS	
Benefits	17,729,925
General and administrative expenses	1,176,160
Employee contributions refunded	734,240
Interest on employee contributions refunded	362,799
Total deductions	20,003,124
CHANGES IN NET ASSETS	18,413,961
NET ASSETS, beginning of year	181,727,250
NET ASSETS, end of year	$ 200,141,211

See accompanying notes.

Note 1 - Summary of Significant Accounting Policies

A. The Reporting Entity

The Territory of American Samoa (the "Territory" or "ASG") is an unincorporated Territory of the United States of America and operates under the jurisdiction of the United States Department of Interior. A constitution was adopted in 1966, and in 1977 the Secretary of the Interior's Order Number 3009 provided for a popularly elected Governor and Lieutenant Governor. The Legislative body ("Fono") is comprised of Members of the House of Representatives who are popularly elected and Senators who are chosen by village councils.

The financial statements have been prepared primarily from records maintained by the Treasury Department. Additional information was obtained from agencies and other entities based on independent accounting records maintained by them.

The financial statements include all funds of the primary government, which is the Territory, as well as the component units and other organizational entities determined to be included in the Territory's financial reporting entity.

The decision to include a potential component unit in the Territory's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities included in the Territory's reporting entity.

Primary Government

All offices, departments, agencies and authorities that are not legally separate entities have been included in the Territory reporting entity as part of the primary government unless otherwise noted. Most of these have executives or boards appointed by the Governor, the Fono or a combination thereof. The entities included as part of the primary government are financially accountable to and fiscally dependent on the Territory.

Blended Component Units

Although legally separate entities, blended component units are in substance, part of the primary government's operations. The blended component unit serves or benefits the primary government almost exclusively. Financial information from these units is combined with that of the primary government.

Note 1 - Summary of Significant Accounting Policies (Continued)

Following is a brief review of the blended component units.

American Samoa Government Employees' Retirement Fund

The American Samoa Government Employees' Retirement Fund (the "Retirement Fund") was established in 1971 to provide retirement annuities for the employees of the Territory and its component units. It is governed by a Board of Trustees appointed by the Governor with the consent of the Senate and House of Representatives. The Retirement Fund's costs, based upon actuarial valuations, are funded by the participating governmental employers and participants. The Retirement Fund is a part of the primary government and is reported as a pension trust fund in the fiduciary funds. The Retirement Fund issued audited financial statements for the year ended September 30, 2012 with a report dated December 28, 2012. The report can be obtained at the Retirement Fund's administrative offices.

American Samoa Petroleum Cooperative, Inc.

The American Samoa Petroleum Cooperative, Inc. (the "Cooperative") was created by executive order in 1992 to ensure that the Territory is provided with a reliable and stable supply of petroleum products at reasonable costs and that the petroleum storage facilities of the Territory are properly constructed and maintained to meet applicable standards. The Cooperative is governed by a four-member board consisting of a member appointed by the Governor, a member appointed by the terminal operator, a member appointed by these two members, and a member appointed by the American Samoa Power Authority ("ASPA"). The Cooperative is fiscally dependent on the Territory and receives rent and fees levied by the primary government on the bulk petroleum products put through the Territory's facilities. The Cooperative provides services almost entirely to the primary government and all real property acquired by the Cooperative is the property of the Territory. The Territory provides administrative support and pays all personnel costs for the Cooperative. The Cooperative is a blended component unit and is included as part of the primary government in the non-major governmental funds. The Cooperative was audited by other independent auditors for the year ended September 30, 2012, and its report dated March 8, 2013 has been issued under separate cover. The report can be obtained at the Cooperative's administrative offices.

American Samoa Shipyard Services Authority

The American Samoa Shipyard Services Authority (the "Shipyard Authority") was created for the purpose of providing shipyard and water transportation services through the use of the Territory's Ronald Reagan Marine Railway. The Shipyard Authority is governed by a five-member board of directors, which is appointed by the Governor. The Shipyard Authority is fiscally dependent on the Territory and uses the real property of the Territory for its operations. The Shipyard Authority is included as part of the primary government as a non-major enterprise fund.

Note 1 - Summary of Significant Accounting Policies (Continued)

Discrete Component Units

Discretely presented component units are reported in a separate column in the financial statements to emphasize that they are legally separate from the primary government. They are financially accountable to the primary government, or have relationships with the primary government such that exclusion would cause the financial statements to be misleading or incomplete. These discrete component units serve or benefit those outside the primary government. Following is a brief review of the discretely presented component units.

American Samoa Power Authority

The American Samoa Power Authority ("ASPA") was created with corporate powers to generate and distribute power to the citizens of the Territory. ASPA also provides water, sewer and solid waste services to the Territory. The Governor appoints, and the Fono confirms, the Board of Directors. ASPA was audited by other independent auditors for the year ended September 30, 2012, and its report dated May 30, 2013 has been issued under separate cover. The report can be obtained at ASPA's administrative offices.

American Samoa Community College

The American Samoa Community College ("ASCC") was created with corporate powers to develop a program of education to meet the current and future needs of the Territory. The Governor appoints a majority of the Board of Directors with the advice and consent of the Legislature. ASCC is funded through the Territory's appropriations, tuition, federal grants and donations. ASCC was audited by other independent auditors for the year ended September 30, 2012 and its report dated March 25, 2013 has been issued under separate cover. The report can be obtained at ASCC's administrative offices.

American Samoa Medical Center Authority - Lyndon B. Johnson Tropical Medical Center

The American Samoa Medical Center Authority - Lyndon B. Johnson Tropical Medical Center ("LBJ") was established to create a medical system that can provide quality medical services to the citizens of the Territory. The Governor appoints, and the Fono confirms, the Board of Directors. LBJ was audited by other independent auditors for the year ended September 30, 2012, and its report dated July 29, 2013 has been issued under separate cover. The report can be obtained at LBJ's administrative offices.

Note 1 - Summary of Significant Accounting Policies (Continued)

American Samoa Telecommunications Authority

The American Samoa Telecommunications Authority ("ASTCA"), with corporate powers, was created to provide telecommunications capabilities to the citizens of the Territory. The Governor appoints, and the Fono confirms, the Board of Directors. ASTCA was audited by other independent auditors for the year ended September 30, 2012 and its report dated February 14, 2013 has been issued under separate cover. The report can be obtained at ASTCA's administrative offices.

Related Organization

Organizations for which a primary government is accountable because the Territory appoints a voting majority of the board, but is not financially accountable, are related organizations. The Development Bank of American Samoa ("Development Bank") is a related organization to the primary government. The Development Bank's Board of Directors consists of ten members, nine of whom are appointed by the Governor, with the advice and consent of the Senate. The Chairman, who is a board member, is elected by a majority of the board. The President of the Development Bank is a nonvoting ex-officio member of the board, and may not serve as chairman. The Territory is not financially accountable for the Development Bank, and no financial benefit or burden relationship exists between the Territory and the Development Bank. The Development Bank is classified as another stand-alone governmental unit, not a component unit of the Territory.

B. Basis of Presentation - Fund Accounting

The Territory uses fund accounting under which it segregates its resources and accounts for them in various individual funds. Each individual fund is an accounting entity with a self-balancing set of accounts. Individual funds that have similar characteristics are combined into fund types.

Governmental Funds

Governmental funds finance most of the territorial governmental functions. The measurement focus of the governmental funds is on sources, uses and balances of financial resources.

The general fund is the territorial general operating fund. It accounts for resources that fund the services governments traditionally provide to its citizens except those required to be accounted for in another fund.

Special revenue funds account for specific revenue sources (other than for capital projects and debt service) that are legally or donor restricted to expenditure for specified purposes.

Note 1 - Summary of Significant Accounting Policies (Continued)

A debt service fund is used to account for the accumulation of resources and payments of principal and interest on general long-term obligations. The debt service fund is included as a major fund to separately report the Territory's activity related to its long-term obligations during the year.

Non-major governmental funds consist of capital project funds. Capital projects funds account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary funds.

Proprietary Funds

Proprietary funds account for activities similar to those found in the private sector. The measurement focus of the proprietary funds is upon determination of net income, financial position, and cash flows. Enterprise funds account for business-like territorial activities that provide goods and services to the public financed primarily through user charges.

Internal service funds provide goods and services to other funds, agencies, component units, or other activities on a cost allocation basis.

The Territory's government-wide and proprietary fund financial statements apply all applicable Governmental Accounting Standards Board ("GASB") pronouncements, and all applicable Financial Accounting Standards Board ("FASB") statements and interpretations, Accounting Principles Board ("APB") opinions and Accounting Research Bulletins ("ARB") issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The Territory also has the option of following subsequent private-sector guidance, subject to the same limitation. The Territory has elected not to follow subsequent private-sector guidance.

Fiduciary Funds

Fiduciary funds account for resources the Territory holds as trustee or agent for individuals, private organizations, or other governmental units. Agency funds are custodial in nature and do not involve measurement of results of operations.

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all the activities of the primary government and its component units, except for fiduciary activities. Interfund activity, which duplicates revenues or expenses, has been eliminated from these statements, except for those transactions and balances between governmental and business-type activities. Governmental activities and business-type activities are reported separately to highlight the differences in funding and operations. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities rely mostly on fees and charges that are designed to recover the costs of operations, including the cost of capital.

Note 1 - Summary of Significant Accounting Policies (Continued)

The statement of activities outlines the direct expenses of each of the Territory's major functions and the program revenues generated by those functions. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues.

Government-wide financial statements do not provide information by fund or account group, but distinguish between the Territory's governmental activities and activities of its discretely presented component units on the statement of net assets and statement of activities. Significantly, the Territory's statement of net assets includes both noncurrent assets and noncurrent liabilities of the Territory. In addition, the government-wide statement of activities reflects depreciation expenses on the Territory's fixed assets, including infrastructure.

The fund statements include separate statements for Governmental, Fiduciary and Proprietary Funds. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the Proprietary Fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Territory considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Income taxes, franchise taxes, licenses, grants from federal agencies included in intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the Territory receives cash.

Note 1 - Summary of Significant Accounting Policies (Continued)

The Territory reports the following major Governmental Funds:

- The General Fund is the Territory's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

- The Grant Fund accounts for the majority of grants received by the Territory except for grants received by the Proprietary Funds. These activities are funded with grants from various federal agencies and private sources.

- The Debt Service Fund accounts for amounts accumulated for the repayment of long-term obligations.

The Territory's enterprise funds are the Airport Fund, Industrial Park Fund, and Shipyard Services Fund. The Territory's internal service activities include the operation of the government housing, print shop and worker's compensation funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Territory's proprietary activities are charges to the customers for services. Principal operating revenues of the internal service funds are premiums charged to individual departments for workers compensation coverage and charges to departments or funds for housing or printing. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions are transfers between the business-type activities and the governmental activities.

D. Budgets and Budgetary Accounting

The Territory adopts an annual budget on a basis consistent with generally accepted accounting principles at the legal level of control, which is the department or project level. During the fiscal year supplementary appropriations are made as needed. The results are increases to the appropriations within the funds. The Director of the Office of Program Planning and Budget is permitted under law to move amounts up to $25,000, or 30% of line amounts, whichever is less, from one line account to another; legislative appropriation is required on all line item account shifts over 30% or $25,000. All annual appropriations lapse at the end of the fiscal year. Annual budgets are adopted for the general fund, certain special revenue funds and the debt service fund. Budgets for proprietary and trust fund operations are estimated in the annual budget, but controlled by available resources and demand for services.

Note 1 - Summary of Significant Accounting Policies (Continued)

Federal grants, accounted for in certain special revenue funds, have a budget and project life determined by each grant award. The Department of Interior's operating grant is generally awarded after adoption of the Territorial budget. The Territory has to adopt a supplemental budget during the fiscal year to provide for differences between the estimated amount and the actual amount of the grant award. Budgets for capital improvement projects are determined by local funding appropriations and the annual Department of Interior Capital Improvement Projects grant award.

E. Investments

Statutes authorize the Treasurer to invest funds at his discretion. The Treasurer's investment objectives are preservation of capital, maintenance of adequate liquidity, and obtaining the best yield possible within prescribed parameters. Investments are reported at fair value. The investment policies of the Land Grant Trust (a part of the American Samoa Community College) and the Retirement Fund are established by their respective boards. Investment of these funds are in a variety of securities such as corporate bonds, equities, real estate, trusts, collateralized mortgage obligations, asset backed securities and commercial paper.

F. Cash and Cash Equivalents

The amounts reported on the balance sheet as cash and cash equivalents represent the total of petty cash, cash on deposit in banks and certificates of deposits with original maturities of less than 90 days.

G. Interfund Transactions

The Territory accounts for the following types of interfund transactions:

Due To Other Funds-Pooled Cash and Due From Other Funds-Pooled Cash represent the deficiency (due to) or excess (due from) of cash received by the General Fund over the amount of expenditures for participating funds paid by the General Fund. For certain funds, the Territory deposits all receipts into a general fund bank account and makes all disbursements from the same account creating a due to or due from in the General Fund. The recording of the receipt or disbursement on the participating funds' records creates a due to or due from for an equal amount. Since the total Due From Other Funds-Pooled Cash for a participating fund can exceed the amount of cash in the operating bank account these amounts are not classified as cash and cash equivalents.

Due To/Due From Other Funds represents transactions involving charges for goods or services that one fund delivers or provides to another fund or specific borrowings from one fund to another. These transactions are either recorded as a reduction or increase in Due To/Due From Other Funds-Pooled Cash, if they are a pooled cash participant, or as an interfund payable or receivable, if the agency is external to the pooled cash account.

Note 1 - Summary of Significant Accounting Policies (Continued)

Operating transfers include all interfund transactions that are not loans or reimbursements.

H. Receivables

The Territory, with minor exceptions, has adopted the personal and corporate income tax code of the United States of America in effect as of December 31, 2000. No changes to the U.S. Tax Code since December 31, 2000 have been adopted by the Territory. Withheld income taxes held by employers or corporations, taxes levied and billed by the tax office and unpaid taxes on filed returns are accrued as receivables. Unbilled revenues for services provided between the last billing date and the end of the year are estimated and accrued as receivables. Interest earned and unpaid on investment securities is accrued and recorded as receivables for all funds. Receivables are stated net of allowances for uncollectible amounts. Uncollectible amounts are estimated based upon past collection experience.

I. Prepaid Expenses

Payments made to vendors for costs applicable to future accounting periods are recorded as prepaid expenses.

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

The Territory has established a capitalization policy to recognize capital assets as assets with an initial, individual cost greater than the amount as set forth in the table below and an estimated useful life in excess of two years. Such assets are recorded at historical costs. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Land	$	-
Land improvements	$	100,000
Buildings and improvements	$	100,000
Machinery and equipment	$	20,000
Vehicles	$	-
Infrastructure	$	100,000

Note 1 - Summary of Significant Accounting Policies (Continued)

Property, plant, and equipment of the Territory is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Land improvements	15-40
Buildings and improvements	30-40
Machinery and equipment	5-15
Vehicles	5-10
Infrastructure	25-40

K. Compensated Absences

It is the policy of the Territory to permit employees to accumulate earned but unused vacation benefits, which will be paid to the employees upon separation from service. Vacation leave is fully vested when earned but accumulated vacation leave cannot exceed 60 days at the end of any calendar year. Sick leave is vested when earned and the accumulation is not limited.

Employees separated from service are compensated for unused accrued sick leave at the rate of 50% of sick leave in excess of 239 hours. Retiring employees with less than 30 years of service may apply accumulated unused sick leave for additional service credits.

The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. The current portion of this debt is estimated based on historical trends. Governmental Funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

L. Income Tax Refunds Payable

During the calendar year, the Territory collects employee withholdings and taxpayer's payments for individual and corporate income taxes. Taxpayers file returns by April 15, for the preceding calendar year. At September 30, the Territory estimates the amount it owes taxpayers for overpayments during the preceding nine months. This estimated payable is recorded as tax refunds payable and a reduction of tax revenues.

M. Unearned Revenue

Unearned revenues are recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Unearned revenues reported in the governmental fund statements consist of the portion of the Army Reserve lease that is applicable to future years and advances received on federal grants.

Note 1 - Summary of Significant Accounting Policies (Continued)

N. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

O. Fund Equity

The Territory has adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB 54"). GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the Territory is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The Territory will spend restricted resources first, followed by committed then assigned, with unassigned resources spent last. In accordance with GASB 54, the Territory has the following categories of governmental fund balances:

1. Nonspendable includes amounts that cannot be spent because they are either in a nonspendable form or legally required to be maintained intact. Nonspendable amounts consist of prepaid expenses.

2. Restricted includes amounts that can be spent only for the specific purposes stipulated by constitutional provisions or enabling legislation, or imposed by creditors, grantors, or other external resource providers.

3. Committed includes amounts that have specific constraints on how the resources may be used as determined by formal ordinances or resolutions of the Fono.

4. Assigned are those resources that are constrained by the Territory's intent to use them for a specific purpose, but are neither restricted nor committed. The Territory has not established a policy regarding the assignment of funds. Therefore, amounts in this fund balance category represent residual amounts in the debt service, capital projects, and special revenue funds, which are not classified as nonspendable, restricted or committed.

5. Unassigned are the residual classification for the general fund and includes all spendable amounts not contained in the other classifications.

Net assets are segregated into restricted and unrestricted balances on the government-wide statement of net assets and the statements of net assets for the proprietary and fiduciary funds. Restrictions are limitations on how the net assets may be used and may be placed on net assets by an external party that provided the resources, by enabling legislation or by the nature of the asset.

Note 1 - Summary of Significant Accounting Policies (Continued)

P. Reconciliation of Government-Wide and Fund Financial Statements

The Governmental Fund balance sheet includes the reconciliation between fund balances in the Governmental Funds and net assets reported in the government-wide statements. These adjustments reflect the changes necessary to report the governmental fund balances on the economic resources measurement focus and accrual basis of accounting. The Self-Insurance Fund balances are allocated from the Internal Service Fund to the governmental activities. In addition, capital assets and long-term debt are added to the Governmental Funds to compile the long-term view of the governmental activities column.

A similar reconciliation is included on the statement of revenues, expenditures and changes in fund balances for the Governmental Funds. These adjustments reflect the transition from the modified accrual accounting for Governmental Funds to the accrual basis of accounting for the statement of activities. Capital outlay is replaced with depreciation expense. Capital lease revenues are added and principal payments on long-term debt are eliminated from the operating costs.

Q. Indirect Cost Allocation

The Territory utilizes an indirect cost allocation system to allocate costs incurred in the General Fund that are expenditures of other funds. Reimbursements from the funds responsible for the expense activities to the General Fund are recorded as expenditures in the reimbursing fund and as interdepartmental revenues in the General Fund.

R. Use of Estimates

The preparation of the basic financial statements in conformity with principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the basic financial statements. Actual results could differ from these estimates.

Note 2 - Deposits and Investments

A. Cash and Cash Equivalents

Cash and cash equivalents held by various financial institutions for the Territory and its discretely presented component units, excluding the Retirement Fund, was $43,458,351. This consists of amounts insured by the FDIC of $500,000 and collateralized amounts of $42,958,351. The majority of the Territory's cash deposits are held by a commercial bank that collateralizes these deposits with securities held in the Territory's name with the trust department of a third-party bank.

Note 2 - Deposits and Investments (Continued)

B. Investments

Primary Government

Investments of the primary government are categorized as follows at September 30, 2012:

Investment Type	Fair Value
Money market funds	$ 3,923,265
Certificates of deposit	2,984,318
Corporate bonds	800,000
Total investments	$ 7,707,583

Investment securities are exposed to various risks that can affect the value of the Territory's investments such as custodial credit risk, interest rate risk, credit risk, and concentration risk. The Territory invests in money market funds, certificates of deposit, and municipal and corporate bonds. Investment holdings in debt securities are particularly sensitive to credit risk and change in interest rates.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a failure by the counterparty, the Territory will not be able to recover the value of its investments that are in the possession of an outside party. In accordance with policies established by statute, all deposits and investments are insured or collateralized, and held by banks or other agents in the Territory's name.

Interest Rate Risk - Interest rate risk arises from the likelihood that interest rates will rise or fall during the holding period of a fixed rate security and adversely affect the selling price of the security prior to maturity. The price of a debt security typically moves in the opposite direction of the change in interest rates. As of September 30, 2012, the Territory had the following investments subject to interest rate risk:

		Investment Maturities (in years)			
Investment Type	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
Money market funds	$ 3,923,265	$ 3,923,265	$ -	$ -	$ -
Certificates of deposit	2,984,318	2,984,318	-	-	-
Corporate bonds	800,000	-	-	-	800,000
	$ 7,707,583	$ 6,907,583	$ -	$ -	$ 800,000

Note 2 - Deposits and Investments (Continued)

Credit Risk - Credit risk exists when there is a possibility that the issuer or other counterparty to an investment may be unable to fulfill its payments on a security under the original term. As of September 30, 2012, the Territory had the following credit quality mix in its fixed income securities:

		Investment Ratings			
Investment Type	Fair Value	AAA	AA	A or Below	Not Rated
Money market funds	$ 3,923,265	$ -	$ -	$ -	$ 3,923,265
Certificates of deposit	2,984,318	-	-	-	2,984,318
Corporate bonds	800,000	800,000	-	-	-
	$ 7,707,583	$ 800,000	$ -	$ -	$ 6,907,583

Concentration of Credit Risk – The following investment represents 5% or more of total investments as of September 30, 2012:

SLM Student Loan Trust 2003-B-SER A-4	$800,000

Retirement Fund

The Board of Trustees of the Retirement Fund has the power and authority under territorial law to make all decisions on the investment of Retirement Fund assets and the employment of professional investment agents. Investment authority is not restricted by types of property or other investment options, but the law does limit the amount of an individual investment that may be made in any one instrument or security issued by a political subdivision, corporation or other entity. The law also provides guidelines on the qualifications of investment agents that may be employed by the Retirement Fund.

The Retirement Fund's Board of Trustees formally approved a restated Statement of Investment Policy ("Investment Policy"), which restructured the Retirement Fund's investment portfolio and investment managers. As of September 30, 2012, the Investment Policy allocation targets are 20% domestic equity, 20% international equity, 12% domestic fixed income, 3% real estate, 30% emerging markets equity, and 15% loans, with normal allocation ranges assigned to each classification. All equity and fixed income securities are held in registered investment companies (mutual funds) and collective trusts.

Note 2 - Deposits and Investments (Continued)

Their allocation is as follows as of September 30, 2012:

	Fair Value	Annual Percentage
Domestic equity	$ 49,397,487	27%
International equity	101,037,955	55%
Fixed income	8,278,114	4%
Loans to American Samoa Government	19,707,664	11%
Real estate - Centennial Office Building	5,000,000	3%
Total	$ 183,421,220	100%

The Retirement Fund pays investment fees either through direct payments to the investment manager or as a deduction from investment returns.

The Retirement Fund's investments are exposed to various risks, such as interest rate, market and credit risk. It is reasonably possible, given the level of risk associated with investment securities, that changes in the near term could materially affect the amounts reported in the financial statements. The Retirement Fund invests in securities with contractual cash flows, such as asset-backed securities, collateralized mortgage obligations and commercial mortgage backed securities, including securities backed by subprime mortgage loans. The value, liquidity and related income of these securities are sensitive to changes in economic conditions, including real estate value, delinquencies or defaults, or both, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.

Credit risk is the risk that an issuer, or other counterparty, to an investment will not fulfill its obligations. In accordance with the Investment Policy, the Retirement Fund's Board of Trustees provides each of the Retirement Fund's investment managers with a set of investment guidelines. These guidelines specify eligible investments, minimum diversification standards, and applicable investment restrictions necessary for diversification and risk control. Guidelines that restrict investments in fixed income securities and summaries of investment ratings and maturities for the Retirement Fund's fixed income securities are detailed in the Retirement Fund's financial statements.

Note 2 - Deposits and Investments (Continued)

Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. Interest rate and market risk are the greatest risks faced by an investor in the debt securities market. The price of a debt security typically moves in the opposite direction of the change in interest rates. The set of investment guidelines provided by the Retirement Fund's Board of Trustees to each investment manager specify eligible investments, duration (three to five years), and applicable investment restrictions necessary for diversification and risk control (no more than 5% of assets invested in any non-U.S. government issuer and no more than 30% of assets in any sector). As all investments are held in mutual funds, real estate, and loans with the Territory, interest rate risk is minimal.

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Retirement Fund's currency risk exposure, or exchange rate risk, resides within the international equity mutual funds holdings. The Investment Policy guidelines prohibit investments in securities that are not denominated in U.S. dollars or that are traded solely on an exchange outside of the United States. The Retirement Fund does not hold any direct investments, hedges or derivative instruments denominated in foreign currency.

Note 3 - Other Receivables

Other receivables (excluding the discretely presented component units) on the financial statements by account type and source are as follows:

	Receivable	Allowance	Balance
Taxes			
General Fund	$ 8,865,000	$ 7,089,161	$ 1,775,839
Accounts Receivable			
General Fund	7,840,086	7,594,184	245,902
Grant Fund	7,693,522	-	7,693,522
Non-Major Governmental Funds	1,146,257	-	1,146,257
Airport Fund	1,203,028	1,070,117	132,911
Non-Major Enterprise Funds	1,485,282	462,598	1,022,684
Fiduciary Funds	592,251	-	592,251
Contributions Receivable			
Fiduciary Funds	798,620	-	798,620
Due From U.S. Government			
Grant Funds	27,297,395	2,310,500	24,986,895
Non-Major Governmental Funds	1,550,543	-	1,550,543
Airport Fund	1,136,677	-	1,136,677
Total	$ 59,608,661	$ 18,526,560	$ 41,082,101

Note 4 - Interfund Receivables, Payables, and Transfers

Balances due to component units consist of amounts owed to ASPA and ASTCA for services provided to the Territory, including charges for utilities. Balances are reported net of receivables recorded for services provided by the Territory to ASPA and ASTCA. As of September 30, 2012, balances due to ASPA and ASTCA totaled $8,818,594 and $250,619, respectively. Differences between the balances due to component units and balances due from primary government on the Statement of Net Assets result from allowances against receivables from the Territory that have been established by the component units.

A summary of interfund receivable and payable balances, Due From/Due To Other Funds-Pooled Cash accounts, are as follows:

	Due from Other Funds	Due to Other Funds
General Fund	$ 509,869	$ -
Grant Fund	-	7,868,739
Internal Service Funds		
Workers Compensation	3,393,949	-
Non-Major Governmental Funds	-	418,410
Agency Funds		
Immigration Bonds	4,383,331	-
	$ 8,287,149	$ 8,287,149

Operating Transfers In/Out are as follows:

Out Of	Amount	In To	Purpose
General Fund	$ 1,907,118	Grants Fund	Cover grants AR write-off
	697,890	Debt Service Fund	Cover deficit and clear pool cash
	1,762,758	Airport	Cover deficit and clear pool cash
	131,677	Industrial Park	Cover deficit and clear pool cash
	384,581	Government Housing	Cover deficit and clear pool cash
	55,680	Print Shop	Cover deficit and clear pool cash
Total transfers	$ 4,939,704		

Note 5 - Capital Assets and Depreciation

Capital asset activity for the year ended September 30, 2012 was as follows:

	Primary Government				
	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
GOVERNMENTAL ACTIVITIES					
Capital assets not being depreciated					
Land	$ 1,591,761	$ 14,993	$ -	$ -	$ 1,606,754
Construction in process	9,394,460	34,521,341	(31,762,566)	-	12,153,235
	10,986,221	34,536,334	(31,762,566)	-	13,759,989
Capital assets being depreciated					
Land improvements	41,675,442	504,067	-	-	42,179,509
Buildings and structures	124,710,520	-	14,271,513	-	138,982,033
Machinery and equipment	29,494,507	1,700,335	-	(277,989)	30,916,853
Vehicles	27,395,842	6,164,236	-	(399,838)	33,160,240
Infrastructure	140,855,494	5,266,583	17,491,053	-	163,613,130
	364,131,805	13,635,221	31,762,566	(677,827)	408,851,765
Less accumulated depreciation					
Land improvements	(22,374,379)	(847,108)	-	-	(23,221,487)
Buildings and structures	(48,384,449)	(3,998,720)	-	-	(52,383,169)
Machinery and equipment	(16,487,537)	(1,978,118)	-	261,335	(18,204,320)
Vehicles	(19,280,421)	(3,546,695)	-	394,841	(22,432,275)
Infrastructure	(56,110,759)	(5,645,272)	-		(61,756,031)
	(162,637,545)	(16,015,913)	-	656,176	(177,997,282)
Total capital assets being depreciated, net	201,494,260	(2,380,692)	31,762,566	(21,651)	230,854,483
Net capital assets	$ 212,480,481	$ 32,155,642	$ -	$ (21,651)	$ 244,614,472

	Primary Government				
	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
BUSINESS-TYPE ACTIVITIES					
Capital assets not being depreciated					
Land	$ 1,871,894	$ -	$ -	$ -	$ 1,871,894
Work in process	11,712,297	3,871,587	(7,085,757)	(356,618)	8,141,509
	13,584,191	3,871,587	(7,085,757)	(356,618)	10,013,403
Capital assets being depreciated					
Land improvements	73,689,178	-	-	-	73,689,178
Buildings and structures	48,144,713	-	6,154,214	-	54,298,927
Machinery and equipment	6,320,096	-	931,543	-	7,251,639
	128,153,987	-	7,085,757	-	135,239,744
Less accumulated depreciation					
Land improvements	(37,212,745)	(2,863,541)	-	-	(40,076,286)
Buildings and structures	(10,041,101)	(1,763,236)	-	-	(11,804,337)
Machinery and equipment	(3,862,483)	(605,313)	-	-	(4,467,796)
	(51,116,329)	(5,232,090)	-	-	(56,348,419)
Total capital assets being depreciated, net	77,037,658	(5,232,090)	7,085,757	-	78,891,325
Net capital assets	$ 90,621,849	$ (1,360,503)	$ -	$ (356,618)	$ 88,904,728

Note 5 - Capital Assets and Depreciation (Continued)

Depreciation expense was charged by function as follows:

Governmental activities:	
General government	$ 9,558,106
Education and culture	3,607,609
Economic development	1,728,082
Public safety	692,844
Health and welfare	429,272
	$ 16,015,913
Business-type activities:	
Airport	$ 5,051,546
Nonmajor	180,544
	$ 5,232,090

Note 6 - Prepaid Expense

The Territory leases property for the Lava Lava Golf Course from various landowners. Annual payments of $30,000 to June 30, 2032 for a total of $1,500,000 were prepaid during the year ended September 30, 1985 and are being amortized over the term of the lease. The unamortized balance of the prepaid lease as of September 30, 2012 was $592,504 and is included in prepaid expenses on the statement of net assets.

Note 7 - Defined Benefit Pension Plan (ASG Employees' Retirement Fund)

The Retirement Fund is a cost-sharing, multiple-employer, contributory defined benefit retirement plan that was established in 1971 to provide retirement annuities for the employees of ASG and its component units. Employees of the Development Bank, a related organization, are also included in the Retirement Fund.

The Retirement Fund issues an annual audited financial report that includes financial statements and required supplementary information. This report may be obtained by contacting:

American Samoa Government
Employees' Retirement Fund
PO Box 2448
Pago Pago, AS 96799-2448

Note 7 - Defined Benefit Pension Plan (ASG Employees' Retirement Fund) (Continued)

A. Administrators of the Fund

The responsibility for proper administration of the Retirement Fund and the direction of its policies is vested in a five-member Board of Trustees appointed by the governor. The Board of Trustees has the power and authority under territorial law to make all decisions on the investment of Retirement Fund assets and the employment of professional investment agents. Investment authority is not restricted by types of property or other investment options, but the law does limit the amount of an individual investment that may be made in any one instrument or security issued by a political subdivision, corporation or other entity.

B. Benefit Payments to Retired Members

The annual retirement benefit, payable monthly for life, equals 2% of the highest average annual salary for three consecutive years, multiplied by the number of years of service to a maximum of 30 years (from 10% to 60% based on years of service). The minimum annual benefit is $600.

C. Contributions

ASG, its component units, and the Development Bank have agreed to contribute such amounts as provided by the A.S.C.A. Section 7.1433 to the Retirement Fund each year on an actuarially determined basis and as approved by the Board of Trustees. The contribution rate is 8% of employees' regular earnings, excluding overtime.

Each member of the Fund contributes 3% of earnings and earns interest at 5% compounded annually. Employee contributions are made through payroll deductions. Employee contributions and the related interest earned are refunded in full to members whose employment is terminated for any reason other than retirement and as a death benefit to the survivors of deceased employees not yet eligible for retirement. Employees are fully vested in the employer portion, payable as a retirement annuity after ten years of participation in the Retirement Fund. For fiscal years 2012, 2011 and 2010, actual employer contributions totaled $7,456,517, $7,474,397 and $7,257,958, respectively. Actual contributions funded 100% of the contributions required by A.S.C.A. Section 7.1433.

All employee contributions are used to reduce the normal cost liability before the employer's required contribution rate is calculated. Employer and employee contributions as a percentage of covered payroll are 9.1% and 3.6%, respectively. As of October 1, 2011, the most recent valuation date, the funded status of the Retirement Fund was 89.3%.

Note 8 - Long-Term Obligations

A. Long-term Obligations

Outstanding balances of long-term debt and other liabilities as of September 30, 2012, and changes during the year then ended, are summarized below. Other liabilities for compensated absences, claims and judgments, and landfill closure will be liquidated by the general fund. The worker's compensation claims liability is reported in the workers compensation internal service fund and will be liquidated by that fund.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Long-term debt					
American Samoa Government Retirement Fund - $10M loan	$ 7,953,252	$ -	$ 437,101	$ 7,516,151	$ 517,521
American Samoa Government Retirement Fund - $20M loan	14,051,677	-	1,860,161	12,191,516	2,007,458
Department of Interior	12,659,790	570,322	1,265,511	11,964,601	1,200,000
Loan payable FEMA	3,051,602	84,297	-	3,135,899	3,135,899
	37,716,321	654,619	3,562,773	34,808,167	6,860,878
Other liabilities					
Claims and judgments	2,300,000	6,228,000	428,000	8,100,000	500,000
Worker's compensation claims	1,246,062	892,542	611,214	1,527,390	600,000
Landfill closure and post-closure liability	287,658	-	-	287,658	-
Compensated absences	14,169,803	7,677,257	6,926,430	14,920,630	6,900,000
	18,003,523	14,797,799	7,965,644	24,835,678	8,000,000
	$ 55,719,844	$ 15,452,418	$ 11,528,417	$ 59,643,845	$ 14,860,878

B. Loan Payable - FEMA Primary Government

The Territory received proceeds of special community disaster loans from FEMA totaling $10,179,089 during 1993 and 1994. There is a provision in the FEMA regulations that permits FEMA to cancel all or a portion of this loan.

During May 2000, FEMA cancelled $8,638,009 of principal and $3,227,779 of interest on these notes. The Territory expects the remaining amounts of these notes plus interest to be cancelled in subsequent years. As of September 30, 2012, the outstanding principal and unpaid interest on the FEMA notes totaled $1,541,080 and $1,594,819, respectively.

Note 8 - Long-Term Obligations (Continued)

C. Department of Interior Loan

In 1999, Congress passed legislation that authorized the Secretary of the Interior to lend the Territory up to $18,600,000 at 5.4% interest for an irrevocable assignment of the payments due to the Territory under the Master Settlement Agreement with certain tobacco companies for the next 26 years. The legislation requires the Territory to pledge its full faith and credit to repay the loan, should the payments from the Tobacco Settlement be insufficient. The Territory required this pledge to be subordinated with respect to the pledged taxes. Proceeds of $14,300,000 from the loan were used to pay creditors of the Territory and $4,300,000 was used to plan and implement a fiscal reform program. Principal and interest payments are funded from the periodic receipt of the Territory's share of the Tobacco Settlement.

D. ASG Employees' Retirement Fund - $10 Million Loan

In April 2006, the Territory entered into a loan agreement with the Retirement Fund to borrow $10,000,000. The purpose of the loan was to pay the debts and obligations of the American Samoa Medical Center Authority - Lyndon B. Johnson Tropical Medical Center. Interest on the loan is 8.0% per annum, with equal quarterly payments of principal and interest on the principal amount outstanding of the last day of each quarter. The loan will be paid with funds received from ASTCA as a payment in lieu of taxes. Payments in lieu of taxes received from ASTCA during 2012 totaled $1,100,000, or approximately 6.0% of ASTCA's operating revenues.

The loan has been secured by a security interest in the real property and all improvements of the Tafuna Industrial Park as well as the assignment of rents and leases in the Tafuna Industrial Park. The loan is to be repaid in 16 1/3 years terminating on May 1, 2022.

Annual debt service requirements for this loan are as follows:

Year Ending September 30,	Principal	Unpaid Interest	Total
2013	$ 517,521	$ 582,479	$ 1,100,000
2014	560,475	541,526	1,102,001
2015	606,993	493,007	1,100,000
2016	656,104	443,896	1,100,000
2017	711,830	388,170	1,100,000
2018-2022	4,463,228	950,913	5,414,141
	$ 7,516,151	$ 3,399,991	$ 10,916,142

Note 8 - Long-Term Obligations (Continued)

E. ASG Employees' Retirement Fund - $20 Million Loan

In June 2007, the Fono passed legislation authorizing the Territory to enter into a loan agreement with the Retirement Fund to borrow up to $20,000,000 to fund various projects, as set forth in the legislation and any additional approved projects and purposes. The legislation limited the term to ten years and stipulates a 7.5% interest rate. In 2008, the Territory borrowed $20,000,000, which is paid with funds received from certain pledged revenues (12.5% of excise tax collected on alcoholic beverages as imposed pursuant to A.S.C.A., Section 11.1102(a)(1)(B); 40.0% of the excise tax collected on beer and malt extract as imposed pursuant to A.S.C.A., Section 11.1102(a)(1)(A); all of the revenues collected from the Customs Entry Application Forms Processing Fee imposed pursuant to A.S.C.A., Section 27.104(a)(5), and 20.0% of the excise tax collected on tobacco products as imposed pursuant to A.S.C.A., Section 11.1 102(a)(1)(C)). The note is a general obligation of the Territory. The full faith, credit and taxing powers of the Territory will be pledged to the payment of principal and interest.

The loan has been secured by a security interest in the real property and all improvements of the Tafuna Industrial Park, Executive Office Building, and American Samoa Tank Farm, as well as the assignment of rents and leases in the Tafuna Industrial Park and Executive Office Building.

Annual debt service requirements for this loan are as follows:

Year Ending September 30,	Principal	Unpaid Interest	Total
2013	$ 2,007,458	$ 846,265	$ 2,853,723
2014	2,163,302	690,421	2,853,723
2015	2,331,244	522,479	2,853,723
2016	2,511,177	342,546	2,853,723
2017	2,707,173	146,550	2,853,723
2018	471,162	4,458	475,620
	$ 12,191,516	$ 2,552,719	$ 14,744,235

F. Workers Compensation Fund Loan

During February 2012, the Fono authorized a $3 million loan from the Workers Compensation Fund to the American Samoa Government on behalf of the American Samoa Medical Center Authority. The $3 million loan will be repaid by revenues collected from the institution of a 2% wage tax on all wages earned in the Territory. As of September 30, 2012, the outstanding balance due to the Workers Compensation Fund totaled $2,525,000 and is reported as due to internal service fund.

Note 9 - Major Component Unit Information

Each of these major component units are discretely presented in a separate column on the financial statements. Each of these entities is audited separately and their audit reports are available through each entity's administrative office. Below is summarized information derived from each entity's audited financial statements:

	ASPA	ASCC	LBJ	ASTCA	Totals
Assets					
Cash, investments and other assets	$ 51,309,757	$ 8,849,616	$ 8,113,555	$ 8,666,540	$ 76,939,468
Due from primary government	4,141,541	-	-	316,284	4,457,825
Capital assets, net	100,423,809	11,577,616	17,007,104	33,345,098	162,353,627
Total assets	155,875,107	20,427,232	25,120,659	42,327,922	243,750,920
Liabilities					
Accounts payable and other current liabilities	35,599,727	4,985,668	6,745,797	3,782,092	51,113,284
Long-term liabilities	4,164,787	649,046	6,123,171	5,539,945	16,476,949
Total liabilities	39,764,514	5,634,714	12,868,968	9,322,037	67,590,233
Net Assets					
Invested in capital, net of related debt	96,731,963	11,577,616	17,007,104	32,813,158	158,129,841
Restricted	421,131	3,089,393	-	-	3,510,524
Unrestricted	18,958,499	125,509	(4,755,413)	192,727	14,521,322
Total Net Assets	$ 116,111,593	$ 14,792,518	$ 12,251,691	$ 33,005,885	$ 176,161,687

Note 9 - Major Component Unit Information (Continued)

		Program Revenues			Net Revenues (Expense) and Changes in Net Assets				
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	ASPA	ASCC	LBJ	ASTCA	Total
American Samoa Power Authority									
General and administrative	$ 6,986,816	$ -	$ -	$ -	$ (6,986,816)	$ -	$ -	$ -	$ (6,986,816)
Operations	98,623,719	107,070,042	574,763	15,474,719	24,495,805	-	-	-	24,495,805
Interest expense	337,978	-	-	-	(337,978)	-	-	-	(337,978)
Depreciation	8,015,986	-	-	-	(8,015,986)	-	-	-	(8,015,986)
Total - ASPA	113,964,499	107,070,042	574,763	15,474,719	9,155,025	-	-	-	9,155,025
American Samoa Community College									
General and administrative	4,002,440	-	-	-	-	(4,002,440)	-	-	(4,002,440)
Instructional	7,006,439	14,919,129	-	-	-	7,912,690	-	-	7,912,690
Research	2,907,664	-	-	-	-	(2,907,664)	-	-	(2,907,664)
Interest income	(33,164)	-	-	-	-	33,164	-	-	33,164
Depreciation	1,180,161	-	-	-	-	(1,180,161)	-	-	(1,180,161)
Total - ASCC	15,063,540	14,919,129	-	-	-	(144,411)	-	-	(144,411)
American Samoa Medical Center Authority (LBJ)									
General and administrative	6,821,673	-	-	818,489	-	-	(6,003,184)	-	(6,003,184)
Clinical and nursing	26,597,752	24,005,894	-	-	-	-	(2,591,858)	-	(2,591,858)
Operations	3,524,706	721,512	-	-	-	-	(2,803,194)	-	(2,803,194)
Interest expense	188,806	-	-	-	-	-	(188,806)	-	(188,806)
Depreciation	1,517,152	-	-	-	-	-	(1,517,152)	-	(1,517,152)
Total - LBJ	38,650,089	24,727,406	-	818,489	-	-	(13,104,194)	-	(13,104,194)
American Samoa Telecommunication Authority									
General and administrative	4,807,291	-	-	-	-	-	-	(4,807,291)	(4,807,291)
Operations	11,388,512	18,842,440	-	-	-	-	-	7,453,928	7,453,928
Interest income	-	-	-	-	-	-	-	-	-
Depreciation	2,920,755	-	-	-	-	-	-	(2,920,755)	(2,920,755)
Total - ASTCA	19,116,558	18,842,440	-	-	-	-	-	(274,118)	(274,118)
Total Component Units	$ 186,794,686	$ 165,559,017	$ 574,763	$ 16,293,208					
General revenues									
Payments from Territory of American Samoa					-	3,306,002	7,183,000	-	10,489,002
Grants entitlements and contributions not restricted to specific programs					-	-	8,597,819	-	8,597,819
Other general revenues					2,201,977	12,290	453,006	-	2,667,273
Total General Revenues					2,201,977	3,318,292	16,233,825	-	21,754,094
Changes in Net Assets					11,357,002	3,173,881	3,129,631	(274,118)	17,386,396
Net Assets - Beginning of Year					104,754,591	11,618,637	9,122,060	33,280,003	158,775,291
Adjustments to Net Assets - Beginning of Year					-	-	-	-	-
Net Assets - End of Year					$ 116,111,593	$ 14,792,518	$ 12,251,691	$ 33,005,885	$ 176,161,687

Note 10 - Expenditures Exceeding Appropriations

The following Department and Special Programs expenditures exceeded the budget for the fiscal year ended September 31, 2012:

Departments and Special Programs	Budget Overrun
General Government	
Governor's Office	$ 614,137
Legislature	1,404,521
Treasury	498,556
Administrative Services	53,937
Human Resources	29,528
Local Government	86,743
Program Planning and Budget	16,678
Fiscal Reform Costs	752,554
Veterans Memorial	107,650
Financial Management System	91,829
Insurance Premium	415,550
Notary Public - General Acct.	1,863
Notary Public - Trust Acct.	124
Contingency Fund	91,533
EOB Electric and Water Bill	248,788
Electricity and Water Billings Other ASG Facilities	96,376
Customs Annual Conference/Am. Samoa Host Country	77,346
Human and Social Services	5,078
ASG Audit Contract	308,289
Misc. Accts -None departmental	1,522,282
Education and Culture	
Arts Council	12,268
Information Technology Office	162,776
Language & Cultural Arts Development	23,000
Samoa Bowl ($20 Million ERF loan)	35,700
Economic Development	
Port Administration	463,125
Commerce & Tourism	253,089
Agriculture	116,237
Public Market	814
Manu'a Aircraft/Transportation	1,756
Health and Recreation	
Public Health	328,366
Parks Department	3,606
Sports Complex (Bav., GC, Baseball, Stadm)	118,100
Ceremonial Activities (Flag Day)	146,906
LBJ Hospital Subsidy	135,000
Public Safety	
Public Safety	146,676
Driver's Training	58,983
Criminal Justice - Special Program	22,862
Independent Prosecutor	126,868
Public Works	
ASG local fleet - fuel	140,517
Transfers Out	4,939,704
	$ 13,659,715

Note 11 - Risk Management and Insurance

It is the policy of the Territory to cover the risk of losses to which it may be exposed through risk management activities. In general, the Territory is self-insured for health care claims and tort liability.

A. Health Care

Health care coverage is provided for all residents. To receive services, residents present their American Samoa Government Health Card along with a nominal payment at the time of service. The Territory assumes fiscal responsibility for authorized referrals to off-island medical care providers as well as providing care to patients at the American Samoa Medical Center Authority - Lyndon B. Johnson Tropical Medical Center. The accrual of expenses incurred in future years from medical conditions existing as of September 30, 2012 cannot be reasonably estimated and is not recorded.

B. Property

The Territory has a property damage insurance policy with a commercial insurance company that covers any physical loss or damage caused by all perils, to all tangible property of every description not expressly excluded by the policy, which is in the Territory and owned or held by the Territory jointly, or in trust or on commission or for which the Territory is responsible or has assumed responsibility. The primary policy covers up to $25,000,000 for all of the Territory's property with a deductible of $3,000,000 for earthquake, $1,000,000 for flood and hurricane, and $250,000 deductible for all other perils.

C. Other Insurance

ASPA, ASTCA, the Retirement Fund, and the Petroleum Cooperative maintain separate property and automobile liability insurance.

D. Worker's Compensation

The Territory is self-insured for its worker's compensation liability to pay compensation as defined under the Worker's Compensation Act. The administration of this self-insurance arrangement is handled by the Territory through its Internal Service Fund, the Worker's Compensation Fund. All funds, agencies and component units of the Territory participate in the Worker's Compensation Fund. Each unit contributes to the fund a "premium" amount calculated using the prior experience of the fund as a whole.

Note 11 - Risk Management and Insurance (Continued)

Worker's compensation claims are recorded when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated, typically after a decision has been rendered by an Administrative Law Judge. Liabilities for incurred losses settled by fixed and reasonably determinable payments over a long period of time are reported at their present value using an expected future investment yield based on the current investment yield of 3.0%. As of September 30, 2012, these liabilities are reported at their present value of $1,527,390. Claims liabilities and investments designated for payment of those claims are reported in the governmental activities column of the government-wide statement of net assets.

E. Public Liability

The Territory is self-insured for purposes of public liability. The Territory's Tort Liability Act allows the government to be sued for personal injury or death caused by the negligent or wrongful act or omission of any employee of the government while acting within the scope of his/her employment. The Territory continues to satisfy its obligations under the Government Tort Liability Act with an amount budgeted by the Fono each fiscal year. The Attorney General's Office is responsible for the acquisition and administration of any self-insurance plans and programs adopted for use by the Territory. The estimated liability for self-insured losses is $8,100,000 as of September 30, 2012.

Note 12 - Solid Waste Landfill Closure and Post-Closure Costs

The Futiga Landfill is a two-cell solid waste landfill site. The first cell was operated for approximately thirty years before it was transferred to ASPA in February 1995. Upon transfer, the first cell was substantially filled and is currently considered full. ASPA has operated the landfill since the transfer and has expanded the landfill to include a new section, approximately the same size and capacity as the original fill site. At September 30, 2012, the new landfill cell has a remaining estimated useful life of three years. ASPA is researching other alternatives and is currently under lease discussions with landowners for a new identified landfill site. Total estimated closure and postclosure costs for the two landfill cells is $814,480 based on a 2003 study. Estimated costs of the closure and post-closure care are subject to changes such as the effects of inflation, revision of laws and other variables.

The Territory is required to recognize a portion of the closure and post-closure care costs in each operating period even though actual pay-outs will not occur until the landfill is closed. Based on an opinion from the American Samoa Environmental Protection Agency, American Samoa has no local statutes governing the operation of municipal landfills and no regulations govern closure and postclosure requirements. Therefore, ASPA's management believes that the Territory has no legal obligation under federal or local law to incur closure and postclosure costs for the two landfill sites. As of September 30, 2012, the Territory has recorded a liability of $287,658 for closure and post-closure care.

Note 13 - Commitments and Contingencies

A. Litigation

The Territory is party to numerous pending or threatened lawsuits, under which it may be required to pay certain amounts upon final disposition of these matters. Generally, the Territory is self-insured, except for property damage and fidelity bond coverage.

With respect to legal matters expected to be settled subsequent to September 30, 2012, the Office of the Attorney General has estimated the amount of liability determined, as of September 30, 2012, in accordance with Government Accounting Standards as probable. As indicated above, the Territory has recorded a liability for judgments and claims in the amount of $8,100,000.

Changes in the balances of claims and judgments liabilities during the past two fiscal years are as follows:

	2012	2011
Unpaid claims and judgments, beginning of fiscal year	$ 2,300,000	$ 400,000
Incurred claims and judgments	6,228,000	1,900,000
Claims and judgment payments	(428,000)	-
Unpaid claims and judgments, end of fiscal year	$ 8,100,000	$ 2,300,000

B. Grants

Under the terms of federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Audits may lead to reimbursement to the grantor agencies. The Territory records liabilities for all audit reports that are expected to lead to disallowed costs. As of September 30, 2012, any potential reimbursements related to ongoing or pending audits cannot be estimated.

Note 13 - Commitments and Contingencies

C. Commitments

As of September 30, 2012, outstanding commitments are comprised of the following:

	Project Authorization	Expended Through September 30, 2012	Committed as of September 30, 2012
Airport improvements	$ 23,305,785	$ 2,879,416	$ 20,426,369
FEMA improvements	6,749,006	4,787,145	1,961,861
Cooperative improvements	2,188,000	1,064,014	1,123,986
Educational facilities	1,678,225	1,019,113	659,112
	$ 33,921,016	$ 9,749,688	$ 24,171,328

Note 14 - New Pronouncements for Financial Reporting

The Governmental Accounting Standards Board (GASB) has issued the following statements:

- Statement No. 61, *The Financial Reporting Entity: Omnibus*, improves financial reporting for governmental entities by amending the requirements of Statements No. 14, *The Financial Reporting Entity,* and No. 34*, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, to better meet user needs and address reporting entity issues that have come to light since those Statements were issued in 1991 and 1999, respectively. The Statement will improve the information presented about the financial reporting entity, which is comprised of a primary government and related entities (component units). The amendments to the criteria for including component units allow users of financial statements to better assess the accountability of elected officials of the primary government by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that the government determines would be misleading to include. The requirements of Statement No. 61 are effective for financial statements for periods beginning after June 15, 2012. Management is evaluating the effect that the implementation of this Statement will have on the financial statements of the Territory.

Note 14 - New Pronouncements for Financial Reporting (Continued)

- Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* incorporates into the GASB authoritative literature certain accounting and financial reporting guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements. The Statement incorporates into the GASB's authoritative literature the applicable guidance previously presented in the following pronouncements issued before November 30, 1989 - 1) FASB Statements and Interpretations, 2) Accounting Principles Board Opinions, and 3) Accounting Research Bulletins of the AICPA's committee on Accounting Procedure. The requirements of Statement No. 62 are effective for financial statements for periods beginning after December 15, 2011. Management is evaluating the effect that the implementation of this Statement will have on the financial statements of the Territory.

- Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides guidance on financial reporting of deferred inflows and outflows of resources. Under this Statement, entities report deferred outflows and inflows of resources separately from assets and liabilities in a new statement of position format. This Statement also amends Statement No. 34 and other existing standards to reflect the residual measure in the statement of financial position as net position, rather than net assets. This Statement is effective for periods beginning after December 15, 2011. Management is evaluating the effect that the implementation of this Statement will have on the financial statements of the Territory.

- Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*, improves financial reporting for state and local governments by clarifying whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement was effective for periods beginning after June 15, 2011. Adoption of this standard did not have a material effect on the financial statements of the Territory.

- Statement No. 65, *Items Previously Reported as Assets and Liabilities*, clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. This Statement is effective for periods beginning after December 15, 2012. Management is evaluating the effect that the implementation of this Statement will have on the financial statements of the Territory.

- Statement No. 66, *Technical Corrections – 2012*, enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance. This Statement amends Statements No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement is effective for periods beginning after December 15, 2012. Management is evaluating the effect that the implementation of this Statement will have on the financial statements of the Territory.

Note 14 - New Pronouncements for Financial Reporting (Continued)

- Statement No. 67, *Financial Reporting for Pension Plans*, revises existing guidance for financial reports of most pension plans. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and enhances note disclosures and required supplementary information (RSI) for pension plans. The Statement also requires the presentation of new information about annual money-weighted rates of return in notes to the financial statements and in 10-year RSI schedules. This Statement is effective for periods beginning after June 15, 2013. Management is evaluating the effect that the implementation of this Statement will have on the financial statements of the Territory.

- Statement No. 68, *Accounting and Financial Reporting for Pensions*, revises and establishes new financial reporting requirements for governments that provide employees with pension benefits. This Statement replaces the requirements of Statements No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. The Statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and RSI. This Statement is effective for periods beginning after June 15, 2014. Management is evaluating the effect that the implementation of this Statement will have on the financial statements of the Territory.

REQUIRED SUPPLEMENTARY INFORMATION

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues:				
Taxes	$ 46,500,000	$ 49,208,919	$ 62,206,531	$ 12,997,612
Licenses and permits	1,000,000	1,160,500	984,537	(175,963)
Intergovernmental	17,643,000	13,448,000	14,725,669	1,277,669
Charges for services	5,000,000	5,000,000	5,142,824	142,824
Fines and fees	2,504,500	3,650,000	2,758,390	(891,610)
Interdepartmental	6,300,000	6,300,000	4,484,513	(1,815,487)
Miscellaneous	1,090,000	2,274,035	1,545,591	(728,444)
Total revenues	80,037,500	81,041,454	91,848,055	10,806,601
Expenditures:				
General government	30,631,500	25,511,000	42,441,119	(16,930,119)
Education and culture	23,539,000	27,090,000	22,980,758	4,109,242
Economic development	1,981,500	5,933,454	4,516,421	1,417,033
Health and welfare	2,185,000	7,029,000	3,059,195	3,969,805
Public safety	8,091,500	9,462,500	9,073,841	388,659
Public works	14,178,000	6,015,500	7,796,904	(1,781,404)
Total expenditures	80,606,500	81,041,454	89,868,238	(8,826,784)
Excess (deficiency) of revenues over expenditures	(569,000)	-	1,979,817	1,979,817
Other financing sources (uses):				
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	(4,939,704)	(4,939,704)
Total other financing sources (uses)	-	-	(4,939,704)	(4,939,704)
Change in fund balances	(569,000)	-	(2,959,887)	(2,959,887)
Fund balances, October 1, 2011	(7,727,686)	(7,727,686)	(7,727,686)	-
Fund balances, September 30, 2012	$ (8,296,686)	$ (7,727,686)	$ (10,687,573)	$ (2,959,887)

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SPECIAL REVENUE FEDERAL GRANTS
YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues:				
Taxes	$ -	$ -	$ -	$ -
Licenses and permits	-	-	-	-
Intergovernmental	104,159,200	104,159,200	174,398,111	70,238,911
Charges for services	-	-	-	-
Fines and fees	-	-	-	-
Interdepartmental	-	-	-	-
Miscellaneous revenue	-	-	1,155,302	1,155,302
Total revenues	104,159,200	104,159,200	175,553,413	71,394,213
Expenditures:				
General government	1,623,000	1,623,000	51,186,157	(49,563,157)
Education and culture	51,260,200	51,260,200	53,588,698	(2,328,498)
Economic development	7,823,500	7,823,500	11,046,929	(3,223,429)
Health and welfare	36,497,500	36,497,500	26,876,569	9,620,931
Public safety	6,955,000	6,955,000	6,707,095	247,905
Public works	-	-	27,661,482	(27,661,482)
Total expenditures	104,159,200	104,159,200	177,066,930	(72,907,730)
Excess (deficiency) of revenues over expenditures	-	-	(1,513,517)	(1,513,517)
Other financing sources:				
Loan proceeds	-	-	-	-
Transfers in	-	-	1,907,118	(1,907,118)
Transfers out	-	-	-	-
Total other financing sources	-	-	1,907,118	(1,907,118)
Change in fund balances	-	-	393,601	(393,601)
Fund balances, October 1, 2011	2,329,013	2,329,013	2,329,013	-
Fund balances, September 30, 2012	$ 2,329,013	$ 2,329,013	$ 2,722,614	$ (393,601)

Single Audit Reports for

Territory of American Samoa

September 30, 2012

MOSS-ADAMS LLP

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* Incorporated by reference.

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REPORT OF INDEPENDENT AUDITORS 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*

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Territory of American Samoa (the "Territory" or "ASG"), as of and for the year ended September 30, 2012, which collectively comprise the Territory's basic financial statements and have issued our report thereon dated July 30, 2013. Our report includes a reference to other auditors. We qualified our opinion on the financial position of the Agency Fund within the aggregate remaining fund information. 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. Other auditors audited the financial statements of the discretely presented component units of the Territory, as described in our report on the Territory's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

Management of the Territory is responsible for establishing and maintaining effective 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 opinion 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal controls over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Finding 2012-FS1 (account reconciliations and financial close and reporting process), Finding 2012-FS2 (management estimates and significant transactions), and Finding 2012-FS3 (capital assets) to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Finding 2012-FS4 (budget overruns) and Finding 2012-FS5 (passenger facility charge audit) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Territory of American Samoa'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 2012-FS4 (budget overruns) and Finding 2012-FS5 (passenger facility charge audit).

We noted certain matters that we reported to management of the Territory in a separate letter dated July 30, 2013.

The Territory's response 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, management of the Territory, others within the entity, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Moss Adams LLP

Seattle, Washington
July 30, 2013

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REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

COMPLIANCE

We have audited the Territory of American Samoa's (the "Territory" or "ASG") compliance with the types of compliance requirements described in the *Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Territory's major federal programs for the year ended September 30, 2012. 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 following component units: the American Samoa Power Authority, the American Samoa Community College, the American Samoa Telecommunications Authority, and the American Samoa Medical Center Authority. These component units received a total of $27,316,917 in direct federal awards which are not included in the Schedule of Expenditures of Federal Awards for the year ended September 30, 2012. Our audit, described below, did not include the operations of the American Samoa Power Authority, the American Samoa Community College, the American Samoa Telecommunications Authority and the American Samoa Medical Center Authority because these component units engaged other auditors to perform an audit in accordance with OMB Circular A-133.

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 on the Territory's compliance with those requirements.

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

Adverse Opinion

As described in Finding 2012-01 (activities allowed or unallowed and allowable costs/cost principles) and Finding 2012-02 (sub-recipient monitoring), in the accompanying schedule of findings and questioned costs, the Territory did not comply with requirements regarding activities allowed or unallowed and allowable costs/cost principles and sub-recipient monitoring that are applicable to its 17.258/17.259/17.260 Workforce Investment Act (WIA) and National Emergency Grant (NEG) Cluster. Compliance with such requirements is necessary, in our opinion, for the Territory to comply with the requirements applicable to that program.

Qualifications

As identified in the following table and in the schedule of findings and questioned costs, the Territory did not comply with certain compliance requirements that are applicable to certain of its major federal programs. Compliance with such requirements is necessary, in our opinion, for the Territory to comply with the requirements applicable to the identified major federal programs.

CFDA Numbers	Federal Awarding Agency	Name of Federal Program or Cluster	Compliance Requirement	Finding Number
10.551	U.S. Department of Agriculture	Supplemental Nutrition Assistance Program with ARRA	Reporting	2012-08
20.205	U.S. Department of Transportation	Highway Planning and Construction	Sub-recipient monitoring	2012-11
84.027, 84.027A	U.S. Department of Education	Special Education Cluster (IDEA)	Reporting	2012-05
84.394A, 84.397A	U.S. Department of Education	State Fiscal Stabilization Fund - ARRA Cluster	Reporting	2012-05
84.402A	U.S. Department of Education	Consolidated Grants to Outlying Areas ARRA	Reporting	2012-05
84.403A	U.S. Department of Education	Consolidated Grants to Outlying Areas	Reporting	2012-05
84.410A	U.S. Department of Education	Education Jobs Fund - ARRA	Reporting	2012-05
93.575	U.S. Department of Health and Human Services	Child Care and Development Block Grant	Reporting	2012-05

In our opinion, because of the effects of the noncompliance described in the *Adverse Opinion* paragraph above, the Territory did not comply, in all material respects, with the compliance requirements referred to in that paragraph that could have a direct and material effect on the Workforce Investment Act (WIA) and National Emergency Grant (NEG) Cluster. Also, in our opinion, except for the noncompliance described in the preceding table, the Territory complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs for the year ended September 30, 2012.

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 as Finding 2012-04 (reporting), Finding 2012-06 (reporting), Finding 2012-07 (reporting), Finding 2012-10 (equipment and real property management), Finding 2012-12 (procurement, suspension, and debarment), Finding 2012-13 (procurement, suspension, and debarment: Buy American Act), Finding 2012-14 (eligibility), Finding 2012-15 (Davis-Bacon Act), and Finding 2012-16 (reporting).

INTERNAL CONTROL OVER COMPLIANCE

Management of the Territory of American Samoa is responsible for establishing and maintaining effective internal control over compliance with 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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2012-01 (activities allowed or unallowed and allowable costs/cost principles), Finding 2012-02 (sub-recipient monitoring), Finding 2012-05 (reporting), Finding 2012-08 (reporting), and Finding 2012-11 (sub-recipient monitoring) to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2012-03 (eligibility), Finding 2012-04 (reporting), Finding 2012-06 (reporting), Finding 2012-07 (reporting), Finding 2012-09 (procurement, suspension and debarment), Finding 2012-10 (equipment and real property), Finding 2012-12 (procurement and suspension and debarment), Finding 2012-13 (procurement and suspension and debarment: Buy American Act), Finding 2012-14 (eligibility), Finding 2012-15 (Davis-Bacon Act), and Finding 2012-16 (reporting) to be significant deficiencies.

In addition to the findings noted above, we have also identified two internal control deficiencies reported as Finding 2012-17 (special tests and provisions) and Finding 2012-18 (equipment and real property management).

The Territory's response 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 the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Territory of American Samoa (the "Territory") as of and for the year ended September 30, 2012, and have issued our report thereon dated July 30, 2013. We qualified our opinion on the financial position of the Agency Fund within the aggregate remaining fund information.

Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the Territory's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Moss Adams LLP

Seattle, Washington
July 30, 2013

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2012

Federal Grantor/Program	CFDA #	Total Federal Expenditures Including ARRA	ARRA Expenditures
Department of Agriculture			
Plant and Animal Disease, Pest Control, and Animal Care	10.025	$ 2,000	$ -
Specialty Crop Block Grant Program - Farm Bill	10.170	5,368	-
Supplemental Nutrition Assistance Program with ARRA	10.551	7,780,880	683,560
National School Lunch Program	10.555	18,260,484	-
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	7,446,171	-
Cooperative Forestry Assistance	10.664	242,172	-
Community Facilities Loans and Grants	10.766	155	-
Total Department of Agriculture		33,737,230	683,560
Department of Commerce			
Economic Development Support for Planning Organizations	11.302	39,600	-
Interjurisdictional Fisheries Act of 1988	11.407	77,686	-
Coastal Zone Management Administration Awards	11.419	927,047	-
Financial Assistance for National Centers for Coastal Ocean Science	11.426	46,709	-
Marine Sanctuary Program	11.429	425,645	-
Pacific Fisheries Data Program	11.437	133,981	-
Unallied Management Projects	11.454	46,753	-
Habitat Conservation	11.463	89,149	-
Meteorologic and Hydrologic Modernization Development	11.467	297,643	-
Coral Reef Conservation Program	11.482	317,570	-
ARRA State Broadband Data and Development Grant Program	11.558	212,727	212,727
Total Department of Commerce		2,614,510	212,727
Department of Housing and Urban Development			
Community Development Block Grants/Special Purpose Grants/Insular Areas	14.225	1,044,516	-
Total Department of Housing and Urban Development		1,044,516	-
Department of Interior			
State Wildlife Grants	15.634	169,415	-
Economic, Social, and Political Development of the Territories (Basic Grant)	15.875	19,119,684	1,073,504
Historic Preservation Fund Grants-In-Aid	15.904	428,333	-
Fish and Wildlife Cluster			
Sport Fish Restoration Program	15.605	1,261,218	-
Wildlife Restoration and Basic Hunter Education	15.611	314,322	-
Total Fish and Wildlife Cluster		1,575,540	-
Total Department of Interior		21,292,972	1,073,504
Department of Justice			
Sexual Assault Services Formula Program	16.017	5,002	-
Juvenile Accountability Block Grants	16.523	82,278	-
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	153,760	-
Title V - Delinquency Prevention Program	16.548	10,340	-
Crime Victim Assistance	16.575	410,768	-
Edward Byrne Memorial Formula Grant Program with ARRA	16.579	1,578,963	1,000,785
Violence Against Women Formula Grants with ARRA	16.588	1,004,820	855
ARRA - Recovery Act - State Victim Assistance Formula Grant Program	16.801	29,487	29,487
Total Department of Justice		3,275,418	1,031,127
Department of Labor			
Senior Community Service Employment Program	17.235	1,245,390	-
WIA Cluster			
WIA Adult Program	17.258	346,599	-
WIA Youth Activities	17.259	119,466	-
WIA Dislocated Workers	17.260	6,846,893	-
Total WIA Cluster		7,312,958	-
Total Department of Labor		8,558,348	-
Department of Transportation			
Airport Improvement Program	20.106	4,333,698	-
Highway Planning and Construction	20.205	12,146,160	-
National Motor Carrier Safety	20.218	399,287	-
ARRA - Formula Grants for Other Than Urbanized Areas	20.509	282,084	-

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
SEPTEMBER 30, 2012

Federal Grantor/Program	CFDA #	Total Federal Expenditures Including ARRA	ARRA Expenditures
Department of Transportation (Continued)			
State and Community Highway Safety	20.600	$ 1,660,673	$ -
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	45,914	-
Payments for Small Community Air Service Development	20.930	151,794	-
Total Department of Transportation		19,019,610	-
General Services Administration			
General Services Administration	39.011	168,918	-
Total General Services Administration		168,918	-
National Foundation of Arts & Humanities			
ARRA - Promotion of the Arts - Partnership Agreements	45.025	285,590	285,590
Total National Foundation of Arts & Humanities		285,590	285,590
Environmental Protection Agency			
Environmental Protection Consolidated Grants for the Insular Areas - Program Support	66.600	2,856,821	-
Total Environmental Protection Agency		2,856,821	-
Department of Energy			
State Energy Program with ARRA	81.041	3,325,999	3,229,134
Weatherization Assistance for Low-Income Persons with ARRA	81.042	463,074	261,093
ARRA - Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122	54,582	54,582
ARRA - Energy Efficient Appliance Rebate Program (EEARP)	81.127	578	578
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	3,290,025	3,290,025
Total Department of Energy		7,134,258	6,835,412
Department of Education			
Special Education (IDEA) Grant	84.027/ 84.027A	7,017,318	-
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	774,953	-
Centers for Independent Living	84.132	168,715	-
Rehabilitation Services - Client Assistance Program	84.161	64,333	-
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.169	45,088	-
Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind	84.177	56,515	-
Special Education - Grants for Infants and Families	84.181	442,895	-
Safe and Drug-Free Schools and Communities - State Grants	84.186	37,094	-
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187	56,334	-
Fund for the Improvement of Education	84.215	655,546	-
Territories and Freely Associated States Education Grant Program	84.224	144,242	-
Program of Protection and Advocacy of Individual Rights	84.240	89,404	-
Territories and Freely Associated States Education Grant Program	84.256	1,332,998	-
Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	84.265	32,226	-
Assistive Technology - State Grants for Protection and Advocacy	84.343	23,348	-
Striving Readers	84.371	83,495	-
ARRA - Consolidated Grants to the Outlying Areas	84.402A	4,803,468	4,803,468
Consolidated Grants to the Outlying Areas	84.403A	18,421,345	-
ARRA - Education Jobs Fund	84.410A	4,814,248	4,814,248
Consolidated Grants to Insular Areas	84.922	(88,160)	-
State Fiscal Stabilization Fund Cluster			
ARRA - Education State Grants	84.394A	11,197,292	11,197,292
ARRA - Government Services	84.397A	6,740,266	6,740,266
Total State Fiscal Stabilization Fund Cluster		17,937,558	17,937,558
Total Department of Education		56,912,963	27,555,274
Department of Health & Human Services			
Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	3,012	-
Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	93.042	6,963	-

See notes to schedule of expenditures of federal awards.

Federal Grantor/Program	CFDA #	Total Federal Expenditures Including ARRA	ARRA Expenditures
Department of Health & Human Services (Continued)			
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	$ 8,804	$ -
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	726,864	-
National Family Caregiver Support, Title III, Part E	93.052	193	-
Public Health Emergency Preparedness	93.069	241,525	-
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	70,780	-
Maternal and Child Health Federal Consolidated Programs	93.110	58,870	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	102,431	-
Protection and Advocacy for Individuals with Mental Illness	93.138	183,625	-
Projects for Assistance in Transition from Homelessness (PATH)	93.150	38,083	-
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, Public Housing Primary Care, and School Based Health Centers)	93.224	1,464,843	-
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	1,179,093	-
Universal Newborn Hearing Screening	93.251	4,054	-
State Grants for Protection and Advocacy Services	93.267	9,224	-
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	748,316	-
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	323,871	-
PPHF 2012 National Public Health Improvement Initiative	93.507	114,632	-
The Patient Protection and Affordable Care Act of 2010 (Affordable Care Act) authorizes Coordinated Chronic Disease prevention and Health Promotion	93.544	14,783	
Low-Income Home Energy Assistance	93.568	99,321	-
Community Services Block Grant	93.569	645,589	
Child Care and Development Block Grant	93.575	3,037,362	
ARRA Child Care and Development Block Grant	93.713	45,033	45,033
Voting Access for Individuals with Disabilities - Grants to States	93.617	146,050	-
Voting Access for Individuals with Disabilities - Grants for Protection and Advocacy Systems	93.618	35,753	-
Developmental Disabilities Basic Support and Advocacy Grants	93.630	451,957	-
Social Services Block Grant	93.667	1,123,700	-
ARRA - Grants to Health Center Programs	93.703	173,150	173,150
ARRA - Strengthening Communities Fund	93.711	209,893	209,893
ARRA - Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.723	15,050	15,050
Medical Assistance Program	93.778	9,908,330	-
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	22,838	-
National Bioterrorism Hospital Preparedness Program	93.889	411,801	-
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality	93.912	31,245	-
HIV Care Formula Grants	93.917	41,878	-
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	78,718	-
HIV Prevention Activities - Health Department Based	93.940	204,730	-
Maternal and Child Health Services Block Grant to the States	93.944	7,293	-
Block Grants for Community Mental Health Services	93.958	459,291	-
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	42,137	-
Preventive Health and Health Services Block Grant	93.991	31,718	-
Maternal and Child Health Services Block Grant to the States	93.994	422,202	-
Immunization Cluster			
Immunization Grants	93.268	521,875	-
ARRA - Immunization	93.712	1,175	1,175
Total Immunization Cluster		523,050	1,175
Head Start Cluster			
Head Start	93.600	2,570,567	-
ARRA - Head Start	93.708	49,919	49,919
Total Head Start Cluster		2,620,486	49,919
Total Department of Health & Human Services		26,088,541	494,220

See notes to schedule of expenditures of federal awards.

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
SEPTEMBER 30, 2012

Federal Grantor/Program	CFDA #	Total Federal Expenditures Including ARRA	ARRA Expenditures
Social Security			
Social Security State Grants for Work Incentives Assistance to Disabled Beneficiaries	96.009	$ 38,432	$ -
Total Social Security		38,432	-
Department of Homeland Security			
Boating Safety Financial Assistance	97.012	1,013,122	-
Public Assistance (Presidentially Declared Disasters)	97.036	9,294,239	-
Emergency Management Performance Grants	97.042	501,438	-
Homeland Security Grant Program	97.067	1,376,829	-
Earthquake Consortium	97.082	20,770	-
Driver's License Security Grant Program	97.089	234,959	-
Total Department of Homeland Security		12,441,357	-
Total Federal Awards Expended		$ 195,469,484	$ 38,171,414

See notes to schedule of expenditures of federal awards.

Note 1 - 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. The Schedule of Expenditures of Federal Awards (the "Schedule") does not include the federal financial assistance directly received by 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. These component units have engaged other auditors to perform an audit in accordance with OMB Circular A-133 and they file a separate single audit report with the Federal Audit Clearinghouse. Federal financial assistance received by the Development Bank of American Samoa, an organization related to the Territory, is also excluded from the Schedule of Expenditures of Federal Awards.

Note 2 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Territory under programs of the federal government for the year ended September 30, 2012. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget ("OMB") Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. All federal awards received by the Territory are direct awards; there are no awards passed through from another entity. Because the schedule presents only a selected portion of the operations of the Territory, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Territory.

Note 3 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule of Expenditures of Federal Awards are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the OMB circular A-87, *Cost Principles for State, Local and Indian Tribal Government*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustment or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 4 - Loans

The Territory received proceeds of special community disaster loans from FEMA totaling $10,179,089 during 1993 and 1994. There is a provision in the FEMA regulations that permits FEMA to cancel all or a portion of this loan. During May 2000, FEMA cancelled $8,638,009 of principal and $3,227,779 of interest on these notes. The Territory expects the remaining amounts of these notes plus interest to be cancelled in subsequent years. As of September 30, 2012, the outstanding principal and unpaid interest on the FEMA notes totaled $1,541,080 and $1,594,819, respectively. This loan is not reflected in the accompanying Schedule of Expenditures of Federal Awards.

Note 5 - Workforce Investment Act (WIA) and National Emergency Grant (NEG) Cluster

As stated in the June 2012 OMB A-133 Compliance Supplement, "CFDA 17.260, which included WIA Dislocated Worker formula grants and National Emergency Grants ('NEG'), has been removed from the CFDA. The new CFDA for the WIA Dislocated Worker program is 17.278 and is included as part of the WIA Cluster. The new CFDA number for the NEG program is 17.277. For awards made on or after July 1, 2011, CFDA 17.277 should be audited under Part 7 of the Supplement and not as part of the WIA cluster."

The Territory's fiscal year 2012 expenditures related to their NEG award allocation were charged against the remaining deferred revenues and unexpended portion of the fiscal year 2010 WIA Dislocated Workers award which was awarded under CFDA 17.260. The Territory received an extension on the award's performance period through December 31, 2012, so although 17.260 was removed from the Catalog of Federal Domestic Assistance in 2012, the expenditures made during the Territory's fiscal year 2012 were from the 2010 grant award as part of the cluster with the WIA program. Accordingly, the major program cluster is listed as 17.258/17.259/17.260 in the SEFA and in the Schedule of Findings and Questioned Costs.

Note 6 - Passthrough Awards

Each of the federal awards presented on this Schedule of Expenditures of Federal Awards are directly received from the federal grantor.

Passed through to ASG Component Units: A portion of certain programs are passed through to discretely presented component units of the American Samoa Government. These component units also include these amounts on their Schedule of Expenditures of Federal Awards.

Component Unit	Grantor/CFDA Grantor's Program Title	Federal CFDA Number	2012 Expenditures
American Samoa Power Authority	U.S. Department of the Interior		
	Economic, Social, and Political Development of the Territories	15.875	$ 897,825
	U.S. Department of Energy		
	ARRA Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	11,142,967
	Energy Efficiency and Renewable Energy Information Dissemination, Outreach Training and Technical Assistance	81.117	114,000
	U.S. Department of Homeland Security		
	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	1,158,722
	Homeland Security Grant Program	97.067	1,395
American Samoa Community College	U.S. Department of Commerce		
	Marine Sanctuary Program	11.429	11,826
	U.S. Department of the Interior		
	Economic, Social and Political Development of the Territories DOI Supplement	15.875	1,358,000
	U.S. Department of Labor		
	WIA Dislocated Workers - NEG Project	17.260	87,077
	U.S. Department of Education		
	Special Education Grants to State (IDEA Part B (Cluster))		
	ASTEP Precore	84.027	308,839
	UAP - DOE Special Ed Work Study Program	84.027	13,540
	Teacher Education Co-Hort Program	84.027	5,120
	State Grants Recovery Act - ARRA (Cluster)		
	State Fiscal Stabilization Fund (SFSF) - Education	84.394A	2,709,597
	Department of Housing and Urban Development		
	ARRA - State Grants Recovery Act		
	CDBG-R Funding (ARRA)	14.254	70,000
	U.S. Department of Energy		
	ARRA - State Grants Recovery Act		
	Energy Smart Educational Grant	81.128	72,015
	U.S. Department of Health and Human Services		
	Development Disabilities Planning Council	93.630	10,014
	CSBG - Nursing	93.569	8
	CSBG - Adult Education	93.569	25,571
American Samoa Medical Center Authority	U.S. Department of Energy		
	Government Services Fund - TEO Solar Water Heater Project	81.041	74,753
	U.S. Department of Health & Human Services		
	Family Planning	93.217	184,283
	EMS for Children	93.127	82,650
			$ 18,328,202

Passed through to Others: Within the 17.258/17.259/17.260 WIA/NEG Cluster, $3.1 million was passed through to a private contractor, Native Hawaiian Holding Company, Inc in fiscal 2012 to carry out programmatic objectives of the National Emergency Grant Workforce Development Plan.

Note 7 - Major Programs

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

CFDA No.	Program	Federal Expenditures	ARRA	Total Federal Expenditures
10.551	Supplemental Nutrition Assistance Program with ARRA	$ 7,097,320	$ 683,560	$ 7,780,880
10.555	National School Lunch Program	18,260,484	-	18,260,484
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	7,446,171	-	7,446,171
15.875	Economic and Political Development of the Territories (Basic Grant)	18,046,180	1,073,504	19,119,684
17.258/17.259/ 17.260	Workforce Investment Act (WIA) and National Emergency Grant (NEG) Cluster	7,312,958		7,312,958
20.106	Airport Improvement Program	4,333,698	-	4,333,698
20.205	Highway Planning and Construction	12,146,160	-	12,146,160
81.041	State Energy Program with ARRA	96,865	3,229,134	3,325,999
81.128	ARRA Energy Efficiency and Conservation Block Grant (EECBG)	-	3,290,025	3,290,025
84.410A	ARRA - Education Jobs Fund	-	4,814,248	4,814,248
84.027/84.027A	Special Education (IDEA) Grant	7,017,318	-	7,017,318
84.402A	ARRA - Consolidated Grants to the Outlying Areas	-	4,803,468	4,803,468
84.403A	Consolidated Grants to the Outlying Areas	18,421,345	-	18,421,345
84.394A/84.397A	State Fiscal Stabilization Fund – ARRA	-	17,937,558	17,937,558
93.575	Child Care and Development Block Grant	3,037,362	-	3,037,362
93.778	Medical Assistance Program	9,908,330	-	9,908,330
97.036	Public Assistance (Presidentially Declared Disasters)	9,294,239	-	9,294,239
				$ 158,249,927

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Qualified - Agency Fund within the Aggregate Remaining Fund Information

Unqualified - Governmental Activities, Discrete Component Units, Business Type Activities, and Airport and Aggregate Non-Major Funds

Internal control over financial reporting:

- Material weakness(es) identified? ☒ Yes ☐ No
- Significant deficiencies identified? ☒ Yes ☐ None reported

Noncompliance material to financial statements noted? ☒ Yes ☐ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☒ Yes ☐ No
- Significant deficiencies identified? ☒ Yes ☐ None reported

Type of auditor's report issued on compliance for major programs: See below

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☒ Yes ☐ No

I. SUMMARY OF AUDITOR'S RESULTS (CONTINUED)

Identification of Major Programs and Type of Auditor's Report Issued

CFDA Numbers	*Name of Federal Program or Cluster*	*Type of Auditor's Report Issued*
10.551	Department of Agriculture - Supplemental Nutrition Assistance Program with ARRA	Qualified
10.555	Department of Agriculture - National School Lunch Program	Unqualified
10.557	Department of Agriculture - Special Supplemental Nutrition Program for Women, Infants, and Children	Unqualified
15.875	Department of Interior - Economic, Social and Political Development of the Territories (Basic Grant)	Unqualified
17.258/17.259/ 17.260	Department of Labor - Workforce Investment Act (WIA) and National Emergency Grant (NEG) Cluster	Adverse
20.106	Department of Transportation - Airport Improvement Program	Unqualified
20.205	Department of Transportation - Highway Planning and Construction	Qualified
81.041	Department of Energy - State Energy Program with ARRA	Unqualified
81.128	Department of Energy - Energy Efficiency and Conservation Block Grant Program (EECBG) - ARRA	Unqualified
84.027/84.027A	Department of Education - Special Education Cluster (IDEA)	Qualified
84.394A/84.397A	Department of Education - State Fiscal Stabilization Fund - ARRA Cluster	Qualified
84.402A	Department of Education - Consolidated Grants to Outlying Areas - ARRA	Qualified
84.403A	Department of Education - Consolidated Grants to Outlying Areas	Qualified
84.410A	Department of Education - Education Jobs Fund - ARRA	Qualified
93.575	Department of Health and Human Services - Child Care and Development Block Grant	Qualified
93.778	Department of Health and Human Services - Medical Assistance Program	Unqualified
97.036	Department of Homeland Security - Public Assistance (Presidentially Declared Disasters)	Unqualified

Dollar threshold used to distinguish between type A and type B programs: $ 3,000,000

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

II. *GOVERNMENT AUDITING STANDARDS* FINDINGS

Finding 2012-FS1 - General Ledger Reconciliation/Financial Close and Reporting Process Material Weakness in internal controls

Criteria - In order to provide timely and accurate financial reports, the general ledger accounts of the Territory should be reconciled each month on a timely basis. The reconciliations performed by accounting and finance staff should be approved by supervisory personnel and supported with proper documentation.

A strong system of internal controls ensures that accurate and complete financial statements are prepared in accordance with generally accepted accounting principles (GAAP), including all required disclosures. This can be achieved by producing the financial statements in house, or by outsourcing the function, but if outsourced, management retains the responsibility to ensure the statements are accurate, complete, and in accordance with GAAP.

Condition - The Territory does not have an adequate control system in place to ensure the general ledger accurately reflects the account balances of the Territory on a monthly, quarterly or annual basis. We noted the following:

- The Territory's general ledger is not reconciled to subsidiary ledgers or source documents on a monthly basis, nor is it closed or summarized in such a manner to accurately portray the accounts and activities of ASG on a monthly basis. At year end, the general ledger is not closed on a timely basis.

- The Territory's control system did not include measures to ensure that preparation of the Territory's financial statements and footnotes was performed in accordance with Generally Accepted Accounting Principles (GAAP).

- The Territory does not have processes or procedures in place to analyze and implement new accounting principles as promulgated by the Government Accounting Standards Board (GASB). For example, GASB Statement No. 54, '*Fund Balance Reporting and Governmental Fund Definitions'* was not adequately addressed by Treasury staff in 2011 or 2012.

- Year end accruals for unusual transactions such as litigation claims and workers' compensation accrual are not updated on a recurring and timely basis.

II. *GOVERNMENT AUDITING STANDARDS* FINDINGS (CONTINUED)

- The Territory has a decentralized system for maintaining and tracking the expenditures of federal awards. The Schedule of Expenditures of Federal Awards (SEFA) is prepared on an annual basis and though Treasury updates their grant summary monthly throughout the year, there is no entity wide SEFA that is updated or maintained throughout the year. As such, there is no complete summary of expenditures on a grant by grant basis for departments and programs to use as a resource. The preparation of the annual SEFA is cumbersome due to this decentralized approach. In addition, because of the decentralized approach, the monthly SEFA maintained by Treasury is incomplete.

- There is no system in place to verify that the receivables recorded on the general ledger are collectible and there is no periodic valuation of allowances to determine which receivables should be written off. Based upon our review of the detail of receivables, there were many receivable amounts that the Territory deems to be uncollectible but they have not yet been written off on the general ledger.

- Similar findings have been noted in previous years and remain uncorrected.

Cause - The Treasury department was not fully or adequately staffed throughout fiscal year 2012 and underwent several changes in early 2013 with the new administration. The accounting policies, procedures, and controls to ensure a robust internal control structure governing the general ledger maintenance and the financial close and reporting process are not functioning as intended. There is no formal close of the general ledger on a monthly basis that accurately captures all accruals, management estimates, and significant and unusual transactions. The general ledger is not reconciled back to source documents and data on a monthly basis. Decentralized systems also contribute to these weaknesses.

Effect - The Territory's accounts are not reconciled on a timely basis and the Territory is not able to produce accurate and timely financial statements or an accurate and timely Schedule of Expenditures of Federal Awards.

Recommendation - Staffing should be evaluated by having functions and duties re-assigned and/or additional personnel hired to ensure that monthly accounting reconciliations are performed to produce accurate financial statements. The accounting policies, procedures and controls should be re-examined and improvements should be made to ensure accurate and timely financial statements can be produced and to ensure subsidiary accounts are accurately and timely maintained and reconciled. Closing checklists should be used each month and on an annual basis to ensure that all major accounts are reconciled and analyzed.

II. *GOVERNMENT AUDITING STANDARDS* FINDINGS (CONTINUED)

Maintenance of the SEFA and the federal reporting functions should be centrally maintained - or at least monitored - by Treasury. We also recommend that the Territory continue to assess the appropriateness of outsourcing the preparation of the financial statements and implementation of new accounting standards compared to the cost of developing sufficient in-house expertise.

Management Response - ASG agrees with this finding. Below we have summarized our activities in response to this finding:

Governmental Activities: ASG has established a policy and procedure to proactively manage all three (3) sectors of program revenues and allocation, additionally with the upgrade of our financial management system and the paperless initiative; source documentation is required to initiate a transaction. This will enable the process to easily reconcile to the general ledger. Also ASG has acquired a system to monitor, track and record revenues on real time from its collection centers throughout the Territory.

General Ledger: In accordance with revised policies and procedures for the Grants Section under the Finance Division, general ledgers and subsidiary ledgers are being reconciled on a monthly and quarterly basis. Treasury Grants has diligently worked with various stakeholders to ensure that reconciliation procedures are completed in a timely manner. ASG has placed extra resources to ensure that the documented processes and procedures are appropriately adhered to.

Control System: With the upgrade of 7.9 to IFAS system in alignment with revised policies and procedures, this has established a framework that will provide effective internal controls that will ensure proper preparation of financial statements and footnotes; in accordance with GAAP.

Policies and Procedures: Revised policy shall address procedures to properly analyze and implement accounting principles as promulgated by the Government Accounting Standards Board (GASB), including GASB Statement No. 54. Resource improvements to oversee these principles are being addressed. As noted, initially implemented in 2013, ensuing fiscal years will enhance accountability which will coincide with annual training and refreshing workshops hosted by Government Finance Officers Association.

Litigation: ASG has addressed this longstanding issue by submitting a supplemental budget to address timely payments. Remaining obligations shall be addressed in accordance with allocation and appropriation.

Decentralization (TOFR): ASG Treasury agrees and concurs with this recommendation. Central accounting by statute is mandated in the American Samoa Code Annotated (ASCA) Title 4 Section 5.0503. This recommendation shall be taken into consideration while updating and revising our processes and procedures in order to meet our audit requirements in line with our SEFA.

II. *GOVERNMENT AUDITING STANDARDS* FINDINGS (CONTINUED)

Collectable Receivables: The 7.9 Upgrade and resource enhancements will enable ASG Treasury to address these issues.

Prior Year Findings: The new administration has taken serious steps and investments to address the findings from prior years. We look forward to implementing these changes and updates to the system and our processes. This will enable ASG to finally address the findings.

Finding 2012-FS2 Management Estimates and Significant Transactions
Material Weakness in Internal Controls

Criteria - Many of the accounts within ASG's financial statements require management judgment and estimation. Generally accepted accounting principles require management to analyze and assess the reasonableness of such accounts on a recurring basis. The Territory also engages in complex, unusual transactions throughout the year.

Condition - The Territory's operations are complex and there are many accounts within each fund that require management estimation and judgment. We believe there should be more structure and rigor governing these estimates. There were audit adjustments recorded within each fund to correct errors made in these types of accounts.

- General Fund: Tax receivables should be analyzed each month for activity and collectability and properly credited upon receipt, or written off if deemed uncollectible. An audit adjustment of $2.1 million was proposed to more accurately present this account at year end.

- General Fund: The Territory is a party to various claims and judgments. A key management estimate is an accrual for the estimated liability associated with legal claims. An audit adjustment of $5.8 million was proposed to increase this balance at year end.

- General Fund: Deferred revenue should be analyzed each month for and adjusted based on the individual income tax amounts received and paid. An audit adjustment of $0.5 million was necessary to correct this account at year end.

- Agency Fund: There is a lack of control process over the immigration bond accounts. It is our understanding that there is an ongoing project to reconcile these accounts, however, as of September 30, 2012; no adjustments have been made to correct this account. We are unable to assess the reasonableness of this balance.

Cause - There are no formal policies or procedures in place to analytically review each management estimate account, or to assess large, unusual transactions.

II. *GOVERNMENT AUDITING STANDARDS* FINDINGS (CONTINUED)

Effect - The Territory's financial statements are not fairly presented on a monthly or annual basis.

Recommendation - We recommend that policies and procedures governing management estimate accounts and significant transactions be formally documented. There should be a robust analysis and detailed support for each calculation and transaction. This function should be performed by a senior accountant or appropriate departmental staff person with review and oversight by a Treasury accountant or the comptroller. Certain accounts may lend themselves to quarterly or even monthly review.

Management Response -
General Fund: As noted in prior years, ASG Treasury concurs with this finding and has taken steps to address this finding in the General Fund. ASG has taken steps to pay off obligations identified in both Administrative Agreements with DOL and various legal claims. Resource enhancement will enable the proactive review, oversee, analyze, and reconcile significant transactions for the Immigration Bond Account. Additionally, we have established an Analytic Unit purposed to provide data mining of trend analysis of financial information by tracking and monitoring various transactions reported by the financial system.

Agency Fund: There is an ongoing project to reconcile these accounts; however, we have not yet been able to determine the amount of adjustments necessary to correct this account.

Finding 2012-FS3 Capital Assets
Material Weakness in Internal Controls

Criteria - Capital Assets of the Territory represent a significant portion of the Net Assets of Governmental Activities of ASG.

Condition - Accounting for capital asset activities and accounts is decentralized with departments such as the Territorial Office of Financial Reform and Public Works maintaining their own records, and this has led to large differences between amounts recorded in Treasury's system and records and the underlying capital asset ledgers. Subsequent to year end, working with Treasury staff, we developed audit adjustments totaling $14.8 million, which were recorded to accurately present the classification of capital assets used in governmental and business type activities. This included an adjustment of over $1.3 million to adjust the balance of depreciation expense in the Statement of Revenues, Expenditures, and Changes in Fund Balances for the Government Funds.

II. *GOVERNMENT AUDITING STANDARDS* FINDINGS (CONTINUED)

Cause - There is a lack of adherence to ASG policy regarding capital assets. We also noted a lack of effective communication between the various departments that work with capital assets. Self constructed assets are not closed on a timely basis out of Construction Work-in-Process to the Capital Assets account.

Effect - Prior to audit adjustment, the general ledger and financial statements were not fairly presented with respect to capital asset and related accounts.

Recommendation - We recommend that Treasury designate a staff accountant to oversee and monitor the capital asset accounts throughout the year. Duties could include spearheading the communication between Treasury and other ASG departments and functions; ensuring that the subsidiary records are reconciled to the general ledger; ensuring that completed assets that were previously included in the construction work in process account are closed into the accounting records on a timely basis and are assigned reasonable depreciable lives; reconciling capital asset activity to the Capital Improvement Project grant funds; and ensuring that capital asset policies are being followed across the Territory.

Management Response - ASG Treasury agrees and is working to address this issue. Resource enhancement and designation is working to formalize and distribute capital assets policy for the Territory. In addition, a fixed assets module has been purchased and it should be implemented by the end of fiscal year 2013.

Finding 2012-FS4 Budget Overrun
Significant Deficiency in Internal Controls, Non-Compliance

Criteria - The Budget for ASG is approved by the Fono and carries the weight of Territorial law.

Condition - As noted in Note 10 to the annual financial statements, numerous ASG departments and functions exceeded their budget appropriation. We noted excess expenditures of $13.7 million over budget.

Cause - There is no consistent formal budget accountability process in place across all ASG departments and functions. Also, because there is no accurate monthly general ledger or interim financial statements available to ASG departments as noted in Finding 2012-FS1 above, there is a lack of financial information available to the departments to enable them to accurately track and monitor available funds.

Effect - Budget overruns impact the Territory's ability to effectively conduct operations in the current and future fiscal years.

II. *GOVERNMENT AUDITING STANDARDS* FINDINGS (CONTINUED)

Recommendation - In addition to establishing a robust structure of internal controls around financial close and reporting as noted in Finding No. 2012-FS1 above, we recommend that ASG establish a system for budget accountability.

Management Response - ASG concurs with this finding. With the upgrade and enhancement to our financial management systems and revised policies and procedures, it will enable accountability and transparency in our budgetary processes. Paperless Initiative does not allow the creator to submit a transaction if appropriate funding is not available. We have implemented our paperless module and it is currently in motion with expectations to have it fully operational by the end of this fiscal year 2013. We are confident that we will improve our reporting deficiency by the end of fiscal year 2014.

Finding 2012-FS5 Passenger Facility Charge Audit
Significant Deficiency in Internal Controls, Non-Compliance

Criteria - The 14 CFR 158 Passenger Facility Charge Program Section 158.67 *Recordkeeping and Auditing: Public Agency* requires that all passenger facility charges (PFC) undergo a program audit by an accredited independent public accountant on an annual basis.

Condition - The Territory collects passenger facility charges within the Airport Fund. There has not been an annual audit performed of the PFC program in recent years.

Cause - Territory management was unaware of this program requirement.

Effect - The Territory is in violation of 14 CFR 158.67.

Recommendation - The Territory should have a PFC program audit performed for fiscal 2012.

Management Response - ASG concurs with this finding. We will release an RFP on these important issues before the end of the fiscal year 2013.

III. A-133 FINDINGS

Finding 2012-01 - Activities Allowed or Unallowed and Allowable Costs/Cost Principles Material Weakness in Internal Controls over Compliance, Non-Compliance

Federal Agency - Department of Labor

Federal Program - 17.258/259/260 Workforce Investment Act (WIA) and National Emergency Grant (NEG) Cluster

Criteria – Costs charged to federal programs must be allocable based on the general purpose of the program and special terms of the grant agreement. In addition, costs charged to the grant must meet the general criteria, which include being necessary and reasonable for the performance and administration of the award and being allocable to the grant.

Condition - We obtained the sub-recipient's financial statements and monthly reports. We noted the following charges to the grant are unallowable:

$2,252 Meeting Expenses - Expenses are for food not provided to the participants and are therefore ineligible.

$1,673,264 Medical Mobile Telepresence - The purpose of the grant is to provide needed training and skills to make participants employable and to find appropriate placement for on the job training or temporary placement leading to full time employment. These training costs are beyond the necessary and reasonable criterion. Given the skill level of the participants, the Telepresence training is not allocable to the grant and does not meet the purpose of the grant as most individuals do not have the background skill/level to justify the cost. Telepresence costs were nearly $250,000 a month and the primary beneficiary of these costs would be skilled medical professionals, not unemployed workers with no medical background or experience. In addition, the Territory does not have a system currently in place that supports employment for medical mobile telepresence.

$52,736 Transportation Costs - Supportive services like transportation stipends are allowable costs. These costs are to provide transportation for participants to training and skill development. The costs noted in the sub-recipient's detailed profit and loss schedule are not for supportive services.

$140,000 Training - Training was performed by a vendor not allocable to the grant given the low skill level of the participants and given that there is currently no industry on island to place participants trained in bio-energy.

III. A-133 FINDINGS (CONTINUED)

$6,943 Auto Expense - Since no vehicles were purchased with federal funds, auto expenses are ineligible.

$105,115 Outside Service - Costs are not allocable to the grant as they do not relate to supportive services, training expenses, on the job training expenses or administrative expenses.

$513,855 Professional Fees - Costs are not allocable to the grant. Although the description outlines that the fees are for administration, we noted that the company providing the services is a logistics coordinator for the shipping industry. We also noted fees for the medical mobile telepresence, which we have determined above to be unallowable costs for this program.

$44,486 Travel - Costs are not allocable to the grant as they do not relate to supportive services, training expenses or administrative expenses.

Cause - During the sub-award process, applicable compliance requirements were not formally communicated to the sub-recipient.

Questioned Cost - Questioned costs identified as a result of our review of the sub-recipients' financial data total $2,538,651.

Effect - Costs noted above charged to the federal grant by the sub-recipient are unallowable. Compliance with activities allowed/unallowed and allowable costs and cost principles is necessary for the Territory to comply with the requirements of this program. As a result of our testing, we have issued an adverse opinion on compliance for the Workforce Investment Act (WIA) and National Emergency Grant (NEG) Cluster.

Recommendation - We recommend that the Territory work with the sub-recipient to ensure that it understands general administrative requirements and specific compliance requirements applicable to the grant award. We also recommend that the Territory provide appropriate oversight of the grant award to ensure that the costs incurred meet the program's criteria as an allowable cost and activity.

Management Response - ASG concurs with the recommendation. The Department of Treasury will work closely with sub-recipient and the Department of Human Resources to help them become fully cognizant of the magnitude of non-compliance and the impact to its approved activity. The questioned costs are currently being reviewed by the sub-recipient to substantiate the alleged questioned costs.

III. A-133 FINDINGS (CONTINUED)

Finding 2012-02 - Sub-recipient Monitoring
Material Weakness in Internal Controls over Compliance, Non-Compliance

Federal Agency - Department of Labor

Federal Program - 17.258/259/260 Workforce Investment Act (WIA) and National Emergency Grant (NEG) Cluster

Criteria - As a pass-through entity, the Territory is responsible for providing the sub-recipient award specific information at the time of the subaward. The award information identifies the Federal award information (i.e., CFDA title and number; award name and number; and name of Federal awarding agency) and applicable compliance requirements. The Territory is also responsible for ensuring that sub-recipients expending $500,000 or more in federal awards during the sub-recipient's fiscal year as provided in OMB Circular A-133 have met the audit requirements of OMB Circular A-133 and that the required audits are completed within nine months of the end of the sub-recipient's audit period.

Condition - There is one sub-recipient that is external to ASG under the grant program. During our testing for sub-recipient monitoring, we reviewed the contract, memorandum of understanding and scope of work for the communication of the required award information and applicable compliance requirements. We noted that there was no formal communication of the required information at the time of the subaward. We also noted that the sub-recipient is unaware of the annual audit requirements for entities expending more than $500,000 in federal awards. In addition, the Territory has not been properly reporting information about sub-recipients to the Office of Management and Budget that is required under the Federal Funding Accountability and Transparency Act of 2006.

Cause - The sub-recipient, a private contractor, has characteristics of both a vendor and a sub-recipient, but their ability to make programmatic decisions related to the participants implies that they are more appropriately categorized as a sub-recipient. Since the private contractor was initially set up as a vendor, the Territory did not have formal policies and procedures to properly identify and monitor sub-recipients. As a result, federal award information and applicable compliance requirements were not formally communicated to the sub-recipient during the award process.

Questioned Costs - No questioned costs were identified as a result of the finding. See Finding 2012-01 for questioned costs related to unallowable expenditures.

Effect - Compliance with sub-recipient monitoring is necessary for the Territory to comply with the requirements of this program. As a result of our testing, we have issued an adverse opinion for the Workforce Investment Act (WIA) and National Emergency Grant (NEG) Cluster.

III. A-133 FINDINGS (CONTINUED)

Recommendation - We recommend that the Territory develop and implement policies and procedures to ensure entities are appropriately identified as sub-recipients and that required federal award information and compliance requirements are communicated during the subaward. Without formal communication of the required communication, it increases the risk of sub-recipient noncompliance of applicable requirements and special terms and conditions of the grant award.

Management Response - ASG concurs and will prepare policies and procedures to ensure that entities are identified as sub-recipients and required award information and compliance requirements are communicated throughout the subaward.

Finding 2012-03 - Eligibility
Significant Deficiency in Internal Controls over Compliance

Federal Agency - Department of Labor

Federal Program - CFDA 17.258/17.259/17.260 Workforce Investment Act (WIA) and National Emergency Grant (NEG) Cluster

Criteria - Participants in the NEG program must demonstrate that they meet the definition of "long-term unemployed." Per the grant documents 'long term unemployment' should be defined by the entity. Based upon the Governor's Workforce Investment Board Policy No. 22-02, "long term unemployed" is defined as "individuals who at the time of registration are unemployed and have been unemployed for any twelve weeks out of the last twenty-six weeks may be classified as long term unemployed and served as dislocated workers under National Emergency Grants". The twelve weeks do not have to be consecutive.

Condition - Participant unemployment status was not verified against any external documents or records. During intake the participants filled out an application asserting they met the long-term unemployment requirement. The grant terms and conditions allow verification of employment status to occur during or subsequent to the intake process. We tested a sample of 25 participants, noting that unemployment status was not verified against tax records or other similar external records.

Questioned Costs - There are no instances of questioned costs noted. Verification procedures performed by Territory personnel subsequent to our audit finding confirmed through review of tax documents that the participants we selected for our testing met the definition of "long-term unemployed" and accordingly were eligible to receive the services paid out.

III. A-133 FINDINGS (CONTINUED)

Cause - Insufficient training or knowledge of the program requirements may have led to this finding. The case managers for the NEG/WIA grant often knew the participants and their history and accordingly did not require participants to provide external documentation of long-term unemployment status beyond the individual's own claims.

Effect - Long-term unemployment status is a requirement to be eligible for services from the WIA/NEG grant. If an individual had received services but turned out to have not met the long-term unemployment definition, then the individual would not have been allowed to continue in the program.

Recommendation - Eligibility criteria should be substantiated by external records whenever possible. We recommend that the American Samoa Government verify long-term unemployment status of all applicants to the WIA/NEG program against the records maintained at the tax office in addition to the inquiry on the participant's intake form.

Management Response - Proper source documentation to ensure compliance shall be established.

Finding 2012-04 - Reporting
Significant Deficiency in Internal Controls over Compliance, Non-Compliance

Federal Agency - Department of Homeland Security

Federal Programs - CFDA 97.036 - Public Assistance/Disaster Grant

Criteria - The grant award agreement requires quarterly financial SF-425 reports to be submitted accurately and timely to the federal award agency. The expenditures in the report should match or reconcile to the general ledger or other supporting documentation.

Condition - The second quarter SF-425 report general ledger detail supporting the expenses reported could not be produced.

Cause - The Territory does not have an effective system in place to ensure the required reports are accurate and properly supported. The system governing federal grant reporting is decentralized. An entity wide general ledger is not maintained on a regular or timely basis and certain departments use supporting records other than the general ledger and circumvent the review and monitoring process employed by Treasury. There is a lack of communication regarding federal reporting between ASG departments.

Questioned Costs - No questioned costs were noted as the annual report for the fiscal year properly reconciled to the general ledger.

III. A-133 FINDINGS (CONTINUED)

Effect - The Territory did not submit an accurate report to the federal agency during the interim reporting period. The second quarter report was not properly supported by the general ledger.

Recommendation - We recommend the Territory ensure all reports are accurate and are supported by the general ledger detail or other documents supporting expenditures prior to submitting the reports to the federal awarding agencies. We further recommend that the Territory centralize the reporting process with the Treasury Department serving as the responsible agency.

Management Response - ASG Treasury agrees and concurs that a centralized accounting system in accordance with statute is critical for a uniform general ledger that will be used as supporting source documentation.

Finding 2012-05 - Reporting
Material Weakness in Internal Controls over Compliance, Non-Compliance

Federal Agencies - Department of Education, and Department of Health and Human Services: Administration for Children and Families

Federal Programs -
CFDA 84.027, 84.027A Special Education Grants to States
CFDA 84.394A and 84.397A State Fiscal Stabilization Fund - ARRA Cluster
CFDA 84.402A - Consolidated Grants to the Outlying Areas, Recovery Act
CFDA 84.403A - Consolidated Grants to the Outlying Areas
CFDA 84.410A Education Jobs Fund
CFDA 93.575 - Child Care Development Block Grant

Criteria and Condition:

- CFDA 84.403A - Consolidated Grants to the Outlying Areas; CFDA 84.402A - Consolidated Grants to the Outlying Areas, Recovery Act; 84.410A Education Jobs Fund; 84.027/027A Special Education IDEA Cluster; 84.394A and 84.397A State Fiscal Stabilization Fund ARRA Cluster.
    - Criteria - The U.S. Department of Education has deemed ASG to be a "high risk" grantee. As a condition to receiving funds under grants awarded by the U.S. Department of Education ASG is required to submit, semiannually, a Comprehensive High Risk Corrective Action Plan (CAP) and Payroll Corrective Action Plan (PCAP) within thirty days of the end of the semiannual period.

III. A-133 FINDINGS (CONTINUED)

- Condition - During our review we noted that the Territory has not yet filed a complete PCAP and CAP report for the period ended September 30, 2012, that has been accepted by the U.S. Department of Education. An incomplete electronic version of the PCAP Internal Control Maintenance Report and High Risk CAP Spreadsheet was received but these were not accepted by the DOEd as satisfying the requirement. Additionally, a hard copy of the PCAP Internal Control Maintenance Report, a hard copy of the High Risk CAP Narrative report, an electronic copy of the complete High Risk CAP Narrative report, and a hard copy of the High Risk CAP Spreadsheet have not been received by the DOEd at all, and each of these documents are specified as requirements in the grant documents.

- Cause - Software issues and insufficient training or oversight may have contributed to this finding. The version of IFAS that is run at the ASG Department of Education is not compatible with the version of IFAS run at ASG Treasury. The mismatched versions of the software package do not allow the ASG DOEd to interface with Treasury to pull required reports. Additionally, the longitudinal data system ("LDS"), which is used to record non-financial student and teacher data, was not installed until 2012 and is not yet fully updated and able to produce the necessary reports to satisfy the requirements of the PCAP and CAP.

- Questioned costs - No questioned costs were noted.

- CFDA 93.575 - Child Care and Development Block Grant

  - Criteria - The Child Care Development Fund Grant requires that ACF 801 reports be filed monthly and ACF 800 reports be filed annually. The quarterly ACF 696 reports are required to be submitted within 30 days of the end of the period.

  - Condition - We noted that none of the monthly ACF 801 or the annual ACFR 800 reports had been submitted. The quarterly ACF 696 reports were filed 70 days late and 31 days late for the quarters ended 12/31/2011 and 6/30/2012 respectively.

  - Cause - The Territory has been experiencing problems with the tracker software used to prepare the monthly and annual reports. They have been in contact with the grantor trying to resolve the issue, but have been unable to file the reports as of the date of the audit report.

  - Questioned Costs - No questioned costs were noted.

III. A-133 FINDINGS (CONTINUED)

Effect - The Territory is not submitting accurate reports to many of the federal agencies. Many of the reports are not reconciled to the general ledger or other supporting documentation. The monthly CFDA 93.575 Child Care and Development Block Grant reports are not being submitted on a timely basis.

Recommendation - We recommend the Territory ensure all reports are accurate, submitted on a timely basis, and are supported by the general ledger detail or other documents supporting expenditures prior to submitting the reports to the federal awarding agencies. We further recommend that the Territory centralize the reporting process with the Treasury Department serving as the responsible agency.

Management Response - ASG concurs with this finding. The Department of Treasury has taken the initiative to establish and implement a centralized reporting process that would have a positive impact on all agencies of government.

Finding 2012-06 - Reporting ARRA 1512 Reports
Significant Deficiency in Internal Controls over Compliance, Non-Compliance

Federal Agencies - Department of Education and Department of Energy

Federal Programs -
84.402A Consolidated Grants to the Outlying Areas, Recovery Act
84.394A and 84.397A State Fiscal Stabilization Fund ARRA Cluster
84.410A Education Jobs Fund ARRA
81.041 State Energy Program with ARRA
81.128 Energy Efficiency and Conservation Block Grant Program with ARRA

Criteria: Section 1512 of the American Recovery and Reinvestment Act (ARRA) requires that the Territory report total funds received and expended for the project, and other information, by the 10th day following the end of each fiscal quarter for all ARRA funded grants.

Condition, Cause, and Questioned Costs:

- CFDA 84.402A - Consolidated Grants to the Outlying Areas, ARRA

III. A-133 FINDINGS (CONTINUED)

- Condition - During our review of the quarterly ARRA 1512 reports we noted that the Territory has been reporting total cash received in the "Total Federal Amount of ARRA Expenditure" field of the report, not the amount expended. The "expenditures" reported in the 1512 report for the quarter ended December 31, 2011, were overstated compared to the general ledger detail by $329,428. However, the federal expenses in the subsequent two quarters, which are presented on a cumulative basis, were properly presented and reconciled with the general ledger detail. Finally, by reporting the cash received amount in the "Total Federal Amount of ARRA Expenditures" field, the cumulative federal expenditures were understated compared to the general ledger detail in September 30, 2012, quarterly report.

- Cause - Insufficient training as to the required elements and support for completing this form may have contributed to this finding.

- Questioned Costs - No questioned costs were noted as the final quarterly report (which is prepared on a cumulative basis) was understated as compared to the general ledger.

- CFDA 84.410A Education Jobs Fund ARRA

  - Condition - During our review of the quarterly ARRA 1512 reports we noted that the Territory has been reporting total cash received in the "Total Federal Amount of ARRA Expenditure" field of the report, rather than the amount expended. Accordingly, all four quarterly 1512 reports filed during fiscal year 2012 understated "total Federal Amount of ARRA Expenditures" given that the expenditures recorded in the general ledger exceeded the amounts drawn down (as expected given that there is lag between drawdowns and recognition of expenditures in the general ledger).

  - Cause - Insufficient training as to the required elements and support for completing this form may have contributed to this finding.

  - Questioned Costs - No questioned costs were noted as all of the quarterly reports were understated as compared to the general ledger.

- CFDA 84.394A and 84.397A State Fiscal Stabilization Fund ARRA Cluster

III. A-133 FINDINGS (CONTINUED)

- Condition - During our review of the quarterly ARRA 1512 reports we noted that the Territory has been reporting total cash received in the "Total Federal Amount of ARRA Expenditure" field of the report, not the amount expended. Accordingly, all eight (four for 84.394A and four for 84.397A) quarterly 1512 reports filed during fiscal year 2012 understated "total Federal Amount of ARRA Expenditures" given that the expenditures recorded in the general ledger exceeded the amounts drawn down (as expected given that there is lag between drawdowns and recognition of expenditures in the general ledger).

- Cause - Insufficient training as to the required elements and support for completing this form may have contributed to this finding.

- Questioned Costs - No questioned costs were noted as all of the quarterly reports were understated as compared to the general ledger.

• CFDA 81.041 State Energy Program with ARRA

- Condition - During our review of the quarterly ARRA 1512 reports we noted that the Territory has been reporting total cash received in the "Total Federal Amount of ARRA Expenditure" field of the report, rather than the amount expended. The "expenditures" reported in the 1512 report for the quarter ended December 31, 2011, were understated compared to the general ledger detail but the next three quarterly reports materially agreed with the expenses reported in the general ledger.

- Cause - Insufficient training as to the required elements and support for completing this form may have contributed to this finding.

- Questioned Costs - No questioned costs were noted as December 31, 2011 quarterly report understated expenses, and the other three quarterly reports were materially correct.

• CFDA 81.128 Energy Efficiency and Conservation Block Grant Program with ARRA

- Condition - During our review of the quarterly ARRA 1512 reports we noted that the Territory has been reporting total cash received in the "Total Federal Amount of ARRA Expenditure" field of the report, rather than the amount expended. The "expenditures" reported in the 1512 report for the quarter ended September 30, 2012, were understated compared to the general ledger detail but the previous three quarterly reports materially agreed with the expenses reported in the general ledger.

- Cause - Insufficient training as to the required elements and support for completing this form may have contributed to this finding.

III. A-133 FINDINGS (CONTINUED)

- Questioned Costs -No questioned costs were noted as September 30, 2012, quarterly report understated expenses, and the other three quarterly reports were materially correct.

Effect - The Territory is not in compliance with the federal requirement governing ARRA 1512 reports. Federal expenditures were materially misstated compared to the general ledger detail in sixteen of the twenty-four ARRA 1512 reports reviewed.

Recommendation - The Territory should establish a control system to ensure all ARRA 1512 reports are prepared and submitted in accordance with the federal requirements. The general ledger detail used at the time the report is prepared and submitted should be maintained and reviewed.

Management Response - The ARRA's function has been changed under the new administration and placed directly under Treasury. Thus the change will provide better control over ARRA reports – preparation, reconciliation, accuracy and timely submission.

Finding 2012-07 - Reporting
Significant Deficiency in Internal Controls over Compliance, Non-Compliance

Federal Agency - Department of Transportation

Federal Program - CFDA 20.106 Airport Improvement Program

Criteria - The grant award agreement requires an annual federal financial SF-425 report to be submitted accurately and timely to the federal award agency. The expenditures in the report should match or reconcile to the general ledger or other supporting documentation.

Condition - During our review of the annual SF-425 report we noted two overstatements in expenses totaling $18,845. The overstatement was related to a duplicate expense of $11,800 that was included twice on the schedule used as support for reporting expenses on the SF-425 report and inclusion of $7,045 of additional costs that should not have been included had the invoice been reduced by the 5% match requirement. Additionally we noted an understatement of $52,779 related to retention paid in September 2012.

Questioned Costs - The total amount of unsupported and unallowed federal expenditures reported on the annual SF-425 reports was $18,845.

III. A-133 FINDINGS (CONTINUED)

Cause - The Territory does not have an effective system in place to ensure the required reports are accurate and properly supported. The system governing federal grant reporting is decentralized. An entity wide general ledger is not maintained on a regular or timely basis and certain departments use supporting records other than the general ledger and circumvent the review and monitoring process employed by Treasury. There is a lack of communication regarding federal reporting between ASG departments.

Effect - The Territory is not submitting accurate reports to many of the federal agencies. Many of the reports are not reconciled to the general ledger or other supporting documentation.

Recommendation - We recommend the Territory ensure all reports are accurate, submitted on a timely basis, and are supported by the general ledger detail or other documents supporting expenditures prior to submitting the reports to the federal awarding agencies.

Management Response - Subsequent to this discovery during the audit, ASG personnel reversed the duplicate expenditure and filed an amended report to properly state federal expenditures for the period.

Finding 2012-08 - Reporting ARRA 1512 Reports
Material Weakness in Internal Controls over Compliance, Non-Compliance

Federal Agency - Department of Agriculture

Federal Program - CFDA 10.551 Supplemental Nutrition Assistance Program with ARRA

Criteria - Section 1512 of the American Recovery and Reinvestment Act (ARRA) requires that the Territory report total funds received and expended for the project, and other information, by the 10th day following the end of each fiscal quarter for all ARRA funded grants.

Condition - During fiscal year 2012 there was $683,560 of ARRA expenses recorded for the 10.551 Supplemental Nutrition Assistance Program. There were no ARRA 1512 reports filed for this grant for all four quarters.

Cause - Insufficient training as to the required elements and support for completing this form may have contributed to this finding.

Effect - The Territory is not in compliance with the federal requirement governing ARRA 1512 reports.

Questioned Costs - No questioned costs were noted.

III. A-133 FINDINGS (CONTINUED)

Recommendation - The Territory should establish a control system to ensure all ARRA 1512 reports are prepared and submitted in accordance with the federal requirements. The general ledger detail used at the time the report is prepared and submitted should be maintained and reviewed.

Management Response - The ARRA's function has been changed under the new administration and placed directly under Treasury. Thus the change will provide better control over AARA reports – preparation, reconciliation, accuracy and timely submission.

Finding 2012-09 - Procurement, Suspension and Debarment
Significant Deficiency in Internal Controls over Compliance

Federal Agencies -
Department of Agriculture
Department of the Interior
Department of Transportation
Department of Homeland Security
Department of Education
Department of Energy
Department of Health and Human Services
Department of Labor

Federal Programs -
CFDA 10.555 National School Lunch Program
CFDA 15.875 Economic, Social and Political Development of the Territories (Basic Grant)
CFDA 20.106 Airport Improvement Program
CFDA 20.205 Highway Planning and Construction ARRA
CFDA 97.036 Public Assistance (Presidentially Declared Disasters)
CFDA 81.128 Energy Efficiency and Conservation Block Grant Program (EECBG) - ARRA
CFDA 84.027, 84.027A Special Education Grants to States
CFDA 84.394A and 84.397A State Fiscal Stabilization Fund ARRA Cluster
CFDA 84.403A Consolidated Grant to the Outlying Areas
CFDA 93.575 Child Care and Development Block Grant
CFDA 17.258/17.259/17.260 Workforce Investment Act (WIA) and National Emergency Grant (NEG) Cluster

III. A-133 FINDINGS (CONTINUED)

Criteria - In accordance with 2 CFR part 180, non-federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Covered transactions include those procurement contracts for goods that are expected to equal or exceed $25,000 or that meet certain other specified criteria. Federal procurement regulations require grantees to verify that vendors with contracts over $25,000 are not suspended or debarred. This verification may be accomplished through checking the System for Award Management (SAM) website (www.sam.gov) maintained by the General Services Administration, collecting a certification from the entity, or adding a clause to the contractual agreement specifying that the contractor warrants that they are not a suspended or debarred party.

Condition - We noted that when a program of the Territory enters into a "covered transaction" there is not a consistent policy in place to verify that the party has not been suspended or debarred by checking the SAM website or obtaining a certified statement. The Territory is in the process of developing a master contracting list of vendors regularly contracted with on island which are not suspended or debarred, but during fiscal 2012 no such list or process for verifying vendor status was in place. During our testing of this requirement we noted that although none of the forty-two vendors with contracts over $25,000 that were tested were suspended or debarred, there was no control over compliance for the following transactions.

- CFDA 10.555 - National School Lunch Program - There was no evidence for one vendor paid above $25,000 that the Territory performed verification procedures to determine that they were not suspended or debarred from previous governmental projects.

- CFDA 15.875 Economic, Social, and Political Development of the Territories (Basic Grant) - There was no evidence for three vendors paid above $25,000 that the Territory performed verification procedures to determine that they were not suspended or debarred from previous governmental projects.

- CFDA 20.106 Airport Improvement Program - There was no evidence for four vendors paid above $25,000 that the Territory performed verification procedures to determine that they were not suspended or debarred from previous governmental projects.

- CFDA 20.205 - Highway Planning and Construction Program - There was no evidence for eight vendors paid above $25,000 that the Territory performed verification procedures to determine that they were not suspended or debarred from previous governmental projects.

- CFDA 81.128 - Energy Efficiency and Conservation Block Grant Program (EECBG) - ARRA - There was no evidence for two vendors paid above $25,000 that the Territory performed verification procedures to determine that they were not suspended or debarred from previous governmental projects.

III. A-133 FINDINGS (CONTINUED)

- CFDA 93.575 Child Care and Development Block Grant - There was no evidence for two vendors paid above $25,000 that the Territory performed verification procedures to determine that they were not suspended or debarred from previous governmental projects.

- CFDA 97.036 - Public Assistance (Presidentially Declared Disasters) - There was no evidence for two vendors paid above $25,000 that the Territory performed verification procedures to determine that they were not suspended or debarred from previous governmental projects.

- CFDA 84.027, 84.027A - Special Education Grants to States - There was no evidence for one vendor paid above $25,000 that the Territory performed verification procedures to determine that they were not suspended or debarred from previous governmental projects.

- CFDA 84.394A and 84.397A - State Fiscal Stabilization Fund ARRA Cluster - There was no evidence for two vendors paid above $25,000 that the Territory performed verification procedures to determine that they were not suspended or debarred from previous governmental projects.

- CFDA 84.403A - Consolidated Grant to the Outlying Areas - There was no evidence for two vendors paid above $25,000 that the Territory performed verification procedures to determine that they were not suspended or debarred from previous governmental projects.

- CFDA 17.258/17.259/17.260 Workforce Investment Act (WIA) and National Emergency Grant (NEG) Cluster - There was no evidence for two vendors paid above $25,000 that the Territory performed verification procedures to determine that they were not suspended or debarred from previous governmental projects.

Questioned Costs - There are no instances of questioned costs noted. Verification procedures performed by the auditor indicated that none of the vendors tested were listed as suspended or debarred.

Cause - The American Samoa Government does not have policies or procedures in place to consistently perform the suspension/debarment verification or obtain certification statements from the vendors that they are not suspended or debarred.

Effect - No suspension/debarment verification was performed. We further noted that there was no written contractor warranty included in the procurement files. Failing to verify that vendors are suspended or debarred creates the possibility for suspended or debarred parties to inappropriately receive federal funds.

III. A-133 FINDINGS (CONTINUED)

Recommendation - We recommend that the American Samoa Government Office of Procurement develop and implement policies and procedures to ensure suspension/debarment verification is performed in accordance with federal regulations on vendors that are contracted with federal funds. We further recommend that ASG management review the vendor contracts to ensure that all contract agreements include a clause warranting that the vendor is not a suspended or debarred party. The Territory should also verify and document that selected vendors are not on the SAM website.

Management Response - ASG acknowledges this finding and as of October 1, 2012 has implemented procedures to address the suspension/debarment listing with the appropriate government listing through www.sam.gov to include both its awards and sole sources. Additional verification with our legal department is in process to confirm revising contract language in all contracts to ensure that any/all the potential vendors must be in good standing and not on a suspension/debarment listing.

Finding 2012-10 - Equipment and Real Property Management
Significant Deficiency in Internal Controls over Compliance, Non-Compliance

Federal Agencies -
Department of Education
Department of Transportation
Department of Homeland Security

Federal Programs -
CFDA 84.403A - Consolidated Grants to the Outlying Areas
CFDA 84.402A - Consolidated Grants to the Outlying Areas - ARRA
CFDA 84.394A/84.397A State Fiscal Stabilization Fund - ARRA Cluster
CFDA 84.027/84.027A Special Education IDEA Cluster
CFDA 20.106 Airport Improvement Program
CFDA 97.036 Public Assistance (Presidentially Declared Disasters)

Criteria - The A-102 Common Rule requires that equipment records be maintained, a physical inventory of equipment be taken at least once every two years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment should be adequately maintained. When equipment with a current per unit fair market value of $5,000 or more is no longer needed for a Federal program, it may be retained or sold with the Federal agency having a right to a proportionate (percent of Federal participation in the cost of the original project) amount of the current fair market value. Proper sales procedures shall be used that provide for competition to the extent practicable and result in the highest possible return.

III. A-133 FINDINGS (CONTINUED)

Condition - There is formal documentation of policies and procedures for equipment management and a master listing of all equipment is maintained in the property records module. In addition to the master listing of all historical purchases, a separate schedule of capital additions is prepared outside of the property records module by property management and reviewed and reconciled by Treasury to the general ledger detail quarterly. Finally, we noted that staggered site visits are conducted throughout the Territory to reconcile property records to amounts recorded. There are several layers of review and oversight related to property records; however, ultimately the physical inventory reconciliation process is incomplete.

We selected a sample of twenty five capital assets from the excel schedules that are subject to review and reconciliation quarterly to the general ledger. These assets were purchased within the last five years. Of the twenty-five assets in our sample, sixteen of these were not included on the records from the physical inventory site visits and two of the assets were not on the master listing maintained within the property management module. The site visits are performed to ensure that the assets purchased with federal funds are properly maintained, safeguarded, and being utilized by the grant that purchased the asset. We were unable to verify that this was the case for sixteen out of twenty-five assets in our sample.

Additionally we noted that the Territory's policies related to the use and collection of proceeds of sales from equipment is non-compliant with the federal requirements as stated above. Per the ASG Property Management Policy Manual Section 7: Bid Deposits and Proceeds from Sales, "Bid deposits and proceeds from sales shall, if not otherwise provided by laws, be deposited in the Central Warehouse Fund". The revenue collected on the sale of assets should be remitted to the program that originally purchased the asset as program income or the proportionate share returned to the Federal agency, not the Central Warehouse Fund which is a general fund revenue account. During fiscal year 2012, there were no sales of equipment with a fair market value of $5,000 or more within the major programs in fiscal year 2012, as such, there were no questioned costs or compliance exceptions related to this requirement. However, this is a control violation as the ASG policy is non-compliant with the federal regulations.

Cause - The capital asset threshold was established at $500 per the property management policy manual and accordingly, there are nearly 50,000 assets included on the master property lists maintained by property management. Sighting and documenting a review of 50,000 assets every year is a significant and time-consuming task, and accordingly, several of the assets on the master listing were overlooked during the site visits and/or may no longer exist. Given the low threshold, property management personnel have not been able to complete their reconciliation of assets sighted compared to their master listing on a timely basis. Insufficient training and understanding of the federal requirements may have contributed to this finding in relation to the proceeds of sale requirement.

III. A-133 FINDINGS (CONTINUED)

Effect - Capital assets purchased using federal funds may have been misappropriated, destroyed, or transferred to other programs, which would be unallowable unless proper consideration is paid for the asset. Proceeds of sales may not be utilized as program income and/or remitted to federal agencies as required.

Questioned Costs - Unknown

Recommendation - We recommend that the Territory consider increasing their threshold for capital assets up to the federal requirement of $5,000. We also recommend that the property management system link to the IFAS be reconnected to avoid the need to manually prepare the asset listing, as this would also reduce errors and the amount of time spent on quarterly reconciliations between property management's records and Treasury's records. The account number/federal funding source should also be added as a field on the master inventory listing maintained by property management to avoid the need for additional schedules and reconciliations between the two reports. Additionally, we recommend that the reconciliation process between the site visits and the master inventory listing be completed timely. Finally, we recommend that the Territory modify their policies to comply with the federal requirement related to proceeds of equipment sales.

Management Response - Enhancements to the IFAS management system are ongoing and will address this issue, fixed assets will be documented properly and recommendations taken into consideration while finalizing policy and procedures.

Finding 2012-11 - Sub-recipient Monitoring
Material Weakness in Internal Controls over Compliance, Non-Compliance

Federal Agency - Department of Transportation

Federal Program - CFDA 20.205 Highway Planning and Construction

Criteria - OMB Circular A-133, Section 400(d), states that a pass-through entity, in this case ASG, must perform the following for the Federal awards it makes to sub-recipients, in this case the Army Corp of Engineers:

1. Identify Federal awards made by informing each sub-recipient of CFDA title and number, award name and number, award year, and name of Federal agency.

2. Advise sub-recipients of requirements imposed on them by Federal laws, regulations, and the provisions of contracts or grant agreements as well as any supplemental requirements imposed by the pass-through entity.

III. A-133 FINDINGS (CONTINUED)

3. Monitor the activities of sub-recipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

4. Ensure that sub-recipients expending $500,000 or more in Federal awards during the sub-recipient's fiscal year have met the audit requirements of Circular A-133 for that fiscal year.

5. Issue a management decision on audit findings within 6 months after receipt of the sub-recipient's audit report and ensure that the sub-recipient takes appropriate and timely corrective action.

6. Consider whether sub-recipient audits necessitate adjustment of the pass-through entity's own records.

7. Require each sub-recipient to permit the pass-through entity and auditors to have access to the records and financial statements as necessary for the pass-through entity to comply with Circular A-133.

Condition - There are no policies and procedures in place for ensuring that sub-recipients and subawardees are monitored for compliance under applicable federal program requirements in accordance with OMB Circular A-133. In addition, the Territory has not been properly reporting information about sub-recipients to the Office of Management and Budget that is required under the Federal Funding Accountability and Transparency Act of 2006.

Questioned Costs - Unknown

Cause - ASG does not have an effective internal control system in place for monitoring of sub-recipients.

Effect - The sub-recipient may have expended federal funds passed through from ASG in a manner that is unallowable and could lead to questioned costs.

Recommendation - The Territory should require monthly monitoring reports be provided to them from the sub-recipient demonstrating the use of the federal awards passed through are in compliance with the applicable federal regulations.

Management Response - Enhancement to resources and the upgrade to the system will enable the proactive monitoring of internal controls. Revised policy and procedures will address these issues.

III. A-133 FINDINGS (CONTINUED)

Finding 2012-12 - Procurement, Suspension, and Debarment
Significant Deficiency in Internal Controls over Compliance, Non-Compliance

Federal Agency - Department of Education

Federal Program -
CFDA 84.027/84.027A Special Education IDEA Cluster

Criteria - According to 43 CFR 12.76(9), "grantees are required to maintain records sufficient to detail the significant history of a procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price."

Condition - During our testing of large contracts with current year expenses exceeding $25,000 we tested a contract that was initiated in July of 2007 and has been renewed through change orders which have been approved each year. OMB A-110 p 46 states, "Procurement records and files for purchases in excess of the small purchase threshold shall include the following at a minimum: (a) basis for contractor selection, (b) justification for lack of competition when competitive bids or offers are not obtained, and (c) basis for award cost or price." Additionally, the Territory's procurement policy states that they shall attempt to obtain quotations from a minimum of three qualified sources and document the procurement file with a justification whenever it has been unable to obtain at least three quotations. In a sole source situation a memo should be completed justifying the reason for sole sourcing the contract. No evidence could be produced indicate that bids were obtained or a sole source memo was prepared for the contract reviewed.

Questioned Costs - No questioned costs were noted.

Cause - The selection of this vendor was made in 2007 when the project began and there has been staff turnover in the procurement department over the last several years. The current staff were unable to locate any procurement documents that may have been created in 2007 that documented the history of this selection.

Effect - The Territory does not have adequate support to substantiate that the vendor selected was the best available option and that related change orders were appropriate.

Recommendation - We recommend that the Territory retain documentation of the bidding and selection process for contracts with projected costs exceeding $25,000. The Territory should keep the RFP and bid documents from other vendors with the vendor that was ultimately selected to complete the project or ensure that a sole source memo is completed and kept on file. Documentation of change orders related to each contract should also be retained.

III. A-133 FINDINGS (CONTINUED)

Management Response - ASG contract and bid document filing system are filed in accordance with recommendation. However, file retention is usually only for 5 years, although the contract is ongoing, the bid file would have been purged. In moving forward, contract files and bid files will remain on file until the contracted award is complete, even though it supersedes the standard file retention period.

Finding 2012-13 - Procurement, Suspension and Debarment "Buy American Act"
Significant Deficiency in Internal Controls over Compliance, Non-Compliance

Federal Agencies - Department of Education and Department of Energy

Federal Programs -
CFDA 84.394A/84.397A - State Fiscal Stabilization Fund - ARRA Cluster
CFDA 81.041 - State Energy Program with ARRA

Criteria - Section 1605 of ARRA prohibits the use of recovery act funds for a project for the construction, alteration, maintenance, or repair of a public building or work unless all of the iron, steel, and manufactured goods used in the project are produced in the United States. ARRA provides for waiver of the Buy-American Act under specified circumstances.

Condition -

- CFDA 84.394A/84.397A - During our review of contracts where the Buy American provision was applicable, we noted one contract where no support was provided to demonstrate compliance with this provision. During fiscal year 2012, $221,873 was paid to a primary contractor, on the SFSF Education Project 8 School Facility repairs. This project was for the installation of Amplimesh Screens to Samoan Fales at Pago & Aua Elementary Schools, Tafuna HS, SPED, Faleaso, DOE, as well as other schools on the island. Per the contract documents the project included "fabricating aluminum metals for …[installation of] amplimesh/grilles... and screen wires." Given that this project included materials subject to the Buy American provision, this requirement should have been monitored. There was no documentation or evidence that the iron, steel and manufactured goods used for the project were produced in the United States. There was also no waiver of the Buy-American Act requirements in the contract files.

- CFDA 81.041 - During our review of the contracts in which the Buy American provision was applicable, we noted one contract in which a portion of the goods purchased that were subject to the Buy American provision were produced in Australia, not the US. During the year, the Territory purchased 31 solar water heating systems. Based upon our review of the invoice details, $49,166 was spent on stainless steel tanks produced in Australia.

III. A-133 FINDINGS (CONTINUED)

Questioned Costs - We are unable to determine the amount of questioned costs related to the 84.394A/84.397A program, due to lack of evidence showing which materials used for the construction project were made in the United States. For the State Energy Program (CFDA 81.041), the questioned costs were $49,166, which represents the cost of the stainless steel tanks produced in Australia.

Cause - The Buy American Act requirement is not centrally monitored, and as such, there isn't always sufficient oversight.

Effect - ASG is not in compliance with federal regulations of the Buy-American Act and some of the expenditures charged to these federal programs may not be allowable.

Recommendation - We recommend that the Territory establish a review process to ensure the Buy American Act compliance requirements are met.

Management Response - ASG concurs and has established a process to ensure that all grant funded projects requiring Buy American Act compliance are met.

Finding 2012-14 - Eligibility
Significant Deficiency in Internal Controls over Compliance, Non-Compliance

Federal Agency - Department of Health and Human Services: Centers for Medicare and Medicaid Services

Federal Program - CFDA 93.778 Medical Assistance Program

Criteria - Per the Medicaid State Plan, "American Samoa will use a concept of presumptive eligibility which does not involve individual eligibility determination based on personal income and citizenship status. Rather, by utilizing various census data, and making certain adjustments for qualified and non-qualified non-citizens, American Samoa will annually estimate the number of individuals and the percentage of the population that fall below the respective income thresholds for Medicaid, Children's Health Insurance Program (CHIP) and American Samoa's Enhanced Allotment Plan (EAP) for Medicare prescription drug coverage. These percentages will be further utilized to calculate respective claiming percentages for Medicaid, CHIP and EAP eligible costs incurred at LBJ Tropical Medical Center (LBJ), American Samoa's only Medicaid provider." An annual determination of presumed eligibility report "will be prepared annually and submitted to CMS Region IX by August 15 of each year."

III. A-133 FINDINGS (CONTINUED)

Condition - When the Medicaid office calculated the fiscal year 2012 presumptive eligibility percentage rates to use and submitted this to CMS to review in October 2012, the presumptive eligibility percentage rates were not calculated properly. The immigration number used was not supported by source documents and the CHIP claiming percentage did not back out the ineligible non-citizens who need to be removed prior to the calculation of eligible CHIP beneficiaries. We consider the improper calculation of the presumptive eligibility percentage for Medicaid and CHIP a compliance violation. The error in the calculation ultimately resulted in a more "conservative" claim than was allowable on the CMS 64 report for the period ended September 30, 2012; as such, there are no questioned costs that result. However, the controls and compliance procedures surrounding the calculation of the presumptive eligibility percentage calculation were not functioning as intended.

Cause - Insufficient training, lack of sufficient oversight, or inattention to established procedures may have contributed to this finding.

Questioned Costs - None, the erroneously calculated presumptive eligibility percentage was lower than the allowable amount, accordingly, claims were understated. No questioned costs noted. Amounts were recalculated and additional expenditure claims recaptured on subsequent CMS 64 reports and drawdowns.

Effect - CMS 64 reports were reflecting less expenditures than allowable and drawdowns were less than allowable during fiscal year 2012. Amounts were adjusted in subsequent reports to properly state the claims. Additional drawdowns were made subsequent to year end related to fiscal year 2012 claims. By miscalculating the presumptive eligibility percentage, the Territory's cash flow was affected and its ability to serve patients could have been reduced.

Recommendation - We recommend that external documentation is obtained from the census office for each element in the presumptive eligibility calculation. Additionally, we recommend that the calculation is reviewed and approved by another member of the management team before it is submitted to CMS and utilized in the CMS 64 reports.

Management Response - ASG Medicaid has amended the CMS 64 reports to reflect numbers, all source documentation are pre-approved by the grantor before used as supporting documentation. The Medicaid office appreciates the recommendations and will incorporate in their quality control of future reporting mechanisms for FY 2013.

III. A-133 FINDINGS (CONTINUED)

Finding 2012-15 - Davis-Bacon Act
Significant Deficiency in Internal Controls over Compliance, Non-Compliance

Federal Agency - Department of Energy and Department of Education

Federal Programs -
CFDA 81.041 State Energy Program (SEP) with ARRA
CFDA 81.128 Energy Efficiency and Conservation Block Grant Program (EECBG) - ARRA
CFDA 84.394A/84.397A State Fiscal Stabilization Fund - ARRA Cluster

Criteria - The Recovery Act provides that "all laborers and mechanics on projects funded directly by or assisted in whole or in part" with Recovery Act funding are subject to the Davis Bacon Act ('DBA'). The Davis-Bacon and Related Acts apply to contractors and subcontractors performing on federally funded or assisted contracts in excess of $2,000 for the construction, alteration, or repair of public buildings or public works. DBA contractors and subcontractors must pay their laborers and mechanics employed under the contract no less than the locally prevailing wages and fringe benefits for corresponding work on similar projects in the area. Per 22.401 (2) (1) of the DBA "construction, alteration, or repair" [includes] without limitations— (1) installation on the site of the work of items fabricated off-site.

Condition - We reviewed twenty-two contracts in which the Davis Bacon Act was applicable. We noted that in four cases weekly payroll certifications, which serve as evidence of monitoring of the Davis Bacon Act prevailing wage requirements, were not maintained. All four exceptions were supply and installation contracts paid for using Recovery Act funds.

CFDA 81.041 SEP with ARRA - SEP ARRA funds were used to purchase and install 31 solar water heating systems. The installation of the water heating systems was included as part of the contract costs and triggers the Davis Bacon prevailing wage requirement. There was $66,650 of expenses related to this contract in fiscal year 2012.

CFDA 84.394A/84.397A State Fiscal Stabilization Fund ARRA Cluster - The ARRA program used recovery act funds to purchase and install amplimesh screens at several of the local schools. The wages paid to the contractors for fabrication of the screens and installation in the buildings should have been at the prevailing wage rate for the area. There was $221,873 of expenses related to this contract in fiscal year 2012 and no certified wage reports were maintained for the labor portion of this contract.

III. A-133 FINDINGS (CONTINUED)

CFDA 81.128 EECBG - ARRA: The EECGB program used ARRA funds for a lighting retrofit project and updating an air conditioning and ventilation system. The labor associated with both of these contracts should have been at the prevailing wage rates. There was $347,259 and $185,770 of expenses related to these two contracts respectively in fiscal year 2012 and certified wage reports were not maintained in order to verify that prevailing wages were paid.

Cause - The procurement department, which monitors compliance with the Davis Bacon Act, was unaware that installation of equipment and utilities qualified under the definition of "construction, alteration, and repair" as defined in the act.

Questioned Costs - We are unable to determine the amount of questioned costs associated with these projects as wage reports were not maintained. Without the wage reports we were unable to determine if the laborers were paid the prevailing wage in the area or break down the contract costs between the supplies costs and labor.

Effect - We were unable to determine if the vendors in question paid prevailing wages to their employees and were, therefore, in compliance with the Davis Bacon Act.

Recommendation - We recommend that the procurement office require vendors with construction, installation, maintenance and repair contracts to maintain and submit certified wage reports for all employees weekly.

Management Response - ASG concurs and is very stringent with respect to construction awarded projects submitting certified wage reports with the certified payment applications for payment. However, these awarded contracts were considered installation of solar water heaters on private homes and did not require certified wage reports. In moving forward, all construction awards, inclusive of installation, shall include certified wage reports.

Finding 2012-16 - Reporting
Significant Deficiency in Internal Controls over Compliance, Non-Compliance

Federal Agency - Department of Labor

Federal Program - CFDA 17.258/17.259/17.260 Workforce Investment Act and National Emergency Grant Cluster

Criteria - Performance reporting is required under OMB Number 1205-0420 for the WIA/NEG cluster. Form ETA-9091, the WIA Annual Report, should be completed by the grantee annually to inform the funding agency of the key performance metrics achieved throughout the year.

III. A-133 FINDINGS (CONTINUED)

Condition - The performance report ETA-9091 WIA Annual report required by the federal requirements of the program has not been prepared or submitted to the federal awarding agency.

Questioned Costs - No questioned costs were noted as this report is not financial in nature.

Cause - Insufficient training or oversight may have led to this finding.

Effect - The Territory is not in compliance with the federal requirement governing performance reporting.

Recommendation - The Territory should establish a control system to ensure all performance reports are prepared and submitted in accordance with the federal requirements. If program management believes that certain requirements are not applicable or if they have been exempted by the granting agency, documentation of this should be retained.

Management Response - ASG concurs and will prepare policies and procedures to ensure that performance reports are prepared in accordance with federal requirements.

Finding 2012-17 - Special Tests and Provisions
Internal Control Deficiency

Federal Agency - Department of Agriculture

Federal Program - CFDA 10.555 National School Lunch Program

Criteria - The National School Lunch Program grant requires that school meals meet certain dietary requirements. The grant specifically requires that each lunch meal include an item from each of the listed food groups: starch/cereal; fruit/vegetable; meat/meat alternative; calcium. Each breakfast meal must contain one item from the listed food groups.

Condition - During our testing of internal controls, we noted that ASG is relying solely on the contractor to fulfill the requirements of the grant and to make all menu decisions. There do not appear to be any key preventative or detective controls in place to ensure the contractor is appropriately meeting the meal requirements.

Questioned Costs - No questioned costs were noted.

Cause - ASG does not have a robust internal control system in place for monitoring and tracking the content of each meal.

III. A-133 FINDINGS (CONTINUED)

Effect - Although no instances of noncompliance were noted, the lack of monitoring controls increases the risk of the potential for noncompliance with the grant terms and conditions. As ASG does have certain mitigating controls in place, this does not rise to the level of a significant deficiency in internal controls.

Recommendation - We recommend that ASG designate a specific employee to monitor the meals that are designed by the contractor. Examples of ASG oversight could include pre-approval of meal plans, or collection of some type of certification by the contractor of a nutritionist or other qualified review of the meal components and how they have met USDA requirements.

Management Response - As the vendor contract ended, the School Lunch Program has been using the same menus that reflect the five components outlined by USDA regulations, which consist of 2 oz. meat or meat alternative, 2 oz. grain or starch, ¾ cup of vegetable and cup of fruit with 1% low fat milk to complete a lunch. The breakfast is 2 oz. meat or meat alternative or grains, a cup of fruit and milk. We also prepare a meal production, meal count and inventory sheet that accompanies the food being distributed to each site. All paper work is turned in weekly and compiled by our Business/Finance division for reporting purposes. At the end of each month all meal counts and perpetual inventory is sent to USDA WRO. During our vendor's management we did not have a nutritionist on staff, as the menus were component based on USDA regulations. However, the School Lunch Program has had a Nutrition Education Training Program Director vacant position on the budget for four years. ASG-Human Resources is aware of the need and is trying to fill the position as soon as possible.

Finding 2012-18 - Equipment and Real Property Management
Internal Control Deficiency

Federal Agency - Department of Agriculture

Federal Program - CFDA 10.555 National School Lunch Program

Criteria - The U.S. Department of Agriculture performed a compliance audit of this program noting that the following was not being met under CFR 3016.20(b)(3) "American Samoa DOEd does not keep a perpetual inventory of warehouse food and supplies. In addition, monthly physical inventory counts are not reconciled to the book inventory. The comprehensive safeguarding of purchased food and supplies is required for internal controls for program assets".

Condition - During our testing of internal controls and inquiries of ASG management, we noted that ASG has not taken action during the current year to remedy this finding.

Questioned Costs - None noted.

III. A-133 FINDINGS (CONTINUED)

Cause - ASG does not have a robust internal control system in place for monitoring and tracking inventory of warehouse food and supplies.

Effect - Although this does not rise to the level of a significant deficiency in internal controls, ASG has not yet fully implemented a functioning perpetual inventory system as recommended by the USDA.

Recommendation - The USDA recommended that the ASG develop a perpetual inventory system that tracks purchased food received and food issued to the schools and reconcile the book values to the physical count conducted at the end of each month. In addition, the USDA suggested that ASG develop an electronic form to track food issuance or purchasing an inventory software package.

Management Response - Our vendor used a perpetual inventory spreadsheet, where the items issued and received were entered using the weekly production report, issues forms for items in and out of the warehouse. The School Lunch Program has recently purchased NutriKids and plans to implement the perpetual inventory, along with the point of sale for each individual school site. This will automatically issue production sheets, inventory control for each school and submit a monthly perpetual inventory to submit to USDA on a monthly basis.

STATUS OF PRIOR AUDIT FINDINGS

The following findings were reported in the Territory's audit for the year ended September 30, 2011:

Finding 2011-FS1 - General Ledger Reconciliation/Financial Close and Reporting Process Material Weakness

Condition - The Territory does not have an adequate control system in place to ensure the general ledger accurately reflects the account balances of the Territory on a monthly, quarterly or annual basis. We noted the following:

- Governmental Activities: The Program Revenues and Expenses for the governmental activities shown on the Statement of Activities as presented by function are not adequately supported by source documentation. This allocation requires a certain level of management estimation, and ASG lacks policy and procedures in place to determine a reasonable allocation based upon the nature of the receipts from the various funding sources and the related expenditures by the ASG departments. Although the Treasury department does maintain a budget to actual analysis by function, this analysis does not easily reconcile to the general ledger and therefore does not provide adequate support for the financial statement balances.

- The Territory's general ledger is not reconciled to subsidiary ledgers or source documents on a monthly basis, nor is it closed (summarized) in such a manner to accurately portray the accounts and activities of ASG on a monthly basis. At year end, the general ledger is not closed on a timely basis.

- The Territory's control system did not include measures to ensure that preparation of the Territory's financial statements and footnotes was performed in accordance with Generally Accepted Accounting Principles (GAAP).

- The Territory does not have processes or procedures in place to analyze and implement new accounting principles as promulgated by the Government Accounting Standards Board (GASB). For example, GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Definitions* was not addressed by Treasury staff in 2011 or 2012.

- Year end accruals for unusual transactions such as litigation claims are not updated on a recurring and timely basis.

STATUS OF PRIOR AUDIT FINDINGS (CONTINUED)

- The Territory has a decentralized system for maintaining and tracking the expenditures of federal awards. The Schedule of Expenditures of Federal Awards (SEFA) is prepared on an annual basis and though Treasury updates their grant summary monthly throughout the year, there is no entity wide SEFA that is updated or maintained throughout the year. As such, there is no complete summary of expenditures on a grant by grant basis for departments and programs to use as a resource. The preparation of the annual SEFA is cumbersome due to this decentralized approach. In addition, because of the decentralized approach, the monthly SEFA maintained by Treasury is incomplete.

- There is no system in place to verify that the grants receivables recorded on the general ledger are collectible and there is no periodic valuation of allowances to determine which receivables should be written off. Based upon our review of the detail of grants receivables, there were many grants receivable amounts that the Territory deems to be uncollectible but they have not been written off on the general ledger.

- Similar findings have been noted in previous years and remain uncorrected.

Status at September 30, 2012 - This finding is substantially repeated as Finding 2012-FS1 in the current year.

Finding 2011-FS2 Management Estimates and Significant Transactions
Material Weakness

Condition - The Territory's operations are complex and there are many accounts within each fund that require management estimation and judgment. We believe there should be more structure and rigor governing these estimates. There were audit adjustments recorded within each fund to correct errors made in these types of accounts.

- General Fund: Tax receivables should be analyzed each month for activity and collectability and properly credited upon receipt, or written off if deemed uncollectible. An audit adjustment of $3.5 million was proposed to more accurately present this account at year end.

- General Fund: The Territory is a party to various claims and judgments. A key management estimate is an accrual for the estimated liability associated with legal claims. An audit adjustment of $1.65 million was proposed to increase this balance at year end.

- Grant Fund: Grant receivables should be analyzed each month for activity and collectability and properly credited upon receipt, or written off if deemed to be uncollectible. An audit adjustment of $1.7 million was necessary to correct this account at year end.

STATUS OF PRIOR AUDIT FINDINGS (CONTINUED)

- Agency Fund: There is a lack of control process over the immigration bonds accounts. It is our understanding that there is an ongoing project to reconcile these accounts, however, as of September 30, 2011, no adjustments have been made to correct this account. We are unable to assess the reasonableness of this balance.

- There is no documentation of proactive study or analysis of unusual significant transactions and the impact to the financial statements. For example, the establishment of the AS Shipyard Services Authority in June 2011 and the related reversals of the capital lease transactions were not reflected in the general ledger.

Status at September 30, 2012 - This finding is substantially repeated as Finding 2012-FS2 in the current year.

Finding 2011-FS3 Capital Assets
Material Weakness

Condition - Accounting for capital asset activities and accounts is decentralized with departments such as Treasury, Territorial Office of Financial Reform and Public Works, to name a few, leading different aspects of these accounts. Audit adjustments totaling $21.3 million were recorded to accurately present the classification of capital assets used in governmental activities. This resulted in an adjustment of over $3 million to adjust the balance of depreciation expense in the Statement of Revenues, Expenditures, and Changes in Fund Balances for the Government Funds.

Status at September 30, 2012 - This finding is substantially repeated in the current year as Finding 2012-FS3.

Finding 2011-FS4 Budget Overrun
Non-Compliance

Condition - As noted in Note 10 to the annual financial statements, numerous ASG departments and functions exceeded their budget appropriation. We noted excess expenditures of $8.9 million over budget.

Status at September 30, 2012 - This finding is substantially repeated in the current year as Finding 2012-FS4.

STATUS OF PRIOR AUDIT FINDINGS (CONTINUED)

Finding 2011-FS5 Timeliness of Submission of CAFR and Single Audit Reports for FY 2010
Non-Compliance

Condition - In fiscal 2010, ASG did not submit the Single Audit reports to the Federal Clearinghouse on a timely basis. For the 2011 fiscal year, ASG received a filing extension from the U.S. Department of Interior to August 15, 2012. The comprehensive annual financial statements were not issued promptly after the close of the fiscal year for both 2010 and 2011.

Status at September 30, 2012 - This finding was not repeated in the current year and is considered to be resolved.

Finding 2011-FS6 Passenger Facility Charge Audit
Non-Compliance

Condition - The Territory collects passenger facility charges within the Airport Fund. There has not been an annual audit performed of the PFC program in recent years.

Status at September 30, 2012 - This finding is substantially repeated in the current year as Finding 2012-FS5.

Finding 2011-01 - Reporting

- CFDA 10.551 - Supplemental Nutrition Assistance Program, Department of Agriculture
  - Condition - During our review of three reports that we selected for testing, we noted the following:
    - One quarterly report was submitted fifteen days after the filing due date;
    - One quarterly report was submitted seventy days after the filing due date;
    - One annual report was submitted fifteen days after the filing due date.
- CFDA 10.557 - Special Supplemental Nutrition Program for Women, Infants, and Children, Department of Agriculture
  - Condition - In two of the sample of six reports reviewed we noted that the report for the month of May was submitted eleven days after the filing due date and the report for the month of June was submitted fifteen days after the filing due date.

STATUS OF PRIOR AUDIT FINDINGS (CONTINUED)

- CFDA 15.875 - Economic and Political Development of Territories, Department of Interior
  - Condition - Two out of the sample of three SF-425 reports reviewed were not submitted timely. The two reports were filed 27 days after the filing due date.
- CFDA 20.106 - Airport Improvement Program, Department of Transportation
  - Condition - During our review of the first, second and third quarter reports that we selected for testing, we noted the following:
    - The first quarter SF-425 report did not match or reconcile to the general ledger. The quarterly report was understated by $258,446;
    - The second and third quarter SF-425 reports did not match or reconcile to the general ledger. The second and third quarterly reports were overstated by $89,126 and $1,557,076, respectively.
- CFDA 20.205 - Highway Planning and Construction Program ARRA, Department of Transportation
  - Condition -
    - The first quarter ARRA report did not match or reconcile to the general ledger. Subsequent to year end, reconciliation between the General Ledger and the ARRA reports was provided.
    - The second quarter ARRA report did not match or reconcile to the general ledger. The ARRA report was understated by $1,571,777.
- CFDA 81.041 - State Energy Program ARRA, Department of Energy
  - Condition -
    - The third quarter ARRA report did not match or reconcile to the general ledger. The ARRA report was understated by $1,578,868.
    - The fourth quarter ARRA report did not match or reconcile to the general ledger. The ARRA report was understated by $3,462,667.

STATUS OF PRIOR AUDIT FINDINGS (CONTINUED)

- CFDA 84.394 & 84.397 - State Fiscal Stabilization Fund ARRA, Department of Education
  - Condition - Both of the first quarter ARRA reports tested did not match or reconcile to the general ledger. The first ARRA report (CFDA 84.394) was understated by $69,638. The second report (CFDA 84.397) tested was understated by $40,710. Additionally, there was no support provided for the non-financial data, such as full-time employees and infrastructure amounts included in the ARRA reports.

- CFDA 84.410 - Education Jobs Fund ARRA, Department of Education
  - Condition - We noted that no cross-cutting reports were filed in 2011.

- CFDA 93.575 - Child Care and Development Block Grant, Department of Health and Human Services
  - Condition - In our review of ARRA and financial reports, we noted the following:
    - The third quarter ARRA report (for quarter ended June 30, 2011) did not match or reconcile to the general ledger. The ARRA report was understated by $422,476.
    - The first quarter financial report was filed seven and a half months (or two hundred and twenty-six days) after the filing due date and the third quarter financial report was filed forty-five days after the filing due date.

- CFDA 93.708 - Head Start ARRA, Department of Health and Human Services
  - Condition - The amounts noted as federal expenditures in the Section 1512 ARRA reports for second quarter (quarter ended March 31, 2011) and for third quarter (quarter ended June 30, 2011) were not supported by the general ledger. Subsequent to year end, a reconciliation between the General Ledger and the ARRA reports was provided.

Status at September 30, 2012 - Components of this finding were repeated in the current year in Findings 2012-04, 2012-05, 2012-06, 2012-07, 2012-08 and 2012-16.

Finding 2011-02 - Procurement (Suspension and Debarment)

Condition - We noted that when a program of the Territory enters into a "covered transaction" there is no verification that the party has not been suspended or debarred by checking the EPLS website. We also found the following in which total payments to the vendor/service contractor exceeded $25,000 but no indication that a check for suspension and debarment was performed.

STATUS OF PRIOR AUDIT FINDINGS (CONTINUED)

- CFDA 10.555 - National School Lunch Program, Department of Agriculture - There was no evidence for one vendor paid above $25,000 that the Territory performed verification procedures to determine that they were not suspended or debarred from previous governmental projects.

- CFDA 15.875 - Economic and Political Development of Territories, Department of Interior - There was no evidence for eighteen vendors paid above $25,000 that the Territory performed verification procedures to determine that they were not suspended or debarred from previous governmental projects.

- CFDA 20.106 - Airport Improvement Program, Department of Transportation - There was no evidence for two vendors paid above $25,000 that the Territory performed verification procedures to determine that they were not suspended or debarred from previous governmental projects.

- CFDA 20.205 - Highway Planning and Construction Program ARRA, Department of Transportation - There was no evidence for three vendors paid above $25,000 that the Territory performed verification procedures to determine that they were not suspended or debarred from previous governmental projects.

- CFDA 81.041 - State Energy Program ARRA, Department of Energy - There was no evidence for one vendor paid above $25,000 that the Territory performed verification procedures to determine that they were not suspended or debarred from previous governmental projects.

- CFDA 97.036 - Department of Homeland Security - Public Assistance (Presidentially Declared Disasters) - There was no evidence for three vendors paid above $25,000 that the Territory performed verification procedures to determine that they were not suspended or debarred from previous governmental projects.

- CFDA 84.027, 84.027A and 84.391A - Special Education - Grants to States ARRA, Department of Education - There was no evidence for one vendor paid above $25,000 that the Territory performed verification procedures to determine that they were not suspended or debarred from previous governmental projects.

- CFDA 84.394A and 84.397A - State Fiscal Stabilization Fund ARRA, Department of Education - There was no evidence for twenty-one vendors paid above $25,000 that the Territory performed verification procedures to determine that they were not suspended or debarred from previous governmental projects.

STATUS OF PRIOR AUDIT FINDINGS (CONTINUED)

- CFDA 93.600 and 93.708 - Head Start ARRA, Department of Health and Human Services - There was no evidence for three vendors paid above $25,000 that the Territory performed verification procedures to determine that they were not suspended or debarred from previous governmental projects.

Status at September 30, 2012 - This finding is substantially repeated in the current year as Finding 2012-09.

Finding 2011-03 - Procurement for ARRA Awards (Buy American Act)

Condition -

- CFDA 20.205 - We found that the entire amount of the ARRA federal funds for $244,564 were used for construction and paid to one vendor, but there was no documentation or evidence that the iron, steel and manufactured goods used for the projects were produced in the United States. There was also no waiver of the Buy-American Act requirements in the contract files.

- CFDA 93.600/93.708 - We selected two vendors that represented $163,315 in ARRA federal funds used for construction but no documentation or evidence that the iron, steel and manufactured goods used for the projects were produced in the United States. There was also no waiver of the Buy-American Act requirements in the contract files.

Status at September 30, 2012 - A similar finding is repeated in the current year as Finding 2012-13.

Finding 2011-04 - Allowable Costs

Federal Agency - Department of Homeland Security

Federal Program - CFDA 97.036 - Public Assistance (Presidentially Declared Disasters)

Condition - This program does not have an adequate control system in place to ensure costs charged to federal award programs are allowable, and there is not an effective system in place to ensure employees certify that their time is correct when charged to a federal program in accordance with the requirements. There was $731,760 transferred from this federal program to the general fund for reimbursements of estimated payroll costs related to this program. However, there was no supporting documentation to indicate exactly how these payroll costs had been allocated to the program.

Status at September 30, 2012 - This finding was not repeated in the current year and is considered to be resolved.

STATUS OF PRIOR AUDIT FINDINGS (CONTINUED)

Finding 2011-05 - Equipment and Real Property Management

Federal Agency - American Samoa Government - entity-wide

Federal Program - American Samoa Government - entity-wide

Condition - While there is formal documentation of policies and procedures for capital assets, we noted that property records for equipment procured with federal funds is incomplete and does not contain all required information. The records do not include identification numbers on the assets that would be necessary to conduct a property inventory and we were unable to trace the equipment in general ledger to the property records. These incomplete property records would affect all federal programs from which equipment or real property was purchased in current and prior years.

Status at September 30, 2012 - This finding is substantially repeated in the current year as Finding 2012-10.

Finding 2011-06 - Special Reports

Federal Agency - Department of Agriculture

Federal Program - CFDA 10.555 National School Lunch Program

Condition - The special report FNS-10 required by the federal requirements of the program have not been prepared or submitted to the federal awarding agency.

Status at September 30, 2012 - This finding was not repeated in the current year and is considered to be resolved.