

Financial Statements

TERRITORY OF AMERICAN SAMOA

SINGLE AUDIT REPORT

SEPTEMBER 30, 2008

TERRITORY OF AMERICAN SAMOA
SINGLE AUDIT REPORT
SEPTEMBER 30, 2008

CONTENTS

	<u>Page</u>
GENERAL PURPOSE FINANCIAL STATEMENTS:	
Independent Auditors' Report on Basic Financial Statements	*
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
FEDERAL FINANCIAL ASSISTANCE PROGRAMS:	
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	4
Independent Auditors' Report on Schedule of Expenditures of Federal Awards	8
Schedule of Expenditures of Federal Awards	10
Notes to Schedule of Expenditures of Federal Awards	22
Schedule of Findings and Questioned Costs	24
Status of Prior Year Findings	53

*Incorporated by reference

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

Governor of the Territory of American Samoa

We have audited the basic financial statements of the Territory of American Samoa (The Territory) as of and for the year ended September 30, 2008 and have issued our report thereon dated June 15, 2009. We qualified an opinion on the Statement of Net Assets, Balance Sheet - Governmental Funds, Reconciliation of the Statement of Net Assets to the Balance Sheet - Governmental Funds, Statement of Net Assets - Proprietary Funds and Statement of Fiduciary Net Assets - Fiduciary Funds, the respective financial position of the governmental activities, the business-like activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information and we disclaimed an opinion on the Statement of Activities, Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds, Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities, Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds, Statement of Cash Flows - Proprietary Funds and Statement of Changes in Fiduciary Net Assets - Fiduciary Fund because:

- With respect to the primary government we were unable to satisfy ourselves about:
 - i. the amount of the due to/from other funds - pooled cash;
 - ii. the accuracy of physical inventory records;
 - iii. the balance of immigration bond deposits received and recorded;
 - iv. the accuracy of the beginning fund balances;
 - v. significant failures in the internal control structure related to general accounting and grants administration.

- With respect to the discretely presented component units, we were not able to satisfy ourselves about:
 - i. the financial position and activities of the American Samoa Telecommunications Authority.

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

The Territory's basic financial statements include the operations of the fiduciary fund, the American Samoa Government Employee Retirement Fund and its component units, the American Samoa Power Authority, the American Samoa Community College, the American Samoa Telecommunications Authority, and the American Samoa Medical Center Authority. Any federal awards received by the fiduciary fund of the Territory's component units are not included in the Schedule of Expenditures of Federal Awards during the year ended September 30, 2008. Our audit, described below, did not include the operations of the fiduciary fund and the Territory's component units because the fiduciary fund and each component unit is required to engage other auditors to determine their reporting requirements in accordance with OMB Circular A-133, and issue a separate report if necessary.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects The Territory's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of The Territory's financial statements that is more than inconsequential will not be prevented or detected by The Territory's internal control. These conditions were considered in determining that the system of financial accounting and reporting in operation for The Territory for the year ended September 30, 2008 was inadequate. There were significant failures in the operation of the internal control structure related to general accounting and grants administration. We consider the deficiencies described in the accompanying schedule of findings and questioned costs Finding Nos. 08 FS-1 through 08 FS-7 to be significant deficiencies in internal control over financial reporting.

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

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

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether The Territory's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Finding Nos. 08 FS-1 through 08 FS-7. The effects of the instances of noncompliance have not been corrected in the 2008 basic financial statements of The Territory.

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

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

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

RC Holsinger Associates, P.C.

Wexford, Pennsylvania
June 15, 2009

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

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

COMPLIANCE

We have audited the compliance of the Territory of American Samoa (The Territory) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2008. The Territory's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of The Territory's management. Our responsibility is to express an opinion on The Territory's compliance based on our audit.

The Territory's basic financial statements include the operations of the fiduciary fund, the American Samoa Government Employee Retirement Fund and its component units, the American Samoa Power Authority, the American Samoa Community College, the American Samoa Telecommunications Authority, and the American Samoa Medical Center Authority. Any federal awards received by the fiduciary fund of the Territory's component units are not included in the Schedule of Expenditures of Federal Awards during the year ended September 30, 2008. Our audit, described below, did not include the operations of the fiduciary fund and the Territory's component units because the fiduciary fund and each component unit is required to engage other auditors to determine their reporting requirements in accordance with OMB Circular A-133, and issue a separate report if necessary.

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

As described in Finding Nos. 08 USDA-1, 08 DOT-1, 08 DOE-1, 08 DHHS-1 through 08 DHHS-5, 08 DOI-1 and 08 DOI-2, 08 PR-1 through 08 PR-3 in the accompanying schedule of findings and questioned costs, The Territory did not comply with requirements regarding:

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

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

The system of financial accounting and reporting in operation for The Territory for the year ended September 30, 2008, was inadequate. There were significant failures in the operation of the internal control structure related to general accounting and grants administration. We noted evidence of a failure of identified control in preventing or detecting misstatements of accounting information and a lack of appropriate management oversight, review and approval of transactions.

Because of the significance of the items noted in the preceding paragraph and in the schedule of findings and questioned costs, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on The Territory's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2008. The scope of our work was also not sufficient to enable us to express, and we do not express, an opinion on the items not tested.

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

INTERNAL CONTROL OVER COMPLIANCE

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

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding Nos. 08 USDA-1, 08 DOT-1, 08 DOE-1, 08 DHHS-1 through 08 DHHS-5, 08 DOI-1 and 08 DOI-2, 08 PR-1 through 08 PR-3 to be significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider Finding Nos. 08 USDA-1, 08 DOE-1, 08 DHHS-1 through 08 DHHS-5, 08 PR-1 through 08 PR-3 to be material weaknesses.

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

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

RC Holsinger Associates, P.C.

Wexford, Pennsylvania
June 15, 2009

INDEPENDENT AUDITORS' REPORT ON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the basic financial statements of the Territory of American Samoa (The Territory) as of and for the year ended September 30, 2008 and have issued our report thereon dated June 15, 2009. We qualified an opinion on the Statement of Net Assets, Balance Sheet - Governmental Funds, Reconciliation of the Statement of Net Assets to the Balance Sheet - Governmental Funds, Statement of Net Assets - Proprietary Funds and Statement of Fiduciary Net Assets - Fiduciary Funds, the respective financial position of the governmental activities, the business-like activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information and we disclaimed an opinion on the Statement of Activities, Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds, Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities, Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds, Statement of Cash Flows - Proprietary Funds and Statement of Changes in Fiduciary Net Assets - Fiduciary Fund because:

- With respect to the primary government we were unable to satisfy ourselves about:
 - i. the amount of the due to/from other funds - pooled cash;
 - ii. the accuracy of physical inventory records;
 - iii. the balance of immigration bond deposits received and recorded;
 - iv. the accuracy of the beginning fund balances;
 - v. significant failures in the internal control structure related to general accounting and grants administration.

- With respect to the discretely presented component units, we were not able to satisfy ourselves about:
 - i. the financial position and activities of the American Samoa Telecommunications Authority.

The Territory's basic financial statements include the operations of the fiduciary fund, the American Samoa Government Employee Retirement Fund and its component units, the American Samoa Power Authority, the American Samoa Community College, the American Samoa Telecommunications Authority, and the American Samoa Medical Center Authority. Any federal awards received by the fiduciary fund of the Territory's component units are not included in the Schedule of Expenditures of Federal Awards during the year ended September 30, 2008. Our audit, described below, did not include the operations of the fiduciary fund and the Territory's component units because the fiduciary fund and each component unit is required to engage other auditors to determine their reporting requirements in accordance with OMB Circular A-133, and issue a separate report if necessary.

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

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

The scope of our work and the work of other auditors was not sufficient to enable us to express, and we do not express an opinion on the accompanying schedule of federal awards for the year ended September 30, 2008.

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

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

RC Holsinger Associates, P.C.

Wexford, Pennsylvania

June 15, 2009

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2008

<u>Federal Grantor / Program Title</u>	<u>CFDA No.</u>		<u>Total Grant Approp.</u>	<u>FY 2008 Expenses Sept. 30, 2008</u>
DEPARTMENT OF AGRICULTURE:				
Food Stamp Program	10.551	*		
9/30/04			\$ 126,441	\$ 8,176
9/30/06			82,492	82,492
9/30/07			908,425	15,038
9/30/08			4,887,632	<u>4,782,362</u>
				4,888,068
 National School Lunch Program	 10.555	 *		
9/30/07			14,636,698	6,972,600
9/30/08			15,284,820	<u>7,865,625</u>
				14,838,225
 Special Supplemental Nutrition Program for Women, Infants & Children	 10.557	 *		
9/30/07			1,729,626	195,895
9/30/08			8,057,823	<u>7,929,844</u>
				8,125,739
 Cooperative Forestry Assistance	 10.664			
9/30/06			220,000	54,105
9/30/07			111,000	41,840
9/30/08			98,000	<u>8,261</u>
				<u>104,206</u>
Total Department of Agriculture				<u>\$ 27,956,238</u>
DEPARTMENT OF COMMERCE:				
Dep Morale Welfare & Recreation				
IFA Data Collection	11.407			
9/30/07			\$ 138,048	\$ 8
9/30/08			216,490	<u>144,807</u>
				144,815
 Coastal Zone Management Administration Awards	 11.419			
9/30/05			302,352	104,078
9/30/06			986,000	59,432
9/30/07			1,000,001	280,308
9/30/08			859,000	<u>467,664</u>
				911,482
 Financial Assistance for National Centers for Coastal Oceans	 11.426			
9/30/05			550,000	29,281
9/30/06			132,465	1,500
9/30/07			200,583	39,411
9/30/08			431,958	<u>153,182</u>
				223,374

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

**Denotes a non-major federal financial assistance program tested. See Note 3.

See notes to schedule of expenditures of federal awards.

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
SEPTEMBER 30, 2008

<u>Federal Grantor / Program Title</u>	<u>CFDA No.</u>	<u>Total Grant Approp.</u>	<u>FY 2008 Expenses Sept. 30, 2008</u>
Marine Sanctuary Program 9/30/06	11.429	\$ 230,000	\$ 72,786
Pacific Fisheries Data Program 9/30/08	11.437	168,000	<u>94,408</u>
Total Department of Commerce			<u>\$ 1,446,865</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:			
Community Development Block Grants/Special Purpose Grants Insular Areas			
9/30/02	14.225	\$ 655,440	\$ 65,460
9/30/04		308,392	52,342
9/30/05		3,222,726	125,102
9/30/06		2,389,559	657,739
9/30/07		799,430	189,728
9/30/08		37,342	<u>24,975</u>
Total Department of Housing and Urban Development			<u>\$ 1,115,346</u>
DEPARTMENT OF INTERIOR:			
Fish and Wildlife Management Assistance			
9/30/03	15.608	\$ 193,804	\$ 13,234
9/30/05		143,960	2,218
9/30/07		1,848,979	43,483
9/30/08		1,740,082	<u>1,253,836</u>
			1,312,771
Economic & Political Development of the Territories & the Trust Territory of Pacific Islands			
Basic Operating Grant:			
General Government Operations		\$ 8,611,217	\$ 8,611,217
High court - operating		<u>625,377</u>	<u>426,907</u>
Total Basic Operating		9,236,594	9,038,124
Construction Improvement Program			
9/30/97-9/30/08		4,225,561	4,225,561

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

**Denotes a non-major federal financial assistance program tested. See Note 3.

See notes to schedule of expenditures of federal awards.

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
SEPTEMBER 30, 2008

<u>Federal Grantor / Program Title</u>	<u>CFDA No.</u>	<u>Total Grant Approp.</u>	<u>FY 2008 Expenses Sept. 30, 2008</u>
Operations and Maintenance Program 9/30/97-9/30/08	15.875	*	\$ 65,629
Other	15.875	*	
9/30/05		385,111	5,000
9/30/06		356,000	42,962
9/30/07		1,598,281	396,905
9/30/08		545,845	<u>139,568</u>
			<u>584,435</u>
			13,913,749
Historic Preservation Fund Grants-In-Aid	15.904		
9/30/03		376,885	1,700
9/30/04		378,048	10,043
9/30/06		379,741	57,763
9/30/07		381,952	182,042
9/30/08		385,134	<u>46,629</u>
			<u>298,177</u>
Total Department of Interior			<u>\$15,524,697</u>
DEPARTMENT OF JUSTICE:			
State & Local Domestic Preparedness Technical Assistance	16.010		
9/30/03		\$ 1,482,000	\$ 75,278
9/30/04		5,876,000	<u>(835)</u>
			74,443
Services for Trafficking Victims	16.320		
9/30/05		337,500	137,090
Juvenile Accountability Incentive Block Grants	16.523		
9/30/06		76,851	49,336
Juvenile Justice & Delinquency Prevention Allocation to States	16.540		
9/30/05		156,507	38,751
9/30/06		84,650	40,615
9/30/07		32,200	<u>9,958</u>
			89,324

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

**Denotes a non-major federal financial assistance program tested. See Note 3.

See notes to schedule of expenditures of federal awards.

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
SEPTEMBER 30, 2008

<u>Federal Grantor / Program Title</u>	<u>CFDA No.</u>	<u>Total Grant Approp.</u>	<u>FY 2008 Expenses Sept. 30, 2008</u>
Crime Victims Assistance	16.575		
9/30/05		\$ 267,000	\$ 203,887
9/30/06		271,000	14,621
9/30/07		164,600	<u>32,749</u>
			251,257
Violence Against Women Formula Grants	16.588		
9/30/04		210,788	3,089
9/30/05		1,607,683	470,539
9/30/06		1,236,444	387,589
9/30/07		1,271,037	<u>451,199</u>
			1,312,416
Residential Substance Abuse Treatment for State Prisoners	16.593		
9/30/05		133,299	<u>32,980</u>
			<u>\$ 1,946,846</u>
DEPARTMENT OF LABOR:			
Senior Community Service Employment Program	17.235		
9/30/08		\$ 1,089,509	\$ 439,820
9/30/09		1,173,657	<u>652,978</u>
			1,092,798
CJPA Planning & Administration	17.250		
9/30/05		75,946	20,928
WIA - Adult Program	17.258		
9/30/06		125,576	18,953
9/30/07		116,408	87,806
9/30/08		269,625	<u>233,479</u>
			340,238
WIA - Youth Activities	17.259		
9/30/05		138,663	11,135
9/30/06		206,852	16,762
9/30/07		181,767	100,357
9/30/08		131,813	<u>121,328</u>
			249,582

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

**Denotes a non-major federal financial assistance program tested. See Note 3.

See notes to schedule of expenditures of federal awards.

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
SEPTEMBER 30, 2008

<u>Federal Grantor / Program Title</u>	<u>CFDA No.</u>	<u>Total Grant Approp.</u>	<u>FY 2008 Expenses Sept. 30, 2008</u>
WIA - Dislocated Workers	17.260		
9/30/07		\$ 288,625	\$ 54,719
9/30/08		51,104	<u>17,646</u>
			<u>72,365</u>
Total Department of Labor			<u>\$ 1,775,911</u>
DEPARTMENT OF TRANSPORTATION:			
Airport Improvement Program	20.106	*	
9/30/08		\$ 6,788,473	\$ 6,206,252
Highway Planning & Construction	20.205	*	
9/30/01		3,677,451	582,627
9/30/02		8,644,699	352,400
9/30/03		8,768,599	6,019,415
9/30/04		5,285,394	1,287,094
9/30/05		461,000	202,230
9/30/06		2,441,052	1,739,810
9/30/07		620,000	443,402
9/30/08		980,000	<u>103,672</u>
			10,730,650
National Motor Carrier Safety	20.218		
9/30/06		390,630	(4,389)
9/30/07		350,000	193,224
9/30/08		350,000	<u>154,896</u>
			343,731
Formula Grants for Other than Urbanized Areas	20.509		
9/30/02		179,032	48,900
9/30/03		223,948	4,914
9/30/04		223,682	<u>1,306</u>
			55,120
State and Community Highway Safety	20.600		
9/30/07		2,516,373	1,172,456
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		
9/30/07		66,207	2,110
9/30/08		66,207	<u>60,016</u>
			<u>62,126</u>
Total Department of Transportation			<u>\$ 18,570,335</u>

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

**Denotes a non-major federal financial assistance program tested. See Note 3.

See notes to schedule of expenditures of federal awards.

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
SEPTEMBER 30, 2008

<u>Federal Grantor / Program Title</u>	<u>CFDA No.</u>	<u>Total Grant Approp.</u>	<u>FY 2008 Expenses Sept. 30, 2008</u>
GENERAL SERVICES ADMINISTRATION:			
Election Reform Payments	39.011		
9/30/03		\$ 1,000,000	\$ 68,532
9/30/04		2,319,361	<u>1,260,909</u>
Total General Services Administration			<u>\$ 1,329,441</u>
NATIONAL FOUNDATION OF ARTS & HUMANITIES:			
Promotion of the Arts - Partnership Agreements	45.025		
9/30/07		\$ 253,155	\$ 30,051
9/30/08		252,055	<u>249,040</u>
Total National Foundation of Arts & Humanities			<u>\$ 279,091</u>
ENVIRONMENTAL PROTECTION AGENCY:			
Environmental Protection Consolidated Grants - Program Support	66.600		
9/30/04		\$10,631,326	<u>\$ 1,894,948</u>
Total Environmental Protection Agency			<u>\$ 1,894,948</u>
DEPARTMENT OF ENERGY:			
State Energy Program	81.041		
9/30/08		\$ 235,000	<u>\$ 235,000</u>
Total Department of Energy			<u>\$ 235,000</u>
FEDERAL EMERGENCY MANAGEMENT AGENCY:			
Supplemental/Emergency Operations Center Funding	83.563		
9/30/04		\$ 4,112,270	<u>\$ (49,586)</u>
Total Federal Emergency Management Agency			<u>\$ (49,586)</u>
DEPARTMENT OF EDUCATION:			
Special Education - State Grants	84.027	*	
9/30/07		\$ 6,122,495	\$ 2,083,517
9/30/08		6,202,408	3,651,798
9/30/09		6,297,058	<u>115,535</u>
			5,850,850
Rehabilitation Services - Basic Support	84.126		
9/30/06		793,016	2,700
9/30/07		739,536	18,870
9/30/08		928,801	<u>815,723</u>
			837,293

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

**Denotes a non-major federal financial assistance program tested. See Note 3.

See notes to schedule of expenditures of federal awards.

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
SEPTEMBER 30, 2008

<u>Federal Grantor / Program Title</u>	<u>CFDA No.</u>	<u>Total Grant Approp.</u>	<u>FY 2008 Expenses Sept. 30, 2008</u>
Centers for Independent Living	84.132		
9/30/07		\$ 154,540	\$ 2,288
9/30/08		154,046	<u>142,267</u>
			144,555
Rehabilitation Services - Client Assistance Program	84.161		
9/30/06		83,800	2,702
9/30/07		83,800	47,154
9/30/08		82,860	<u>31,073</u>
			80,929
Independent Living - State Grants	84.169		
9/30/07		27,952	1,044
9/30/08		27,464	<u>26,574</u>
			27,618
Independent Living Services for Older Individuals Who are Blind	84.177		
9/30/07		40,000	457
9/30/08		40,000	<u>28,470</u>
			28,927
Grants for Infants and Families with Disabilities	84.181		
9/30/06		592,467	149,296
9/30/07		592,467	468,320
9/30/08		582,117	<u>661</u>
			618,277
Byrd Scholarship	84.185		
9/30/08		60,000	60,000
Safe and Drug Free Schools and Communities - State Grants	84.186		
9/30/07		900,459	217,060
9/30/08		900,459	<u>650,351</u>
			867,411
Supported Employment Services for Individuals With Severe Disabilities	84.187		
9/30/07		37,125	678
9/30/08		36,476	<u>28,357</u>
			29,035
Assistive Technology	84.224		
9/30/06		114,459	1,367
9/30/07		125,000	97,700
9/30/08		125,000	<u>7,164</u>
			106,231

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

**Denotes a non-major federal financial assistance program tested. See Note 3.

See notes to schedule of expenditures of federal awards.

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
SEPTEMBER 30, 2008

<u>Federal Grantor / Program Title</u>	<u>CFDA No.</u>	<u>Total Grant Approp.</u>	<u>FY 2008 Expenses Sept. 30, 2008</u>
DOE- TFASEG	84.256		
9/30/07		\$ 1,167,294	\$ 551,827
9/30/08		1,120,787	<u>212,813</u>
			764,640
Reading First State Grants	84.357		
9/30/07		1,633,283	958,619
9/30/08		1,633,283	<u>690,030</u>
			1,648,649
Literacy & School Libraries	84.364		
9/30/08		26,563	26,563
Consolidated Grants to Insular Areas	84.922	*	
9/30/06		3,526,045	19,526
9/30/07		16,003,400	5,408,602
9/30/08		16,241,799	<u>11,128,794</u>
			<u>16,556,922</u>
Total Department of Education			<u>\$ 27,647,900</u>
DEPARTMENT OF HEALTH & HUMAN SERVICES:			
Grants for Supportive Services and Senior Centers	93.044		
9/30/08		\$ 1,331,931	\$ 1,331,931
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086		
9/30/07		450,000	28,361
Maternal & Child Health Federal Consolidated Programs	93.110		
9/30/05		61,000	(3,380)
9/30/07		94,644	5,438
9/30/08		94,644	<u>38,268</u>
			40,326
Tuberculosis Aids Control Programs	93.116		
9/30/07		98,407	24,593
9/30/08		88,566	<u>37,258</u>
			61,851

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

**Denotes a non-major federal financial assistance program tested. See Note 3.

See notes to schedule of expenditures of federal awards.

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
SEPTEMBER 30, 2008

<u>Federal Grantor / Program Title</u>	<u>CFDA No.</u>		<u>Total Grant Approp.</u>	<u>FY 2008 Expenses Sept. 30, 2008</u>
Protection & Advocacy for Mentally Ill Individuals 9/30/07 9/30/08	93.138	**	\$ 215,800 221,300	\$ 67,580 <u>63,531</u>
				131,111
Projects for Assistance in Transition from Homelessness (PATH) 9/30/06 9/30/07 9/30/08	93.150	**	50,000 95,000 45,000	719 46,401 <u>34,184</u>
				81,304
Community Health Center Planning 9/30/08 9/30/09	93.224		592,117 516,443	353,296 <u>213,335</u>
				566,631
Traumatic Brain Injury State Demonstration Grant Program 9/30/06 9/30/08	93.234		20,000 20,000	3,735 <u>2,046</u>
				5,781
Substance Abuse & Mental Health Services 9/30/08	93.243	**	1,313,095	842,214
Immunication Grants 9/30/07 9/30/08	93.268		373,004 490,526	195,289 <u>208,714</u>
				404,003
Centers for Disease Control - Investigations, Surveillance and Technical Assistance 9/30/07 9/30/08 9/30/09	93.283		707,449 1,093,970 743,299	141,668 804,992 <u>128,103</u>
				1,074,763
Promoting Safe and Stable Families 9/30/08	93.556		230,723	227,637
Low-Income Home Energy Assistance Program 9/30/07 9/30/08	93.568		46,121 49,855	12,431 <u>47,110</u>
				59,541

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

**Denotes a non-major federal financial assistance program tested. See Note 3.

See notes to schedule of expenditures of federal awards.

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
SEPTEMBER 30, 2008

<u>Federal Grantor / Program Title</u>	<u>CFDA No.</u>	<u>Total Grant Approp.</u>	<u>FY 2008 Expenses Sept. 30, 2008</u>
Community Services Block Grant	93.569		
9/30/06		\$ 572,886	\$ 62,257
9/30/07		827,623	608,952
9/30/08		385,095	<u>15,952</u>
			687,161
Childcare and Development Block Grant	93.575		
9/30/08		78,196	65,717
Head Start	93.600		
9/30/06		2,584,737	(187,550)
9/30/07		2,801,392	264,769
9/30/08		2,289,532	2,051,798
9/30/09		2,292,766	<u>441,699</u>
			2,570,716
Election Assist. Individual Disability	93.617		
9/30/03		600,000	61,364
Development Disabilities - Basic Support	93.630		
9/30/06		330,930	24,042
9/30/07		544,400	146,228
9/30/08		390,910	<u>307,784</u>
			478,054
Social Services Block Grant	93.667		
9/30/05		927,717	7,660
9/30/07		2,381,387	412,779
9/30/08		1,733,890	<u>1,410,727</u>
			1,831,166
Diabetes, Endocrinology and Metabolism Research	93.847		
9/30/07		295,564	78,242
National Bioterrorism Hospital Preparedness Program	93.889		
9/30/06		91,548	2,799
9/30/07		472,279	87,706
9/30/08		575,828	130,615
9/30/09		94,148	<u>2,746</u>
			223,866

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

**Denotes a non-major federal financial assistance program tested. See Note 3.

See notes to schedule of expenditures of federal awards.

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
SEPTEMBER 30, 2008

<u>Federal Grantor / Program Title</u>	<u>CFDA No.</u>	<u>Total Grant Approp.</u>	<u>FY 2008 Expenses Sept. 30, 2008</u>
HIV Care Grants	93.917		
9/30/07		\$ 51,979	\$ 19,609
9/30/08		51,978	<u>29,789</u>
			49,398
Epidemiologic Research Studies of Aids and HIV Infection in Selected Population Groups	93.943		
9/30/07		252,793	119,095
9/30/08		174,435	<u>124,978</u>
			244,073
HIV/AIDS Surveillance	93.944		
9/30/08		10,000	275
SSD - Mental Health Infrastructure	93.958	**	
9/30/07		2,510,421	113,691
9/30/08		2,370,971	<u>2,302,229</u>
			2,415,920
Block Grants for Prevention & Treatment of Substance Abuse	93.959	**	
9/30/05		331,288	2,611
9/30/07		503,123	6,870
9/30/08		165,000	<u>165,000</u>
			174,481
Preventive Health Service - Sexually Transmitted Disease	93.977		
9/30/07		63,247	14,888
9/30/08		44,273	<u>39,566</u>
			54,454
Cooperative Agreement for State-Based Diabetes Control	93.988		
9/30/07		58,378	26,497
9/30/08		51,537	<u>34,616</u>
			61,113
Preventive Health & Health Services Block Grant	93.991		
9/30/06		51,808	2,025
9/30/07		52,036	39,594
9/30/08		39,027	<u>1,087</u>
			42,706
Maternal & Child Health Services Block Grant	93.994		
9/30/07		505,547	451,988
9/30/08		248,358	<u>25,530</u>
			477,518
Total Department of Health & Human Services			<u>\$ 14,371,678</u>

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

**Denotes a non-major federal financial assistance program tested. See Note 3.

See notes to schedule of expenditures of federal awards.

TERRITORY OF AMERICAN SAMOA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
 SEPTEMBER 30, 2008

<u>Federal Grantor / Program Title</u>	<u>CFDA No.</u>	<u>Total Grant Approp.</u>	<u>FY 2008 Expenses Sept. 30, 2008</u>
DEPARTMENT OF HOMELAND SECURITY:			
Boating Safety Financial Assistance	97.012		
9/30/07		\$ 767,087	\$ 8,561
9/30/08		871,542	<u>335,558</u>
Total Department of Homeland Security			<u>\$ 344,119</u>
TOTAL 2008 FEDERAL AWARDS EXPENDED			<u>\$ 114,388,829</u>

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

**Denotes a non-major federal financial assistance program tested. See Note 3.

See notes to schedule of expenditures of federal awards.

TERRITORY OF AMERICAN SAMOA
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 SEPTEMBER 30, 2008

NOTE 1 - ACQUISITION/ORGANIZATION

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

NOTE 2 - REPORTING ENTITY

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

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

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

NOTE 3 - MAJOR PROGRAMS

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

<u>CFDA No.</u>	<u>Program</u>	<u>Total Grant Expenditures</u>
10.551	Department of Agriculture - Food Stamp Program	\$ 4,888,068
10.555	National School Lunch Program	14,838,225
10.557	Special Supplemental Nutrition Program for Women, Infants and Children	8,125,739
15.875	Department of Interior - Economic and Political Development of the Territories and Trust Territory of Pacific Islands	13,913,749
20.106	Department of Transportation - Airport Improvement Program	6,206,252
20.205	Highway Planning and Construction	10,730,650

TERRITORY OF AMERICAN SAMOA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
SEPTEMBER 30, 2008

NOTE 3 - MAJOR PROGRAMS - Continued

84.027	Department of Education - Special Education Program	5,850,850
84.922	Consolidated Grants Administration	<u>16,556,922</u>
	Total major programs tested	<u>\$ 81,110,455</u>
93.138	Department of Health and Human Services - Protection & Advocacy for Mentally Ill Individuals	\$ 131,111
93.150	Projects for Assistance in Transition from Homelessness (PATH)	81,304
93.243	Substance Abuse & Mental Health Services	842,214
93.958	SSD - Mental Health Infrastructure	2,415,920
93.959	Block Grants for Prevention & Treatment of Substance Abuse	<u>174,481</u>
	Total non-major programs tested	<u>\$ 3,645,030</u>
	Total programs tested	<u>\$ 84,755,485</u>
	Total federal expenditures	<u>\$ 114,388,829</u>
	Percentage of federal expenditures tested	<u>74%</u>

TERRITORY OF AMERICAN SAMOA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED SEPTEMBER 30, 2008

PART I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:

Qualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? √ yes no

Identification of major programs:

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

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

Auditee qualified as low-risk auditee? yes √ no

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
YEAR ENDED SEPTEMBER 30, 2008

PART II - FINANCIAL STATEMENT FINDINGS

Questioned
Costs

08 FS-1

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

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

\$ -

- Pooled cash is not supported by a listing of the outstanding transactions that comprise the balance.
- Inventory was not supported by physical counts and we were unable to agree the pricing of the inventory to specific invoices to test the valuation of the inventory.
- Immigration Bonds are not supported by a detail listing of each bond that has been posted by a sponsor for each immigrant.
- Bank reconciliations of the High Court's Violators Bureau, Trust and Printing accounts were not always completed and approved on a timely basis.
- During our accounts payable out-of-period liabilities search, we noticed several items for which an incorrect determination relating to which fiscal year they needed to be recorded. This resulted in an adjustment to the financial statements. This also resulted in incorrect amounts being included on the grants spreadsheet.
- Trial balances were not closed or reconciled in a regular or timely manner throughout or at the year end.
- Control systems failed to detect postings to improper periods, unallowable costs, missing documentation required for payment processing and expenditures exceeding budget.
- During the fiscal year September 30, 2008, and the period subsequent to date of the audit report, we became aware of various reviews by different federal agencies. These reviews have resulted in the proposed material questioned costs and these reviews also indicated the lack of controls over spending of federal funds.
- Of the 472 items selected for testing expenditures for compliance of the major grant programs, The Territory was not able to provide documentation for 3 (1% of total) items.

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
YEAR ENDED SEPTEMBER 30, 2008

Questioned
Costs

- In an examination of payroll transactions, 5 out of 60 time cards/sign-in sheets to support information input into computer were not provided.

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

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

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

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

Auditee Response and Corrective Action Plan: ASG acknowledges this finding. Treasury's financial management team will continue to address the stated internal control deficiencies.

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
YEAR ENDED SEPTEMBER 30, 2008

Questioned
Costs

- Currently, a senior staff member has been identified to follow through with the ASG audit corrective action plan.
- Discussions have been held with auditors as to the proper way of recording out-of-period liabilities.
- The bank accounts cited are being reconciled by High Court. This finding continues from FY 2007 because High Court did not date their reconciliations - no evidence was given the reconciliations were timely. High Court will continue to reconcile their accounts and has committed to submitting their reports by year end (9/30).
- The five timecards cited were copied sign-in sheets the auditors did not accept. To improve in payroll documentation, Treasury has established a policy that all departments are required to use a time clock by June 1, 2009. Sign-sheets will no longer be accepted. Treasury is also working on storage space for all payment records (see response to 08 FS-6).
- Treasury acknowledges trial balances are not closed in a timely manner. For FY 2009, Treasury will begin year-end closing procedures at the start of September instead of October. Departments will be notified in June that all major purchases must be completed prior to September. Payroll, travel and direct payment vouchers will continue in September. The Chief Accountant is responsible for ensuring year end closing is timely.
- For FY 2009 policies implemented by the former comptroller continue today. Expenses are reviewed for assurance they are being paid from the proper account, that there is funding in the account, that the cost is allowable and that all supporting documentation is included. Controller review is now the responsibility of the Treasurer (and Deputy Treasurer when Treasurer is not in the office); any inquiries are forwarded to the Chief Accountant, Grants Manager and Accounts Payable Manager. Items with discrepancies are returned back to the originating department for compliance. Postings to the GL are monitored by the Grants Manager and General Accounting Division Head.

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

08 FS-2 Requirement: The Common Rule governing equipment (Subpart C .32) requires the grantee to maintain property records and to take a physical inventory of the property and reconcile the results with the property records at least once every two years.

TERRITORY OF AMERICAN SAMOA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
 YEAR ENDED SEPTEMBER 30, 2008

	Questioned Costs
<p>Condition: There are deficiencies in the internal control structure design of The Territory’s System of General Fixed Assets. From a sample of 47 items purchased during the fiscal year and classified under the modified accrual basis of accounting in the general ledger as an asset, we made the following observations:</p>	\$ -

- One item did not have a record because it was routed straight to the department that ordered it (P35702).
- Three items were previously acquired but were not issued a property card until 1-21-09 because the items were sent directly to the department that ordered them (P34968, V008-51, P35149).
- Although a physical inventory was conducted within the last two years as required by the Common Rule, this inventory did not reconcile with the property records and the general ledger.

Cause: We noted significant failures in the operation of the internal control structure related to the tracking, recording and monitoring of government assets. We base this conclusion on the following:

- Departments have the ability to bypass the central procurement office in the purchase of items from grant funds. These purchases are then not reported to the Office of Property Management for recording and tracking.
- There is no formal reconciliation between fixed asset purchases and the assets posted to the property management system.
- There is a lack of policies and procedures to insure compliance with Executive Order 01-1998 that requires a physical inventory to be completed within 30 days of the end of the fiscal year, that reconciles with the property records and the general ledger.

Effect: Management is unable to monitor the use of equipment to ensure compliance with the Common Rule and federal grantor requirements. Noncompliance with laws and regulations governing federal assistance may occur and not be detected. We believe this finding represents a reportable condition and material weakness in internal control. However, we have not identified any specific questioned costs associated with this finding.

Recommendation: The Territory should implement procedures that ensure that all department personnel administering grants are knowledgeable about federal grant administration and the requirements to properly account for fixed assets.

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
YEAR ENDED SEPTEMBER 30, 2008

Questioned
Costs

Auditee Response and Corrective Action Plan: ASG acknowledges this finding. Although there continues to be weaknesses in the internal control structure of The Territory's General Fixed Assets system, the number of deficiencies has decreased. At the start of 2009, the Property Management Office (PMO) held a two-day government wide workshop to train all departments on policies and procedures for general fixed assets. In a combined effort to assist Property Management, Treasury and the Budget Office have issued a policy - direct payment vouchers cannot be used for equipment purchases regardless of price. Departments do not have the ability to bypass the central procurement office in purchase of items; they do have the ability to bypass the Office of Property Management because items are sometimes delivered to the department rather than the Procurement Office. Property Management will work with both Procurement and Treasury to resolve these issues. The PMO Inventory Manager and a senior accountant from Treasury will meet monthly (the 12th) to reconcile inventory to the General Ledger and identify advanced payment items for tagging.

Contact: Vaimoana Fa'afetai Ialiva, Director, Property
Management Office
Phone: 684.699.6505

08 FS-3

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

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

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

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
YEAR ENDED SEPTEMBER 30, 2008

Questioned
Costs

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

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

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

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

Auditee Response and Corrective Action Plan: ASG acknowledges this finding. Although reporting financial and status/progress reports have improved, Treasury Grants division continues to face problems of compliance and reporting on time with the various ASG departments. Treasury Grant personnel continue to inform and assist departments that are in noncompliance of the cash management requirements of their deficiencies. Treasury plans to seek the assistance of the Graduate School in providing cash management training for the departments.

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

08 FS-4

Requirement: An adequate internal control structure would imply that control issues identified in previous years would be addressed and solved. Each of the conditions noted in Finding Nos. FS-1 through FS-3 above has been described in previously issued reports. The recommendations made in those reports, as well as those issued by federal agencies, have not been adequately addressed by The Territory. It is The Territory management's responsibility to establish and maintain an adequate internal control structure.

TERRITORY OF AMERICAN SAMOA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
 YEAR ENDED SEPTEMBER 30, 2008

	Questioned Costs
<p>Condition: The recommendations made in previous single audit reports, as well as reports issued by federal agencies, have not been adequately addressed by The Territory.</p>	\$ -

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

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

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

Auditee Response and Corrective Action Plan: ASG acknowledges this finding. One of Treasury’s goals is to have a clean audit by 2012. A single audit committee has been established to take action to reduce and resolve the audit findings. The committee is currently comprised of the Chief Accountant, Grants Manager, Accounts Payable Manager, Disbursing Manager and two senior staff members responsible for the ASG single audits and corrective action plan. The committee also works closely with the Inventory Division Head at Property Management, the Budget Office Deputy Director and the Chief Procurement Officer. General oversight is with the Deputy Treasurer. The committee discusses single audit findings, follows through on the corrective action plan, updates staff and management on resolutions and informs the general government when necessary.

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

08 FS-5

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

<p>Condition: A budget overrun totaling \$11,040,416 occurred. A breakdown by department and function is included in the notes to the financial statements in the general purpose financial statements for the year ended September 30, 2008.</p>	\$ -
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TERRITORY OF AMERICAN SAMOA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
 YEAR ENDED SEPTEMBER 30, 2008

Questioned
 Costs

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

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

Recommendation: The Territory should comply with budgets and appropriations. Management and Departments should be held accountable for overruns.

Auditee Response and Corrective Action Plan: ASG acknowledges this finding. For FY 2009 Treasury will inform all departments in the third quarter (June) whether they have sufficient funds for the remainder of the fiscal year. The Budget Office will prepare supplemental budgets for legislature approval when necessary and if feasible. If not, Treasury will inform departments to slow down operations in order to make year end. Treasury would like to note that for FY 2008 utilities were not included in the ASG budget. FY 2008 utilities (electricity and phone charges) totaled \$4,399,626. The 2008 ASG Basic Financial Statements Report shows a breakdown of departments and programs that overran their appropriations. Furthermore, as a step towards strengthening internal controls, the Budget Office, Grants Division, and Computer Division met to limit personnel with access to overriding budgets on the ASG finance system. Per the request of the Budget Deputy Director, budget analysts access Insight only - Insight allows for tracking purposes whereas Reflection does not. The Grants Division is transitioning to do the same, their deadline is July 15, 2009.

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

08 FS-6

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

Condition: The records of The Territory have not been maintained in an organized manner. Items selected for review could not be documented as described in 08 FS-1.

\$ -

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

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
YEAR ENDED SEPTEMBER 30, 2008

Questioned
Costs

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

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

Auditee Response and Corrective Action Plan: ASG acknowledges this finding. Treasury has implemented policies and procedures for storage, copying and release of all supporting documentation from the Disbursing Office. However Treasury realizes the importance of checking its policies and procedures every so often to ensure documentation are received and kept properly; this will be part of the corrective action plan. Treasury continues to look for storage space for ASG payment records. Originally Treasury received approval from the Governor's Office to build a storage room behind the government building (Mar. 2009); however due to limited parking, plans now are to use the gazebo area by the Tax Office for this purpose (May 2009).

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

08 FS-7

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

Condition: The Territory established an internal service fund on October 1, 2001 to operate a self insured program for Workers Compensation insurance. At the time of creating the fund The Territory established the "premium" to be contributed by all those who participate in the program based upon prior experience. At September 30, 2004 The Territory established a reserve for future claims for the first time based upon awarded settlements. Although The Territory has revised this reserve for September 30, 2007 and 2008, The Territory did not prepare an analysis to determine if the rates being charged to participants were reasonable.

\$ -

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
YEAR ENDED SEPTEMBER 30, 2008

Questioned
Costs

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

Effect: Since establishment of this fund in 2001, this internal service fund has accumulated a fund balance of approximately \$2.2 million after reserving for future claims of approximately \$0.6 million. It appears that the "premiums" being charged to grants are excessive. We believe this finding represents a material instance of noncompliance and a material weakness in internal control.

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

Auditee Response and Corrective Action Plan: ASG acknowledges this finding and will look into resolving this issue.

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

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
YEAR ENDED SEPTEMBER 30, 2008

PART III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Questioned
Costs

Special Supplemental Nutrition Programs for
Women, Infants, and Children
CFDA #10.557

08 USDA-1 Requirement: OMB Common Rule 42 requires that financial records, supporting documents and other records pertinent to an award shall be retained for a period of three years from the date of submission of the last expenditure report.

Condition: We selected a sample of 28 transactions from the expenditure activity of this program and found the following exceptions: \$ -

- Two items were not supported with a receiving report (P35837, Q108022).

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

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

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

Auditee Response and Corrective Action Plan: ASG acknowledges this finding. P35837 is a purchase order for unleaded gas. Procurement purchases gasoline on behalf of the department. Gas is delivered to the Public Works Motor Pool. Public Works notifies the department of receipt of gas and issues the department coupons. The department is then supposed to return to Procurement to sign the receiving report. Treasury will work with Procurement and Public Works to improve this procedure. Q108022 is a direct payment for service to a copier machine. Each department is responsible to sign on the invoice that the item or service was received. The invoice for Q108022 was attached to the voucher however a signature was not affixed to the document. For FY 2009 Treasury tightened its payment policy; any payment voucher missing documentation or signatures is returned to the originating department for compliance. Treasury will not pay otherwise.

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

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
YEAR ENDED SEPTEMBER 30, 2008

Questioned
Costs

Department of Transportation
Highway Planning and Construction
CFDA #20.205

08 DOT-1

Requirement: Under the Davis Bacon Act (est. 1931) all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor (40 USC 3141-3144, 3146 and 3147 (formerly 40 USC 276a-276a-7)). Non-federal entities shall include in their construction contracts subject to the Davis Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis Bacon Act and the Department of Labor regulations. This includes a requirement for the contractor or subcontractor to submit to the federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance. This is often done using Option Form WH-347 which includes the required statement of compliance (OMB No. 1215-0149).

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

\$ -

- One item violated the Davis Bacon Act since for that pay period ending September 30, 2008 labor rates were not updated to meet the May 25, 2008 wage increase to \$4.60/hour (#JE98023554).
- Two items violated the Davis Bacon Act since for these two payroll periods ending March 2, 2008 and March 16, 2008 labor rates were not updated to meet the July 24, 2007 wage increase to \$4.10/hour (Contract #554741).

Cause: Failure to comply with the requirements of the Davis Bacon Act and the Department of Labor regulations.

Effect: Contractors or subcontractors found to have disregarded their obligation to employees, or to have committed aggravated or willful violations while performing work on a Davis Bacon covered project may be subject to contract termination and/or debarment from future contracts up to three years. In addition, contract payments may be withheld in sufficient amounts to satisfy liabilities for unpaid wages and liquidated damages that result from overtime violations of the Contract Work Hours and Safety Standards Act.

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
YEAR ENDED SEPTEMBER 30, 2008

Questioned
Costs

Recommendation: The Territory should develop and implement policies and procedures regarding proper and efficient maintenance of records to provide support for each transaction and compliance.

Auditee Response and Corrective Action Plan: ASG acknowledges this finding. The Procurement Office has policies and procedures in place to ensure certified payrolls are reviewed for correct payroll periods and labor rates.

Contact: Pat Tervola, Chief Procurement Officer, Procurement Office
Phone: 684.699.1170

DOE Special Education
CFDA #84.027

08 DOE-1

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

Condition: We selected 45 transactions from the expenditure activity of this program and found the following exception: \$ -

- One item was not supported with a receiving report (P35054).

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

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

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

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
YEAR ENDED SEPTEMBER 30, 2008

Questioned
Costs

Auditee Response and Corrective Action Plan: ASG acknowledges this finding. P35054 is a purchase order for gas. Similar to finding 08 USDA-1, Treasury will work with Procurement and Public Works to improve the procedure of notifying Procurement when Public Works - Motor Pool receives gas on behalf of the purchasing department.

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

Protection & Advocacy for Mentally Ill Individuals
CFDA #93.138

08 DHHS-1 Requirement: OMB Common Rule 20 requires that accounting records must be supported by such source documentation as cancelled checks, accounts payable vouchers, paid bills, purchase orders, payroll time and attendance records, contracts, and sub grant documentation etc.

Condition: We selected a sample of 30 transactions from the expenditure activity of this program and found the following exceptions: \$ -

- Three items were not supported with a receiving report (Q118223, Q114874, P34275).
- Three items did not provide support for registration fees or transportation costs (T08039, T08645, T08646).

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

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

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

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
YEAR ENDED SEPTEMBER 30, 2008

Questioned
Costs

Auditee Response and Corrective Action Plan: ASG acknowledges this finding. P34275 is a purchase order for unleaded gas. Procurement purchases gasoline on behalf of the department. Gas is delivered to the Public Works Motor Pool. Public Works notifies the department of receipt of gas and issues the department coupons. The department is then supposed to return to Procurement to sign the receiving report. Treasury will work with Procurement and Public Works to improve this procedure. Q118223 is a direct payment for a computer. Each department is responsible to sign on the invoice that the item or service was received. The invoice for Q118223 was attached to the voucher however a signature was not affixed to the document. For FY 2009 Treasury tightened its payment policy; any payment voucher missing documentation or signatures are returned to the originating department for compliance. Treasury will not pay otherwise. Treasury has also changed its policy that all equipment are purchased on a purchase order and routed through Procurement. T08039, T08645, T08646 are travel authorizations. Treasury has implemented its travel policy that all travelers must file travel expense reports within 30 days of their return date. Documentation for hotel lodging, registration fees and transportation are required. The ASG Travel Manual stipulates in detail expense report requirements and consequences if report is not filed. The General Accounting division has been assigned to review all expense reports.

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

Projects for Assistance in Transition from Homelessness (PATH)
CFDA #93.150

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

Condition: We selected a sample of 33 transactions from the expenditure activity of this program and found the following exceptions: \$ -

- Two items were not supported with a receiving report (Q112747 and Q118573).

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

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
YEAR ENDED SEPTEMBER 30, 2008

Questioned
Costs

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

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

Auditee Response and Corrective Action Plan: ASG acknowledges this finding. All items cited for missing receiving reports are direct payments or quick purchase orders (QPO). Each department is responsible to sign on the invoice that the item or service was received. The invoices attached for these direct payments did not have signatures. For FY 2009 Treasury tightened its payment policy; any payment voucher missing documentation or signatures are returned to the originating department for compliance. Treasury will not pay otherwise. P35711 and P34629 are advanced payments for items that went directly to the department rather than to Procurement bypassing the receiving report process. Treasury will work to resolve this issue, perhaps form a policy to check that a department's prior advanced payments are complete prior to processing a new payment. T08561 is a travel authorization for a traveler that did not file an expense report. Treasury has implemented its travel policy that all travelers must file travel expense reports within 30 days of their return date. Documentation for hotel lodging, registration fees, and transportation are required. The ASG Travel Manual stipulates in detail expense report requirements and consequences if report is not filed. The General Accounting division has been assigned to review all expense reports.

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

Substance Abuse & Mental Health Services
CFDA #93.243

08-DHHS-3 Requirement: OMB Common Rule 20 requires that accounting records must be supported by such source documentation as cancelled checks, accounts payable vouchers, paid bills, purchase orders, payroll time and attendance records, contracts, and sub grant documentation etc.

TERRITORY OF AMERICAN SAMOA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
 YEAR ENDED SEPTEMBER 30, 2008

	Questioned Costs
Condition: We selected a sample of 66 transactions from the expenditure activity of this program and found the following exceptions:	\$ 100

- Two items were not supported with a receiving report (P35711 and Q116340).
- One item was not supported with any documentation (T08561).

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

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

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

Auditee Response and Corrective Action Plan: ASG acknowledges this finding. All items cited for missing receiving reports are direct payments or quick purchase orders (QPO). Each department is responsible to sign on the invoice that the item or service was received. The invoices attached for these direct payments did not have signatures. For FY 2009 Treasury tightened its payment policy; any payment voucher missing documentation or signatures are returned to the originating department for compliance. Treasury will not pay otherwise. P35711 and P34629 are advanced payments for items that went directly to the department rather than to Procurement bypassing the receiving report process. Treasury will work to resolve this issue, perhaps form a policy to check that a department's prior advanced payments are complete prior to processing a new payment. T08561 is a travel authorization for a traveler that did not file an expense report. Treasury has implemented its travel policy that all travelers must file travel expense reports within 30 days of their return date. Documentation for hotel lodging, registration fees, and transportation are required. The ASG Travel Manual stipulates in detail expense report requirements and consequences if report is not filed. The General Accounting division has been assigned to review all expense reports.

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

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
YEAR ENDED SEPTEMBER 30, 2008

Questioned
Costs

SSD - Mental Health Infrastructure
CFDA #93.958

08 DHHS-4 Requirement: OMB Common Rule 20 requires that accounting records must be supported by such source documentation as cancelled checks, accounts payable vouchers, paid bills, purchase orders, payroll time and attendance records, contracts, and sub grant documentation etc.

Condition: We selected a sample of 26 transactions from the expenditure activity of this program and found the following exceptions: \$ -

- One item was not supported with a receiving report (P34629).

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

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

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

Auditee Response and Corrective Action Plan: ASG acknowledges this finding. All items cited for missing receiving reports are direct payments or quick purchase orders (QPO). Each department is responsible to sign on the invoice that the item or service was received. The invoices attached for these direct payments did not have signatures. For FY 2009 Treasury tightened its payment policy; any payment voucher missing documentation or signatures are returned to the originating department for compliance. Treasury will not pay otherwise. P35711 and P34629 are advanced payments for items that went directly to the department rather than to Procurement bypassing the receiving report process. Treasury will work to resolve this issue, perhaps form a policy to check that a department's prior advanced payments are complete prior to processing a new payment. T08561 is a travel authorization for a traveler that did not file an expense report. Treasury has implemented its travel policy that all travelers must file travel expense reports within 30 days of their return date.

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
YEAR ENDED SEPTEMBER 30, 2008

Questioned
Costs

Documentation for hotel lodging, registration fees, and transportation are required. The ASG Travel Manual stipulates in detail expense report requirements and consequences if report is not filed. The General Accounting division has been assigned to review all expense reports.

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

Block Grants for Prevention & Treatment of Substance Abuse
CFDA #93.959

08 DHHS-5 Requirement: OMB Common Rule 20 requires that accounting records must be supported by such source documentation as cancelled checks, accounts payable vouchers, paid bills, purchase orders, payroll time and attendance records, contracts, and sub grant documentation etc.

Condition: We selected a sample of 31 transactions from the expenditure activity of this program and found the following exceptions: \$ -

- Six items were not supported with a receiving report (Q115227, Q119632, Q114084, Q119383, Q118578, 165901).

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

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

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

Auditee Response and Corrective Action Plan: ASG acknowledges this finding. All items cited for missing receiving reports are direct payments or quick purchase orders (QPO). Each department is responsible to sign on the invoice that the item or service was received. The invoices attached for these direct payments did not have signatures. For FY 2009 Treasury tightened its payment policy; any payment voucher missing documentation or signatures are returned to the originating department for compliance.

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
YEAR ENDED SEPTEMBER 30, 2008

Questioned
Costs

Treasury will not pay otherwise. P35711 and P34629 are advanced payments for items that went directly to the department rather than to Procurement bypassing the receiving report process. Treasury will work to resolve this issue, perhaps form a policy to check that a department's prior advanced payments are complete prior to processing a new payment. T08561 is a travel authorization for a traveler that did not file an expense report. Treasury has implemented its travel policy that all travelers must file travel expense reports within 30 days of their return date. Documentation for hotel lodging, registration fees, and transportation are required. The ASG Travel Manual stipulates in detail expense report requirements and consequences if report is not filed. The General Accounting division has been assigned to review all expense reports.

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

Government Operations
Construction in Progress
CFDA #15.875

08 DOI-1

Requirement: Under the Davis Bacon Act (est. 1931) all laborers and mechanics employed by contractors or subcontractors to work on construction contract in excess of \$2,000 financed by federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor (40 USC 3141-3144, 3146 and 3147 (formerly 40 USC 276a-276a-7)). Non-federal entities shall include in their construction contracts subject to the Davis Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis Bacon Act and the Department of Labor regulations. This includes a requirement for the contractor or subcontractor to submit to the federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance. This is often done using Option Form WH-347 which includes the required statement of compliance (OMB No. 1215-0149).

Condition: We selected 34 transactions from the expenditure activity of this program and found the following exceptions: \$ -

- Three items violate the Davis Bacon Act since for these two payroll periods ending May 31, 2008 and June 30, 2008, labor rates were not updated to meet the May 25, 2008 wage increase to \$4.60/hour (Contract # C56427).

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
YEAR ENDED SEPTEMBER 30, 2008

Questioned
Costs

Cause: Failure to comply with the requirements of the Davis Bacon Act and the Department of Labor regulations.

Effect: Contractors or subcontractors found to have disregarded their obligation to employees, or to have committed aggravated or willful violations while performing work on a Davis Bacon covered project may be subject to contract termination and/or debarment from future contracts up to three years. In addition, contract payments may be withheld in sufficient amounts to satisfy liabilities for unpaid wages and liquidated damages that result from overtime violations of the Contract Work Hours and Safety Standards Act.

Recommendation: The Territory should develop and implement policies and procedures regarding proper and efficient maintenance of records to provide support for each transaction and compliance.

Auditee Response and Corrective Action Plan: ASG acknowledges this finding. The Procurement Office has policies and procedures in place to ensure certified payrolls are reviewed for correct payroll periods and labor rates.

Contact: Pat Tervola, Chief Procurement Officer, Procurement Office
Phone: 684.699.1170

08 DOI-2

Requirement: Under the Davis Bacon Act (est. 1931) all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor (40 USC 3141-3144, 3146 and 3147 (formerly 40 USC 276a-276a-7)). Non-federal entities shall include in their construction contracts subject to the Davis Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis Bacon Act and the Department of Labor regulations. This includes a requirement for the contractor or subcontractor to submit to the federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance. This is often done using Option Form WH-347 which includes the required statement of compliance (OMB No. 1215-0149).

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
YEAR ENDED SEPTEMBER 30, 2008

	Questioned Costs
Condition: We selected 40 transactions from the expenditure activity of this program and found the following exception:	\$ -

- One item was not supported with labor rates to prove compliance with the Davis Bacon Act (#40242).

Cause: Missing documentation is due to the lack of adherence to the accounting documentation procedures requested by the Davis Bacon Act. Internal controls over documentation procedures are incomplete or ineffective.

Effect: Contractors or subcontractors found to have disregarded their obligation to employees, or to have committed aggravated or willful violations while performing work on a Davis Bacon covered project may be subject to contract termination and/or debarment from future contracts up to three years. In addition, contract payments may be withheld in sufficient amounts to satisfy liabilities for unpaid wages and liquidated damages that result from overtime violations of the Contract Work Hours and Safety Standards Act.

Recommendation: The Territory should develop and implement policies and procedures regarding proper and efficient accounting of records to provide support for each transaction and compliance.

Auditee Response and Corrective Action Plan: ASG acknowledges this finding. The Territorial Office of Fiscal Reform (TOFR) has policies and procedures in place to ensure certified payrolls are reviewed for correct payroll periods and labor rates. TOFR will check with the Department of Commerce regarding any labor rate changes for compliance with the Davis Bacon Act.

Contact: Salu Tuigamala, Deputy Director, Territorial Office of
Fiscal Reform
Phone: 684.699.1329

Payroll

08 PR-1

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

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
YEAR ENDED SEPTEMBER 30, 2008

Questioned
Costs

Condition: We selected a sample of 60 employees files, timesheets, and scantron cards to test that hours recorded in the payroll register agreed to the timesheet and scantron; withholding status in file agreed to payroll register; annual leave accrual code in file agreed to payroll register; information on withholding form agreed to personnel file and information on withholding form agreed to payroll register and found the following exceptions:

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- Ten instances when withholding status does not agree from the prelist to personnel file (Sample #10, 19, 22-24, 26, 42, 51, 54 and 57).
- One instance when annual leave accrual code does not agree from prelist to personnel file (Sample #10).
- One instance when hourly pay and gross pay did not match to prelist from RCHA recalculation (Sample #10).
- One instance when an individual received additional pay, code 031 (Sample #8).
- Nine instances where the tax withholding forms were missing (Sample #3, 6, 8, 16, 26, 30, 35, 51 and 59).
- Sixteen instances where the information on the tax withholding form does not match with that on the prelist (Sample #10, 14, 17, 20, 22-25, 27, 33, 43, 47, 53, 57, 58 and 60).

Cause: The Territory does not have a consistent policy to retain the timecards or other source documentation of hours worked. The supervisors maintain individual discretion to discard the timecards because no consistent policy exists that requires all departments to retain the timecards, or other source documents, for a specific length of time.

Effect: We were unable to test a sample of timecards, withholding forms and scantrons, to ensure the payroll registers reflected the information recorded on the original document. We believe this finding represents a material instance of noncompliance and a material weakness in internal control.

Recommendation: The Territory should review and update its record retention policy to comply with requirements set forth by OMB Common Rule Section 42.

Auditee Response and Corrective Action Plan: ASG acknowledges this finding. This finding has been forwarded to the Human Resources Department to address. For future audits, Human Resources will be responsible for resolving this issue.

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

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
YEAR ENDED SEPTEMBER 30, 2008

Questioned
Costs

08 PR-2

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

Condition: We selected a sample of 60 employees files, timesheets and scantron cards, to test that the time and attendance information reported at the department level was properly reflected on the payroll register and found the following exceptions:

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- One scantron card could not be located (Sample #11).
- Three sign-in sheets show time in, but do not show time out (Sample #20, 35, and 51).
- One timecard and four sign-in sheets were not provided to compare to scantron (Sample #18, 27, 32, 49 and 54).

Cause: Missing documentation is due to the lack of adherence to the accounting documentation procedures required by the Common Rule 20. Internal controls over documentation procedures are either missing or ineffective. Furthermore, departments are not pressed to update, in entirety, all documents and related forms.

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

Auditee Response and Corrective Action Plan: ASG acknowledges this finding. There has been a significant improvement in payroll documentation, however the five sign-sheets cited were not originals but copied documents not accepted by the independent auditors. For FY 2009, the Payroll division has been directed (again) to enforce Treasury's payroll policies. Treasury will not pay any paycheck if payroll documentation is insufficient. To improve in payroll documentation, Treasury has established a policy that all departments are required to use a time clock by June 1, 2009. Sign-sheets will no longer be accepted. Treasury is also working on storage space for all payment records (see response to 08 FS-6).

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

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
YEAR ENDED SEPTEMBER 30, 2008

		Questioned Costs
08 PR-3	<p>Requirement: American Samoa Department of Education (ASDOE) Principals and Directors are responsible for maintaining adherence/compliance with The Territory's personnel and payroll policies and procedures.</p> <p>The Territory's Human Resources and Payroll departments are responsible for maintaining adherence/compliance with personnel and payroll policies and procedures for ASDOE employees.</p> <p>Condition: We visited each of the 54 ASDOE locations and interviewed all of the ASDOE employees who were present and found the following exceptions:</p> <ul style="list-style-type: none">• Employees working at locations were not consistent with the ASDOE list of personnel and their assigned locations.• There is little control over the majority of the daily sign-in sheets.• Employees are not working 8 hours a day but are being paid for 8 hours a day.• Sick and annual leave are not being accurately documented by the employee and/or their supervisor. Unauthorized absences and non-attendance are not being documented. Principals and Directors are not verifying the accuracy of processed leave slips or employee attendance.• Human Resources personnel files did not match the Payroll master file.• Human Resources Job Grade and Step Scale did not match the Payroll Job Grade and Step Scale master file.• Gross pay, net pay, hourly rate, and deduction information gathered from the Payroll summary report did not match the Payroll master file.• Deductions taken on the Payroll summary report do not agree with the Deduction Authorization file.• Local income tax withholding, when recalculated using Income Tax Withholding Payment Tables, did not match the withholdings on the Payroll summary report.	\$ -

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
YEAR ENDED SEPTEMBER 30, 2008

Questioned
Costs

Cause: Lack of internal control over the hiring process, the assignment of personnel, the assignment and recording of lateral movement of employees, and the recording of employee information. There is no supervision over the sign-in sheets or the sign-in/out process. The sign-in process is not controlled and the employee's documented hours worked are not confirmed or verified. There is no on-site supervision regarding the processing of sick and annual leave slips and the documenting of unauthorized absences and non-attendance of employees.

Employee data from Human Resources and employee leave data from Treasury is conflicting, inconsistent, incomplete, or not updated in the Master File. ASDOE management is not reviewing positions annually and, therefore, is not notifying Human Resources of changes and updates. The three records that document hours worked (sign-in sheets, scantrons, and payroll summary reports) must be consistent with no deviation; This three-way match does not always occur. Local Income Tax Withholding Payment Tables are either outdated, not being used, or not being used correctly.

Effect: Employees working on-site at ASDOE locations are being paid with government funds, however ASDOE does not have them listed as ASDOE personnel. Employees can sign in/out and record false or inaccurate hours worked. Employees are receiving governmental compensation for hours not worked. Employees are being paid twice (i.e., they receive regular pay and, since their accumulated leave balance is not deducted, they receive leave pay).

Incorrect information in the Master File is affecting the employee's pay, withholding amounts, and accumulated leave balances. Untimely annual reviews and the use of an outdated payscale invalidate payroll calculations which lead to the incorrect pay of ASDOE employees. Payroll is being processed without supporting documentation of hours worked and without deduction authorizations being on file. The amount of income tax required to be assessed on income earned is not being collected.

Recommendation: ASDOE Administration should compile and maintain an accurate Master List of employees and assignment locations. Direct supervision from the Principal's or Director's office over the sign-in/out process should be maintained. Strict policies regarding attendance and non-attendance should be implemented and enforced. ASDOE management supervision regarding the employee leave process must be increased.

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
YEAR ENDED SEPTEMBER 30, 2008

Questioned
Costs

Correct and accurate data in the Master File is fundamental. A computer system control that prohibits outdated compensation data from being entered into the Master File should be put in place. Treasury should implement a policy and procedure for the Deduction Authorization File process. Treasury and Payroll records should be reconciled to assure all employees are receiving the proper deductions from their paychecks based on the most recent Income Tax Withholding Payment Tables.

Auditee Response and Corrective Action Plan: ASG acknowledges this finding. During February and March of 2008, RC Holsinger conducted a payroll audit on the AS Department of Education at the request of USDOE. Since the issuance of that report, the following actions have been implemented.

- To date the master list has been updated as to reflect accurate working location of all ASDOE personnel and is updated on a monthly basis to ensure accuracy and consistency with the ASDOE computerized list. The current status of that report is in compliance with the payroll audit correction action plan submitted to USDOE earlier in the 2009 school year.
- The sign-in sheets are monitored daily from the ASDOE Personnel Division with random audit checks for both public and private schools. School principals have been deducting hours from those working less than eight hours and the Personnel Division perform second checks to ensure those adjustments are corrected on the scantrons before they are submitted to the Payroll Office.
- Revised policies related to teacher's hours of work, sign-in and sign-out procedures, and excused absences have been discussed and reinforced at several training sessions and implemented. These sessions were conducted with Principals, Directors and Timekeepers.
- All sick leaves have been correctly documented in that any employee marked absent or working less than 8 hours must provide a sick leave form. If the employee has not sick leave hours, he is not paid for the missing day(s) of work.
- The Human Resource Department (HR) is under new leadership; HR is currently working to update their personnel files as well make changes to the HR module to reflect employee personnel files.

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
YEAR ENDED SEPTEMBER 30, 2008

	<u>Questioned Costs</u>
<ul style="list-style-type: none">• Corrections to IFAS were made August 2008. Local income tax withholding tables now calculate the correct amounts.	
Contact: Dr. Claire Tuia-Poumele, Director, Department of Education	
Phone: 684.633.5237	
Total Questioned Costs	<u>\$ 100</u>

TERRITORY OF AMERICAN SAMOA
STATUS OF PRIOR YEAR FINDINGS
YEAR ENDED SEPTEMBER 30, 2008

	<u>2007 Finding</u>	<u>Status</u>
07 FS-1	There were significant failures in the operation of the internal control structure within the finance division of the Treasury Department.	Treasury's financial management team continues to address the stated internal control deficiencies. Currently, a senior staff member has been assigned the audit corrective action plan. Discussions have been held with auditors as to the proper way of recording out-of-period liabilities. The bank accounts cited for untimely reconciliation are maintained by the High Court; they are the Violators Bureau Account, Trust Account and the Printing Account. Miscommunication between Treasury and High Court finance officers regarding bank recon deadline has been cleared; this finding should not show in fiscal year 2008. Treasury is requesting help from Administrative Services for more storage space to properly store and maintain documents. Continued improvement measures remain the goal of Treasury management.
07 FS-2	There are deficiencies in the internal control structure design of the Territory's General Fixed Assets.	The Property Management Office (PMO) continues to improve tracking government assets. In January 2009, PMO held a two day government-wide workshop discussing policies and procedures for inventory, real property and surveyed items. Although the finding repeats every fiscal year, the number of discrepancies such as items not tagged or supported with documentation has decreased.
07 FS-3	The Territory does not maintain an adequate system of internal controls to ensure compliance with The Common Rule that relates to post-award requirements for the administration of federal funds assistance programs.	The Treasury Grants Division continues to work with department finance officers in following requirements related to financial assistance programs. Treasury has placed strict guidelines concerning payments of any kind; any item missing proper documentation and authorization is returned to the department. The Grants Division also reviews for unallowable items prior to payment.

TERRITORY OF AMERICAN SAMOA
STATUS OF PRIOR YEAR FINDINGS - CONTINUED
YEAR ENDED SEPTEMBER 30, 2008

	<u>2007 Finding</u>	<u>Status</u>
07 FS-4	Recommendations made in previous single audit reports and reports filed by the federal agencies have not been addressed adequately by the Territory.	Treasury created an audit team responsible for working with our independent auditors and with addressing the single audit findings. The only item Treasury has not addressed is 07FS-7.
07 FS-5	Budgetary requirements are established by law and are required to be followed. Numerous departments of the general fund exceeded appropriations.	Treasury and the Budget Office will work together to resolve this finding.
07 FS-6	The Common Rule governing retention and access requires records be retained for three years. The Territory's records have not been retained in an organized manner.	Currently, payment documentation for four fiscal years is maintained at the Disbursing Office. Documentation is stored by check number in sequential order and by payment (Grants or Local). Data prior to the four fiscal years are archived. Treasury, however, needs to improve its payroll recordkeeping. Treasury is working with Administrative Service in locating a building for storage.
07 FS-7	OMB Circular A-87 cost principles for insurance and indemnification established allowable cost principles for self-insurance programs. No analysis has been prepared to assure that the premium rate for the Worker's Compensation Internal Service Fund is reasonable.	ASG has not addressed this issue yet.

TERRITORY OF AMERICAN SAMOA
STATUS OF PRIOR YEAR FINDINGS - CONTINUED
YEAR ENDED SEPTEMBER 30, 2008

	<u>2007 Finding</u>	<u>Status</u>
07 USDA-1, 07-USDA-2	The Common Rule requires that financial records, supporting documents and other records are retained for a period of three years from the submission date of the last expenditure report.	Treasury management is constantly ensuring that supporting documentation accompany all payment vouchers. Treasury management has also taken a more active role in being involved with the Single Audit. Direct payments or Quick Purchase Orders as mentioned in this finding are not routed through Procurement and are therefore not supported with a purchase order. The QPO substitutes the purchase order. Receiving reports are issued by the Procurement Office as final verification against a purchase order. QPOs are different; departments make certain items have been received by signing off on the invoice. The invoice and QPO are forwarded to Treasury for payment. This procedure has been documented and auditors were informed for the FY 2008 Single Audit which should clear any future findings on QPOs.
07 USDA-3	The Common Rule requires that financial records, supporting documentation and other records are retained for a period of three years from the submission date of the last expenditure report.	AS WIC transferred to a management information system, the Arizona in Motion (AIM) system. As a result, the AIM System has greatly improved the eligibility determination process and overall program operations. This should no longer be a finding for FY 2008.
07 DOT-1	Cost Accounting Standards Board (CASB) requires all parties to take into account implementation costs compared to probable benefits; the advantages, disadvantages, and improvements anticipated in the pricing and administration of contracts; the scope of, and alternatives available to, the action proposed to be taken.	The CASB requirements do not apply to contracts that are bid out to the lowest bidder. In this case, all findings relate to the McConnell-Dowell contract for rehabilitation of the Pago Pago runway 8/26. The items cited as missing were with TOFR however; the auditors departed the island before they were able to review the missing documentation. TOFR understands the importance of working and communicating closely with the auditors to avoid any future occurrences.

TERRITORY OF AMERICAN SAMOA
STATUS OF PRIOR YEAR FINDINGS - CONTINUED
YEAR ENDED SEPTEMBER 30, 2008

	<u>2007 Finding</u>	<u>Status</u>
07 DOT-2	The Territory's procurement policy states that purchases over \$10,000 are to be competed to obtain a fair and reasonable price.	TOFR has incorporated policies and procedures for efficient records maintenance. This finding was a result of miscommunication between RC Holsinger and TOFR staff. The items cited as missing were with TOFR however; the auditors departed the island before they were able to review the missing documentation. TOFR understands the importance of working and communicating closely with the auditors to avoid any future occurrences.
07 DOT-3	The Davis Bacon Act states all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by federal assistance funds must be paid wages not less than those established for the locality of the project by the Department of Labor.	TOFR uses the following payroll verification process: the construction manager reviews, initials payroll for accuracy and submits for payment. Payroll processor reviews payroll again prior to preparing and cutting checks. Payroll checks are reviewed and approved a final time before signed.
07 DOE-1, DOE-2	The Common Rule requires that financial records, supporting documentation and other records are retained for a period of three years from the submission date of the last expenditure report.	Treasury is working with Administrative Service in locating a building for storage. In the meantime, all accounts payable documentation is stored with the Disbursing division. If originals are misplaced or lost within Treasury, the Accounts Payable manager certifies copies from departments for our records. This procedure is documented in our AP manual.
07 DOI-1, 07 DOI-4, 07 DOI-5	OMB Common Rule 20 requires that accounting records must be supported by source documentation. Common Rule 42 requires financial records to be retained for three years from the submission date of the last expenditure report.	TOFR has incorporated policies and procedures for efficient records maintenance. This finding was a result of miscommunication between RC Holsinger and TOFR staff. The items cited as missing were with TOFR however; the auditors departed the island before they were able to review the missing documentation. TOFR understands the importance of working and communicating closely with the auditors to avoid any future occurrences.

TERRITORY OF AMERICAN SAMOA
STATUS OF PRIOR YEAR FINDINGS - CONTINUED
YEAR ENDED SEPTEMBER 30, 2008

	<u>2007 Finding</u>	<u>Status</u>
07 DOI-2	The Territory's procurement policy states purchases over \$10,000 are to be competed to obtain a fair and reasonable price.	The Office of Procurement follows the Territory's procurement policy. Documentation copies and rationale was sent to RCHA for their review after their final trip to the Territory and prior to the official drafting of the 2007 Single Audit report. However RCHA required original documentation. This should not be a repeated finding for the 2008 Single Audit.
07 DOI-3	OMB Common Rule 20 requires that accounting records must be supported by source documentation. Common Rule 42 requires financial records to be retained for three years from the submission date of the last expenditure report.	Treasury is working with Administrative Service in locating a building for storage. In the meantime, all accounts payable documentation is stored with the Disbursing division. If originals are misplaced or lost within Treasury, the Accounts Payable manager certifies copies from departments for our records. This procedure is documented in our AP manual.
07 PR-1, 07 PR-2	Proper documentation for payroll is lacking.	This first finding has been forwarded to the Human Resources Department to initiate corrective measures with Treasury's Payroll Division. Departments submit all original payroll documentation for payroll processing. Our issue now is records maintenance. Administrative Services is assisting Treasury in finding a building for record storage.