

**AMERICAN SAMOA POWER AUTHORITY
(A COMPONENT UNIT OF
AMERICAN SAMOA GOVERNMENT)**

**INDEPENDENT AUDITORS' REPORTS ON
COMPLIANCE AND ON INTERNAL CONTROL**

SEPTEMBER 30, 2011

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

Board of Directors
American Samoa Power Authority:

We have audited the financial statements of American Samoa Power Authority (ASPA) as of and for the year ended September 30, 2011, and have issued our report thereon dated August 10, 2012. 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.

Internal Control Over Financial Reporting

Management of ASPA is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered ASPA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ASPA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of ASPA's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ASPA'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of ASPA in a separate letter dated August 10, 2012.

This report is intended solely for the information and use of the Board of Directors and management of American Samoa Power Authority, others within the entity, federal awarding agencies, pass-through entities, and the cognizant audit and other federal agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.

Deloitte + Touche LLP

August 10, 2012

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

Board of Directors
American Samoa Power Authority:

Compliance

We have audited American Samoa Power Authority's (ASPA) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of ASPA's major federal programs for the year ended September 30, 2011. ASPA's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs (pages 7-11). Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of ASPA's management. Our responsibility is to express an opinion on ASPA's compliance based on our audit.

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 ASPA'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 ASPA's compliance with those requirements.

In our opinion, ASPA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2011-1 and 2011-2.

Internal Control Over Compliance

Management of ASPA 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 ASPA's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of ASPA's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as items 2011-1 and 2011-2. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of American Samoa Power Authority as of and for the year ended September 30, 2011, and have issued our report thereon dated August 10, 2012. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards (page 5) is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. This schedule is the responsibility of the management of ASPA. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

ASPA's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit ASPA's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Board of Directors and management of American Samoa Power Authority, others within the entity, federal awarding agencies, pass-through entities, and the cognizant audit and other federal agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.


August 10, 2012

AMERICAN SAMOA POWER AUTHORITY
(A Component Unit of American Samoa Government)

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2011

Grantor/CFDA Grantor's Program Title	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF THE INTERIOR:		
Pass through American Samoa Government:		
Economic, Social, and Political Development of the Territories	15.875	\$ <u>1,525,774</u>
Total U.S. Department of the Interior		<u>1,525,774</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY:		
Direct:		
Environmental Protection Consolidated Grants for the Insular Areas-Program Support	66.600	508,560
Capitalization Grants for Drinking Water State Revolving Funds	66.468	* <u>545,899</u>
Total U.S. Environmental Protection Agency		<u>1,054,459</u>
U.S. DEPARTMENT OF ENERGY:		
Pass through American Samoa Government:		
ARRA Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	* 1,365,620
Energy Efficiency and Renewable Energy Information Dissemination, Outreach Training, and Technical Assistance	81.117	<u>1,886,000</u>
Total U.S. Department of Energy		<u>3,251,620</u>
U.S. DEPARTMENT OF HOMELAND SECURITY:		
Pass through American Samoa Government:		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	* 22,549,298
Homeland Security Grant Program	97.067	<u>39,290</u>
Total U.S. Department of Homeland Security		<u>22,588,588</u>
Total Federal Awards Expended		\$ <u><u>28,420,441</u></u>

* Denotes a major program.

The Schedule of Expenditures of Federal Awards reconciles to the financial statements as follows:

Operating grants revenues - federal, as reported	\$ 9,361,637
Federal capital grants, as reported	18,286,179
Reimbursements for tsunami repairs, offset against extraordinary expense item	860,271
Others	<u>(87,646)</u>
	\$ <u><u>28,420,441</u></u>

See accompanying notes to schedule of expenditures of federal awards.

AMERICAN SAMOA POWER AUTHORITY
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Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2011

1. Scope of Audit:

The American Samoa Power Authority (ASPA) is a component unit of American Samoa Government (ASG) established through a legislative act on October 1, 1981. Prior to its establishment, ASPA was operated as a division of ASG's Department of Public Works. The separate semi-autonomous power authority was established to provide better accountability for the utility's operations and costs of services. Only the Federal expenditures of ASPA are included within the scope of the OMB A-133 audit (the "Single Audit).

2. Summary of Significant Accounting Policies:

a. Basis of Accounting:

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of ASPA and is presented on the accrual basis of accounting, consistent with the manner in which ASPA maintains its accounting records. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133. All expenses and capital outlays are reported as expenditures.

b. Matching Costs:

Matching costs, i.e., the nonfederal share of certain program costs, are not included in the accompanying Schedule of Expenditures of Federal Awards.

3. American Recovery and Reinvestment Act of 2009:

In February 2009, the Federal Government enacted the American Recovery and Reinvestment Act of 2009 (ARRA). As of September 30, 2011, ASPA's expenditures and grant award notifications are as follows:

<u>CFDA Number</u>	<u>Grant Amount</u>	<u>FY 2011 Expenditures</u>
81.128	\$10,000,500	\$1,365,620

**AMERICAN SAMOA POWER AUTHORITY
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Schedule of Findings and Questioned Costs
Year Ended September 30, 2011

Part I - Summary of Auditors' Results Section

Financial Statements

- | | |
|--|---------------|
| 1. Type of auditors' report issued: | Unqualified |
| Internal control over financial reporting: | |
| 2. Material weakness(es) identified? | No |
| 3. Significant deficiency(ies) identified? | None reported |
| 4. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|---|-------------|
| Internal control over major programs: | |
| 5. Material weakness(es) identified? | No |
| 6. Significant deficiency(ies) identified? | Yes |
| 7. Type of auditors' report issued on compliance for major programs: | Unqualified |
| 8. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | Yes |
| 9. Identification of major programs: | |

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
66.468	Capitalization Grants for Drinking Water State Revolving Funds
81.128	ARRA Energy Efficiency and Conservation Block Program (EECBG)
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)

- | | |
|--|-----------|
| 10. Dollar threshold used to distinguish between Type A and Type B programs: | \$852,613 |
| 11. ASPA qualified as a low-risk auditee? | No |

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Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2011

Part II – Financial Statements Findings Section

None reportable.

Part III - Federal Award Findings and Questioned Cost Section

<u>Reference Number</u>	<u>CFDA Number</u>	<u>Finding</u>	<u>Questioned Costs</u>	<u>Federal Agency</u>
2011-1	66.468	Reporting	\$ 0	U.S. EPA
2011-2	97.036	Procurement and Suspension and Debarment	0	U.S. DHS
		Total Questioned Costs	<u>\$ 0</u>	

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Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2011

Finding No.: 2011-1
Federal Agency: U.S. Environmental Protection Agency
CFDA Program: 66.468 Capitalization Grants for Drinking Water State Revolving Funds
Area: Reporting
Grant Number: FS-00T02801-0
Questioned Costs: \$0

Criteria:

In accordance with applicable reporting requirements, reports (i.e., SF-425) should be prepared accurately and submitted.

Condition:

The following report was not provided for examination: SF-425, *Federal Financial Report*.

Cause:

It appears that American Samoa Power Authority did not prepare the required report.

Effect:

The American Samoa Power Authority is in noncompliance with applicable reporting requirements. No questioned cost is presented as we are unable to quantify the extent of noncompliance.

Recommendation:

Required reports should be prepared, submitted, and maintained on file.

Auditee Response and Corrective Action Plan:

The USEPA Grant Administrator and Grant Accountant are working together to verify reported amounts with Grant Award. Grant Accountant should then prepare and submit SF-425 before the due dates.

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Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2011

Finding No.: 2011-2
Federal Agency: U.S. Department of Homeland Security
CFDA Program: 97.036 Disaster Grants – Public Assistance (Presidentially Declared Grants)
Area: Procurement and Suspension and Debarment
Grant Number: WO 220315, WO 120214, WO 210314
Questioned Costs: \$0

Criteria:

1. In accordance with applicable procurement requirements, the grantee will conduct procurement transactions in a manner providing full and open competition, and will maintain records sufficient to detail the significant history of a procurement. These records will include a rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.
2. In accordance with local procurement law, sole source procurement is not permissible unless a requirement is available from only a single supplier. A requirement for a particular proprietary item does not justify a sole source procurement if there is more than one potential bidder or offeror for that item. In cases of reasonable doubt, competition should be solicited.

Condition:

Of 58 procurement transactions tested, we noted the following:

1. a. For two (or 3%) transactions, the records in the procurement file were not sufficient to demonstrate open competition. Specifically, there was no evidence included, such as the procurement method used and rationale for vendor selection, for us to make a determination as to whether the most responsive bidder was selected on a reasonable basis. Total expenditures charged to the noncompliant procurement are as follows:

<u>Reference Number</u>	<u>P.O. Number</u>	<u>Amount</u>
108651	312440	\$ 2,713
108463	312050	3,370
		\$ <u>6,083</u>

- b. For one (or 1%) transaction, no documentation was provided for the procurement of consulting services, as follows:

<u>Reference Number</u>	<u>P.O. Number</u>	<u>Amount</u>
107200	contract	\$ 7,007

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Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2011

Finding No.: 2011-2, Continued
Federal Agency: U.S. Department of Homeland Security
CFDA Program: 97.036 Disaster Grants – Public Assistance (Presidentially Declared Grants)
Area: Procurement and Suspension and Debarment
Grant Number: WO 220315, WO 120214, WO 210314
Questioned Costs: \$0

Condition, Continued:

2. For one (or 1%) transaction, sole source procurement was used based on the rationale that the vendor was closer to American Samoa and the shipping costs were feasible. However, there was no indication that the vendor was the only one who can provide such requirement, as follows:

<u>Reference Number</u>	<u>P.O. Number</u>	<u>Amount</u>
107200	312419	\$ 5,739

Cause:

ASPA management did not enforce internal controls over compliance with procurement requirements.

Effect:

ASPA is in noncompliance with applicable procurement requirements. A total of \$18,829 in questioned costs exist. However, since ASPA's local expenditures for program activities exceeded the local match by \$1,232,860, no questioned cost is presented.

Recommendation:

ASPA should maintain documentation to substantiate compliance with applicable procurement requirements.

Auditee Response and Corrective Action Plan:

Procurement and division managers are working closely to follow procurement requirements in all purchases within each division. A review process within Procurement department is strictly enforced to ensure a purchase will not go through without the proper procurement requirement and process.

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Summary of Unresolved Questioned Costs Arising from
Prior Year Single Audits
Year Ended September 30, 2011

Questioned Costs

The prior year Single Audit report on compliance with laws and regulations noted the following questioned costs that were unresolved at September 30, 2011:

Questioned costs of ASPA as previously reported:

Fiscal year 2008 Single Audit	\$ 76,417
Fiscal year 2009 Single Audit	<u>103,325</u>

179,742

Questioned costs of fiscal year 2011 Single Audit

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Unresolved questioned costs of ASPA at September 30, 2011

\$ 179,742