

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

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

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**SEPTEMBER 30, 2014**

**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, in accordance with the 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 financial statements of American Samoa Power Authority (ASPA), a component unit of American Samoa Government, which comprise the statement of net position as of September 30, 2014, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 11, 2015.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered ASPA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of ASPA's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001 that we consider to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether ASPA's financial statements are free from 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*.

## **ASPA's Response to Findings**

ASPA's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. ASPA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "Deloitte & Touche LLP".

May 11, 2015

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REOPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

Board of Directors  
American Samoa Power Authority:

**Report on Compliance for Each Major Federal Program**

We have audited American Samoa Power Authority's (ASPA's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on ASPA's major federal programs for the year ended September 30, 2014. ASPA's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for ASPA's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of ASPA's compliance.

***Opinion on Each Major Federal Program***

In our opinion, ASPA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended September 30, 2014.

## Report on Internal Control Over Compliance

Management of ASPA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered ASPA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *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.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

## Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of American Samoa Power Authority as of and for the year ended September 30, 2014, and have issued our report thereon dated May 11, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditure of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Deloitte & Touche LLP*

May 11, 2015

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

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2014

Grantor/CFDA Grantor's Program Title	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE:		
Direct Loan:		
Water and Waste Disposal Systems for Rural Communities	10.760	* \$ <u>460,434</u>
Total U.S. Department of Agriculture		<u>460,434</u>
U.S. DEPARTMENT OF THE INTERIOR:		
Pass through American Samoa Government:		
Economic, Social, and Political Development of the Territories	15.875	<u>3,427,268</u>
Total U.S. Department of the Interior		<u>3,427,268</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY:		
Direct:		
Capitalization Grants for Drinking Water State Revolving Funds	66.468	17,780
Environmental Protection Consolidated Grants for the Insular Areas-Program Support	66.600	<u>2,891,087</u>
Total U.S. Environmental Protection Agency		<u>2,908,867</u>
U.S. DEPARTMENT OF HOMELAND SECURITY:		
Pass through American Samoa Government:		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	* <u>16,739,885</u>
Total U.S. Department of Homeland Security		<u>16,739,885</u>
Total Federal Awards Expended		\$ <u><u>23,536,454</u></u>
Reconciliation to the financial statements:		
Operating grants revenues - federal, as reported		\$ 240,796
Federal capital grants, as reported		22,841,224
USDA Loan		460,434
Others		<u>(6,000)</u>
		\$ <u><u>23,536,454</u></u>

\* Denotes a major program.

See accompanying notes to schedule of expenditures of federal awards.

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Notes to Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2014

1. Scope of Audit

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 transactions 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.

**AMERICAN SAMOA POWER AUTHORITY  
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Schedule of Findings and Questioned Costs  
Year Ended September 30, 2014

**Section I - Summary of Auditors' Results**

*Financial Statements*

- |  |            |
|--|------------|
| 1. Type of auditors' report issued:                      | Unmodified |
| Internal control over financial reporting:               |            |
| 2. Material weakness(es) identified?                     | No         |
| 3. Significant deficiency(ies) identified?               | Yes        |
| 4. Noncompliance material to financial statements noted? | No         |

*Federal Awards*

Internal control over major federal programs:

- |   |               |
|---|---------------|
| 5. Material weakness(es) identified?  | No            |
| 6. Significant deficiency(ies) identified?  | None reported |
| 7. Type of auditors' report issued on compliance for major federal programs:  | Unmodified    |
| 8. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | No            |

9. Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)
10.760	Water and Waste Disposal Systems for Rural Communities

- |  |           |
|--|-----------|
| 10. Dollar threshold used to distinguish between Type A and Type B programs: | \$706,094 |
| 11. Auditee qualified as low-risk auditee?                                   | No        |

**Section II – Financial Statement Findings**

<u>Reference Number</u>	<u>Finding</u>
2014-001	Financial Statement Close Process

**Section III - Federal Award Findings and Questioned Costs**

No matters were reported.



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Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2014

Finding No.: 2014-001  
Area: Financial Statement Close Process

Criteria:

Internal controls over the financial statement close process should be established and implemented to ensure that necessary adjustments are timely recorded in the general ledger.

Condition:

ASPA recorded numerous post-closing adjustments, several of which were approved months after year end.

Cause:

The cause of the above condition appears to be the lack of timely reconciliation and review of general ledger accounts during the preparation of monthly financial statements.

Effect:

The effect of the above condition is potential misstatement of internal financial statements used by ASPA management. Lack of reconciliations also delayed completion of the financial statement audit.

Recommendation:

ASPA should strengthen internal controls over its monthly financial statement closing process to minimize the number of post-closing adjusting journal entries. ASPA should thoroughly review financial statements to detect and correct errors on a timely basis.

Auditee Response and Corrective Action Plan:

Internal control is strictly enforced within the Accounting department and month end review process of General Ledger accounts is followed. Additional accountant was hired to replace those who left. Hiring process is closely review and ensuring qualified personnel are selected. A change in General Ledger module is implemented to reflect daily posting rather than month end.

Name and Job Title of Personnel Responsible:

Susana Faiivae, Chief Finance Officer

Auditor Response:

A timely review process should have been performed to reduce the number of year-end adjustments. Therefore, the finding remains.

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Summary Schedule of Prior Audit Findings  
Year Ended September 30, 2014

**Findings related to the financial statements which are required to be reported in accordance with GAGAS:**

None reported.

**Findings and questioned costs – Major Federal Award Programs Audit:**

Finding: 2013-001  
CFDA Program: 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)  
FY 2013 Questioned Costs: \$ 27,664

Status of Finding: ASPA has a contract in place with Marshal Ashley. Procurement is obtaining quotes from travel agencies and will continue this process in order to be in compliance with procurement rules and procedures.

No findings and questioned costs were reported in 2012.