

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

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

SEPTEMBER 30, 2012

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, 2012, and have issued our report thereon dated May 30, 2013. 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 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.

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 previously.

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 May 30, 2013.

This report is intended solely for the information and use of management, the Board of Directors, 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.

Deloitte & Touche LLP

May 30, 2013

**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's) 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, 2012. ASPA's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs (pages 7-8). 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, 2012.

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.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of American Samoa Power Authority as of and for the year ended September 30, 2012, and have issued our report thereon dated May 30, 2013, which contained an unqualified 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 (page 5) 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 Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of management, the Board of Directors, 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.

Deloitte & Touche LLP

May 30, 2013

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

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2012

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>897,825</u>
Total U.S. Department of the Interior		<u>897,825</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY:		
Direct:		
ARRA State Clean Diesel Grant Program	66.040	41,117
Capitalization Grants for Drinking Water State Revolving Funds	66.468	* 554,324
Environmental Protection Consolidated Grants for the Insular Areas-Program Support	66.600	<u>2,293,475</u>
Total U.S. Environmental Protection Agency		<u>2,888,916</u>
U.S. DEPARTMENT OF ENERGY:		
Pass through American Samoa Government:		
Energy Efficiency and Renewable Energy Information Dissemination, Outreach Training, and Technical Analysis/Assistance	81.117	114,000
ARRA Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	* <u>11,142,967</u>
Total U.S. Department of Energy		<u>11,256,967</u>
U.S. DEPARTMENT OF HOMELAND SECURITY:		
Pass through American Samoa Government:		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	* 1,158,722
Homeland Security Grant Program	97.067	<u>1,395</u>
Total U.S. Department of Homeland Security		<u>1,160,117</u>
Total Federal Awards Expended		\$ <u><u>16,203,825</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	\$ 574,763
Federal capital grants, as reported	15,474,719
Reimbursements for tsunami repairs, offset directly against expenses	158,044
Others	<u>(3,701)</u>
	\$ <u><u>16,203,825</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, 2012

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 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.

**AMERICAN SAMOA POWER AUTHORITY
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Schedule of Findings and Questioned Costs
Year Ended September 30, 2012

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? | None reported |
| 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? | No |

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	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: | \$481,419 |
| 11. Auditee qualified as low-risk auditee? | No |

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Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2012

Part II – Financial Statements Findings Section

No items are reportable.

Part III - Federal Award Findings and Questioned Cost Section

No items are reportable.

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Summary Schedule of Prior Audit Findings
Year Ended September 30, 2012

Finding: 2008-01, 2008-02
Finding: 2009-01, 2009-02, 2009-03
CFDA Programs: 15.875 Economic, Social, and Political Development of the Territories
66.468 Capitalization Grants for Drinking Water State Revolving Fund
FY 2008 Questioned Costs: \$ 103,325
FY 2009 Questioned Costs: \$ 76,417

Status of Findings: ASPA believes that the audit findings are no longer valid and should not warrant further action. Two years have passed that the reports were submitted to Federal clearinghouse after the audits were completed for both fiscal years. It was noted on the audit report that the ASPA's response indicated that management has obtained further guidance on this issue from U.S. Department of the Interior (DOI). DOI is aware of the findings and DOI is not following up with the issue currently. ASPA also believes that management discussed the issues and all documents were provided to auditors during the audit time.

Finding: 2011-1
CFDA Program: 66.468 Capitalization Grants for Drinking Water State Revolving Funds
FY 2011 Questioned Cost: \$ 0

Status of Finding: Corrected. A grant administrator personnel is in place to monitor and focus mainly to all EPA grants including reviewing of transactions on a daily basis and especially with Federal report and ensure the reports are submitted on a timely manner.

Finding: 2011-2
CFDA Program: 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)
FY 2011 Questioned Cost: \$ 0

Status of Finding: The corrective action plan stated in FY2011 audit is implemented and is resolved. All divisions are following the procurement procedure on all purchases.