
TERRITORIAL AUDIT OFFICE

AMERICAN SAMOA GOVERNMENT

AUDIT OF THE FISCAL YEAR 2025 LOCAL BUDGET



Report 25-01
July 2025



**TERRITORIAL AUDIT OFFICE
AMERICAN SAMOA GOVERNMENT**

2nd Floor, Tedi of Samoa Building
Fagatogo, Pago Pago, AS 96799
Office Phone: (684) 633-5191

July 14, 2025

Honorable Pula'ali'i Nikolao Pula
Governor of American Samoa
American Samoa Government
Utulei, AS 96799

Subject: Audit Report on the Fiscal Year 2025 (FY25) Local Budget

Governor Pula,

At your request, the Territorial Audit Office (TAO) conducted an audit of American Samoa's Fiscal Year 2025 (FY25) Local budget. The audit was requested in response to an analysis indicating that annualized first quarter revenues were estimated to be about \$55 million below Local budgeted revenues of \$165,907,000

The primary objective of this audit was to determine whether Local revenues and expenditures would meet budgeted projections.

The report includes an executive summary and the audit report.

The key findings of the report are as follows:

- The TAO projects FY25 Local revenues will be more than \$42 million below budgeted revenues, or more than 25 percent below budgeted revenues of \$165,907,000.
- Corporate tax, Individual Income, and Excise Tax revenues are projected to be more than \$42 million below budget; Other budgeted revenues are projected to be slightly above budget, primarily due to interest received on unused ARPA funds.
- Tax revenue and other revenue shortfalls are primarily the result of overly optimistic budget projections, based on revenue surges and one-time revenues from prior years.
- General Fund expenditures for FY25 are estimated to be about \$117 million, or about \$12.78 million below budget. Although we could not project Special Programs spending, ASG spent \$11.5 million of the \$36.2 million budgeted in less than the first six months of FY25. ASG has historically spent about 86 percent of the Special Programs budget. If this historical spending continues, ASG would spend about \$31.2 million on Special Programs. Thus, ASG's Local spending would total about \$148.3, or about \$24.6 million more than the projected Local revenues.



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- We identified other issues while conducting the audit. For instance, we found ASG has not been setting aside excise tax revenues intended for student financial aid and school maintenance as the Legislature intended. We also found that ASG spent much of the \$38.7 million in Other Expenses during FY 23 to pay for construction or construction-related projects. Finally, we found Special Program monies were used for other than their earmarked purposes, without obtaining Legislative approval.

The audit report includes nine recommendations to address the issues identified in the report.

We extend our gratitude to the leaders and management of the Governor's Office, Treasury, and the Budget Office and their respective staffs for their cooperation during this audit and for the verbal comments and responses provided for the audit report. Due to time constraints, we are issuing the audit report without an official response from the Administration. If we receive an official response, we will include it in the report on our website.

I also want to acknowledge the work of all my staff in completing this audit. In fact, all of the TAO staff contributed significantly to the completion of this audit.

Sincerely,

A handwritten signature in black ink that reads "Mike Edmonds".

Mike Edmonds
Territorial Auditor

cc: Honorable HC Pulumataala Ae Ae Jr., Lieutenant Governor
Tuaolo Manaia Fruean, Senate President
Savali Talavou Ale, Speaker of the House of Representatives
Donald Kruse, Treasurer, Treasury
Levi Reese, Deputy Treasurer, Treasury
Tina Va'a, Deputy Treasurer, Treasury
Carri-Lee Magalei, Chief Accountant, Treasury
Tauaisafune Niualama Taifane, Acting Budget Director, Office of Budget and Planning
Aukuso Satia, Deputy Director, Office of Budget and Planning
Brett Butler, Finance Executive Advisor, Governor's Office

Executive Summary

Section 3 of the Budget Code requires the Governor to notify the Legislature if actual revenues fall two percent below budgeted revenues and submit a plan to address the deficit. We project FY25 Local revenues to be about \$123.6 million, or 25 percent below budgeted revenues of \$165,907,000. Thus, the Governor needs to notify the Legislature of the shortfall and submit a plan to address the deficit.

At the same time, we project that General Fund expenditures will be about \$117 million, or approximately \$12.65 million below the General Fund budget of \$129,677,000. Although we could not project Special Program costs for FY25, ASG spent \$11.5 million of the \$36.2 million budgeted for Special Programs in the first six months of the fiscal year and has spent 86 percent of the Special Programs budget over the last two fiscal years. Assuming these trends continue, ASG would spend approximately 31.23 million of the \$36.2 million budgeted for Special Programs in FY25. With that scenario, total local spending would approximate \$148 million, or about 24.6 million more than projected revenues.

Although we identified opportunities to reduce or defer spending from both the General Fund and Special Programs budgets, these opportunities will likely be insufficient to bring Local spending in line with the projected revenues.

We identified several other issues while conducting this audit. Specifically, ASG has not been setting aside excise tax revenues intended for student financial aid and school maintenance as the Legislature intended. ASG also spent operating expense monies in FY23 to pay for various construction and construction-related projects. Furthermore, ASG used earmarked monies for three Special Programs on another project that was not budgeted, without obtaining authorization from the Legislature. Thus, ASG violated a budget provision requiring Legislative authorization for the reprogramming or reallocating of earmarked project funds to use monies earmarked for projects on other projects.

The audit report includes nine recommendations to address the issues identified in the report.

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Introduction

Audit Overview

American Samoa Governor Pula'ali'i Nikolao Pula (Governor) requested the Territorial Audit Office (TAO) to conduct an audit of the Fiscal Year 2025 (FY25) budget to determine whether Local revenues and expenditures would meet budgeted projections. The Governor requested the audit because the first quarter revenues were estimated to be about \$55 million below the budgeted revenues of \$165,907,000.

Section 3 of the Budget Code states, "If the government's financial and budget officers determine that actual revenues will fall short of the projected revenue by this act by greater than two percent of the fiscal year revenues for the fiscal year, the Governor shall immediately notify the Legislature. He shall then submit proposed agency program plan changes, reprogramming legislature or supplemental appropriation to adjust to the deficit. Proposed changes or reprogramming shall detail the reduction in expenditures required to assure the actual revenues equal actual expenditures."

Background

The American Samoa Government's FY25 total budget is about \$733.7 million, a \$46.1 million increase over the FY24 budget of \$687.5 million. ASG's budgeted revenues as shown in Exhibit 1 below include local funds, federal grants, enterprise funds, and capital improvement projects. Exhibit 1 below shows the total budget appropriation for FY25 and FY24, the percentage of each of the revenue categories to the total, the variance between the FY25 and FY24 budgets, and the percentage change by revenue categories.

Exhibit 1

Fiscal Year 2025 Final Budget by All Revenue Sources

	FY 2025 (\$M)	%	FY 2024 (\$M)	(\$M) Variance	% Change
Total Budget Appropriation	\$733.7	100%	\$687.5	\$46.1	7%
<i>Revenue Distribution Categories</i>					
Local Revenues	\$165.9	23%	\$165.6	\$0.3	0%
Federal Grants	\$282.7	39%	\$275.3	\$7.3	3%
Enterprise Funds	\$274.5	37%	\$236.3	\$38.1	16%
Capital Improvement Projects	\$10.6	1%	\$10.3	\$0.4	4%

As Exhibit 1 shows, the revenue distribution by sources is as follows:

- Local revenues-23 percent
- Federal Grants-39 percent
- Enterprise Funds-37 percent
- Capital Improvement Projects-1 percent

This report focuses on Local revenues and expenses, which were budgeted at \$165,907,000 for FY25. Local revenues pay for the General Fund’s and Special Programs’ expenses. Local revenues are derived from a variety of sources, including taxes—Corporate, Individual Income, and Excise taxes, licenses and permits, various fees and fines, charges for services, miscellaneous income, transfers from other entities within the government, and monies from the federal government including overhead costs from federal grants, and a grant-In-aid from the Department of Interior.

Description of Revenue Sources

Taxes	<p>Taxes include Individual Income Taxes, Corporate Taxes, and Excise Taxes as described below.</p> <ul style="list-style-type: none"> • <i>Individual Income Taxes</i> are taxes paid by residents and employees based on their personal earnings, such as wages and salaries. • <i>Corporate Taxes</i> are taxes levied on the profits of businesses operating in American Samoa. • <i>Excise Taxes</i> are taxes on certain goods and services, such as imports on fuel, alcohol, tobacco, soda, and auto parts. Excise taxes are designed to generate revenues and regulate the importation of specific items.
License and Permits	<p>Licenses and Permits are charges associated with ASG granting authorization for conducting specific activities in American Samoa. For example, a business license authorizes a business to operate in American Samoa. Other licenses include drivers’ licenses and contractors’ licenses. Permits provide more specific authorization, such as a building permit, which authorizes construction of various types of structures.</p>
Fees and Fines	<p>Fees and fines are charges to recover the cost of providing government services. For instance, fees are collected for activities such as issuing passports, registering vehicles, conducting inspections, and processing immigration applications. Fines include penalties for traffic violations and penalties assessed in courts</p>
Charges for Services	<p>Charges for services include Port Administration charges, rents, and other charges for services. Port Administration charges include charges for costs associated with operating the Port. These charges include storage, tonnage, transportation, and wharfage charges at the Port. Rents include payments received on properties owned by ASG. Other charges include reimbursement of ASG’s cost of providing services, such as overtime for ASG workers at the airport that Hawaiian Airlines reimburses ASG for the cost of providing these services.</p>
Miscellaneous Income	<p>Miscellaneous Income includes interest on ARPA funds, court judgments and settlements, auction proceeds, and other miscellaneous revenue sources.</p>

Indirect Costs Indirect Costs are reimbursements received from the federal government associated with federal grants. In addition to being reimbursed for the direct cost of grants, ASG receives a negotiated overhead rate for costs associated with administering grants.

Transfers-In Transfers-In are end of the year adjustments from sources such as unspent federal grants monies that are allowed to be used for General Fund support.

Department of Interior Grant-In-Aid Department of Interior (DOI) Grant-In-Aid are monies DOI provides ASG annually to sustain core government operations, including salaries, utilities, and essential services.

Local revenues were budgeted at \$165,907,000

Revenues Former Governor Lemanu submitted the proposed FY25 Local budget revenues totaling \$165,907,000 to the Legislature. After budget deliberations, the Legislature approved this amount. Exhibit 2 below shows the FY25 budgeted Local revenues by revenue category and the percent of total revenues that each of the revenue categories represent.

Exhibit 2
FY2025 Budgeted Local Revenues by Category

Budgeted Revenue Category	FY 2025 Budget	% of Total
Corporate Taxes	\$38,300,000	23%
Individual Income Taxes	\$51,200,000	31%
Excise Taxes	\$34,100,000	21%
Total Taxes	\$123,600,000	75%
Licenses and Permits	\$1,900,000	1%
Fees and Fines	\$6,000,000	3%
Charges for Services	\$8,367,000	5%
Miscellaneous Income	\$4,769,000	3%
Indirect Cost	\$8,000,000	5%
Transfers-In	\$1,000,000	1%
DOI-Grant in Aid	\$12,271,000	7%
Total Other Revenue Sources	\$42,307,000	25%
Total Local Revenues	\$165,907,000	100%

As Exhibit 2 above shows, taxes are the primary sources of Local revenues. Corporate, Individual Income, and Excise Taxes account for \$123,600,000, or 75 percent of the Local budgeted revenues of \$165,907,000 for FY25. The remaining \$42,307,000, or 25 percent of the Local revenues, come from other sources including licenses and permits, fees and fines, charges for services, miscellaneous income, indirect costs, transfers, and the DOI Grant-In-Aid.

Analysis of First Quarter revenues and anticipated \$55 million shortfall by year end

As noted in the Introduction, Local revenues fell significantly below expectations in the first quarter of FY25, resulting in a projected shortfall of about \$55 million if the first quarter revenue trends continued throughout the fiscal year. Exhibit 3 below shows FY25 budgeted revenues by revenue categories, the first quarter projected amount for each revenue category, the actual collections by revenue category, and the variance from projected to actual for each revenue category.

Exhibit 3

Analysis of FY25 First Quarter Local Revenue Collections Compared to Projections Based on the Budget

Revenue Category	Budgeted amount	1 st Quarter Projections	Actual 1 st Quarter Collections	1 st Quarter Variance	Annualized Variance
Corporate Taxes	\$38,300,000	\$9,575,000	\$4,836,059	(\$4,738,941)	(\$18,955,764)
Ind. Income Taxes	\$51,200,000	\$12,800,000	\$9,829,895	(\$2,970,105)	(\$11,880,420)
Excise Taxes	\$34,100,000	\$8,525,000	\$5,511,161	(\$3,013,839)	(\$12,055,356)
Total Taxes	\$123,600,000	\$30,900,000	\$20,177,115	(\$10,722,885)	(\$42,891,540)
License & Permits	\$1,900,000	\$475,000	\$564,524	\$89,524	\$358,096
Fines & Fees	\$6,000,000	\$1,500,000	\$1,343,591	(\$156,409)	(\$625,636)
Charges & Services	\$8,367,000	\$2,091,750	\$1,019,710	(\$1,072,040)	(\$4,288,160)
Misc. Income	\$4,769,000	\$1,192,250	\$1,822,338	\$630,088	\$2,520,352
Indirect Cost	\$8,000,000	\$2,000,000	\$17,270	(\$1,982,730)	(\$7,930,920)
Transfers In	\$1,000,000	\$250,000	\$0	(\$250,000)	(\$1,000,000)
DOI-Grant-In-Aid	\$12,271,000	\$3,067,750	\$2,550,900	(\$516,850)	(\$2,067,400)
ROTC Reimbursements			\$117,666	\$117,666	\$470,664
Total Other	\$42,307,000	\$10,576,750	\$7,435,999	(\$3,140,751)	(\$12,563,004)
Total	\$165,907,000	\$41,476,750	\$27,613,114	(\$13,863,636)	(\$55,454,544)

As Exhibit 3 above shows, FY25 first quarter Local revenue collections were significantly below budgeted projections. That is, the first quarter collections did not equal 25 percent of the total Local revenues budgeted for the year. Instead of collecting \$ 41,476,750, ASG only collected \$27,613,114. The negative variance between the budgeted to actual revenues was \$13,863,636. Annualizing this amount over four quarters would result in FY25 revenues being \$55,454,544 below budget.

The largest variances were for taxes—Corporate, Individual Income, and Excise Taxes with annualized variances totaling nearly \$43 million short of budget. Other significant annualized variances below budget include:

- Indirect costs-\$7,930,920
- Charges and services-\$4,288,160
- Department of Interior Grant-In-Aid-\$2,067,400
- Transfers in-\$1,000,000

As mentioned in the Introduction, Section 3 of the Budget Code states, “If the government’s financial and budget officers determine that actual revenues will fall short of the projected revenue by this act by greater than two percent of the fiscal year revenues for the fiscal year, the Governor shall immediately notify the Legislature. He shall then submit proposed agency program plan changes, reprogramming legislature or supplemental appropriation to adjust to the deficit. Proposed changes or reprogramming shall detail the reduction in expenditures required to assure the actual revenues equal actual expenditures.”

The final FY25 Local budget for revenues was \$165,907,000. Thus, the Governor is required to notify the Legislature if projected Local revenues drop by \$3,318,140 budget, or below \$162,588,860. If revenues continued to fall below expectations, the Governor would be required to report the shortfall to the Legislature and submit a plan to address the budget deficit

The Local Expenditure Budget is \$165,907,000

Expenditures Like revenues, the Local expenditure budget totaled \$165,907,000. The Local expenditure budget includes the General Fund and Special Programs. The expenditure categories are personnel services, materials and supplies, contractual services, travel, other expenses and equipment as detailed below:

Description of each expenditure category

Personnel Services	This includes salaries, wages, overtime, fringe benefits such as ASG’s share of employees’ F.I.C.A. taxes and retirement contributions, and other compensation for ASG’s employees.
Materials and Supplies	These include expenses for office supplies, cleaning products, small tools and equipment. These expenses also include the allowances for members of the Senate and House of Representatives to attend legislative meetings.
Contractual Services	These includes a variety of different types of expense such as property and liability insurance, fuel, janitorial services, office leases, housing allowances for off-island contract employees, equipment rental and maintenance, and consultant and expert services.
Travel	This includes the cost of airfare, lodging, per diem, and other expenses associated with traveling on government business.
Other Expenses	These include miscellaneous operating costs not clearly categorized under the other main expense categories. These expenses include ASTCA and ASPA bills, the Medicaid local match, insurance, scholarships, contractual housing, and other expenses such as dues, memberships, and subscriptions.

Equipment This includes expenditures for durable items with a useful life over one year. Common equipment purchases include vehicles, computers, office furniture, and other large equipment.

The FY25 Local budget by expenditure category is shown below in Exhibit 4 below. The Exhibit 4 shows the FY25 General Fund budget by expenditure category, the FY25 Special Programs budget by expenditure category, the total FY25 local budget by expenditure category, and the percent of the total budget by expenditure category.

Exhibit 4
FY2025 Local Budget by Expenditure Category

Expenditure Category	FY25 General Fund	FY 2025 Special Programs	Total Local Budget FY25	Percent of Total
Personnel Services	\$103,432,500	\$1,900,000	\$105,332,500	63.5%
Materials and Supplies	\$4,347,000		\$4,347,000	2.6%
Contractual Services	\$6,305,500	\$29,680,000	\$35,985,500	21.7%
Travel	\$2,276,500	\$200,000	\$2,476,500	1.5%
Other	\$11,936,000	\$4,450,000	\$16,386,000	9.9%
Equipment	\$1,379,500		\$1,379,000	0.8%
Total	\$129,677,000	\$36,230,000	\$165,907,000	100%

As Exhibit 4 shows, the General Fund budget is \$129,677,000 and the Special Programs budget is \$36,230,000. Personnel Services account for 63.5 percent of the Local expenditure budget and Contractual Services account for 21.7 percent of the total budget. Other expenditures account for 9.9 percent of the budget and Materials and Supplies (2.6%), Travel (1.5%), and Equipment (0.8%) account for the remaining 4.9 percent of budgeted spending.

Governor's Cost Containment Measures On January 9, 2025, the Governor issued a General Memorandum on critical cost containment measures to be implemented. These measures included the following:

- Hiring Freeze-Required the Governor's approval for new hires paid for General Fund
- 10 Percent Spending Cut-Required a 10 percent cut to General Fund spending and departments were required to submit revised budget proposals to the Governor, no later than January 31, 2025
- Pre-Approval of Overtime-Required directors to pre-approve all overtime
- Reduce Energy Use-Required departments to reduce energy use.
- Purchase orders or contracts required for payments-Required a purchase order or contract for all payments
- Non-Essential Travel-Required all travel paid for by the General Fund to be approved by the Governor, or designee

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

The objective of this audit was to determine whether the American Samoa Government's (ASG) Local revenues and expenditures would meet budgeted projections.

Scope

The scope of this audit was the Local Budget, which includes General Fund and Special Program revenues and expenditures for FY25.

Methodology

To satisfy the audit objectives, we developed projections for FY25 Local revenues and expenditures. To develop these projections, we:

- Analyzed actual revenue and expenditure data for the first quarter of FY2025 and compared it with the budget
- Examined historical trends in revenues and expenditures from FY2021 to FY2024 to assess the reasonableness of FY2025 estimates
- Reviewed documentation supporting revenue forecasts and assumptions used in developing the FY2025 budget
- Reviewed audited financial statements to reconcile budget information with actual results
- Reviewed quarterly budget performance reports for Q1 and Q4 of FY2023 and FY2024 to understand operational drivers behind financial performance
- Conducted interviews with key personnel from the Treasury and Budget Offices to clarify processes, reporting practices, and forecasting methods

The assumptions we used in developing our revenue and expense projections are shown in Appendix 1 of the report.

We noted the following limitations with our projections.

- Our projections, especially for revenues, are based on FY24 data, even though the FY24 financial audit was not completed at the time of our audit. In fact, we noted that adjustments were still being made to FY24 revenues and expenditures, while we were conducting the audit fieldwork in March 2025.
- Revenues received from the IRS are unpredictable. ASG received nearly \$50 million in one-time reimbursements from IRS, with \$20 million received in FY2022 and \$29.7 million in FY 2023. These payments resulted from

negotiations with the IRS for monies owed from prior years, dating back to 2010. As of March 31, 2025, ASG had not received any similar one-time payments from the IRS for FY24 or FY25. While Treasury officials told us that they may have received some additional monies from the IRS, they did not provide sufficient supporting documentation to confirm these payments. Therefore, we did not include any one-time revenues from the IRS in our revenue projections for FY25.

- According to the Tax Office's records, annual non-refundable child tax credit claims between tax year 2021 to 2024 ranged from \$2.5 million to \$3 million. If these amounts are recognized as revenue available to support local budget operations, actual revenues may be higher than our projections. However, at the time of our audit, we did not receive adequate evidence of such practice or reimbursement being negotiated or recorded in ASG's accounting system.
- We learned that some work was awarded to contractors without a formal contract or an approved purchase order. According to Treasury officials, contractors have submitted invoices for payment, but Treasury has refused to pay them without a valid contract. As a result, we did not include any costs for this work in our projections. Thus, our cost projections may be understated if these contractors are eventually paid in FY25.
- Overall, our projections are estimates based on the information we had available as of March 31, 2025.

Statement of Compliance

We conducted this audit in accordance with Generally Accepted Government Auditing Standards, except for an external peer review, which is planned for late 2026. Those standards require that we plan and perform the audit to obtain sufficient evidence to provide a reasonable basis for our findings and conclusions as per audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions in accordance with the audit objectives.

Finding 1

Local Revenues are projected to be about \$42 million below the budget of \$165,907,000

Summary Paragraph

Section 3 of the Budget Code requires the Governor to notify the Legislature if actual revenues fall two percent below budgeted revenues and submit a plan to address the deficit. We project FY25 Local revenues to be about \$123.6 million, or 25 percent below budgeted revenues of \$165,907,000. Thus, the Governor needs to notify the Legislature of the shortfall and submit a plan to address the deficit.

At the same time, we project that General Fund expenditures will be about \$117 million, or approximately \$12.65 million below the General Fund budget of \$129,677,000. Although we could not project Special Program costs for FY25, ASG spent \$11.5 million of the \$36.2 million budgeted for Special Programs in the first six months of the fiscal year and has spent 86 percent of the Special Programs budget over the last two fiscal years. Assuming these trends continue, ASG would spend approximately 31.23 million of the \$36.2 million budgeted for Special Programs in FY25. With that scenario, total local spending would approximate \$148 million, or about 24.6 million more than projected revenues.

Although we identified opportunities to reduce or defer spending from both the General Fund and Special Programs budgets, these opportunities will likely be insufficient to bring Local spending in line with the projected revenues.

We identified several other issues while conducting this audit. Specifically, ASG has not been setting aside excise tax revenues for intended student financial aid and school maintenance as the Legislature intended. ASG also spent operating expense monies in FY23 to pay for various construction and construction-related projects. Furthermore, ASG used earmarked monies for three Special Programs on another project that was not budgeted, without obtaining authorization from the Legislature. Thus, ASG violated a budget provision requiring Legislative authorization for the reprogramming or reallocating of earmarked project funds to use monies earmarked for projects on other projects.

The TAO projects FY25 Local revenues will be about \$42 million less than budgeted

The TAO developed its own projections for the FY25 revenues. Exhibit 5 below shows FY25 Local Revenue budget by revenue categories, the TAO's projected revenues by revenue categories, and the variance between budget and the TAO's projections by revenue category. The assumptions used in developing these revenue projections are shown in Appendix 1.

Exhibit 5

**Comparison of TAO's Revenue Projections by Revenue Category to the
FY2025 Budget and the Projected Variance from the Budget**

Revenue Categories	Budget	TAO Projections	Variance Budget /Projections
Corporate Taxes	\$38,300,000	\$22,670,000	(\$15,630,000)
Individual Income Taxes	\$51,200,000	\$34,131,000	(\$17,069,000)
Excise Taxes	\$34,100,000	\$24,410,000	(\$9,690,000)
Total Taxes	\$123,600,000	\$81,211,000	(\$42,389,000)
License & Permits	\$1,900,000	\$1,370,000	(\$530,000)
Fines & Fees	\$6,000,000	\$6,530,000	\$530,000
Charges & Services	\$8,367,000	\$6,050,000	(\$2,317,000)
Misc. Income	\$4,769,000	\$12,670,000	\$7,901,000
Indirect Costs	\$8,000,000	\$3,693,000	(\$4,307,000)
Transfers-In	\$1,000,000	\$0	(\$1,000,000)
DOI-Grant-In-Aid	\$12,271,000	\$11,590,000	(\$681,000)
ROTC Reimbursement		\$510,000	\$510,000
Total Other Revenue	\$42,307,000	\$42,413,000	\$106,000
Total	\$165,907,000	\$123,624,000	\$42,283,000

As Exhibit 5 above shows, the TAO has projected FY25 Local revenues to be about \$123.6 million, or about \$42.28 million below the FY25 Local Budget. The biggest variances are for Corporate, Individual Income, and Excise Taxes. Taxes alone are projected to be \$42.4 million below budget. Thus, the budget shortfall for taxes alone account for more than the overall revenue shortfall.

Overall, the TAO estimates that FY25 Tax revenues will be about \$81.21 million, or \$42 million below the budget of \$123.6 million. We estimate that Corporate, Individual Income, and Excise Taxes will all fall well short of their budgeted amounts. Specifically, Corporate Taxes were budgeted at \$38.3 million, and we estimate that actual collections will be about \$22.67 million, or \$15.63 million below budget. Individual Income Tax revenues were budgeted at \$51.2 million, and we estimate that actual collections will be about \$34.13 million, or \$17.07 million below budget. Finally, Excise Taxes were budgeted at \$34.1 million, and we estimate that actual collections will be about \$24.41 million, or about \$9.69 million below budget.

Tax revenue shortfalls are primarily the result of overly optimistic budget projections, based on revenue surges and one-time revenues from prior years

Overly optimistic forecasts

ASG's budget for all taxes were overly optimistic. The proposed tax revenues for FY25 of \$123.6 million was 20 percent more than the FY24 budget of \$103.2 million and nearly \$52 million more, or 72 percent higher, than \$72.04 million the Legislature approved just three years earlier in FY22.

The proposed FY25 budget noted the following regarding budgeted tax revenues, "The post pandemic recovery continues to provide positive traction through injected federal aids and strong local collection that boosted our economy. The significant increase is partly attributed to the surge in corporate, excise, and individual tax collection."

Corporate Taxes

Although Corporate Tax revenues surged in FY22 and FY23, this surge did not continue in FY24 and is uncertain to occur in FY25. In FY23, Corporate Tax revenues jumped to \$46.3 million, an increase of 216 percent over FY22 revenues of \$21.4 million. The sharp increase in FY23 revenues was likely due to various stimulus measures from the United States that increased consumer spending and Corporate Tax revenues in FY23. The surge in Corporate Tax revenues, however, did not continue, and FY24 Corporate Tax revenues are estimated to drop to \$22.67 million, or only \$1.2 million more than FY22 Corporate Tax revenues.

Individual Income Taxes

We project Individual Income Tax revenues to be about \$34.13 million, or \$17.07 million below the budget of \$51.2 million. Like Corporate Tax revenues, Individual Income Tax Revenues surged in FY2022 and FY2023, mainly due to nearly \$50 million in one-time payments received from the IRS. In FY22 ASG received more than \$20 million from the IRS and nearly another \$30 million in FY23. Although we have not received formal documentation of these transactions, Treasury officials and ASG's external auditors have told us that these were one-time payments resulting from negotiations with the IRS for monies owed to ASG from prior years. As of March 31, 2025, the ASG has not received any one-time payments for FY24 or FY25, so we did not include any one-time revenues in our Individual Income Tax projections.

Excise Tax Revenues

ASG's projections for Excise Tax revenues were also overly optimistic, even though the collections have been relatively consistent from FY22 to FY24. Excise Tax revenues averaged \$28.85 million over those four years, with annual revenue collections ranging from \$27.55 million to \$30.14 million. With revenues collections in this range in the previous four years, the budget projection of \$34.1 seems overly optimistic.

Additionally, the four-year average for Excise Tax revenues includes monies intended for student financial aid and school maintenance that have not been used as intended. In 2018, the Legislature authorized the collection of an eight percent excise tax on items other than beer, alcohol, tobacco, petroleum products, sodas, motor vehicles, firearms, ammunition, and construction materials to fund student financial aid and school repairs and maintenance.

The legislation determining the distribution of these revenues has changed several times. The most recent legislation specifies that all revenues collected under this section shall be distributed in the following manner: 50 percent to the General Fund, 25 percent to ASEDA 2018 Bonds, \$1,000,000 for student financial aid, and the remaining monies should be spent on school maintenance.

ASG has not been using these monies as the Legislature intended. Instead of setting aside these monies for student financial aid and school maintenance, ASG has used these excise tax monies as discretionary General Fund revenues, without restricting their use for the purposes specified in the legislation. For example, in FY24, ASG received \$18,277,846 from the eight percent Excise Tax. Of this amount, \$9,139,122 should have gone to the General Fund, \$4,569,355 should have been used to pay off the ASEDA 2018 Bonds, \$1,000,000 should have been allocated to student financial aid, and the remaining \$3,569,355 should have gone for school maintenance. However, instead of distributing the money as specified in the law, ASG allocated approximately \$13,708,477 to the General Fund, \$4,569,355 to the ASEDA 2018 Bonds, and no monies were set aside for student financial aid and school maintenance.

Thus, ASG's FY24 Excise Tax General Fund revenues include \$4,569,355 that should be restricted for student financial aid and school maintenance, as the law requires. In projecting FY25 Excise Tax revenues, we used FY24 Excise Tax revenues of \$28,984,071 less the \$4,569,355 that should be set aside for financial aid and school maintenance. Thus, our projection for FY25 Excise Tax revenues is \$24,414,716.

To ensure that the eight percent Excise Tax revenues are used as intended by the legislature for student financial aid and for school maintenance, ASG should establish special revenue funds to account for revenues and expenses for student financial aid and school maintenance. The monies collected for these purposes should be held in these special revenue funds and spent only on the purposes specified in the legislation.

Other budgeted revenues, in total, are projected to be \$42.41 million, or about \$106,000 above the budget

We project other revenues, in total, to be about \$42,413,000, or about \$106,000 above the budget of \$42,307,000. Although most of the other revenue categories are projected to be below the budget, Miscellaneous Income, which is primarily from interest on ARPA grants, is projected to be \$12.67 million, or \$7.9 million above budget. Revenues for Fines and Fees are projected to be \$6.53 million, or about \$530,000 above the budget of \$6 million. This is the primarily the result of collecting higher than budgeted revenues for driver registration fees, driver's license fees, customs scanning fees, and immigration fines.

The most significant other revenue categories below budget are Indirect Costs from grants, Charges for Services, and Transfers-In. Indirect costs, from federal grants, are projected to be \$4.3 million below the budget of \$8 million budget, due to lower negotiated indirect rates. Charges for Services are projected to be \$2.32 million below the budget of \$8.37 million due to lower than budgeted port fees and rents. Transfers-In were budgeted at \$1 million but we did not project any revenues totals because the Transfers-In occur at the end of the fiscal year and are dependent on other factors such unspent grant monies that can be used to support the General Fund. The Transfers-In for FY21 through FY23 were \$122,355, \$20,930, and (-\$50,051), respectively. Thus, the amount of the Transfers-In should not significantly affect the amount of the FY25 projected revenues.

Other budgeted revenues were also based on overly optimistic forecasts

Like tax revenues, the revenue projections for other revenue categories were overly optimistic. For instance, the FY25 budget for License and Permits assumed an 18.75 percent increase over the FY24 budget of \$1.6 million, based on expectations that businesses would continue to operate and complete construction and home repair projects. Yet, we are projecting License and Permit revenues to be \$520,000 below the FY25 budget and \$220,000 below the FY24 budget. Similarly, revenues for Charges and Services were projected to increase by 21.3 percent over the FY24 budget of \$6,900,000, based on projected higher port activities and improved rent collections. However, we are projecting that FY25 Charges and Services revenues will be \$2,317,000 below the FY25 budget and \$850,000 below the FY24 budget. Finally, Indirect Costs were budgeted to increase by 14.28 percent over the FY24 budget of \$7 million based on efforts to maximize collections. However, we are projecting indirect costs to be \$4.3 million below the FY25 budget and \$3.3 million below the FY24 budget.

FY25 General Fund Expenditures are estimated to be about \$117 million

The TAO developed expenditure projections for FY25 General Fund spending, including estimates for Personnel Services, Materials and Supplies, Contractual Services, Travel, Other, and Equipment. The assumptions used to develop the expenditure projections are shown in Appendix 1. As explained later, the TAO did not develop projections for Special Programs' expenditures.

Exhibit 6 below shows the TAO's General Fund expenditure projections by cost categories. It includes the FY25 General Fund Budget, spending on these cost categories for the first 12 pay periods of FY25, TAO's projections for April through September, TAO's FY25 end of year projections by cost category, and the projected deficit/surplus by cost category.

Exhibit 6
FY25 General Fund Expenditure Estimates

Cost Categories	General Fund Budget FY25	Spending Thru 12 Pay Periods	TAO Projections April-Sept	TAO FY25 Projections	Projected Deficit/Surplus
Personnel	\$103,432,500	\$43,206,000	\$47,451,000	\$90,657,000	\$12,775,500
Materials & Supplies	\$4,347,000	\$1,644,000	\$1,487,000	\$3,131,000	\$1,216,000
Contractual Services	\$6,305,500	\$2,299,000	\$3,481,000	\$5,780,000	\$525,500
Travel	\$2,276,500	\$626,000	\$1,451,500	\$2,077,500	\$199,000
Other Expenses	\$11,936,000	\$5,115,000	\$9,008,000	\$14,123,000	(\$2,187,000)
Equipment	\$1,379,500	\$32,000	\$1,226,000	\$1,258,000	\$121,500
Total	\$129,677,000	52,922,000	\$ 64,104,500	\$117,026,500	\$12,650,500

As Exhibit 6 above shows, we project General Fund expenditures for FY25 to be about \$117,026,500 or about \$12.65 million below the budget of \$129,677,000. The projected General Fund spending for FY25 is about 10 percent below budget. As Exhibit 6 shows, the largest projected savings is in Personnel Services, which we estimate to be \$12.78 million below budget. On the other hand, we project Other Expenses to be \$2.19 million over budget.

Below is a brief analysis of our projections by cost category. As noted above, we have shown our assumptions in Appendix A of the report.

Personnel Services

We project the General Fund's Personnel Services expenditures at \$90,657,000 for FY25. This is \$12,775,500 less than the budgeted amount of \$103,432,500. Our projection is \$6,013,646 more than the General Fund's FY24 total personnel costs of \$84,643,354. In FY25, ASG's retirement contribution increased from 12% to 14% for all career service employees. The increase in ASG's retirement contribution accounts for approximately \$1.6 million of the increased personnel costs projected for FY25 over FY24.

Materials and Supplies	We project the FY25 's General Fund's Materials and Supplies expenditures at \$3,131,000, or \$1,216,000 below the budget of \$4,347,000. Our projection is less than FY23 and FY24 spending totals, which were \$3.64 million and \$3.43 million respectively. The biggest projected drops in spending are for office supplies, food, and repair and maintenance supplies.
Contractual Services	We project the General Fund's Contractual Services expenditures at \$5,780,000, or about \$525,000 below the budget of \$6,350,500. This projection is slightly above spending for the last two years fiscal years. ASG's spending on contractual services totaled \$5,264,854 in FY23 and \$5,587,323 in FY24.
Travel	We project travel expenses to be \$2,077,500 for FY25, which is about \$199,000 below the budget of \$2,276,500 and lower than spending in the last two fiscal years. In FY24, ASG incurred travel costs of about \$2.34 million and \$3.13 million in FY23.
Equipment	We project FY25 equipment purchases to be about \$1.258 million, which is \$121,000 less than the budget of \$1.38 million. In FY24, ASG spent about \$564,000, mainly on vehicles and other machinery and equipment, and \$2.03 million in FY23.
Other Expenses	We project FY25 Other Expenses to be \$14,123,000, which is \$2,187,000 more than the budgeted spending of \$11,936,000. The projected FY25 totals are \$2,421,354 less than FY24 expenses of \$16,544,354. Although many of the FY24 and FY25 projected expenses are comparable, electricity and communications expenses are projected to be about be \$366,000 above FY24 totals.

Other miscellaneous expenses, however, are projected to be about \$1.34 million below FY24 totals. Other Expenses for FY24 and FY25 totals are significantly below FY23 Other Expense totals. Although the FY23 General Fund's Other Expense budget was \$7.8 million, ASG spent nearly \$38.7 million on Other Expenses, or \$30.9 million amount above the budget.

ASG used the General Fund to pay for construction and construction-related costs in FY23

Much of the \$38.7 million in Other Expenses during FY 23 was used to pay for construction or construction-related projects. For instance, ASG paid one construction company \$8.6 million from Other Expenses in FY23, in addition to \$1 million from Contractual Services and \$800,000 from the Special Programs budget. The payments covered work for the Laulii shoreline, Tafuna Elementary Multi-purpose gym and access road, and airport work.

Another contractor was paid \$7.6 million from the Other Expenses category in FY23, in addition to \$3.7 million from the Special Projects budget. These payments covered projects including but not limited to, survey and design work for Manu'a construction, renovations for the Lieutenant Governor's residence, the access road at Lion's Park, and Fonoti Road repairs.

Based on our analysis, it appears that ASG used multiple funding sources, including departmental operating expense budgets and Special Programs to pay for these projects.

Using the General Fund's operating expenses to fund capital projects is a fiscally unsound practice that should be discontinued in the future. This practice has several drawbacks, including but not limited to:

- It circumvents the Legislative's authority for approving operating and capital budgets
- It leaves less money for providing essential government services, potentially leading to service disruptions or cuts
- Capital cost and operating costs should be accounted for separately to ensure accurate financial reporting and transparency, as to the true costs of providing services and the cost of capital projects

We recommend that the practice of using the operating budget to pay for capital construction programs should be reconsidered and subject to stronger budgetary controls. The Governor should issue a directive that clarifies and enforces the proper use of operating funds, ensuring the capital construction projects are funded and administered through the annual Special Programs budget approved by the Legislature.

Although we cannot project total FY25 Special Programs expenditures, ASG has spent \$11.5 million of the \$36.2 million in less than six months of FY25

The FY25 Special Programs Budget totaled \$36.3 million. The Special Programs budget includes but is not limited to a variety of subsidies and various types of construction and maintenance projects. Examples of some of these Special Programs and their budget include the Medicaid subsidy (\$6,000,000), the LBJ subsidy (\$2,000,000), and the American Samoa Community College subsidy (\$2,000,000). Construction or maintenance projects include the Shoreline Protection (\$2,000,000), Airport Hanger Maintenance (\$480,000), and Island Beautification (\$2,000,000).

The FY25 Special Programs budget also includes contributions to non-profits, payments to political appointees, and other specially earmarked programs. Contributions to non-profits include the Hope House Contribution (\$200,000),

and payments of end of contract accumulated leaves for political appointees of the former Administration (\$1,500,000). Other earmarked monies include Ceremonial Activities (\$1,655,000), Washington DC Consultant (\$700,000), and the Independent Samoa Land Development (1,000,000). Appendix 2 shows the FY25 Special Programs Budget, spending as of March 22, 2025, and the remaining monies in the Special Programs budget.

As described above, the Special Programs budget includes a variety of subsidies, construction projects, and other specially earmarked programs. The Administration needs to make political and operational decisions regarding the viability, continuity, and potential suspension or deferral of these programs to control and manage Special Programs spending in FY25.

Because of the nature of the Special Programs' earmarked programs, we did not attempt to project Special Program spending for the remainder of FY25. However, we offer some perspective and insights into current and past spending and have highlighted areas where opportunities exist to eliminate, reduce, or defer costs.

In FY23 and FY24, ASG spent 75,461,000 of the \$87,735,000, or 86 percent, of the amounts budgeted for Special Programs. The budgeted amounts include the initially approved budgets and Supplemental Appropriations. Specifically, in FY23, ASG spent about \$33,406,000 out of the \$39,635,000 budgeted for Special Programs, or 84 percent of the amount budgeted through the initially approved budget and the Supplemental Appropriation. Similarly, ASG spent \$42,055,000 out of the \$48,100,000 budgeted for Special Programs, or 87 percent of the amount budgeted through the initially approved budget and the Supplemental Appropriation.

To provide perspective on ASG's overall projected Local spending, we are assuming that ASG spends 86 percent of Special Programs budget for FY25. Assuming ASG spends 86 percent of the budgeted Special Programs monies in FY25, ASG would spend about \$31,226,000 of the \$36,305,000 budgeted for Special Programs. Adding this amount to the projected General Fund spending of \$117,026,000, Local spending would total about \$148.3 million. This amount would be about \$24.6 million more than our revenue projections of \$123 million.

As noted above, the assumed level of spending is intended to provide some perspective on ASG's projected spending. Assuming our revenue and expenditure projections are accurate, however, ASG has a serious budget problem that needs to be addressed. Below we have provided some ideas to reduce spending. These opportunities, however, may not be sufficient to fully address the budget deficit. As a result, ASG needs to also consider a Supplemental Appropriation to address the deficit.

Opportunities exist to reduce spending and achieve cost savings within both the General Fund and Special Projects

The TAO has projected Local revenues to be about \$123 million, or approximately \$42 million below budget. Additionally, General Fund spending is estimated to about \$117 million, or only about \$12 million below budget. Furthermore, as of March 31, 2025, ASG has already spent \$11.5 million of the \$36.2 budgeted for Special Programs, with six months remaining in the year. Thus, ASG will have to significantly cut spending or obtain a supplemental appropriation to achieve some semblance of a balanced budget.

As part of our audit, we identified actions the Administration could take to reduce spending through the remainder of the fiscal year. These actions include:

- Monitoring and controlling overtime costs
- Eliminating non-essential travel through the end of the fiscal year
- Deferring budgeted equipment purchases until next year
- Reviewing and identifying budgeted but unspent Special Programs monies

Monitoring and controlling overtime costs	Although we projected overtime costs to be below budget and last fiscal year's totals, ASG will need to closely monitor to meet this projection. For our Personnel Services projection, we estimated the General Fund's overtime costs to be around \$1.538 million, or about \$615,624 less than the General Fund's FY24 overtime totals. In FY24, the General Fund paid nearly \$800,000 in overtime costs around the Flag Day holiday and the last pay period of the fiscal year. The Administration will need to monitor and control overtime to keep these costs in line with our projections.
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Eliminating non-essential travel	Although we projected travel expenses to be around \$2.1 million, these costs can be significantly reduced by eliminating non-essential travel. As of March 22, 2025, ASG had spent only \$626,272, or 28 percent of the travel budget, through the first six months of the fiscal year. ASG, however, could further reduce travel costs by up to \$1 million below budget, if travel expenses are consistent with spending in the first six months of the year.
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Deferring budgeted equipment purchases	Although we projected spending of \$1.258 million on equipment, this amount can be reduced by delaying the purchase of budgeted equipment in FY25. As of March 22, 2025, ASG had spent only about \$32,000 from the General Fund equipment budget, leaving over \$1.23 remaining in the budget. The remaining budgeted items that have yet to be purchased include 15 new vehicles totaling \$938,000, computers and printers totaling \$259,000, and \$182,000 in furniture and miscellaneous equipment. Delaying these purchases until next fiscal year could reduce equipment spending by up to \$1.23 million below the budget for FY25.
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Review FY25 Special Program Budget for Cost-Saving Opportunities As of March 31, 2025, ASG spent \$11.53 million of the \$36.23 million budgeted. Thus, slightly less than \$25 million of the Special Programs budget was unspent after the first six months of FY25. The Special Programs budget includes earmarked monies that provide opportunities to eliminate, reduce, or defer costs. Some of these opportunities include examples described below. The examples described below are not intended to be comprehensive. Instead, the Administration needs to review the Special Programs budget to identify costs to eliminate, reduce, or defer costs to future years.

Special Program monies that could be considered for re-programming include an item listed as “Washington DC Consultant”, which is budgeted at \$700,000. As of March 31, 2025, ASG spent \$38,000 on this item, leaving \$662,000 in budgeted monies unspent. ASG, spent \$483,000 on this item in FY24. Another Special Program, listed as Ceremonial Activities, is budgeted at \$1,655,000 and through March 31, 2025, \$485,000 had been spent, leaving \$1,172,000 remaining in the budget. Finally, the Pacific Island Forum has a budget of \$200,000 and only about \$15,000 has been spent through March 31, 2025, leaving about \$185,000 remaining in the budget.

Several Special Programs items that may be deferred are the Airport Hanger Operations and Maintenance and the FAA Field Project. The Airport Hanger Operations and Maintenance project is budgeted at \$480,000 and no costs were incurred as of March 31, 2025. Similarly, the FAA Field Project has a remaining budget of \$550,000, as \$450,000 from this budget was spent on the Educational Television project described below. Both of these projects could possibly be deferred to reduce Special Programs’ spending in FY25.

We noted several Special Programs that could also be scaled back, resulting in savings to the Local budget. For instance, some Special Programs have generic descriptions such Island Beautification, Shoreline Protection, and Local Road Maintenance. The budget and spending on these three Special Programs as of March 31, 2025, totaled about \$1,137,000, leaving \$5,863,000 remaining in the budget for these three projects. The Island Beautification project accounted for \$755,000, or about 66 percent of the spending on the three projects.

The examples cited above not considered to be exhaustive but merely to highlight opportunities to reduce spending on Special Programs. As mentioned above, the Administration should review the Special Programs budgeted in FY25 to identify potential budget savings from Special Programs to reduce costs to address the projected shortfall in revenues.

Special Programs monies were used for purposes other than those earmarked, without obtaining Legislative approval

The budget states that Special Programs, "...are programs with funding earmarked and approved for a specific purpose only and not intended to be used on other needs. As described below, however, ASG used earmarked funds on other programs, without obtaining legislative approval.

During our review of the Special Programs budget, we identified a project that was not budgeted in FY25 that ASG used funds from other earmarked projects to fund the work. The project was referred to as the "Educational Television". Although the Educational Television project was not funded under the Special Programs budget in FY25, ASG used monies budgeted for three other Special Programs to pay for this project.

The three Special Programs and the amounts used are as follows:

- Independent Samoa Land Development project in the amount of \$1 million
- Governor's Mansion's project in the amount of \$450,000
- FAA Field Development project in the amount of \$450,000

For the Educational Television project, we did not find any documentation normally accompanying a construction project. Specifically, we could not find a contract, purchase order, or a written scope of work. Furthermore, we found no evidence that project was formally bid, as required for a construction project.

The project was awarded to Paramount Builders Inc. and we found a letter from Paramount's attorney that Paramount would be paid for the work by offsetting \$1.9 million in taxes it owed to ASG. Thus, ASG did not directly pay Paramount for any work performed on this project; instead, it offset a \$1.9 million tax liability to compensate the firm for working on the project.

The only evidence of any work that was done on the project is that the structure from the TV station had been demolished. Furthermore, we did not see any plans for future work on this project. We recommend that if any additional work on this project is planned, the project should be postponed until it is funded by the legislature and the project goes through ASG's procurement process.

Additionally, as shown on Appendix 2, we identified \$538,506 in charges to the Special Programs budget that were not budgeted. For instance, we identified about \$321,000 in various Opioid settlements that paid out but were not budgeted.

Conclusion

Section 3 of the Budget Code requires the Governor to notify the Legislature if budgeted revenues fall percent budgeted revenues and submit a plan to address the deficit. We project Local revenues to be \$123.6 million, or 25 percent below budgeted revenues of \$165,907,000. Thus, the Governor needs to notify the Legislature of the shortfall and submit a plan to address the deficit.

We projected General Fund expenditures at \$117,026,000, or approximately \$12.65 million below the General Fund budget of \$129,677,000. Although we could not project Special Programs costs for FY25, ASG spent \$11.5 million of the \$36.2 million budgeted for Special Programs in the first six months of the fiscal year. Although we identified opportunities to reduce or defer spending from both the General Fund and Special Programs budgets, additional cuts will likely be necessary to bring Local spending in line with the projected revenue shortfall.

ASG also spent operating expense monies in FY23 to pay for construction projects. Additionally, ASG used earmarked monies for three Special Projects on another project that was not budgeted, without obtaining authorization from the Legislature. Thus, ASG violated a provision in the budget requiring Legislative authorization for use monies earmarked for projects on other projects.

Recommendations

The Administration should implement the following recommendations to address the issues raised in this report.

To satisfy the requirement in the Budget Code, the Governor should:

Recommendation 1

Notify the Legislature of the shortfall in revenues and submit a plan to address the shortfall and achieve a balanced budget.

To ensure that the 8 percent Excise Tax revenues are used as intended by the Legislature for student financial aid and for school maintenance, the Administration should:

Recommendation 2

Establish special revenue funds to account for revenues and expenses intended for student financial aid and school maintenance. The funds collected for these purposes should be held in these special revenue funds and only used for the purposes specified in the legislation.

To control and reduce costs for FY25, the Administration should:

Recommendations 3

Monitor overtime usage to ensure it is only used for essential services.

Recommendation 4

Monitor travel to ensure it is only used critical business purposes and seek opportunities to delay travel until FY26.

Recommendation 5

Review the FY25 Equipment budget to identify budgeted equipment purchases that could be deferred to other fiscal years.

Recommendation 6

Review the Special Programs budget to identify opportunities to reduce spending in FY25. At a minimum, these opportunities include:

- Programs more budgeted than needed
- Programs that scaled back in FY25
- Programs that can be deferred to future years

To ensure compliance with budget requirements, the Administration should:

Recommendation 7

Seek legislative approval to use monies budgeted for Special Programs for other than their earmarked purpose.

To ensure that ensure adequate budgetary control over the use of the General Fund operating to pay for capital construction costs, the Administration should:

Recommendation 8

Reconsider the practice of using the operating budget to pay for capital construction projects. The Governor should issue a directive that clarifies and enforces the proper use of operating funds, ensuring the capital construction projects are funded and administered through the annual Special Programs budget approved by the Legislature.

To ensure compliance with the Budget Code and Procurement Code requirements, the Governor should:

Recommendation 9

Postpone work on the Educational Television project until:

- The project is funded by the Legislature
- Written project plans and specifications are developed
- The project is competitively bid
- A contractor for the project is selected

Appendix 1

The TAO's Assumptions Used to Project Revenues and Expenditures

The following describes the Territorial Audit Office's (TAO) assumptions in projecting FY25 revenues and expenses.

Assumptions for Revenue Projections

Overall, our projections for FY25 revenues relied heavily on the revenues collected in FY24, even though the FY24 was not finalized as of March 31, 2024. ASG's revenues surged in FY22 and FY23 due to one-time monies received from the IRS and a strong economy bolstered by various stimulus measures from the United States. Revenues declined in FY24, and we believe a conservative approach to projecting revenues FY25 using the FY24 numbers is appropriate. In projecting revenues, we also rounded the projections down to the nearest \$10,000 to be conservative with our projections.

Taxes

Corporate Income Taxes Our projection of \$22,670,000 assumes that Corporate Income Taxes will be equal to FY24 totals as of March 21, 2025. Our projection for Corporate Income Taxes include Corporate Business Taxes, Corporate Tax Penalties, Interest, and the Alternative Minimum Business Taxes.

Individual Income Taxes Our projection of \$34,131,000 is based on FY24 Individual Income Tax totals as March 21, 2025. Our projection does not include any one-time monies received from the IRS. In FY2022 and FY2023, Individual Income Taxes surged due to nearly \$50 million in one-time payments received from the IRS. In FY22 ASG received more than \$20 million from the IRS and nearly another \$30 million in FY23.

Although we have not received formal documentation of these transactions, Treasury officials and ASG's external auditors have told us that these were one-time payments resulting from negotiations with the IRS for monies owed from prior years. As of March 31, 2025, the ASG had not received any one-time payments from the IRS for FY24 or FY25. Therefore, we did not include any one-time payments from the IRS in our Individual Income Tax projections for FY25.

We used the FY24 total \$2,030,000 for the projected amount of the Military Cover Tax revenues. This amount is included in the Individual Income Tax totals.

Excise Taxes Our projection of \$24,410,000 for FY25 Excise Taxes is based on the FY24 projections as of March 21, 2025. The FY24 preliminary totals are slightly higher than FY21 and FY22 totals and about \$1.2 million less than FY23 totals. FY23 had

higher revenues than other years so using FY24 total is a more conservative approach. Additionally, we did not include \$4,562,462 in Excise Tax revenues collected in FY24 that should be reserved for school maintenance and student financial aid as described on page 13.

Other Revenues

Licenses and Permits	Our projection of License and Permit revenue of \$1,370,000 is based on FY24 revenues of about \$1,560,000; however, we project FY25 Business License revenues to be about \$177,000 less than the FY24 Business License revenues of \$527,000. We projected lower Business License revenues because most of the Business License revenues, \$342,000, were collected in the first quarter of FY25 and we assumed a total of \$350,000 for the year.
Fines and Fees	Our projections for Fines and Fees of 6,530,000 is based on FY24 revenues of about \$6,530,000. These revenues have been consistent over the last four years with an average of \$6,390,000 and a range of \$6.18 million to \$6.66 million.
Charges and Services	Our projection of Charges and Services, which includes Port fees and charges, rents on ASG properties, and other charges for services, is 6,050,000 for FY25. For Port fees and charges, we used FY24 revenues of \$4,000,000, which is less than the amounts collected in FY22 and FY23. In these years, ASG collected port fees and charges of \$4.23 million in FY22 and \$4.91 million in FY23. We assumed F25 Rent revenues of \$930,000, which is the amount collected in F24 through March 31, 2025. We also assumed that FY25 Other Charges of \$1,120,000, which is the FY24 revenues through March 31, 2024.
Miscellaneous Income	Our projection for Miscellaneous Income is \$12,670,000 is based on the FY24 collections. This projection is based primarily on the amount of interest that ASG is projected to collect from ARPA grants and from programs other programs in FY25.
Indirect Costs	Our projection for Indirect Costs is \$3,693,000 is based on FY24 actuals. According to Treasury officials, ASG was still negotiating the FY25 indirect cost rates with the federal government. Without, definitive information on the new rates, we used the FY24 Indirect Cost revenues received as of March 31, 2024.
Transfers-In	We did not project any revenues from Transfers-In in FY25. The transfers are end-of-the-year adjustments from sources such as unspent federal grants that are allowed to be used for General Fund support that are difficult to project until the accounts are closed at year-end. The Transfers-In for FY21-23 were \$122,355, \$20,930, and (-\$50,051), respectively. Thus, the amount of the Transfers-In should not significantly affect the projections for FY25 revenues.

Department of Interior Grant-In-Aid Our projection for the Department of Interior Grant-In-Aid is \$11,590,000, which is the amount received in FY24.

Assumptions for Expenditure Projections

Personnel Services Our projection for Personnel Services expenditures is \$90,761,425, which is \$12.67 million below the budget. To estimate the General Fund's Personnel Services expenditures, we used actual costs for the first 12 pay periods, which was \$43,206,000. We then projected the personnel services over the remaining 14.1 pay periods using the payroll costs for the last pay period in March 2025, which was \$3,308,997. To project overtime costs, we averaged year-to-date overtime and applied it to the remaining 14.1 pay periods.

Material and supplies Our projection for Materials and Supplies \$3,131,197, which is \$1.2 million below the budget. This expenditure category includes such items as office supplies, cleaning supplies, small tools, and food. We assumed the calculated the average rate of spending through the first six months of the fiscal year and assumed the rate through the same rate of spending through the remainder of the fiscal year.

The highest spending in this category is for allowances for legislators attending legislative sessions. We project that \$1,851,615 will be spent on these meetings in FY25. The cost for each session will be \$45,576 for the Senate and \$43,076 for the House. For FY25, we assumed 22 sessions, 13 which had already occurred as March 31, 2025, and 9 meetings for the remainder of the fiscal year.

Contractual Services Our projection for Contractual Services is \$5,780,000, which is \$525,000 below the budget of \$6,305,500.

- The largest expense in this category is Property Insurance. We used the actual cost of \$3,553,000 for this item.
- Other significant expenses items in this category were related to fuel purchases. Clipper Oil provides fuel to ASG. To project this cost, we averaged the actual costs for five months, \$205,570, and applied the average monthly costs, \$41,114, to remaining seven months, to develop the annual projection of \$493,367 for Clipper Oil. For other fuel costs, we doubled the amount incurred for the first six months of the fiscal year, \$333,281, to develop the annual projection of \$666,562.
- Travel agencies costs were projected to be nearly \$210,000. For the three months of actual costs of \$52,442, we multiplied this amount by 4 to develop our projection of nearly \$210,000.
- Two janitorial firms accounted for \$114,000 in projected costs. We averaged the monthly costs, \$9,500, for the two firms and applied the average to 12 months to develop our projection of \$114,000.

- Maintenance and repair contracts were projected to \$106,803. In the first six months of the fiscal year, these costs were \$53,401. We doubled these costs to develop our projection of \$106,803.
- We also identified nearly \$310,000 in one-time costs. The most significant of these costs include several office leases totaling about \$139,000, which we assumed were one-time payments.

Travel

Our projection for travel spending is \$2,077,500, which is \$199,000 less than the budget of \$2,276,500. We assumed the Fono (\$840,500), the High Court (\$12,000), and the Judiciary would spend all their travel budgets. We assumed the Governor's Office would spend \$600,000 on travel, which is approximately double the spending through the first half of the fiscal year. We also assumed all other departments would spend \$610,000 in FY25. This assumes \$100,000 for scholarships, \$175,000 for Treasury staff, and \$60,000 for Medicaid obligations.

Other Expenses

Our projection for Other Expenses is \$14,124,000, which is \$2,188,000 more than the budget of \$11,936,000. The major expense items in this category are Other Miscellaneous Expenditures, Electricity, Subsidies, Communications, Scholarships, and Protocol. Below are the assumptions used to project these varied expenses.

We projected spending for Other Miscellaneous Expenses at \$4,470,727 for FY25. This category included different types of expenses including the Medicaid match, the external audit costs, leases for office space, and some one-time expenses such as Halloween celebration costs, and housing payments for former employees.

- For miscellaneous payments totaling \$1.4 million, we excluded one-payments totaling about \$175,000. For the remaining amount of \$1.25 million for miscellaneous payments such as food, catering, tent rentals, we assumed the same rate of spending for the remainder of the year.
- We projected the Medicaid Local Match at \$1,000,000, which assumes that all budgeted monies will be spent.
- We assumed annual audit costs of \$600,000.
- We projected Electricity spending to be \$4,727,585. To develop this projection, we averaged four months of ASPA bills and applied the average to the remaining eight months and added this amount to the year-to-date spending totals.
- We projected Communication expenses will be \$1,700,000 for FY25. Because we lacked adequate data on ASTCA expenses, we used the FY24 Communication expense totals, plus a small increase.
- We projected spending for subsidies for the American Samoa Visitors Bureau and the Feleti Library at \$1,323,344. This projection assumes the current rate of monthly spending of about \$109,000 for the two subsidies will continue through the remainder of the fiscal year.

- We projected spending on scholarships at \$915,200, which assumes last year's spending plus 10 percent.
- We projected Protocol Expenses of \$398,816. We assumed that spending would be the same in the second half of the fiscal year as was seen in the first half of the fiscal year.
- We projected Operating Rentals/Leases at \$385,691. This expense item includes lease costs and housing allowances for ASG employees. For lease payments, we assumed one-time lease payments totaling \$109,090. In addition, we assumed housing assistance payments will total \$276,601. This estimate assumes the same rate of spending in the second half of the fiscal year as seen in the first half.
- We projected recurring expenses such as subscriptions, bank fees, freight, and printing at \$202,153, which assumes the same rate of spending in the second half of the fiscal year as seen in the first half.

Equipment Our projection for Equipment of \$1.258 million, which is \$121,000 less than the budget of \$1.38 million. Our projection assumes that ASG will spend all of the Equipment budget, except for the 10 percent cut imposed on the departments by the Governor.

Appendix 2
FY25 Special Programs Budget, YTD Spending, and Remaining Funds
As of March 22, 2025

	Program Name	FY25 Budget	YTD Spending	Funds Left
1	Medicaid Subsidy	6,000,000	253,272	5,746,728
2	Island Beautification Program	3,000,000	755,367	2,244,633
3	Local Road Maintenance Subsidy	2,000,000	170,121	1,829,879
4	Shoreline Protection	2,000,000	212,000	1,788,000
5	Manu'a Development & Maintenance	2,500,000	804,186	1,695,814
6	Ceremonial Activities	2,000,000	483,339	1,516,661
7	LBJ Hospital General Fund Subsidy	2,000,000	666,667	1,333,333
8	Airport General Fund Subsidy	1,000,000	262,664	737,336
9	Washington DC Consultant	700,000	38,575	661,425
10	FAA Field (ASG)	1,000,000	450,000	550,000
11	Manu'a Shoreline Protection	1,000,000	500,000	500,000
12	Independent Samoa Land Development	1,500,000	1,000,000	500,000
13	Airport Hangar Operation & Maintenance	480,000	-	480,000
14	EOB Electricity and Water	700,000	270,883	429,117
15	LBJ Dialysis Staff Training	500,000	116,302	383,698
16	ASG Membership Dues/Fees	400,000	22,748	377,252
17	DPS/Corrections Academy	400,000	27,348	372,652
18	Housing Division (DAS) Subsidy G/F	350,000	461	349,539
19	BHE (ASCC) Gen. Fund Subsidy	1,000,000	666,667	333,333
20	Economic Develop. Private Sector Initiative	350,000	38,380	311,620
21	Summer Youth Employment Program	300,000	-	300,000
22	Sports Complex GF Subsidy	300,000	14,325	285,675
23	Governor's Contingency Fund	700,000	437,013	262,987
24	Sports Development	600,000	353,144	246,856
25	Political Appointee Payout	1,500,000	1,283,173	216,827
26	Manu'a Travel Subsidy	200,000	109,603	90,397
27	Deferred Compensation	200,000	-	200,000
28	Procurement Subsidy	200,000	5,458	194,542
29	Pacific Island Forum (SPC)	200,000	15,609	184,391
30	Centennial Book Contract	200,000	48,127	151,873
31	Former Govs & Surviving Spouses Allow.	250,000	102,500	147,500
32	Small Village Fund	200,000	53,462	146,538
33	ASCC Nursing Program	150,000	48,000	102,000
34	Pago Harbor Cleanup	200,000	103,100	96,900
35	Print Shop Subsidy	100,000	10,691	89,309
36	Hope House Contribution	200,000	115,813	84,187
37	Land Lease	100,000	18,779	81,221
38	Adopt a School	100,000	26,896	73,104

	Program Name	FY25 Budget	YTD Spending	Funds Left
39	Parks & Rec. Security	800,000	762,192	37,808
40	Veterans Stadium Upgrade	300,000	290,000	10,000
41	Language & Culture-Humanities (Local Match)	50,000	50,000	-
43	Governor's Mansion Renovations	500,000	510,744	(10,744)
42	Settlement of Claims (530793)		75,000	(75,000)
44	Fitiuta Seaport		789	(789)
45	Gov's Office (530187)		1,656	(1,656)
46	District Governors Adj.		11,261	(11,261)
47	Territorial Legislative Building		19,192	(19,192)
48	Opiod Settlements-MA (530169)		84,820	(84,820)
49	Opiod Settlements- Custom (533520)		103,363	(103,363)
50	Opiod Settlements- D (533620)		132,822	(132,822)
TOTAL		36,230,000	11,526,509	24,703,491