

INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH



EC-XXIII
December 9-10, 2006
Panama City, Panama

FAC Report

9_ECXXIII/DID/English/November 17, 2006

Financial and Administrative Committee (FAC) Report

As of November 2006, the Financial and Administrative Committee consisted of three members:

Brazil: Evair Sergio da Silva

Canada: Louis Grittani

United States of America: William Smith

Executive Council Chair: Maria Assunção Faus da Silva Dias

IAI Financial and Administrative Officer: Silvio Bianchi

The composition of the Committee has undergone two membership changes over the past few months. Vanessa Richardson (United States), who had been the Committee's Chairperson, was replaced by William Smith immediately following the September 2006 meeting. She had a long association with the IAI and was a founding member of the FAC. Also, Paulo de Oliveira (Brazil) has very recently been replaced by Evair Sergio da Silva. Although Paulo had only been a member of the FAC for a very short period, he made a valuable contribution during our March 2006 meeting. The FAC welcomes William and Evair.

Vanessa's departure created a vacancy in the Chair position. After discussions between Louis Grittani (Canada) and William, it was tentatively agreed that Louis, as the senior member of the Committee, would assume this leadership position. According to the FAC's Charter, "the Chair is elected by the members of the Financial and Administrative Ad Hoc Committee", so this decision must still be ratified by Evair.

The FAC formally met twice since last reporting to the Executive Council (EC) in Venezuela: before and during the Executive Council / Conference of the Parties meetings on Margarita Island, Venezuela (May 22-24, 2006); and again at the IAI office in Sao José dos Campos, Brazil (September 11-15, 2006). Abridged summaries of both meetings are below.

Summary of IAI Financial and Administrative Committee Meeting
May 21-24, 2006
Porlamar, Margarita Island, Venezuela

Present from FAC: Louis Grittani, Vanessa Richardson
Paulo de Oliveira was unable to attend

Present from IAI: Holm Tiessen, Silvio Bianchi

The agenda included:

- a) External Audit for fiscal year 2005/06;
- b) Core Budget Request for 2006/07;
- c) Status Report as of April 30, 2006;
- d) Contracting and Procurement Manual; and
- e) Management Checklist.

a) External Audit for Fiscal Year 2005/2006

Proposals were solicited from five firms in Brazil, but two – Ernst & Young and DeBiasi – did not submit proposals. The proposals from the following three firms were reviewed: Deloitte Touche Tohmatsu, KPMG – São Paulo, and PricewaterhouseCoopers. None of the proposals directly addressed the requirement of OMB A-133 even though it was specified in the solicitation letter soliciting bids. The general consensus was that the PricewaterhouseCoopers seemed good, and that since their office is located in São José dos Campos, there would not be additional travel/per diem charges. Regardless, the proposals were all too expensive – in the \$30,000 US range - and that the search should be expanded.

b) Core Budget Request for 2006/2007

The core budget request for the upcoming 2006/07 fiscal year was reviewed and the subject of the ‘salary adjustment’ was further discussed. The outcome was that the FAC would endorse the extension of the 13% salary adjustment for an additional year while working with the IAI Director in the coming months to develop an IAI policy; building upon the discussions/exchanges we had to-date.

c) Status Report as of April 30, 2006

The ‘Status Report’ is issued quarterly by the IAI Financial and Administrative Officer outlining the previous quarter’s financial and administrative activities. In reviewing the Status Report, as of April 30, 2006, it was reported that the USA’s core budget contribution was in the process of being made and Argentina had officially requested ‘release of funds’ of \$50,000 to pay the 2005/06 contribution. Argentina is working on a potential solution for addressing the remaining outstanding balance.

Holm reported that during his visit to Argentina he learned that they are not only budgeting for the core budget contribution, but also funds for attending EC and CoP meetings. We all agreed that this was a good practice that should be encouraged among other countries. Reminder letters would be sent by the IAI during the ‘budget development’ period so that travel costs can also be incorporated into the countries’ budget planning process.

d) Contracting and Procurement Manual

Prior to the meeting, the FAC had already provided comments to the IAI on the Contracting and Procurement Manual. It was agreed that Louis and Vanessa would provide additional comments in the coming weeks, and at some future point, the Director would share the document with all IAI

Directorate staff to ensure that it is understandable and workable. Our plan was to have the document approved and in effect by the start of the new fiscal year (July 1, 2006). Following approval of the document, all IAI staff would receive training on the manual's procedures and policies.

There was a general discussion regarding the presentation and publication of future audited financial statements, specifically whether they should be included in the Annual Report or printed as a separate document. Regardless of which option is selected, the footnotes must be included for the sake of completeness.

e) Management Checklist

Finally, the Management Checklist was reviewed and areas that still required action were highlighted: complete documentation in personnel files; proper use/training of the new Activity Reports; revision of the Accounting Manual (to be started once the Contracting and Procurement Manual is completed); and development of a process for improved communication and documentation of Core Budget collection (i.e. regularized letters/requests, follow-up telephone calls, diary notes, etc.)

The FAC will communicate via e-mail over the coming months regarding the pending actions. It is proposed that the FAC meet in August/September 2006 with the new auditors (once chosen) and also to interview candidates for the Financial and Administrative Officer position. Since the engagement of the auditors will be delayed, it may be that two meetings are required due to timing issues.

Summary of the IAI Financial and Administrative Committee Meeting

September 11-15, 2006

São José dos Campos, Brazil

Present from FAC: Louis Grittani, Vanessa Richardson, William Smith

Present from IAI: Holm Tiessen, Silvio Bianchi, Anita Soares

The week's agenda included:

- a) Introductory and Closing Meetings with BDO Trevisan;
- b) Meeting with new Executive Council Chairperson;
- c) Procurement Manual;
- d) CRN-II Grant Agreement;
- e) Management Checklist;
- f) Salary Adjustment; and
- g) Financial Situation.

a) Introductory and Closing Meetings with BDO Trevisan

The week began with the FAC and certain IAI staff having an introductory meeting with representatives of the new audit firm, BDO Trevisan - Klaas Johnsen (São Paulo), Arnaldo dos Santos (head of the São José dos Campos office), the three auditors who would be on-site at the IAI (Lukas Assis, Dalmo Oliveira and Josielli Prado). It was important that we establish a relationship, exchange thoughts on expectations and establish proper lines of communication before the audit work commences. It was agreed that the FAC, serving like an Audit Committee for a corporate Board of Directors, would coordinate the response to the draft report with the IAI Directorate and EC Chair. Our aim was to finalize the audit report and receive a Management Letter by the end of October 2006.

Once the 'field work' was completed, Louis and Vanessa met with two members of the auditing team (Lukas and Josie), Holm, Silvio and Anita to review the initial impressions/finding of the audit review. It was felt that there was "strong potential" for a clean audit report regarding the IAI's 2005/06 fiscal year. They found the manuals (Employee Handbook and Project Management Manual) useful and felt that satisfactory controls were in place. We were unable to get a date for when the draft report and management letter would be available for review.

b) Meeting with new Executive Council Chairperson

The FAC also met with the IAI Director and the EC Chair (Maria Assunção Dias). Maria reported that the Brazilian FAC member, Paulo de Oliveira, would be replaced by Evair Sergio da Silva. Similarly, William Smith reported that he would be the new US representative to the FAC, replacing Vanessa Richardson effective immediately. Vanessa's departure effectively left the committee's Chair position vacant. The FAC would have to address this issue. Other topics of discussion included re-engaging the IAI's member countries (not just from a financial contribution perspective, but from a participation / meeting attendance perspective, as well), marketing the IAI, development of an IAI Strategic Plan, and addressing the unresolved issue of the INPE-supported IAI staff members (our former Brazilian FAC member, Paulo de Oliveira, could be quite helpful in addressing this issue).

Re-engaging the member countries and marketing the IAI will be topics at the upcoming EC meeting in Panama.

c) Contracting and Procurement Manual

The FAC was pleased to hear that a draft version of the Contracting and Procurement Manual had been circulated to the staff, soliciting comments and suggestions from them. With Silvio and Holm, we reviewed the entire manual and agreed on the next round of changes to be done. The manual is now very close to completion; a condensed and more concise version than its original state. Once it is in effect, we emphasized the need to train the staff on the processes.

Eventually, all manuals (the Employee Handbook, Project Management Manual, Contracting and Procurement Manual, etc.) would be reviewed, and revised as necessary, on an annual basis. All forms would be dated (to differentiate newer versions from former ones).

d) CRN-II Grant Agreement

The IAI has begun signing the CRN-II grant agreements with various recipients, initiating the flow of funds to scientists. Through interaction with some recipients, the need for reasonable, minor amendments became apparent. Also, clarification is needed regarding the issue of human subjects / informed consent. Assistance or guidance from the IAI Science Advisory Committee Chairperson will be sought.

e) Management Checklist

The Management Checklist was reviewed and areas that still required action were highlighted: complete documentation in personnel files; proper use/training of the new Activity Reports; revision of the Accounting Manual (to be started once the Contracting and Procurement Manual is completed); and development of a process for improved communication and documentation of Core Budget collection (i.e. regularized letters/requests, follow-up telephone calls, diary notes, etc.).

f) Salary Adjustment

Although the US dollar – Brazilian real exchange rate has stabilized over the past year or so, it is well below its level of a few years ago. As a result, the purchasing power of the international staff's salaries has fallen substantially. We resumed our discussion with the IAI Director and agreed on a formula to calculate future 'salary adjustments' (when appropriate) with the provision that the resulting percentage would be an initial base from which to start discussions / budget development. Essentially, "salary adjustments" reflect the combined effect of changes in currency exchange and inflation rates. It is understood that future adjustments are not guaranteed, and that downward adjustments are possible in the future.

g) Financial Situation

The FAC reviewed the preliminary (unaudited) June 30, 2006 financial situation with Silvio. The low level of country participation and contributions is a concern for the FAC, as the IAI has gradually become more dependant on the contributions of a relatively small number of countries for its operating funds. At the same time, progress with some countries is visible; this is particularly encouraging.

Over the period of May to September 2006, Vanessa and Louis were part of the IAI's Search Committee and participated in the recruitment process for the IAI's next Financial and Administrative Officer.