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Financial and Administrative Committee (FAC) Report Fiscal Year 2003-2004

The membership of the Financial and Administrative Committee currently consists of:

Argentina: Carlos Ereño
Brazil: vacant
Canada: Louis Grittani (joined late-December 2003)
Chile: Renato Quiñones
Cuba: Barbará Garea
United States: Vanessa Richardson (Chair)

EC Chair: Antônio MacDowell

The FAC met formally on two occasions over the past year – during the Executive Council meeting in San José, Costa Rica in December 2003 and in São José dos Campos, Brazil in April 2004. Throughout the year the Committee communicates via e:mail.

Summaries of the two meetings are provided below.

December 3, 2003
San José, Costa Rica

Present: Barbará Garea, Carlos Ereño, Vanessa Richardson and Antônio MacDowell

Renato Quiñones could not attend and the Brazilian representative withdrew due to health issues.

The agenda included:

- IAI Employee Handbook (including Education Allowance)
- IAI Directorate staff salaries and benefits
- IAI Directorate staff Performance Plans
- Review of the Financial Report as of October 31, 2003
- Issue of Core Budget Contributions for 2004-2007
- Issue of renewal of IAI staff contracts
- Audit Report for the Fiscal Year Ending June 30, 2003

The meeting began with a closed session of the FAC members and EC Chair to discuss all of the agenda items (with the exemption of the Audit Report that was not received prior to the meeting). Following the closed session, the IAI Director and Financial Officer were invited to join the meeting and the agenda items were discussed with the IAI Directorate staff.

IAI Employee Handbook

Most of the discussion was on the new material that had been included in the most recent version of the IAI Employee Handbook (dated August 2003).

IAI Staff Salary and Benefits

The FAC provided input the IAI Director to refine the request for consulting services for a survey of international salaries and benefits. This survey should provide information to the FAC, the EC Bureau and the IAI Director in establishing an IAI policy.

IAI Directorate Staff Performance Plans

The IAI Director confirmed that all IAI Directorate staff now have Performance Plans in place for the current fiscal year. (As noted above, the process will now include input from other individuals familiar with the Directorate staff duties and responsibilities, such as the Science Advisory Committee Chair, the Financial and Administrative Committee, etc.) The Director's recommendations for staff Performance Ratings will also be forwarded to the EC Bureau before being finalized with the staff.

The EC Chair reported that at the EC Bureau meeting on the morning of December 3, the IAI Director's Performance Plan was finalized.

Review of the Financial Status Report as of October 31, 2003

The FAC asked for clarification of some of the data presented and provided suggestions about presenting additional information on several topics in future reports.

The FAC also expressed concern about the current financial situation of the IAI. The IAI Director was strongly urged to be more proactive in pursuing the Core Budget contributions. It was requested that the IAI resume the previous practice of sending out correspondence to all Member Countries reminding them of the payment schedule, procedures for funds transfer, etc. and then follow up the telephone. The FAC requested that status reports of these and other efforts be included in future Financial Status Reports.

Core Budget Contributions for 2004-2007

The Financial and Administrative Committee requested that the Director provide input to the FAC regarding both an analysis of the financial situation and plans for FY 2004-2007 Core Budget Contributions so that a further evaluation of near- and long-term financial scenarios can be prepared. The FAC will need to start working with the Directorate in the early Spring on the development of the budgets to be presented to EC-XIX and CoP-XI in 2004.

Renewal of Staff Contracts

The FAC reminded the IAI Director that the Committee is responsible for the review and approval of terms and conditions of IAI Directorate staff salaries and benefits, which means the review and approval of Employment Contracts. The Committee asked to review the Employment Contracts for the Financial Officer and the CRN Project Manager that are proposed to be renewed on January 1, 2004.

The FAC asked that wording included in new contracts clearly states that the contracts can be terminated for lack of funds (given the current financial situation).

The FAC also recommended that the IAI Employee Handbook be modified to include language that six months prior to the termination of an employment contract, the Director must discuss his/her plans for that position with the EC Bureau and then the employee.

Audit Report for Fiscal Year Ending June 30, 2003

Since the Committee did not receive the Audit Report until December 3, 2003, it was recommended that discussion of the Report be postponed until the following day.

The FAC met during the coffee break during the Executive Council meeting on December 4, 2003, and decided that since the report had only been released the day before, and that the Executive Council members had not had adequate time to review the document that the action to approve the Audit Report be postponed until the next EC meeting.

The FAC also requested that the IAI Directorate provide a written ‘layman’s’ explanation of the accounting issues (such as point #3 on page three and the “Allowance for Doubtful Accounts”) contained in this and future reports that would be a companion document to the Audit Report.

During the Executive Council meeting, the Delegate from Canada nominated Louis Grittani to serve on the Financial and Administrative Committee.

April 6-8, 2004
São José dos Campos, Brazil

Present : Carlos Ereño, Barbará Garea, Louis Grittani, Antônio MacDowell and
Vanessa Richardson

Renato Quiñoes could not attend.

The agenda included:

Financial Issues:

- Review of Audit Report for 2002/2003
- Plans for Audit Report for 2003/2004
- Quarterly Financial Status Report as of March 31, 2004

- Proposed Budget for Fiscal Year 2004/2005
- Proposed Core Budget Contribution Schedule for 2004-2007

Administrative Issues:

- Employee Handbook (including update of 'survey of salaries and benefits')
- Project Management Manual (including discussion of internal controls and management responsibilities)
- Review of "IAI Management Checklist" (originally developed in 2001, but an updated version will be distributed)
- Plans for Performance Appraisals

Audit Report for Fiscal Year Ending June 30, 2003

On Tuesday, April 6, 2004, Garea, Grittani and Richardson met with staff from KPMG (the External Auditors) and Gustavo Necco, Silvio Bianchi and Anita Soares regarding the Audit Report for 2002/2003 and the Management Letter.

It appears that the primary reason for receiving a 'qualified opinion' in the Independent Auditor's Report (dated August 22, 2003) is due to the change in accounting principles from "Contribution Transactions" to "Exchange Transactions." KPMG recommended that IAI needs a cost accounting system and noted that the CRN projects' activities didn't have clear costs, milestones and timelines associated with the individual contracts, specifically for the outyear commitments. It was suggested that KPMG review the 'draft' contracts for the new CRN-2 awards to make sure that they adequately address these accounting issues. The issue of determining/calculating fair value of accounts receivables/payables is still unresolved. KPMG is to work with the IAI to resolve this issue.

Plans for the Audit Report for 2003/2004

With regard to plans for the Audit Report for 2003/2004, KPMG will also conduct this audit. (They will have completed the second year of a three-year contract.) For future audits, it should be clear that the Audit Reports, Management Letters and other issues related to management should be addressed and sent to the Chair of the Executive Council and not the IAI Directorate. Should the FAC be cc'd? As discussed at EC XVIII, it was requested that KPMG provide clearer and more detailed written explanations of their findings and recommendations since the report needs to be understood by the Executive Council and Conference of the Parties.

Due to the Executive Council meeting being extended, the FAC met on Wednesday afternoon, April 7, 2004, without Garea, MacDowell and Necco.

The FAC took this opportunity to 'orient' the new member of the Committee, Louis Grittani, by reviewing the FAC Charter and addressing a list of questions that he had sent to the Committee prior to the meeting.

The Committee also started reviewing the Action Lists from the FAC meeting in December 2003, the EC XVII and XVIII and CoP X.

Issues that were still pending included:

Proposed Principles Regarding In-Kind Contributions: The FAC felt that the statement regarding what is actually eligible for in-kind contributions should be more clearly stated and that general guidelines for implementation should be included. The document was modified based on input from the Ad Hoc Committee on Relations with Member Countries, the Executive Council Bureau and the FAC.

Consulting Services for Study of Salaries and Benefits: The Directorate signed a contract with Huggard-Caine on March 23, 2004, to compare 6 of its positions with the equivalents/comparables in eight organizations. The results of this study should be available in late June (to be reviewed at the FAC meeting scheduled for Monday, June 28, 2004).

IAI Staff Position Descriptions: The members of the FAC were asked to provide comments on the position descriptions when providing comments on the Employee Handbook.

On Thursday, April 8, 2004, the Committee met in closed session to discuss the proposed budget request for 2004/2005, the schedule for Core Budget Contributions and the Performance Review process. The IAI Director and Financial Officer were then invited to join the meeting.

Core Budget Request for 2004/2005

Given that the request for an 8% increase for 2003/2004 was not approved, the FAC urged the Director to reconsider the proposed increase of 17.5% for 2004/2005. The FAC reviewed with the Director and Financial Officer areas where they felt that the budget could be trimmed.

The Committee strongly urged that 'translation costs' for EC and CoP meetings NOT be covered from the Core Budget in the future. This cost should be paid by the country hosting the meeting.

The Committee suggested that if the new position of Program Manager is a priority for the Directorate then funds should be allocated within the existing budget for that position, since the suggestion of detailing an INPE scientist into that position for two years had not been fully investigated. The support for the Financial Assistant was discussed, as was the situation with the locally hired staff and the associated budgetary implications. It was noted that positions that are funded from the Core Budget must be filled through a competitive process.

The Committee also suggested that the recommendation to reduce the number of issues of the IAI NewsLetter should be presented to the EC/CoP for consideration as part of the budget process since it had previously endorsed the publication of four issues. Some members of the Committee felt that "Dissemination Activities" are important at this time when the IAI is trying to engage member countries and donors and that reductions in this budget category should be carefully considered.

In discussing the “Director’s Fund”, the recommendation was made that countries that are current with their Core Budget contribution (or that have demonstrated progress in reducing their arrears) should receive priority for support over countries that are not. The issue was also raised about what benefits the IAI is getting from the numerous Memorandums of Understanding (MOUs) that it has signed with countries and organizations. The FAC requested a list of the MOUs with an indication as to the status, benefits, costs and value to the IAI.

The FAC recommended that the Directorate revise its budget request for 2004/2005 to address their priorities and resubmit the proposed budget.

Core Budget Contributions for 2004/2007

Revisions to the Core Budget request have implications for the Core Budget Contribution levels for the period from 2004/05 to 2006/07.

Financial Status Report as of March 31, 2004

It was noted that the US \$5,000 pledged by Argentina at CoP X and received during the current fiscal year was not reflected in the Financial Status Report.

It was requested that the quarterly reports be prepared in a timely manner and that activities during the most recent quarter be highlighted.

IAI Employee Handbook

The list of changes recommended during the meeting in Costa Rica in December 2003 was reviewed, with specific attention given to the issue of the Education Allowances (section 2.1.3), notification of employment contract renewal/termination (section 1.4.1) and confidential input from external sources for IAI staff performance evaluations (section 4.4). There was a general discussion of other recommendations for the version of the IAI Employee Handbook dated March 2004.

IAI Management Checklist

The IAI Management Checklist that was originally developed in 2001 (as a result of NSF staff site visit) and reviewed previously by the Financial and Administrative Working Group, was revised to track other recommendations from EC and CoP meetings and to update progress toward objectives. It was noted that some of the activities designated as ‘completed’ were, in fact, not completed. The FAC can add additional items as necessary/appropriate. Specific recommendations and input will be provided by the FAC Chair (based on review of IAI personnel files) and the NSF Program Director for IAI to the Director.

Project Management Manual

The Director was asked about progress on this issue and reminded of the commitment to have a draft of the procedures by mid-June 2004, so that the FAC can review at the meeting in Buenos Aires (scheduled for the end of June 2004).

IAI Directorate Staff Performance Appraisals

Recommendations were discussed based on how the EC Bureau is conducting the Director's performance review. The Director needs to prepare a plan to get external input to IAI staff performance evaluations in time to present recommendations to the EC Bureau in Buenos Aires.

The Financial and Administrative Committee will meet on Monday, June 28, 2004, in Buenos Aires, Argentina, prior to the EC/CoP meetings.

Topics for discussion will include:

- Employee Handbook
- Project Management Manual
- Results of Survey of Salaries and Benefits
- IAI Management Checklist
- Role of the FAC in the External Audit Process
- Review of IAI contract language (in preparation for CRN2)

Submitted by Vanessa Richardson

11 May 2004