

**INTER-AMERICAN INSTITUTE FOR
GLOBAL CHANGE RESEARCH**



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May 22-24, 2006

Venezuela

FAC Report

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Financial and Administrative Committee (FAC) Report

As of January 2006, membership of the Financial and Administrative Committee consists of:

Brazil: Paulo de Oliveira
Canada: Louis Grittani
United States: Vanessa Richardson

EC Chair: Adrián Fernandez

Since the last report to the Executive Council in September 2005, the FAC has met formally on one occasion – in São José dos Campos, Brazil in March 2006.

FAC Meeting March 20-23, 2006

Present: Paulo de Oliveira, Louis Grittani and Vanessa Richardson
Adrián Fernandez participated by conference call on Wednesday afternoon, March 22, 2006

Representation of the IAI Directorate was provided at various times by: Holm Tiessen, Director; Silvio Bianchi, Financial and Administrative Officer; and Anita Soares, Financial Assistant. Luciana Ribeiro provided periodic assistance with translation. In addition, all staff (with the exception of Dr. Breulmann who was on travel) was introduced to Mr. de Oliveira since he was a new member of the FAC.

The agenda included:

- A discussion with the IAI Director about the FAC's role as it relates to the Executive Council and the Director's view of the FAC's role
- Compensation/Post Adjustment Study
- Financial Status report on 2005/2006
- Core Budget Request for 2006/2007
- Audit Report for 2004/2005
- Plans for future external audits
- Procurement Manual
- CRN-II awards
- Management Checklist
- Administrative issues
- Other

The FAC had a very productive exchange with the new IAI Director about past, present and future roles of the Committee and expectations for moving forward. In the limited time that Dr. Tiessen has been IAI Director, he has made significant progress in strengthening the IAI Directorate. A continuing concern, of both the IAI Director and the FAC, is the salary situation of the local staff provided as part of the Host Country Agreement.

Unfortunately, the **Compensation Study** commissioned by the FAC was not completed in time for the meeting and therefore it was not discussed.¹

The **status of the 2005/2006 Core Budget** as of 31 December 2005 was reviewed. The FAC asked that the presentation of information be expanded/modified for future reports.

The FAC also took the opportunity to ask for additional information – specifically what actions had been taken by the IAI Directorate to follow-up on the initial letter sent to all IAI member countries in August 2005 requesting the 2005/2006 Core Contributions. It was agreed that the IAI Directorate would send a reminder letter to those countries that had not paid, be more active in this regard and that the IAI Director would start some targeted outreach efforts.

The FAC reviewed the initial **Core Budget Request for 2006/2007** and asked for clarifications and modifications. The weakening of the U.S. Dollar is causing ‘costs’ (when translated into Brazilian reals) to increase. Since the Compensation Study had not been completed, the Post Adjustment for international staff remained in the budget at the Director’s request.

It was agreed that the latest edition of the **Audit Report for 2004/2005** would be accepted as final and that the FAC would initiate efforts to solicit bids for **future external audits** on behalf of the Executive Council. Article VI.4.e. of the *Agreement Establishing the Inter-American Institute for Global Change Research*, states that “the Executive Council shall appoint an external auditor and review the annual external audit of the financial records submitted annually by the Director to the Conference of the Parties.” It was recommended that the potential bidders be provided with a more detailed “Terms of Reference” and that local firms, especially those with experience with ‘grant making’ organizations also be contacted (in addition to the big international firms).

The plans for finalizing the revisions to the **Contracting and Procurement Manual** were discussed in general terms and the IAI Directorate was asked to provide a timeline for having the document completed. The FAC felt it was important that the manual be circulated to staff for their review, be approved for implementation by 1 July 2006 and the implementation plan include training of all IAI staff.

Several items related to the **CRN-II awards** were reviewed – the Risk Assessments for New IAI Awardees, the CRN-II Grant Agreement and the reporting forms. The IAI Director also reported on plans for the PI (Principal Investigator)/AIR (Authorized Institutional Representative) meetings that will be held in the coming weeks and months. [The Grant Agreement was finalized shortly after the FAC meeting.]

The background and purpose of the **IAI Management Checklist** was discussed in general terms and on Thursday morning, March 23, members of the FAC conducted a random check of process since the last review in November 2005.

¹ The draft report, “Comparison of Employment Conditions for the Inter-American Institute for Global Change Research” was forwarded to the FAC members and IAI Director in April.

The discussion of **Administrative Issues** included the Employee Handbook requirement for annual performance evaluations of staff, the importance of keeping the manuals up-to-date, presentation of historic Core Budget contributions and a status update on the National Science Foundation Inspector General's report. Plans for the recruitment of a new Financial and Administrative Officer were discussed.

Following the conclusion of the formal agenda, the FAC met in closed session to discuss the Core Budget Request for 2006/2007. Concern was expressed regarding the sustainability of allocating 100% of the budget when 100% of the budget is not being collected, what is perceived as an increasing percentage of fixed costs--primarily salaries and benefits--in the total budget (analysis of the data is required) and the increasing costs associated with the weakening of the U.S. Dollar vis-à-vis the Brazilian real. These are putting increased pressure on the IAI budget and on the small number of countries that are providing the Core Budget Contributions.

The FAC recommends to the Executive Council that it work with the IAI Director in developing a strategy to address these issues.

The FAC plans to meet in Venezuela on Sunday, 21 May 2006.

FINANCIAL AND ADMINISTRATIVE AD HOC COMMITTEE
January 2006

Charter: The Financial and Administrative Ad Hoc Committee (FAC) is charged with acting on behalf of the Executive Council in matters related to planning, preparation and implementation of IAI financial, administrative and project management issues. These responsibilities include:

- Review and approve terms and conditions of IAI Directorate staff salaries and benefits;
- Review and approve policies for cost of living and merit increases;
- Recommend to EC changes to member country contributions;
- Review financial accounts and cash flow against approved Core Budget, Programmatic Budget and Other Funds;
- Review draft Core Budget prior to presentation to EC and CoP;
- Review and approve changes to IAI administrative and financial procedures and manuals;
- Assist the EC in the development of fiscal policies as related to the management of the IAI Research Program Grants; and
- Other duties as assigned by the Executive Council.

Composition and Mode of Operation: Membership is open to all EC member countries and is for a two years period, with the IAI Financial Officer as a member ex-officio. The Chair is elected by the members of the Financial and Administrative Ad Hoc Committee. The Charter and membership will be reviewed every two years.

The FAC will interact regularly with the IAI Directorate through the Director. If such consultations identify an issue regarding which the FAC and the Directorate cannot agree, the issue will be referred to the Executive Council or to the Bureau, whichever is most timely. The Financial and Administrative Ad Hoc Committee will report to the Executive Committee at each EC meeting.

Expenses for the attendance at Financial and Administrative Ad Hoc Committee meetings will be supported by the Directorate, based on need and availability of funds.

Membership: Brazil, Canada, United States