



OFFICE OF THE PUBLIC AUDITOR

EXECUTIVE SUMMARY

Submission of FY 2007 1st Quarter Financial Reports
Report No. 07-04, April 2007

This report represents our review on the submission of fiscal year (FY) 2007 quarterly financial, staffing pattern, and other special reports covering the period of October 1, 2006 through December 31, 2006. The majority of these reports were due by a specific date or period, to avoid a 5% deappropriation penalty from entities funded by the General Fund or a payment penalty from autonomous entities.

Pursuant to P.L. 28-149 and P.L. 28-150, also known as the FY 2007 budget act, fifty six ¹ entities are required to submit at least two types of general reports: the quarterly financial report and monthly staffing pattern reports. These two general reports are to be submitted (1) manually, (2) electronically, and (3) be posted on the entity's website.

Of the 56 entities, 15 were also required to submit other special reports for specific funds or programs. Of the special reports, several had no due date, but the majority were due either monthly, quarterly, or on a specific date. These special reports are also required to be submitted (1) manually, (2) electronically, and (3) posted on the entities website.

Based on our review, agencies were inconsistent with the submittal of their general and special reports and more often than not failed to meet all three reporting conditions. The most common non-compliance requirement was the non-submission of an electronic version of the report to the Legislature and OPA.

For the quarterly financial reports, only ten entities had complied with all three reporting conditions by the January 31 report due date or by the February 15, grace period. The ten entities in full compliance include:

- Bureau of Statistics and Plans
- Council on the Arts & Humanities
- Department of Land Management
- Department of Parks and Recreation
- Guam Election Commission
- Guam Memorial Hospital Authority
- Guam Waterworks Authority
- Judiciary of Guam
- Mayors Council of Guam
- Public Defender Service Corporation

However, there are 46 entities that may be subject to deappropriation for non-compliance with the submission of the quarterly financial report requirement. Of these, seven entities met all three reporting conditions but after the grace period; thirty four entities met only two of the three

¹ 52 entities were required to submit quarterly financial reports in FY 2006. The four entities not included in the FY 2006 reviews were (1) the Guam Energy Office (2) the Guam Medical Referral Office (3) the Office of the Governor and the (4) Public Utilities Commission.

reporting conditions; four entities met only one condition; and the Guam Housing and Urban Renewal Authority did not submit any report.

OPA submitted its quarterly financial report manually and posted it on its website, before the due date, but the electronic report was not submitted until February 28, 2007.

As part of the quarterly financial reports, entities were also to report on their non-appropriated fund² (NAF) accounts. The total number of entities who have NAF accounts is not known since no system exists to track or monitor these funds. Not even the Department of Administration has a complete listing of non-appropriated funds administered by the various government entities. Through its audits OPA identified 13 entities required to submit NAF reports. Of these 13 entities, only two entities met all three reporting conditions; the Council on the Arts & Humanities and the Judiciary of Guam. Nine entities submitted only manual reports and two entities did not submit any NAF report.

All 19 Mayors were also required to submit a report on their NAF accounts. Only 7 Mayors submitted manual reports. OPA is aware that 17³ Mayors each received a \$10,000 donation from the Guam Greyhound Park in October 2006. This donation should be reported in a non-appropriated fund report.

All non-profit organizations (NPO), receiving appropriations from the government of Guam, were required to submit a quarterly report. As of the date of this report, we have not received any quarterly reports from any NPO or from the overseeing departments or agencies.

P.L. 28-150 also requires all entities⁴ submit monthly staffing pattern reports. No entity was in full compliance as they did not submit all three staffing pattern reports for each month and meet all three reporting conditions. Tracking was limited to only reports in which OPA was transmitted a copy. Therefore, we were unable to verify whether entities that had not submitted a staffing pattern report to OPA were in compliance. Of the 21 staffing pattern reports (8 monthly and 13 quarterly) we received, none of the 21 entities had met all three reporting conditions before the monthly due date and may be subject to deappropriation.

There has been confusion on the submission of the staffing patterns as the majority of entities submitted only one staffing pattern together with their quarterly financial reports. Two entities, the University of Guam and Guam Economic and Development Authority did not submit any staffing pattern or post it on the entity website. A legal counsel opinion from GEDCA stated that they were exempt from the staffing pattern requirements and UOG's Comptroller stated that their legal counsel shared the same opinion.

² Non-appropriated funds are separate accounts, which have access to receipts and disbursements, to include any funds derived from but not limited to private contributions, donations, agency fees, and fund-raising events. These funds are controlled and managed exclusively by the entity to supplement projects or programs without legislative oversight.

³ The villages of Talofofo and Sinajana did not accept the \$10,000 donation.

⁴ These specific entities include "each agency or department head in the Executive Branch of the government of Guam, the Chairperson of the Judicial Council and the Chairperson of the Board of Trustees of the Public Defender Service Corporation."

OPA by its enabling legislation⁵ is not a part of the Executive Branch; however, in the interest of transparency and accountability we did submit monthly staffing pattern reports to the Legislature with all the relevant information. OPA's staffing pattern reports, posted on our website, did not contain the name, title, and position of the staff, as they were excluded for privacy purposes. OPA is not aware of any federal or state requirements that require such detailed information, relative to employee compensation, be posted on the world wide web.

Of the 15 agencies required to submit special reports, no entity submitted all of their special reports and met all three reporting conditions for each report. Under P.L. 28-150 and 28-149, the FY 2007 budget act expanded the reporting penalties to include all required reports, whether general or special. Because of the multitude of reporting requirements and the three conditions mandated, manual submission, electronic submission, and posting on the web, we were unable to determine the amount of deappropriation penalties to be applied to each agency for each requirement not met.

OPA made several suggestions to the Legislature to improve the quarterly reporting by entities. One suggestion in particular is to submit only quarterly staffing pattern reports rather than monthly and to submit actual labor costs, as of the last pay period of the quarter, with the submission of quarterly staffing pattern reports.

As this is the second year that a provision to require regular financial reporting is in the budget act, we commend the Legislature for continuing to require these reports, assuring public accountability and transparency in the use of public funds.



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⁵ In OPA's enabling legislation - Title 1, Chapter 19, §1900 – it states: There is an instrumentality of the government of Guam, independent of the executive, legislative and judicial branches, known as the *Office of the Public Auditor*.