



OFFICE OF THE PUBLIC AUDITOR

EXECUTIVE SUMMARY

Dormant and Inactive Funds of the Government of Guam Report No. 06-03, April 2006

The Office of the Public Auditor (OPA) initiated a performance audit into the dormant and inactive funds maintained by Department of Administration (DOA). Public Law 28-68 mandated OPA and the Compiler of Laws (Compiler) to conduct a “review [of] all existing Government of Guam dormant or inactive accounts.” As of September 30, 2005 DOA maintained 177 different funds¹, most of which were classified as special revenue funds. Special revenue funds are established by law or by the Governor’s executive order and are used to account for the proceeds of specific revenue sources. Expenditures from special funds are usually restricted to specific purposes.

The objective of our audit was to determine whether dormant or inactive accounts are still necessary or require consolidation as a result of evolving mandates, priority changes, outsourcing, privatization, down-scaling, service or program cessation, or expansions within the Government of Guam.

Our audit identified 70 funds that are recommended for legislative repeal due to (1) dormancy and inactivity, (2) recommendations from prior audits, or (3) minimal fund activity. We also identified 14 funds that can be consolidated into three funds and two other funds that should be structurally amended. Our audit also identified 30 funds that are recommended for closure in DOA’s Financial Management System (AS400) due to (1) previous repeal by legislation, (2) previous consolidation by legislation, or (3) funds that have outlived their purpose and are no longer required.

Many of the special revenue funds we identified were created by a one-time appropriation from the General Fund and do not have a recurring specific source of revenue to classify the fund as a special revenue fund. Given the General Fund deficit of \$314 million as of September 30, 2004, the appropriated transfers from the General Fund to these funds were not likely made due to the lack of cash within the General Fund. The elimination of these special revenue funds does not necessarily mean that the policy directive behind the creation of the fund was flawed. The policies can still be accomplished through an account within the General Fund provided there is a viable funding source.

If these special revenue funds are repealed via legislation or closed by DOA, a total of \$9,835,025 in fund balances as of September 30, 2005 can revert to the General Fund, decreasing the General Fund deficit. However, repealing or closing these funds will only

¹ DOA’s AS400 System identified one general fund, one general long-term debt, one general fixed assets, 160 special revenues funds, six capital projects funds, and eight debt service funds as of September 30, 2005.

eliminate the receivable from or payable to the General Fund because many of these funds do not have cash balances.

The following is a summary of funds to be repealed, consolidated, or amended by the Legislature and funds to be closed by the Department of Administration:

Funds Recommended for Repeal via Legislation

- 36 dormant and inactive funds with \$3,388,410 in fund balances;
- 25 funds recommended for repeal in prior audits with \$625,050 in fund balances;
- Nine funds with minimal activities with \$2,148,067 in fund balances; and
- Revenues of approximately \$347,000 would be recorded in the General Fund.

Funds Recommended for Consolidation via Legislation

- Six funds maintained by the Chamorro Land Trust Commission that can be consolidated into one fund;
- Six funds maintained by the Guam Environmental Protection Agency that can be consolidated into one fund; and
- Two funds from the Medically Indigent Program that can be consolidated into one fund.

Funds Recommended for Structural Amendment via Legislation

- Two funds that should be structurally amended because they require a sunset provision or to delete DOA as a pass-through entity.

Funds Required for Closure by DOA

- 12 funds that were repealed by legislation with \$1,630,848 in fund balances;
- Six funds that were repealed and transferred to another fund;
- Eight funds that are required to be consolidated;
- Seven funds no longer required because they outlived their purpose with \$2,042,650 in fund balances; and
- Revenues of approximately \$646,000 would be recorded in the General Fund.

As mandated by law, the Compiler proposed draft legislation for the repeal of these funds.

The Director of Administration concurred with our recommendations to close these special revenue funds.

OFFICE OF THE PUBLIC AUDITOR


Doris Flores Brooks, CPA, CGFM
Public Auditor

COMPILER OF LAWS


Andrew Sergio Quenga
Compiler of Laws