



OFFICE OF THE PUBLIC AUDITOR

EXECUTIVE SUMMARY

Submission of FY 2007 3rd Quarter Financial Reports
Report No. 07-11, September 2007

This report presents our review on the submission of fiscal year (FY) 2007 quarterly financial, staffing pattern, and other special reports covering the period of April 1, 2007 through June 30, 2007, pursuant to Public Law (P.L.) 29-02, referred to as the *Amended General Appropriations Act of 2007*, P.L. 28-149 and P.L. 28-150. The amended FY 2007 budget act modified the monthly submittal of staffing pattern reports to quarterly reports and imposed a 20% salary reduction penalty against each director¹, deputy, and chief financial officer failing to comply with the reporting requirements.

For the third quarter, we saw considerable improvement of compliance with the reporting requirements. Of the 58 entities, 40 entities or 69% complied with all of their reporting requirements, i.e., general, special, non-appropriated funds, and non-profit organization reports. An additional 8 entities would have been in full compliance with all the reporting requirements had the deadline for staffing pattern reports been extended from 1 day to 30 days to submit since this was their only reporting infraction. These entities were: DOC, GALC, KGTF, GEO, GPA, GSC, HRRA, and VAO and may be subject to the 20% salary reduction penalty. The remaining 10 entities either did not meet all three reporting requirements or did not submit any reports. These entities were: CLTC, DCA, DMHSA, DYA, GEC, GFD, GMRO, GWA, Governor's Office, and PUC may be subject to the 20% salary reduction penalty.

General Reporting Requirements: Quarterly financial reporting submissions dramatically increased to almost full compliance among the 58 entities that submitted their financial reports by the July 31, 2007 deadline from 39 entities in the second quarter to 57 entities in third quarter. Only DMHSA did not submit the financial reports in any format. Submission of quarterly staffing pattern reports slightly increased from 37 entities to 38 entities. Prior year's obligations reports submission increased considerably from 3 entities to 55 entities. The 3 entities that did not submit any PYO reports were DMHSA, GFD, and PUC.

Non-Appropriated Funds (NAF) Reporting: Compliance with submittal of NAF reports who met all reporting requirements increased from 7 entities to 13 entities. 3 entities (Chamorro Village, DCA, and DYA) did not comply with all three reporting requirements and 2 entities (DMHSA and GEC) did not submit any reports.

Non-Profit Organization (NPO) Reporting: 4 overseeing entities were required to report on their NPO activities. We found 2 entities (Agriculture and Judiciary) complied with all three reporting requirements, while 2 entities (DMHSA and DYA) did not submit reports.

¹ A director shall included but not limited to a department head, agency, autonomous and semi-autonomous agency, public corporation, Education Superintendent, Presidents of the University of Guam and the Guam Community College. The General Manager of the Guam Educational Telecommunication Corporation, the Director of the Guam Public Library System, the Executive Directors of the Mayors' Council of Guam and the Guam Legislature, and the Administrator of the Courts of Guam.

Special Reports: 16 entities and 2 new commissions were required to submit 38 special reports. The 2 commissions' status is unknown at this time: Sunset and Rightsizing Commission and the Commission on Modernization of the Government of Guam. Of the 16 entities, GMHA and the Judiciary are not required to submit their special reports until November 18, 2007 and December 31, 2007, respectively. For the remaining 14 entities, 11 entities met all three reporting conditions, while 2 entities (GMRO and Governor's Office) met some of their special reporting requirements but did not meet all. DMHSA did not submit any reports.

All 19 Mayors submitted their NAF manual reports. For the third quarter, a consolidated quarterly report for all 19 mayors was submitted by the MCOG in all three reporting formats. All 17 Mayors who had received the \$10,000 donation from the Guam Greyhound Park had submitted a report. The Mayors of Sinajana and Talofofu required no reports since they did not accept the donation.

Although we saw considerable improvement of compliance with the general and special reporting requirements for the third quarter, timely and accurate reporting is still a work in progress. The most common non-compliance was the submittal of PYO reports and missing various reporting requirement deadlines. Due to the confusion of the content and due date of the PYO reports, the Office of Finance and Budget (OFB) determined that as long as entities submitted a third quarter PYO report, in any format at any time, they will be in compliance.

In early June 2007, OPA issued letters individually to all 58 entities notifying each director of their respective responsibilities pursuant to P.L. 28-149, 28-150, and 29-02. We posted all 58 letters on OPA's website so each entity could avail themselves of their reporting requirements. We were bombarded with countless phone calls, visits, and emails from numerous entities seeking clarification of their respective reporting requirements and every effort was made to be responsive to these entities. However, it was a tedious, laborious, and sometimes acrimonious process.

In an effort to provide guidance and consistency, OPA met with the OFB Executive Director and the Governor's Chief Information Officer for the Bureau of Information Technology to establish a standardized form for quarterly financial and staffing pattern reports. The standard forms are available at the government of Guam website: <http://www.guam.gov>.

OPA Suggestions: Several suggestions were made to the Legislature to improve the reporting process to include: amending the due date for quarterly staffing pattern reports from 1 day after the quarter ends to 30 days after the quarter ends; requiring entities to provide summary information of the changes in level of personnel; and using position control numbers to protect employees' privacy rights instead of employee names. We also suggest that the Legislature change all reporting requirement due dates to 30 days after the end of the quarter for consistency and to allow entities more time to submit their reports. The Legislature should consider whether the 20% penalty be applied across the board, or impose different levels of penalties depending on the level of infraction and delegate the responsibility for determining the degree of infraction to OFB.

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



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