

OFFICE OF PUBLIC ACCOUNTABILITY
Doris Flores Brooks, CPA, CGFM
Public Auditor

July 2, 2015

Honorable Benjamin J.F. Cruz
Vice Speaker and Chairman, Committee on Appropriations and Adjudication
33rd Guam Legislature
155 Hesler Place
Hagatna, Guam 96910

Vice Speaker Benjamin J.F. Cruz

Date: 7/02/15 Time: 9:57am

Subject: FY 2016 Budget Request

File No.: 33-450

Received By: [Signature]

Dear Vice Speaker Cruz and Committee Members:

OPA is requesting a budget appropriation of \$1,453,773 for FY 2016, which is a 7% increase or \$91,280 from our FY 2015 budget of \$1,362,493 and takes into consideration the implementation of the Competitive Wage Act of 2014. OPA also proposes an alternative budget of \$1,557,121, or \$99,000 more, contingent on the implementation of OPA's Compensation Study. However, this increase can be absorbed if OPA's personnel lapses are allowed to be carried over. A copy of the study is attached again for your review together with a proposed bill. We pray for its implementation.

The one common theme that has plagued OPA for the last eight years is the retention and recruitment of qualified staff. We ended CY 2014 with just 11 staff, after a devastating loss of five auditors, comprised of one audit supervisor and four staff auditors. OPA has not been able to reach the high of 18 staff back in 2006 after dropping to 11 in 2007. It took four years to 2010 to reach a staff complement of 15. Since 2010, it has been a roller coaster ride as far as our personnel count.

The loss of the audit supervisor was offset with the return of Yuka Hechanova as Deputy. We finally replaced three of the four auditors these past few weeks. Fortunately, the average length of service for my management team of three is over ten years. However, the average length of service of the seven staff auditors is just two and one-half years. We have a significant gap in experience between ten years at the supervisory/managerial level to just over two years at the staff level.

While OPA staff continue to be highly sought after because of the significant investment in training we make in our auditors, the pirating of our auditors has taken its toll. The constant loss and recruitment of auditors has had an adverse effect on our productivity. For the three-year period ending CY 2014, we averaged 7 performance audits per year compared to 9 audits in the prior three-year period ending CY 2011.

Similarly, we saw a rise in procurement appeals in those same three-year periods from an average of 14 appeals to 16 appeals. Because of the strict deadlines, addressing procurement appeals timely comes at the expense of performance audits.

Correspondingly, there has been an increase in the number of financial audits issued. We now contract, review, coordinate, and monitor 24 financial audits annually, compared to 18 just four years ago. Like procurement appeals, the financial audits are time-sensitive and must be issued no later than nine months after the fiscal year or June 30.

Factors such as staff retention, and increases in procurement appeals and contracted financial audits have taken their toll on the productivity of performance audits.

The implementation of the new Competitive Wage Act, while welcomed, did little to make OPA competitive with autonomous agencies and the private sector. The average salary increase our auditors received was just \$1.05 an hour or \$2,174 per annum.

Let me add that when the Hay Study was in progress, I met on at least two occasions with the Hay Study consultant. I pleaded for a salary schedule more commensurate with the DOI-OIG auditors, as well as in the number of position classifications. I explained that OPA auditors are unlike other auditors in GovGuam. Other GovGuam auditors conduct limited-scope internal audits within the organization in which they are employed (i.e., DRT, GWA, GPA, and DOE). The Public Auditor and her staff perform a variety of audits, reviews, analyses, and evaluations of government programs and activities, including government-wide audits. I even provided the salaries of state auditors and local auditors. In the end, I was told in no uncertain words that that would not happen.

In 2013 we contracted with Leading Edge Consulting Group for a compensation study. The Compensation Study did several things.

- It expanded the number of positions so that there is a hierarchy of positions that will attract auditors to have a career at OPA;
- It revamped the position descriptions to be more reflective of the work we do and to allow a greater pool of candidates;
- It upgraded the salary grades of these new positions to be more competitive with autonomous agencies and the private sector; and
- The study also included a pay adjustment for the Public Auditor whose salary has not been adjusted since 2006. When P.L. 32-208 was passed, the Public Auditor was the only elected official not to receive any pay increase in 2014.

Passage and implementation of the Compensation Study is crucial to bringing stability in retention and recruitment of staff at OPA. Governor Calvo has told me that he supports the Compensation Study. Accordingly, we again respectfully urge its passage.

Who Audits the Auditor?

In October 2014, OPA underwent its sixth quality control review conducted by the Association of Pacific Islands Public Auditors (APIPA). Government Auditing Standards require an audit organization to undergo a quality control review every three years.

The 2014 peer review team consisted of Kosrae State Public Auditor Stoney Taulung, Senior Auditor from Pohnpei State Alice Etse, and Consultant Charles Hester. We received a full compliance rating and the second time no management letter was issued. The peer review letters were transmitted to the Governor and Speaker and are also posted on our website. The excellent rating would not have been possible without the dedicated and professional staff at OPA.

In addition, the contracted auditors for the government-wide audit, Deloitte and Touche, annually reviews our financial records. While no separate audit opinion is issued on OPA's financial statements, our financials are included in the government-wide audit.

Redesign of OPA Website

In January 2015, we launched a redesigned website and have a new address, www.opaguam.org. We now own this domain name, unlike the prior website. The new website features improved user-friendly navigation, more organized content, and mobile device accessibility. This summer, we will be conducting a survey to gather feedback on the new website and how we can improve it.

Electronic Software Implementation

After several years of debating, reviewing, and evaluating electronic software, OPA contracted, with Team Mate, an electronic audit software program effective June 30. Training and implementation is scheduled to begin in September. The office is excited to utilize this welcomed software. In preparation for the implementation, we have nearly completed a review of all of our processes, to provide consistency and eliminate redundancies. We are also in the process of updating our audit manual, which has not been adjusted since 2008.

Model Robust Audit Office

As part of OPA's strategic plan, we strive to become a model robust audit office. To assist us in this endeavor, we have embarked upon the self-assessment review of the Supreme Audit Institutions Performance Measurement Framework (SAI PMF). This is a project sponsored by the International Association of Supreme Audit Institutions (INTOSAI). The SAI PMF covers seven domains:

- Domain A- SAI Performance;
- Domain B- Independence and Legal Framework;
- Domain C- Strategy and Organizational Development;
- Domain D- Audit Standards and Methodology;
- Domain E- Management and Support Structures;
- Domain F- Human Resources and Leadership; and
- Domain G- Communication and Stakeholder Management.

The SAI PMF will help identify our strengths and weaknesses. As requested by Pacific Association of Supreme Audit Institutions (PASAI), we completed Domain B- Independence and Legal Framework, and found that OPA is not as independent as other audit institutions in the Pacific. This is in part due to restrictions in staff hiring and lack of staff autonomy. The passage of the Compensation Study would greatly improve OPA's independence and legal framework.

OPA Hotline

OPA staff addressed all 43 hotline tips/citizens concerns received in 2014. Of the 43 tips received, 37 were hotline tips and 6 were citizens concerns. Anyone who wishes to submit a hotline tip or citizens concern may do so by:

- Calling the OPA Hotline at 47AUDIT (472-8348);
- Faxing sufficient and relevant information to 472-7951;
- Visiting the OPA website at www.opaguam.org; or
- Contacting any of the OPA staff by phone at 475-0390 or in person.

Legislative Mandates

We are presently undergoing a review of various laws involving OPA. As of December 2014, 123 legislative mandates have expanded OPA's duties and responsibilities. Of the 123 mandates, we have addressed 57, while 66 remain open as recurring mandates.

Of the 66 recurring mandates, 21 require OPA to conduct audits. Due to limited staff resources, OPA contracted a number of these audits to independent CPA firms, to include the non-appropriated funds for the Mayors, the Department of Chamorro Affairs, the Chamorro Land Trust Commission, and the Guam Ancestral Lands Commission. We are still evaluating how we can address these other mandated audits, as well as periodic audit requests. We are diligently attempting to follow-up on these relevant mandates, but again due to limited staff resources, other projects take precedence.

Other Legislation

We wish to thank Vice Speaker Cruz and members of the Legislature for the passage of P.L. 32-222 and P.L. 33-52.

P.L. 32-222 provided an unclassified Special Assistant for the Office of the Attorney General and the OPA. With this additional unclassified position vacancy, the two

Audit Supervisors were converted into the unclassified service and their salaries were adjusted to be commensurate with what they would have received as classified employees under the proposed Compensation Study.

P.L. 33-52 allows OPA auditors access to tax returns and other information required during the course of an audit. When we met with Director John Camacho and his staff last week as we began our audit of the new gaming tax pursuant to P. L. 32-60, we saw a remarkable difference in attitude.


These are but some of the initiatives we are undertaking. Other projects are further outlined in our 2014 Annual Report.

To recap our budget request:

- Approve OPA's Compensation Study;
- Approve OPA's lump sum budget of \$1,453,773;
- Approve the carry over of personnel lapses from FY 2015 to FY 2016;
- Exempt OPA from BBMR allotment control similar to other elected offices and the Judiciary;
- Authorize the hiring of limited term employees to assist in clerical and other administrative duties; and
- Amend legislation to require the audio files of Board meetings be posted on the agency website with OPA's website providing a link.

Thank you for giving us the opportunity to present our budget request.

Si Yu'us Ma'ase and Senseramente,



Doris Flores Brooks, CPA, CGFM
Public Auditor

Attachment:
OPA Compensation Study
Draft OPA Compensation Bill