

**Guam Regional Transit Authority
Non-Appropriated Funds**

**Performance Audit
April 1, 2016 through March 30, 2018**

**OPA Report No. 18-06
August 2018**



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EXECUTIVE SUMMARY
Guam Regional Transit Authority Non-Appropriated Funds
OPA Report No. 18-06, August 2018

Our audit of the Guam Regional Transit Authority’s (GRTA) Non-Appropriated Funds (Fund) found that the lack of internal controls over the Fund poses significant risks of theft and misuse of GRTA’s program income. As a result, \$41 thousand (K) in GRTA bus fares reported by the contracted bus operator (Contractor), and an additional \$14K later identified by GRTA, were not deposited in the Fund. This occurred because GRTA did not:

- Adopt and maintain an accounting system for the Fund;
- Have basic control activities, such as maintaining a check register, performing monthly bank reconciliations, and having effective policies and standard operating procedures (SOPs); and
- Report the Fund’s financial activity to the GRTA Board, Governor, Legislature, or OPA.

GRTA management opened a checking account mainly to receive bus fare collections from the Contractor. The Fund’s checking account movement from its opening on April 7, 2016 to March 31, 2018 is as follows:

Table 2: GRTA Fund Activity	
	Total
Beginning balance, April 7, 2016	\$ -
Receipts:	
Bus fare collections	212,500
Insurance proceeds	20,000
Others	303
Total receipts	232,803
Disbursements:	
Transfers to Department of Administration (DOA)	100,000
Parts and repairs/services	20,220
Petty cash	3,209
Equipment	2,650
Office supplies and other	1,132
Service charge	72
Total disbursements	127,283
Ending balance, March 31, 2018	\$ 105,520

No Accounting System and Lack of Basic Controls

According to 12 Guam Code Annotated (GCA) Chapter 6 § 6204 (a), GRTA shall adopt and maintain a system of accounting for the Fund, which is in accordance with generally accepted accounting principles. Although GRTA kept and maintained a separate file of the Fund, GRTA did not have basic controls to address typical risks to cash, such as misuse and theft. For example:

- A check register to record all transactions was not maintained.
- All receipts were not supported and reconciled to ensure all bus fares were deposited.
- Monthly bank reconciliations were not performed to ensure any differences between GRTA’s records and the bank’s records were identified and investigated.

- The Fund's SOPs were not formally adopted and do not provide a check and balance to ensure the Fund is safeguarded from misuse and theft.

\$55K in Bus Fares Not Deposited

During our audit, we could not account for \$41K in bus fares reported in the Contractor's monthly bus fare remittances in the Fund's bank statements. After we communicated the \$41K discrepancy to GRTA management, GRTA identified an additional \$14K in the form of credit card and check payments that the Contractor did not include in monthly bus fare remittances. In addition, we found collections that were not timely deposited ranging from four to 256 days after the service period. This illustrates that GRTA does not actively monitor and reconcile the Contractor's deposits to ensure that all GRTA bus fares were deposited. Due to GRTA's lack of reconciliation and lack of detailed reports submitted by the contractor, there is a possibility of undeposited ticket sales and bus fares, especially for periods outside of our audit scope.

No Monitoring or Reporting of GRTA Fund

GRTA is required to be audited annually by an independent certified public accountant or the OPA, and submit an annual report of the Fund to the Governor and Legislature within 120 days after the end of the fiscal year. This is the first audit since the Fund's establishment in April 2016. In addition, GRTA has not regularly reported the Fund's activity to the GRTA Board, Governor, Legislature, or OPA. Our analysis of bus fare revenues showed significant fluctuations from April 2016 to March 2018. By monitoring and reporting revenues timely, management could have identified and further discussed these anomalies with the Contractor to correct errors, if any.

No Significant Deficiencies on Disbursements

Our testing of 19 of 30 total disbursements, or \$125K of \$127K, did not find significant deficiencies. However, we noted four disbursements amounting to \$689 that did not have proper approval. Of the 19, there were seven petty cash disbursements totaling \$1,609, which were mainly for food purchases of \$843, or 52%. Other purchases included supplies and others of \$548, or 34%, and parts and repairs of \$218, or 14%. Although purchases were justified, we caution GRTA to refer to Attorney General (AG) Opinion No. 95-1340, which limits food purchases with government funds to entertainment expenses for official purposes.

Conclusion and Recommendations

GRTA management did not prioritize internal controls to safeguard the Fund from risks of theft and misuse. GRTA's Administrative Officer stated that GRTA will adopt a form, similar to their newly adopted petty cash request reimbursement form, to remedy the lack of documented disbursement approvals.

We recommend the GRTA Executive Manager: (1) adopt proper control activities including establishing effective policies and SOPs, maintaining a check register, and performing bank reconciliations; (2) send appropriate staff to NAF management or other similar training; (3) include specifications for the process of depositing bus fares collected by the Contractor in its formal contract; (4) assign staff to actively monitor receipts and verify completeness of bus fare deposits; and (5) report the Fund's activity to those charged with governance.

Yukari B. Hechanova, CPA, CIA, CGFM, CGAP, CGMA
Deputy Public Auditor



Introduction

This report presents the results of our performance audit of the Guam Regional Transit Authority's (GRTA) Non-Appropriated Funds (Fund). The scope of this audit was from April 2016 through March 2018. The audit was initiated after the Office of Public Accountability (OPA) learned that GRTA maintains a checking account during the performance audit of OPA Report No. 18-01 *GRTA Procurement and Billing of Public Transit Services*, which warranted our separate review.

The objective of our audit was to determine whether GRTA's Fund was properly managed and accounted for in accordance with applicable laws, regulations, and best practices.

The audit objective, scope, methodology, and prior audit coverage are detailed in Appendices 1 and 2.

Background

In March 2009, Public Law (P.L.) 30-05 created GRTA to plan services, establish, develop, coordinate, promote, own, and operate facilities and services that support public transportation and public parking within Guam. GRTA is mandated to (1) operate a system of public transportation and (2) establish operational routes, schedules, fares, and policies consistent with the purpose of the Authority.

Public Transit Services

GRTA offers two types of services:

- The fixed route service operates on a fixed schedule with designated stops between major transfer stations.
- The paratransit service is provided to Americans with Disabilities Act (ADA)-eligible passengers. In order to avail of this service, passengers must be certified by GRTA.

GRTA charges fees for four types of passes for its riders: one-ride, one-day, one-week, and one-month passes. See Table 1 below for the regular and discounted/paratransit bus fare rates.

Table 1: Bus Fare Rates

Type	Discounted Fare Passes ¹ / Paratransit Fares	Regular Fare Passes
One Ride Pass	\$0.35	\$1.00
One Day Pass	\$1.00	\$3.00
One Week Pass	\$5.00	\$15.00
One Month Pass	\$20.00	\$55.00

¹ Students 6-18 years and seniors 55 years and up are eligible for discounted fare rates.

GRTA Fund

In December 2015, GRTA's Board of Directors (Board) authorized the establishment of a bank account through GRTA Resolution No. 2016-001. The Board cited Title 12 of the Guam Code Annotated (GCA) Chapter 6 § 6204, which allowed the establishment of the GRTA Fund to be maintained separate and apart from the other Government of Guam (GovGuam) funds. A checking account was officially opened with a local bank in April 2016, which served as the Fund.

GRTA is required to:

- Maintain independent records and accounts of the Fund,
- Have the Fund audited annually by an independent certified public accountant or by the OPA,
- Submit an annual report within 120 days after the end of each fiscal year and,
- Present special reports within 30 days after the end of each fiscal year, if requested by the Governor or Legislature.

The Fund was created mainly to receive bus fare collections from the contracted bus operator (Contractor). The Contractor also subcontracts services when needed from two other parties. The fares are deposited directly into the Fund by the Contractor every Monday, Wednesday, and Friday. Prior to the Fund's checking account opening, bus fare collections were deposited to the Public Transit Fund, a Special Revenue Fund maintained by the Department of Administration (DOA) since its establishment in March 2002 through P.L. 26-76.

Two signatures, from a board member and staff, are required to endorse, sign checks, withdraw funds, and operate the account on behalf of GRTA. Specifically, the checking account has four authorized signatories—the Board Chairwoman, Board Vice-Chairman, Executive Manager, and Administrative Officer.

Federal Transit Administration Grants and Program Income

Bus fare collections are considered "program income" per Federal Transit Administration (FTA) Circular FTA C 5010.1D, *Grant Management Requirements*. Program income is gross income received by a grantee or subgrantee directly generated by a grant supported activity. GRTA received \$3.7M in grant funding from FTA from fiscal years (FY) 2016 to FY 2018. FTA grant funding was mainly used to purchase buses for its operations. Although GRTA's program income is minimal, it plays a crucial part of funding the maintenance and repairs for its buses, bus shelters, and other operational expenses.

Results of Audit

Our audit found that the GRTA Fund was not properly managed and accounted for in accordance with applicable laws, regulations, and best practices. GRTA management did not prioritize internal controls over the Fund to reduce risks of theft and misuse of GRTA’s program income. As a result, \$55 thousand (K) in GRTA bus fares reported by the Contractor were not deposited into the Fund. Specifically, we found that GRTA did not:

- Adopt and maintain an accounting system for the Fund;
- Have basic control activities, such as maintaining a check register, performing monthly bank reconciliations, and having effective policies and standard operating procedures (SOPs); and
- Report the Fund’s financial activity to the GRTA Board, Governor, Legislature, or OPA.

No Accounting System and Lack of Basic Controls

The Fund’s checking account movement collected from bank statements from its opening on April 7, 2016 to March 31, 2018 resulted in total receipts of \$233K and total disbursements including outstanding checks of \$127K. See Table 2 below for a breakdown of the Fund’s checking account movement, and Appendix 3 for the bank account activity.

Table 2: GRTA Fund Activity	
	Total
Beginning balance, April 7, 2016	\$ -
Receipts:	
Bus fare collections	212,500
Insurance proceeds	20,000
Others	303
Total receipts	232,803
Disbursements:	
Transfers to DOA	100,000
Parts and repairs/services	20,220
Petty cash	3,209
Equipment	2,650
Office supplies and other	1,132
Service charge	72
Total disbursements	127,283
Ending balance, March 31, 2018	\$ 105,520

According to 12 GCA Chapter 6 § 6204 (a), GRTA shall adopt and maintain a system of accounting for the Fund, which is in accordance with generally accepted accounting principles. Although GRTA kept and maintained a separate file of the Fund, GRTA did not have an accounting system and basic controls to address typical risks to cash, such as misuse and theft. Specifically:

- No check register was maintained to ensure transactions were documented.
- No bank reconciliations were performed to lower the risk of differences, errors, or fraud.

- No financial reports were prepared or reported to those charged with governance to ensure transparency and accountability.
- Receipts for bus fares were deposited without reviewing supporting documentation to ensure completeness of revenues.
- Certain disbursements were made without proper approvals.

An accounting system allows an entity to keep track of all transactions and generate reports to aid management with decision making.

The GRTA management did not prioritize internal controls when the Fund was established. In order to properly manage and account for the Fund, management should establish an SOP and appropriate control activities to reduce exposure of GRTA's program income to opportunities of theft and mismanagement. The Fund's current SOPs do not provide a check and balance to ensure the Fund is safeguarded from misuse and theft.

Therefore, we recommend the GRTA Executive Manager, or his designee, adopt proper control activities including establishing effective policies and SOPs, maintaining a check register, and performing bank reconciliations. We also recommend appropriate staff be sent to NAF management or other similar training.

\$55K in Bus Fares Not Deposited

More than 90% of the Fund's deposits are made up of bus fare collections, which was not consistently deposited into the Fund by the Contractor. The Contractor began depositing every Monday, Wednesday, and Friday in March 2017. We could not verify these deposit arrangements with the Contractor, because as we reported in OPA Report No. 18-01 *GRTA Procurement and Billing of Public Transit Services*, there is no formal contract to define specifications and deliverables.

We identified checks deposited by the Contractor, ranging four days to as late as 256 days after a service period. For example, the Contractor had deposited \$3K in September 2017 from bus fares that were collected in January 2017, a difference of 225 days, or about 8 months. See Appendix 4 for check details on the days lapsed before deposited.

Of the \$233K total receipts, \$144K were bank deposits made by the Contractor for the service period April 2016 to March 2018. However, the Contractor reported total collections of \$185K in its invoices, which included monthly bus fare remittances, a difference of \$41K. See Appendix 5 for the comparison of bus fares deposited and reported.

After we communicated the \$41K discrepancy to GRTA management, GRTA identified an additional \$14K in undeposited bus fares during their discussion with the Contractor. The \$14K was bus fares paid by credit card and checks that the Contractor did not report to GRTA. As a result of our finding, the Contractor deposited a total of \$55K into the Fund in June 2018.

The Contractor does not submit a breakdown of credit card and check payment sales. Therefore, we could not verify the completeness of the \$14K later deposited to the Fund. We were unable to reconcile the number and type of riders to amounts collected, which were not consistently reported in daily manifests submitted by the Contractor. This illustrates that GRTA did not actively monitor

and reconcile the Contractor's deposits to ensure that all GRTA bus fares were deposited. Due to GRTA's lack of reconciliation and lack of detailed reports submitted by the Contractor, there is a possibility of undeposited ticket sales paid by checks or credit cards, as well as bus fares, especially for periods outside of our audit scope.

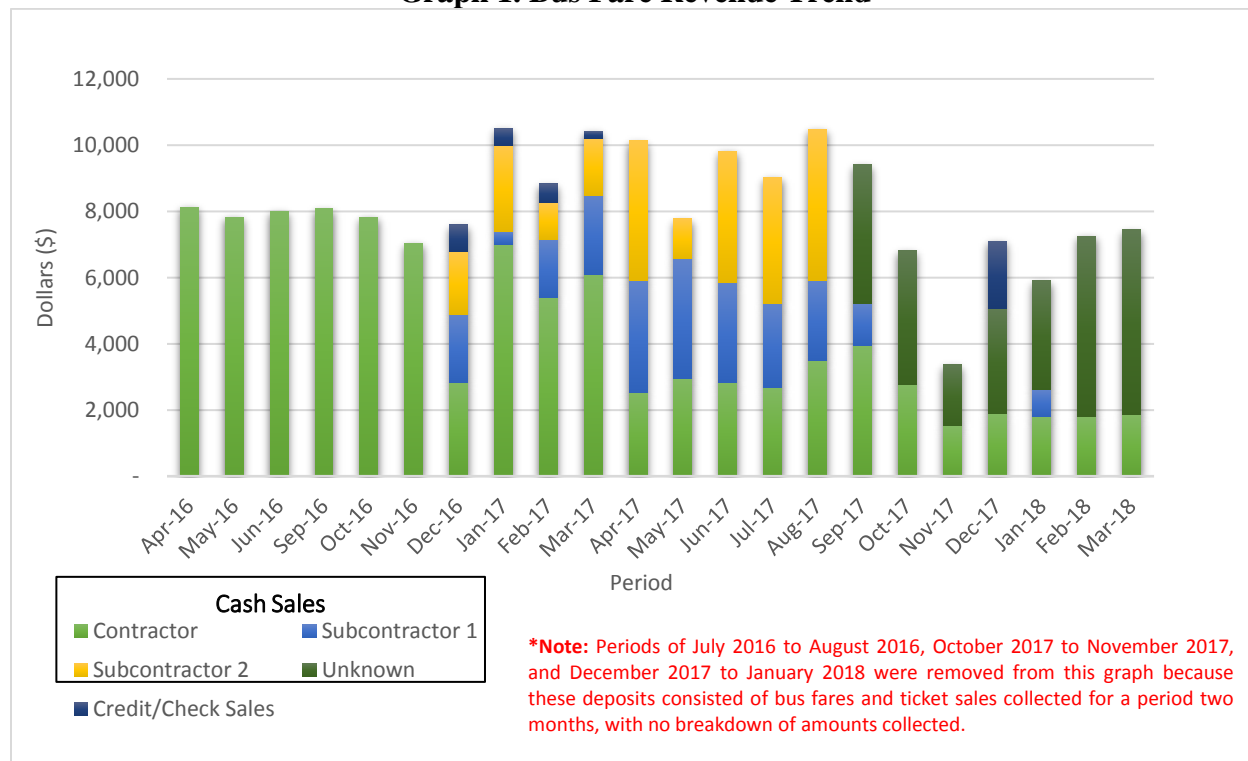
Therefore, we recommend the GRTA Executive Manager, or his designee, include specifications for the process of depositing bus fares collected by the Contractor in its formal contract, including more detailed reporting of bus fares and ticket sales (i.e., cash, check, and credit card payments) collected by the Contractor and each subcontractor to allow GRTA to reconcile against deposits. In addition, we also recommend that the GRTA Executive Manager, or his designee, assign staff to actively monitor receipts and verify the completeness of bus fare deposits.

No Monitoring or Reporting of GRTA Fund

According to 12 GCA Chapter 6 § 6204 (b) and (e), GRTA is required to be audited annually by an independent certified public accountant or the OPA, and submit an annual report of the Fund to the Governor and Legislature within 120 days after the end of the fiscal year. This is the first audit since the Fund's establishment in April 2016. In addition, GRTA has not regularly reported the Fund's activity to those charged with governance, including the GRTA Board, Governor, Legislature, or OPA.

Based on our analysis of bus fare revenues in Graph 1 below, we found significant fluctuations from April 2016 to March 2018. For example, for the two-year period, monthly deposits averaged \$8,766 between April 2016 to August 2017, and then significantly dropped to an average of \$6,754 between September 2017 to March 2018. See details of Graph 1 in Appendix 6.

Graph 1. Bus Fare Revenue Trend



The graph also illustrates fluctuations in the form of cash, checks, and credit card payments for bus fares and ticket sales, as well as fares collected from the contractor and each subcontractor, which may indicate the under-reporting of collections. In addition, some revenues were not supported by detailed information, therefore, we could not determine if the amounts were collected by the Contractor, Subcontractor 1, or Subcontractor 2 and what portion was in cash, check, or credit card. By monitoring and reporting revenues timely, management could have identified and further discussed these anomalies with the Contractor to correct errors, if any.

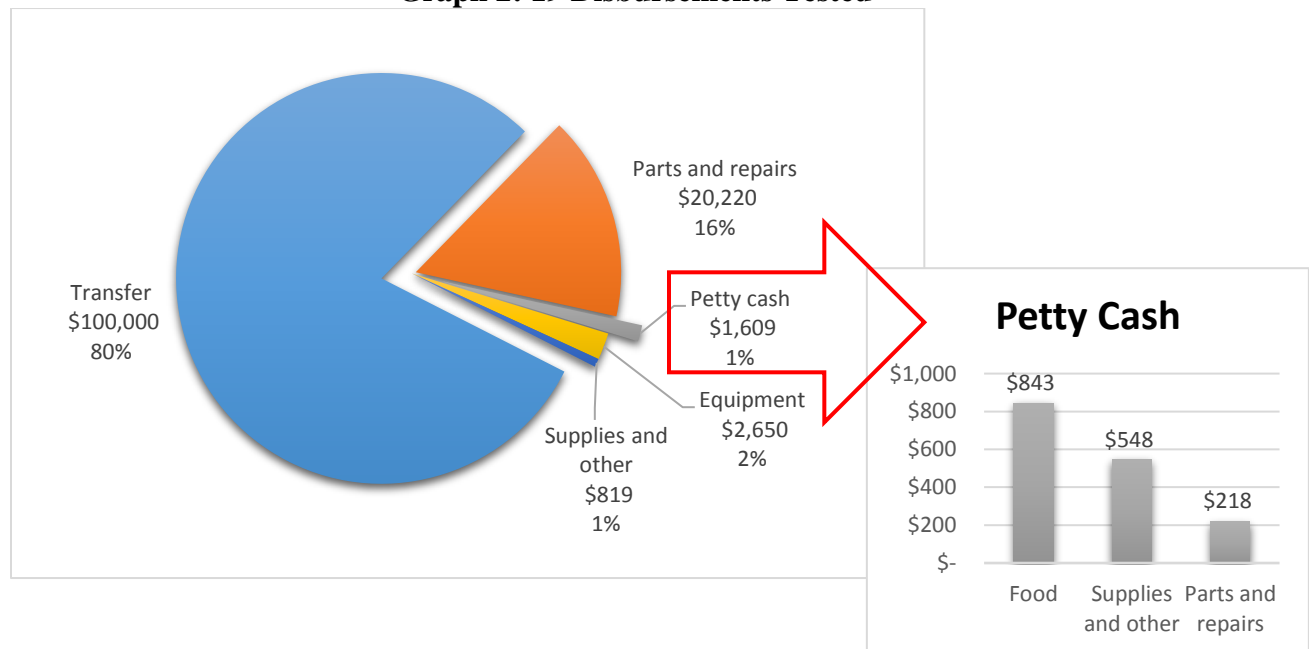
We recommend the GRTA Executive Manager, or his designee, be more transparent and accountable by reporting the Fund’s activity to those charged with governance including the GRTA Board, and if requested by the Legislature, Governor, or OPA.

No Significant Deficiencies on Disbursements

GRTA had a total of 30 disbursements from April 2016 to March 2018 totaling \$127K. We tested 19 disbursements amounting to \$125K, or 98%, and did not find significant deficiencies. However, we noted four disbursements amounting to \$689 that did not have proper approval. According to GRTA’s Administrative Officer, GRTA will adopt a form, similar to their newly adopted petty cash request reimbursement form, to remedy the lack of documented approvals.

Of the 19 disbursements, seven totaling were \$1,609 for petty cash, which consisted mainly of food, supplies, and parts and repairs. See Graph 2 below for breakdown of total disbursements and petty cash expenses.

Graph 2: 19 Disbursements Tested



Of the \$1,609 in total petty cash disbursements tested, \$843, or 52%, was used for food purchases. According to Attorney General (AG) Opinion No. 95-1340, public funds may be used for entertainment expenses for official purposes. Some common examples of official purposes include

refreshments for board or committee meetings, refreshments at a state funeral, or the grand opening celebration of a new agency office that is open to the public. Although food purchases were properly documented and justified, we caution GRTA to refer to AG Opinion No. 95-1340, which limits food purchases with government funds to entertainment expenses for official purposes. Other petty cash purchases tested included supplies and others of \$548, or 34%, and parts and repairs of \$218, or 14%.

Conclusion and Recommendations

We found that the GRTA Fund was not properly managed and accounted for in accordance with applicable laws, regulations, and best practices. GRTA management did not prioritize internal controls over the Fund to reduce risks of theft and misuse of GRTA's program income. As a result, \$55K in GRTA bus fares were not deposited into the Fund. Specifically, we found that GRTA did not:

- Adopt and maintain an accounting system for the Fund;
- Have basic control activities, such as maintaining a check register, performing monthly bank reconciliations, and having effective policies and SOPs; and
- Report the Fund's financial activity to the GRTA Board, Governor, Legislature, or OPA.

SOPs should adequately mitigate risks to the Fund by documenting the internal control responsibilities of an organization. The Fund's current SOPs do not provide a check and balance to ensure the Fund is safeguarded from misuse and theft. Management should also adopt appropriate control activities to not only reduce exposure of GRTA's program income to theft and mismanagement, but also to achieve its mission of providing reliable, accessible and cost effective public transportation services.

To improve controls over the Fund, we recommend the Executive Manager, or his designee to:

- (1) To adopt proper control activities including establishing effective policies and SOPs, maintaining a check register, and performing bank reconciliations;
- (2) Send appropriate staff to NAF management or other similar training;
- (3) Include specifications for the process of depositing bus fares collected by the Contractor in its formal contract, including more detailed reporting of bus fares and ticket sales (i.e., cash, check, and credit card payments) collected by the Contractor and each subcontractor to allow GRTA to reconcile against deposits;
- (4) Assign staff to actively monitor receipts and verify the completeness of bus fare deposits; and
- (5) Be more transparent and accountable by reporting the Fund's activity to those charged with governance including the GRTA Board, and if requested by the Legislature, Governor, or OPA.

Classification of Monetary Amounts

	Finding Description	Questioned Costs ²	Potential Savings	Unrealized Revenues	Other Financial Impact
1	No Accounting System and Lack of Basic Controls	\$ -	\$ -	\$ -	\$ -
2	\$55K in Bus Fares Not Deposited	\$ -	\$ -	\$ 55,252	\$ -
3	No Monitoring or Reporting of GRTA Fund	\$ -	\$ -	\$ -	\$ -
4	No Significant Deficiencies on Disbursements	\$ 689	\$ -	\$ -	\$ -
	Totals	\$ 689	\$ -	\$ 55,252	\$ -

² Questioned costs are expenditures of funds that are unsupported, unallowable, or otherwise improper.

Management Response and OPA Reply

We transmitted a draft report to GRTA in August 2018 and met with GRTA officials to discuss our findings and recommendations. GRTA expressed their general concurrence and provided their official response. The Executive Manager agreed with the findings except for the following:

1. *No Accounting System and Lack of Basic Controls*

The Executive Manager disagreed with this finding and stated that GRTA did not implement a standard accounting system to create standard accounting reports or perform monthly reconciliations because of the minimal amount of transactions.

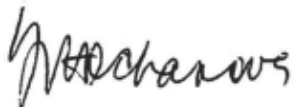
OPA Reply: Regardless of the number of transactions, GRTA should have adopted control activities, such as maintaining a check register and performing bank reconciliations. Although the Executive Manager disagreed with our finding, he stated a genuine desire to improve the Funds controls and would implement the recommendations in the report.

See Appendix 7 for GRTA's management response, which excludes Attachments B and C. These attachments will be made available to the public upon receipt of official request.

The legislation creating the Office of Public Accountability requires agencies to prepare a corrective action plan to implement audit recommendations, to document the progress of implementing the recommendation, and to endeavor to complete implementation of the recommendations no later than the beginning of the next fiscal year. We will be contacting GRTA to provide the target date and title of the official(s) responsible for implementing the recommendations.

We appreciate the cooperation given to us by the staff and management of GRTA during the course of this audit.

OFFICE OF PUBLIC ACCOUNTABILITY



Yukari B. Hechanova, CPA, CIA, CGFM, CGAP, CGMA
Deputy Public Auditor

Appendix 1:**Objective, Scope, and Methodology**

The objective of our audit was to determine whether GRTA's Fund was properly managed and accounted for in accordance with applicable laws, regulations, and best practices.

The scope of our audit was from April 2016 through March 2018.

Methodology

The audit methodology included the review of pertinent laws, rules and regulations, policies and procedures, and other relevant documents pertaining to GRTA's Fund. The work was carried out primarily at GRTA's office in the Department of Public Works compound in Upper Tumon, Guam.

We also:

- (1) Researched hotline tips and similar audit reports with the same topic.
- (2) Conducted interviews and walkthroughs with GRTA officials (Executive Manager, Administrative Officer, and Board Secretary), to gain an understanding of the Fund.
- (3) Obtained bank statements and supporting deposit slips and reports from GRTA to analyze receipts and determine total amount deposited versus the total amount reported by the Contractor. We subsequently received and analyzed additional deposits made by the Contractor for services provided in our scope. We then combined selected deposits and/or receipts for additional analyses, such as the days lapsed from the date of collection and the trend of total bus fare revenues for the entire scope period.
- (4) Obtained check disbursements to determine expenditures out of the Fund. We judgmentally selected and tested 19 out of 30 disbursements, which included 12 non-petty cash disbursements and seven petty cash disbursements.
- (5) Researched best practices to suggest for the improvement of the Fund's SOPs and control activities to safeguard the Fund from risks of misuse and theft.

Our audit was conducted in accordance with the standards for performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix 2:

Prior Audit Coverage

OPA Report No. 01-01, Guam Mass Transit Authority (GMTA) Credit Cards (Issued July 2001)

The OPA highlighted evidence that supported allegations reported in the OPA hotline that persons within the GMTA were using GMTA-issued credit cards for personal purposes.

OPA Report No. 18-01, GRTA Procurement and Billing of Public Transit Services (Issued February 2018)

The OPA reported GRTA's lack of a formal contract and diligent review and monitoring of invoices resulting in \$23K in overbilling and \$567K in unauthorized charges.

Financial Audit

Although the GRTA Fund is required by 12 GCA §6204 to be annually audited by an independent certified public accountant or by the Office of the Public Accountability, this is the first audit since its establishment in April 2016.

Other Reports, Studies, etc.

Despite becoming an autonomous agency in 2009, GRTA has yet to issue a Citizen-Centric Report outlining their mission, progress, financial information, or future challenges.

Appendix 3:**Bank Account Activity**

Month	Deposits	Withdrawals	Balance
April 2016	\$ 32,861.88	\$ 3.00	\$ 32,858.88
May 2016	-	316.64	32,542.24
June 2016	-	3.00	32,539.24
July 2016	30,082.76	3.00	62,619.00
August 2016	-	303.00	62,316.00
September 2016	-	3.00	62,313.00
October 2016	19,332.49	294.00	81,351.49
November 2016	20,207.69	3.00	101,556.18
December 2016	36.56	394.56	101,198.18
January 2017	-	776.18	100,422.00
February 2017	22,940.45	3.00	123,359.45
March 2017	4,342.99	350.72	127,351.72
April 2017	6,522.71	123.50	133,750.93
May 2017	2,964.55	100,183.42	36,532.06
June 2017	3,081.33	220.72	39,392.67
July 2017	9,667.36	3.00	49,057.03
August 2017	26,535.84	260.38	75,332.49
September 2017	20,473.62	215.92	95,590.19
October 2017	17,606.69	192.91	113,003.97
November 2017	3,531.73	330.27	116,205.43
December 2017	5,322.31	10,521.76	111,005.98
January 2018	2,779.32	10,037.55	103,747.75
February 2018	2,643.57	69.16	106,322.16
March 2018	1,869.21	20.97	108,170.40
Subtotal	\$ 232,803.06	\$ 124,632.66	\$ 108,170.40
<i>Less: Outstanding Checks</i>		2,650.00	
Total	\$ 232,803.06	\$ 127,282.66	\$ 105,520.40

Days Lapsed Before Deposited

Service Period	Contractor			Subcontractor 1			Subcontractor 2			Unknown			Total
	Amount	Date of Deposit	Days Lapsed Before Deposit	Amount	Date of Deposit	Days Lapsed Before Deposit	Amount	Date of Deposit	Days Lapsed Before Deposit	Amount	Date of Deposit	Days Lapsed Before Deposit	
April 2016	\$8,120.25	7/27/2016	88										\$8,120.25
May 2016	7,822.12	10/7/2016	129										7,822.12
June 2016	8,010.37	10/7/2016	99										8,010.37
July 2016 to August 2016	15,707.69	11/9/2016	71										15,707.69
September 2016	8,078.30	2/10/2017	133										8,078.30
October 2016	7,820.47	2/10/2017	102										7,820.47
November 2016	7,041.68	2/10/2017	72										7,041.68
December 2016							\$1,906.01	9/13/2017	256				1,906.01
January 2017							2,596.78	9/13/2017	225				2,596.78
February 2017							1,108.50	9/13/2017	197				1,108.50
March 2017							1,727.68	9/26/2017	179				1,727.68
April 2017				\$3,390.25	7/13/2017	74	4,224.85	9/26/2017	149				7,615.10
May 2017	189.52	5/31/2017	4	3,609.90	7/13/2017	43	1,206.37	10/13/2017	135				5,005.79
June 2017				3,033.40	8/22/2017	53	3,966.28	10/13/2017	105				6,999.68
July 2017				2,534.90	9/13/2017	44	3,832.10	10/13/2017	74				6,367.00
August 2017				2,422.91	9/25/2017	25	4,549.55	10/13/2017	44				6,972.46
September 2017				1,275.90	10/4/2017	4							1,275.90

Days Lapsed Before Deposited

Service Period	Contractor			Subcontractor 1			Subcontractor 2			Unknown			Total
	Amount	Date of Deposit	Days Lapsed Before Deposit	Amount	Date of Deposit	Days Lapsed Before Deposit	Amount	Date of Deposit	Days Lapsed Before Deposit	Amount	Date of Deposit	Days Lapsed Before Deposit	
October 2017	\$165.21	10/11/2017	4										\$165.21
October 2017 to November 2017										\$2,399.68	12/20/2017	20	2,399.68
November 2017	51.24	11/8/2017	4										51.24
November 2017	162.66	11/13/2017	4										162.66
November 2017	106.43	11/27/2017	5										106.43
December 2017	125.89	12/11/2017	4							1,034.45	12/20/2017	5	1,160.34
December 2017 to January 2018										980.25	1/31/2018	16	980.25
January 2018	172.28	1/19/2018	6	\$828.31	2/8/2018	8							1,000.59
February 2018	127.50	2/21/2018	4										127.50
Total	\$ 63,701.61			\$ 17,095.57			\$ 25,118.12			\$ 4,414.38			\$110,329.68

Appendix 5:

Comparison of Bus Fares Deposited and Reported

Period	Deposited	Reported by Contractor	Difference
April 2016	\$8,120.25	\$7,821.26	\$(298.99)
May 2016	7,822.12	7,565.23	(256.89)
June 2016	8,010.37	7,578.21	(432.16)
July 2016 to August 2016 ³	15,707.69	13,817.71	(1,889.98)
September 2016	8,078.30	7,858.40	(219.90)
October 2016	7,820.47	7,369.20	(451.27)
November 2016	7,041.68	6,717.46	(324.22)
December 2016	1,906.01	6,958.27	5,052.26
January 2017	2,596.78	7,086.82	4,490.04
February 2017	1,108.50	8,001.61	6,893.11
March 2017	6,070.67	9,232.50	3,161.83
April 2017	10,137.81	9,695.64	(442.17)
May 2017	7,780.82	10,128.00	2,347.18
June 2017	9,818.69	9,464.45	(354.24)
July 2017	9,034.21	8,635.18	(399.03)
August 2017	10,474.90	10,352.09	(122.81)
September 2017	5,227.89	9,197.59	3,969.70
October 2017 to November 2017 ³	6,709.90	12,099.10	5,389.20
December 2017 to January 2018 ³	6,530.16	11,109.51	4,579.35
February 2018	1,815.26	6,623.64	4,808.38
March 2018	1,869.21	7,358.63	5,489.42
Total	\$ 143,681.69	\$ 184,670.50	\$ 40,988.81

³ Periods of July 2016 to August 2016, October 2017 to November 2017, and December 2017 to January 2018 were combined because some deposits were made in a lump sum for the bus fares and ticket sales collected for this two-month period, and we could not separately identify what the amounts were for each month.

Appendix 6:

Bus Fares/Ticket Sales for April 2016 to March 2018

Period	Cash Sales				Credit/Check Sales	Total
	Contractor	Subcontractor 1	Subcontractor 2	Unknown		
April 2016	\$8,120.25					\$8,120.25
May 2016	7,822.12					7,822.12
June 2016	8,010.37					8,010.37
July 2016 to August 2016	15,707.69					15,707.69 ⁴
September 2016	8,078.30					8,078.30
October 2016	7,820.47					7,820.47
November 2016	7,041.68					7,041.68
December 2016	2,832.82 ⁵	\$2,041.45 ⁶	\$1,906.01		\$807.80	7,588.08
January 2017	7,012.51 ⁶	373.00 ⁶	2,596.78		518.70	10,500.99
February 2017	5,386.97 ⁶	1,764.30 ⁶	1,108.50		569.05	8,828.82
March 2017	6,105.01 ⁶	2,371.60 ⁶	1,727.68		221.75	10,426.04
April 2017	2,522.71	3,390.25	4,224.85			10,137.81
May 2017	2,964.55	3,609.90	1,206.37			7,780.82
June 2017	2,819.01	3,033.40	3,966.28			9,818.69
July 2017	2,667.21	2,534.90	3,832.10			9,034.21
August 2017	3,502.44	2,422.91	4,549.55			10,474.90
September 2017	3,951.99	1,275.90		\$4,189.66 ⁷		9,417.55
October 2017	2,776.49			4,030.50 ⁷		6,806.99
October 2017 to November 2017				2,399.68 ⁸		2,399.68 ⁵
November 2017	1,533.73			1,828.40 ⁷		3,362.13
December 2017	1,888.08			3,164.95 ⁹	2,050.50	7,103.53
December 2017 to January 2018				980.25 ⁸		980.25 ⁵
January 2018	1,799.07	828.31		3,273.60 ⁷		5,900.98
February 2018	1,815.26			5,435.53 ⁷		7,250.79
March 2018	1,869.21			5,568.15 ⁷		7,437.36
Total	\$ 114,047.94	\$ 23,645.92	\$ 25,118.12	\$30,870.72	\$ 4,167.80	\$ 197,850.50

⁴ These amounts were excluded from the Bus Fare Revenue Trend in Graph 1 because there was no breakdown of the amounts collected for the two month period.

⁵ These amounts were part of the additional \$14K identified by the Contractor. There was no detail to identify which portion was credit or cash sales.

⁶ Of this amount, \$1,762.02 is part of the additional \$14K identified by the Contractor. There was no detail to identify which portion was credit or cash sales.

⁷ These amounts were collections from Subcontractor 1 and Subcontractor 2, however, there was no breakdown of the amounts collected by each subcontractor.

⁸ There was no detail to determine whether this amount was received from the Contractor, Subcontractor 1 or Subcontractor 2.

⁹ Of this amount, \$2,130.50 were collections from Subcontractor 1 and Subcontractor 2, however, there was no breakdown of the amounts collected by each subcontractor. There was no detail to determine whether the remaining \$1,034.45 was received from the Contractor, Subcontractor 1 or Subcontractor 2.

GRTA Management Response



GUAM REGIONAL TRANSIT AUTHORITY Government of Guam

Eddie B. Calvo, Governor
Raymond S. Tenorio, Lieutenant Governor
Enrique Agustin, Executive Manager

P. O. Box 2896
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Telephone: (671) 475-4616 / 4685
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August 20, 2018

MEMORANDUM

TO: Deputy Public Auditor,
Guam Office of Public Accountability

FROM: Executive Manager,
Guam Regional Transit Authority

SUBJECT: OPA Audit No. 1906, GRTA NAF Audit

RECEIVED
OFFICE OF PUBLIC ACCOUNTABILITY

BY: JM

DATE: 08-20-18

TIME: 12:10 AM PM

Buenas yan Hafa Adai!

We are in receipt of the OPA Report No. 19-06, August 2018 Non-Appropriated Funds (NAF) audit and have reviewed it for content and findings.

GRTA is happy to receive our first NAF audit by the OPA, something that GRTA has been waiting for so that we may learn from the findings and improve our NAF controls, policies, and processes/procedures.

GRTA will address the four (4) central findings and hereby provide our response as follows:

Item 1. No Accounting System and Lack of Basic Controls:

GRTA response: GRTA disagrees with the findings and provide the following explanation.

GRTA Explanation: GRTA's accounting system utilized were based on bank statements, sales receipts and vendor invoices. These include purchase of food items, supplies, repair parts, and office supplies. While management could be more detailed in its accounting processes/procedures, all expenditures were disclosed and fully accounted for.

From the data compiled on all the documents above, the GRTA Administrative Officer was recording and monitoring all monthly non-appropriated fund expenditures in which bank account balances are reported to the Executive Manager in a timely manner. In addition, the bank deposits receipts provided by the transit contractor were also being monitored to ensure fare revenues were deposited regularly. GRTA uses this monitoring mechanism to insure proper controls of non-appropriated funds.

GRTA did not maintain standard accounting journals, balance sheets, income statements, and monthly bank reconciliations weren't done due to the simplicity of the account. With very few transactions to enter on the accounting ledger, the necessity to do a standard accounting system was not implemented. Therefore, as a result of this NAF audit, GRTA management will be highly recommending to the GRTA board that a book keeping or accounting firm be hired competitively to keep records of all expenditures and revenues received by this agency.

For the record, GRTA does not have accountants assigned to this agency and looks forward to receiving technical support from the OPA in regards to accounting format, required ledgers and recommendations as to which potential third party vendors are to be solicited for participation for book keeping service of the GRTA NAF checking account.

GRTA Management Response

Item 2. \$55K in bus fares not deposited

GRTA response: GRTA agrees with this finding, but with explanation for the extenuating circumstances that occurred during the audited period.

GRTA Explanation: The \$55K bus fare in question was due to several months of delay in payments to the contractor in the amount of \$760,984.00. These payments were not processed in a timely manner by DOA accounting, due to the absence of a purchase order to justify the payments to the contractor. At that time, GSA took an extended period of time to issue a supplemental purchase order in order for the contractor to be paid.

An error by GSA in the delayed issuance of the purchase order prompted the Department of Administration (DOA) Accounting Division to hold payments to the transit contractor which took several months to correct. After the ratification by GSA on the subject purchase order, DOA accounting processed the unpaid invoices for the services rendered inclusive of the prior fiscal year's invoices.

Despite the long delays in paying the contractor, they (contractor) continued providing the much needed bus services despite the financial burden imposed on them. The contractor had no recourse but to delay remitting the bus fares collected for this period since they were placed in a dire situation. The vendor had payroll to meet, vendor and supplier payments to make. When the \$760,984.00 issue was resolved to everyone's satisfaction, which took a few months, the vendor was then able to remit the original \$41K bus fare collections in question, but also, further remitted an additional \$14K for a total of \$55K.

Item 3. No Monitoring or reporting of GRTA Funds.

GRTA response: GRTA agrees but with qualifications.

GRTA Explanation: As noted by the audit team, "this was the first OPA audit since the funds and account establishment" in April 2016. For the record GRTA took proactive measures and requested both a financial audit and a performance audit back in December 2015, See attachment "A" letter to the OPA dated 24 December 2015.

While the findings of the first NAF audit was revealing and helpful, an earlier audit requested in December 2015 would have afforded and prepared GRTA for a better understanding of the nuance of establishing a NAF checking account and the detail requirement for setting up a proper accounting protocol so that GRTA may better maintain a robust accounting system for our non-appropriated fund monies.

This was the first audit for our NAF funds by the OPA, although we requested for an audit since 2015. As a result of the audit, GRTA will submit a legislative NAF fund report in a standard accounting format (format to be approved by OPA), and accompanied with a detailed written report.

Additionally, it is important to note that at no point in time were bus fare monies (cash) ever handled by any GRTA staff member, no credit card machines were available on the transit vehicles nor at the GRTA office. Drivers do not make bus fare changes on the bus, Riders pay in cash with the correct amount. Riders may utilize prepaid bus tickets in lieu of cash. Drivers turn in all bus fares collected to the contractor facility at the end of each shift. Each transit vehicle has a bus fare collection box.

Item 4. Disbursements

GRTA response: GRTA agrees with audit findings with explanations provided.

GRTA Explanation: All expenditures were properly documented and approved in accordance with the GRTA NAF Policy and Procedures. All checks will have two signatures as a means of cross check and balances. See attachment "B" GRTA NAF Policy and Procedures

GRTA is aware of the twenty three (23) year old AG Opinion paper and have complied with the original intent and spirit of the AG Opinion No. 95-1340. The \$843.24 expenses for food were for purchase of food and nonalcoholic beverages including bottled water. Please note that there were forty six (46) separate events in which the \$843.24 was expended,

GRTA Management Response

or an average expenditure per event of \$18.33. These events were for monthly board meetings, feeding of interview team members (conducting interviews for GRTA potential hires/recruitment) as well as for procurement evaluation team, evaluating the Transportation Management System bids submitted by vendors. During the GRTA monthly board meetings, food and beverages/water were consumed by the board members, GRTA staff, as well as members of the public attending the board meeting. No monies were expended for recognition of individual promotion, retirements, nor for birthdays etc. The AG opinion was followed since the NAF funds were utilized strictly for the benefit of the public, whether for board meetings, or Government interview panels and Government evaluation teams.

As noted by the audit team, \$689 did not have proper approval. GRTA's policy is that the board chair (or vice chair) and the executive manager (two people) will jointly sign checks for all disbursements. The cumulative expenses of \$689 were for vehicle maintenance services (one office vehicle), purchase of toners and cartridges for our office printers as well as for towing service to retrieve one of our large 17 passenger transit bus. These expenses are for both normal support of the administration of the GRTA office as well as for operational matters related to keeping our vehicle fleet operational. The expenses noted on the audit and paid with NAF funds were authorized expenses and is allowed and authorized (within the boundaries) by the "duties and powers" of the GRTA Executive Manager in accordance with GRTA's enabling act.

Please make "special note" that GRTA did not use any of the NAF fund monies to celebrate annual Christmas parties, nor were NAF monies spent on annual agency week such as the "Transit Week" celebrated by the previous Guam Mass Transit Authority (GMTA). Further, no NAF funds were utilized for off island travel or off island training, seminars, or conferences. Also as mentioned earlier, GRTA staff do not have access to bus fare monies.

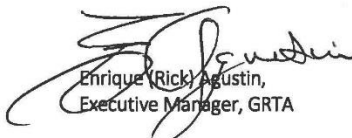
Currently, GRTA has embarked in procuring a transportation management system (TMS) software. All documents for this procurement activity has been delivered to GSA for review and guidance. One of the technology feature that GRTA is pursuing is to incorporate a "Transit Access Pass" (TAP) when procuring the transit management system software technology. See attachment "C" sample of a transit access pass (TAP) card aka transit smart card technology. This technology will allow for a cashless bus fare payment system and simplifies required data collection and reporting to the federal transit administration (FTA).

In Conclusion, the Guam Regional Transit Authority has a genuine desire to improve its Non-appropriated Fund (NAF) controls and processes by implementing the three proposed actions listed below.

1. Use NAF funds to hire a third party vendor (book keeping or accounting firm) who is familiar with the Guam OPA audit process and policies dealing with NAF fund accounting and required reports.
2. GRTA will improve controls over the NAF funds by following the five (5) recommendations made by the OPA audit team.
3. Acquire competitively a "transportation management system" (TMS) which would allow GRTA to use a transit access pass (TAP) transportation technology. This system when incorporated by GRTA will allow for a cashless transit transaction when riders utilizes the GRTA vehicles, as well as accumulate and report data required for continued support by our federal grantor.

It is GRTA's strongest desire to improve its NAF controls and accounting processes and that we thank the OPA audit team for pointing out areas in which we need to monitor and improve.

Respectfully,



Enrique (Rick) Agustin,
Executive Manager, GRTA

Attachments: A, B, and C

cc: GRTA Board Chairwoman
GRTA Board of Directors

GRTA Management Response



GUAM REGIONAL TRANSIT AUTHORITY Government of Guam

Eddie B. Calvo, Governor
Raymond S. Terorio, Lt. Governor
Enrique Agustin, Executive Manager

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December 24, 2015

COPY

Dolores Flores Brooks, CPA, CGFM
Public Auditor
Suite 401, DNA Bldg.
238 Archbishop Flores Street
Hagatna, Guam 96910

RECEIVED
OFFICE OF PUBLIC ACCOUNTABILITY

BY: JD

DATE: 12.24.15

Dear Ms. Brooks:

TIME: 11:00 AM PM

Buenas and Hafa Adai!

We are in receipt of your letter dated December 7, 2015 requesting input on areas of concern that merits attention by your office.

The Guam Regional Transit Authority (GRTA) officially requests that the office of the Public Accountability conducts both a performance audit and a financial audit within the 2nd quarter of fiscal year 2016.

GRTA is very concern that although our enabling act (P.L. 30-05) allows us to be an autonomous agency, GRTA has been marginalized and therefore not able to perform its mission effectively. We have reason to believe that two funding source namely the Guam Mass Transit Automotive Surcharge and the Liquid Fuel Tax were not fully disbursed as was intended by law and therefore has hampered the funding of bus service operations as well as the other transit related functions. Equally disturbing is that four non-transportation related agencies were allowed access to these funds.

Without proper funding and correct organizational structure as per Transit Business Plan, GRTA will not be able to provide reliable, affordable and accessible transportation to the people most in need of a robust public transit system.

Further, we believe that the Guam 2030 Transportation Plan and the Transit Business Plan identified \$20 million dollars that was provided by the Federal Highways Administration to purchase 50 transit buses as well as to build a transit maintenance facility by the year 2015.

Attachment 'A'

GRTA Management Response



GUAM REGIONAL TRANSIT AUTHORITY Government of Guam

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GRTA's management and board members anticipates that your office will honor our request for the two audits requested and that we will make ourselves available to meet with you or your designated auditor to move forward with this most urgent request.

Respectfully,

A handwritten signature in black ink, appearing to read 'Enrique Agustin'.

Enrique Agustin
Executive Manager, GRTA

One (1) Attachment

CC: GRTA Board of Directors

Appendix 8:**Status of Audit Recommendations**

No.	Addressee	Audit Recommendation	Status	Action Required
1	GRTA Executive Manager or designee	To adopt proper control activities including establishing effective policies and SOPS, maintaining a check register, and performing bank reconciliations.	OPEN	Please provide target date and title of official(s) responsible for implementing the recommendation.
2	GRTA Executive Manager or designee	Send appropriate staff to Fund management or other similar training.	OPEN	Please provide target date and title of official(s) responsible for implementing the recommendation.
3	GRTA Executive Manager or designee	Include specifications for the process of depositing bus fares collected by the Contractor in its formal contract, including more detailed reporting of bus fares and ticket sales (i.e., cash, check, and credit card payments) collected by the Contractor and each subcontractor to allow GRTA to reconcile against deposits.	OPEN	Please provide target date and title of official(s) responsible for implementing the recommendation.
4	GRTA Executive Manager or designee	Assign staff to actively monitor receipts and verify the completeness of bus fare deposits.	OPEN	Please provide target date and title of official(s) responsible for implementing the recommendation.
5	GRTA Executive Manager or designee	Be more transparent and accountable by reporting the Fund's activity to those charged with governance including the GRTA Board, and if requested by the Legislature, Governor, or OPA.	OPEN	Please provide target date and title of official(s) responsible for implementing the recommendation.



**Guam Regional Transit Authority
Non-Appropriated Funds
Report No. 18-06, August 2018**

ACKNOWLEDGEMENTS

Key contributions to this report were made by:

Ira Palero, Auditor-in-Charge
Yukari Hechanova, CPA, CIA, CGFM, CGAP, CGMA, Deputy Public Auditor

MISSION STATEMENT

**To ensure the public trust and assure good governance,
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VISION

**The Government of Guam is the model for good governance in the Pacific.
OPA is a model robust audit office.**

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**Objectivity: To have an independent and impartial mind.
Professionalism: To adhere to ethical and professional standards.
Accountability: To be responsible and transparent in our actions.**

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