



EXECUTIVE SUMMARY
Mayors' Council of Guam Non-Appropriated Funds'
Compliance with Reporting Requirements
OPA Report No. 20-06, September 2020

Our review of MCOG's Non-Appropriated Fund (NAF) financial reports for 19 municipalities and the MCOG Revolving Fund found that most Mayor's offices were unaware of the different mandated reporting requirements. Our review specifically found:

- Two villages did not submit quarterly NAF reports;
- MCOG Revolving Fund quarterly NAF reports untimely submitted;
- Annual reporting requirements for village NAFs not known and enforced;
- Two Non-Profit Organizations (NPO) did not submit required NPO financial reports; and
- Village festival reports were not consistently submitted.

Two Villages Did Not Submit Financial Reports

MCOG NAF Standard Operating Procedures §0106(4)(b)(iv) recommended quarterly reporting of NAFs to be submitted to OPA, Guam Legislature, and the MCOG Executive Director. From Fiscal Year (FY) 2017 to FY 2019, the overall village NAF revenues and expenses were \$6.2 million (M) in receipts and \$5.6M in disbursements based on the NAF quarterly reports submitted. However, these amounts only reflect 19 of the 21 NAF funds. Agana Heights and Mongmong-Toto-Maite (NPO) did not submit any NAF reports. Dededo timely submitted quarterly reports for FY 2017 through FY 2019. Other villages inconsistently submitted quarterly reports:

- Five villages (Asan-Maina, Merizo, Talofof, Tamuning-Tumon-Harmon, and Yigo) provided incomplete NAF reports; and
- 13 villages subsequently submitted all missing quarterly reports as requested.

MCOG Revolving Fund Quarterly Reports Untimely Submission

According to 5 GCA §40135.1(f), no later than 30 days after the end of *every fiscal quarter*, the *MCOG President* shall submit to the Public Auditor of Guam and the Speaker of *I Liheslaturan Guåhan* and post on its website, in written and electronic format (including, but not limited to, diskettes, CDs and email) a report making full disclosure of the MCOG Revolving Fund. Unlike the 19 municipalities and its established funds, MCOG is mandated to submit *quarterly* MCOG Revolving Fund financial reports. The MCOG Treasurer was unaware of the *quarterly* reporting requirements before the initiation of this compliance audit. As a result, FY 2017 to FY 2019 the MCOG Revolving Fund quarterly reports were submitted in May 2020 and subsequently posted on the MCOG website.

Annual Reporting Requirements for Villages NAFs Not Known and Enforced

According to 5 GCA §40135(e), each *Mayor* shall submit a financial statement at the end of each fiscal year to MCOG. Aside from the quarterly reports, we did not find any annual NAF report for each village. More than half of the village Mayor's offices were not aware of the *annual* reporting requirements. Also, proper accounting or financial reporting training could be an underlying factor to help assigned staff complete financial tasks, especially new staff. We found that staff attended regular training primarily for procurement and ethics.

Two NPOs Did Not Submit Required NPO Financial Reports

Of the 19 villages, NPOs operate the NAF of Agana Heights, Mongmong-Toto-Maite, and Tamuning-Tumon-Harmon. These NPOs have specific requirements to maintain their tax-exempt status.

According to 18 GCA §§14102 and 14103, any NPO (except strictly religious organizations) is mandated to annually publish a financial report to include a statement of its income and expenditure within 45 days of the close of its fiscal year. DRT updated the DRT Non-Profit Listing that listed tax-exempt organizations as of August 2019. According to DRT's Tax Exempt Listing, the Agana Heights NPO (Agana Heights Athletes Organization) and Tamuning-Tumon-Harmon NPO (Tatuha, Inc.) were listed. As of this report date, two villages did not submit the requested NPO financial reports.

Village Festival Reports Were Not Consistently Submitted

According to §40115.1, Mayors are granted authority to sponsor and approve concessions, festivals, fiestas, or other village events associated with the promotion of the Chamorro culture, tradition, heritage, and tourism, officially sponsored by MCOG and held within village property under the control of the Mayor or village MPC. The *village Mayor* or *Vice Mayor* will provide a report of the amount of the proceeds that is transmitted to the MPC not more than 30 days from the last day of such event to the DRT, *I Maga'lahaen Guåhan*, the Speaker of *I Liheslatura*, and OPA. However, many Mayors only submitted reports related to festivals that were frequently held. They do not submit reports for village fiestas, holiday celebrations, and memorials. From FY 2017 through FY 2019, Guam held 21 village festivals of which: three (or 14%) festival reports were fully compliant, 12 (or 57%) festival reports were partially compliant, and six (or 29%) festival reports were noncompliant.

Conclusion and Recommendations

The noncompliance of reporting requirements leads to the lack of transparency and accountability, which decreases public confidence that the Mayor's offices serve its purpose in providing equitable and prompt services to Guam's residents. NAF funds are raised under the title of a Mayor's official capacity as an elected government official. With that, Mayors and Vice Mayors should consider their role as stewards of their respective funds and the importance of proper record-keeping practices to aid in completing the required reports. To promote transparency, accountability, and public confidence in the Mayor's offices for the equitable and prompt services provided to Guam's residents, we made several recommendations to MCOG:

- MCOG Officers timely comply with the MCOG Revolving Fund quarterly reporting requirement according to 5 GCA §40135.1(f);
- MCOG Executive Director encourage the use of their NAF SOP to assist each mayor's office staff with their annual reporting requirements under 5 GCA §40135(e);
- Appropriate staff (including, but not limited to, the respective Mayors, Vice-Mayors, and Administrative Assistants) attend accounting, financial reporting, or other similar training regularly or as needed;
- Respective Mayors and/or Vice Mayors' NPOs to submit their missing NAF annual reports and comply with the NPO reporting requirements going forward;
- MCOG Executive Director to work with the Mayors and Vice-Mayors to identify what specific events in 5 GCA §40115.1 require reports; and
- Mayors and/or Vice Mayors timely submit their event reports to DRT, *I Maga'lahaen Guåhan*, the Speaker of *I Liheslatura*, and OPA.

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