

**Office of Public Accountability's
Status of Audit Recommendations**

**Analysis
As of March 31, 2010**

**OPA Report No. 10-02
May 2010**



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EXECUTIVE SUMMARY

Office of Public Accountability's Status of Audit Recommendations OPA Report No. 10-02, May 2010

Between calendar years 2001 and 2009, the Office of the Public Accountability (OPA) issued 100 audit reports that focused on fund accountability, program efficiency and effectiveness, procurement, personnel, non-appropriated funds, and suspected fraud and abuse. These audits made 505 recommendations to help improve the overall operations of the government of Guam. This report is the second on the status of the implementation of those recommendations and covers the 35 audits issued between January 2007 and December 2009, as well as older recommendations.

Our reports generally found that management's lack of understanding the importance of implementing effective internal controls (checks and balances) was the underlying cause for questioned costs and noncompliance with laws and regulations. We found ineffective billing and collection systems, loss of government revenues, lack of control procedures over non-appropriated funds, and lack of monitoring and oversight of government programs. Ultimately, management is responsible for implementing recommendations and should ensure their agencies are committed to sustaining an effective internal control environment. Elected officials and governing bodies should encourage implementation through effective oversight.

As of March 31, 2010, 460 recommendations (91%) were addressed by agency corrective action plans, the passage of legislation, or deemed no longer applicable or relevant due to changes in the auditees' system or processes. Only 45 recommendations (9%) remain open. The 100 reports collectively identified \$109.5 million (M) in financial impact, of which \$58.3M were questioned costs, \$16.3M were unrealized revenues, and \$35.9M were other financial impact as detailed in the table below.

Summary Status of OPA Audit Recommendations as of March 2010

Audit Focus	# of Reports	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact
		Closed	Open	Total				
Program Efficiency & Effectiveness	22	126	14	140	\$13,414,031	\$13,487,857	\$17,998,962	\$44,900,850
Procurement	11	52	3	55	\$23,334,115	\$ -	\$ 64,238	\$23,398,353
Fund Accountability	42	136	7	143	\$11,762,433	\$ 1,145,496	\$11,218,696	\$24,126,625
Non-Appropriated Funds	12	92	21	113	\$ 3,216,033	\$ 1,683,649	\$ 5,584,078	\$10,483,760
Personnel	8	23	0	23	\$ 4,808,093	\$ -	\$ -	\$ 4,808,093
Credit Card & Travel	5	31	0	31	\$ 1,775,442	\$ -	\$ -	\$ 1,775,442
TOTAL:	100	460	45	505	\$58,310,147	\$16,317,002	\$34,865,974	\$109,493,123

Audit Recommendations Issued Between 2007~2009

OPA audits are initiated by request, through legislative mandate, are OPA initiated, or resulting from hotline tips, spin-offs, or follow-up. Of the 35 audit reports issued between 2007 and 2009, 16 audits (46%) were legislative mandates or were required by the Legislature, 10 (29%) were at the request of government officials, seven (20%) were OPA initiated, and the remaining two were spin-off and hotline.

The 35 reports identified a total financial impact of \$35.4M and included 85 recommendations. Of these recommendations, 70 (82%) were implemented or otherwise closed by the auditees and 15 remain open. The 35 audit reports encompassed 11 specific government entities in addition to government-wide analyses and reviews. The majority of the audits focused on the following agencies:

- Department of Administration with eight audits that identified \$1.8M in financial impact;
- Department of Education with five audits that identified \$2.9M in questioned costs; and
- Department of Public Works with two audits that identified \$13.7M in financial impact.

The remaining 20 reports involved government-wide analyses and reviews, which collectively identified \$16.9M of financial impact. Of these 20 reports, 11 were mandated by law relative to the compliance reviews of quarterly financial reports. The remaining reports were of the Chamorro Land Trust Commission's commercial division, the Department of Corrections' hazardous pay and overtime, and the Guam Economic Development Authority's tax credits programs.

Status of Audit Recommendations Issued Between 2001~2006

OPA issued its first status report on audit recommendations in 2007 covering audits issued between 2001 and 2006. That first report covered 65 audit reports with 420 recommendations with a total financial impact of \$74.1M. As of March 2010, of the 420 audit recommendations, 390 (93%) have been closed; leaving 30 still open. OPA is actively working with the auditees to close these recommendations.

Conclusion

We recognize that implementing some recommendations entails cost, either directly, such as purchasing equipment or software, or indirectly, such as investing staff resources on training. However, the cost of failing to implement audit recommendations can be higher and result in long-term inefficiencies. OPA continues to send periodic reminders and follow-up letters to encourage implementation. Agency management must recognize and accept the benefits of improved controls in order for the remaining OPA recommendations to be resolved. While 1 G.C.A. § 1913 allows OPA to file actions in the Superior Court of Guam to force the implementation of the recommendations, the OPA has yet to exercise this arduous and costly remedy.



Doris Flores Brooks, CPA, CGFM
Public Auditor



Introduction

This report presents the status of audit recommendations issued by the Office of Public Accountability as of December 2009. This is the second report on the status of the implementation of audit recommendations issued in 35 audits of government of Guam agencies between January 2007 and December 2009¹, and to provide an update on recommendations issued between 2001 and 2006. The Office of the Public Accountability (OPA) issued its first status report on audit recommendations in 2007.²

The scope and methodology for this follow up on audit recommendations are detailed in Appendix 1.

Background

Audit recommendations are intended to increase efficiency and effectiveness of processes throughout the government of Guam, to enhance revenue, and to protect against the loss or misuse of government assets and resources. According to Section (§) 8.28 and 8.29 of the *Government Auditing Standards*:

“Auditors should recommend actions to correct problems identified during the audit and to improve programs and operations when the potential for improvement in programs, operations, and performance is substantiated by the reported findings and conclusions. Auditors should make recommendations that flow logically from the findings and conclusions, are directed at resolving the cause of identified problems, and clearly state the actions recommended.”

OPA’s audit recommendations to audited government agencies address a broad range of issues. OPA issued its first status report on audit recommendations in December 2007 for audit reports issued between January 2001 and December 2006. OPA maintains an internal tracking system to monitor the implementation and resolution of audit recommendations and periodically sends reminders and follow-up letters to agencies’ management to encourage implementation of OPA audit recommendations.

According to Title 1, § 1912 of the Guam Code Annotated (G.C.A.), the Executive, Legislative, and Judicial branches of the government of Guam are to prepare corrective action plans for audit recommendations, document the progress of implementation, endeavor to

¹ 1 G.C.A. § 1908 states that the Public Auditor shall, annually, audit or cause to be conducted post-audits of all the transactions and accounts of all departments, offices, corporations, authorities, and agencies in all of the branches of the government of Guam. The Public Auditor may conduct or cause to be conducted such other audits or reviews as he or she deems necessary.

² OPA Report No. 07-18.

complete implementation no later than the beginning of the next fiscal year, and to transmit this information to the Public Auditor. In addition, 1 G.C.A. § 1913 allows OPA to file actions in the Superior Court of Guam to enforce the implementation of the recommendations.

Classification of Audit Recommendations

OPA audit recommendations are classified as *open* or *closed*.

- ***Open Recommendations*** are those for which no action, incomplete action or plan of action has been made by the department or agency.
- ***Closed Recommendations*** are those for which the department or agency has taken sufficient action to implement or have been determined as no longer applicable or relevant due to changes in the system or processes.

Pursuant to 1 G.C.A. § 1913 specifically states that:

“In the event the Governor, the Committee on Rules of the Legislature, or the Presiding Judge of the Superior Court of Guam:

- a. Fails to implement the required corrective action plan; or
- b. Fails to provide a satisfactory explanation as to why such recommendations have not been implemented to the Public Auditor; or
- c. The Public Auditor has not concurred with the non-implementation on account of the provided explanation; the Public Auditor may file in the Superior Court of Guam an action for a Writ of Mandate to force the implementation of the recommendations and the attendant corrective action plan.”

Results of Review

Between January 2001 and December 2009, OPA issued 100 reports with 505 audit recommendations to help improve the overall operations of the government of Guam. As of March 2010, 460 recommendations, or 91%, have been closed through the agency's submittal of corrective action plans, the passage of legislation, or were determined to be no longer applicable under the circumstances. Only 45 recommendations, or 9%, remain open. See Table 1 below.

Table 1: Status of 2001-2009 OPA Audit Recommendations as of March 2010

Recommendations Status	Calendar Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	TOTAL
Closed	31	96	71	87	41	64	42	27	1	460
Open	0	0	6	4	8	12	9	1	5	45
Total	31	96	77	91	49	76	51	28	6	505
% Closed	100%	100%	92%	96%	84%	84%	82%	96%	17%	91%
Reports Issued	3	9	11³	14	9	19	18	10	7	100

The 100 reports collectively identified a total of \$109.5 million (M) in financial impact, of which \$58.3M were questioned costs; \$35M were other financial impact; and \$16.3M were unrealized revenues.

Audit Recommendations Issued Between 2007~2009

Between calendar years 2007 and 2009, OPA conducted 35 performance, request, spin-off,⁴ and legislatively mandated audits, which identified financial impact of \$35.4M. The reports on these audits made 85 recommendations to improve accountability and operational effectiveness and efficiency. Of the 85 recommendations, 70, or 82%, have been closed and 15 remain open, as illustrated in Table 2. Refer to Appendix 4 for details of the open audit recommendations.

Table 2: 2007-2009 Recommendations Status and Financial Impact

Recommendations Status	Calendar Year			TOTAL
	2007	2008	2009	
Closed	42	27	1	70
Open	9	1	5	15
Total	51	28	6	85
% Closed	82%	96%	17%	82%
Financial Impact	\$24,282,711	\$ 9,687,839	\$ 1,387,011	\$ 35,357,561
Reports Issued	18	10	7	35

OPA categorizes financial impact as of questioned costs, unrealized revenues, and "other".

³ One report was added which pertained to the Guam Police Department Asset Forfeiture management letter report to the former Acting Chief of Police in 2003. No recommendations and financial impact were identified.

⁴ Audits derived from existing engagements, but were separated because the findings were not aligned with the nature or objective of the original engagement.

- Questioned costs are expenditures of funds that are deemed as unsupported costs, unallowable, or otherwise improper.
- Unrealized revenues are funds that could have been collected but were not.
- Other financial impacts are amounts identified, but do not fit the other categories. Examples are potential or actual savings that an auditee could realize; tax credits that do not require appropriations or compete with the annual budget's spending priorities thus receiving higher funding priority than public education, safety, and health; unreconciled difference identified; and unreported amounts that are required to be reported by law.

The \$35.3M in questioned costs, unrealized revenues, and other financial impacts identified in the 35 audits included the Department of Public Works' (DPW) unrealized revenues of more than \$6M in for commercial tipping fees; over \$13M of government tax credits, \$2.9M in questioned costs for construction and air-conditioning at the Department of Education (DOE); \$6.7M questionable costs in DPW's landfill design contract; and \$29 thousand (K) of possible fraud with regards to the Guam Police Department's (GPD) records and identification section's revenue collections.

Of the 35 reports, 16 were conducted because of legislative mandates, 10 were conducted because of audit requests by legislators or agency heads, and seven were initiated by the OPA. The remaining two audits were initiated from a hotline tip and a spin-off.

Of the 35 reports, 19 focused on accountability of government funds, 10 on program efficiency and effectiveness, and two each on procurement, personnel, and use of non-appropriated funds. Refer to Appendix 3 for the listing of the status of audit recommendations by calendar years.

Audit Recommendations by Agencies

Overall, the 35 OPA audit reports encompassed a variety of audits, analyses, and reviews. An audit report usually has one auditee, but may include multiple recommendations to different agencies (addressee).

Department of Administration

The majority of OPA audits during 2007-2009 have been of the Department of Administration (DOA) as it is the Executive Branch's primary entity for central accounting, procurement, and human resource function. We issued eight audit reports on DOA functions. These reports identified questioned costs of \$1.8M, specifically \$1.1M in travel advances and \$700K in payments, which were not advertised and were instead sole-sourced through an addendum to an original request for proposal. The DOA reports included the following:

1. DOA Fund Transfers Pursuant to Public Law (P.L.) 28-151 (No. 07-09)
2. Government of Guam Debt Ceiling Calculation (No. 07-10)
3. Government of Guam Debt Ceiling Calculation per P.L. 29-19 (No. 07-13)
4. DOA Travel Advances (No. 07-14)

5. DOA Promissory Notes Program (No. 08-01)
6. Government of Guam Wide Overtime (No. 08-10)
7. Government of Guam Medical Referral Benefits Bank Account (No. 09-06)
8. Government of Guam's Wellness Benefits (No. 09-07)

Of the 16 audit recommendations made to DOA, only one remains open as of March 2010. The remaining open recommendation is from the wellness benefits audit issued in December 2009. OPA is in communication with DOA and other government officials to address the recommendation.

Department of Education

Five audits of the Department of Education (DOE) identified \$2.9M in questioned costs and 10 recommendations were made to initiate changes in procurement policies and practices and textbook management. DOE addressed all 10 recommendations and all recommendations are considered closed. The DOE reports issued were:

1. GPSS⁵ Fiscal Year (FY) 2007 Cash Disbursement Schedule (No. 07-01)
2. GPSS Follow-Up of FY 2007 Payroll Analysis (No. 07-03)
3. GPSS FY 2008 Payroll Analysis (No. 08-03)
4. GPSS Procurement of Construction and Air-conditioning (No. 08-04)
5. GPSS Textbook Management (No. 08-09)

Department of Public Works

Two audits of the Department of Public Works (DPW) identified \$13.7M in financial impact and made 15 recommendations to improve procurement practices and the process for collecting commercial tipping fees. The DPW audit reports were:

1. DPW Commercial Tipping Fees (No. 07-08)
2. DPW Landfill Design Contract (No. 08-06)



Of the 15 recommendations, five were sufficiently addressed by DPW and are considered closed. Five more were closed due to an on-going follow-up audit on DPW's procurement wherein similar issues will be assessed as part of the audit. The remaining five recommendations were closed as a result of the placement of DPW's solid waste management under federal receivership in March 2008. The U.S. District Court of Guam appointed with Gershman, Brickner, and Bratton as federal receiver with full power to assume all the

⁵ P.L. 30-50 renamed the Guam Public School System (GPSS) as the Guam Department of Education (DOE). At the time the listed reports were issued, the auditee was still referred to as GPSS.

responsibilities and functions of solid waste management island wide and to enforce the terms of the Consent Decree.

The remaining 20 reports were government-wide analyses and reviews which collectively identified \$16.9M of financial impact. Of the 20 reports, 11 were legislatively mandated compliance reviews of quarterly financial reports. Other reports pertained to Chamorro Land Trust Commission’s (CLTC) commercial division, Department of Corrections’ (DOC) hazardous pay and overtime, Guam Economic Development Authority’s (GEDA) tax credits programs, and Guam Police Department’s (GPD) revenue collections.

Reports by Audit Initiation

Of the 35 audits examined for this review, 16 or 46% were mandated by law, 10 (29%) were undertaken at legislative and executive branch requests, seven (20%) were OPA initiated, and the remaining two were spin-off and hotline.

Table 3: Status of OPA Audit Recommendations by Audit Initiation

Type of Audit	# of Reports	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact
		Closed	Open	Total				
Mandate	16	14	4	18	\$ -	\$ 305,472	\$ -	\$ 305,472
Request	10	18	1	19	\$ 922,626	\$6,484,259	\$ -	\$ 7,406,885
OPA Initiated	7	34	0	34	\$ 9,658,092	\$ -	\$ 1,128,737	\$10,786,829
Spin-Off	1	4	9	13	\$ 797,867	\$ -	\$ 15,360,720	\$16,158,587
Hotline	1	0	1	1	\$ 699,788	\$ -	\$ -	\$ 699,788
TOTAL:	35	70	15	85	\$12,078,373	\$6,789,731	\$ 16,489,457	\$35,357,561

Mandated Audits:

1. GPSS FY 2007 Cash Disbursement Schedule (No. 07-01)
2. GPSS FY 2007 Follow-Up of FY 2007 Payroll Analysis (No. 07-03)
3. GPSS FY 2008 Payroll Analysis (No. 08-03)
4. GPSS Textbook Management (No. 08-09)
5. CLTC Commercial Division (No. 09-03)
6. 11 Quarterly Financial Reporting Requirements Reports for FY 2007~2009
 - 5 reports for FY 2007 (Nos. 07-04, 07-07, 07-11, 07-16, and 07-17)
 - 4 reports for FY 2008 (Nos. 08-02, 08-05, 08-07, and 09-01)
 - 2 reports for FY 2009 (Nos. 09-02 and 09-05)

Audit Requests:

1. Office of Attorney General’s (OAG) Financial Condition and Historical Data (No. 07-02)
2. Government of Guam Retirement Fund (GGRF) Cost of Living Allowance (No. 07-05)

3. Department of Public Health and Social Services (DPHSS) Government of Guam Association of Retired Persons Servicio Para I Man'Amko (GGARP/SPIMA) Bingo Activities (No. 07-06)
4. DPW Commercial Tipping Fees (No. 07-08)
5. DOA Fund Transfers Pursuant to P.L. 28-151 (No. 07-09)
6. Government of Guam Debt Ceiling Calculation (No. 07-10)
7. Government of Guam Debt Ceiling Re-Calculation Per P.L. 29-19 (No. 07-13)
8. GPD Records and Identification Section's Revenue Collections (No. 08-08)
9. DOC Overtime and Hazardous Pay (No. 09-04)
10. Government of Guam Medical Referral Benefits Bank Account (No. 09-06)

OPA Initiated Audits:

1. Government of Guam Vehicle Fleet Inventory (No. 07-12)
2. DOA Travel Advances (No. 07-14)
3. OPA's Status of Audit Recommendations as of July 31, 2007 (No. 07-18)
4. DOA Promissory Notes Program (No. 08-01)
5. GPSS Procurement of Construction and Air-Conditioning (No. 08-04)
6. DPW Landfill Design Contract (No. 08-06)
7. Government of Guam Wide Overtime (No. 08-10)

Hotline Audit:

1. Government of Guam's Wellness Benefits (No. 09-07)

Spin-off Audit:

1. Government of Guam's Tax Credit Programs (No. 07-15)

Reports by Audit Focus

Of the 35 audits, 85 recommendations to improve program efficiency and effectiveness were issued as follows:

- 48 recommendations (10 reports) focused on program efficiency and effectiveness
- 14 recommendations (2 reports) on procurement
- 12 recommendations (19 reports) on fund accountability
- 9 recommendations (2 reports) on non-appropriated funds
- 2 recommendations (2 reports) on personnel

Table 4: Status of OPA Audit Recommendations by Audit Focus

Audit Focus	# of Reports	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact
		Closed	Open	Total				
Program Efficiency & Effectiveness	10	34	14	48	\$ 1,982,471	\$6,786,051	\$16,489,457	\$25,257,979
Procurement	2	14	0	14	\$ 9,658,092	\$ -	\$ -	\$ 9,658,092
Fund Accountability	19	12	0	12	\$ -	\$ -	\$ -	\$ -
Non-Appropriated Funds	2	8	1	9	\$ 56,059	\$ 3,680	\$ -	\$ 59,739
Personnel	2	2	0	2	\$ 381,751	\$ -	\$ -	\$ 381,751
TOTAL:	35	70	15	85	\$ 12,078,373	\$6,789,731	\$16,489,457	\$35,357,561

Program Efficiency and Effectiveness

OPA issued 10 reports with 48 recommendations (56%) that focused on program performance and identified total financial impact of \$25.3M. Of the 48 recommendations, 34 have been closed and 14 remain open.

We generally found that the lack of internal controls caused many programs to fall short of accountability. Inefficiencies noted included inadequate billing and collection; loss of revenue; lack of monitoring; repetitive manual processes; and insufficient training. Table 5 illustrates the status of the recommendations from the 10 reports and financial impact.

Table 5: Recommendations Status of Program Efficiency & Effectiveness Audits

Report No.	Auditee	Report Title	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact
			Closed	Open	Total				
07-15	GEDCA ⁶	Government of Guam's Tax Credit Programs	4	9	13	\$797,867	-	\$15,360,720	\$16,158,587
07-08	DPW	DPW Commercial Tipping Fees	9	0	9	\$484,816	\$6,480,579	-	\$6,965,395
07-14	DOA	DOA Travel Advances	10	0	10	-	-	\$1,128,737	\$1,128,737
09-07	DOA	Government of Guam's Wellness Benefits	0	1	1	\$699,788	-	-	\$ 699,788
09-03	CLTC	CLTC Commercial Division	0	4	4	-	\$ 305,472	-	\$ 305,472
07-12	Government of Guam	Government of Guam Vehicle Fleet Inventory	6	0	6	-	-	-	-
07-18	OPA	OPA's Status of Audit Recommendations as of July 31, 2007	0	0	0	-	-	-	-
08-01	DOA	DOA Promissory Notes Program	2	0	2	-	-	-	-

⁶ With the passage of P.L. 29-113, the Guam Economic Development and Commerce Authority (GEDCA) was renamed back to Guam Economic Development Authority (GEDA). At the time OPA Report No. 07-15 was issued, the auditee was still referred to as GEDCA.

Report No.	Auditee	Report Title	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact
			Closed	Open	Total				
08-09	GPSS	GPSS Textbook Management	2	0	2	-	-	-	-
09-06	Government of Guam	Government of Guam Medical Referral Benefits Bank Account	1	0	1	-	-	-	-
Total:			34	14	48	\$1,982,471	\$6,786,051	\$16,489,457	\$25,257,979

Examples⁷ of findings from program efficiency and effectiveness reports include:

- OPA Report No. 07-15, Government of Guam Tax Credit Programs, identified \$23.6M in tax credits authorized in public laws, of which \$6.3M has been applied against tax revenues. The government's spending priorities are distorted because tax credit programs do not require appropriations or compete with the annual budget's spending priorities and, in effect, receive a higher funding priority than public education, safety, and health. Furthermore, revenues forgone through tax credit programs increase the overall deficit of the government of Guam because cash is diverted to special interest programs and not received to fund existing programs.

We found that GEDA processed tax credits without analyzing the costs and benefits of the programs. Specifically, GEDA authorized tax credits of \$6.6M for the Raceway Park, \$1M for the Paseo Stadium and \$566K for the Soccer Stadium without ensuring that laws, rules, and regulations were followed. We also found that GEDA authorized \$231K in excess tax credits.

- DPW Commercial Tipping Fees audit, OPA Report No. 07-08, found that commercial tipping fees were not properly applied, billed, and collected. As a result, the following deficiencies were identified:
 - Inefficient billing and collection processes;
 - \$3.6M in commercial tipping fee receivables as of January 31, 2007, of which \$2.4M or 65% are over 120 days old.
 - \$484K in receivable discrepancies occurred due to the lack of reconciliation by commercial haulers with DOA records
 - \$46K in receivables from other commercial haulers (OCH) were not being monitored as of January 31, 2007
 - Between October 2003 and January 2007, an estimated \$4M in revenues were lost due to approximately 12,000 residential customers who may not have paid, been billed, or provided services.
- The DOA Travel Advances audit, OPA Report No. 07-14, noted a continued disregard of travel policies resulting in an increase of uncleared travel advances. Travel policies were not updated and department heads did not adequately monitor travelers. As a

⁷ These examples may not necessarily tie back to the Table 5, which indicates the total financial impact amounts.

result, travel advances of \$1.1M were not cleared as of December 31, 2006, compared to \$113K in 1995. We also noted that DOA's AS400 system reflected \$203K in recorded travel advances for which no specific departments were charged and travelers' names no longer matched payroll records.

- The Wellness Benefits audit, OPA Report No. 09-07, found that the government of Guam paid a total of \$700K through its Group Health Insurance provider, for the Wellness Benefits. Of the total, \$203K was paid for wellness center services and \$496K was paid for physical fitness center services, which was not advertised and sole-sourced addendum to an original request for proposal.
- In OPA Report No. 09-03, CLTC Commercial Division, we found that CLTC lacks the management and control systems, procedures, and assigned staff to adequately attend to the task of issuing commercial properties. Although the Land Trust Act was intended to advance the wellbeing of the Chamorro people, more than 60% of the lands awarded by CLTC over the past three fiscal years have been for commercial purposes.
 - Commercial Licenses: CLTC issued licenses for 106 acres (428,967 square meters) at seven cents per annum to 10 commercial applicants.
 - Agricultural and Residential Leases: CLTC issued leases for only 62 acres (250,905 square meters) to 60 agricultural and residential lease applicants.

In addition, CLTC's accounts receivable listing showed \$305K past due, some dating back to 2005. CLTC management and board have not resolved these delinquencies which account for nearly 50% of their average annual revenues.

- In the government of Guam Vehicle Fleet Inventory, OPA Report No. 07-12, we found that DPW failed to maintain a current, accurate, and complete inventory of motor vehicles owned or leased by the government of Guam. Specifically, DPW, DOA, Department of Revenue and Taxation (DRT), and individual agencies maintain independent vehicle records without efforts to reconcile to each other.



Image 2: Government vehicle registered to GPD with license plate no. 4055 found in the DOC compound but still listed as active under the DPW and GPD vehicle inventory.

DPW, the designated keeper of all vehicle records, has not strictly required agencies to submit documents for proper recording of the registration, transfers, and surveying or

disposal of their vehicles. Due to this lack of coordination, the government vehicle inventory continues to be incomplete and unreliable.

Our recommendations to improve program efficiency and effectiveness included:

1. Establishing proper rules and regulations to ensure the programs are monitored and tax credits are not approved in a perfunctory manner;
2. Establishing procedures to indicate a billing and payment cycle for commercial haulers;
3. Following best practices of travel advances;
4. Designating an entity to be responsible for monitoring the Wellness Benefits;
5. Developing a land use plan and written collection policies and procedures for commercial licenses; and
6. Enhancing vehicle records database to include an appropriate archive system.

Procurement

OPA issued two reports with 14 recommendations and found that procurement issues continue to be a major finding, not only in OPA audits, but also in the financial audits of nearly all government of Guam entities. The OPA reports identified total questioned costs of \$9.6M. All 14 recommendations were addressed by the auditees.

Procurement findings were as follows:

- In the GPSS Procurement of Construction and Air-Conditioning audit, OPA Report No. 08-04, we identified \$2.9M in questionable costs. Specifically, we found:
 - \$694K of construction and air-conditioning emergency procurement did not have the required three price quotations.
 - \$195K was awarded several months after the 30-day emergency period.
 - \$843K appeared to be artificially divided into smaller portions in order to remain within the small purchase threshold and to avoid the required competitive sealed-bid and approval process.
 - The procurement records for four purchase orders totaling \$751K to one vendor were missing.
- In the audit of the DPW Landfill Design Contract, OPA Report No. 08-06, we found that DPW did not have controls to ensure that the landfill design contract was procured according to Guam procurement laws and regulations, or administered to comply with contract provisions and best practices. In addition, the procurement files and documentation were not maintained as required by law. As a result, OPA identified questioned cost of \$6.7M.

A thorough understanding of the government procurement process remains disjointed, as evidenced by the actions of agency heads and appointed procurement officials.



Image 3: Procurement outreach training conducted at the General Services Agency by OPA.

To improve the procurement process, our recommendations included (1) establishing written policies and procedures to ensure appropriate separation of duties for procurement activities and other procurement internal control activities; (2) ensuring that all pertinent procurement documentation is maintained in agency files; and (3) providing procurement training to ensure that procurement personnel are knowledgeable of Guam procurement laws and regulations. To this end, OPA prepared and

conducted three procurement training sessions at General Services Agency (GSA), Guam Memorial Hospital Authority (GMHA), and DOE in 2009.

Fund Accountability

OPA issued 19 reports and made 12 recommendations to address deficiencies in how government funds were expended. Of the 19 reports, 11 were mandated quarterly financial reporting requirements, and the remaining eight were analyses and audits. All 12 recommendations were aimed at improving financial reporting, but were later disregarded because the Budget Act of FY 2010, P.L. 30-55, eliminated the requirement for agencies to submit quarterly financial reports.

Our recommendations to improve fund accountability included:

1. Establishing controls to ensure that all receipts are properly accounted for and used only for established purposes;
2. Using accounting software to manage data and prepare financial reports; and
3. Complying with legislative mandates to submit monthly, quarterly, and annual financial reports.

Non-Appropriated Funds

OPA issued two reports with nine recommendations focused on government agencies that manage non-appropriated funds, i.e., checking accounts that are not subject to legislative review, oversight, and appropriations. Our audits identified a financial impact of \$60K, of which \$56K were questioned costs and \$4K were unrealized revenues. Of the nine recommendations, eight have been closed and one remains open. Table 6 illustrates recommendations status of these reports, sorted by the total financial impact.

Table 6: Recommendations Status of Non-Appropriated Funds Audits

Report No.	Auditee	Report Title	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact
			Closed	Open	Total				
07-06	DPHSS	DPHSS Government of Guam Association of Retired Persons Servicio Para I Man'Amko (GGARP/SPIMA) Bingo Activities	5	0	5	\$ 26,312	\$ 3,680	-	\$ 29,992
08-08	GPD	Evaluation of Guam Police Department Records and Identification Section's Revenue Collections	3	1	4	\$ 29,747	-	-	\$ 29,747
Total:			8	1	9	\$ 56,059	\$ 3,680	-	\$ 59,739

Our audit found that management did not provide sufficient review, oversight, and monitoring to ensure that funds were properly accounted. In addition, untrained employees were given complete control over cash receipts and disbursements, thereby heightening the risk of misappropriation and fraud.

- In OPA Report No. 07-06, DPHSS Government of Guam Association of Retired Persons Servicio Para I Man'Amko (GGARP/SPIMA) Bingo Activities, we found a lack of control procedures over the cash derived from bingo activities.
 - DPHSS failed to monitor bingo revenues on a regular basis or take proactive measures to ensure effective administration and the proper handling of cash generated from bingo games.
 - GGARP/SPIMA does not reconcile the gross cash collected from bingo games to the number of bingo cards being played to determine whether the gross amount collected is correct. Between February 2004 and September 2006, the 10% bingo and miscellaneous cash recorded in the collection logs totaled \$297,924; however, bank deposits reflected only \$278K, a difference of \$20K over a 32-month period.
 - GGARP/SPIMA management inappropriately expended \$4K of bingo revenues for an annual senior citizen health fair without approval from the Board or the Senior Citizens Council.

- In OPA Report No. 08-08, GPD's identification section's revenue collections, an employee was suspected and arrested in August 2008 for the theft of property held in trust, tampering with records, and official misconduct. The employee was terminated in September 2008.
 - We determined that between October 2007 and July 2008, \$30K were not reported to the Treasurer of Guam and deposited.

- The Administration Division management did not provide sufficient review, oversight, and monitoring of the Records and ID Section. With no oversight, the terminated employee overrode the collection, reconciliation, deposit, and record keeping functions. The lack of internal controls created an opportunity for the theft of government of funds.

The OAG subsequently indicted the individual suspected of the theft of property and the criminal trial is scheduled in July 2010.

The lack of training for personnel handling cash and allowing one person to handle cash, from receiving, reporting, and depositing, violated the basic principle of separation of duties. These factors heightened the risk for cash to be misused or misappropriated.

OPA recommendations to improve the management of non-appropriated funds included developing and/or updating policies and procedures related to receipts and disbursements; documenting all deposits, transfers, and disbursements; providing training opportunities for staff managing non-appropriated funds; and utilizing an accounting software.

Personnel

OPA issued two reports with two recommendations pertaining to government of Guam overtime. These reports identified questioned costs of \$382K. Both recommendations were addressed. Examples of findings from our reports include:

- Although no financial impact was identified, the Government of Guam Wide Overtime audit, Report No. 08-10, revealed that the government expended \$40M in overtime compensation between FY 2003 and 2008. Of this amount, \$35M, or 88%, was incurred by GPD, Guam Fire Department (GFD), and DOC. We found that overtime among like positions in these agencies was inequitably distributed and overtime payments were made up to five months late. The overtime accrued in these agencies is substantially higher than other U.S. cities. By comparison:
 - GPD: Police departments in U.S. cities averaged 4.1%, ranging from a low of 0.5% in Fort Worth, Texas, to a high of 6.4% in El Paso, Texas, and Virginia Beach, Virginia. GPD overtime is more than double this percentage and averaged 15% of its total personnel cost over the last six fiscal years.
 - GFD: Overtime for fire departments in other U.S. cities averaged 7.5%, and ranged from a low of 3.2% in Phoenix, Arizona, to a high of 12.5% in Las Vegas, Nevada. Again, GFD's average was higher, spending 16% of its total personnel costs over the last six fiscal years.
 - DOC: We did not find comparable overtime benchmarks for correction agencies, but did find that DOC's overtime costs were notably higher than either GPD or GFD, averaging 21% of its total personnel costs over the last six fiscal years.
- In OPA Report No. 09-04, DOC's Overtime and Hazardous Pay, we found that despite the overtime caps implemented by management, DOC continued to incur overtime. Again, we noted inequitable distribution of overtime. Between October 2008 and May

2009, DOC paid \$897K in overtime to 191 employees. Nearly 90% or \$795K was paid to five DOC positions. OPA identified questioned cost of \$382K as follows:

- o DOC continues to incur overtime accumulating to \$151K as of May 2009, despite the overtime caps implemented by management.
- o We estimated that DOC expended \$231K in hazardous pay since 2005, to employees not in a life-threatening environment.

Our recommended the heads of GPD, GFD, and DOC establish preventive measures and safeguards to ensure that overtime is justified, equitably distributed, monitored, and controlled.

Status of Open Audit Recommendations from Audits Issued Between 2001~2006

Between 2001 and 2006, OPA issued 65 reports with 420 audit recommendations to improve government operations. These reports identified financial impacts of \$74.1M. As of March 2010, of the 420 audit recommendations, 390 (93%) have been closed through corrective action, passage of legislation, or were deemed no longer applicable. Of the 30 recommendations remaining open, six are from 2003, four are from 2004, eight are from 2005, and 12 are from 2006, as illustrated in the table below. All the recommendations issued in 2001 and 2002 have been closed. Refer to Appendix 4 for recommendation details.

Table 7: Open Audit Recommendations between CY 2001 and 2006

Calendar Year	Report No.	Report Title	Recommendations		
			Closed	Open	Total
2003	(1) 03-06	GPD Asset Forfeiture Fund	10	3	13
	(2) 03-10	GFD's Enhanced 911 Emergency Reporting System Fund	8	3	11
	2003 Subtotal:		18	6	24
2004	(3) 04-13	DOA Dededo Buffer Strip Revolving Fund	7	1	8
	(4) 04-14	GSA Competitive Sealed Bidding, Sole Source, & Emergency Procurement Functions	6	3	9
	2004 Subtotal:		13	4	17
2005	(5) 05-04	Dededo Mayor's Office Non-Appropriated Funds	3	7	10
	(6) 05-09	CLTC Non-Appropriated Funds	8	1	9
	2005 Subtotal:		11	8	19
2006	(7) 06-05	Supreme Court of Guam, OPG's Ward Trust Accounts	2	6	8
	(8) 06-16	GALC Non-Appropriated Funds	1	6	7
	2006 Subtotal:		3	12	15
TOTAL:			45	30	75

OPA is working with the auditees to close the remaining 30 open recommendations as discussed below. Refer to Appendix 4 for detailed status of the open recommendations.

- OPA will conduct follow-up audits on open audit recommendations and similar issues identified will be included in the OPA audit plan for the following:
 1. GPD Asset Forfeiture Fund (No. 03-06)
 2. GFD's Enhanced 911 Emergency Reporting System Fund (No. 03-10)
 3. DOA Dededo Buffer Strip (DBS) Revolving Fund (No. 04-13)
 4. GSA Competitive Sealed Bidding, Sole Source, & Emergency Procurement Functions (No. 04-14)
 5. Dededo Mayor's Office Non-Appropriated Funds (No. 05-04)
- OPA is currently coordinating with CLTC on the issuance of their audit services request for proposal (No. 05-09).
- OPA is scheduled to conduct a walkthrough of the Public Guardian's ward trust accounts process with the Superior Court of Guam (No. 06-05).
- OPA is scheduled to observe and conduct a walkthrough of GALC's non-appropriated fund accounts processes (No. 06-16).

Management's Lack of Understanding of Internal Controls

Our reports generally found that the lack of understanding among government managers of the importance of implementing effective internal controls (checks and balances) remains the underlying cause for questioned costs and noncompliance with laws and regulations. We found ineffective billing and collection systems, loss of government revenues, a lack of control procedures over non-appropriated funds, and lack monitoring and oversight over government programs, i.e., CLTC properties, government of Guam vehicle fleet inventory, and travel advances.

Effective internal controls provide reasonable, not absolute, assurance that errors or fraud will be prevented or detected in a timely manner. Government managers, not auditors, have a fundamental responsibility to develop and maintain effective internal control within their agencies so that goals and objectives are met, and resources are safeguarded and used economically and efficiently. Management is also responsible for ensuring the organization is committed to sustaining an effective internal control environment. However, everyone within an organization, including the governing body, internal auditors, and other personnel, are responsible for good internal control.



Image 4: The Committee of Sponsoring Organizations Internal Control Framework.

Conclusion

Between January 2001 and December 2009, OPA issued 100 reports with 505 audit recommendations to help improve the overall operations of the government of Guam. To date, 91%, 460 recommendations, have been closed through the agency's actions or submittal of corrective action plans, the passage of legislation, or were determined by OPA to be no longer applicable under the circumstances. As of March 2010, 45 recommendations (9%) remain open: 30 recommendations were from audits between 2003 and 2006; and 15 recommendations from audits between 2007 and 2009.

OPA continues to provide periodic reminders and follow-up letters to agencies' management to encourage implementation. For the remaining open OPA recommendations to be resolved, management must accept the responsibility for, and recognize the benefits of, improving controls and implementing the recommendations. While 1 G.C.A. § 1913 allows OPA to file actions in the Superior Court of Guam to enforce the implementation of the recommendations, the OPA has yet to exercise this arduous and costly remedy. Audit recommendations are discussed with the auditees to determine their reasonableness and feasibility prior to report issuance.

We recognize that implementing some recommendations may entail cost, either directly (purchasing equipment or software) or indirectly (investing staff resources on training), but the consequences of not implementing recommendations can result in continued inefficiencies and increased costs in the long-term.

Considering the magnitude of the government of Guam's fiscal deficit (\$415.5M as reported in FY 2008) and cash flow issues, agency directors and administrators must be more diligent in improving controls over the efficient use of government resources and revenue collections. While management is responsible for implementing recommendations, it is the responsibility of elected officials and governing bodies to encourage implementation through effective oversight. We look forward to working with the agencies in resolving the remaining outstanding audit recommendations.

OFFICE OF PUBLIC ACCOUNTABILITY



Doris Flores Brooks, CPA, CGFM
Public Auditor

Appendix 1: Scope and Methodology

We reviewed the documentation submitted to OPA pertaining to the audit issued from January 1, 2001 through December 31, 2009. We also reviewed the recommendations follow-up database maintained and updated periodically by OPA staff. The internal database was used to summarize the status of audit recommendations as of March 31, 2010.

The following factors are considered prior to initiating audits: (1) enhancement of accountability systems and transparency of government operations; (2) Inherent risks and results of risk assessments; (3) increasing efficiency, effectiveness, and performance of public services; (4) improvement of public policies and operational practices; (5) financial impact; and (6) social impact.

OPA audits are initiated through several methods:

- *Request*: Audits can be initiated at the written request of government officials.
- *Legislative Mandate*: These audits are mandated by laws and require OPA to conduct specific audits, reviews, or analyses.
- *OPA Initiated*: These audits are internally initiated resulting from consideration of risk factors prior to initiating audits.
- *Hotline*: These audits are initiated from hotline tips, which are integral to OPA's ability to further its mission of "*auditing for better government.*"⁸
- *Spin-Off*: These audits are derived from existing engagements, but were separated because the findings were not aligned with the nature or objective of the original engagement.
- *Follow-Up*: These audits are based on whether an entity implemented the recommendations made in a previously issued audit report.

Although some reports may discuss deficiencies and related financial impact amounts, the deficiencies may not have been part of the original audit focus. For example, a report on program efficiency and effectiveness may also discuss procurement and personnel issues, which came to the attention of OPA. The financial impact amounts accounted for in this report consist of the original amounts identified from the time the respective OPA reports were issued. They do not reflect the reduction of financial impact amounts when recommendations are closed.

We conducted this performance audit in accordance with generally accepted government auditing standards contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States of America. These 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.

⁸ To submit a hotline tip or citizen's concern: call our hotline at 671-47-AUDIT (671-472-8348); visit our website at www.guamopa.org; visit us in person; or mail your request to 238 Archbishop Flores St., Suite 401 DNA Bldg., Hagatna, Guam 96910. Information will be held in strict confidence.

Appendix 2:
2001~2009 Financial Impact Summary

Calendar Year	Questioned Costs	Unrealized Revenues	Other Financial Impact *	Total Financial Impact
2001	\$ 354,490	\$ -	\$ -	\$ 354,490
2002	\$ 3,326,827	\$ 145,496	\$ 5,973	\$ 3,478,296
2003	\$ 20,262,045	\$ 2,495,850	\$ 4,070,292	\$ 26,828,187
2004	\$ 13,102,656	\$ 2,602,595	\$ 655,802	\$ 16,361,053
2005	\$ 2,434,330	\$ 1,045,536	\$ 2,706,022	\$ 6,185,888
2006	\$ 6,751,426	\$ 3,237,794	\$ 10,938,428	\$ 20,927,648
2007	\$ 1,308,995	\$ 6,484,259	\$ 16,489,457	\$ 24,282,711
2008	\$ 9,687,839	\$ -	\$ -	\$ 9,687,839
2009	\$ 1,081,539	\$ 305,472	\$ -	\$ 1,387,011
Total:	\$ 58,310,146	\$ 16,317,002	\$ 34,865,974	\$ 109,493,123

* Note: Savings Identified were included as part of Other Financial Impact.

Appendix 3:

OPA Audit Recommendations Status by Report Number 2007~2009

Report No.	Auditee *	Report Title	Issue Date	Initiated By	Audit Focus**	Deficiency	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact	
							Closed	Open	Total					
1	07-01	GPSS	GPSS FY 2007 Cash Disbursement Schedule	Feb-07	Mandate	FA	· Increase in labor costs and personnel despite \$42.1M deficit and \$53.4M in liabilities as of FY 2005 · Overspent budgeted expenditures by \$23.2M	0	0	0	\$	-\$	-\$	-\$
2	07-02	OAG	OAG Financial Condition & Historical Data	Mar-07	Request	FA	· Of the \$8.1M appropriated to the OAG, \$2.5M was expended leaving only 31% or \$5.6M available. · OAG has \$6.5M in total federal appropriations. For the first four months in FY 2007, OAG was allotted \$4.4M or 68% of the \$6.5M appropriated.	0	0	0	\$	-\$	-\$	-\$
3	07-03	GPSS	GPSS Follow-up of FY 2007 Payroll Analysis	Mar-07	Mandate	FA	· OPA calculated that for pay period ending February 17, 2007, GPSS costs for salaries and benefits of locally funded employees were \$58.8M.	0	0	0	\$	-\$	-\$	-\$
4	07-04	GGW	Submission of FY 2007 1st Quarter Financial Reports Subject to Deappropriation of Funds as Mandated by P.L. 28-149 and 28-150	Apr-07	Mandate	FA	· Of the 56 entities required to submit quarterly financial reports, 46 entities or 82% did not comply and may be subject to deappropriation.	8	0	8	\$	-\$	-\$	-\$

*GGW: Government of Guam. **FA: Fund Accountability; NAF: Non-Appropriated Funds; PE: Program Efficiency & Effectiveness; PR: Procurement; CT: Credit Card & Travel; and PS: Personnel.

Appendix 3:

OPA Audit Recommendations Status by Report Number 2007~2009

Report No.	Auditee*	Report Title	Issue Date	Initiated By	Audit Focus**	Deficiency	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact	
							Closed	Open	Total					
5	07-05	GGRF	GGRF Cost of Living Allowance (COLA)	May-07	Request	FA	· 52% or 2,559 retirees who are entitled to COLA of \$20,000 and below expect to receive \$25.5M, or 21% of the \$123.6M COLA award. In contrast, a larger percentage, 79% or \$98.1M, in COLA will go to a smaller number of retirees (2,318 or 48%) who are entitled to COLA in excess of \$20,000.	0	0	0	\$ -	\$ -	\$ -	\$ -
6	07-06	DPHSS	DPHSS GovGuam Association of Retired Persons Servicio Para I Man'Amko (GGARP/SPIMA) Bingo Activities	Jun-07	Request	NAF	· GGARP/SPIMA did not establish adequate control procedures over the cash derived from bingo activities and DPHSS did not provide sufficient oversight to ensure that GGARP/SPIMA's controls are adequate.	5	0	5	\$ 26,312	\$ 3,680	\$ -	\$ 29,992
7	07-07	GGW	Submission of FY 2007 2nd Quarter Financial Reports Pursuant to P.L. 28-149, 28-150, and 29-02	Jul-07	Mandate	FA	· Noted almost full compliance among the 58 entities that submitted their reports either by the April 30 due date or by the May 15th grace period and meeting all three reporting conditions. The only exception was the Guam Preservation Trust which submitted their report in June 2007.	0	0	0	\$ -	\$ -	\$ -	\$ -

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Appendix 3:

OPA Audit Recommendations Status by Report Number 2007~2009

Report No.	Auditee*	Report Title	Issue Date	Initiated By	Audit Focus**	Deficiency	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact
							Closed	Open	Total				
8	DPW	DPW Commercial Tipping Fees	Aug-07	Request	PE	Inefficient billing and collection processes of which \$6.5M in commercial tipping fees receivables were uncollected and \$4M lost revenues due to residential customers who may not have been billed or provided services.	9	0	9	\$ 484,816	\$6,480,579	\$ -	\$ 6,965,395
9	DOA	DOA Fund Transfers Pursuant to P.L. 28-151	Aug-07	Request	FA	\$9M was transferred to the General Fund to pay retirees of which \$1.4M appeared to be used to pay for operational expenses.	0	0	0	\$ -	\$ -	\$ -	\$ -
10	OAG	Government of Guam Debt Ceiling Calculation	Sep-07	Request	FA	Government of Guam debt ceiling as of October 2006 to be \$406.9M. As of December 2006, the total government of Guam debt is \$251.6M- leaving \$155.2M of borrowing capacity.	0	0	0	\$ -	\$ -	\$ -	\$ -
11	GGW	Submission of FY 2007 3rd Quarter Financial Reports Pursuant to P.L. 28-149, 28-150, and 29-02	Sep-07	Mandate	FA	Of the 58 entities, 40 entities or 69% complied with all of their reporting requirements. 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.	0	0	0	\$ -	\$ -	\$ -	\$ -

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Appendix 3:

OPA Audit Recommendations Status by Report Number 2007~2009

Report No.	Auditee*	Report Title	Issue Date	Initiated By	Audit Focus**	Deficiency	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact
							Closed	Open	Total				
12	GGW	Government of Guam Vehicle Fleet Inventory	Oct-07	OPA Initiated	PE	DPW has failed to maintain a current, accurate, and complete vehicle inventory of motor vehicles owned or leased by the government of Guam.	6	0	6	\$ -	\$ -	\$ -	\$ -
13	DOA	Government of Guam Debt Ceiling Calculation per P.L. 29-19	Oct-07	Request	FA	The recalculation of the government of Guam debt ceiling as of October 2006 is \$813.7M based on the new appraised value. As of December 2006, government of Guam's new debt capacity is \$562.1M.	0	0	0	\$ -	\$ -	\$ -	\$ -
14	DOA	DOA Travel Advances	Nov-07	OPA Initiated	PE	Travel advances of \$1.1M not cleared as of December 31, 2006.	10	0	10	\$ -	\$ -	1,128,737	1,128,737
15	GEDCA	Government of Guam's Tax Credit Programs	Nov-07	Spin-off	PE	\$23.6M in tax credits were authorized in public laws of which \$6.3M has already been applied against tax revenues.	4	9	13	\$ 797,867	\$ -	-\$15,360,720	\$16,158,587
16	GGW	Submission of FY 2007 4th Quarter Financial Reports Subject to the reporting requirements of P.L. 28-149, 28-150, and 29-02	Dec-07	Mandate	FA	Of the 58 entities, 49 entities complied with all their reporting requirements for the fourth quarter of FY 2007, while 9 did not comply with some of their reporting requirements.	0	0	0	\$ -	\$ -	\$ -	\$ -

*GGW: Government of Guam. **FA: Fund Accountability; NAF: Non-Appropriated Funds; PE: Program Efficiency & Effectiveness; PR: Procurement; CT: Credit Card & Travel; and PS: Personnel.

Appendix 3:

OPA Audit Recommendations Status by Report Number 2007~2009

Report No.	Auditee*	Report Title	Issue Date	Initiated By	Audit Focus**	Deficiency	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact	
							Closed	Open	Total					
17	07-17	GGW	Summary Report of FY 2007 3rd and 4th Quarter Financial Reports as Mandated by P.L. 28-149, 28-150, and 29-02	Dec-07	Mandate	FA	· Reported considerable improvement in compliance with all reporting requirements from third to fourth quarter of FY 2007. Our compliance review found that of the 58 entities, 49 entities or 84% complied with all their reporting requirements for the fourth quarter, an improvement from 40 entities or 69% in the third quarter.	0	0	0	\$	\$	\$	\$
18	07-18	OPA	OPA's Status of Audit Recommendations as of July 31, 2007	Dec-07	OPA Initiated	PE	· From January 2001 through December 2006, OPA issued 65 reports, which identified financial impact of \$74.1M, and made 420 recommendations to help improve the overall operations of the government of Guam.	0	0	0	\$	\$	\$	\$
CY 2007 Subtotal		18 Reports						42	9	51	\$1,308,995	\$6,484,259	\$16,489,457	\$24,282,711

*GGW: Government of Guam. **FA: Fund Accountability; NAF: Non-Appropriated Funds; PE: Program Efficiency & Effectiveness; PR: Procurement; CT: Credit Card & Travel; and PS: Personnel.

Appendix 3:

OPA Audit Recommendations Status by Report Number 2007~2009

Report No.	Auditee*	Report Title	Issue Date	Initiated By	Audit Focus**	Deficiency	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact			
							Closed	Open	Total							
19	08-01	DOA	DOA Promissory Notes Program	May-08	OPA Initiated	PE	Government of Guam issued 21 promissory notes totaling \$3.2M.	2	0	2	\$	-	\$	-	\$	-
20	08-02	GGW	Submission of FY 2008 1st Quarter Financial Reports Subject to the reporting requirements of P.L. 29-19	Jun-08	Mandate	FA	Of the 58 entities, 45 or 78%, were fully compliant and submitted the reports in the three required reporting formats.	0	0	0	\$	-	\$	-	\$	-
21	08-03	GPSS	GPSS FY 2008 Payroll Analysis	Jun-08	Mandate	FA	GPSS' remaining \$59.2M authorization for personnel should be sufficient for the remainder of the fiscal year.	0	0	0	\$	-	\$	-	\$	-
22	08-04	GPSS	GPSS Procurement of Construction and Air-Conditioning	Jun-08	OPA Initiated	PR	Identified \$2.9M in questionable costs. Due to lack of price quotations, and artificial division of purchases.	8	0	8	\$ 2,923,549	\$	-	\$	-	\$ 2,923,549
23	08-05	GGW	Submission of FY 2008 2nd Quarter Financial Reports Subject to the reporting requirements of P.L. 29-19	Aug-08	Mandate	FA	Of the 49 entities, 45 or 84%, were fully compliant and submitted the reports in the three required reporting formats.	1	0	1	\$	-	\$	-	\$	-

GGW**: Government of Guam. *FA**: Fund Accountability; **NAF**: Non-Appropriated Funds; **PE**: Program Efficiency & Effectiveness; **PR**: Procurement; **CT**: Credit Card & Travel; and **PS**: Personnel.

Appendix 3:

OPA Audit Recommendations Status by Report Number 2007~2009

Report No.	Auditee*	Report Title	Issue Date	Initiated By	Audit Focus**	Deficiency	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact	
							Closed	Open	Total					
24	08-06	DPW	DPW's Landfill Design Contract	Sep-08	OPA Initiated	PR	· DPW did not have controls to ensure that the landfill design contract was procured according to Guam procurement laws.	6	0	6	\$ 6,734,543	\$ -	\$ -	\$ 6,734,543
25	08-07	GGW	Submission of FY 2008 3rd Quarter Financial Reports Per P.L. 29-19	Oct-08	Mandate	FA	· Of the 59 entities, 49 or 83% complied with the reporting requirements. Ten entities, or 17%, did not fully comply.	3	0	3	\$ -	\$ -	\$ -	\$ -
26	08-08	GPD	GPD Records & Identification Section's Revenue Collections	Oct-08	Request	NAF	· An employee was suspected and arrested in August 2008 for the theft of property held in trust, tampering with records, and official misconduct.	3	1	4	\$ 29,747	\$ -	\$ -	\$ 29,747
27	08-09	GPSS	GPSS Textbook Management	Oct-08	Mandate	PE	· Past and current GPSS Superintendents did not establish district-wide standard operating procedures for textbook management.	2	0	2	\$ -	\$ -	\$ -	\$ -
28	08-10	GGW	Government of Guam Wide Overtime	Dec-08	OPA Initiated	PS	· The government expended \$40M in overtime between FY 2003 and 2008. Of this amount, \$35M or 88% were incurred by GPD, GFD, and DOC.	2	0	2	\$ -	\$ -	\$ -	\$ -
CY 2008 Subtotal		10 Reports						27	1	28	\$9,687,839	\$ 0	\$ 0	\$9,687,839

*GGW: Government of Guam. **FA: Fund Accountability; NAF: Non-Appropriated Funds; PE: Program Efficiency & Effectiveness; PR: Procurement; CT: Credit Card & Travel; and PS: Personnel.

Appendix 3:

OPA Audit Recommendations Status by Report Number 2007~2009

Report No.	Auditee*	Report Title	Issue Date	Initiated By	Audit Focus**	Deficiency	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact
							Closed	Open	Total				
29	GGW	Submission of FY 2008 4th Quarter Financial Reports Pursuant to P.L. 29-19	Jan-09	Mandate	FA	All 59 entities submitted in one or more of the required general quarterly reporting requirements. All 15 autonomous agencies submitted monthly revenue and expenditure reports in all three reporting formats.	0	0	0	\$ -	\$ -	\$ -	\$ -
30	GGW	Submission of FY 2009 1st Quarter Financial Reports Pursuant to P.L. 29-113	Mar-09	Mandate	FA	All 60 government entities complied with the financial, staffing pattern, special reports, and autonomous and semiautonomous agencies monthly reporting requirements.	0	0	0	\$ -	\$ -	\$ -	\$ -
31	CLTC	CLTC Commercial Division	Apr-09	Mandate	PE	Lacks the management and control systems, procedures, and assigned staff to adequately attend to the task of issuing Trust properties.	0	4	4	\$ -	\$ 305,472	\$ -	\$ 305,472
32	DOC	DOC Overtime and Hazardous Pay	Jul-09	Request	PS	Despite the overtime caps implemented by management, DOC continued to incur overtime. Again, we noted inequitable distribution of overtime.	0	0	0	\$ 381,751	\$ -	\$ -	\$ 381,751

*GGW: Government of Guam. **FA: Fund Accountability; NAF: Non-Appropriated Funds; PE: Program Efficiency & Effectiveness; PR: Procurement; CT: Credit Card & Travel; and PS: Personnel.

Appendix 3:

OPA Audit Recommendations Status by Report Number 2007~2009

Report No.	Auditee*	Report Title	Issue Date	Initiated By	Audit Focus**	Deficiency	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact	
							Closed	Open	Total					
33	09-05	GGW	Submission of FY 2009 2nd and 3rd Quarter Financial Reports Pursuant to the P.L. 29-113	Sep-09	Mandate	FA	Of the 60 entities, five did not comply with the website posting requirements of one or more of their 2nd and 3rd quarter reports. Although these entities substantially complied with the posting of their required reports on their website.	0	0	0	\$ -	\$ -	\$ -	\$ -
34	09-06	GGW	Government of Guam Medical Referral Benefits Bank Account	Nov-09	Request	PE	The program cannot be implemented because the current mechanisms identified in P.L. 24-276 does not take into account the major airline that services Guam's authority and prerogative to establish, regulate, and restrict its frequent flyer program. Similar attempts to pool travel miles by the U.S. Federal Government and was equally unsuccessful for the same reason.	1	0	1	\$ -	\$ -	\$ -	\$ -
35	09-07	DOA	Government of Guam's Wellness Benefits	Dec-09	Hotline	PE	The government paid \$700K for the Wellness Benefits and physical fitness center, which was unadvertised and sole-sourced addendum to an RFP.	0	1	1	\$ 699,788	\$ -	\$ -	\$ 699,788
CY 2009 Subtotal		7 Reports					1	5	6	\$ 1,081,539	\$ 305,472	\$ -	-\$ 1,387,011	
2007~2009 TOTAL:		35 Reports					70	15	85	\$12,078,373	\$ 6,789,731	\$16,489,457	\$35,357,561	

*GGW: Government of Guam. **FA: Fund Accountability; NAF: Non-Appropriated Funds; PE: Program Efficiency & Effectiveness; PR: Procurement; CT: Credit Card & Travel; and PS: Personnel.

Open Audit Recommendations by Calendar Year

Calendar Year 2003 - 6 Open Recommendations

Report No.	Report Title	Addressee	Recommendation	
			Number	Recommendation
03-06	GPD Asset Forfeiture Fund	OAG	1	GPD should coordinate with the OAG for final disposition of idle evidence including cash. Regular coordination with the AG's office should occur at least on a quarterly basis. According to 9 GCA §67.502.1 monies furnished or intended to be furnished by any person in exchange for a controlled substance shall be forfeited to the criminal justice agency making the seizure and, according to 10 GCA §79103, these proceeds are to be deposited to the Local Assets Forfeiture Account.
		GPD	1	Use accounting software to manage accounting data and aid in preparation of annual financial reports and inventory of forfeited assets.
			2	Initiate an immediate count of the cash, jewelry, and narcotics that are stored at the site. This should be documented and witnessed by at least three people, two from GPD and the third from the AG's office. These items should correspond with the custody receipt on file.
03-10	GFD's Enhanced 911 Emergency Reporting System Fund	GFD	1	Establish procedures to monitor remittances by service providers to DOA. This monitoring should include determining whether remittances are reasonable based on historical trends of average lines billed and timely received within the 45-day time specified in law. Any unusual changes in the amount of the remittance should be investigated. Pursue collection of the surcharge from delinquent service providers. Reimbursements for expenses for service providers' collection services should be considered.
			2	Prepare and transmit a yearly assessment report as required by P.L. 25-55 to the Governor and Legislature. E911 Fund financial activity, i.e., revenues and expenditures, should be included in the report.
		DOA	1	In consultation with the GFD, determine personnel costs that should have been charged to the E911 Fund. After this determination, adjust the Interfund Payable to E911 for those expenses paid by GFD on behalf of the E911 Bureau.
TOTAL			6	2 Reports

Open Audit Recommendations by Calendar Year

Calendar Year 2004 - 4 Open Recommendations

Report No.	Report Title	Addressee	Recommendation Number	Recommendation
04-13	DOA Dededo Buffer Strip Revolving Fund	Dededo and Yigo Mayor	1	Work in conjunction with Department of Land Management (DLM) to initiate plans to actively promote the DBS, establish lease agreements, and prohibit the unauthorized use of the DBS
04-14	GSA Competitive Sealed Bidding, Sole Source, & Emergency Procurement Functions	GSA	1	Ensure that all pertinent documentations are located within the respective procurement files, amend 2 G.A.R. 3109 (d) to specify a minimum 15-day advertisement and bidding time requirement to ensure that potential bidders are allowed ample time to respond to IFBs, and remove 2 G.A.R. 3109 (f)(2), which requires a minimum of 7 days, since it conflicts with 2 G.A.R. 3109 (d), which requires a minimum of 15 days.
			2	Pursue the debarment and/or suspension of vendors who are not complying with procurement regulations stipulated in 5 G.C.A. 5426.
			3	Perform periodic customer surveys and consider comments made in the Procurement Survey Results, such as ensuring that all personnel are trained in office procedures and procurement regulations and expediting the purchase order process.
TOTAL			4	2 Reports

Open Audit Recommendations by Calendar Year

Calendar Year 2005 - 8 Open Recommendations

Report No.	Report Title	Addressee	Recommendation Number	Recommendation
05-04	Dededo Mayor's Office Non-Appropriated Funds	Dededo Mayor	1	Establish a system to (a) reconcile cash collections to cash deposits and the number of weekly Flea Market stalls occupied weekly (b) ensure that cash custodial and accounting duties remain segregated, (c) require monthly bank reconciliation to be performed, for the Revolving Fund account and (d) update the graphical layout of the Dededo Flea Market.
			2	Adhere to all reporting requirements as mandated by the various laws.
			3	Close the Lencho Park Thursday Night Market Fund and the Dededo Municipal Planning Council (MPC) Preventative Maintenance Fund accounts, and transfer all account balances to the Dededo MPC Revolving Fund account.
			4	Deposit Daily Vendor donations into the Dededo MPC Revolving Fund Account, and conform to standard control policies in the operation of a petty cash fund.
			5	Issue Form 1099-MISC to all individuals (including prior years) who provided services of at least \$600 each fiscal year.
			6	Ensure that all expenditures are authorized, verified, and documented in monthly Dededo MPC meeting minutes.
			7	Submit a new fee schedule for approval to the Guam Legislature.
05-09	CLTC Non-Appropriated Funds	CLTC Administrative Director	1	Utilize an accounting software program to account for its financial activities to produce financial reports for the Guam Legislature and the Governor of Guam, obtain annual financial audits, and publicize the audited financial statements as required by law.
TOTAL			8	2 Reports

Open Audit Recommendations by Calendar Year

Calendar Year 2006 - 12 Open Recommendations

Report No.	Report Title	Addressee	Recommendation Number	Recommendation
06-05	Supreme Court of Guam, OPG's Ward Trust Accounts	OPG	1	Develop a comprehensive electronic database of all ward cases and provide training in database management for the Legal Secretary who will maintain the database.
			2	Inventory all wards' personal and real property as required by law and perform periodic inventories of ward assets.
			3	Develop guidelines for determining when an appraisal should be performed, given the financial status of the wards.
			4	Evaluate whether the composition of the Board is still appropriate, given the number of vacancies and the limited availability of current Board members to meet more frequently. If a re-composition of the Board is deemed appropriate, the PG should recommend to the Legislature a change in the composition of the PGRB.
			5	Establish standardized forms and reports to document the contact, visitation, status and review of wards and determine the availability, practicality, and cost benefit of employee bonding and if appropriate, seek amendment to the law.
			6	Review and approve the OPG's annual report and incorporate any concerns raised by the PGRB
06-16	Guam ALC Non-Appropriated Funds	ALC	1	Establish rules and regulation for the fair and equitable use of Land Bank properties.
			2	Refer to legal counsel for collection on entities that fail to pay their license fees; and initiate immediate contact with the Superior Court of Guam to identify the status of the repayment and speed up collection efforts.
			3	Suspend the license with the construction company until the Guam Land Use Commission has given its approval as required by 21 G.C.A. §60410 and the AG has reviewed this license to determine whether it was issued pursuant to Guam law.
		DOA	4	Identify whether ALC's use of the government of Guam's EIN is proper and if proper financial reporting is being done. Additionally, DOA should identify other government entities that are utilizing the government of Guam's EIN and determine whether their use is authorized and that they are properly reporting to DOA.
		Governor	5	Transfer through Executive Order the accounting of ALC's non-appropriated funds to DOA.
		Legislature	6	Enact through public law the permanent transfer of non-appropriated funds to DOA and consolidate the administrative functions of the ALC into the DLM.
TOTAL			12	2 Reports

Open Audit Recommendations by Calendar Year

Calendar Year 2007 - 9 Open Recommendations

Report No.	Report Title	Addressee	Recommendation Number	Recommendation
07-15	Government of Guam's Tax Credit Programs	DRT	1	Determine whether companies that participated in the tax credit programs availed of both tax credits and deductions.
			2	Determine the appropriate tax filings for Guam Racing Federation and determine its tax liability if applicable.
			3	Provide the Legislature and BBMR with quarterly and annual reports of revenues foregone via tax credits in FY 2007, estimate tax credits for FY 2008 and FY 2009 and future years to facilitate the annual budget process.
		BBMR	1	Incorporate the estimated tax credit reductions provided by DRT in the annual budget process.
		OAG	1	Determine whether legal action is necessary to cause the required admissions fees to be remitted by the Guam Racing Federation.
			2	Determine whether a breach of standards of conduct for public officers and employees occurred when the former GEDCA Acting Administrator authorized tax credits prior to leaving the government and was then hired by the parent company of the subsidiary company that received the tax credit.
			3	Determine whether a breach of standards of conduct for public officers and employees occurred when the current GEDCA Acting Administrator authorized tax credits to a subsidiary company whose parent company employees a close relative.
		Governor and the Guam Legislature	1	Repeal the following tax credit programs: a. Completed 1) Raceway Park (balance \$1,368,823) 2) Paseo Stadium (balance \$498,744) 3) Soccer Stadium (balance \$433,510) b. Unimplemented or Dormant 1) MIP Billings (\$11,059,643) 2) UOG Multi-Sports Complex (\$1,000,000) 3) Public School Sports Facilities (\$1,000,000) 4) Guam's Local Commuter Air Services (Unknown) 5) Tax Credit for Privately Owned Lands (Unknown)
			2	Reduce the length of time for the Guam Registered Apprenticeship Program tax credits and set a threshold on the amount of tax credits authorized.
TOTAL			9	1 Report

Open Audit Recommendations by Calendar Year

Calendar Year 2008 - 1 Open Recommendation

Report No.	Report Title	Addressee	Recommendation Number	Recommendation
08-08	GPD Records and Identification Section's Revenue Collections	Treasurer of Guam	1	Determine the total number of registers assigned to the POS system and verify if each are submitting deposits on a regular basis.
TOTAL			1	1 Report

Calendar Year 2009 - 5 Open Recommendations

Report No.	Report Title	Addressee	Recommendation Number	Recommendation
09-03	CLTC Commercial Division	CLTC Director	1	Develop a land use plan to determine what properties were available.
			2	Develop written collection policies and procedures for commercial licenses.
		CLTC Board of Directors	1	Review the quarrying feasibility and honey production licenses to determine whether the award is in accordance with their enabling legislation or if it circumvented the maximum acreage requirement for agricultural leases.
			2	Pursuant to P.L. 23-38 Section 3.1, review and approve all commercial licenses that have and will be negotiated and approved for issuance.
09-07	Government of Guam's Wellness Benefits	DOA	1	Designate an entity to be responsible for monitoring the Wellness Benefits. The designated entity should: <ul style="list-style-type: none"> - Develop a comprehensive plan to include a survey of the government of Guam employees; - Collect and assess data on the utilization of the wellness and fitness services; and - Coordinate efforts with the Healthy Guam Initiative.
TOTAL			5	2 Reports

Do you suspect fraud, waste, or abuse in a government agency or department? Contact the Office of the Public Auditor:



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- **Fax our office at 472-7951;**
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