



OFFICE OF THE PUBLIC AUDITOR

EXECUTIVE SUMMARY

Submission of FY 2009 1st Quarter Financial Reports
Report No. **09-02**, March 2009

For Fiscal Year (FY) 2009, Public Law (P.L.) 29-113 required the Office of the Public Auditor (OPA) to review the quarterly financial reports, staffing patterns, and other reports submitted by 60 government of Guam entities. This is the fourth fiscal year such reports have been mandated. Over the last four years, the number of required reports has increased, with varying submission deadlines. Additionally, P.L. 29-113, Chapter VII, Section 2 requires all reports to be submitted in three formats (manual, electronic, and website posting).

For the first quarter of FY 2009, from October 1 to December 31, 2008, all 60 government entities complied with the financial, staffing pattern, special reports, and autonomous and semi-autonomous agencies monthly reporting requirements. However, the Commission on Decolonization (COD), the Department of Mental Health and Substance Abuse (DMHSA), the Guam Ancestral Lands Commission (GALC), the Guam Medical Referral Office (GMRO), the Hagatna Restoration and Redevelopment Authority (HRRA), and the Veteran's Affairs Office (VAO) did not comply with the reporting requirements for the prior year's obligations, federal funding, or non-appropriated funds. Results of reporting compliance were as follows:

- **Quarterly Financial Reports.** Of the 60 entities required to submit, all 60 entities complied and posted the reports on their websites;
- **Staffing Patterns Reports.** Of the 57 entities required to submit, all 57 entities complied and posted the reports on their websites;
- **Prior Year's Obligations (PYO) Reports.** Of the 51 entities required to submit, 45 complied and posted reports on their websites. The entities that did not comply with any of the three reporting formats are COD, DMHSA, GALC, GMRO, HRRA, and VAO;
- **Federal Funding Reports.** Of the 60 entities required to submit, 56 entities complied and posted the reports on their websites. The entities that did not comply with any of the reporting formats are COD, GMRO, HRRA, and VAO;
- **Non-Appropriated Funds Reports (NAF).** Of the 18 entities required, only VAO did not comply with the manual, electronic, and website posting requirements;
- **Autonomous and Semi-Autonomous Agencies Monthly Reports.** Of the 15 entities required to submit, all 15 entities complied and posted reports on their websites; and
- **Special Reports.** Of the 19 entities required to submit, all 19 entities complied and posted their reports on their websites. The GMRO submitted its reports in both manual and electronic formats, but did not post their reports on its website. We considered this to be a minor infraction and deemed GMRO to be in compliance with this reporting requirement.

The penalty for noncompliance, set in the last three budget acts, is a 20% salary reduction for agency directors, deputy directors, and chief financial officers. We support the use of penalties for non-compliance as an effective approach to stimulating self-discipline in financial reporting and inducing government managers to take their actions and responsibilities more seriously.

However, OPA has reported noncompliance in prior quarters, but no salary reductions have been imposed since the penalty was mandated in 2007.

Since no provision is mandated for minor infractions, such as GMRO's, we feel that as long as such infractions do not detract from the essence of the reporting mandates, entities can be deemed compliant¹ and a simple notification letter could suffice.

In prior quarters, we focused on whether the entities reported in all three reporting formats. Due to the magnitude of the reporting requirements and the agency improvements made in FY 2008, our focus for the first quarter of FY 2009 was to determine whether reports were readily and easily accessible on agency websites. We found that more than 90% of the financial reports were readily accessible. However, navigating the websites of Guam Power Authority (GPA), the Guam Environmental Protection Agency (GEPA), the Guam Public Library System (GPLS), the Guam Public School System (GPSS), and the University of Guam (UOG) required extra effort to find their reports.

Complying with the reporting requirements has become increasingly demanding for entities. We also noted a disparity in the number and volume of reporting requirements among the entities. Autonomous agencies, for instance, are required to submit monthly revenue and expenditure reports as well as quarterly financial reports, federal funding reports, and PYO reports; while the Public Utilities Commission (PUC) is only required to submit quarterly financial and federal funding reports. In addition to financial, staffing pattern, PYO, federal funding, NAF, and monthly revenues and expenditure reports for autonomous and semi-autonomous entities, GPSS and UOG are required to submit six special reports. The due dates and formats for special reports differ for certain entities.

An inordinate amount of government resources (paper, man-hours, fuel for deliveries, etc.) are spent to produce the reports in all formats and is not the most efficient and effective way to ensure the transparency of government finances and activities. We continue to suggest the elimination of written and electronic report submissions and limit the requirement to website posting only. Reports on websites can be reproduced at the user's option and expense. To increase the meaning and value of the information, we also suggest that the Bureau of Budget Management and Research (BBMR) continue to conduct analyses of the reports to determine whether current year revenues are sufficient to pay current year expenditures and services. These analyses are already available on BBMR's website at www.bbmr.guam.gov.

If the OPA inadvertently overlooked report submissions, entities should provide evidence of submissions for correction in subsequent reports.

Doris Flores Brooks, CPA, CGFM
Public Auditor

¹ Source: Excerpts from www.dnsso.org, Code of Conduct Task Force Proposal (March 15, 2000)