



Mayors' Council of Guam – Non-Appropriated Funds FY 2014 Financial Highlights

September 16, 2015

The Mayors' Council of Guam (MCOG) and all mayors' Non-Appropriated Funds (NAF) ended fiscal year (FY) 2014 with a qualified opinion on its Statements of Cash Deposits and Disbursements because \$49 thousand (K) of deposits and \$13K of disbursements could not be verified. While there were improvements in one-third of the villages, as a whole, the NAF did not improve over FY 2013, where \$19K of deposits and \$22K of disbursements could not be verified. Separate management letters were issued to each mayor and MCOG. Of the 19 municipalities, Hagatna, Mongmong-Toto-Maite, and Piti had no findings and are to be commended for this accomplishment. Four villages (Barrigada, Chalan Pago-Ordot, Sinajana, and Yigo) had only one finding. Although Agana Heights and Tamuning elected to have their NAF handled by non-profit organizations (NPO), these NPOs are not audited, and the Tamuning NPO has not completed all the filings required by the Department of Revenue and Taxation.

Management Letters

Deficiencies identified were similar to those in FY 2013 and included lack of supporting documentation for deposits and disbursements, deposits could not be verified, missing receipts or no receipts for cash received, checks made payable to "Cash", lack of bank reconciliations, deposits and disbursements with no classifications, and untimely deposit of receipts. Eleven villages had cash receipt issues while 12 villages and MCOG had cash disbursement issues that amounted to \$61K and \$174K, respectively. Of these villages, eight villages (Agat, Asan-Maina, Mangilao, Merizo, Santa Rita, Talofoto, Umatac, and Yona) had common problems in both cash disbursements and cash receipts.

Cash Receipt Issues

Eight villages (Agana Heights, Agat, Mangilao, Merizo, Santa Rita, Talofoto, Umatac, and Yona) either did not issue receipts or were missing receipts, deposit slips, and relevant documents. Four villages (Agat, Asan-Maina, Santa Rita, and Umatac) could not validate whether receipts were deposited. All funds received should be issued a receipt and deposited, regardless of activity or amount. At a minimum, a cash receipts log should be used to track funds received and contain details of the date, source, nature, and amount of the cash received.

Cash Disbursement Issues

Seven villages (Agat, Inarajan, Mangilao, Merizo, Santa Rita, Umatac, and Yona) lacked supporting documentation (i.e., invoices, billings, procurement documents, and other relevant documents) or supporting details (i.e., nature of funds disbursed and signature of the recipient). Three villages (Asan-Maina, Inarajan, and Yona) had check disbursements made payable to "Cash". Merizo's disbursements require only one signature. These were among the similar findings as in prior year.

Bank Reconciliation Issues

Six villages (Agat, Dededo, Merizo, Santa Rita, Tamuning, and Yona) did not provide bank statement(s) and/or did not conduct bank reconciliations. As a result, Deloitte found variances between the ledger and bank records.

No Minutes for Municipal Planning Council (MPC) Meetings

Two villages (Agat and Umatac) did not provide minutes of the Municipal Planning Council meetings. These minutes provide an overview of village activities, as well as ratify the actions of their respective mayors.

Senior Center Operations Program (SCOP)

FY 2014 marks the third year that MCOG managed and operated SCOP. All income derived during senior citizens' operations (9am–4pm) is program income and therefore, subject to federal regulations.

Liberation Day Carnival

The 2012 Liberation Day Carnival was the last carnival operated by MCOG and the last year audited. For 2013, 2014, and 2015, MCOG MPC appointed the Guam Liberation Historical Society to run and manage the carnival. However, the responsibility of monitoring and overseeing the festivities still remains with MCOG. In accordance with law [Title 1 of the Guam Code Annotated, Chapter 10, § 1013.6(h)], MCOG is required to submit a final report to the Governor of Guam and the Office of Public Accountability (OPA) by September 15 following the closure of Liberation Day festivities. Despite OPA's multiple requests, final reports for the 2013 and 2014 Liberation Day Carnivals are past due, and the 2015 report will soon be due.

Report on Compliance

The Report on Compliance and on Internal Control for MCOG had similar findings as in prior years on procurement and monitoring of NPOs.

No Compliance with Applicable Procurement Rules and Regulations

Eleven villages and MCOG did not establish a formal procurement policy. While nine villages (Agat, Dededo, Inarajan, Merizo, Santa Rita, Talofoto, Tamuning, Umatac, and Yona) and MCOG lacked comparative prices for disbursements, resulting in questioned costs of \$51K, Inarajan lacked supporting documentation for the selection of a vendor who was not the lowest bidder, resulting in questioned costs of \$10K. Four villages (Barrigada, Dededo, Inarajan, and Mangilao) did not advertise for contracts that exceeded \$15K, resulting in questioned costs of \$69K. Absent exemption from law, all NAF and Senior Center disbursements are subject to Government of Guam and federal Procurement Rules and Regulations, respectively.

Lack of Monitoring Non-Profit Organizations

The absence of written policies and procedures to monitor NPOs continues to be an ongoing finding for eight villages (Agat, Asan-Maina, Dededo, Merizo, Santa Rita, Umatac, Yigo, and Yona). To mitigate potential lawsuits, policies and procedures should be formalized by MCOG and ratified by all mayors.

For more details, you may view the reports in their entirety on our website at www.opaguam.org.