



OFFICE OF THE PUBLIC AUDITOR

EXECUTIVE SUMMARY

Submission of FY 2008 3rd quarter Financial Reports
Report No. 08-07, October 2008

The Office of the Public Auditor (OPA) is required to review submissions of quarterly financial reports, staffing patterns and special reports by government of Guam entities as mandated by Public Law (P.L.) 29-19, the fiscal year (FY) 2008 Budget Act. For the 3rd quarter, April 1, 2008 through June 30, 2008, 49 out of 59 entities, or 83%, complied with the reporting requirements. Ten entities, or 17%, did not fully comply. This includes the Tax Review Commission (TRC), which was added to our 3rd quarter review.

The OPA issued notifications to all government entities of their reporting requirements prior to the quarter end. However, entity directors and managers are responsible for reviewing P.L. 29-19 and complying with the reporting requirements. The penalty for noncompliance is a 20% salary reduction to agency Directors, Deputy Directors, and Chief Financial Officers. The penalty has not been applied as of September 2008 yet OPA reported noncompliance in prior reports. The penalty is not applicable to TRC.

We reported in the 2nd quarter, that 49 entities complied with the reporting requirements; however, BSP, GVB, GMHA, and the Office of the Governor subsequently provided evidence of compliance with certain reporting requirements. As a result, 51 of 58 entities, or 88%, were compliant for the 2nd quarter. In the 1st quarter, DPW and GEPA did not submit the Landfill Financing Plan and Landfill Expenditures Report. DPW subsequently referenced a District Court ruling which deemed PL 29-19 section 98 unconstitutional and void; therefore, the reporting requirements are moot.

Financial Reports (due 30 days after the quarter end for 58 entities¹):

All 58 entities, or 100%, submitted a written financial report and posted the reports on the websites. However, DMHSA and DPW did not submit electronic reports.

Staffing Patterns (due 30 days after the quarter end for 55 entities²):

All 55 entities, or 100%, submitted a written staffing pattern and posted on the websites. DMHSA and DPW did not submit electronically.

Non-Appropriated Funds (NAF) Reports (due 30 days after the quarter end for 17 entities):

Of the 17 entities with NAF accounts, 13 entities complied with the reporting requirements for the 3rd quarter. DPW did not submit electronically and post on their website. VAO submitted its written NAF report late, did not submit electronically and post on the website. DMHSA and GEC did not submit NAF reports in any format.

Non-Profit Organization (NPO) Reports (due 30 days after the quarter end for 4 entities):

Three of the four overseeing entities required to report NPO activities complied with the reporting requirements. DMHSA did not submit an NPO report for the \$600,000 appropriated for outsourcing drug and alcohol detoxification, rehabilitation, and prevention services.

¹ TRC is not required to submit quarterly financial reports.

² The staff of the GBOA, GPT, PUC, and TRC are not government employees.

Special Reports (41 special reports due at various dates for 21 entities):

Of the 41 special reports required in FY 2008, only 31 special reports were due from 18 entities in the 3rd quarter. This includes four reports with no due dates that were not submitted in previous quarters. Of the remaining 10 reports, eight were due or submitted in the previous quarters and do not apply to the 3rd quarter and two reports are due in the 4th quarter.

Of the 18 entities, 9 complied with the reporting requirements. Seven entities (DMHSA, DPW, GMRO, GMHA, GPSS, GOV, and TRC) did not submit a report in three required reporting formats. Of the remaining two entities, (1) the OAG notified OPA in the 1st quarter that they did not receive bond proceeds appropriations; therefore we considered this reporting requirement not applicable; and (2) COMRIGHT 21's report does not have a due date and may be submitted in the 4th quarter. The BBMR Director disagrees with the Minority legal counsel's interpretation of the applicability of the reporting requirements in Chapter VII Section 2 to all reports mandated in the Budget Act. Therefore we were unable to determine whether the Office of the Governor complied with the reporting requirements for two special reports and whether the penalty would apply.

Autonomous Agency Monthly Revenue and Expenditures Reports (no due date):

In addition to the quarterly financial reporting requirement, 15 autonomous and semi-autonomous entities are required to submit monthly revenue and expenditure reports. No due date was specified. Fourteen entities complied with this reporting requirement. GIAA submitted 1st, 2nd, and 3rd quarter reports timely in all reporting formats, but has not submitted intervening monthly reports; therefore, GIAA continues to be non-compliant.

Conclusion and Recommendations

OPA's reviews have found that entities are substantially complying with quarterly financial and staffing pattern reporting requirements. Special reports continue to be a problem since the 2008 Budget Act increased the number of special reports to 41 from 31 in FY 2007. The recurring problems for special reports appear to be whether to report in all three formats, whether to report to OPA, and determining when the reports are due. According to the Minority legal counsel, the reporting requirements of Chapter VII Section 2 to submit written and electronic reports and post on the websites apply to all reports in the Budget Act. If the OPA inadvertently overlooked report submissions, entities should provide evidence of submissions for correction in subsequent reports.

In the recent meeting of the Special Economic Service Committee,³ the OPA expressed the need to save resources and promote an efficient reporting process. We suggest the Legislature (1) require website postings only that can be reproduced manually and electronically to save the government's limited resources, (2) task BBMR, DOA, and/or OFB to report compliance of report submissions in the upcoming fiscal year and (3) assign a uniform reporting deadline of 30 days after the reporting period for all reports. These changes would help minimize confusion among government entities.

While we applaud the Legislature for continuing to advocate regular financial reporting in the use of public funds, financial reporting is not just the act of reporting, but also the analysis of these reports.



Doris Flores Brooks, CPA, CGFM
Public Auditor

³ 2 G.C.A. §13108