



CONFIDENTIAL REPORT

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EXECUTIVE SUMMARY

Guam Fire Department Payroll & Special Payments Analysis
Report No. 10-08, December 2010

At the request of the Guam Police Department (GPD), in connection with its investigation of a former Guam Fire Department fire chief (chief), the Office of Public Accountability (OPA) conducted a review of the subject chief's payroll records between January 2003 and December 2005. We determined that **\$53,909** was paid inappropriately, specifically:

- \$51,665 unauthorized and unexplained retroactive special payments; and
- \$2,244 questionable regular bi-weekly payments.

We also found that Department of Administration (DOA) payroll technicians receive, process, and approve timesheets and special payment requests without secondary or management review.

19 Special Payments Totaling \$69,332 Issued

Both as acting and confirmed department head, the former fire chief received 19 special payments totaling \$69,332 between January 1, 2003 and December 31, 2005. Special payments are any payments made by payroll outside the regular bi-weekly payroll run, such as retroactive payment requests, advance annual leave payments, etc.

Of the 19 payments, 17 totaling **\$51,665** were initiated for payment by the chief himself, despite lack of supporting documentation, independent review, and authorization. This lack of independent check on timesheets and special payment requests is indicative of a weak internal control structure. The two remaining special payments of \$16,741 were authorized unused annual leave lump sum payments paid to the former fire chief in March and May 2005.

Increased Annual Earnings

As a consequence of special payments, the fire chief made significantly more than the \$74,096 set by law between calendar years 2002 and 2006. The subject made \$71,007 in 2002, prior to his acting appointment. In 2003, as his salary level fluctuated between his regular and acting positions, and his lump sum withdrawal, he made \$87,680. In 2004 he made \$79,688; \$97,871 in 2005; and \$79,559 in 2006. The increases in annual earnings will certainly enhance his retirement annuity under the Defined Benefits plan, as it is calculated according to the annuitant's three highest annual earnings.

Unexplained Payments

We found 19 unexplained payments totaling **\$53,909**, of which 17 were unexplained and unauthorized special payments totaling **\$51,665** and two questionable bi-weekly pay amounts totaling **\$2,244** between January 2003 and December 2005 as discussed. The DOA chief payroll officer was not able to explain the reasons for the payments, detailed below, nor did we find documentation or justification for them. We could not determine the logic behind some of the complicated calculations on these payments. These payments were processed and disbursed without documentation, authorization, management review and approval.

A discussion of the nature of these payments follows.

Unauthorized Retroactive Overtime and Night Differential Special Payments

1. \$5,899 issued in Check No. 103160 on April 22, 2005;
2. \$1,475 issued in Check No. 107585 on May 13, 2005; and
3. \$5,450 issued in Check No. 158605 on November 4, 2005.

As a department head, the chief was prohibited by law from receiving overtime and night differential pay and was not entitled to the 106-hour pay period of uniformed firefighters. Yet he received three special payments totaling **\$11,897** for overtime and night differential pay from 2003 which was paid over nine pay periods in 2005. Additionally, some hours were calculated at the \$74,096 per annum fire chief salary broken down into \$35.62/hour to make his time-and-a-half overtime cost **\$53.43/hour**.

Unexplained Retroactive Overtime, Night Differential & Typhoon Payments

4. \$1,753 issued in Check No. 360500 on May 2, 2003;
5. \$8,359 issued in Check No. 409371 on October 3, 2003;
6. \$3,231 issued in Check No. 418940 on October 31, 2003;
7. \$1,069 issued in Check No. 423409 on November 14, 2003; and
8. \$6,002 issued in Check No. 11319 on June 11, 2004

Advance Payments

9. \$2,850 issued in Check No. 327496 on June 13, 2003
10. \$2,850 issued in Check No. 376804 on June 27, 2003
11. \$5,699 issued in Check No. 381126 on July 11, 2003
12. \$2,126 issued in Check No. 64088 on December 10, 2004
13. \$724 issued in Check No. 64091 on December 10, 2004
14. \$2,850 issued in Check No. 68191 on December 23, 2004

Retroactive Special Payments

15. \$1,579 issued in Check No. 336509 on February 7, 2003
16. \$452 issued in Check No. 400484 on September 5, 2003
17. \$226 issued in Check No. 404665 on September 12, 2003

Questionable Regular Bi-Weekly Pay

18. On April 25, 2003, the chief received \$926 at \$35.62/hour for 106 hours, the standard two-week pay period for uniformed firefighters; and
19. On April 8, 2005, the chief received \$1,318 at \$35.62/hour for 37 hours of administrative leave between March 28 and April 1, 2005.

See Appendix 3 for detailed breakdown of special payments.

Conclusion and Recommendation

Based on our review, we determined that the former fire chief received \$53,909 inappropriately, that payments were processed and disbursed without documentation and authorization, and that this occurred because DOA payroll technicians routinely processes timesheets and special payment requests without management review and approval. As such, the payroll system is subject to errors, manipulation, and the risk of abuse and fraud.

We recommend the DOA Director instruct the chief payroll officer to monitor the timesheets of government managers, to include Directors, Deputies, and Controllers, with particular attention to special or retroactive payment requests.

OPA has referred this report to the GPD Government Corruption Task Force and Office of the Attorney General.

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