



Mayors' Council of Guam – Non-Appropriated Funds FY 2016 Financial Highlights

April 26, 2017

The Mayors' Council of Guam (MCOG) and the mayors are commended for ending fiscal year (FY) 2016 with an unmodified (clean) opinion on its Non-Appropriated Funds (NAF). No material weaknesses or significant deficiencies were identified. However, separate management letters were issued to each mayor and MCOG. Of the 19 municipalities, four villages (Barrigada, Chalan Pago-Ordot, Mongmong-Toto-Maite, and Sinajana) had no findings and are commended for this accomplishment. Five villages (Agana Heights, Asan-Maina, Hagatna, Tamuning-Tumon-Harmon, and Piti) each had only one finding. Although the non-profit organizations (NPO) that operate the NAFs of Agana Heights and Mongmong-Toto-Maite are in compliance with their December 31, 2015 filings required by the Department of Revenue and Taxation (DRT), these NPOs were not audited. While Tamuning's NAF is also operated by an NPO, the NPO has not completed all required DRT filings since 2014 and was not audited.

Guam Visitors Bureau (GVB) Grant

In FY 2016, MCOG received a \$200 thousand (K) Guam Visitors Bureau grant which was distributed to all villages. The grant shall be used for the improvement, refurbishment, restoration, repair, and/or maintenance of one park or attraction per village, including village murals. It cannot be spent on consumables for hosting, such as food, drinks, paper products, entertainment, travel, logistics, and the like. Upon completion of the listed project, all remaining funds shall be spent according to these rules and regulations until exhausted. As of FY 2016, 10 villages have \$36K in unused grant proceeds, which they committed to use in FY 2017 to comply with the grant purposes. Of these 10 villages, three villages (Talofofo, Umatac, and Yigo) used some of the grants for their operations, mostly for consumables.

Revenues

In FY 2016, Host Community Benefits (HCB) of \$164K each were provided to Inarajan and Chalan Pago-Ordot, the villages where Guam's solid waste facilities are located.

FY 2016 marks the fifth year that MCOG managed and operated Senior Center Operations Program. All income derived during senior citizens' operations (9am–4pm) is program income and therefore, subject to federal regulations. Activities after that are at the discretion of the Mayor and part of that respective village's NAF. In FY 2016, there were 12 Senior Center operations, wherein Santa Rita was the largest with \$81K, followed by Agat with \$66K, and Mangilao with \$50K.

Without the HCB and senior center operations, Sinajana ended FY 2016 with the largest revenues of \$167K among the villages, followed by Dededo at \$146K, then by Agat at \$122K. Including the HCB and senior center operations, Sinajana would still have the largest revenue at

\$196K, followed by Inarajan at \$189K, then by Agat at \$188K. Other villages are within the range of \$761 to \$180K.

Management Letters

Deficiencies identified mainly included lack of comparative prices on procurement, unsupported and/or unreceipted collections, and untimely deposit. Other findings pertain to \$8K in grants used for unspecified purpose, \$7K disbursements made payable to “Cash”, various other procurement issues, monetary award distribution issues at senior center operations, etc. In FY 2016, a new finding was also identified for Yona pertaining to no taxes paid on \$16K Senior Center bingo fundraising proceeds outside of the 9am-4pm operations. Additionally, taxes have not been paid since the inception of the fundraising account.

Dededo, Umatac, and Yigo had the most findings with four each. They were followed by Agat, Merizo, Talofoto, and Yona with three findings each.

Non-Compliance with Procurement Rules and Regulations

During FY 2016, 10 villages (Agat, Dededo, Inarajan, Mangilao, Merizo, Piti, Santa Rita, Umatac, Yigo, and Yona) had issues on compliance with procurement rules and regulations. Of the 10 villages, seven procured without comparative prices resulting in questioned costs of \$43K. Inarajan and Mangilao villages had \$9K of emergency procurement without a pre-approved emergency vendor list. Further, Piti village informed the lowest bidder of the budget prior to requesting price quotes, Dededo village used an outdated quote for certain services, and Merizo village procured without invoices and receipts. Absent exemption from law, all NAF and Senior Center disbursements are subject to Government of Guam and federal Procurement Rules and Regulations, respectively.

Cash Receipt Findings

During FY 2016, nine villages (Agana Heights, Agat, Asan-Maina, Dededo, Hagatna, Merizo, Talofoto, Umatac and Yigo) and the MCOG Revolving Fund had issues with their cash receipts process, resulting in questioned costs of \$124K. Agat, Merizo, Talofoto, Yigo and the MCOG Revolving Fund had deposits without receipts and/or deposit slips. Agana Heights, Asan-Maina, Hagatna, and Yigo had issues with untimely deposit of receipts. However, Dededo appeared to have \$1K in late deposit due to pre-dating receipts of expected collection, rather than when actually collected. Umatac had potential undeposited revenue of \$3K plus unknown mark-up during the Heritage Day celebration.

Liberation Day Carnival

The 2012 Liberation Day Carnival was the last carnival operated by MCOG and the last year audited. For 2013, 2014, 2015, and 2016, the Guam Liberation Historical Society (GLHS) was appointed by MCOG to run and manage the carnival. Independent auditor Ernst & Young, LLP issued a clean opinion on GLHS’s financial statements for years ended December 31, 2013 and 2014. As of April 2017, the December 31, 2015 and 2016 audits are yet to be completed.

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