



OFFICE OF PUBLIC ACCOUNTABILITY
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July 5, 2017

Honorable Benjamin J.F. Cruz
Speaker and Chairman, Committee on Appropriations and Adjudication
34th Guam Legislature
Guam Congress Building
163 Chalan Santo Papa
Hagatna, Guam 96910

Re: Fiscal Year 2018 Budget Request

Dear Speaker Cruz and Committee Members:

OPA is requesting a budget appropriation of \$1,800,030 for FY 2018. This represents a 29%, or \$403,132 increase from our FY 2017 appropriation of \$1,396,898 which did not allow for lapsed funds to carry over. However, this request is a 12% increase from OPA's FY 2016 appropriation of \$1,611,851, which included \$222,108 in lapsed funds.

We are requesting this increase for FY 2018 in order to retain current staff, fund staff movement to new OPA Accountability Auditor positions, and hire 3 more auditors. We estimate it will cost \$110,000 to move OPA auditors to the new positions and \$158,000 to hire 3 additional auditors.

From FY 2011 to FY 2015, OPA's average personnel costs were \$836,000. In FY 2016, personnel costs increased by \$195,000 mainly due to staff retention. Our turnover rate since FY 2016 is 7%, a significant improvement from prior years when staff turnover was as high as 40%.

Our FY 2017 appropriation of \$1.3M is considerably less than our actual FY 2016 expenditures of \$1.5M.

Our inability to consistently carry over lapsed funds has affected our recent recruiting efforts at a time when we have finally achieved hiring autonomy. Many exceptional candidates applied that we could not hire because of lack of funding that could have been provided through lapsed funds. Historically, OPA's lapsed funds resulted from unused personnel appropriations due to recruitment and retention challenges.

In FY 2017, OPA was the only elected office not authorized to carry over lapsed funds. The elected offices of the Attorney General and the Mayors, as well as the

Judiciary, the University of Guam, and Guam Community College were allowed to carry over their lapses. OPA was also not authorized to carry over lapses in FY 2013 and FY 2014 estimated at \$550,000.

After ten years of severe staffing challenges, in FY 2017 we maintained a staff complement of 15, the highest since 2010. OPA gained hiring autonomy through Public Law 33-226 and we have been able to compensate our certified staff with a 10-15% pay differential because of P.L. 33-18. This new autonomy resulted in OPA's ability to hire faster and gain a larger pool of qualified applicants.

We thank the Guam Legislature for giving OPA this much needed relief from the staffing challenges we've faced throughout the years.

Our staff increases have translated to more productivity. We issued 11 performance audits in 2016 compared to 8 we issued in 2015. We are optimistic in our growth but in order to maintain this productivity, we must continue to recruit to fill our vacancies and give our existing staff reasons to stay and continue their careers with OPA. Retention has been a very difficult issue for OPA for the last decade.

We are currently in the final stages of creating new positions in order to recruit and retain employees. We have been working with the Department of Administration Human Resources Division since March 2016 to create and approve new Accountability Auditor positions, which are more appropriate positions for OPA auditors.

Our next steps are to shortly post and announce these positions for the required number of days, followed by the DOA Director's approval and transmittal to the Governor and Legislature. We are planning to effectuate these positions in FY 2018.

In addition to the 11 performance audits we issued in 2016, OPA monitored, reviewed, analyzed and issued financial audits of autonomous agencies and the General Fund. The FY 2016 Government of Guam audit was issued on June 8, the earliest in history.

The number of low-risk auditees increased for FY 2016 audits issued from 4 agencies (GCC, Port Authority of Guam, UOG, and Guam International Airport) to 6 to include GPA and GWA. It is our goal to have all government agencies that are subject to the Single Audit Act become low risk auditees.

We also issued 10 decisions on the 15 procurement appeals that were filed with our office. One of the more controversial decisions arose from the appeals filed over the Simon Sanchez High School design and construction project. After hearing 11 days of testimony, OPA cited several failures by DPW and options to resolve the shortcomings.

SAI PMF

In line with OPA's vision for Guam to be the model for good governance in the Pacific, we strive to be a robust audit office and always look for ways to improve. In May 2017, OPA underwent an independent assessment through the International Organization of Supreme Audit Institution's Performance Measurement Framework (SAI PMF). Representatives from the Republic of the Marshall Islands Auditor General's Office and PASAI conducted the assessment and a final report is expected in December 2017. This project is fully funded by PASAI.

The report will provide a holistic overview of OPA's performance against international standards and good practices. It will identify OPA's strengths and weaknesses, assess our capacity development needs, identify OPA's value and benefit to the people of Guam, and measure OPA performance.

This month Guam OPA will assess the FSM Office of the National Public Auditor in Pohnpei.

Financial Management System (FMS)

We continue to advocate legislation to require agencies to issue their financial audits no later than six months after the fiscal year. Although the audit of the Government of Guam was issued on June 8, the earliest in its history, it was not issued by March 31st, or six months after the fiscal year. GovGuam is a billion dollar industry that should be accounting to the people of Guam promptly, not nine months after the fiscal year end. By that time, it is too late to make critical decisions.

In order to meet this goal, GovGuam's current financial management system must be updated and supported with a solid accounting infrastructure and staff. The system is a relic of the 1980s and should be brought up to speed with today's technology.

Audits in Progress

Since October 2015, we have been managing and reviewing our audits on TeamMate, an automated audit software system. After over a year, we have experienced efficiencies on our audit processes. Ten of our 11 audits released in 2016 were managed on TeamMate. In 2017, we are conducting all audits on TeamMate including our audit of Fest Pac expenditures. We are also issuing reports soon on PEALS Board funds, DPW equipment use, gross receipts tax exemptions, and GSA procurement compliance.

With increased staffing, we will continue our proactive approach, suggest best practices, and address more audit requests.

Annual Report

Our recently released 2016 annual report outlines other activities and accomplishments. You can download the full report at our website www.opaguam.org. Printed copies will be forthcoming.

To recap our 2018 budget request:

- Approve lump sum budget request of \$1,800,030;
- Approve the carry-over of personnel lapses from FY 2012 to FY 2013;
- Continue to exempt OPA from BBMR allotment control similar to other elected offices and the Judiciary;
- Approve a salary adjustment for the Public Auditor; and
- Amend legislation and require OPA to post links to audio recordings of GovGuam agencies' board meeting minutes.

Thank you for giving us the opportunity to present our budget request.

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