

**Office of Public Accountability's
Status of Audit Recommendations**

**Analysis as of
September 30, 2012**

**OPA Report No. 12-09
December 2012**



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EXECUTIVE SUMMARY

Office of Public Accountability's Status of Audit Recommendations OPA Report No. 12-09, December 2012

Between calendar years (CY) 2010 and 2011, the Office of Public Accountability (OPA) issued 21 audit reports that focused on fund accountability, program efficiency and effectiveness, procurement, personnel, non-appropriated funds, and suspected fraud and abuse. Of these reports, nine, or 43%, were OPA initiated; six, or 29%, were at the request of government officials; five, or 24%, were legislative mandates and/or Executive Order; and one, or 5%, was a follow-up. The 21 reports collectively identified \$33.9 million (M) in financial impact, of which \$23.6M were questioned costs, \$271 thousand (K) were unrealized revenues, and \$10M were other financial impact such as the significant cost of non-productive pay (\$6.3M); lack of controls over cash receipts (\$1.6M); inequitable benefits (\$845K); quarterly reports not reviewed for accuracy and completeness (\$619K); lost opportunity income and mis-assessment of fees (\$604K) and others. We made 77 recommendations to help improve the overall operations of the audited entities. This report is the third on the status of audit recommendations implementation with the first issued in December 2007 and the second in May 2010.

Our reports generally found that management's lack of ongoing monitoring, oversight, and understanding the importance of implementing effective internal controls (checks and balances) were the underlying causes for questioned costs and noncompliance with laws and regulations. We found ineffective billing and collection systems, loss of government revenues, lack of control procedures over non-appropriated funds, and lack of monitoring and oversight of government programs. Ultimately, management is responsible for implementing recommendations and should ensure their agencies are committed to sustaining an effective internal control environment. Elected officials and governing bodies should encourage implementation through effective oversight. One way we measure our effect in improving the government's accountability, operations, and services is by tracking the percentage of audit recommendations that have been implemented.

As of September 2012, 27 recommendations (35%) were addressed by agency corrective action plans or otherwise closed by the auditees where 50 recommendations (65%) remain open. The United States Government Accountability Office found that it takes up to four years for an agency to implement audit recommendations.

Summary Status of OPA Audit Recommendations as of September 2012

Type of Audit	# of Reports	% of Reports	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact
			Closed	Open	Total				
Self-Initiated	9	43%	9	33	47	\$ 17,855,031	\$ 271,098	\$ 8,388,217	\$ 26,514,346
Request	6	29%	13	8	21	\$ 378,234	\$ -	\$ 69,316	\$ 447,550
Mandate	5	24%	5	3	3	\$ -	\$ -	\$ -	\$ -
Follow-Up	1	5%	0	6	6	\$ 5,328,099	\$ -	\$ 1,597,517	\$ 6,925,616
TOTAL:	21	100%	27	50	77	\$ 23,561,364	\$ 271,098	\$ 10,055,050	\$ 33,887,512

Audits traditionally provide oversight into past government operations, how money was spent and whether it was in compliance with laws, rules, and regulations. Audits can be a tool to provide insight and foresight into the effectiveness and efficiency of government programs and activities. Of the 21 audits issued, ten focused on oversight, seven provided insight into government operations, two provided foresight into such areas as revenue savings, and the other two provided insight as well as foresight into government activities.

Status of Audit Recommendations Issued Between CY 2001~2009

OPA issued its first status report on audit recommendations in December 2007, OPA Report No. 07-18, covering audits issued between 2001 and 2006. That report covered 65 audit reports and 420 recommendations with a total financial impact of \$74.1M. Of the 420 recommendations, seven remain open.

The second report, OPA Report No.10-02, covered 35 audit reports between CY 2007 and 2009 that issued 85 recommendations with a total financial impact of \$35.4M. As of the issuance of this report, 67 of these recommendations have been implemented. OPA continues to work collaboratively with the government entities to implement these recommendations.

Conclusion

We recognize that implementing some recommendations entails cost, either directly, such as purchasing equipment or software, or indirectly, such as investing in staff resources on training. However, the cost of failing to implement audit recommendations can be higher and result in long-term financial and performance deficiencies in government programs, systems, and services. OPA continues to send periodic reminders and follow-up letters to encourage implementation. Agency management should recognize the benefits of improved controls that provide accountability and transparency. While 1 G.C.A. § 1913 allows OPA to file actions in the Superior Court of Guam to force the implementation of the recommendations, the OPA has yet to exercise this arduous and costly remedy.



Doris Flores Brooks, CPA, CGFM
Public Auditor



Introduction

This report presents the status of audit recommendations issued by the Office of Public Accountability (OPA) as of December 2011. This is the third report on the status of the implementation of audit recommendations issued in 21 audits of Government of Guam (GovGuam) agencies between January 2010 and December 2011, and provides an update on recommendations issued between 2001 and 2009. The OPA issued its first status report on audit recommendations in December 2007¹ and the second in May 2010².

The scope and methodology for this follow up on audit recommendations are detailed in Appendix 1.

Background

Audit recommendations are intended to increase efficiency and effectiveness of processes throughout GovGuam, to enhance revenue, and to protect against the loss or misuse of government assets and resources. According to Section (§) 8.28 and 8.29 of the *Government Auditing Standards*:

“Auditors should recommend actions to correct problems identified during the audit and to improve programs and operations when the potential for improvement in programs, operations, and performance is substantiated by the reported findings and conclusions. Auditors should make recommendations that flow logically from the findings and conclusions, are directed at resolving the cause of identified problems, and clearly state the actions recommended.”

OPA’s audit recommendations to audited government agencies address a broad range of issues. OPA issued its first status report on audit recommendations in December 2007 for audit reports issued between January 2001 and December 2006. During this period OPA issued 65 reports that identified \$74.1 million (M) in financial impact and made 420 recommendations. The second status report was issued in May 2010 for audit reports issued between January 2007 and December 2009. During this three year period OPA issued 35 reports with a financial impact of \$35.4M and made 85 recommendations. OPA maintains an internal tracking system to monitor the implementation and resolution of audit recommendations and periodically sends reminders and follow-up letters to agencies’ management to encourage implementation of OPA audit recommendations.

¹ OPA Report No. 07-18.

² OPA Report No. 10-02.

According to § 1912 Title 1 of the Guam Code Annotated (G.C.A.), the Executive, Legislative, and Judicial branches of the Government of Guam are to prepare corrective action plans for audit recommendations, document the progress of implementation, endeavor to complete implementation no later than the beginning of the next fiscal year, and to transmit this information to the Public Auditor. In addition, while 1 G.C.A. § 1913 allows OPA to file actions in the Superior Court of Guam to enforce the implementation of the recommendations, OPA has yet to exercise this course of action.

Classification of Audit Recommendations

OPA audit recommendations are classified as *open* or *closed*.

- ***Open Recommendations*** are those for which no action, incomplete action or plan of action has been made by the department or agency.
- ***Closed Recommendations*** are those for which the department or agency has taken sufficient action to implement or have been determined as no longer applicable or relevant due to changes in the system or processes.

Pursuant to 1 G.C.A. § 1913, the Public Auditor may elect to take action if recommendations are not implemented, specifically:

“In the event the Governor, the Committee on Rules of the Legislature, or the Presiding Judge of the Superior Court of Guam:

- a. Fails to implement the required corrective action plan; or
- b. Fails to provide a satisfactory explanation as to why such recommendations have not been implemented to the Public Auditor; or
- c. The Public Auditor has not concurred with the non-implementation on account of the provided explanation; the Public Auditor may file in the Superior Court of Guam an action for a Writ of Mandate to force the implementation of the recommendations and the attendant corrective action plan.”

Although 1 G.C.A. § 1913 allows OPA to file actions in the Superior Court of Guam, the OPA has yet to exercise this arduous and costly remedy.

Results of Review

Between January 2001 and December 2011, OPA issued 121 reports with 582 audit recommendations to help improve the overall operations of GovGuam. As of September 2012, 507 recommendations, or 87%, have been closed through the agency's submittal of corrective action plans or were no longer deemed applicable under the circumstances, and 75 recommendations, or 13%, remain open. See Table 1 below.

Table 1: Status of 2001-2011 OPA Audit Recommendations as of September 2012

Recommendations Status	Calendar Year											
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	TOTAL
Closed	31	96	77	91	48	70	44	21	2	14	13	507
Open	0	0	0	0	1	6	7	7	4	24	26	75
Total	31	96	77	91	49	76	51	28	6	38	39	582
% Closed	100%	100%	100%	100%	98%	92%	86%	75%	33%	37%	33%	87%
Reports Issued	3	9	11	14	9	19	18	10	7	9	12	121

The 121 reports collectively identified \$143.4M in financial impact, of which \$81.9M were questioned costs; \$44.9M were other financial impact; and \$16.6M were unrealized revenues. See Table 2 below for a summary of financial impact and Appendix 2 for the details of financial impact per report from CY 2001 through CY 2011.

Table 2: CY 2001-2011 Audit Recommendations Financial Impact

Calendar Year	# of Reports	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact
		Closed	Open	Total				
2001	3	31	0	31	\$ 354,490	\$ -	\$ -	\$ 354,490
2002	9	96	0	96	\$ 3,326,827	\$ 145,496	\$ 5,973	\$ 3,478,296
2003	11	77	0	77	\$ 20,262,045	\$ 2,495,850	\$ 4,070,292	\$ 26,828,187
2004	14	91	0	91	\$ 13,102,656	\$ 2,602,595	\$ 655,802	\$ 16,361,053
2005	9	48	1	49	\$ 2,434,330	\$ 1,045,536	\$ 2,706,022	\$ 6,185,888
2006	19	70	6	76	\$ 6,751,426	\$ 3,237,794	\$ 10,938,428	\$ 20,927,648
2007	18	44	7	51	\$ 1,308,995	\$ 6,484,259	\$ 16,489,457	\$ 24,282,711
2008	10	21	7	28	\$ 9,687,839	\$ -	\$ -	\$ 9,687,839
2009	7	2	4	6	\$ 1,081,539	\$ 305,472		\$ 1,387,011
2010	9	14	24	38	\$ 19,539,597	\$ -	\$ 3,060,375	\$ 22,599,972
2011	12	13	26	39	\$ 4,021,767	\$ 271,098	\$ 6,994,675	\$ 11,287,540
TOTAL:	121	507	75	582	\$ 81,871,511	\$ 16,588,100	\$ 44,921,024	\$ 143,380,635

Audit Recommendations Issued Between 2010~2011

Between CY 2010 and 2011, OPA conducted 21 performance audits, requests, and legislative mandates, which identified a financial impact of \$33.9M. These audits made 77 recommendations to improve accountability and operational effectiveness and efficiency. Of the 77 recommendations, 27, or 35%, have been closed and 50, or 65%, remain open as illustrated in Table 3. Refer to Appendix 4 for details of the open audit recommendations.

Of the 21 reports, nine were initiated by the OPA, six were conducted because of audit requests by legislators, five were conducted due to legislative mandates, and one was a follow-up to a prior audit. Likewise, ten focused on oversight of the accountability of government funds, seven focused on insight on program efficiency and effectiveness, and two focused on foresight and two focused on foresight and insight of revenue enhancements, significant costs on pay, and payroll efficiency. Refer to Appendix 3 for the listing of the status of audit recommendations in both categories of audit focus.

Table 3: 2010-2011 Recommendations Status and Financial Impact

Recommendations Status	Calendar Year		TOTAL
	2010	2011	
Closed	14	13	27
Open	24	26	50
Total	38	39	77
% of Closed	37%	33%	35%
Reports Issued	9	12	21
Financial Impact	\$ 22,599,972	\$ 11,287,540	\$ 33,887,512

OPA categorizes financial impact as questioned costs, unrealized revenues, and “other”.

- Questioned costs are expenditures of funds that are deemed as unsupported costs, unallowable, or otherwise improper.
- Unrealized revenues are funds that could have been collected but were not.
- Other financial impacts are amounts identified, but do not fit the other categories. Examples are potential or actual savings that an auditee could realize; tax credits that do not require appropriations or compete with the annual budget's spending priorities thus receiving higher funding priority than public education, safety, and health; unreconciled difference identified; and unreported amounts that are required to be reported by law.

The \$33.9M in questioned costs, unrealized revenues, and other financial impacts identified in the 21 audits included:

- the Department of Public Works’ (DPW) questioned costs of \$16.1M for capital improvement projects awarded to “preferred” vendors;
- Guam Fire Department’s (GFD) questioned costs of \$347K in payment non-compliance, needed improvement for internal control, and other financial impact of \$6.3M in significant costs of non-productive pay;

- Liberation Day Committee (LDC) Funds and Activities questioned costs of \$2M for lack of controls over cash disbursements and other financial impact of \$1.6M for lack of controls over cash receipts;
- General Services Agency's (GSA) questioned costs of \$3.4M from purchases that were artificially divided and/or not consolidated;
- GovGuam Leave Sharing Program's questioned costs of \$602K in payment and administration of the program and other financial impact of \$844K for inequitable benefits for GFD and potential dual compensation for GovGuam employees on military activation;
- DPW's Building Permits and Inspection Sections' unrealized revenues of \$271 thousand (K) due to lost revenues on unpaid, waived, or undercharged permit fee assessments and other financial impact of \$604K in lost opportunity income due to lack of independent verification;
- Department of Public Health & Social Services' (DPHSS) Medically Indigent Program's questioned costs of \$728K for unsupported certifications and costs absorbed by other public assistance programs;
- GFD Enhanced 911 Emergency Reporting System Fund's questioned costs of \$106K for a lack of monitoring remittances and \$619K in other financial impact for unreconciled differences;
- GovGuam Annual Leave Lump Sum Payments' questioned costs of \$302K for questionable payments;
- Professional Engineers, Architects and Land Surveyors (PEALS) Board Funds \$22K in questioned costs and \$69K in other financial impact, and;
- GFD's \$54K in unauthorized, unneeded and questionable payroll payments.

Audit Recommendations by Addressee

Overall, the 21 OPA audit reports encompassed a variety of audits, analyses, and reviews. An agency may have multiple audit reports on analyses and reviews or may include multiple recommendations to different agencies (addressee). As of September 2012, the following addressees are pending the implementation of recommendations for the 21 reports:

Department of Administration

1. Government of Guam Leave Sharing Program (No. 10-05)
2. Guam Fire Department Payroll and Special Payments (No. 10-08)
3. Government of Guam Liabilities Assessment (No. 11-03)
4. Guam Fire Department Non-Productive Pay on Leave and Other Compensation (No. 11-06)
5. Government Wide Income Tax Refund Efficient Payment Trust Fund (No. 11-10)
6. Government Wide Health Benefit Costs Account (No. 11-11)
7. General Services Agency Small Purchases Procurement Follow-Up Audit (No. 11-12)

Governor of Guam

1. Government of Guam Payroll Efficiency for Employee Pay & Voluntary Deductions (No. 10-01)
2. Department of Public Works' Solid Waste Management Division (No. 10-04)
3. Government of Guam Liabilities Assessment (No. 11-03)

Department of Public Works

1. DPW Procurement of Capital Improvement Projects (No. 10-07)
2. DPW Building Permits and Inspection Section (No. 11-05)

Guam Fire Department

1. GFD Enhanced 911 Emergency Reporting System Fund (No. 10-06)
2. GFD Non-Productive Pay on Leave and Other Compensation (No. 11-06)

Legislature

1. Government of Guam Leave Sharing (No. 10-05)
2. Guam Fire Department Non-Productive Pay on Leave and Other Compensation (No. 11-06)
3. Government Wide Health Benefit Costs Account (No. 11-11)

Attorney General

1. Government of Guam Leave Sharing (No. 10-05)

Department of Education

1. Government of Guam Leave Sharing (No. 10-05)

Bureau of Budget & Management Resources

1. Government of Guam Liabilities Assessment (No. 11-03)

Public Utilities Commission

1. GFD Enhanced 911 Emergency Reporting System Fund (No. 10-06)

General Services Agency

1. General Services Agency Small Purchases Procurement Follow-Up Audit (No. 11-12)

Department of Public Health and Social Services

1. General Services Agency Small Purchases Procurement Follow-Up Audit (No. 11-12)

Mayor's Council of Guam

1. General Services Agency Small Purchases Procurement Follow-Up Audit (No. 11-12)

See Appendix 4 for the open recommendations.

Reports by Audit Initiation

Of the 21 audits examined for this review, 10, or 48%, were OPA initiated; 6, or 29%, were undertaken at legislative requests, 4 or 19% were mandated by law; and 1, or 5%, was a follow-up to a previous audit.

Table 4: Status of OPA Audit Recommendations by Audit Initiation

Type of Audit	# of Reports	% of Reports	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact
			Closed	Open	Total				
Self-Initiated	9	43%	9	33	47	\$ 17,855,031	\$ 271,098	\$ 8,388,217	\$ 26,514,346
Request	6	29%	13	8	21	\$ 378,234	\$ -	\$ 69,316	\$ 447,550
Mandate	5	24%	5	3	3	\$ -	\$ -	\$ -	\$ -
Follow-Up	1	5%	0	6	6	\$ 5,328,099	\$ -	\$ 1,597,517	\$ 6,925,616
TOTAL:	21	100%	27	50	77	\$ 23,561,364	\$ 271,098	\$ 10,055,050	\$ 33,887,512

OPA Initiated Audits:

1. Government of Guam Payroll Efficiency for Employee Pay & Voluntary Deductions (No. 10-01)
2. Office of Public Accountability's Status of Audit Recommendations (No. 10-02)
3. Department of Public Health & Social Services' Medically Indigent Program (No.10-03)
4. Department of Public Works' Solid Waste Management Division (No. 10-04)
5. Government of Guam Leave Sharing Program (No. 10-05)
6. Guam Fire Department Enhanced 911 Emergency Reporting System Fund (No. 10-06)
7. Department of Public Works' Procurement of Capital Improvement Projects (No. 10-07)
8. Department of Public Works Building Permits and Inspection Section (No. 11-05)
9. GFD Non-Productive Pay on Leave and Other Compensation (No. 11-06)

Audit Requests:

1. Guam Fire Department Payroll and Special Payments (No. 10-08)
2. Government of Guam ARRA Funds (No. 11-02)
3. Government of Guam Liabilities Assessment (No. 11-03)
4. GPD Review of Bid No. GSA-081-10 Police Patrol Vehicles (No. 11-04)
5. PEALS Board Funds and Financial Practices (No. 11-07)
6. Government of Guam Annual Leave Lump Sum Payments (No. 11-08)

Mandated Audits:

1. Liberation Day Committee Funds and Activities (No. 10-09)
2. Government of Guam Cost Reduction and Revenue Enhancement Recommendations Pursuant to Executive Order No. 2011-01 (No. 11-01)

3. Government Wide Submission of Citizen Centric Reports Pursuant to P.L. 31-77 (No. 11-09)
4. Government Wide Income Tax Refund Efficient Payment Trust Fund (No. 11-10)
5. Government of Guam Wide Health Benefit Costs Account (No. 11-11)

Follow-Up Audit:

1. GSA Small Purchases Procurement Follow-Up Audit (No. 11-12)

Reports by Audit Focus

Of the 21 audits, 77 recommendations to improve accountability and operational efficiency and effectiveness were issued as follows:

- 25 recommendations (9 reports) focused on program efficiency and effectiveness
- 14 recommendations (3 reports) on procurement
- 11 recommendations (2 reports) on fund accountability
- 11 recommendations (2 reports) on non-appropriated funds
- 16 recommendations (5 reports) on personnel

Table 5: Recommendations Status by Audit Focus

Type of Audit	# of Reports	% of Reports	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact
			Closed	Open	Total				
Program Efficiency & Effectiveness	9	43%	8	17	25		\$ 271,098	\$ 604,028	\$ 875,126
Procurement	3	14%	1	13	14	\$ 19,422,900	\$ -		\$ 19,422,900
Fund Accountability	2	10%	6	5	11	\$ 833,608	\$ -	\$ 618,681	\$ 1,452,289
Non-Appropriated Funds	2	10%	11	0	11	\$ 1,999,866	\$ -	\$ 1,666,833	\$ 3,666,699
Personnel	5	24%	1	15	16	\$ 1,304,990	\$ -	\$ 7,165,508	\$ 8,470,498
TOTAL:	21	100%	27	50	77	\$ 23,561,364	\$ 271,098	\$ 10,055,050	\$ 33,887,512

See Appendix 5 for details of the findings and recommendations of the reports by audit focus.

Status of Open Audit Recommendations from Audits Issued Between 2001~2009

Between 2001 and 2009, OPA issued 100 reports with 505 audit recommendations to improve government operations. These reports identified financial impacts of \$109.5M. As of September 2012, of the 505 audit recommendations, 480 have been closed through corrective action, passage of legislation, or were no longer deemed applicable.

OPA is working with the auditees to close the remaining 75 open recommendations as illustrated below. Refer to Appendix 4 for recommendation details.

Table 6: Open Audit Recommendations between CY 2001 and 2011

Calendar Year	Report Number	Report Title	Open
2005	05-09	CLTC Non-Appropriated Funds	1
2006	06-16	Guam ALC Non-Appropriated Funds	6
2007	07-12	Gov't. of Guam Vehicle Fleet Inventory	3
	07-15	Gov't. of Guam's Tax Credit Programs	4
	2007 Subtotal:		7
2008	08-05	Submission of FY 2008 2nd Qtr Financial Reports Pursuant to Public Law 29-19	1
	08-08	Evaluation of GPD Records and Identification Section's Revenue Collections	2
	08-09	GPSS Textbook Management	2
	08-10	Gov't. of Guam Wide Overtime	2
	2008 Subtotal:		7
2009	09-03	CLTC Non-Appropriated Funds	4
2010	10-01	Gov't. of Guam Payroll Efficiency for Employee Pay & Voluntary Deductions	1
	10-04	DPW's Solid Waste Management Division	1
	10-05	Gov't. of Guam Leave Sharing Program	8
	10-06	GFD Enhanced 911 Emergency Reporting System Fund	5
	10-07	DPW's Procurement of Capital Improvement Projects	7
	10-08	GFD Payroll and Special Payments	2
	2010 Subtotal:		24
2011	11-03	Gov't. of Guam Liabilities Assessment	6
	11-05	DPW's Building Permits and Inspection Section	7
	11-06	GFD Non-Productive Pay on Leave and Other Compensation	4
	11-10	Gov't. Wide Income Tax Refund Efficient Payment Trust Fund	1
	11-11	Gov't. Wide Health Benefit Costs Account	2
	11-12	GSA Small Purchases Procurement Follow-Up Audit	6
	2011 Subtotal:		26
TOTAL:			75

Management's Lack of Understanding of Internal Controls

Our reports generally found that among government managers, the lack of ongoing monitoring, oversight, and understanding of the importance of implementing effective internal controls (checks and balances) remains the underlying cause for questioned costs and noncompliance with laws and regulations. We found ineffective billing and collection systems, loss of government revenues, a lack of control procedures over non-appropriated funds, and lack of

monitoring and oversight over government programs, i.e., non-productive and special payroll payments, ARRA funds, and procurement procedures.

Effective internal controls provide reasonable, not absolute, assurance that errors or fraud will be prevented or detected in a timely manner. Government managers, not auditors, have a fundamental responsibility to develop and maintain effective internal control within their agencies so that goals and objectives are met, and resources are safeguarded and used economically and efficiently. Management is also responsible for ensuring the organization is committed to sustaining an effective internal control environment. However, everyone within an organization, including the governing body, internal auditors, and other personnel, are responsible for good internal control.



Image 1: The Committee of Sponsoring Organizations Internal Control Framework.

Conclusion

Between January 2001 and December 2011, OPA issued 121 reports with 582 audit recommendations to help improve the overall operations of the government of Guam. To date, 87%, or 507 recommendations, have been closed through the agency's actions or submittal of corrective action plans, the passage of legislation, or were determined by OPA to be no longer applicable under the circumstances. As of September 2012, 75 recommendations (13%) remain open.

OPA continues to provide periodic reminders and follow-up letters to agencies' management to encourage implementation. For the remaining open OPA recommendations to be resolved, management must accept the responsibility for, and recognize the benefits of, improving controls and implementing the recommendations. While 1 G.C.A. § 1913 allows OPA to file actions in the Superior Court of Guam to enforce the implementation of the recommendations, the OPA has yet to exercise this arduous and costly remedy. Audit recommendations are discussed with the auditees to determine their reasonableness and feasibility prior to report issuance.

We recognize that implementing some recommendations may entail cost, either directly (purchasing equipment or software) or indirectly (investing staff resources on training), but the consequences of not implementing recommendations can result in continued inefficiencies and increased costs in the long-term.

Considering the magnitude of the government of Guam's fiscal deficit (\$303.1M as reported in fiscal year 2011) and cash flow issues, agency directors and administrators should be more diligent in improving controls over the efficient use of government resources, performance of government operations and programs, and revenue collections. While management is responsible for implementing recommendations, it is also the responsibility of elected officials and governing bodies to encourage implementation through effective oversight. We look forward to working with the agencies in resolving the remaining outstanding audit recommendations.

OFFICE OF PUBLIC ACCOUNTABILITY



Doris Flores Brooks, CPA, CGFM
Public Auditor

Appendix 1: Scope and Methodology

We reviewed the documentation submitted to OPA pertaining to the audit issued from January 1, 2001 through December 31, 2011. We also reviewed the recommendations follow-up database maintained and updated periodically by OPA staff. The internal database was used to summarize the status of audit recommendations as of September 30, 2012.

The following factors are considered prior to initiating audits: (1) enhancement of accountability systems and transparency of government operations; (2) inherent risks and results of risk assessments; (3) increasing efficiency, effectiveness, and performance of public services; (4) improvement of public policies and operational practices; (5) financial impact; and (6) social impact.

OPA audits are initiated through several methods:

- *Request:* Audits can be initiated at the written request of government officials.
- *Legislative Mandate:* These audits are mandated by laws and require OPA to conduct specific audits, reviews, or analyses.
- *OPA Initiated:* These audits are internally initiated resulting from consideration of risk factors prior to initiating audits.
- *Hotline:* These audits are initiated from hotline tips, which are integral to OPA's ability to further its mission of "*auditing for better government.*"
- *Spin-Off:* These audits are derived from existing engagements, but were separated because the findings were not aligned with the nature or objective of the original engagement.
- *Follow-Up:* These audits are based on whether an entity implemented the recommendations made in a previously issued audit report.

Although some reports may discuss deficiencies and related financial impact amounts, the deficiencies may not have been part of the original audit focus. For example, a report on program efficiency and effectiveness may also discuss procurement and personnel issues, which came to the attention of OPA. The financial impact amounts accounted for in this report consist of the original amounts identified from the time the respective OPA reports were issued. They do not reflect the reduction of financial impact amounts when recommendations are closed.

We conducted this performance audit in accordance with generally accepted government auditing standards contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States of America. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

**Appendix 2:
2001~2011 Financial Impact Summary**

Calendar Year	# of Reports	Report Number	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact
			Closed	Open	Total				
2001	3	01-01	6		6	\$ 35,849	\$ -	\$ -	\$ 35,849
		01-02	20		20	\$ 248,314	\$ -	\$ -	\$ 248,314
		01-03	5		5	\$ 70,327	\$ -	\$ -	\$ 70,327
2001 Totals:			31	0	31	\$ 354,490	\$ -	\$ -	\$ 354,490
2002	9	02-01	23		23	\$ 165,760	\$ -	\$ 5,973	\$ 171,733
		02-02	5		5	\$ 45,804	\$ -	\$ -	\$ 45,804
		02-03	25		25	\$ 30,972	\$ 145,496	\$ -	\$ 176,468
		02-04	5		5	\$ -	\$ -	\$ -	\$ -
		02-05	14		14	\$ 56,399	\$ -	\$ -	\$ 56,399
		02-06	15		15	\$ 1,042,242	\$ -	\$ -	\$ 1,042,242
		02-07	5		5	\$ 1,535,650	\$ -	\$ -	\$ 1,535,650
		02-08	4		4	\$ -	\$ -	\$ -	\$ -
		GMHA				\$ 450,000	\$ -	\$ -	\$ 450,000
2002 Totals:			96	0	96	\$ 3,326,827	\$ 145,496	\$ 5,973	\$ 3,478,296
2003	11	03-01	5		5	\$ 849,000	\$ -	\$ -	\$ 849,000
		03-02	1		1	\$ 1,513,819	\$ -	\$ -	\$ 1,513,819
		03-03	7		7	\$ 4,063,272	\$ -	\$ -	\$ 4,063,272
		03-04	13		13	\$ 106,447	\$ 295,850	\$ 2,828,292	\$ 3,230,589
		03-05	10		10	\$ 217,433	\$ -	\$ -	\$ 217,433
		03-06	13		13	\$ 121,059	\$ -	\$ 852,000	\$ 973,059
		03-07	4		4	\$ 488,000	\$ 2,200,000	\$ 183,000	\$ 2,871,000
		03-08	4		4	\$ 8,462,344	\$ -	\$ -	\$ 8,462,344
		03-09	9		9	\$ 3,014,671	\$ -	\$ 207,000	\$ 3,221,671
		03-10	11	0	11	\$ 1,426,000	\$ -	\$ -	\$ 1,426,000
		GPD				\$ -	\$ -	\$ -	\$ -
2003 Totals:			77	0	77	\$ 20,262,045	\$ 2,495,850	\$ 4,070,292	\$ 26,828,187
2004	14	04-01	6		6	\$ -	\$ -	\$ -	\$ -
		04-02	7		7	\$ 363,070	\$ -	\$ -	\$ 363,070
		04-03	1		1	\$ -	\$ -	\$ -	\$ -
		04-04	5		5	\$ -	\$ -	\$ 528,108	\$ 528,108
		04-05	2		2	\$ 3,835,906	\$ -	\$ -	\$ 3,835,906
		04-06	13		13	\$ 616,704	\$ -	\$ -	\$ 616,704
		04-07	11		11	\$ 11,730	\$ 1,602,595	\$ 83,903	\$ 1,698,228
		04-08	10		10	\$ 3,398,229	\$ -	\$ -	\$ 3,398,229
		04-09				\$ -	\$ -	\$ -	\$ -
		04-10				\$ -	\$ -	\$ -	\$ -
		04-11	8		8	\$ 174,882	\$ -	\$ 43,791	\$ 218,673
		04-12	11		11	\$ -	\$ -	\$ -	\$ -
		04-13	8		8	\$ 294,815	\$ 1,000,000	\$ -	\$ 1,294,815
		04-14	9		9	\$ 4,407,320	\$ -	\$ -	\$ 4,407,320
2004 Totals:			91	0	91	\$ 13,102,656	\$ 2,602,595	\$ 655,802	\$ 16,361,053

**Appendix 2:
2001~2011 Financial Impact Summary**

Calendar Year	# of Reports	Report Number	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact
			Closed	Open	Total				
2005	9	05-01	2		2	\$ -	\$ -	\$ -	\$ -
		05-02	8		8	\$ 63,978	\$ -	\$ -	\$ 63,978
		05-03	1		1	\$ 340,005	\$ -	\$ -	\$ 340,005
		05-04	10		10	\$ 266,807	\$ 515,940	\$ 718,000	\$ 1,500,747
		05-05	5		5	\$ -	\$ -	\$ -	\$ -
		05-06	9		9	\$ 40,317	\$ -	\$ -	\$ 40,317
		05-07				\$ -	\$ -	\$ -	\$ -
		05-08	5		5	\$ 1,543,796	\$ 109,251	\$ -	\$ 1,653,047
		05-09	8	1	9	\$ 179,427	\$ 420,345	\$ 1,988,022	\$ 2,587,794
2005 Totals:			48	1	49	\$ 2,434,330	\$ 1,045,536	\$ 2,706,022	\$ 6,185,888
2006	19	06-01				\$ 1,852	\$ -	\$ 3,563	\$ 5,415
		06-02	1		1	\$ -	\$ -	\$ -	\$ -
		06-03	2		2	\$ -	\$ -	\$ 9,835,025	\$ 9,835,025
		06-04	9		9	\$ 4,230	\$ -	\$ -	\$ 4,230
		06-05	8		8	\$ 540	\$ 207,797	\$ -	\$ 208,337
		06-06	9		9	\$ -	\$ 2,425,343	\$ 5,230	\$ 2,430,573
		06-07	6		6	\$ 20,866	\$ -	\$ 214	\$ 21,080
		06-08	2		2	\$ -	\$ -	\$ -	\$ -
		06-09				\$ -	\$ -	\$ -	\$ -
		06-10	1		1	\$ -	\$ -	\$ -	\$ -
		06-11	6		6	\$ 24,945	\$ -	\$ 64,238	\$ 89,183
		06-12	4		4	\$ 76,841	\$ -	\$ -	\$ 76,841
		06-13				\$ -	\$ -	\$ -	\$ -
		06-14	5		5	\$ 280,505	\$ -	\$ -	\$ 280,505
		06-15				\$ -	\$ -	\$ -	\$ -
		06-16	1	6	7	\$ 41,633	\$ 130,786	\$ -	\$ 172,419
		06-17	1		1	\$ -	\$ -	\$ -	\$ -
		06-18	7		7	\$ 1,063,612	\$ 25,160	\$ 22,716	\$ 1,111,488
		06-19	8		8	\$ 5,236,402	\$ 448,708	\$ 1,007,442	\$ 6,692,552
2006 Totals:			70	6	76	\$ 6,751,426	\$ 3,237,794	\$ 10,938,428	\$ 20,927,648

**Appendix 2:
2001~2011 Financial Impact Summary**

Calendar Year	# of Reports	Report Number	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact
			Closed	Open	Total				
2007	18	07-01				\$ -	\$ -	\$ -	\$ -
		07-02				\$ -	\$ -	\$ -	\$ -
		07-03				\$ -	\$ -	\$ -	\$ -
		07-04	8		8	\$ -	\$ -	\$ -	\$ -
		07-05				\$ -	\$ -	\$ -	\$ -
		07-06	5		5	\$ 26,312	\$ 3,680	\$ -	\$ 29,992
		07-07				\$ -	\$ -	\$ -	\$ -
		07-08	9		9	\$ 484,816	\$ 6,480,579	\$ -	\$ 6,965,395
		07-09				\$ -	\$ -	\$ -	\$ -
		07-10				\$ -	\$ -	\$ -	\$ -
		07-11				\$ -	\$ -	\$ -	\$ -
		07-12	3	3	6	\$ -	\$ -	\$ -	\$ -
		07-13				\$ -	\$ -	\$ -	\$ -
		07-14	10		10	\$ -	\$ -	\$ 1,128,737	\$ 1,128,737
		07-15	9	4	13	\$ 797,867	\$ -	\$ 15,360,720	\$ 16,158,587
		07-16				\$ -	\$ -	\$ -	\$ -
		07-17				\$ -	\$ -	\$ -	\$ -
		07-18				\$ -	\$ -	\$ -	\$ -
2007 Totals:			44	7	51	\$ 1,308,995	\$ 6,484,259	\$ 16,489,457	\$ 24,282,711
2008	10	08-01	2		2	\$ -	\$ -	\$ -	\$ -
		08-02				\$ -	\$ -	\$ -	\$ -
		08-03				\$ -	\$ -	\$ -	\$ -
		08-04	8		8	\$ 2,923,549	\$ -	\$ -	\$ 2,923,549
		08-05	0	1	1	\$ -	\$ -	\$ -	\$ -
		08-06	6		6	\$ 6,734,543	\$ -	\$ -	\$ 6,734,543
		08-07	3		3	\$ -	\$ -	\$ -	\$ -
		08-08	2	2	4	\$ 29,747	\$ -	\$ -	\$ 29,747
		08-09		2	2	\$ -	\$ -	\$ -	\$ -
		08-10		2	2	\$ -	\$ -	\$ -	\$ -
2008 Totals:			21	7	28	\$ 9,687,839	\$ -	\$ -	\$ 9,687,839
2009	7	09-01				\$ -	\$ -	\$ -	\$ -
		09-02				\$ -	\$ -	\$ -	\$ -
		09-03	0	4	4	\$ -	\$ 305,472	\$ -	\$ 305,472
		09-04				\$ 381,751	\$ -	\$ -	\$ 381,751
		09-05				\$ -	\$ -	\$ -	\$ -
		09-06	1		1	\$ -	\$ -	\$ -	\$ -
		09-07	1		1	\$ 699,788	\$ -	\$ -	\$ 699,788
2009 Totals:			2	4	6	\$ 1,081,539	\$ 305,472		\$ 1,387,011

**Appendix 2:
2001~2011 Financial Impact Summary**

Calendar Year	# of Reports	Report Number	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact
			Closed	Open	Total				
2010	9	10-01	1	1	2	\$ -	\$ -	\$ -	\$ -
		10-02				\$ -	\$ -	\$ -	\$ -
		10-03	5		5	\$ 727,885	\$ -	\$ -	\$ 727,885
		10-04	2	1	3	\$ -	\$ -	\$ -	\$ -
		10-05		8	8	\$ 601,637	\$ -	\$ 844,177	\$ 1,445,814
		10-06	1	5	6	\$ 105,723	\$ -	\$ 618,681	\$ 724,404
		10-07		7	7	\$ 16,072,622	\$ -	\$ -	\$ 16,072,622
		10-08		2	2	\$ 53,909	\$ -	\$ -	\$ 53,909
		10-09	5		5	\$ 1,977,821	\$ -	\$ 1,597,517	\$ 3,575,338
2010 Totals:			14	24	38	\$ 19,539,597	\$ -	\$ 3,060,375	\$ 22,599,972
2011	12	11-01				\$ -	\$ -	\$ -	\$ -
		11-02	2		2	\$ -	\$ -	\$ -	\$ -
		11-03	4	6	10	\$ -	\$ -	\$ -	\$ -
		11-04	1		1	\$ -	\$ -	\$ -	\$ -
		11-05		7	7	\$ -	\$ 271,098	\$ 604,028	\$ 875,126
		11-06		4	4	\$ 347,164	\$ -	\$ 6,321,331	\$ 6,668,495
		11-07	6		6	\$ 22,045	\$ -	\$ 69,316	\$ 91,361
		11-08				\$ 302,280	\$ -	\$ -	\$ 302,280
		11-09				\$ -	\$ -	\$ -	\$ -
		11-10		1	1	\$ -	\$ -	\$ -	\$ -
		11-11		2	2	\$ -	\$ -	\$ -	\$ -
		11-12		6	6	\$ 3,350,278	\$ -	\$ -	\$ 3,350,278
2011 Totals:			13	26	39	\$ 4,021,767	\$ 271,098	\$ 6,994,675	\$ 11,287,540
TOTAL:	121		507	75	582	\$81,871,511	\$16,588,100	\$44,921,024	\$143,380,635

* Note: Savings Identified were included as part of Other Financial Impact.

Appendix 3:

OPA Audit Recommendations Status by Report Number 2010~2011

Report No	Auditee	Report Title	Issue Date	Initiated By	Audit Focus	Deficiency	Closed	Open	Total	Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact
10-01	GGW	Government of Guam Payroll Efficiency for Employee Pay & Voluntary Deductions	Apr-10	OPA Initiated	I/F	No uniformity in employee pay and voluntary deduction processes.	1	1	2	\$ -	\$ -	\$ -	\$ -
10-02	OPA	Office of Public Accountability's Status of Audit Recommendations	May-10	OPA Initiated	O	Of the 100 issued reports with 505 audit recommendations, 39 remain open.	0	0	0	\$ -	\$ -	\$ -	\$ -
10-03	DPHSS	Department of Public Health & Social Services Medically Indigent Program	Jun-10	OPA Initiated	I	Mgmt cannot provide assurance that the \$67.3M spent on MIP was expended entirely for the benefit of eligible recipients.	5	0	5	\$ 727,885	\$ -	\$ -	\$ 727,885
10-04	DPW	Department of Public Works' Solid Waste Management Division	Jun-10	OPA Initiated	I/F	GovGuam's existing legal and policy framework for SWMD was rendered obsolete.	2	1	3	\$ -	\$ -	\$ -	\$ -
10-05	GGW	Government of Guam Leave Sharing Program	Sep-10	OPA Initiated	O	Lack of monitoring and control over the exchange of leave.	0	8	8	\$ 601,637	\$ -	\$ 844,177	\$ 1,445,814
10-06	GFD	Guam Fire Department Enhanced 911 Emergency Reporting System Fund	Oct-10	OPA Initiated	I	Lack of monitoring the collections and remittance of E911 surcharges.	1	5	6	\$ 105,723	\$ -	\$ 618,681	\$ 724,404
10-07	DPW	Department of Public Works' Procurement of Capital Improvement Projects	Nov-10	OPA Initiated	I	No consistent compliance with Guam Procurement Law and Regulations to ensure fair and open competition.	0	7	7	\$ 16,072,622	\$ -	\$ -	\$ 16,072,622
10-08	GFD	Guam Fire Department Payroll and Special Payments	Nov-11	Request	O	Top management's over ride of controls.	0	2	2	\$ 53,909	\$ -	\$ -	\$ 53,909
10-09	LDC	Liberation Day Committee Funds and Activities	Dec-10	Mandate	O	Lack of oversight to monitor and control funds and activities.	5	0	5	\$ 1,977,821	\$ -	\$ 1,597,517	\$ 3,575,338
OPA 2010 Summary							14	21	35	\$ 10,530,507	\$ -	\$ 1,660,375	\$ 22,599,972

Appendix 3:

OPA Audit Recommendations Status by Report Number 2010~2011

Report No	Auditee	Report Title	Issue Date	Initiated By	Audit Focus	Deficiency	Closed	Open	Total	Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact
11-01	GGW	Government of Guam Cost Reduction and Revenue Enhancement Recommendations Pursuant to Executive Order No. 2011-01	Feb-11	Mandate	F	Cost reduction and revenue enhancement recommendations report does not focus on any area of deficiency.	0	0	0	\$ -	\$ -	\$ -	\$ -
11-02	GGW	Government of Guam Oversight of American Recovey and Reinvestment Act Funds	Apr-11	Request	O	Lack of monitoring and controls; lack of additional oversight.	2	0	2	\$ -	\$ -	\$ -	\$ -
11-03	GGW	Government of Guam Liabilities Assessment	Apr-11	Request	O	GovGuam continues to spend more than it takes in.	4	6	10	\$ -	\$ -	\$ -	\$ -
11-04	GPD	Guam Police Department Review of Bid No. GSA-081-10 Police Patrol Vehicles	May-11	Request	I	No consistent compliance with Guam Procurement Law and Regulations to ensure fair and open competition.	1	0	1	\$ -	\$ -	\$ -	\$ -
11-05	DPW	Department of Public Works' Building Permits and Inspection Section	Aug-11	OPA Initiated	I	Lack of effective supervising, monitoring, or collecting revenues, continued use of an outdated manual system.	0	7	7	\$ -	\$ 271,098	\$ 604,028	\$ 875,126
11-06	GFD	Guam Fire Department Non-Productive Pay on Leave and Other Compensation	Aug-11	OPA Initiated	F	Lack of oversight and legislative intervention to address issues.	0	4	4	\$ 347,164	\$ -	\$ 6,321,331	\$ 6,668,495
11-07	PEALS	PEALS Board Funds and Financial Practices	Oct-11	Request	I	Lack of oversight, monitoring and controls over funds and financial practices.	6	0	6	\$ 22,045	\$ -	\$ 69,316	\$ 91,361
11-08	GGW	Government of Guam Annual Leave Lump Sum Payments	Oct-11	Request	O	Lack of oversight and control over artificial resignations.	0	0	0	\$ 302,280	\$ -	\$ -	\$ 302,280
11-09	GGW	Government Wide Submission of Citizen Centric Reports Pursuant to P.L. 31-77	Oct-11	Mandate	O	There were 4 entities who did not submit a CCR.	0	0	0	\$ -	\$ -	\$ -	\$ -
11-10	GGW	Government Wide Income Tax Refund Efficient Payment Trust Fund	Dec-11	Mandate	O	Lack of procedural compliance.	0	1	1	\$ -	\$ -	\$ -	\$ -
11-11	GGW	Government Wide Health Benefit Costs Account	Dec-11	Mandate	O	Lack of reconciliation.	0	2	2	\$ -	\$ -	\$ -	\$ -
11-12	GSA	General Services Agency Small Purchases Procurement Follow-Up Audit	Dec-11	Follow-Up	I	No consistent compliance with Guam Procurement Law and Regulations to ensure fair and open competition.	0	6	6	\$ 3,350,278	\$ -	\$ -	\$ 3,350,278
CY 2011 Subtotal		12 Reports					13	26	39	\$ 4,021,767	\$ 271,098	\$ 6,994,675	\$ 11,287,540
2010-2011 TOTAL		27 Reports					27	80	77	\$ 23,561,364	\$ 271,098	\$ 10,055,050	\$ 33,887,512

AUDIT FOCUS: O = Oversight; I = Insight; F = Foresight; I/F = Insight/Foresight

**Appendix 4:
Open Audit Recommendations by Calendar Year**

Calendar Year 2005 - 1 Open Recommendation

Report #	Report Title	Addressee	Recommendation Number	Recommendation
1 05-09	CLTC Non-Appropriated Funds	CLTC Administrative Director	6	Utilize an accounting software program o account for its financial activities to produce financial reports for the Guam Legislature and the Governor of Guam, obtain annual financial audits, and publicize the audited financial statements as required by law
TOTAL			1	1 Report

Calendar Year 2006 - 6 Open Recommendations

Report #	Report Title	Addressee	Recommendation Number	Recommendation
2 06-16	Guam ALC Non-Appropriated Funds	ALC	1	Establish rules and regulation for the fair and equitable use of Land Bank properties.
			2	Refer to legal counsel for collection on entities that fail to pay their license fees; and initiate immediate contact with the Superior Court of Guam to identify the status of the repayment and speed up collection efforts.
			4	Suspend the license with the construction company until the Guam Land Use Commission has given its approval as required by 21 G.C.A. §60410 and the AG has reviewed this license to determine whether it was issued pursuant to Guam law.
		DOA	5	Identify whether ALC's use of the government of Guam's EIN is proper and if proper financial reporting is being done. Additionally, DOA should identify other government entities that are utilizing the government of Guam's EIN and determine whether their use is authorized and that they are properly reporting to DOA.
		Governor	5	Transfer through Executive Order the accounting of ALC's non-appropriated funds to the Department of Administration.
		Legislature	7	Enact through public law the permanent transfer of non-appropriated funds to DOA and consolidate the administrative functions of the ALC into the Department of Land Management.
TOTAL			6	1 Report

Open Audit Recommendations by Calendar Year

Calendar Year 2007 - 7 Open Recommendations

Report #	Report Title	Addressee	Recommendation Number	Recommendation
3	07-12 Government of Guam Vehicle Fleet Inventory	DPW	3	Procure a new Fleet Maintenance and Tracking System that has the ability to share vehicle inventory data with DOA and DRT.
		DRT	5	Isolate the vehicle data from public tax records to permit a cost-effective and efficient review and reconciliation process.
			6	Enhance vehicle records database to include an appropriate archive system.
4	07-15 Government of Guam's Tax Credit Programs	DRT	5	Determine whether companies that participated in the tax credit programs availed of both tax credits and deductions.
			6	Determine the appropriate tax filings for Guam Racing Federation and determine its tax liability if applicable.
			7	Provide the Legislature and BBMR with quarterly and annual reports of revenues foregone via tax credits in FY 2007, estimate tax credits for FY 2008 and FY 2009 and future years to facilitate the annual budget process.
		BBMR	8	Incorporate the estimated tax credit reductions provided by DRT in the annual budget process.
TOTAL			7	2 Reports

Calendar Year 2008 - 7 Open Recommendations

Report #	Report Title	Addressee	Recommendation Number	Recommendation
5	08-05 Submission of FY 2008 2nd Qtr Financial Reports Pursuant to P.L. 29-19	Guam Election Commission	1	We recommend that GEC's non-appropriated funds be immediately transferred to the Treasurer of Guam.
6	08-08 GPD Records and Identification Section's Revenue Collections	GPD	3	Direct the Administration Division Chief and Operations Chief to update and modify the existing GPD Records and ID Section standard operating procedures, to include but not limited to: a. Mgmt providing review, oversight, and monitoring of the Records and ID Section on a regular basis; b. Separation of key duties, and; c. Assigning cashier identification numbers to Records and ID Section personnel who operate the cash register.
		Treasurer of Guam	4	Determine the total number of registers assigned to the POS system and verify if each are submitting deposits on a regular basis.

Open Audit Recommendations by Calendar Year

Calendar Year 2008 - 7 Open Recommendations (con't)

Report #	Report Title	Addressee	Recommendation Number	Recommendation
7	08-09	GPSS	1	Appoint a District Textbook Coordinator to be responsible for the management of all textbook-related issues and designate responsibilities to others to: a. Comply with GEPB Policy No. 601 to establish a district-wide Textbook Management and Accountability SOPs, incorporating DI best practices, to address textbook adoption, procurement, distribution, inventory, and accountability to include lost/damaged textbooks. The SOPs should be communicated to all school administrators and relevant GPSS divisions. b. Compile a district-wide textbook inventory of all GPSS textbooks, including DI textbooks, to facilitate the efficient handling, circulation, cataloging, inventory, and management of textbooks. c. Begin bar coding GPSS textbooks with the existing bar code system and explore automation of textbook management. d. Require that the district-wide textbook inventory be reconciled on a periodic basis with school inventories.
			2	Periodically review and monitor the District Textbook Coordinator to ensure that he/she is fulfilling their responsibilities.
8	08-10	GFD	1	The Chief of GPD, the Chief of GFD, and the Director of DOC establish preventive measures and safeguards to ensure that overtime incurred is justified, equitably distributed, monitored, and controlled by: • Making reports showing overtime use per pay period available to all levels of management and conducting periodic analysis of overtime use and trends. • Establishing guidelines for identifying potentially excessive overtime that triggers management review; and • Developing selection criteria for staff to perform overtime duties and defining and communicating to staff the method of allocating such duties.
		DOA	2	The DOA's Chief Payroll Supervisor evaluate the GPD payroll technician's processing methodology to ensure consistency, efficiency, continuity, cross-training and back-up.
TOTAL			7	4 Reports

Calendar Year 2009 - 4 Open Recommendations

Report #	Report Title	Addressee	Recommendation Number	Recommendation
9	09-03	CLTC Director	1	Develop a land use plan to determine what properties are available.
			2	Develop written collection policies and procedures for commercial licenses.
		CLTC Board of Directors	3	Review the quarrying feasibility and honey production licenses to determine whether the award is in accordance with their enabling legislation or if it circumvented the maximum acreage requirement for agricultural leases.
			4	Pursuant to P.L. 23-38 Section 3.1, review and approve all commercial licenses that have and will be negotiated and approved for issuance.
TOTAL			4	1 Report

Open Audit Recommendations by Calendar Year

Calendar Year 2010 - 24 Open Recommendations

Report #	Report Title	Addressee	Recommendation Number	Recommendation	
10	10-01	Government of Guam Payroll Efficiency for Employee Pay & Voluntary Deductions	Governor of Guam	1	To initiate a direct deposit program to promote and educate government employees on the benefits of going on direct deposit, with a focus on those employees who currently receive their pay by paper check on or before January 1, 2012. Early implementation is encouraged. a. Mandate new employees to enroll in the direct deposit program. b. Work with all employees, regardless of date of hire, wage status, or pay frequency, to switch to direct deposit as follows: i. Two-third of employees enrolled in direct deposit program by January 1, 2011, if not earlier. ii. One-third of employees enrolled in direct deposit program by January 1, 2012, if not earlier.
					10-04
12	10-05	Government of Guam Leave Sharing Program	Legislature	1	Amend the legislation regarding GFD compensation for all leave (leave sharing, sick, annual, etc.) to an hour-for-hour basis to ensure equality among all government employees.
				2	Take action to eliminate the potential for double compensation for military deployment.
				3	Amend the leave sharing legislation to clarify the legislative intent on the application of established threshold.
			Attorney General	4	Review and clarify the meaning of "per occasion" with regard to the use of shared leave and the maximum limits set by law.
			DOA	5	Update leave sharing procedures to include administrative review and certification that recipients have fully depleted both annual and sick leave.
				6	Amend the leave sharing affidavit to include a statement that no compensation, favors, or items of value were given in exchange for the use of donated leave.
			DOA and DOE	7	Establish a communication and reconciliation protocol to ensure accurate leave balances are maintained for all employees.
				8	Establish and implement controls to mitigate the risk of: (1) inaccurate adjustments and unreturned leave balances; (2) mandated leave caps being exceeded; (3) improper approval of leave sharing requests; and (4) incorrect application of pay rate.

Calendar Year 2010 - 24 Open Recommendations - con't				
Report #	Report Title	Addressee	Recommendation Number	Recommendation
13	10-06 Guam Fire Department Enhanced 911 Emergency Reporting System Fund	PUC	1	Comply with P.L. 28-44 to monitor the collection of the surcharge remitted by service providers. PUC's monitoring should include, at the minimum, the following: - Quarterly review of service providers' reports to ensure that information provided is reasonable and complete; - Coordinate with DOA to verify surcharge remittances made by service providers; - Establish a system of regular communication to provide better guidance to newly licensed Local Exchange Carriers (LEC) and commercial Mobile Radio Services (CMRS) of their responsibilities as collection agents of the E911 surcharges; and- Establish penalty schedule based on the type and degree of infraction.- Establish a standard formula to equitably allocate administrative costs.
			2	Regularly contract for independent third party audits of the service providers' access lines, which are used in determining the E911 surcharge amounts to be remitted by service providers. The audit should also include, at the minimum, review of past cost reimbursements to determine whether they should be re-evaluated, adjusted, and brought more in line with stateside ranges.
			3	Coordinate with DOA to forward all E911-related expenses, to include service providers' and PUC-related administrative costs, to properly account for all costs associated with E911 operations.
			4	In coordination with GFD, assess and determine the feasibility of charging VoIP customers the E911 surcharge.
		GFD	5	Comply with P.L. 25-55 by submitting to the Governor and the Speaker a yearly assessment report on the E911 system. The annual assessment report should provide information on the state of the E911 system, changes in technology, and risks or potential concerns that the program has experienced or foresees, such as the need to upgrade the current E911 system.

Open Audit Recommendations by Calendar Year

Calendar Year 2010 - 24 Open Recommendations - con't					
Report #	Report Title	Addressee	Recommendation Number	Recommendation	
14	10-07	Department of Public Works Procurement of Capital Improvement Projects	DPW	1	Direct CIP personnel to immediately cease the practice of artificially dividing projects and designate the Chief Planner or designee to ensure that projects of similar scope that are collectively anticipated to cost in excess of \$25,000 be advertised in accordance with 5 G.C.A. § 5211(c) and 2 G.A.R. §§ 3109(d) and (f)(2).
				2	Direct the Chief Planner or designee to consider revising 29 G.A.R. §§ 1160 and 1167 to be consistent with the advertisement requirements of 5 G.C.A. § 5211(c) and 2 G.A.R. §§ 3109(d) and (f)(2).
				3	Delegate the Chief Planner or designee to review all CIP procurement up to a predetermined threshold and require the Chief Engineer to review all CIP procurement in excess of the threshold.
				4	Direct CIP personnel to develop and use a prequalified contractors list, establish a process to determine when BPAs are to be used, and utilize BPAs for routine maintenance work and other small projects pursuant to 2 G.A.R. § 3112.1 and 5 G.C.A. § 5231.
				5	Direct the Chief Planner or designee to implement the standardized filing system prescribed in 29 G.A.R. §1111, to include a table of contents and checklist.
				6	Assign the Chief Engineer to establish a contractors' suspension and debarment list based on performance history and feedback from the CIP using agencies, in accordance with 5 G.C.A. § 5426.
				7	Provide all CIP personnel with construction procurement training so that they are knowledgeable, confident, and better able to ensure fair and open competition in compliance with the Guam Procurement Law and the Guam Procurement Regulations.
15	10-08	Guam Fire Department Payroll and Special Payments	DOA	1	The DOA Director direct the chief payroll officer to monitor and review the timesheets of government managers, particularly Directors, Deputy Directors, Controllers, and other senior management, with specific attention to special or retroactive payment request.
				2	DOA's IT manager review IT payroll controls to ensure basic arithmetical accuracy on all employee earning statements.
CY 2010 TOTAL:			24	6 Reports	

Open Audit Recommendations by Calendar Year

Calendar Year 2011 - 26 Open Recommendations

Report #	Report Title	Addressee	Recommendation Number	Recommendation
16	11-03 Government of Guam Liabilities Assessment	Governor and BBMR	2	Enact legislation to apply the unintended windfall of \$14.8M to \$18.1M received by GGRF, to the remaining retirement liability balances of DOE and GMH.
			3	Amend the Merit Bonus law to remove the word "automatic".
			4	Enact Bill 03-31 or similar legislation.
		DOA	7	Post the quarterly financial reports, to include working trial balance and statement of Revenues, Expenditures, and Changes in Fund Balance, on the DOA website within 30 days after the quarter, and include OPA in the quarterly distribution of such reports.
			8	Formally transmit comprehensive monthly reports on the number and amount of tax refunds and interest paid for the month and year-to-date to the Governor, the Legislature, and OPA, and post such reports on the DOA website.
			9	Conduct a reconciliation of the interfund transfers and the impact on operations and on the deficit.
17	11-05 Department of Public Works Building Permits and Inspection Section	DPW - BP&I	1	Take corrective action to collect all unpaid and undercharged projects, totaling \$199,657.
			2	Re-assess the justification and decisions on waived and partially waived projects, totaling \$71,441, and take corrective action to collect on unmerited waivers.
			3	Require independent verification, i.e. a copy of the construction contract, and the construction/renovation costs when the building permit application is submitted with the applicant's acknowledgement that the amount is true and correct and enforceable under penalty of perjury.
			4	Establish formal criteria for waiving fees and require an approval signature from the Director or his/her designee on all waiver.
			5	Implement Excel or other software application specific to monitoring and tracking permit applications and issuance (to include numeric assignment of permits), types of fees and assessment amounts and payment collection by date for monthly reconciliation with DOA.
			6	Meet regularly with the DOA and GPT to reconcile records and ensure revenues are accurate and complete.
			7	Establish a communication protocol with the DRT to ensure proper assessment of real properties.

Open Audit Recommendations by Calendar Year

Calendar Year 2011 - 26 Open Recommendations - con't				
Report #	Report Title	Addressee	Recommendation Number	Recommendation
18	11-06 Guam Fire Department Non-Productive Pay on Leave and Other Compensation	Administration and Legislature	1	Repeal 4 G.C.A. §6219(a) that establishes the 106-hour work schedule for firefighters, and to eliminate the 61-hour of bonus paid for non-productive hours on leave and instead require any leave be assessed hour for hour basis at a maximum of 80 hours per pay period.
		GFD	2	Explore different avenues to reduce overtime for uniformed personnel during a two week work period.
			3	Comply immediately with the law limiting non-productive pay to 61 hours and hours paid while on leave to not more than 106 hours per pay period.
		DOA	4	Implement information system (AS/400) controls to prevent non-productive hours in excess of 61 and leave in excess of 106 from being processed as well as system controls for overtime exceeding 25% of base pay. For instances exceeding allowable nonproductive hours and overtime thresholds, notification should be provided to GFD management and BBMR.
19	11-10 Government Wide Income Tax Refund Efficient Payment Trust Fund	DOA	1	DOA assign personnel to monitor the Trust Fund and ensure compliance with the Trust Fund Act.
20	11-11 Government Wide Health Benefit Costs Account	Administration and Legislature	1	We recommend the elimination of the mandate to conduct quarterly audits of GovGuam's health insurance payments.
		DOA	2	Agency reconciliations should still be performed at least randomly to ensure the accuracy of enrollment data and that proper payments are made.
21	11-12 General Services Agency Small Purchases Procurement Follow-Up Audit	Director, DOA	1	Establish IT controls so that small purchase POs exceeding \$15,000 will be rejected. IT manager to place processing and payment restrictions on small purchase POs exceeding the \$500 and \$15,000 limits.
		CPO, GSA	2	Analyze the recurring small purchases of line agencies and consolidate the procurement of these requirements through the competitive sealed bidding process, i.e., indefinite quantity bid.
			3	Provide training and regularly evaluate MCOG's procurement process to ensure compliance with Guam Procurement Laws and Regulation.
		Exec. Dir, MCOG	4	Follow small purchase requirements of obtaining at least three written positive quotations and maintain complete procurement records.
		Director, DPHSS	5	Analyze the recurring small purchases of its agency and consolidate the procurement of these requirements through the competitive sealed bidding process, i.e., indefinite quantity bids.
			6	Work with DOA to reestablish a credit and buying relationship with federal agencies and other low cost vendors to take advantage of lower prices for medications.
CY 2011 TOTAL:			26	6 Reports
GRAND TOTAL			75	21 REPORTS

**Appendix 5:
Reports By Audit Focus CY 2010 thru CY 2011**

Program Efficiency and Effectiveness

Report No	Auditee	Report Title	Issue Date	Deficiency	Closed	Open	Total
10-02	OPA	Office of Public Accountability's Status of Audit Recommendations	May-10	Of the 100 issued reports with 505 audit recommendations, 39 remain open.	0	0	0
10-04	DPW	Department of Public Works' Solid Waste Management Division	Jun-10	GovGuam's existing legal and policy framework for SWMD was rendered obsolete.	2	1	3
11-01	GGW	Government of Guam Cost Reduction and Revenue Enhancement Recommendations Pursuant to Executive Order No. 2011-01	Feb-11	Cost reduction and revenue enhancement recommendations report does not focus on any area of deficiency.	0	0	0
11-02	GGW	Government of Guam Oversight of American Recovery and Reinvestment Act Funds	Apr-11	Lack of monitoring and controls; lack of additional oversight.	2	0	2
11-03	GGW	Government of Guam Liabilities Assessment	Apr-11	GovGuam continues to spend more than it takes in.	4	6	10
11-05	DPW	Department of Public Works' Building Permits and Inspection Section	Aug-11	Lack of effective supervising, monitoring, or collecting revenues, continued use of an outdated manual system.	0	7	7
11-09	GGW	Government Wide Submission of Citizen Centric Reports Pursuant to P.L. 31-77	Oct-11	There were 4 entities who did not submit a CCR.	0	0	0
11-10	GGW	Government Wide Income Tax Refund Efficient Payment Trust Fund	Dec-11	Lack of procedural compliance.	0	1	1
11-11	GGW	Government Wide Health Benefit Costs Account	Dec-11	Lack of reconciliation.	0	2	2
9 Reports					8	17	25

Reports By Audit Focus CY 2010 thru CY 2011**Procurement**

Report No	Auditee	Report Title	Issue Date	Deficiency	Closed	Open	Total
10-07	DPW	Department of Public Works' Procurement of Capital Improvement Projects	Nov-10	No consistent compliance with Guam Procurement Law and Regulations to ensure fair and open competition.	0	7	7
11-04	GPD	Guam Police Department Review of Bid No. GSA-081-10 Police Patrol Vehicles	May-11	No consistent compliance with Guam Procurement Law and Regulations to ensure fair and open competition.	1	0	1
11-12	GSA	General Services Agency Small Purchases Procurement Follow-Up Audit	Dec-11	No consistent compliance with Guam Procurement Law and Regulations to ensure fair and open competition.	0	6	6
3 Reports					1	13	14

Fund Accountability

Report No	Auditee	Report Title	Issue Date	Deficiency	Closed	Open	Total
10-03	DPHSS	Department of Public Health & Social Services Medically Indigent Program	Jun-10	Mgmt cannot provide assurance that the \$67.3M spent on MIP was expended entirely for the benefit of eligible recipients.	5	0	5
10-06	GFD	Guam Fire Department Enhanced 911 Emergency Reporting System Fund	Oct-10	Lack of monitoring the collections and remittance of E911 surcharges.	1	5	6
2 Reports					6	5	11

Reports By Audit Focus CY 2010 thru CY 2011**Non-Appropriated Funds**

Report No	Auditee	Report Title	Issue Date	Deficiency	Closed	Open	Total
10-09	LDC	Liberation Day Committee Funds and Activities	Dec-10	Lack of oversight to monitor and control funds and activities.	5	0	5
11-07	PEALS	PEALS Board Funds and Financial Practices	Oct-11	Lack of oversight, monitoring and controls over funds and financial practices.	6	0	6
CY 2010 Subtotal:		2 Reports			11	0	11

Personnel

Report No	Auditee	Report Title	Issue Date	Deficiency	Closed	Open	Total
10-01	GGW	Government of Guam Payroll Efficiency for Employee Pay & Voluntary Deductions	Apr-10	No uniformity in employee pay and voluntary deduction processes.	1	1	2
10-05	GGW	Government of Guam Leave Sharing Program	Sep-10	Lack of monitoring and control over the exchange of leave.	0	8	8
10-08	GFD	Guam Fire Department Payroll and Special Payments	Nov-11	Top management's over ride of controls.	0	2	2
11-06	GFD	Guam Fire Department Non-Productive Pay on Leave and Other Compensation	Aug-11	Lack of oversight and legislative intervention to address issues.	0	4	4
11-08	GGW	Government of Guam Annual Leave Lump Sum Payments	Oct-11	Lack of oversight and control over artificial resignations.	0	0	0
		5 Reports			1	15	16
2010-2011 TOTAL:		21 Reports			27	50	77

