

Office of the Public Auditor

Annual Report

Calendar Year 2002

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Distribution:

Governor of Guam
Speaker, 26th Guam Legislature
Senators, 26th Guam Legislature
All Government Agencies
Attorney General of Guam
U.S. Department of Interior
Office of Inspector General-Pacific Field Office



OFFICE OF THE PUBLIC AUDITOR

Public Auditor's Message



Hafa Adai! I am pleased to present our second annual report. During 2002 we issued nine audit and investigative reports compared to three in 2001, reviewed and issued 13 financial audits of autonomous agencies prepared by independent CPA firms and issued the general-purpose financial statements and single audit reports of the Government of Guam. These audits have identified over \$6 million in waste, fraud and abuse. My staff and I were gratified that both the United States Attorney for Guam and Guam's Attorney General credited our office for issuing audits that helped them make criminal cases for fraud and abuse of government funds.

Government Auditing Standards require that audit agencies be reviewed every three years to assure compliance with these standards. In November, a peer review team headed by the Public Auditor of Palau, after a weeklong examination of our work, issued the highest rating possible, an unqualified opinion and found our Office to be in "full compliance" with government auditing standards. I again wish to acknowledge the hard work and dedication of my staff for the professionalism and commitment they have shown throughout the year in all aspects of our work. Special recognition goes to Randall Wiegand, the Audit Manager who oversaw the OPA reports we issued.

U.S. Department of Interior Inspector General Earl Devaney hosted the second annual meeting with the Public Auditors of the Pacific Region. Mr. Devaney expressed

his continued commitment to assist the insular areas. Mr. Devaney stated that the strength of the Public Auditors would make his oversight role easier.

At this same meeting, David B. Cohen, Assistant Secretary for Insular Affairs of the Department of Interior announced that the "level of economic assistance... will be determined in part by the strength and independence of its public auditors."

While the Guam Legislature expanded the role of the Office five different times, they continued to reduce our budget incrementally, finally resulting in an 8% reduction from FY 2002. The OPA barely managed to meet these mandates despite limited staff. However, further reductions to our budget will impede the OPA's ability to operate meaningfully and effectively.

In May, our office hosted the 13th Annual APIPA Conference. With 200 participants, it was the largest APIPA conference ever. Auditors and accountants in government and from the private industry from throughout Micronesia attended the four-day training conference. The APIPA conferences are made possible through the Pacific Island Training Initiative funded by the U. S. Department of Interior Office of Insular Affairs and the USDA Graduate School.

This Office will continue to be a watchdog over government spending and promote accountability and fiscal responsibility in our government.

Senseramente,

Doris Flores Brooks, CPA, CGFM
Public Auditor of Guam

Mission Statement

The Office of the Public Auditor seeks to achieve independent and nonpartisan assessments that promote accountability and efficient, effective management throughout the Government of Guam. We seek to serve the public interest by providing the Governor of Guam, the Guam Legislature, and the People of Guam with dependable and reliable information, unbiased analysis, and objective recommendations on how best to use government resources in support of the fiscal well being of our island and our people. To achieve this mission, we:

- ❑ Endeavor to fulfill the highest standards of our profession and the expectations of the public to the best of our ability.
- ❑ Uphold the highest ethical standards in the performance of our work and encourage such standards throughout the Government of Guam.
- ❑ Commit to quality as the main principle governing our work.
- ❑ Perform our work with diligence, conscientiousness, and due professional care.
- ❑ Foster a partnership with our staff to enable them to reach their full potential and contribute to their growth and long-term success.
- ❑ Work collaboratively with the entities that we audit and with the contracted auditors we employ so as to develop harmoniously improved financial controls.

OPA Receives “Full Compliance” in Quality Control Review

Who audits the Auditor? Every so often, the proverbial question surfaces. *Government Auditing Standards* issued by the Comptroller General of the United States require that audit organizations undergo a quality control review every three years. In November 2002, the OPA underwent its second quality control review or peer review as it is often called. The first peer review of the OPA was in August 1999. The 2002 peer review team consisted of the Public Auditor of Palau and one of his supervisory staff along with a consultant from the U.S. Department of Agriculture Graduate School. After a week of examining the



OPA Employees Celebrate their Full Compliance Peer Review. From left to right: Fred Cantoria, Jackie Vaughn, Doris Flores Brooks, Yuka Cabrera, Pete Tajalle, Chris Duenas, Francis Quinto, Randy Wiegand, and Don Laureano.

OPA’s audit work papers to scrutinize how well we complied with government auditing standards in developing our audits, the hours of preparation and the OPA’s adherence to auditing standards paid off. The OPA received an unqualified opinion, or full

compliance report, indicating that its system of internal quality controls was suitably designed and that no material deficiencies were noted. A copy of the full compliance report is provided in Appendix 1. The OPA's next scheduled peer review is in approximately three years.

OPA Website Launched

On January 4th 2002, the official website of the Office of the Public Auditor was launched. The website provides an avenue for the public to conveniently access audits and other information on Government of Guam entities at the click of a button.

The OPA website also provides a hotline tip submission form, more information on the office, and links to other websites related to the mission of the office. By the end of 2002, there were 25 audit and information releases on the website. For the year, over 34,000 hits were made to our website, with November having nearly 6,000 hits and January over 5,000 visits. See Appendix 7 for a complete listing of releases.

The OPA thanks its Webmaster, iCON Corporation, for all the effort it has devoted to the maintenance of the website and invites everyone to browse the site at www.guamopa.org.

OFFICE OF THE PUBLIC AUDITOR GUAM

▼ ABOUT US / ▼ REPORTS / AUDITS / UPDATES / HOTLINE / LINKS / FAQ /

guamopa.org

WHAT'S NEW

April 22, 2003

Public Auditor Questions Procurement of Radiology Services and Equipment at GMHA.

- Click here for OPA Report 03-02, Investigative Report on Guam Memorial Hospital Authority's Procurement of Radiology Services and Equipment.
- Click here for GMHA FY 2001 Report on Compliance and Internal Controls

April 3, 2003

Port Authority of Guam
Operating Revenues v. Expenses FY 97-01 (000's)

Fiscal Year	Operating Revenues	Operating Expenses
97-98	\$26,549	\$24,821
98-99	\$33,358	\$27,423
99-00	\$27,595	\$23,888
00-01	\$28,139	\$22,220
01-02	\$27,363	\$23,559

Visit our website www.guamopa.org. You can access audit reports, view old releases, and report a tip or concern.

OPA Relocates Office

In 2001, the OPA received a memo from the Guam International Airport Authority (the landlord for all Tiyan offices) indicating that it would begin charging rent to the Government of Guam tenants in the Tiyan area. Although the OPA had been contemplating relocation to a more conducive working environment prior to the memo, the imminent discontinuance of rent-free occupancy made the decision to move an easy one. In the final week of March 2002, after reviewing five proposals to our published request for proposals, the OPA officially relocated its offices to the Pacific News Building, more commonly known as the PDN Building. The office address is now:

Pacific News Building, Suite 401
238 Archbishop Flores Street
Hagåtña, Guam 96910.

APIPA GUAM 2002

Every year, the Association of Pacific Islands Public Auditors (APIPA) holds a conference in one of the member islands. APIPA, formed in 1989, now consists of twelve members, the Public Auditors of American Samoa, Commonwealth of the Northern Mariana Islands, Guam, Republic of Palau, Republic of the Marshall Islands, the Federated States of Micronesia (FSM) National Government, the FSM states of Pohnpei, Yap, Chuuk and Kosrae, Western Samoa, and, the newest member, the Virgin Islands.

In 2002, it was Guam's turn in the rotation to host the 13th annual training conference. This was the second time

that Guam OPA was host, the first one being in 1996. As host, all OPA employees were involved in preparing for the conference in one facet or another. The conference, held at the Guam Marriott Resort from May 20 to May 24, was a huge success. Over 200 participants from the government and private sectors attended the Guam conference, making it the largest APIPA training conference ever. This conference offered three training tracks, one for auditors, another for supervisory and management auditors, and a new track for financial accountants. Participants were free to select sessions in any of the tracks. Among the variety of courses offered were GASB 34 Requirements, How to Obtain an Unqualified Opinion, Effective Audit Supervision, Management Accountability and Controls, How to Analyze Your Autonomous Government's Agencies' Financial Health and Ethics in Government.

Participants received up to 32 hours of continuing professional education (CPE) credits for the courses they attended. The instructors for the conference were funded by the USDA Graduate School at no cost to APIPA or the Government of Guam. For the past decade the Department of Interior Office of Insular Affairs through the Pacific Island Training Initiative (PITI) has been providing funding to the USDA Graduate School for training throughout the insular governments. At the conference, Senators of the 26th Guam Legislature presented a resolution to James Johnson, Director of Technical Assistance of the Office of Insular Affairs, and to Steve Latimer of the USDA Graduate School expressing



From left to right front row: Gerald Shea USDA Graduate Program Manager, James Johnson Director of Technical Assistance DOI/IA, Ursula Abalos Pohnpei State PA, Doris Flores Brooks Guam PA, Michael Sablan CNMI PA, Jack Maykoski USDA Graduate School Associate Director, Samuel Paul Audit Supervisor Guam DOI/IG; second row Frank Crawford, Patricia Keehley and Michael Crawford USDA Graduate School Consultants, Madison Tosie Kosrae State PA, Jean Tonyokwe RMI PA, Gertrude Gootinan Yap State PA; third row Francis Sefo American somoa PA, Satrunino Tewid Palau PA and Steven Van Bevehoudt Virgin Islands PA. Not shown Stephen Latimer USDA Program Manager.

appreciation for the funding and training they have provided Guam and the other island governments.

Registrants were also treated to an opening reception, picture-taking sessions, a closing dinner banquet, and a Hula Performance, not to mention lunch at the Marriott Café for the duration of the conference. The registration fee ranged from \$125 for APIPA members to \$175 for non-APIPA staff. Registration fees brought in over \$32,600, which was used to cover all the APIPA expenses including the venue and participants' lunches. In the end, APIPA Guam made a profit of \$7,141. The profits were transferred to the Office of the Pohnpei State Auditor, the host for the 14th APIPA Conference in June 2003.

Audit Activities

Performance Audits

Performance audits are commonly broken down into the two separate categories of Economy/Efficiency Audits and Program Audits.

Economy/Efficiency audits include determining (a) whether the agency is acquiring, protecting, and using its resources (such as personnel, property, and space) economically and efficiently, (b) the causes of inefficiencies or uneconomical practices, and (c) whether the entity has complied with laws and regulations concerning matters of economy and efficiency.

On the other hand, program audits include (a) determining the extent to which the desired results or benefits intended by the legislature or other authorizing body are being achieved, (b) the effectiveness of organizations, programs, activities, or functions, and (c) whether the agency has complied with laws and regulations applicable to the program.

In 2002, OPA issued nine audit reports.

Southern High School Non-Appropriated Funds: Our audit disclosed that the DOE Non-Appropriated Funds policy was not followed. Disbursements of over \$102,000 did not have supporting documentation, payments to cash and individuals were not in compliance with policies, and \$3,876 was paid in travel costs for the spouse of an advisor, who was not a DOE employee.

Guam Mass Transit Authority Procurement: This report was in response to then-Senator Felix Camacho of the 26th Guam Legislature, now the Governor of Guam. While our audit did not find any irregularities in the two purchases referred by the Senator, we did conclude that GMTA was using multiple blanket purchase orders to short-cut the procurement process.

Department of Parks and Recreation Revolving Fund: Our report found that nearly all controls over the collection of revenues were nonexistent; revenues had declined from \$220,000 in 1997 to \$85,000 in 2001; \$67,000 in cash was diverted to the DPR Employees Association; payments of over \$22,000 were made to certain employees and

another \$7,900 was made to an employee, his wife and daughter. The audit was referred to the Attorney General for possible prosecution.

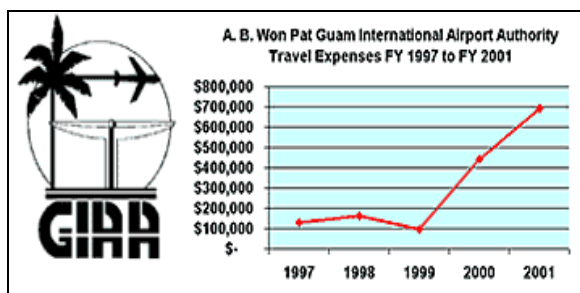
Guam Telephone Authority Accounts Receivable and Accounts Payable: Our review found lax enforcement of GTA's disconnection policy, consequently the allowance for doubtful accounts increased to \$7.5 million representing 49 cents of every dollar of receivables. Subsidiary ledgers were out of balance ranging, from \$54,000 to \$1.4 million, including negative balances in receivables of over \$500,000. Accounts payable had long outstanding balances of \$360,000.

Community Child Development Fund: Our audit found that the lack of adequate management oversight, monitoring, expenditure control, and lack of financial data from the Department of Administration contributed to the suspension of the program in February 2001.

Guam Memorial Hospital: Our review found irregularities in the payment of two cases for which no formal claim was ever filed. One payment of \$150,000 went to the family of the Associate Administrator for the alleged wrongful death of her sister. The other case was for payment of \$300,000 to a Doctor who alleged her rights were violated by the hospital; again, no claim had been filed. The Associate Administrator entered into a criminal plea agreement with the U. S. Attorney and has also been indicted by the Guam grand jury, along with a hospital employee who was a notary public, in a related case. Efforts are also being

made to recover the \$450,000 for the hospital.

Guam Airport Authority Credit Card and Travel: Travel went from \$100,000 in 1999 to \$700,000 in 2001. In the 24 months we reviewed, travel was over \$1 million, consisting of 320 travel authorizations for 120 individuals. The Executive Manager traveled 214 days, acting Chief of Police, 100 days, the chairman of the board, 73 days, another board member, 79 days, the Governor, 136 days, the Governor's body guard, 117 days and the First Lady of Guam, 74 days during the two years.



The Guam International Airport Authority's Travel-Related Expenses escalated phenomenally from 1999 to 2001.

The Executive Manager spent over \$28,000 for entertainment and meals at such places as Club Paradise, a topless men's club featuring lap dancing in Las Vegas, Club Yeobo, a hostess club on Guam, and Café Mogambo in Makati, Philippines. On many of his trips, the Manager would receive miscellaneous allowances which, when added to his per diem would equate to over \$500 per each day of travel. The Deputy Executive Manager used the GIAA credit card for over \$11,544 in personal charges.

We found a complete breakdown of control over travel and credit card

expenditures. The GIAA Board of Directors, the Executive Manager and other management failed to discharge their duties in the interest of the people of Guam. The case was referred to the Attorney General and, because of the involvement of federal funds, to the U. S. Attorney for possible prosecution.

Department of Land Management: Our report found that the government did not follow its own procedures during the building permit process for the Parc Hotel. The building permit was miscalculated resulting in loss of \$62,700. A quitclaim deed transferred 125 square meters of government land for \$3,124 when the prevailing market price was \$21,000 and the government lost lease revenue for the use of government land of over \$90,000 annually or \$1.5 million from 1985 to 2002. The case was referred to the Attorney General for possible civil recovery of the lost revenue.

Department of Corrections Overtime Practices Interim Report: Our report found extensive abuses in the overtime practices at DOC. In two pay periods we tested at the Adult Correctional Facility and the Hagåtña Detention Facility there were over 3,671 hours and 3,469 that could not be verified or confirmed to Central Control Blotters at a cost of \$50,591 and \$47,927. At other divisions we found that at least 2,155 hours and 2,137 hours could not be verified costing \$36,972 and \$38,679. The dollar value of unaccounted hours worked and paid could be as high as \$4 million. There were at least 30 employees whose overtime pay gave them double and triple their base pay. The Public

Auditor determined that an interim report should be issued to alert the Governor, the Legislature, and the Attorney General of possible fraud and collusion in the calculation of overtime, premium differentials for hazardous duty and night work, and holiday hours.

At year's end, the OPA had four audits in progress.

Prior Year Audits

Guam Mass Transit Authority Credit Card Abuse: As a result of this audit issued in July 2001, the former General Manager and Assistant General Manager were indicted by the Attorney General in early 2003 for misuse of government funds.



The improper use of government credit cards was discovered through our audits of GMTA and GIAA

OPA Identifies More Than \$6 Million in Improper Spending

Since 2001, the public has been bringing tips and concerns to the OPA's attention through our hotline and other mediums in hopes that they will be looked in to and resolved. To the credit of these "whistleblowers," the OPA has been able to identify over \$6 million in

waste and abuse of Government of Guam Funds. Consolidation of audits has also resulted in savings of \$21,500 to government agencies. From credit card and overtime abuses to non-appropriated funds, we have issued audit reports on various agencies and activities. See appendix 3.

Financial Audits

Title 1 GCA § 1908 requires that all Government of Guam departments, agencies and instrumentalities be annually audited. Financial audits are conducted in order to provide reasonable assurance that the financial statements of the government entity present fairly its financial position, results of its operations, and its cash flows in conformity with accounting principles generally accepted in the USA. It is the policy of the OPA that independent CPA firms under OPA oversight will conduct the financial audits of the Government of Guam and the autonomous agencies. The Public Auditor and her staff work closely with the contracted firms to ensure that the audits are informative, comprehensive and in compliance with *Government Auditing Standards* issued by the Comptroller General of the United States.

The OPA's review of these financial audits is a key element in the review process of government entities. It is through these reviews and analyses that the OPA is able to glean more information than is apparent in financial statements and convey that information to the people of Guam. Additionally, through questionnaires and interviews, the OPA is able to

scrutinize the various Government of Guam entities to a greater degree than in the past. During 2002 there were 13 financial audits issued. See Appendix 2 for a listing.

All financial audits are procured through a Request for Proposal (RFP). The OPA, pursuant to 1 GCA 1908, has the authority to oversee this procurement process as well as select the independent auditor chosen for an engagement. For fiscal year 2001, CPA firm Deloitte Touche Tohmatsu has 12 separate engagements, auditing firms Burger and Comer, J. Scott Magliari and Co., and Ernst and Young have two engagements each. The OPA encourages all CPA firms willing and capable of conducting governmental audits to submit proposals to conduct audits of governmental entities.

The Retirement Fund, Guam Visitors Bureau and the Tourist Attraction Fund are two years behind in their audits.

The Department of Education was last audited in 1997. The OPA worked with the Inspector General's staff of the Department of Interior and the Department of Education to secure their agreement in the late reporting of federal grants to DOE.

It is the Public Auditor's express goal to have all audits completed on a current basis so that the information contained therein is pertinent and useful to the public, policy makers and administrators. By law,¹ these financial audits should be issued no later than nine months after the fiscal year end or by June 30th of the following year. For

one reason or another, these agency audits have not been completed on time. With the continued involvement of the OPA and stressing the importance of timely audits, the OPA will continue to work with government entities to meet the June 30th deadline. However, this will take the full cooperation and assistance of the agencies.

Cost of Audits

In 2002, the OPA conducted a survey of the various GovGuam agencies and entities to ascertain the cost of the financial audits by CPA firms. For fiscal year 2001, the aggregate cost was just under \$1,000,000. Of this amount, the OPA paid \$298,000 for the audit of the Government of Guam's general-purpose financial statements, which is the single largest audit engagement GovGuam enters into.

The Government of Guam audit encompasses all the line agencies, as well as the Supreme Court, the Superior Court and the Guam Legislature. Unlike in prior years, for fiscal year 2001 the OPA was able to include the Supreme Court and the Guam Mass Transit Authority in the Government of Guam audit. In the past, these entities had been audited separately. The change saved our government over \$21,500 in audit fees.

Opposition towards OPA Authority

Since January 2001, the OPA has been encountering some opposition to its oversight authority of the procurement and selection of independent auditors. In May 2002, the Retirement Fund

¹ 1 GCA §1909(a).

denied access to its records to the duly selected auditor, Burger and Comer, on the basis that there was not a signed contract. The Public Auditor sued the Retirement Fund Director and board members. Judge Joaquin V. E. Manibusan Jr., in ruling in favor of the OPA, ordered the Fund to allow its records to be audited immediately by the firm selected by the Public Auditor. The Judge also awarded OPA attorney fees of \$8,345 to be paid by the Retirement Fund.

The OPA also experienced resistance or initial noncompliance with the following agencies:

- Guam Power Authority (GPA): In June 2002, GPA issued an RFP for audit services without the review and approval of the OPA. The Public Auditor immediately ordered that the RFP be suspended until she had reviewed and approved its form and contents. In the interest of having the audit completed timely, the OPA reached a compromise with GPA on a couple of issues regarding the selection of the auditor.
- Guam Memorial Hospital Authority (GMHA): In September 2002, GMHA issued an RFP for audit services without the review and approval of the Public Auditor. The Public Auditor contacted GMHA on the issue. Subsequently, the RFP was cancelled and GMHA has since been cooperating with the OPA.
- Guam Waterworks Authority (GWA): In November 2002, GWA issued an RFP for audit services. Although GWA had forwarded

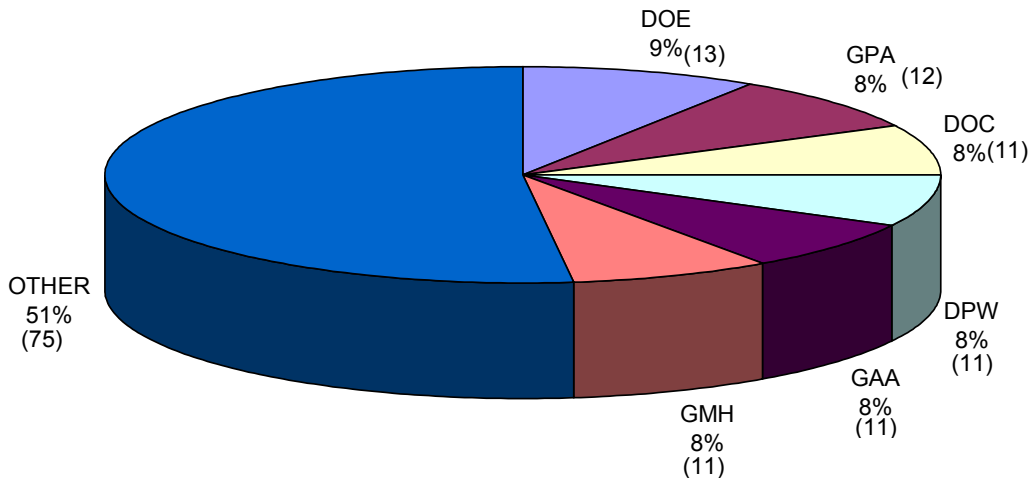
the RFP to the OPA for review, the OPA had not yet approved the RFP prior to its publication. The OPA made contact with GWA on the issue and the RFP was suspended until OPA approval was granted.

- Guam Housing and Urban Renewal Authority (GHURA): GHURA initially allowed the OPA to review its RFP for audit services but later entered into a contract without obtaining the Public Auditor's approval. GHURA then issued their FY 2001 audit report without the benefit of OPA review. Should GHURA attempt such a maneuver in the future, it will be fought legally by the Public Auditor.
- Guam Visitors Bureau (GVB): awarded the audit contract for fiscal years 1999, 2000 and 2001 to Deloitte Touche Tohmatsu without OPA participation or approval. In the interest of getting the audits completed, which were two years behind, the Public Auditor opted to work with the auditor. As with GHURA, future non-cooperation by the GVB will be challenged by the Public Auditor.

OPA HOTLINES

The OPA receives a multitude of tips and concerns from citizens regarding the different GovGuam agencies. If people want to submit a tip or concern, they may do so by calling our office hotline, 47AUDIT (472-8348), logging onto our website, www.guamopa.org, or by speaking to an employee of the OPA or the Public Auditor by phone or

OPA Hotline Topics By GovGuam Agency (2002)



in person. These contacts from citizens are a crucial element in the audit process as it helps the OPA assess risks within the different areas of the government. In 2002, we received 144 such tips and concerns. Of those, we were able to address 87 of them, either by forwarding them to independent auditors, following up with appropriate authorities, initiating an audit, or determining that the information was insufficient to act on. The OPA thanks those citizens who have taken the initiative to contact our office and submit their tips and concerns.

OPA Involvement in Other Governmental Activities

In addition to the OPA’s oversight responsibility of audit activities, the office has received several requests to partake in or review other government-related activities. Although the office appreciates the trust and confidence of those making the requests, it has been

difficult to address the issues with our limited resources. A listing of other activities that the OPA has been requested or mandated to review or participate follow.

- The Guam Legislature in Public Law 26-70 required the OPA to be an observer in the government’s attempt to sell the Guam Telephone Authority. Representatives from the OPA were present during the opening of the GTA privatization proposal on Guam. An OPA auditor also traveled to Washington, D.C., in July 2002 to observe the second bid opening.
- In September 2002, the OPA was asked to participate in the Department of Public Health evaluation of request for proposals on the economic impact of Community Health Centers’ fee schedule increases.
- The aftermath of Typhoon Chata’an and Halong in July 2002

necessitated federal assistance amounting to millions of dollars. The Guam Legislature outlined the reporting requirements of these emergency funds. The legislation opened these records to the Public Auditor for auditing.

- P.L. 26-144, an act requiring the Guam Waterworks Authority to outsource the maintenance and operation of the water wells, booster pump stations, meters, etc., requires the Public Auditor to be an observer throughout the outsourcing process.
- P.L. 26-169 established the Guam State Clearinghouse under the Office of the Lieutenant Governor. The Advance Federal Funding Work Group was also created to advise the Lieutenant Governor in matters pertaining

to federal grants. The Public Auditor is a member of the Work Group.

- P.L. 27-01 authorizes the OPA to assess transactions of Typhoon Pongsona-related expenditures incurred by GovGuam.

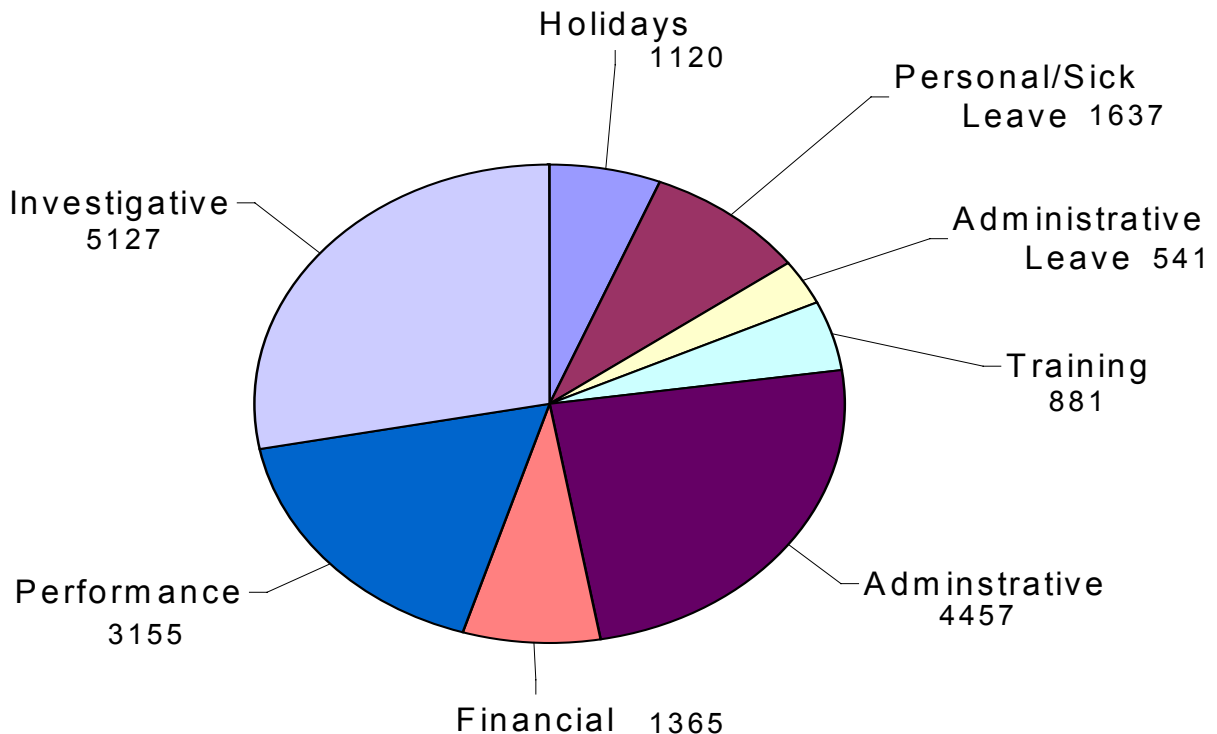
Staff Hours

In 2002, OPA staff allocated approximately 14,000 hours to their work. A breakdown of staff hours is shown below.

Because of the two typhoons that struck Guam in 2002, the amount of administrative leave taken by OPA staff appears particularly high. Much work was lost to the typhoons.

In addition, our office lost one of its original nine employees in June 2002

OPA Staff Hours Distribution-2002



and was not able to fill the vacancy until September. We then lost another employee and have not been able to keep the ninth position filled, with another employee leaving for medical reasons.

Staff Training

Government Auditing Standards, commonly known as the “Yellow Book,” require that individuals performing audits of governmental entities obtain no less than 80 hours of continuing professional education (CPE) credits in a two-year period. Such a requirement ensures that an audit organization’s staff maintains its professional proficiency. Not adhering to this standard may affect an audit organization’s ability to obtain a clean opinion in a peer review.

The OPA recognizes that this is a standard that cannot be overemphasized. The professionals in our Office have all maintained or

exceeded the required amount of training. Each staff has received an average of 60 to 70 continuing professional education credits in 2002 alone. Needless to say, the training sessions and seminars have been invaluable tools in preparing our staff for the challenges encountered in the conduct of our work.

OPA Budget Slashed More Than 9% Despite Performance

For FY 2002, the Guam Legislature appropriated \$967,000 to the OPA. Although that amount is still a modest number, it was the largest amount appropriated to the office since its inception in 1994 and was certainly good news for the Office. However, in spite of our performance in 2002, the Legislature decreased the OPA budget to \$943,000 for FY 2003. The decrease of \$24,000, which equates to a 2.5% reduction, was still a palatable cutback, considering the overall financial condition of the government.



OPA Employees at 13th APIPA training conference-Front (left to right): Francis Quinto, Randy Wiegand, Doris Flores Brooks, Fred Cantoria, Susan Teo. Back(left to right): Chris Duenas, Xuerong Yang, Yuka Cabrera, Don Laureano.

However, in the second quarter of 2003, the office was unexpectedly called in for a budget hearing. At the hearing, as we made our presentation, we were given the impression that our budget would not be cut further and that we should not worry about any adjustments. As politics would have it though, the Legislature ended up voting in favor of a reduction. The vote resulted in a further decrease of \$55,000 to our budget, which now is at \$888,000, an overall reduction of more than 9% from prior year.

Comparison of Guam OPA to CNMI OPA

By comparison, the CNMI Office of the Public Auditor, a constitutional office, has a secure source of funding. The CNMI OPA receives a formula budget of 1% of government revenues with a minimum base of \$1 million. Other comparisons include:

CNMI Revenues: \$310 million
General Fund Revenues: \$215 million
OPA Budget: \$2.2 million²
Staff: 32
Public Auditor salary \$100,000 since 2001

By comparison the Government of Guam is more than four times as large as the CNMI government.

Guam Revenues \$1.2 billion
General Fund Revenues \$440 million
OPA Budget \$888,000³
Staff: 9
Public Auditor salary \$82,025 since 1994

The CNMI Government invests over 1% of General Fund Revenues for the

² Includes general fund audit of \$194,000.

³ Includes general fund audit of \$298,000

Public Auditor's Office compared to a minor .2% or one fifth of one percent by the Government of Guam. The CNMI OPA has a secure funding formula for its budget, whereas the Guam OPA budget is subject to appropriation by the Guam Legislature.

Frozen Increments Result in Loss of Employees

In 2002, the OPA lost two employees who had both been with the Office for more than a year. Due to the government-wide freeze in increments, it is difficult for our office to compete with those who offer more attractive compensation. This again reflects on the budget allocated to the OPA by the Legislature.

Guam Endures Three Typhoons in Five Months

On July 5, 2002, Guam felt the wrath of Typhoon Chata'an. It was the first time in almost five years that Guam experienced a storm of any significant magnitude. Typhoon Chata'an brought on heavy rainfall and sustained winds in excess of 100 mph, leaving hundreds homeless and ruining the summer plans of many.

Only five days later, Typhoon Halong swept by Guam, exacerbating the already dismal situation Guam was facing in Typhoon Chata'an's aftermath. Although not nearly as devastating as Typhoon Chata'an, Typhoon Halong brought more rainfall and hampered recovery efforts that had commenced in the preceding days.

Then on December 8, 2002, as many residents were still recovering from the two July typhoons, Typhoon Pongsona battered the island. The storm, which weather officials originally said would pass east of Guam, seemingly parked itself over the island for almost 12 hours and trashed everything in its path. The surreal image of cracked concrete structures, overturned vehicles, typhoon shutters caved in, and hundreds of destroyed homes validated the typhoon's strength. To make matters worse, a fuel availability crisis in the ensuing week impeded all recovery efforts as firefighters battled a fuel tank blaze and nonessential government employees were given administrative leave for almost a week in order to conserve gasoline.



Mold grew all over the walls at the OPA after Supertyphoon Pongsona caused major water damage to the building.

Like many other government agencies and businesses, the OPA experienced damage to its office as a result of these typhoons. The productivity of the office was temporarily impaired due to lost working days. Over 500⁴ work hours

⁴ See staff hours pie chart on page 12.

were lost because of the three typhoons, nearly enough time to complete one audit. Despite these setbacks, the OPA continues to endeavor to accomplish its mission.

UOG Internship Program

In 2002, the OPA employed two seniors from the University of Guam through the College of Business and Public Administration accounting internship program. It was the first time the OPA utilized interns in its operations and the benefits of the extra help was immediately apparent. The interns played a role in various phases of the auditing process and were able to assist OPA employees with some of their workload. The interns received credits towards their degree programs and had an opportunity to work and gain experience in government auditing. One of the interns is now an employee of the OPA. Her performance during her internship and her desire to be a full-time employee of the OPA earned her the opportunity.

Because of the symbiotic relationship that the internships have to offer, the OPA intends to continue as a participating employer as long as resources are available. The OPA thanks and congratulates its two interns on their graduation.

Federal Counterpart to Relocate

In October 2002, the OPA received word that the its federal counterpart, the U.S. Department of Interior's Office of the Inspector General (DOI/OIG), would be closing its Guam office in by early 2003. The work of the DOI/OIG

office has always complemented the work of the OPA and the news was certainly disheartening and untimely.

Immediately upon learning of the closure, the Public Auditor started lobbying vociferously with the administration, the Legislature, and other concerned officials to keep the office opened. The 26th Guam Legislature passed Resolution 297 urging the Secretary of Interior and the Inspector General of the Department of Interior to remain on Guam. The U. S. Attorney for Guam joined in the clamor to keep DOI/OIG in Guam. Unfortunately, the decision had already been made and DOI/OIG employees were reassigned to other locations.

The OPA would like to thank the DOI/OIG for its continued support through the years and wishes the best to its employees as they take on new tasks in other parts of the country.

Elected Leaders Pledge to Work with OPA

After the general election November 5th, the Public Auditor met with the newly elected officials. Briefing sessions on areas of accounting and audit concerns were provided by the Public Auditor to the new majority Senators of the 27th Guam Legislature, the Consolidated Commission on Utilities (CCU), the Guam Education Policy Board, Attorney General-elect Douglas Moylan, Governor-elect Felix Camacho and Lieutenant Governor-elect Kaleo Moylan. Notwithstanding their different missions and political platforms, they all voiced their desire to work with the OPA on the difficult issues facing our government. The OPA looks forward to working with the island's newly elected leaders in bringing about greater accountability of the people's monies.



From left to right front row: Samuel Paul Guam IG Office, Michael Sablan CNMI Public Auditor, Satrunino Tewid Palau Public Auditor, Jean Tonyoke RMI Auditor General, Madison Tosie Kosrae Public Auditor; back row Michael Colombo IG Regional Audit Manager, Stephen Van Beverhoudt Virgin Islands Public Auditor, Mary Adler Deputy Inspector General, Earl Devaney Inspector General, Doris Flores Brooks Guam Public Auditor, Haser Hainrick FSM Public Auditor & Francis Sefo American Samoa Territorial Auditor.

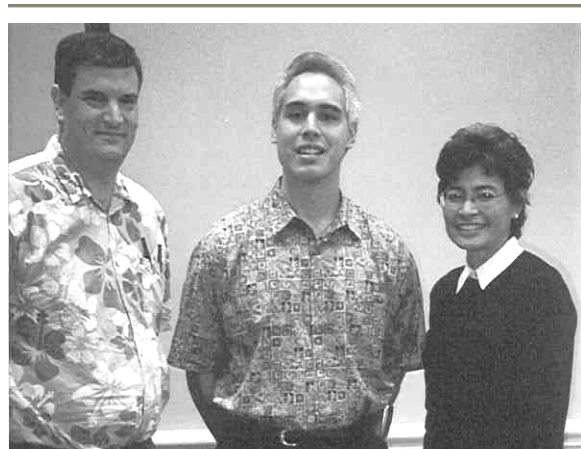
Public Auditor Meets with Department of Interior Inspector General

In December 2002, the Public Auditor and Audit Manager Randall Wiegand met with Department of Interior Inspector General Earl Devaney. Also present at the meeting were the Public Auditor of other Pacific Islands and the Virgin Islands. This was the second time the Inspector General invited the Public Auditors to meet with him. Over the two-day meetings, the Public Auditors discussed a variety of topics affecting their islands, including training initiatives, resolution of IG audit recommendations, capacity building between the OPA's and the IG, and funding assistance to the Public Auditors. Mr. Devaney expressed his continued commitment to the insular areas and his desire to meet annually with the Public Auditors.

"Strength of Public Auditors Will Be Factor in Awarding Interior Grants"

The Inspector General also invited David B. Cohen, Assistant Secretary of the Department of Interior for the Office of Insular Affairs to meet with the Public Auditors. Mr. Cohen announced that "the level of economic assistance that each U.S. Territory or freely associated state will receive from the Office of Insular Affairs will be determined in part by the 'strength and independence' of its public auditor's office." "We will look at a number of factors," said Cohen. "For example, is the public auditor's office properly funded and staffed with qualified people? How strong are the safeguards to its independence? Is it vulnerable to having its funding cut if it offends the government? Is it actively

fulfilling its role as a public watchdog? We consider these factors to be relevant in deciding where our discretionary grants should go." See Appendix 8 for full text of the News Release.



From Left to right: Randy Wiegand, OPA Audit Manager, David B. Cohen, Assistant Secretary of the Department of Interior for the Office of Insular Affairs, and Doris Flores Brooks, Public Auditor of Guam.

OPA Recognized by Media For Work in 2002

As 2003 rolled in, the Pacific Daily News and KUAM put out their top stories of the previous year. The OPA was pleasantly surprised to be among the top stories on both lists, particularly at number five on PDN's list and number four on KUAM's list. In addition, KUAM's website, www.kuam.com revealed that Internet users rated government corruption and government audits among the most read about topics on the website. All these stories can be viewed online at our website, www.guamopa.org. These stories are in Appendix 5 and Appendix 6.

Charitable and Other Activities

Despite our demanding schedules OPA staff found time to contribute and give back to our community. OPA staff participated in the Thanksgiving Food Baskets for needy families of the Guam Housing and Urban Development as well as participated in two island wide cleanups, the first for the Earth Week Cleanup and the second for the Beauty and the Beach Coastal Cleanup.

All OPA Employees are also active members of the Association of Government Accountants, an organization dedicated to “advancing government accountability.” Meetings are held monthly and we encourage others in the accounting field to attend these meetings. Doris Flores Brooks is presently the President of the AGA Guam Chapter and Francis Quinto, also of the OPA, is the chapter treasurer.

Our office is dedicated to enhancing the quality of education that is received by our youth and college students. We participated in the Island Leadership Day activities in 2002, in which students shadowed the management of our office in order to gain insight and an understanding of our office and the work we do.

We intend to continue supporting these endeavors and similar activities. We feel that the purposes that are served are in the best interest of our entire island community.



APIPA

Association of Pacific Island Public Auditors

November 25, 2002

Ms. Doris Flores Brooks, Public Auditor
Office of the Public Auditor
Government of Guam
Pacific News Building, Suite 401
238 Archbishop Flores Street
Hagåtña, GU 96910

Received by Office of the
Public Auditor

03/14/03

11:00 AM

Dear Ms. Brooks:

We have completed an external quality control review of the Office of the Public Auditor, Government of Guam, for audits issued during the period August 1, 1999 through October 31, 2002. We have issued a report stating our opinion concerning your organization's overall level of compliance with government auditing standards. We are issuing this companion letter to management to offer suggestions for improvement. This letter should be read in conjunction with our opinion report.

The following suggestion was made for the purpose of strengthening your internal quality control systems:

Quality Control Reviews. Sections 3.31 through 3.36 of the government auditing standards require that "**Organizations conducting audits in accordance with these standards should have an external quality control review at least once every three years...**" By inviting the Association of Pacific Island Public Auditors to perform this external quality control review, the Office has remained in compliance with this standard.

The U.S. General Accounting Office publication (GAO/OP-4.1.6), entitled An Audit Quality Control System: Essential Elements, suggests that external quality control reviews be performed on a consistent basis. The GAO publication also suggests that the periods covered be based on the entities normal fiscal year so as to minimize the disruption to normal operation. In addition, the publication suggests that the review be completed during the year following the completion of each three-year period. Our QCR covered the period August 1, 1999 through October 31, 2002 and our Final Report was issued on November 25, 2002. This would mean that the next QCR should cover the period November 1, 2002 through October 31, 2005 and should be completed by October 31, 2006.

However, since your office is on the calendar year we suggest the next QCR cover the period November 1, 2002 through December 31, 2005 and the report be issued by November 25, 2006. This will enable your office to be reviewed based on its normal work year and possibly make the scheduling of future QCRs less disruptive to your normal operations.

The above suggestion was discussed with Ms. Brooks during the exit conference conducted on November 21, 2002. Ms. Brooks concurred with our conclusion and has taken steps to fully implement our suggestion.

In closing we would like to thank your Office for the warm reception and cooperation extended to us by all of your staff during our review.

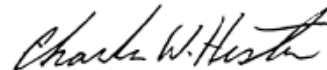
Respectfully Submitted,



Mr. Saturnino Tewid,
Public Auditor
Office of the Public Auditor
Republic of Palau
Team Leader



Mr. Adair Sumang
Senior Auditor
Office of the Public Auditor
Republic of Palau
Team Member



Charles W. Hester
USDA/PITI
Technical Advisor

Financial Audits Issued in 2002

AGENCY/ENTITY	REPORT YEAR	Auditing Firm	
Government of Guam Single Audit Reports	FY 2000	Deloitte Tohmatsu	Touche
Government of Guam General Purpose Financial Statements	FY 2000	Deloitte Tohmatsu	Touche
Government of Guam Retirement Fund	FY 1998, FY 1999	Burger and Comer	
Northern and Southern Community Health Centers	FY 2000	Deloitte Tohmatsu	Touche
Guam Educational Telecommunications Corp. (KGTF)	FY 2001	Burger and Comer	
University of Guam	FY 2001	Deloitte Tohmatsu	Touche
Guam Power Authority	FY 2001	Ernst and Young	
Port Authority of Guam	FY 2000	Deloitte Tohmatsu	Touche
A.B. Won Pat Guam International Airport Authority	FY 2001	Deloitte Tohmatsu	Touche
Territorial Highway Fund	FY 2000	Deloitte Tohmatsu	Touche
Guam Memorial Hospital Authority	FY 2000	Deloitte Tohmatsu	Touche
Guam Economic Development Authority	FY 2001	Deloitte Tohmatsu	Touche
Guam Housing Corporation/ Guam Rental Corporation	FY 2001	J. Scott Magliari and Company	

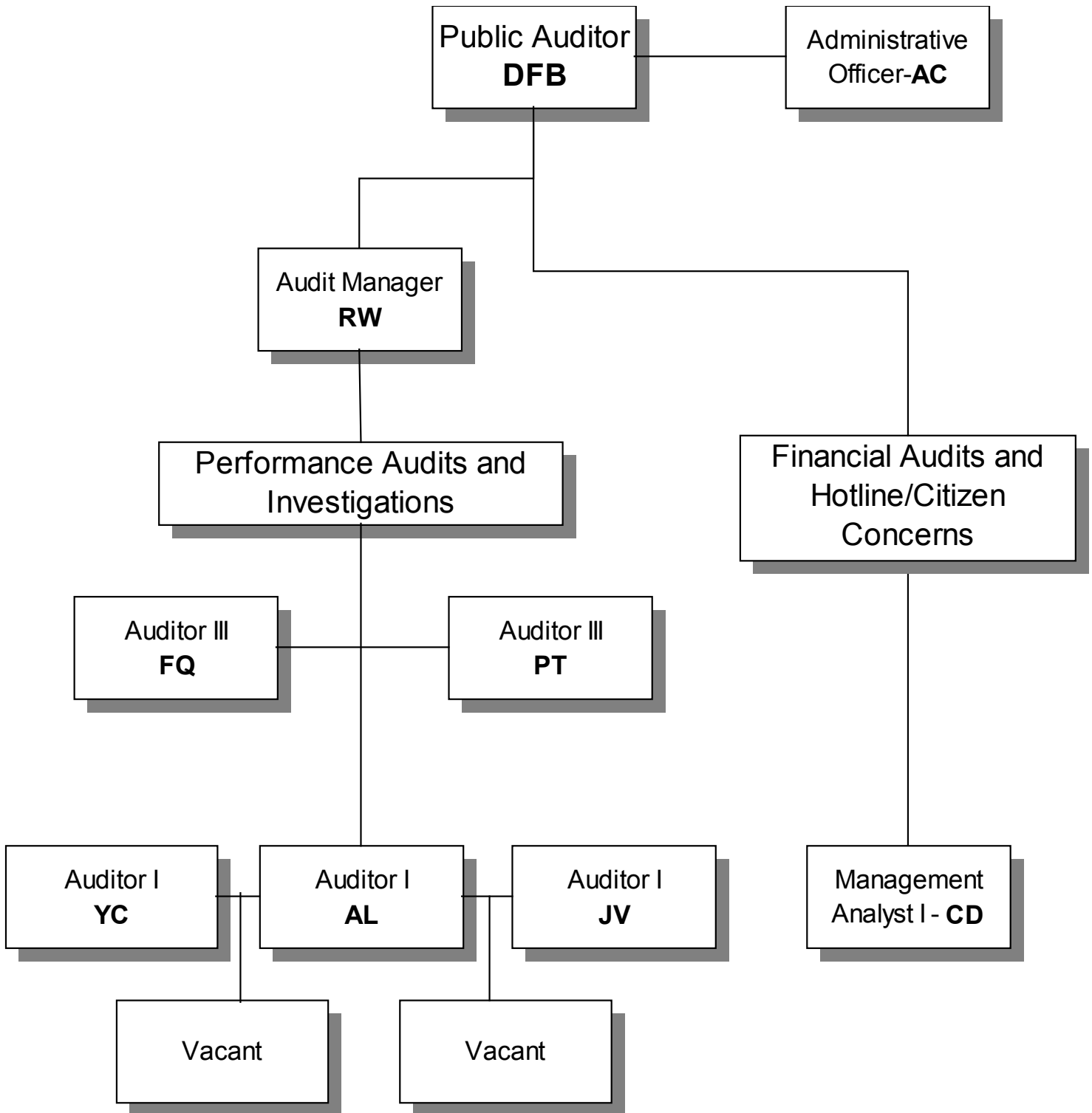
Note: At year's end, the *FY 2001* audits of the Guam Memorial Hospital Authority, Port Authority of Guam, Guam Community College, Guam Waterworks Authority, Guam Telephone Authority, Guam Visitors Bureau, Tourist Attraction Fund, Territorial Highway Fund, Government of Guam Retirement Fund and the Department of Education had not yet been issued.

Waste, Abuse, & Savings Identified by the OPA Since 2001

Agency	Waste/Abuse Identified
University of Guam	\$1.7 million wasted on an energy project which was abandoned
Guam Mass Transit Authority	\$15K Abuse by Assistant General Manager (Recovered) \$6K Abuse by General Manager
Southern High School	\$102K in undocumented expenditures and \$4K in funds not reimbursed to SHS Close-Up Fund
Department of Park & Recreation	\$100K missing from the DPR Revolving Fund plus payments of \$22,000 paid to DPA employees and over \$7,900 paid to DPR employee and family
Guam Memorial Hospital Authority	\$450K in Undocumented Claims paid
Department of Land Management	\$63K Not collected by DPW; \$1.5 million rent not collected by DPR (\$91K/yr)
Guam International Airport Authority	\$1.05 million in total travel costs over 24 months; \$144K in travel costs by Executive Manager over 24 months (214 days off-island); \$11.5K in personal expenditures by Deputy Executive Manager (\$8K recovered); Credit cards cancelled at GIAA
Department of Corrections	Dollar value of unaccounted hours at DOC could be as high as \$4 million. Overtime has been reduced by over 70% since the release of our interim report

Agency	Savings Identified
Guam Mass Transit Authority	\$13,500 saved by rolling audit into GPFS
Supreme Court of Guam	\$8,000 saved by rolling audit into GPFS

OPA Organizational Chart - As of 12/31/02



Auditor's reports shine light on government activities

to issue timely reports, some of which come with recommendations for investigation by the Office of the Attorney General.

Timely reports from the Office of the Public Auditor are giving residents a picture of the spending practices and performance of their government agencies.

Led by public auditor Doris Flores Brooks, the office in the past year has looked into the books of the Guam Housing Corporation, the Department of Administration, the Guam International Airport Authority, Department of Corrections and has found questionable payments or actions made by the Guam Memorial Hospital Authority, the Government of Guam Retirement Fund and the Department of Land Management.

Just over two years ago, Brooks became the island's first elected public auditor and has since taken seriously the job of watchdog over government agencies and how they spend public funds.

Her office of nine work tirelessly and often with private accounting firms

February.

An audit of the Guam Housing Corporation in August revealed that a \$50 million bond meant to finance low-cost home loans remains largely untapped and sitting in a trust fund. GHC is now likely to have to repay in full with interest, according to the report.

A report on the airport disclosed "abuses" by the airport agency of government paid credit cards and other uses of public funds during off-island travels and on-island meals and entertainment.









In July, the public auditor's office issued a report that cites "apparent serious irregularities" in the wrongful death settlement of \$150,000 paid to the family of a high-ranking hospital official, even though the legal limit on such claims is \$100,000. Another questionable \$300,000 payment was made to a hospital doctor who alleged the hospital violated her rights.

By *Lalaine Estella*
Pacific Daily News
lestella@guampdn.com



Pacific Daily News file photo

Timely: Doris Flores Brooks, the island's first elected public auditor, leads a team at the Office of the Public Auditor.

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Let us know about it!


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Familiar Faces




espiritun CHAMORRO



2002 on Guam: an unforgettable year - Public Auditor's work brought much to light about GovGuam finances, spending habits

by **Sabrina Salas**, KUAM News
Monday, December 30, 2002



This is the second part in our weeklong series counting down the top five stories of the year 2002.

Coming in at number four for the top stories of 2002 was the busy year for the Office of the Public Auditor, keeping in check the Government of Guam's various agencies, who may have abused some of their financial privileges. From the Department of Public Health, the Guam Housing Corporation and the Department of Land Management, they were just a few of the public agencies the OPA found some financial problems with.

But it was agencies like the Guam International Airport Authority, the Department of Corrections and the Department of Education that really took the spotlight in 2002. Beginning with the Airport, the OPA released an investigative report on travel and credit card use by Airport staff. The OPA was provided 320 travel authorizations from the Airport covering 120 different individuals, and during the 24 months from July 1, 1999 to June 30, 2001, the total cost of travel (including credit card expenditures) incurred by the Airport was more than \$1,952,000.

OPA Website Year in Review

January 18, 2002

Guam OPA releases the Single Audits of the Government of Guam for Fiscal Year 2000.

[Click here for highlights of the report](#)

[Click here for full report](#)

February 12, 2002

Guam OPA releases the GOVERNMENT OF GUAM GENERAL PURPOSE FINANCIALS for Fiscal Year 2000.

[Click here for highlights of the report](#)

[Click here for full report](#)

March 5, 2002

Guam OPA to Host 13th Annual Association of Pacific Islands Public Auditors (APIPA) Conference.

[Click here for an introduction and overview of APIPA](#)

[Click here to register for the conference](#)

[Click here to see course offerings](#)

[Click here to see course descriptions](#)

March 27, 2002

Guam OPA releases Government of Guam Retirement Fund Audited Financial Statements.

[Click here for highlights of the report](#)

[Click here for full report](#)



April 30, 2002: The Office of the Public Auditor has released an audit report on the **Guam Mass Transit Authority Procurement Issues**.

[Click here to see the report. \(162k PDF\)](#)

April 25, 2002

The Office of the Public Auditor has released the audit report on the **Northern and Southern Community Health Centers for Fiscal Year 2000**. Please click on the links below to see the highlights and the audit reports.

[Click here for the Highlights](#)

[Click here for the Financial Statements/Audit Report](#)

[Click here for the Report on Compliance and Internal Controls](#)



May 15, 2002

[The Office of the Public Auditor has released its Annual Report](#)



August 27, 2002

The Office of the Public Auditor has released an audit report on the **University of Guam**.

[Highlights](#)

[Financial Statements/Audit Report](#)

[Report on Compliance /Internal Controls](#)



June 5, 2002

The Office of the Public Auditor has released an audit report on the **Guam Educational Telecommunications Corporation.**

[Click here for the Highlights](#)

[Click here for the Financial Statements/Audit Report](#)

[Click here for the Report on Compliance and Internal Controls](#)



June 7, 2002

The Office of the Public Auditor has released an audit report on the **Guam Power Authority.**

[Click here for the Highlights](#)

[Click here for the Financial Statements/Audit Report](#)

[Click here for the Report on Compliance and Internal Controls](#)

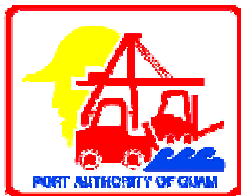


June 12, 2002

The Office of the Public Auditor has released its report on the **Department of Parks And Recreation (OPA Report No. 02-03 Audit).**

[Click here for the Highlights](#)

[Click here for OPA Report No. 02-03](#)



June 14, 2002

The Office of the Public Auditor has released an audit report on the **Port Authority Of Guam.**

[Click here for the Highlights](#)

[Click here for the Financial Statements/Audit Report](#)

[Click here for the Report on Compliance and Internal Controls](#)



June 18, 2002

The Office of the Public Auditor has released an audit report on the **Guam International Airport Authority.**

[Click here for the Highlights](#)

[Click here for the Financial Statements/Audit Report](#)

[Click here for the Report on Compliance and Internal Controls](#)

June 19, 2002 Public Auditor Sues to get the Government of Guam Retirement Fund Audited

[Click here for the news release](#)

[Click here to view the scanned court documents \(approx. 900 Kb\)](#)

[\(this file may take up to 8 minutes to download on a 56K connection\)](#)

[Guam PDN News Story](#)

June 26, 2002 Public Auditor wins suit get the Government of Guam Retirement Fund Audited. [Click here for the news release](#)



July 2, 2002

The Office of the Public Auditor has released its report on the **Guam Telephone Authority (OPA Report No. 02-04 June 2002)**.

[Click here for the Executive Summary](#)

[Click here for OPA Report No. 02-04](#)



July 17, 2002

The Office of the Public Auditor has released an audit report on the **Territorial Highway Fund**.

[Highlights](#)

[Financial Statements/Audit Report](#)

[Report on Compliance /Internal Controls](#)



July 25, 2002

The Office of the Public Auditor has released an audit report on the **Guam Memorial Hospital Authority**.

[Highlights](#)

[Financial Statements/Audit Report](#)

[Report on Compliance /Internal Controls](#)



August 20, 2002

The Office of the Public Auditor has released an audit report on the **Guam Economic Development Authority**.

[Highlights](#)

[Management Letter](#)

[Financial Statements/Audit Report](#)

[Report on Compliance /Internal Controls](#)



August 29, 2002

The Office of the Public Auditor has released an audit report on the **Guam Housing Corporation**.

[Highlights](#)

[Financial Statements/Audit Report](#)

[Report on Compliance /Internal Controls](#)



September 16, 2002

The Office of the Public Auditor has released an audit report on the **Guam Rental Corporation**.

[Highlights](#)

[Financial Statements/Audit Report](#)

[Report on Compliance /Internal Controls](#)



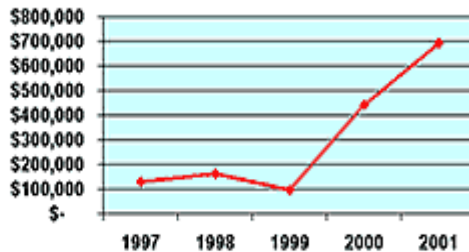
November 19, 2002

The Office of the Public Auditor has released an audit report on the **Department Of Public Health (OPA Report No. 02-05 November 2002)** .

[Click here for the Executive Summary](#)
[Click here for OPA Report No. 02-05](#)



**A. B. Won Pat Guam International Airport Authority
 Travel Expenses FY 1997 to FY 2001**



November 22, 2002

The Office of the Public Auditor has released an audit report on the **Guam International Airport Authority (OPA Report No. 02-06 November 2002)** .

[Click here for the Executive Summary](#)
[Click here for the Full Audit Report](#)
[Click here for the Report Body](#)
[Click here for the Report Appendices](#)



November 27, 2002

The Office of the Public Auditor has released an audit report on the **Department of Land Management (OPA Report No. 02-07 November 2002)** .

[Click here for the Executive Summary](#)
[Click here for the Full Audit Report](#)



November 29, 2002

The Office of the Public Auditor has released an Interim report on the **Department of Corrections (OPA Report No. 02-08 November 2002)** .

[Click here for the Report](#)



December 26, 2002 The Office of the Public Auditor has released an Auditability assessment for the **Department of Education**.

[Click here for the highlights](#)
[Click here for Auditability Assessment](#)