



# Office of Public Accountability

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A REPORT TO OUR CITIZENS for FISCAL YEAR 2016

## ① WHO WE ARE

## ② HOW WE ARE DOING

## ③ FINANCES

## ④ WHAT'S NEXT



*"Auditing for Good Governance"*

### WHO WE ARE

#### OUR MISSION

To ensure public trust and assure good governance, we conduct audits and administer procurement appeals, independently, impartially, and with integrity.

#### OUR VISION

The Government of Guam is the model for good governance in the Pacific.

OPA is a model, robust audit office.

#### OUR GOALS

- Protect** the independence of OPA.
- Deliver** impactful, reliable, and quality reports.
- Recruit and retain** qualified staff.
- Increase** public knowledge and trust of OPA's mission, work, and impact.

#### OUR CORE VALUES

##### OBJECTIVITY:

To have an independent and impartial mind.

##### PROFESSIONALISM:

To adhere to ethical and professional standards.

##### ACCOUNTABILITY:

To be responsible and transparent in our actions.

#### OUR SERVICE TO THE PEOPLE OF GUAM

OPA serves the people of Guam as an instrumentality of the Government of Guam (GovGuam), but independent of the executive (Governor), legislative (Senators), and judicial (Courts) branches. We audit GovGuam programs, oversee GovGuam financial audits, and hear and decide procurement appeals.

### OUR ORGANIZATION

#### Public Auditor

Doris Flores Brooks, CPA, CGFM

#### Staff

- Marisol Andrade
- Thyrza Bagana
- Michele Brillante
- Edlyn Dalisay
- Rodalyn Gerardo, CIA, CGFM, CPA, CGAP, CGMA
- Yukari Hechanova, CPA, CIA, CGFM, CGAP, CGMA
- Jerrick Hernandez, CGAP, CICA
- Frederick Jones
- Amacris Legaspi
- Ira Palero
- Andriana Quitugua
- Christian Rivera
- Clariza Roque
- Llewelyn Terlaje, CGAP, CGFM



**2017 Inaugural Ceremony for Doris Flores Brooks as the Public Auditor of Guam.**

Brooks is Guam's first elected Public Auditor, serving since 2001. In November 2016, Brooks was re-elected to her 5<sup>th</sup> four-year term. She is the first Chamorro Certified Public Accountant.

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|                   | 2015     | 2014    | 2013    |
|-------------------|----------|---------|---------|
| Population*       | 161,785  | 161,001 | 160,378 |
| Debt per Capita** | \$13,709 | \$9,051 | \$8,919 |

\*Population numbers are projections from the 2015 Guam Statistical Year book and are on a calendar year basis.

\*\*As of report issuance, FY 2016 debt per capita was unavailable. Debt per Capita amounts were calculated by Crawford & Associates, P.C. on a fiscal year basis using the actual population count of 159,358 from the 2010 Census of Population and Housing: Guam.

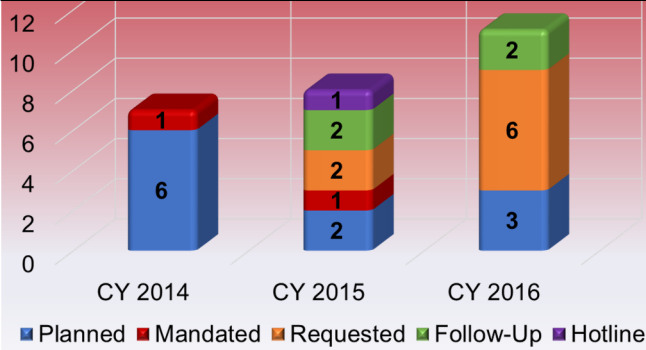
OBJECTIVITY • PROFESSIONALISM • ACCOUNTABILITY

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Initiation of Performance Audits

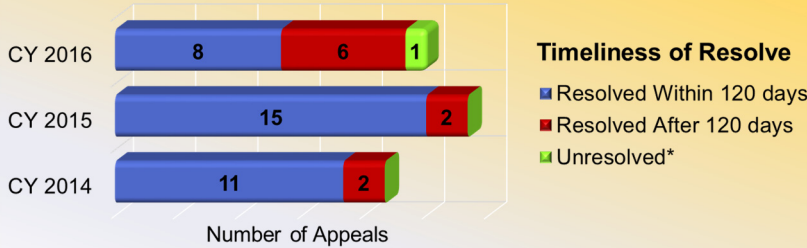


| Performance Audits         | CY 2014 | CY 2015 | CY 2016 |
|----------------------------|---------|---------|---------|
| Issued                     | 7       | 8       | 11      |
| Planned                    | 11      | 6       | 17      |
| % of Planned Audits        | 64%     | 133%    | 65%     |
| Avg. Hours / Audits Issued | 1,250   | 908     | 950     |
| Avg. Hours Budgeted        | 1,100   | 1,200   | 1,200   |
| % of Avg. Hours Budgeted   | 114%    | 76%     | 79%     |

| Staff Input                                | % of Available Hours | CY 2016       | CY 2015       | CY 2014       |
|--|----------------------|---------------|---------------|---------------|
| Direct Hours                               |                      |               |               |               |
| Performance Audits/Investigative           | 42.6%                | 11,530        | 7,270         | 8,752         |
| Procurement Appeals                        | 8.2%                 | 2,214         | 2,295         | 1,618         |
| Legislative Mandates                       | 3.0%                 | 817           | 936           | 2,344         |
| Financial Audits                           | 10.8%                | 2,923         | 3,011         | 3,639         |
| Total Direct Hours                         | 64.5%                | 17,484        | 13,512        | 16,353        |
| Indirect Hours (Administrative & Training) | 20.5%                | 5,554         | 7,547         | 7,863         |
| Benefits Hours (Leave & Holiday)           | 15.0%                | 4,058         | 3,310         | 4,488         |
| <b>Total</b>                               | <b>100.0%</b>        | <b>27,096</b> | <b>24,369</b> | <b>28,704</b> |

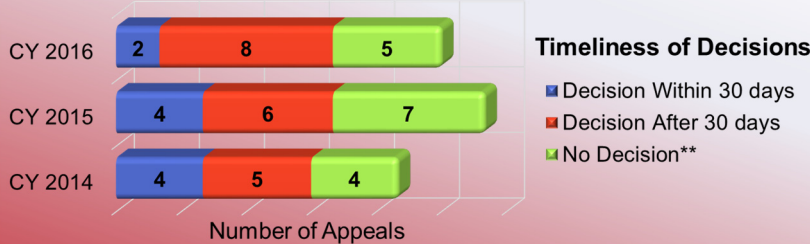


Procurement Appeals



Timeliness of Resolve

- Resolved Within 120 days
- Resolved After 120 days
- Unresolved\*

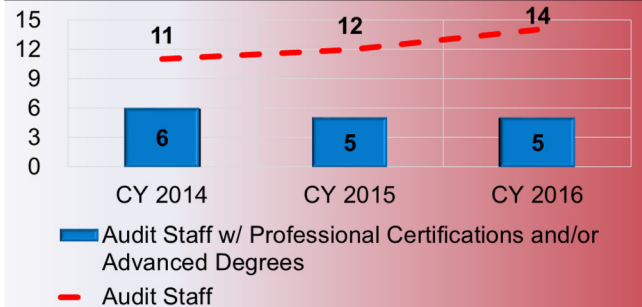


Timeliness of Decisions

- Decision Within 30 days
- Decision After 30 days
- No Decision\*\*

\*Unresolved, because appeal is stayed, pending the Superior Court's decision.  
 \*\*No decision due to no formal hearing because appeal was dismissed or is stayed.

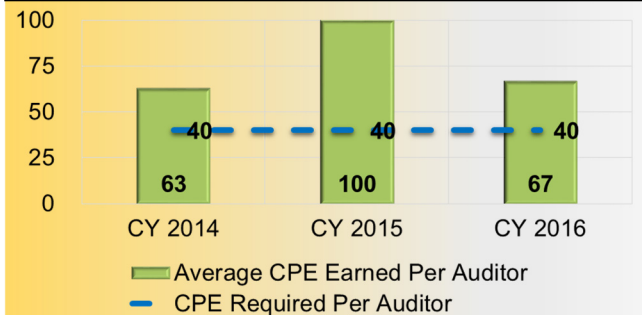
Audit Staff Qualifications & Professional Achievements



| Oversight on Financial Audits         | FY 2016   | FY 2015  | FY 2014    |
|---------------------------------------|-----------|----------|------------|
| Total Financial Audits                | 23        | 23       | 23         |
| Clean Opinion on Financial Statements | 23        | 23       | 22         |
| Issued in 9 Months (June 30)          | 23        | 23       | 21         |
| Issued Past Due (after June 30)       | 0         | 0        | 2          |
| Total Received Federal Funding        | 10        | 10       | 10         |
| Questioned Costs                      | \$502,457 | \$348    | \$270,770  |
| <b>Low-Risk Auditees</b>              | <b>6</b>  | <b>4</b> | <b>2</b>   |
| Total Non-Federal Funded              | 13        | 13       | 13         |
| <b>OPA Recognition*</b>               | <b>6</b>  | <b>5</b> | <b>n/a</b> |

\*OPA is recognizing those agencies/funds not subject to an audit for federal funding but achieved a similar low-risk status, starting with the FY 2015 financial audits.

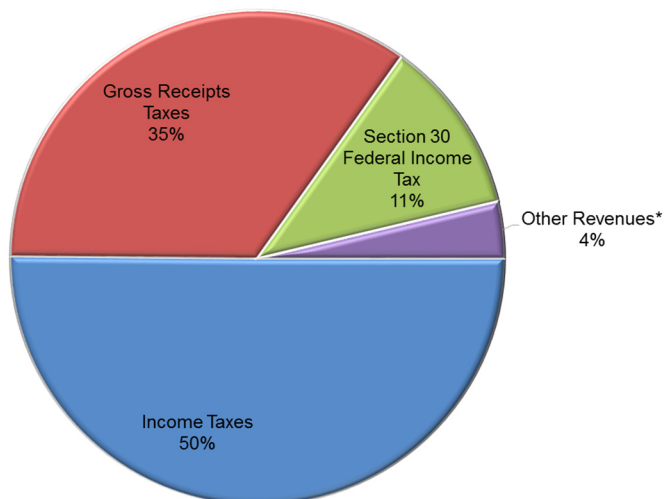
Continuing Professional Education



**Note:** Issuance of performance audits, procurement appeals, and financial audits are reported on a calendar year basis.



**Government Revenues - Where Did Government Funds Come From?**

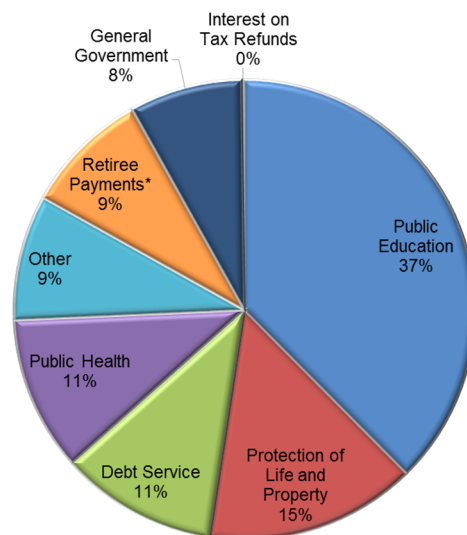


| Government of Guam Revenues    | FY 2016              | FY 2015              | Dollar Change       |
|--------------------------------|----------------------|----------------------|---------------------|
| Income Taxes                   | \$343,836,465        | \$324,402,392        | \$19,434,073        |
| Gross Receipts Taxes           | 238,304,786          | 226,592,159          | 11,712,627          |
| Section 30 Federal Income Tax  | 78,467,450           | 71,446,424           | 7,021,026           |
| Other Taxes                    | 2,937,715            | 2,690,851            | 246,864             |
| <b>Subtotal Taxes</b>          | <b>\$663,546,416</b> | <b>\$625,131,826</b> | <b>\$38,414,590</b> |
| Other Revenues                 | 5,869,099            | 9,996,064            | (4,126,965)         |
| Charges and Fines              | 6,345,507            | 4,144,732            | 2,200,775           |
| Licenses and Permits           | 5,916,066            | 5,636,191            | 279,875             |
| Intergovernmental              | 4,065,459            | 2,839,778            | 1,225,681           |
| <b>Subtotal Other Revenues</b> | <b>\$22,196,131</b>  | <b>\$22,616,765</b>  | <b>(\$420,634)</b>  |
| <b>Total Revenues</b>          | <b>\$685,742,547</b> | <b>\$647,748,591</b> | <b>\$37,993,956</b> |

\*Other Revenues includes Other Taxes.

**Government Expenditures - Where Did the Government Spend It?**

| Government of Guam Expenditures               | FY 2016                | FY 2015                | Dollar Change       |
|---|------------------------|------------------------|---------------------|
| Public Education                              | \$275,892,498          | \$276,599,153          | (\$706,655)         |
| Protection of Life and Property               | 109,012,247            | 111,566,515            | (2,554,268)         |
| Debt Service                                  | 80,992,439             | 88,970,278             | (7,977,839)         |
| Public Health                                 | 79,795,829             | 39,734,335             | 40,061,494          |
| Other   | 64,816,571             | 63,610,305             | 1,206,266           |
| Retiree Payments*                             | 64,235,954             | 60,414,932             | 3,821,022           |
| General Government                            | 58,147,869             | 58,152,002             | (4,133)             |
| Interest on Tax Refunds                       | 1,529,555              | 1,021,759              | 507,796             |
| <b>Total Expenditures</b>                     | <b>\$734,422,962</b>   | <b>\$700,069,279</b>   | <b>\$34,353,683</b> |
| Other Financing Sources (Uses), Net           | 62,047,043             | (7,164,374)            | 69,211,417          |
| <b>Net Change in Fund Balance (Deficit)</b>   | <b>\$13,366,628</b>    | <b>(\$59,485,062)</b>  | <b>\$72,851,690</b> |
| Fund Balances (Deficit) at Beginning of Year  | (119,100,127)          | (59,615,065)           | (59,485,062)        |
| <b>Fund Balances (Deficit) at End of Year</b> | <b>(\$105,733,499)</b> | <b>(\$119,100,127)</b> | <b>\$13,366,628</b> |



\*Retiree Payments include Special Revenue Section 2718 funds of \$15,243,673 and \$20,572,173 for FY 2016 and FY 2015, respectively.

**Note:** An independent government-wide financial audit was conducted by Deloitte & Touche, LLP, which resulted in a clean audit opinion on GovGuam's financial reporting. Complete financial information can be found at [www.opaguam.org](http://www.opaguam.org).

**OPA Expenditures - Where Did We Spend It?**

OPA's FY 2016 appropriation totaled \$1.6 million (M) and expenditures totaled \$1.5M. Significant increases in expenditures were due in part to the implementation of TeamMate audit management software and the recruitment of additional staff. OPA has been operating with limited staff resources for more than 10 years. Supplies also increased significantly to prepare for a potential fund shortage when OPA was not authorized to carry over its unused funds into FY 2017. Rent increased with the acquisition of additional office space.

**Note:** OPA's financials are included in GovGuam's government-wide financial audit. Although a separate opinion is not issued, Deloitte reviews OPA's financial statements, for which no management letter was issued. OPA's complete financial information can be found at [www.opaguam.org](http://www.opaguam.org).

| OPA Expenditures        | % of Total  | FY 2016            | FY 2015            | FY 2014            |
|-------------------------|-------------|--------------------|--------------------|--------------------|
| Salaries and Benefits   | 67%         | \$1,030,982        | \$872,926          | \$854,834          |
| Contractual Services    | 16.5%       | 254,051            | 162,456            | 171,391            |
| Rent                    | 8%          | 117,659            | 107,723            | 107,723            |
| Equipment               | 4%          | 63,886             | 81,415             | 17,191             |
| Miscellaneous           | 2%          | 30,175             | 26,495             | 61,464             |
| Supplies                | 2%          | 26,568             | 5,994              | 4,511              |
| Travel                  | 1%          | 12,922             | 14,501             | 18,301             |
| Communications          | 0%          | 2,659              | 2,914              | 2,879              |
| <b>Total</b>            | <b>100%</b> | <b>\$1,538,902</b> | <b>\$1,274,424</b> | <b>\$1,238,294</b> |
| <b>Staffing Levels</b>  |             |                    |                    |                    |
| Actual Employees        |             | 15                 | 13                 | 12                 |
| Budgeted Positions      |             | 21                 | 21                 | 21                 |
| % of Budgeted Positions |             | 71%                | 62%                | 57%                |





## VISION & OUTLOOK

### *OPA is a model, robust audit office*

- To issue impactful, reliable, and quality performance audit reports.
- To resolve procurement appeals within 120 days of filing.
- To render procurement appeal decisions within 30 days of the hearing's conclusion.
- To pass our 2017 Peer Review by the Association of Pacific Islands Public Auditors.

### *GovGuam is the model for good governance in the Pacific*

- To qualify as low-risk auditees for all GovGuam agencies receiving federal funding.
- To achieve a similar low-risk status (OPA Recognition) with a clean audit opinion, no material weaknesses, no significant deficiencies, and no questioned costs for three consecutive fiscal years for all GovGuam agencies not receiving federal funding.
- To receive no questioned costs in all GovGuam financial audits.
- To release all GovGuam financial audits within six months after fiscal year end.

## CHALLENGES

- ◆ Implementation of revised OPA Compensation Plan. The plan was reviewed and updated by the Department of Administration's Human Resources Division.
- ◆ OPA's authority to carry over unused funds has not been consistent. OPA requests for authorization to carry over unused funds, similar to the elected offices for the Governor of Guam, the Guam Legislature, the Attorney General, and the Mayors as well as the University of Guam, the Guam Community College, the Commis-

sion on Decolonization, and the Judiciary of Guam.

- ◆ OPA's Strategic Plan to be updated with assistance by the Pacific Association of Supreme Audit Institutions (PASAI).
- ◆ Implementation of top five areas identified in the SAI Performance Measurement Framework report scheduled to be released in December 2017.
- ◆ GovGuam's financial management information system is a relic of the 1980s despite being a billion dollar enterprise. The Department of Revenue and Taxation (DRT) manually processes tax revenues.
- ◆ GovGuam's overestimation of revenues with no corresponding decreases in expenditures and continued preferential benefits. GovGuam's cumulative fund deficit is \$105.7M, as of FY 2016.
- ◆ Earned Income Tax Credits continue to grow to 45% of tax refunds, or \$58.8M, requiring a closer scrutiny by DRT.
- ◆ GovGuam's unfunded liability for retirement pensions is \$1.3 billion, as of FY 2016, but expected to be fully amortized by FY 2033.



First Lady of Guam Christine Calvo visits OPA for GovGuam's Relay for Life Purplicious Challenge.



**We want to hear from you!** Do you like this report? Would you like to see any other information? Please let us know by contacting Michele Brillante at 475-0390 ext. 220 or [mbrillante@guamopa.com](mailto:mbrillante@guamopa.com).

