



OFFICE OF THE PUBLIC AUDITOR

EXECUTIVE SUMMARY

Office of the Public Auditor's Status of Audit Recommendations
 OPA Report No. 07-18, December 2007

This represents the first report on the status of government of Guam agencies' implementation of recommendations made by the Office of the Public Auditor (OPA). This report covers OPA audits issued from January 2001 through December 2006 and the status of recommendations as of July 31, 2007.

From January 2001 through December 2006, OPA issued 64 reports focused mainly on fund accountability, non-appropriated funds, program efficiency and effectiveness, procurement, personnel, and credit card and travel, including suspected fraud and abuse. As a result of hotline tips,¹ we initiated 10 reports, which had 99 recommendations and identified \$4.9 million (M) in questioned costs. Hotline tips are integral to OPA's ability to further its mission of "auditing for better government." The 64 OPA reports identified total financial impact of \$74.1M. To help improve the overall operations of the government of Guam, these reports made 420 recommendations. As of July 31, 2007, 301 recommendations or 72% have been closed,² while 119 or 28% remain open.

Status of Recommendations by Audit Focus

		Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact ³	Total Financial Impact	
Audit Focus	# of Reports	Closed	Open	Total					
1	Fund Accountability	22	115	16	131	\$12,212,433	\$1,145,496	\$11,218,696	\$24,576,625
2	Program Efficiency & Effectiveness	12	59	33	92	11,431,560	6,701,806	1,509,505	19,642,871
3	Non-Appropriated Funds	10	56	48	104	3,159,974	1,723,760	5,540,287	10,424,021
4	Procurement	9	30	11	41	13,226,023	-	64,238	13,290,261
5	Personnel	6	19	2	21	4,426,342	-	-	4,426,342
6	Credit Card & Travel	5	22	9	31	1,775,442	-	-	1,775,442
Total		64	301	119	420	\$46,231,774	\$9,571,062	\$18,332,726	\$74,135,562

A majority of our audits focused on the Department of Administration (DOA) because DOA is responsible for the central accounting, procurement, and human resource functions for government line agencies. We issued 11 reports, which identified \$30.3M in total financial

¹ To report a hotline tip or citizen's concern: call the OPA hotline at 671-47-AUDIT (671-472-8348); visit OPA's website (www.guamopa.org), or visit or mail to OPA at 238 Archbishop Flores St., Suite 401 DNA Bldg., Hagatna, Guam 96910. Information will be held in strict confidence.

² Closed recommendations are those that have been implemented by the agency's submittal of corrective action plans, resolved through legislation, or determined no longer applicable under the circumstances.

³ These are amounts identified, but are not considered questioned costs or unrealized revenue. Examples are actual or potential savings that could have been realized by the auditee, dormant bank accounts, unreconciled differences identified, and unreported amounts that are required to be reported by law.

impact, directly affecting DOA. We addressed 63 recommendations to DOA, the most of all agencies, of which 37 have been closed and 26 remain open.

OPA reports generally found that government managers lack an understanding of the importance of implementing effective internal controls, or checks and balances, such as monitoring, separation of duties, establishing a positive control environment, and ensuring accurate and timely recording of transactions.

For example, we found a consistent lack of segregation of duties in our audits of various non-appropriated funds where one individual was allowed to manage all aspects of cash handling. We also found that waste and abuse could have been minimized and mitigated had appropriate controls been in place. Because of weak control environments, some audits resulted in plea agreements, convictions, and indictments of government officials. Recommendations were made to implement or improve internal controls and related processes. We also noted various training opportunities for management controls from the USDA Graduate School were available, but few managers availed themselves of the training.

Effective internal controls provide reasonable, but not absolute, assurance that significant weaknesses would be prevented or detected in a timely manner. Internal controls are not one event, but a series of actions and activities that occur throughout an entity's operations and on an ongoing basis. People make internal controls work, and responsibility for good internal control rests with everyone in an organization. This includes management, governing body, internal auditors and other personnel, although the chief executive officer is ultimately responsible and should assume ownership of the system.

Due to the ever increasing deficit, which is now at over half a billion dollars (\$524M as of FY 2006), government administrators should be more diligent in improving controls over government resources. Continuous monitoring helps to identify poorly designed or ineffective controls and should be reported upon periodically. Government managers, not auditors, should develop and maintain effective internal control. Management should ensure the agency is committed to sustaining an effective internal control environment.

We recognize that implementing the recommendations may entail a cost, which may be direct (purchasing equipment or software) or indirect (staff time or training). However, the cost of not implementing recommendations, such as not investing in training and manually performing routine tasks can result in long-term inefficiencies and increased costs.

OPA continues to provide periodic reminders and follow-up letters to agencies' management to persuade and encourage implementation. Just as good management cannot be legislated, recommendations too cannot be coerced. It is not until management accepts the benefits of improved controls that remaining OPA recommendations will be resolved. 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.

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