



EXECUTIVE SUMMARY
Guam Regional Transit Authority Non-Appropriated Funds
OPA Report No. 18-06, August 2018

Our audit of the Guam Regional Transit Authority’s (GRTA) Non-Appropriated Funds (Fund) found that the lack of internal controls over the Fund poses significant risks of theft and misuse of GRTA’s program income. As a result, \$41 thousand (K) in GRTA bus fares reported by the contracted bus operator (Contractor), and an additional \$14K later identified by GRTA, were not deposited in the Fund. This occurred because GRTA did not:

- Adopt and maintain an accounting system for the Fund;
- Have basic control activities, such as maintaining a check register, performing monthly bank reconciliations, and having effective policies and standard operating procedures (SOPs); and
- Report the Fund’s financial activity to the GRTA Board, Governor, Legislature, or OPA.

GRTA management opened a checking account mainly to receive bus fare collections from the Contractor. The Fund’s checking account movement from its opening on April 7, 2016 to March 31, 2018 is as follows:

| Table 2: GRTA Fund Activity | |
|---|------------|
| | Total |
| Beginning balance, April 7, 2016 | \$ - |
| Receipts: | |
| Bus fare collections | 212,500 |
| Insurance proceeds | 20,000 |
| Others | 303 |
| Total receipts | 232,803 |
| Disbursements: | |
| Transfers to Department of Administration (DOA) | 100,000 |
| Parts and repairs/services | 20,220 |
| Petty cash | 3,209 |
| Equipment | 2,650 |
| Office supplies and other | 1,132 |
| Service charge | 72 |
| Total disbursements | 127,283 |
| Ending balance, March 31, 2018 | \$ 105,520 |

No Accounting System and Lack of Basic Controls

According to 12 Guam Code Annotated (GCA) Chapter 6 § 6204 (a), GRTA shall adopt and maintain a system of accounting for the Fund, which is in accordance with generally accepted accounting principles. Although GRTA kept and maintained a separate file of the Fund, GRTA did not have basic controls to address typical risks to cash, such as misuse and theft. For example:

- A check register to record all transactions was not maintained.
- All receipts were not supported and reconciled to ensure all bus fares were deposited.
- Monthly bank reconciliations were not performed to ensure any differences between GRTA’s records and the bank’s records were identified and investigated.

- The Fund's SOPs were not formally adopted and do not provide a check and balance to ensure the Fund is safeguarded from misuse and theft.

\$55K in Bus Fares Not Deposited

During our audit, we could not account for \$41K in bus fares reported in the Contractor's monthly bus fare remittances in the Fund's bank statements. After we communicated the \$41K discrepancy to GRTA management, GRTA identified an additional \$14K in the form of credit card and check payments that the Contractor did not include in monthly bus fare remittances. In addition, we found collections that were not timely deposited ranging from four to 256 days after the service period. This illustrates that GRTA does not actively monitor and reconcile the Contractor's deposits to ensure that all GRTA bus fares were deposited. Due to GRTA's lack of reconciliation and lack of detailed reports submitted by the contractor, there is a possibility of undeposited ticket sales and bus fares, especially for periods outside of our audit scope.

No Monitoring or Reporting of GRTA Fund

GRTA is required to be audited annually by an independent certified public accountant or the OPA, and submit an annual report of the Fund to the Governor and Legislature within 120 days after the end of the fiscal year. This is the first audit since the Fund's establishment in April 2016. In addition, GRTA has not regularly reported the Fund's activity to the GRTA Board, Governor, Legislature, or OPA. Our analysis of bus fare revenues showed significant fluctuations from April 2016 to March 2018. By monitoring and reporting revenues timely, management could have identified and further discussed these anomalies with the Contractor to correct errors, if any.

No Significant Deficiencies on Disbursements

Our testing of 19 of 30 total disbursements, or \$125K of \$127K, did not find significant deficiencies. However, we noted four disbursements amounting to \$689 that did not have proper approval. Of the 19, there were seven petty cash disbursements totaling \$1,609, which were mainly for food purchases of \$843, or 52%. Other purchases included supplies and others of \$548, or 34%, and parts and repairs of \$218, or 14%. Although purchases were justified, we caution GRTA to refer to Attorney General (AG) Opinion No. 95-1340, which limits food purchases with government funds to entertainment expenses for official purposes.

Conclusion and Recommendations

GRTA management did not prioritize internal controls to safeguard the Fund from risks of theft and misuse. GRTA's Administrative Officer stated that GRTA will adopt a form, similar to their newly adopted petty cash request reimbursement form, to remedy the lack of documented disbursement approvals.

We recommend the GRTA Executive Manager: (1) adopt proper control activities including establishing effective policies and SOPs, maintaining a check register, and performing bank reconciliations; (2) send appropriate staff to NAF management or other similar training; (3) include specifications for the process of depositing bus fares collected by the Contractor in its formal contract; (4) assign staff to actively monitor receipts and verify completeness of bus fare deposits; and (5) report the Fund's activity to those charged with governance.

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