



Executive Summary
Guam Economic Development Authority
Qualifying Certificate Community Cash Contributions
OPA Report No. 18-08, December 2018

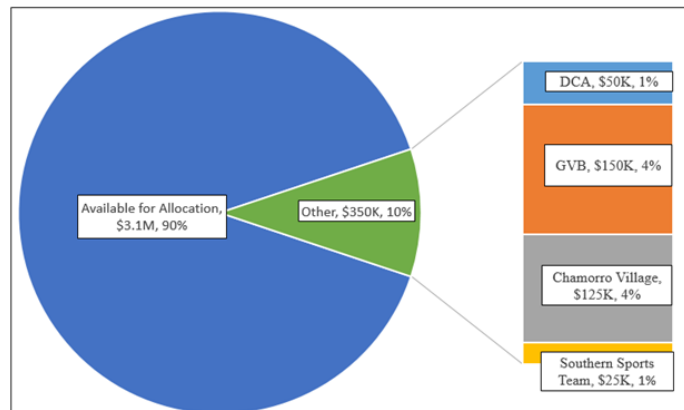
The Guam Economic Development Authority (GEDA) administered 20 active Qualifying Certificates (QC) as of fiscal year (FY) 2017. Of these 20 QCs, 14 required community cash contributions. Our review found the following:

- There was a lack of monitoring on certain community cash contributions; and
- GEDA has wide discretion over the allocation of community cash contributions, and as a result, GEDA allocated 73% [or \$2.2 million (M)] to its own marketing and economic development operations.

Allocation of Community Cash Contributions

Of the required \$3.4M cash contributions from FY 2013 to FY 2017, \$3.1M was available for GEDA to allocate toward various purposes, while \$350K was allotted to certain agencies and organizations specified in the certificates. Refer to the chart below.

Allocation of \$3.4M Community Cash Contributions



Lack of Monitoring on Certain Community Cash Contributions

Of the 14 active QCs with community cash contributions, three were tested based on tax rebated. We found one with a \$15K discrepancy in the collection and the other with a \$3K in uncollected contribution from 2013. Only when OPA brought these to their attention did GEDA follow up and collect the balances owed. We also found a potential community cash contribution from a beneficiary who failed to obtain a tax rebate, which was not followed-up by GEDA. As a corrective action, GEDA implemented a collection system wherein beneficiaries are billed with the required contribution amount.

Wide Discretion over the Allocation of Funds

Per Title 12 of the Guam Code Annotated Chapter 58, GEDA has the authority to administer the QC process and recommend the award to beneficiaries. This includes the formulation of benefits, conditions, and other requirements. The law gave GEDA wide discretion over how the community cash contributions will be allocated. Eight QCs have requirements to allocate the community cash

contributions to economic development and marketing. Meanwhile, four QCs specified allocation to various purposes, in addition to economic development and marketing. However, since the QCs were written in a way that gave GEDA flexibility to determine the amount, timing, and grantee, GEDA allocated 73% (or \$2.2M) of the remaining community cash contribution to its own marketing and economic development operations.

On QCs with specified allocation to various purposes, GEDA inconsistently allocated the community cash contributions. Specifically, 20% (or \$600K) was allocated to healthcare, 1.9% (or \$57K) to public safety, and 0.9% (or \$27K) to higher education and cultural preservation. Five percent (or \$154K) remains unallocated.

Utilization of Community Cash Contributions

While the contributions allocated to GEDA's marketing expenses were tracked, the contributions allocated to economic development were not monitored separately from general operations. To ensure accountability on the use of community contributions specific to economic development, we recommend that GEDA track how the funds were utilized.

Community Cash Contributions Not Advertised

Although the community cash contributions granted to support public safety and higher education were utilized in accordance with the requirements of the certificates, they were awarded to those agencies and organizations who had knowledge of its existence. This gives the impression that contributions benefit only those who have knowledge of its availability. We recommend that GEDA consider advertising the availability of the community cash contribution so that eligible agencies can avail of the funding.

Conclusion and Recommendation

GEDA's main objective is to assist in the development of Guam's economy by supporting local enterprise and attracting new investments. The community cash contributions received by GEDA is one of the resources to achieve its main objective. The law gave GEDA the authority to administer the QC process and recommend the award to beneficiaries. In addition, the requirements of the QC certificates were written in a way that gave GEDA flexibility over the allocation of the community cash contributions. Accordingly, GEDA allocated 73% (or \$2.2M) of the community cash contributions to its own marketing and economic development operations.

To ensure that community cash contributions are fairly and equitably distributed, and to promote accountability and transparency, we recommend that GEDA indicate the specific amounts or percentages of allocation on the QCs; as well as advertise the availability of funding. We also recommend that GEDA track how the community cash contributions pertaining to economic development were utilized.

Our recommendations to indicate specific amounts or percentages and to advertise available funding were addressed for two existing QCs in November 2018. We commend GEDA for the immediate actions in addressing these recommendations.

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