



Office of Public Accountability

A Report to the Citizens of Guam

For Fiscal Year (FY) 2010

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www.guamopa.org

Suite 401, DNA Building
238 Archbishop Flores St.
Hagatna, GU 96910

T: (671) 475-0390

F: (671) 472-7951

Hotline: (671) 47AUDIT (28348)



A Decade of Auditing for Better Government

For 10 years, Guam's first elected Public Auditor, Doris Flores Brooks, has been at the helm of the Office of Public Accountability (OPA), providing reliable information, unbiased analysis and objective recommendations on the prudent management and the leadership and direction for proper use of government resources. Auditing for Better Government ensures our government operates in accordance with applicable laws, rules and regulations, is responsive to our citizens' needs and is functioning economically, efficiently and effectively. With a dedicated core of skilled professionals, the Public Auditor works together with government agencies to conduct audits to enhance and improve service delivery and find ways to address revenue leakage, enhance revenue collections and identify cost savings. The timely issuance of clean, unqualified financial audits remains a cornerstone in our strategic plan. Our Procurement Appeals Division has been responsive in issuing decisions within 30 days after hearing.

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What's the difference between a performance audit and a financial audit?

Performance audits review government programs and activities to improve the economy, effectiveness and efficiency of operations. Performance auditors are akin to doctors specializing in diagnosing problems with your heart, liver, lungs, etc.

Financial audits review financial statements of government entities to determine the accuracy, completeness and fair representation of their operations. Financial audits are similar to general doctors in annually assessing your overall health.

"Auditing for Better Government"

Our Mission

To improve the public trust, we audit, assess, analyze, and make recommendations for accountability, transparency, effectiveness, efficiency, and economy of the Government of Guam independently, impartially, and with integrity.

Our Vision

Guam is the model for good governance in the Pacific.

Our Objective

To improve the audited entity's effectiveness, efficiency, and economy, and promote good governance.

Our Goals

- Maintain independence
- Deliver timely, reliable, and non-partisan reports
- Advance staff competence
- Increase public knowledge of OPA's mission and work
- Build and improve relations with government entities

Progress in FY 2010

OPA's FY 2010 Expenditures

Expenses	Amount	% of Total
Salaries and Benefits	\$ 792,188	76%
Contractual	\$ 95,055	9%
Rent	\$ 94,857	9%
Equipment	\$ 18,850	2%
Travel	\$ 14,175	1%
Miscellaneous	\$ 13,219	1%
Supplies	\$ 10,574	1%
Telephone and Utilities	\$ 6,304	1%
TOTAL:	\$ 1,045,222	100%

Did You Know?

With a FY 2010 budget of \$1.04M, OPA completed 9 audits that identified \$22.6M in questioned costs and supervised 18 financial audits that identified \$204K in questioned costs. This equates to a return on investment of 2,182% for every dollar appropriated.

Procurement Appeals

From 2006 to 2010, 48 procurement appeals were filed with OPA. Issues include bid responsiveness, bidder responsibility, methods of selection and award and appeals of agency decisions on protests. In 2010, OPA administered 10 procurement appeals. Of these, four received decisions and three were resolved mutually by the appellant and purchasing agency. One moved to the Superior Court and two were dismissed; one of them due to the Public Auditor's recusal. OPA's goal is to resolve appeals within 90 days of filing.

Performance Audits

Over the last decade, OPA's work has focused on economy, efficiency, accountability and transparency in all instrumentalities of the Government of Guam. As such, OPA has issued 109 reports which made 542 recommendations and identified more than \$132 million (M) in financial impact. Financial impact refers to questioned costs, waste and abuse, lost revenue opportunities, unreported revenue and un-reconciled accounts.

Calendar Year	Reports Issued	Recommendations Issued	Financial Impact
2010	9	37	\$ 22.6M
2009	7	6	\$ 1.4M
2008	10	28	\$ 9.7M
2007	18	51	\$ 24.3M
2006	19	76	\$ 20.9M
2005	9	49	\$ 6.2M
2004	14	91	\$ 16.4M
2003	11	77	\$ 26.8M
2002 & 2001	12	127	\$ 3.8M
Total:	109	542	\$132.1M

In 2010, OPA issued 9 performance audits that identified over \$22.6M in financial impact. OPA annually develops an Audit Work Plan to collectively determine which government entities and programs to review. For 2011, our plan includes (1) GMHA Personnel Compensation, (2) DOE Cash Controls over Cafeteria Meals, and (3) GovGuam Gas Consumption/Fleet Card Analysis.

Who Audits the Auditors?

OPA undergoes peer review by the Association of Pacific Island Public Auditors. In 2008, OPA received its third consecutive Full Compliance rating and has been in full compliance since 2002. Our fourth quality control review is tentatively scheduled for October 2011. OPA operations are also audited annually by independent auditor Deloitte and Touche.

Financial Audits

Current law requires all GovGuam entities to issue an annual financial audit no later than nine months after the fiscal year ends. OPA contracts independent CPA firms to conduct the audit and oversees the work, which when completed is subject to the Public Auditor's approval.

The financial audits from calendar years 2001 through 2010 identified 1,730 findings with over \$62M in questioned costs, as illustrated in the table below. The 18 financial audits of 2010 identified only \$204K in questioned costs from four entities.

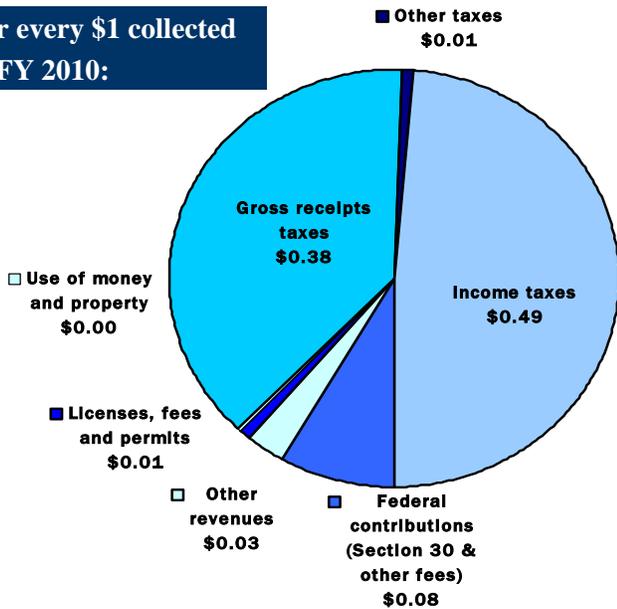
Calendar Year	Number of Reports	Findings Issued	Financial Impact	Management Comments
2010	18	47	\$ 203,965	85
2009	18	70	\$ 3,090,559	83
2008	18	88	\$ 3,312,358	77
2007	18	136	\$ 4,057,666	66
2006	18	188	\$ 4,443,204	79
2005	26	236	\$ 2,112,369	Not Tracked
2004	25	485	\$ 13,073,265	Not Tracked
2003	15	260	\$ 21,957,785	Not Tracked
2002	14	181	\$ 10,062,663	Not Tracked
2001	11	39	\$ 14,954	Not Tracked
Total:	181	1,730	\$ 62,328,788	390

Now that our government has achieved clean audits for four consecutive years, the next milestone we should strive for is to undertake a Comprehensive Annual Financial Report (CAFR), which details how tax money is spent. CAFRs keep public officials accountable to taxpayers and are standard requirements in more than 2,500 state and local governments. A CAFR should be GovGuam's next step toward transparency. The Organic Act requires GovGuam to prepare and submit one to Congress and to the Interior Secretary within 120 days after the fiscal year end.

Government of Guam Finances

General Fund Revenues - Where Did Our Funds Come From?

For every \$1 collected in FY 2010:

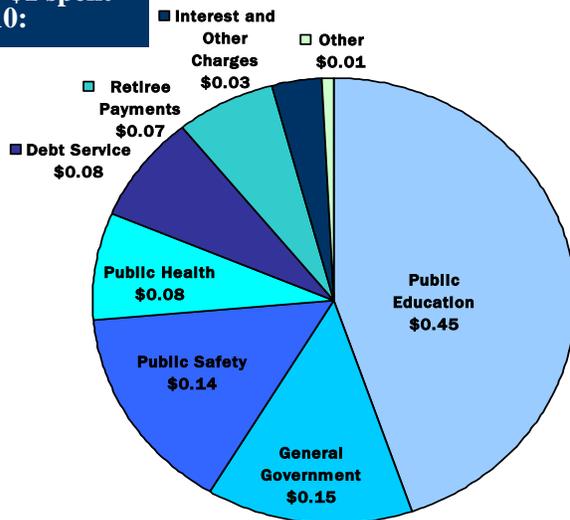


Revenues	FY 2010	FY 2009
Taxes:		
Income	\$ 239,251,660	\$ 241,877,161
Gross receipts	\$ 188,621,364	\$ 182,583,996
Other taxes	\$ 3,490,942	\$ 3,411,533
Total Taxes	\$ 431,363,966	\$ 427,872,690
Federal contributions (Section 30 & other fees)	\$ 40,782,814	\$ 40,481,512
Other revenues	\$ 13,842,032	\$ 9,454,365
Licenses, fees and permits	\$ 4,546,349	\$ 4,470,091
Use of money and property	\$ 432,203	\$ 871,525
Total Revenues:	\$ 490,967,364	\$ 483,150,183

In addition, the Federal government awarded GovGuam over \$286M in federal grants in FY 2010. Of the \$286M, \$96.7M funded Food Stamps, \$48.1M for Highway Planning and Construction, and \$18.4M for Medicaid.

General Fund Expenditures - Where Did We Spend It?

For every \$1 spent in FY 2010:



General Fund Expenditures	FY 2010	FY 2009
Public Education	\$ 251,040,485	\$ 253,389,682
Public Safety	\$ 78,943,168	\$ 86,859,431
General Government	\$ 83,787,226	\$ 68,551,945
Public Health	\$ 43,624,072	\$ 57,049,996
Debt Service	\$ 43,041,598	\$ 26,103,484
Retiree Payments	\$ 38,949,978	\$ 40,275,345
Interest and Other Charges	\$ 18,027,410	\$ 46,609,389
Other	\$ 4,620,919	\$ 15,620,856
Total Expenditures:	\$ 562,034,856	\$ 594,460,128

Our Independent Audit

The FY10 Government of Guam Financial Statement Audit issued on July 1, 2011, was conducted by independent auditor Deloitte & Touche, which resulted in a clean audit opinion. This opinion gave reasonable assurance that the financial statements are fairly presented and in compliance with the generally accepted accounting principles in the United States of America. For more information, please visit http://www.guamopa.org/docs/GovGuam_fs10.pdf.

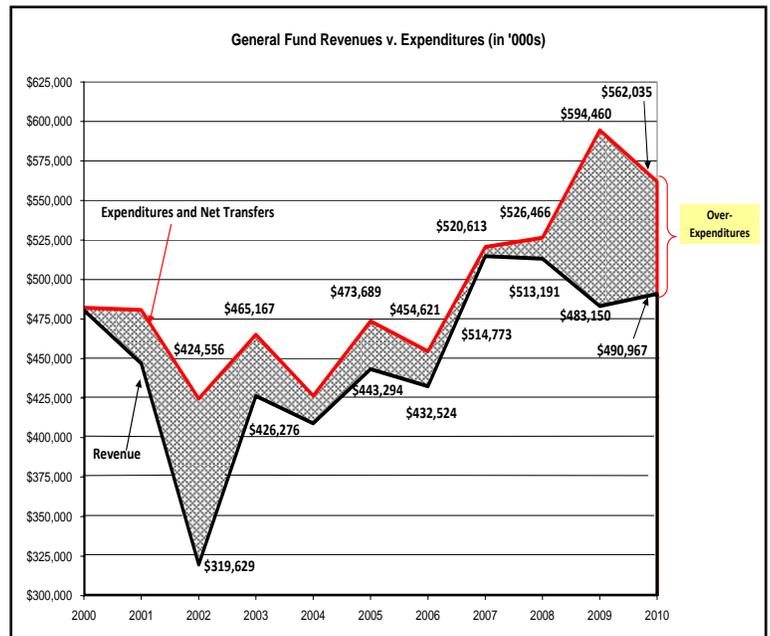
Moving Forward



GovGuam Deficit

Guam's downturned economy over the past three years is reflected in the decline of our government's revenues, from \$514.8M in FY 2007 to \$491M in FY 2010. Despite this, GovGuam continues to spend more than it takes in. Line agency expenditures, Legislative, Judicial and subsidies to autonomous entities totaled \$562M, exceeding actual revenues by \$71.1M and increasing the cumulative General Fund deficit to \$336.4M.

OPA maintains that the cost of the impending military buildup should be borne by the federal government, not by the people of Guam. Construction projects to relocate the U.S. Marines and ancillary services from Japan to Guam have not yet materialized. The economic growth expected locally in fiscal years 2012 and 2013 is dependent on the timeline adjustments agreed by the U.S. and Japan to finance the infrastructure requirements of the buildup through 2014. In addition, Guam is not immune to volatile crude oil prices or from sequential local and national debt challenges. GovGuam expended over \$286M in federal awards in FY 2010. Those awards are 58% compared to General Fund revenues for FY 2010. According to the Executive Director of the National Association of State Budget Officers, states should be prepared for lower federal funding.



Procurement Initiatives

OPA is working with the Legislature toward the comprehensive updating of the Procurement Law and Regulations to include the use of technology to modernize how GovGuam conducts business with vendors. Other initiatives include (1) allowing the Public Auditor to delegate her authority to senior OPA staff in situations in which she must recuse herself and (2) allowing administrative proceedings to be completed before any party can move an appeal to the Superior Court.

Enhanced Transparency

Transparency in government spending promotes fiscal responsibility and increases public confidence. OPA encourages our government to adopt checkbook level information on spending similar to that implemented by more than 40 states.

OPA Hotline

OPA encourages citizens to help identify abusive and wasteful government spending and to recommend government programs or entities they would like to be audited. Call our Hotline at 47AUDIT (472-8348) or visit our website at www.guamopa.org. All calls are held in confidence.

We Want to Hear From You

Did this report provide helpful information about OPA? Do you believe it should include more information? Please let us know by contacting Maripaz Perez at 475-0390 ext. 215 or mperez@guamopa.org; or Anne Camacho at ext. 211 or acamacho@guamopa.org. Complete reports on government performance and financials can be found at <http://www.guamopa.org>.