



# Office of Public Accountability

## A Report to the Citizens of Guam

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Calendar Year 2012

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## “Auditing for Better Government.”

For twelve years, Guam’s first elected Public Auditor, Doris Flores Brooks has been at the helm of the Office of Public Accountability (OPA). Together with her dedicated corps of skilled professionals, OPA has provided the people and Government of Guam (GovGuam) dependable and reliable information, unbiased analyses, and objective recommendations on how best to use the government resources in support of the well-being of our island and its constituents.



OPA has worked with government agencies to improve their performance and ensure transparency and accountability of government funds for the benefit of our island. OPA audits provide oversight, insight, and foresight into government activities and operations.

In addition to OPA’s performance audits and oversight of financial audits responsibilities, OPA is tasked to hear and decide all appeals of procurement protest decisions brought to the office.



### Inauguration

Public Auditor Brooks was sworn in January 2013 to her fourth term by Chief Justice F. Phillip Carbullido at the Supreme Court. She is the only person to have been elected Guam’s Public Auditor and has run unopposed in the last three elections. She is also the longest serving Public Auditor of Guam. The ceremony was held in the Justice Monessa G. Lujan Appellate Courtroom, with Governor Eddie Baza Calvo as the guest speaker.

### 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 2012

## Performance Audits

Performance audits are audits that improve the effectiveness and efficiency of government operations. In 2012, OPA issued nine performance audits that collectively made 24 recommendations and identified over \$4.3 million (M) in questioned costs and other financial impacts. See table below for a breakdown.

We provided six insight and three oversight reviews which found internal control and efficiency issues. For example:

In OPA Report No. 12-04, GMHA Compensation Controls, there was weak basic controls to ensure authorized and accurate compensation to personnel paid more than \$100 thousand (K) annually;

In 12-06, GovGuam Analysis of Top Ten Vendors, we found lack of due diligence with locally funded compared to federally funded procurement that amounted to \$3.7M in questioned costs; and

In 12-07, GovGuam Gas Fleet Card Program, we found GovGuam agencies do not reconcile fuel billings, and GovGuam was paying a higher fuel price compared to autonomous agencies.

## Procurement Appeals

The procurement appeals process is an expedited procedure to resolve a protest about a solicitation or contract. For a vendor to file an appeal with OPA, they must first protest to the government agency and be denied relief by the agency.

Nineteen procurement appeals were brought before the Public Auditor in 2012. Of the 19 appeals, eight received decisions, three were withdrawn, one dismissed, and seven were resolved through stipulated agreements. Of the eight decisions, seven decisions were in favor of the government, with one decision partially in favor of the government. Appeals ranged from a myriad of items, including income tax credits, laptops and computers, telecommunication services, structural repairs, and landscape maintenance amounting to over \$19M in procurement value.

The goal of OPA is to issue timely procurement appeal decisions. Appeals should be resolved within 90 to 120 days of the appeal filing. Correspondingly, decisions should be rendered within 30 to 60 days of the conclusion of appeal hearing.

## Financial Audits

Financial audits are a key element in assessing the annual overall performance and financial health of government entities to determine the accuracy, completeness, and fair representation of the entity's operations.

OPA staff monitors and oversees the work of the contracted audit firms to ensure the timely completion of financial audits. In 2012, of the 22 financial audits, 13 were issued within six months after fiscal year end, and eight were issued within nine months.

There were 30 compliance findings on internal control over financing consisting of 18 material weaknesses and 12 significant deficiencies among eleven agencies.

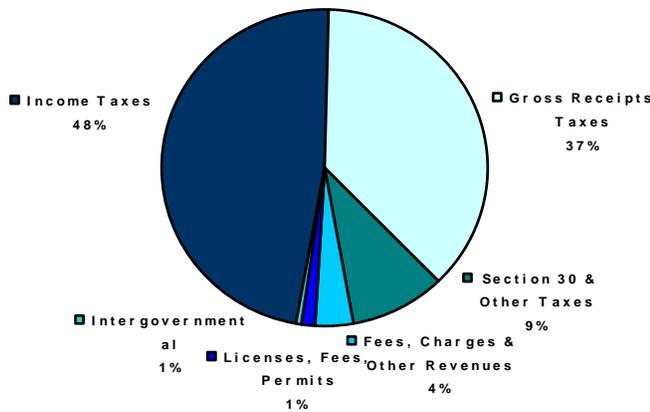
Of the 10 agencies subject to a A-133 Single Audit, 18 compliance report findings were identified, of which five were material weakness and 13 were significant deficiencies, for eight agencies.

Report No.	Report Title	Financial Impact			# of Recommendations
		Questioned Costs	Other*	Total	
#12-01	Guam Veterans Affairs Office Non-Appropriated Funds	\$ 37,235	\$ 29,217	\$ 66,452	4
#12-02	Supplemental Appropriations Revenue (SAR) Fund	\$ -	\$ -	\$ -	1
#12-03	Government Wide Submission of Citizen-Centric Reports Pursuant to Public Law 31-77	\$ -	\$ -	\$ -	0
#12-04	GMHA Compensation Controls from 2009 to 2011	\$ 205,831	\$ -	\$ 205,831	6
#12-05	GovGuam Payroll-Related Demand Runs and Special Payments	\$ 3,882	\$ -	\$ 3,882	5
#12-06	GovGuam Analysis of Top Ten Vendors	\$ 3,671,346	\$ -	\$ 3,671,346	1
#12-07	GovGuam Gas Fleet Card Program	\$ 184,312	\$ 166,679	\$ 350,991	4
#12-08	Guam DOE's Cash Collections over School Meals Program	\$ -	\$ 25,223	\$ 25,223	3
#12-09	OPA's Status of Recommendations	\$ -	\$ -	\$ -	0
<b>Totals</b>		<b>\$ 4,102,606</b>	<b>\$ 221,119</b>	<b>\$ 4,323,725</b>	<b>24</b>

\*Note for Financial Impact Other: 12-01 No 1099 forms issued, 12-07 Lost Savings, and 12-08 Missing Cash

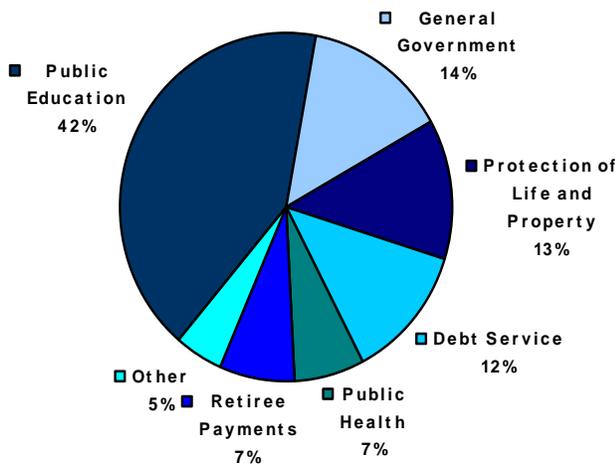
# GovGuam's Finances

## Government Revenues - Where Did Our Funds Come From?



FY 2012 Revenues	
Income Taxes	\$ 284,823,341
Gross Receipts Taxes	\$ 221,443,640
Section 30 Federal Income Tax	\$ 53,125,949
Other Taxes	\$ 2,459,927
<b>Subtotal Taxes</b>	<b>\$ 561,852,857</b>
Other revenues	\$ 13,709,681
Fees and Charges	\$ 9,103,196
Licenses, Fees, Permits	\$ 7,587,723
Intergovernmental	\$ 3,907,254
<b>Subtotal Other Revenues</b>	<b>\$ 34,307,854</b>
<b>Total Revenues</b>	<b>\$ 596,160,711</b>

## Government Expenditures - Where Did We Spend It?



FY 2012 Expenditures	
Public Education	\$ 257,933,587
General Government	\$ 86,498,392
Protection of Life and Property	\$ 80,456,682
Debt Service	\$ 73,963,437
Public Health	\$ 44,026,496
Retiree Payments	\$ 43,706,589
Interest on Tax Refunds	\$ 11,171,090
Merit Bonus	\$ 9,386,458
Other	\$ 8,490,144
<b>Total Expenditures</b>	<b>\$ 615,632,875</b>

### GovGuam's Public Debt

As of September 2012, GovGuam has a total of \$2.24 billion (B) in outstanding total debt. Of this amount, \$1.13B is subject to the government's debt ceiling of \$1.14B. The remaining \$1.11B is considered other debt (loans, certificates of participation, bonds secured by special revenue sources, etc.), of which \$981.5M is debt of autonomous agencies such as the Guam Power Authority, Guam Waterworks Authority, and Guam International Airport Authority.

### OPA Expenditures

For fiscal year (FY) 2012, OPA's total appropriation was \$1.3M and expenditures were \$1.1M. OPA's expenditures primarily consisted of salaries and benefits (70%), contractual services (15%) and rent (9%).

Expenses	FY 2012	FY 2011
Salaries and Benefits	\$ 792,913	\$ 867,384
Rent	\$ 102,594	\$ 102,594
Contractual	\$ 170,876	\$ 79,024
Training	\$ 17,227	\$ 58,265
Equipment	\$ 17,223	\$ 28,949
Capital Outlays	\$ -	\$ 24,929
Travel	\$ 12,487	\$ 7,727
Supplies	\$ 7,674	\$ 7,214
Telephone and Utilities	\$ 3,173	\$ 5,333
Miscellaneous	\$ 1,985	\$ 4,152
<b>Totals</b>	<b>\$ 1,126,152</b>	<b>\$ 1,185,571</b>

# Future Challenges and Outlook



## To Become Low Risk Auditees

Today our financial audits are issued timely with unqualified “clean” opinions. Questioned costs are now in the tens of thousands, not millions. But improvements in compliance are still needed for good governance. OPA aspires for GovGuam and all its component units to become low risk auditees.

There is only one entity, the Guam Community College, who is a low risk auditee. All entities who receive federal grants should become low risk auditees to give our people and the Federal government confidence in our ability to manage federal funds.

## Defined Contribution (DC) Employees Retirement At Risk

According to Retirement Fund officials the average DC retirement balance is \$40K, which arises from the member and employer contributions and is set by law at five percent (5%) of base pay. Of the 28.30% of DC members' salaries that GovGuam is contributing, the remaining 23.30% is contributed towards the unfunded liability to fund the Defined Benefit (DB) retirees.

DC plan members are currently left with the performance of their 5% base salary contribution, and the 5% matching contribution from the government. Therefore, it is imperative that GovGuam take action to rectify the inequity to DC employees compared to DB employees. If a viable solution is not implemented timely, DC members could be left without adequate income when they retire, and GovGuam may find itself subsidizing their cost of living through public assistance programs. Ensuring income for DC retirees requires difficult choices.

OPA urges the Governor and the Legislature to allow DC employees to enroll into the federal government social security system, so that they too may have some form of retirement annuity.

## Federal Government Sequestration

There is uncertainty as to the effect the U.S. federal government's mandated sequestration will have on funds spent on Guam. OPA will continue to work with government agencies as GovGuam addresses the uncertainty of federal funding due to the federal deficit and budget sequestration coupled with the reduced military buildup being pushed back.

## Lack of Adequate Funding

One way to render an audit office ineffective is by lack of adequate funding. For an effective audit office to function independently, it must have the adequate funding, financial autonomy, and staff resources in order to perform the work required.

For the FY 2013 budget appropriation, OPA was the only elected office not exempted from Bureau of Budget Management and Research (BBMR) control. This exemption had been given to OPA during the past 12 fiscal years like other elected offices. BBMR immediately took 15% or \$185,297 from OPA's FY 2013 appropriation, leaving a final budget of \$1.05M, which is the same amount OPA was appropriated back in 2006. The Legislature, the Mayors' Council, the elected Attorney General, and the Judiciary were all exempted. We ask the Legislature to grant OPA exemption from BBMR allotment control, similar to other elected offices.

## Staff Recruitment and Retention

OPA continues to face difficulty in recruitment and retention. The graph below shows the fluctuation of the number of OPA employees since 2006. OPA's main challenges to recruitment and retention are:

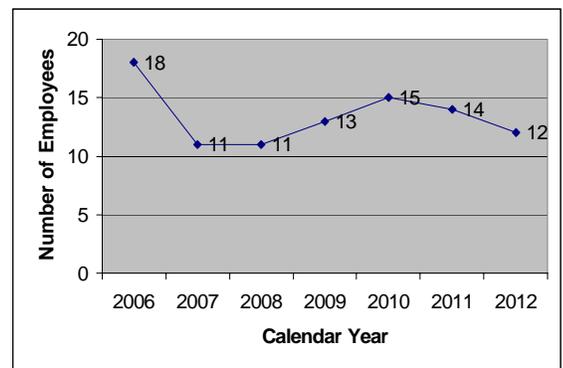
1. Low pay compensation package; and
2. Bureaucratic and lengthy hiring process.

Under the purview of DOA HR, OPA is unable to compete with autonomous entities, the federal government, and the private sector, which have greater personnel flexibility. Unlike

autonomous

agencies who have implemented for several years, their version of the Hay Study. OPA returned \$441K of personnel lapses in FY 2012.

OPA has hired a human resources consultant to update its position descriptions and compensation so that it is comparable.



## Give Us Your Opinion

Please tell us what you think about our report by contacting Jerrick Hernandez at 475-0390 ext. 203 or [jhernandez@guamopa.org](mailto:jhernandez@guamopa.org) or Joy Bulatao at ext. 216 or [jbulatao@guamopa.org](mailto:jbulatao@guamopa.org).