



EXECUTIVE SUMMARY

Government of Guam Merit Bonus Program OPA Report No. 14-05, December 2014

From fiscal year (FY) 2009 to FY 2013, the Government of Guam (GovGuam) spent \$12.6 million (M) in retroactive merit bonus payments for over 4,200(K) employees. Of the 4,259 employees who received merit bonuses, 3,641 received a total amount between \$237-\$5K, 489 received between \$5K-\$10K, 100 received between \$10K-\$15K, 26 received between \$15K-\$20K, and 3 received between \$20K-\$30K. The highest merit bonus was \$29,710 and the lowest was \$237. The interpretation and administration of providing merit bonus payments to employees varied among all agencies. Specifically, we found:

- **Periods of review ranged from 3 to 23 years.** The Governor authorized the payments of merit bonuses to current and former employees of the Executive Branch since the inception of the law in 1991. Differences of opinion by the autonomous agencies' respective legal counsels resulted in a wide disparity of merit bonus payments' timeframes ranging from 3 to 23 years.
- **Inconsistent merit bonus calculations.** Per Title 4 of the Guam Code Annotated Chapter 6 § 6203, a merit bonus is "a lump sum bonus based on an amount equivalent to 3.5% of the employee's based salary. The merit bonus shall be automatic upon a superior rating evaluation for increment purposes. The merit bonus is in addition to the increment provided under § 6102 and is limited to the fiscal year in which superior performance is rendered." Most agencies calculated merit bonus payments off of the employee's increment salary, which is the employee's new salary. However, Guam Community College (GCC), Guam Housing Corporation (GHC), and Guam Visitors Bureau (GVB) used their employees' salary before the increment to calculate merit bonuses.
- **Various interpretations of "superior" rating.** Overall ratings terms used in agency performance evaluation forms varied and resulted in employees receiving merit bonuses if the rating given was interpreted to be equivalent to "superior." In instances where performance evaluations did not have a "superior" rating, the highest possible rating was considered equivalent to "superior" for merit bonus purposes. Some of the ratings used were: outstanding, superior, excellent, highly effective, greatly exceeds standards, and better than satisfactory.

Of the 15 agencies tested, GHC did not have complete documentation to support merit bonus payments to two employees and three agencies [GVB, DOC, and Guam Police Department (GPD)] awarded merit bonuses for a rating other than the highest possible on performance evaluations to three employees. One GWA employee received a merit bonus equivalent to 8.5% of their salary because of their classification under the Competitive Wage Act of 2011. In addition, 19 signatures for proper authorization were missing from 14 performance evaluations.

During testing, we found that data provided by GDOE was the merit bonus net check amounts rather than the gross amounts. As of the date of this report, we have yet to receive updated data. As a result, total cost of merit bonuses for GDOE and the total number of merit bonuses issued is understated.

The discrepancies noted in our testing resulted in \$38,738 in questioned costs.

As previously noted in GHC’s FY 2010 financial audit, the agency paid merit bonuses of \$174,023 without Board approval.

Agencies with Highest Total Cost

Of the 54 agencies that paid merit bonuses, the five agencies with the largest merit bonus costs were as follows:

Top 5 Agencies by Highest Total Cost

	Agency	Total Costs	% of Total Costs
1	DPHSS	\$ 2,220,619	18%
2	GDOE	\$ 1,334,130	11%
3	JOG	\$ 879,573	7%
4	GPD	\$ 849,133	7%
5	DOA	\$ 651,937	5%
	Top 5 Subtotal	\$ 5,935,392	47%
	Other Agencies	\$ 6,624,326	53%
	Total	\$12,559,718	100%

Highest Merit Bonuses by Agency

The highest merit bonus payments ranged from \$30K to \$15K. Of the top ten highest merit bonuses paid, 6 were for employees at the Department of Public Health and Social Services (DPHSS), 2 at GHC, 1 at DOC, and 1 at GVB.

Conclusion & Recommendations

Our audit of the Merit Bonus Program found wide variations in the interpretation and administration of providing merit bonus payments to government employees.

As per the Government of Guam Competitive Wage Act of 2014, the Merit Bonus Program is suspended until such time DOA can reassess the system of evaluation used to govern the eligibility for said bonuses. In addition, DOA shall come up with a policy of further evaluation to appropriately administer bonuses that are granted; however, the law did not set a deadline for submission of the evaluation. We recommend DOA follow through and submit their assessment no later than September 30, 2015, but not without first seeking clarification on the Merit Bonus law from the Attorney General.

Doris Flores Brooks, CPA, CGFM
Public Auditor