

# **Recycling Revolving Fund**

**Performance Audit  
October 2012 through September 2014**

**OPA Report No. 15-05  
July 2015**

**Recycling Revolving Fund**  
**Performance Audit**  
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**July 2015**

Distribution:

Governor of Guam  
Lt. Governor of Guam  
Speaker, 33<sup>rd</sup> Guam Legislature  
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# Table of Contents

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	<b>Page</b>
<b>Executive Summary .....</b>	<b>1</b>
<b>Introduction.....</b>	<b>3</b>
Background .....	3
<b>Results of Audit.....</b>	<b>5</b>
Rules and Regulations Need to Be Promulgated to Properly Implement Law.....	5
Zero Waste Conference.....	5
RRF Travel Expenditures .....	7
Other Matters .....	9
<b>Conclusion and Recommendation.....</b>	<b>11</b>
<b>Management Response and OPA Reply .....</b>	<b>12</b>
<b>Appendices</b>	
1. Classification of Monetary Amounts .....	13
2. Objectives, Scope, and Methodology .....	14
3. Prior Audit Coverage .....	15
4. GEPA Management Response.....	16
5. Status of Audit Recommendations.....	17



**EXECUTIVE SUMMARY**  
**Recycling Revolving Fund**  
**OPA Report No. 15-05, July 2015**

The Guam Environmental Protection Agency (GEPA) has not promulgated the required rules and regulations to properly implement the Recycling Revolving Fund (RRF) law. Although RRF expenditures of \$158 thousand (K) for the Zero Waste Pacific Sustainable Materials Management Conference (Zero Waste Conference) and travel during fiscal year (FY) 2013 and FY 2014 reasonably assisted and encouraged recycling of recyclable materials, these RRF expenditures were made before the rules and regulations were promulgated. These rules would clarify the RRF purpose and priorities and leave less room for interpretation to meet legislative intent.

**Rules and Regulations Need to Be Promulgated to Properly Implement Law**

Title 10 of the Guam Code Annotated (GCA) Chapter 51 Article 3 § 51307 (c) states that GEPA “shall promulgate the necessary rules and regulations, in accordance with the Administrative Adjudication Law, to properly implement this Article.”

Since the enactment of Public Law (P.L.) 27-38 in November 2003, the RRF law was amended by several additional laws over a span of eight years, each separately modifying aspects of the RRF law. In June 2005, the recycling rules and regulations were finally approved by the GEPA Board but P.L. 28-70 disapproved the rules in October 2005. No explanation for the disapproval was provided in the legislative history for P.L. 28-70. Neither could GEPA officials provide an explanation. As such, there are no recycling rules and regulations in place.

**Zero Waste Conference**

In May 2014, GEPA sponsored Guam’s first Zero Waste Conference. According to the coordinators, the conference was a success with tracks focused on recycling, composting, and managing solid waste systems. The conference featured speakers from all over the globe. In addition, the over 300 attendees were also able to take advantage of national certification opportunities from the Solid Waste Association of North America (SWANA) in various solid waste management fields.

GEPA spent a total of \$86K to fund the Zero Waste Conference. A total of \$57K was spent on the conference venue, printing, giveaways, speaker fees, and training and exam fees. The remaining \$29K was used to fund the travel expenditures to bring instructors and presenters for the conference.

**RRF Travel Expenditures**

In FY 2013, RRF travel expenditures were \$34K, or 9% of the \$379K total RRF expenditures. Five GEPA employees and one individual from the Bureau of Budget and Management Research (BBMR) attended various meetings and trainings related to solid waste management.

In FY 2014, RRF travel expenditures were \$67K, or 11% of \$611K total RRF expenditures. Of the \$67K travel expenses, \$29K was related to the zero waste conference and \$38K funded travel for six GEPA employees and five individuals from the Office of the Governor to attend various meetings, conferences, and summits discussing solid waste management and recycling.

As required in 10 GCA §51304, we found that these expenditures reasonably assisted and encouraged recycling of recyclable materials because the travel and Zero Waste Conference helped increase knowledge and build networks to properly manage solid waste, and assist and encourage recycling in our region. In addition, all travel and conference expenditures were processed, approved, and cleared by BBMR and the Department of Administration.

### **Other Matters**

In our preliminary review of RRF expenditures for the past five years, we noted that up to 90% of RRF expenditures pertain to contractual services. Since FY 2010, these annual expenditures ranged from \$275K to \$630K.

In addition, we noted that between FY 2010 and FY 2014, a total of \$11.1 million (M) has been transferred out from the RRF. The largest amount transferred out was \$5M in FY 2010.

Further review of the contractual services for recycling companies and transfers out will be the subject of a future OPA audit.

### **Conclusion**

Although RRF expenditures for the Zero Waste Conference and travel in FY 2013 and FY 2014 reasonably assisted and encouraged recycling of recyclable materials, GEPA has not promulgated the required rules and regulations for the proper implementation of the RRF law. Therefore, we have identified these RRF expenditures totaling \$158K as questioned costs.

Promulgating the RRF rules and regulations would clarify the RRF purpose and priorities, guide the RRF activities to ensure consistent application of the law, ensure the Legislature's intent is carried out, and would minimize the ambiguity of proper RRF uses. Currently, the law states that funds can be used "for the purposes of assisting and encouraging recycling of recyclable materials", which is open for interpretation. We recommend GEPA place a moratorium on all RRF spending until they develop and promulgate rules and regulations in accordance with the law.

As a matter of full disclosure, the Public Auditor recused herself from this audit due to an identified impairment regarding her stepson being a member of the GEPA Board. The Public Auditor did not participate in this audit.

Office of Public Accountability



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## Introduction

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This report presents the results of our audit of the Recycling Revolving Fund (RRF) Zero Waste Conference and travel expenditures from October 1, 2012 to September 30, 2014 [fiscal years (FY) 2013 to FY 2014]. The audit objectives were to:

- 1) Determine whether expenditures for the Zero Waste Pacific Sustainable Materials Management Conference and Workshop (Zero Waste Conference) and travel funded by the RRF for FY 2013 and FY 2014 assisted and encouraged recycling of recyclable materials, as required by Title 10 of the Guam Code Annotated (GCA) Chapter 51 §51304; and
- 2) Determine whether the Guam Environmental Protection Agency (GEPA) promulgated rules and regulations in accordance with the law.

This audit was conducted at the request of a Senator in the 32<sup>nd</sup> Guam Legislature.

The objectives, scope, methodology, and prior audit coverage are detailed in Appendices 2 and 3. As a matter of full disclosure, the Public Auditor recused herself from this audit due to an identified impairment regarding her stepson being a member of the GEPA board. The Public Auditor did not participate in this audit.

## Background

The RRF was created as a separate Government of Guam (GovGuam) fund by Public Law (P.L.) 27-38<sup>1</sup> in November 2003. The RRF was intended to augment the Abandoned Vehicle and Streetlight Fund which was deemed insufficient for funding junk car removal to address Guam's worsening solid waste management problems. Proceeds from recycling fees were to be deposited into the RRF. GEPA was authorized to contract with recycling companies to collect, remove, and dispose recyclable materials and was to promulgate rules and regulations in accordance with the Administrative Adjudication Law for proper implementation of the law.

Several separate laws were enacted between November 2003 and November 2011, slightly modifying aspects of the RRF along the way.

In December 2004, P.L. 27-148 postponed the implementation of P.L. 27-38 to allow GEPA additional time to develop the rules and regulations. This law also authorized the Guam Economic Development and Commerce Authority (GEDCA) to promulgate rules and regulations to enforce the intent of the law, but also required GEPA to promulgate rules and regulations as well.

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<sup>1</sup> P.L. 27-38 added Article 5 to Chapter 51 of Division 2 of Part 2 of Title 10 of the Guam Code Annotated.

In March 2005, P.L. 28-07 postponed the implementation of recycling fees until the rules and regulations were enacted.

In June 2005, P.L. 28-58 reassigned the rulemaking requirement from GEDCA to GEPA. This law also:

- Required GEPA to submit an economic impact statement together with the regulations to the Legislature.
- Changed the authority for contracting with recycling companies from GEPA to the Department of Public Works (DPW).

In October 2005, P.L. 28-70 disapproved GEPA's rules and regulations adopted by the GEPA Board in June 2005. No explanation was provided in the legislative history for P.L. 28-70 as to why they were disapproved. In addition, GEPA could not provide an explanation.

In January 2007, P.L. 28-171 made several amendments to 10 GCA Division 2 Article 5 Chapter 51 to address the complexities manifested during implementation and to address the cumbersome process and unfunded administrative costs associated with fee collection. This law most notably changed:

- RRF revenue appropriation and fund administration from GEPA to DPW.
- Recycling fee collection authority from the Guam Customs and Quarantine Agency to the Department of Revenue and Taxation.
- Taxable persons from those taxable under the Use Tax Law to individuals renewing their motor vehicle registration.
- Recycling fees from fee per recyclable item to fee per type of registered vehicle.

In November 2008, P.L. 29-116 changed the authority to contract with recycling companies from DPW to the Mayors' Council of Guam.

In September 2009, P.L. 30-55 reverted RRF revenue appropriation from DPW to GEPA. This is a continuing appropriation to fund the costs of the administration and implementation of the RRF law.

In November 2011, P.L. 31-140 exempted the RRF from the Governor of Guam's transfer authority.

The RRF is maintained by the Department of Administration (DOA) and is included as one of the Special Revenue Funds in the GovGuam financial audit.

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## **Results of Audit**

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GEPA has not promulgated the necessary rules and regulations to properly implement the Recycling Revolving Fund law as required by 10 GCA Chapter 51, Article 3 §51307 (c). Therefore, it cannot be assured that the RRF expenditures for the Zero Waste Conference and travel during FY 2013 and FY 2014 were authorized. The rules and regulations are required to properly implement the law. The rules would clarify the RRF purpose and priorities, and the law would be less open to interpretation than is desirable in terms of meeting legislative intent.

We did find, however, that the RRF expenditures for the Zero Waste Conference and travel reasonably met the purpose of the law to assist and encourage recycling of recyclable materials.

### **Rules and Regulations Need to Be Promulgated to Properly Implement Law**

Title 10 GCA Chapter 51, Article 3 § 51307 (c) states that GEPA “shall promulgate the necessary rules and regulations, in accordance with the Administrative Adjudication Law, to properly implement this Article.”

Despite the lack of promulgated rules and regulations to properly implement the law, GEPA utilized the RRF to fund the Zero Waste Conference and travel expenditures in FY 2013 and FY 2014. As a result, a total of \$158 thousand (K) expended in FY 2013 and FY 2014 for Travel and the Zero Waste Conference were identified as questioned costs.

Since the enactment of P.L. 27-38 in November 2003, the RRF law was amended by several additional laws over a span of eight years. In June 2005, the recycling rules and regulations were finally approved by the GEPA Board, but P.L. 28-70 disapproved the rules in October 2005. The Legislative history does not explain why the rules were disapproved. GEPA officials also could not explain the reason for the disapproval and why new rules were not established. As such, there are no recycling rules and regulations in place.

Although the law states the RRF purpose is to assist and encourage recycling of recyclable materials, the law also lists priorities for specific materials to be recycled:

1. First priority – junk vehicles, tires, batteries, waste oil, and white goods/appliances.
2. Second priority – paper, cardboard, plastic, and glass.
3. Third priority – other recyclable materials as determined by the Administrator.
4. Not more than one full time GEPA employee.

Establishing the proper rules and regulations would clarify the RRF purpose and priorities, guide the RRF activities to ensure uniform application of the law, and ensure the legislative intent is carried out.

### **Zero Waste Conference**

Title 10 GCA Chapter 51, Article 3 § 51304 requires the GEPA Administrator to encumber all amounts available in the RRF “for the purposes of assisting and encouraging recycling of recyclable materials.” Solid waste management practices are defined in 10 GCA §51102(uu) as



the actions to effectuate the generation, storage, collection, transportation, processing, recycling, incineration, plasma torch or resource recovery or disposal of solid waste. We assessed the reasonableness of the RRF expenditures based on these laws.

In May 2014, GEPA sponsored Guam’s first Zero Waste Pacific Sustainable Materials Management Conference and Workshop. The conference component showcased experts in topics such as the benefits of specific waste streams, zero waste for small communities, and recycling measurement assessments. The workshop component provided opportunities for certification from the Solid Waste Association of North America (SWANA) in various solid waste management fields. According to the Zero Waste Conference coordinators, the conference was a success with over 300 attendees. Three tracks focused on recycling, composting, and managing solid waste systems and featured speakers from all over the globe.

RRF expenditures for the Zero Waste Conference were \$86K, or 14% of the total RRF FY 2014 expenditures of \$611K. This includes \$57K for conference expenditures and the remaining \$29K for conference travel expenses.

A total of \$57K was spent on the conference venue, printing, giveaways, speaker fees, and training and exam fees. See Table 1.

**Table 1: Conference Expenses**

<b>Item Description</b>	<b>Amount</b>
Hotel Venue	\$ 38,138
100 Black Computer Messenger Bags	\$ 5,724
Training and Exam Fees	\$ 5,250
Conference Speaker Fee	\$ 3,000
75 Padfolios	\$ 2,723
36 Ifit Haggan (Turtle) Gift/Awards	\$ 1,800
Workbook printing	\$ 620
Poster printing	\$ 138

**Total \$ 57,393**

In addition, \$29K was spent for travel related expenditures for nine conference instructors and presenters. GEPA officials explained that certain conference instructors required travel accommodations while others did not. Some of the topics these instructors and presenters presented at the conference included “Zero Waste Plan to Action,” “Zero Waste International,” “Composting Programs in Small Communities,” and “Organic Composting.”

**Table 2: Conference Instructors and Speaker Travel Expenditures**

Item No.	TA Number	Amount	State Date of Travel	Travel Location	Agency	Purpose of Travel	Travel Clearance
1	None	\$ 477	N/A	Guam	Non-GovGuam	Zero Waste Conference	✓
2	T14-2200-047	\$ 3,874	5/1/2014	Guam	Non-GovGuam	Zero Waste Conference	✓
3	T14-2200-048	\$ 3,693	5/1/2014	Guam	Non-GovGuam	Zero Waste Conference	✓
4	T14-2200-049	\$ 2,441	N/A	Guam	Non-GovGuam	Zero Waste Conference	✓
5	T14-2200-050	\$ 3,981	5/1/2014	Guam	Non-GovGuam	Zero Waste Conference	✓
6	T14-2200-051	\$ 4,119	5/2/2014	Guam	Non-GovGuam	Zero Waste Conference	✓
7	T14-2200-052	\$ 3,717	5/2/2014	Guam	Non-GovGuam	Zero Waste Conference	✓
8	T14-2200-054	\$ -	5/4/2014	Guam	Non-GovGuam	Zero Waste Conference	✓
9	T14-2200-055	\$ 3,706	5/5/2014	Guam	Non-GovGuam	Zero Waste Conference	✓
10	T14-2200-056	\$ 2,926	5/6/2014	Guam	Non-GovGuam	Zero Waste Conference	✓
<b>Total</b>		<b>\$ 28,936</b>					

**NOTES:**

1. There is no travel authorization (TA) for the \$477, as it was just a reimbursement for travel expenditures incurred by the speaker.
2. The RRF was initially charged \$5,636 for T14-2200-54, however, it was later expensed in the Pesticide Fund instead since the presentation topic was related to pesticides rather than solid waste management.

**RRF Travel Expenditures**

In FY 2013, RRF travel expenditures totaled \$34K, or 9% of \$379K total RRF expenditures. Five GEPA employees and one individual from the Bureau of Budget and Management Research (BBMR) attended various meetings and trainings related to solid waste management. See Table 3.

**Table 3: FY 2013 Travel Expenses**

TA Number	Amount	Start Date of Travel	Travel Location	Agency	Purpose of Travel	Travel Clearance
T13-2200-013	\$ 3,607	11/12/2012	Honolulu, HI	GEPA	Technical Meetings with Hawaii State Department of Health Solid Waste Management	✓
T13-2200-015	\$ 3,607	11/12/2012	Honolulu, HI	GEPA	Technical Meetings with Hawaii State Department of Health Solid Waste Management	✓
T13-2200-016	\$ 3,681	11/12/2012	Honolulu, HI	BBMR	Technical Meetings with Hawaii State Department of Health Solid Waste Management	✓
T13-2200-053	\$ 5,784	9/11/2013	Long Beach, CA	GEPA	Attending the Solid Waste Association of North America's Training and site visits and trainings with Solid Waste Management Facilities in Long Beach County	✓
T13-2200-054	\$ 5,722	9/11/2013	Long Beach, CA	GEPA	Attending the Solid Waste Association of North America's Training and site visits and trainings with Solid Waste Management Facilities in Long Beach County	✓
T13-2200-055	\$ 5,558	9/11/2013	Long Beach, CA	GEPA	Attending the Solid Waste Association of North America's Training and site visits and trainings with Solid Waste Management Facilities in Long Beach County	✓
T13-2200-056	\$ 5,725	9/11/2013	Long Beach, CA	GEPA	Attending the Solid Waste Association of North America's Training and site visits and trainings with Solid Waste Management Facilities in Long Beach County	✓
<b>Total</b>		<b>\$33,683</b>				

In FY 2014, RRF travel expenditures were \$67K, or 11% of \$611K total RRF expenditures. Of the \$67K travel expenses, \$29K was related to the zero waste conference and \$38K funded for six GEPA employees and five individuals from the Office of the Governor to attend meetings discussing solid waste management and recycling. These meetings included the Pacific Island Regional Recycling Initiative Council of the Micronesian Chief Executives Summit. See Table 4.

**Table 4: FY 2014 Travel Expenditures**

TA Number	Amount	State Date of Travel	Travel Location	Agency	Purpose of Travel	Travel Clearance
T14-2200-004	\$ 4,033	10/24/2013	Washington, DC	GEPA	Attending the Assoc. of State and Territorial Solid Waste Management Officials Annual Meeting	✓
T14-2200-005	\$ 4,033	10/24/2013	Washington, DC	GEPA	Attending the Assoc. of State and Territorial Solid Waste Management Officials Annual Meeting	✓
T14-2200-012	\$ 4,170	11/14/2013	Honolulu, HI	GEPA	Technical Assistance Meeting with Hawaii Department of Health, Office of Solid Waste	✓
T14-2200-013	\$ 4,170	11/14/2013	Honolulu, HI	GEPA	Technical Assistance Meeting with Hawaii Department of Health, Office of Solid Waste	✓
T14-2200-014	\$ 4,170	11/14/2013	Honolulu, HI	GEPA	Technical Assistance Meeting with Hawaii Department of Health, Office of Solid Waste	✓
T14-2200-015	\$ 4,752	11/14/2013	Honolulu, HI	GEPA	Technical Assistance Meeting with Hawaii Department of Health, Office of Solid Waste	✓
T14-2200-018	\$ 3,015	12/1/2013	Saipan, CNMI	GEPA	Attending the 19th Micronesian Chief Executives Summit	✓
T14-2200-020	\$ 1,164	12/4/2013	Saipan, CNMI	Office of the Governor	Attending the 19th Micronesian Chief Executives Summit	✓
T14-2200-021	\$ 732	12/4/2013	Saipan, CNMI	Office of the Governor	Attending the 19th Micronesian Chief Executives Summit	✓
T14-2200-022	\$ 1,130	12/4/2013	Saipan, CNMI	Office of the Governor	Attending the 19th Micronesian Chief Executives Summit	✓
T14-2200-023	\$ 959	12/4/2013	Saipan, CNMI	Office of the Governor	Attending the 19th Micronesian Chief Executives Summit	✓
T14-2200-067	\$ 1,799	5/13/2014	Washington, DC	Office of the Governor	Attending 3rd Meeting of President Obama's State, Local, and Tribal Leaders Task Force on Climate Preparedness and Resilience	✓
T14-2200-070	\$ 2,489	5/31/2014	Yap	GEPA	Attending the Micronesian Chief Executives Summit	✓
T14-2200-071	\$ 1,824	6/3/2014	Yap	GEPA	Attending the Micronesian Chief Executives Summit	✓
T14-2200-072	\$ 1,824	6/3/2014	Yap	GEPA	Attending the Micronesian Chief Executives Summit	✓
Journal Voucher	\$ (2,513)	N/A	N/A	GEPA	Reimbursement	N/A
<b>Total</b>	<b>\$ 37,749</b>					

These trips helped increase knowledge and build networks to properly manage solid waste, and assist and encourage recycling.

- One individual from the Office of the Governor attended the third meeting of President Obama's State, local, and tribal leaders' task force on climate preparedness and resilience;
- Two GEPA employees attended the 2013 Association of State and Territorial Solid Waste Management Officials Annual Meeting;
- Four GEPA employees attended technical assistance meetings with officials from the Hawaii Department of Health, Office of Solid Waste;
- Three GEPA employees attended the Micronesian Chief Executives' Summit, where they participated and contributed their knowledge on solid waste issues; and

- One GEPA employee and four individuals from the Office of the Governor attended the 19th Micronesian Chief Executives’ Summit where issues on climate change, solid waste, and recycling were addressed.

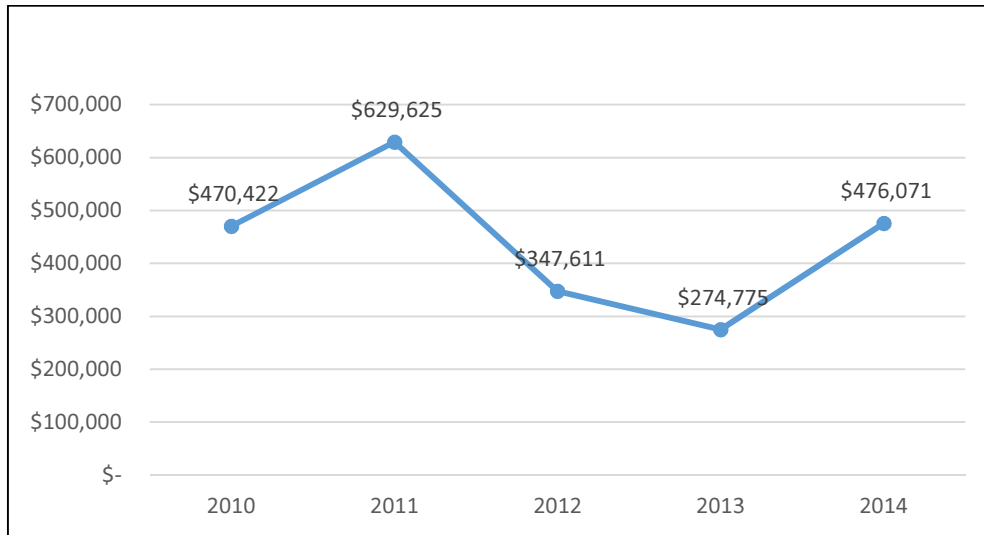
Based on our 100% review and testing of these expenditures for the conference and travel, we found that these expenditures reasonably met the purpose of the law to assist and encourage recycling. We also found that all conference and travel expenditures were processed and cleared with BBMR and the DOA.

Although these expenditures reasonably assisted and encouraged recycling of recyclable materials, these RRF expenditures were made before the rules and regulations were promulgated. Therefore, we have identified these RRF expenditures totaling \$158K as questioned costs. In order to properly implement the RRF we recommend GEPA place a moratorium on all RRF spending until they develop and promulgate rules and regulations in accordance with the law.

**Other Matters**

In our preliminary review of RRF expenditures for the past five years, we noted that up to 90% of RRF expenditures pertained to contractual services. Since FY 2010, these annual expenditures ranged from \$275K to \$630K. See Graph 1.

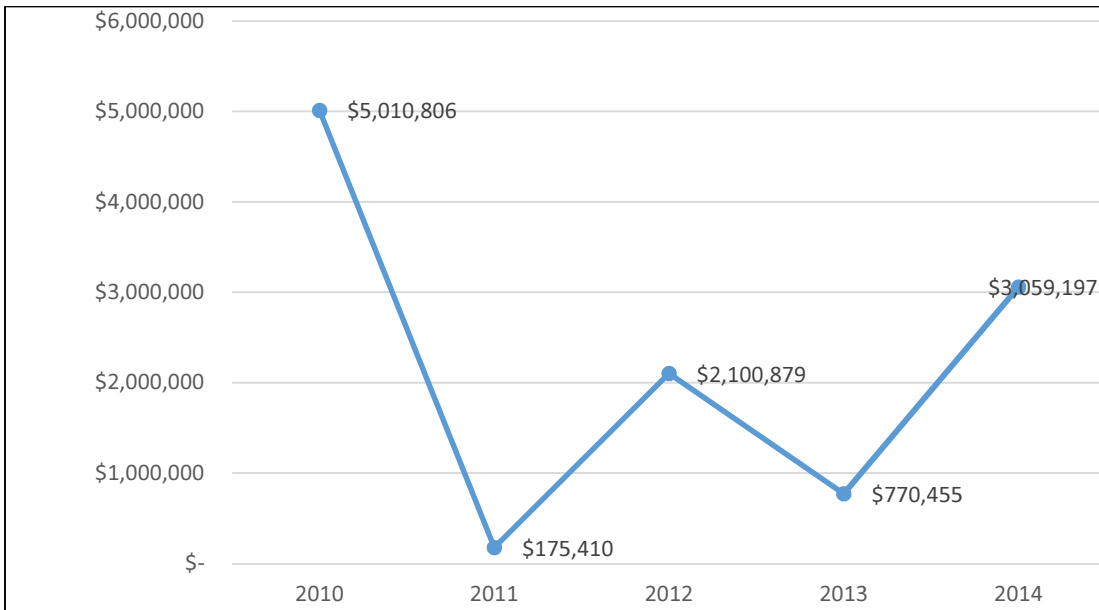
**Graph 1: FY 2010 – FY 2014 RRF Contractual Services Expenditures**



In addition, we noted that between FY 2010 and 2014, \$11.1 million (M) was transferred out from the RRF. The largest amount transferred out was \$5M in FY 2010. See Graph 2.

Further review of these contractual expenditures and transfers will be the subject of a separate OPA audit.

**Graph 2: FY 2010 to FY 2014 Transfers Out of the RRF**



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## **Conclusion and Recommendation**

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Although RRF expenditures for the Zero Waste Conference and travel in FY 2013 and FY 2014 reasonably assisted and encouraged recycling of recyclable materials required by 10 GCA §51304, GEPA has not promulgated the required rules and regulations for the proper implementation of the RRF law. Therefore, we have identified these RRF expenditures totaling \$158K as questioned costs.

Having rules and regulations would minimize the ambiguity of proper RRF uses because currently the law states funds can be used “for the purposes of assisting and encouraging recycling of recyclable materials”, which leaves too much room for interpretation than desired to ensure legislative intent. The rules and regulations would also clarify the RRF’s purpose and priorities. In order to properly implement the RRF, we recommend GEPA place a moratorium on all RRF spending until they develop and promulgate rules and regulations in accordance with the law.

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## **Management Response and OPA Reply**

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In June 2015, we transmitted a draft report to GEPA for their official response, and a draft report to the Senator who requested the audit. We met with GEPA officials and the Senator at separate meetings to discuss the audit results in June and July 2015. We received GEPA's first official management response on June 30, 2015, wherein they concurred with our audit results.

In July 2015, after discussions during the OPA's Quality Assurance Review process, a second draft report was transmitted. We held a second meeting with GEPA officials to discuss the updated audit results. During the meeting, GEPA agreed that RRF rules and regulations need to be promulgated.

A second management response was received on July 28, 2015, wherein GEPA states they will continue to implement the RRF law in the best interest of the community. Refer to Appendix 4 for GEPA's management responses.

The legislation creating the Office of Public Accountability requires agencies to prepare a corrective action plan to implement audit recommendations, to document the progress of implementing the recommendations, and to endeavor to complete implementation of the recommendations no later than the beginning of the next fiscal year. We will be contacting GEPA to provide the target date and title of the official(s) responsible for implementing the recommendations.

We appreciate the cooperation and assistance shown during the course of this audit by the management and staff of GEPA and DOA.

OFFICE OF PUBLIC ACCOUNTABILITY

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**Appendix 1:**  
**Classification of Monetary Amounts**

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<b>Results of Audit</b>	<b>Questioned Costs</b>
<b>1.) Rules and Regulations Need to Be Promulgated to Properly Implement Law</b>	<b>\$ 157,760</b>
<b>2.) Zero Waste Conference</b>	<b>\$ -</b>
<b>3.) RRF Travel Expenditures</b>	<b>\$ -</b>
<b>4.) Other Matters</b>	<b>\$ -</b>
<b>Total</b>	<b>\$ 157,760</b>

**NOTE:**

1. The \$157,760 questioned costs due to the lack of promulgated rules and regulations includes \$57,393 of Zero Waste Conference expenditures, \$28,936 of Zero Waste Conference travel expenditures, \$33,683 of RRF Travel Expenditures for FY 2013, and \$37,749 of RRF Travel Expenditures for FY 2014.



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**Appendix 2:****Objectives, Scope, and Methodology**

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This report presents the results of our audit on the RRF from October 1, 2012 to September 30, 2014. This performance audit was initiated at the request of a Senator in the 32<sup>nd</sup> Guam Legislature. The audit objectives were to:

- 1.) Determine whether expenditures for the Zero Waste Pacific Sustainable Materials Management Conference and Workshop (Zero Waste Conference) and the travel funded by the RRF for FY 2013 and FY 2014 were in line with the purposes of the law for assisting and encouraging recycling of recyclable materials; and
- 2.) Determine whether the GEPA promulgated rules and regulations in accordance with the law.

**Audit Scope**

The audit scope encompassed all FY 2013 and FY 2014 RRF travel and Zero Waste Pacific Sustainable Materials Management Conference and Workshop expenditures.

**Audit Methodology**

The audit methodology included a review of laws, policies, and other information pertinent to the RRF. We also performed the following:

1. Interviewed and conducted walkthroughs with key officials from GEPA and DOA;
2. Compiled and analyzed:
  - a. Government-Wide FY 2013 and FY 2014 audited Basic Financial Statements
  - b. FY 2013 and 2014 RRF Contractual and Travel Expenses;
3. Reviewed and tested all Travel Authorizations and Travel Clearances for FY 2013 and 2014 to ensure it was processed and approved by BBMR and DOA, and determined whether the purposes of expenditures were to assist and encourage recycling;
4. Reviewed and tested all Zero Waste Conference expenditures for FY 2014 to ensure it was processed and approved by BBMR and DOA; and
5. Performed other reviews and procedures as deemed necessary to address the audit objectives.

The Public Auditor recused herself from this audit due to an identified impairment regarding her stepson being a member of the GEPA Board. The Public Auditor did not participate in this audit.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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**Appendix 3:**  
**Prior Audit Coverage**

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**Government of Guam Financial Statements**

The RRF is a special revenue fund that has been included in the annual audit of the Government of Guam Basic Financial Statements. The audited Revenue and Expenditure Financial Statements for FY 2013 and FY 2014 are below.

	2013	2014
Revenues:		
Sales, licenses, fees, and permits	\$2,655,055	\$ 2,660,643
Interest and investment earnings	\$ 2,728	\$ 2,295
Total revenues	<u>\$2,657,783</u>	<u>\$ 2,662,938</u>
Expenditures by Object:		
Salaries and wages - regular	\$ 43,080	\$ 42,476
Salaries and wages - fringe benefits	\$ 21,155	\$ 17,439
Travel	\$ 33,683	\$ 66,685
Contractual Services	\$ 274,775	\$ 476,071
Supplies	\$ 2,740	\$ 6,206
Equipment	\$ 3,594	\$ 2,319
Total expenditures	<u>\$ 379,027</u>	<u>\$ 611,196</u>
Excess (deficiency) of revenues over (under) expenditures	\$2,278,756	\$ 2,051,742
Transfers out to other funds	<u>\$ (770,455)</u>	<u>\$ (3,059,197)</u>
Net change in fund balances (deficit)	\$1,508,301	\$ (1,007,455)
Fund balances (deficits) at beginning of year	<u>\$1,499,565</u>	<u>\$ 3,007,866</u>
Fund balances (deficits) at end of year	<u>\$3,007,866</u>	<u>\$ 2,000,411</u>

**NOTE:**


1. The \$66K for FY 2014 includes \$29K for travel related to the Zero Waste Conference.

There are no prior performance audits of the RRF.

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## Appendix 4: GEPA Management Response

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# GUAM ENVIRONMENTAL PROTECTION AGENCY

AHENSIAAN PRUTEKSION LINA'LA GUAHAN

EDDIE BAZA CALVO  
GOVERNOR OF GUAM

RAY TENORIO  
LT. GOVERNOR OF GUAM

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July 28, 2015

Ms. Yuka Hechanova  
Deputy Public Auditor  
Office of Public Accountability  
238 Archbishop Flores Street  
Suite 401, DNA Building  
Hagatna, GU 96910

Subject: Agency Response to the Audit Report for the Recycling Revolving Fund

Hafa Adai Ms. Hechanova,


The Guam Environmental Protection Agency (Guam EPA) is in receipt of the "Draft 7.22.15" Audit Report for the Recycling Revolving Fund (RRF).

We are concerned as to the constantly changing direction of this audit report and we believe that since our administration of the RRF in 2011, the fund has only been used in the best interest of the Territory and in accordance with the intent of the law.

We will continue to implement the RRF law in the best interest of our community.

We thank the staff and management of the Public Auditor's Office for their assistance through this process.

Respectfully,

  
Yvette Marie L.G. Cruz  
Acting Administrator

Todo Y Nilala Y Tano Man Uno ~ All Living Things Of the Earth Are One

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**Appendix 5:**  
**Status of Audit Recommendations**

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	<b>Audit Recommendation</b>	<b>Status</b>	<b>Action Required</b>
1	We recommend GEPA place a moratorium on all RRF spending until they develop and promulgate rules and regulations in accordance with the law.	OPEN	Please provide target date and title of official(s) responsible for implementing the recommendation.



**Recycling Revolving Fund  
Report No. 15-05, July 2015**

## **ACKNOWLEDGEMENTS**

**Key contributions to this report were made by:**

Jerrick Hernandez, CGAP, Auditor-in-Charge  
Yuka Hechanova, CPA, CIA, CGFM, CGAP, CGMA, Deputy Public Auditor  
Rodalyn Gerardo, CIA, CGFM, CPA, CGAP, CGMA, Audit Supervisor

## **MISSION STATEMENT**

**To ensure the public trust and assure good governance,  
we conduct audits and administer procurement appeals,  
independently, impartially, and with integrity.**

## **VISION**

**The Government of Guam is the model for good governance in the Pacific.**

## **CORE VALUES**

**Objectivity: To have an independent and impartial mind.**

**Professionalism: To adhere to ethical and professional standards.**

**Accountability: To be responsible and transparent in our actions.**

## **REPORTING FRAUD, WASTE, AND ABUSE**

- **Call our HOTLINE at 47AUDIT (472-8348)**
- **Visit our website at [www.guamopa.org](http://www.guamopa.org)**
- **Call our office at 475-0390**
- **Fax our office at 472-7951**
- **Or visit us at Suite 401, DNA Building in Hagåtña**

**All information will be held in strict confidence.**