

**Office of the Public Auditor's
Status of Audit Recommendations**

**Analysis
As of July 31, 2007**

**OPA Report No. 07-18
December 2007**



OFFICE OF THE PUBLIC AUDITOR

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OFFICE OF THE PUBLIC AUDITOR

EXECUTIVE SUMMARY

Office of the Public Auditor's Status of Audit Recommendations
 OPA Report No. 07-18, December 2007

This represents the first report on the status of government of Guam agencies' implementation of recommendations made by the Office of the Public Auditor (OPA). This report covers OPA audits issued from January 2001 through December 2006 and the status of recommendations as of July 31, 2007.

From January 2001 through December 2006, OPA issued 64 reports focused mainly on fund accountability, non-appropriated funds, program efficiency and effectiveness, procurement, personnel, and credit card and travel, including suspected fraud and abuse. As a result of hotline tips,¹ we initiated 10 reports, which had 99 recommendations and identified \$4.9 million (M) in questioned costs. Hotline tips are integral to OPA's ability to further its mission of "auditing for better government." The 64 OPA reports identified total financial impact of \$74.1M. To help improve the overall operations of the government of Guam, these reports made 420 recommendations. As of July 31, 2007, 301 recommendations or 72% have been closed,² while 119 or 28% remain open.

Status of Recommendations by Audit Focus

		Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact ³	Total Financial Impact	
Audit Focus	# of Reports	Closed	Open	Total					
1	Fund Accountability	22	115	16	131	\$12,212,433	\$1,145,496	\$11,218,696	\$24,576,625
2	Program Efficiency & Effectiveness	12	59	33	92	11,431,560	6,701,806	1,509,505	19,642,871
3	Non-Appropriated Funds	10	56	48	104	3,159,974	1,723,760	5,540,287	10,424,021
4	Procurement	9	30	11	41	13,226,023	-	64,238	13,290,261
5	Personnel	6	19	2	21	4,426,342	-	-	4,426,342
6	Credit Card & Travel	5	22	9	31	1,775,442	-	-	1,775,442
Total		64	301	119	420	\$46,231,774	\$9,571,062	\$18,332,726	\$74,135,562

A majority of our audits focused on the Department of Administration (DOA) because DOA is responsible for the central accounting, procurement, and human resource functions for government line agencies. We issued 11 reports, which identified \$30.3M in total financial

¹ To report a hotline tip or citizen's concern: call the OPA hotline at 671-47-AUDIT (671-472-8348); visit OPA's website (www.guamopa.org), or visit or mail to OPA at 238 Archbishop Flores St., Suite 401 DNA Bldg., Hagatna, Guam 96910. Information will be held in strict confidence.

² Closed recommendations are those that have been implemented by the agency's submittal of corrective action plans, resolved through legislation, or determined no longer applicable under the circumstances.

³ These are amounts identified, but are not considered questioned costs or unrealized revenue. Examples are actual or potential savings that could have been realized by the auditee, dormant bank accounts, unreconciled differences identified, and unreported amounts that are required to be reported by law.

impact, directly affecting DOA. We addressed 63 recommendations to DOA, the most of all agencies, of which 37 have been closed and 26 remain open.

OPA reports generally found that government managers lack an understanding of the importance of implementing effective internal controls, or checks and balances, such as monitoring, separation of duties, establishing a positive control environment, and ensuring accurate and timely recording of transactions.

For example, we found a consistent lack of segregation of duties in our audits of various non-appropriated funds where one individual was allowed to manage all aspects of cash handling. We also found that waste and abuse could have been minimized and mitigated had appropriate controls been in place. Because of weak control environments, some audits resulted in plea agreements, convictions, and indictments of government officials. Recommendations were made to implement or improve internal controls and related processes. We also noted various training opportunities for management controls from the USDA Graduate School were available, but few managers availed themselves of the training.

Effective internal controls provide reasonable, but not absolute, assurance that significant weaknesses would be prevented or detected in a timely manner. Internal controls are not one event, but a series of actions and activities that occur throughout an entity's operations and on an ongoing basis. People make internal controls work, and responsibility for good internal control rests with everyone in an organization. This includes management, governing body, internal auditors and other personnel, although the chief executive officer is ultimately responsible and should assume ownership of the system.

Due to the ever increasing deficit, which is now at over half a billion dollars (\$524M as of FY 2006), government administrators should be more diligent in improving controls over government resources. Continuous monitoring helps to identify poorly designed or ineffective controls and should be reported upon periodically. Government managers, not auditors, should develop and maintain effective internal control. Management should ensure the agency is committed to sustaining an effective internal control environment.

We recognize that implementing the recommendations may entail a cost, which may be direct (purchasing equipment or software) or indirect (staff time or training). However, the cost of not implementing recommendations, such as not investing in training and manually performing routine tasks can result in long-term inefficiencies and increased costs.

OPA continues to provide periodic reminders and follow-up letters to agencies' management to persuade and encourage implementation. Just as good management cannot be legislated, recommendations too cannot be coerced. It is not until management accepts the benefits of improved controls that remaining OPA recommendations will be resolved. While 1 G.C.A. § 1913 allows OPA to file actions in the Superior Court of Guam to force the implementation of the recommendations, the OPA has yet to exercise this arduous and costly remedy.

Doris Flores Brooks, CPA, CGFM
Public Auditor



OFFICE OF THE PUBLIC AUDITOR

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OFFICE OF THE PUBLIC AUDITOR

Introduction

This represents the first report on the status of the Office of the Public Auditor (OPA) recommendations made to government of Guam agencies. This report covers the status of recommendations as of July 31, 2007 for OPA audits issued from January 2001 through December 2006.¹ Refer to Appendix 1 for the methodology.

Background

Audit recommendations are intended to increase efficiency and effectiveness throughout the government of Guam and protect against the loss or misuse of government assets. OPA's audit recommendations address a broad range of issues and are directed at various government agencies.

OPA maintains an internal tracking system to monitor the implementation and resolution of audit recommendations. OPA periodically sends reminders and follow-up letters to agencies' management to persuade and encourage implementation of OPA audit recommendations.

According to section (§) 1912 of Title 1 of the Guam Code Annotated (G.C.A.), the Executive, Legislative, and Judicial branches of the government of Guam are to prepare corrective action plans, document the progress of implementing the recommendations of the audits prepared and transmitted by the Public Auditor, and endeavor to have the implementation completed no later than the beginning of the next fiscal year.

The Public Auditor may elect to take action under 1 G.C.A. § 1913, if recommendations are not implemented, which specifically states that:

In the event the Governor, the Committee on Rules of the Legislature, or the Presiding Judge of the Superior Court of Guam:

- a. Fails to implement the required corrective action plan; or
- b. Fails to provide a satisfactory explanation as to why such recommendations have not been implemented to the Public Auditor; or
- c. The Public Auditor has not concurred with the non-implementation on account of the provided explanation; the Public Auditor may file in the Superior Court of Guam an action for a Writ of Mandate to force the implementation of the recommendations and the attendant corrective action plan.

¹ 1 G.C.A. § 1908 states that the Public Auditor shall, annually, audit or cause to be conducted post-audits of all the transactions and accounts of all departments, offices, corporations, authorities, and agencies in all of the branches of the government of Guam. The Public Auditor may conduct or cause to be conducted such other audits or reviews as he or she deems necessary.

Results of Review

From January 2001 through December 2006, OPA issued 64 reports with 420 audit recommendations to help improve the overall operations of the government of Guam. As of July 31, 2007, 301 recommendations or 72% have been closed through the agency's submittal of corrective action plans, the passage of legislation, or were determined to be no longer applicable under the circumstances by OPA. Only 119 recommendations or 28% remain open. Refer to Table 1.

Table 1: Status of OPA Audit Recommendations by Calendar Year as of July 31, 2007

	CY 2001	CY 2002	CY 2003	CY 2004	CY 2005	CY 2006	Total
Closed Recommendations	31	96	63	63	29	19	301
Open Recommendations	0	0	14	28	20	57	119
Total Recommendations	31	96	77	91	49	76	420
% of Closed Recommendations	100%	100%	82%	69%	59%	25%	72%
Reports Issued	3	9	10	14	9	19	64

The 64 OPA reports focused on a variety of issues: fund accountability, non-appropriated funds, program efficiency and effectiveness, procurement, personnel, and credit card and travel. Collectively, these reports identified \$74.1 million in financial impact² (\$46.2 million in questioned costs, \$9.6 million in unrealized revenue, and \$18.3 million in other financial impact). Refer to Table 2.

Table 2: Status of OPA Audit Recommendations by Audit Focus

	# of Reports	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact ³	Total Financial Impact
		Closed	Open	Total				
1 Fund Accountability	22	115	16	131	\$12,212,433	\$1,145,496	\$11,218,696	\$24,576,625
2 Program Efficiency & Effectiveness	12	59	33	92	11,431,560	6,701,806	1,509,505	19,642,871
3 Non-Appropriated Funds	10	56	48	104	3,159,974	1,723,760	5,540,287	10,424,021
4 Procurement	9	30	11	41	13,226,023	-	64,238	13,290,261
5 Personnel	6	19	2	21	4,426,342	-	-	4,426,342
6 Credit Card & Travel	5	22	9	31	1,775,442	-	-	1,775,442
Total	64	301	119	420	\$46,231,774	\$9,571,062	\$18,332,726	\$74,135,562

Refer to Appendix 1 for the definitions of financial impacts. Refer to Appendix 2 for the listing of reports by report number, report title, audit focus, and status of OPA audit recommendations.

² Total financial impact at the time the report was issued.

³ These are amounts identified, but are not considered questioned costs or unrealized revenue. Examples are actual or potential savings that could have been realized by the auditee, dormant bank accounts, unreconciled differences identified, and unreported amounts that are required to be reported by law.

Types of Audit Initiations

The following factors are considered prior to initiating audits:

- Enhancement of accountability systems and transparency of government operations;
- Inherent risks and results of risk assessments;
- Increasing efficiency, effectiveness, and performance of public services;
- Improvement of public policies and operational practices;
- Financial impact; and
- Social impact.

OPA audits are initiated through several methods:

- *Request*: These audits are initiated from written requests received from government officials.
- *Legislative Mandate*: These audits are mandated by laws and require OPA to conduct specific audits, reviews, or analyses.
- *Self-Initiated*: These audits are internally initiated resulting from consideration of the factors presented above.
- *Hotline*: These audits are initiated from hotline tips,⁴ which are integral to OPA’s ability to further its mission of “auditing for better government.” We issued 10 reports, which resulted in 99 recommendations and identified \$4.9 million in total financial impact.
- *Spin-Off*: These audits are derived from existing engagements, but were separated because the findings were not aligned with the nature or objective of the original engagement.
- *Follow-Up*: These audits are based on whether an entity implemented the recommendations made in a previously issued audit report.

Refer to Table 3, which identifies the number of reports by audit initiation method, sorted by the number of reports for each type of audit initiation.

Table 3: Status of OPA Audit Recommendations by Audit Initiation

	Type of Audit Initiation	# of Reports	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact
			Closed	Open	Total				
1	Request	17	87	39	126	\$7,184,651	\$869,237	\$5,943,115	\$13,997,003
2	Self-Initiated	15	51	47	98	5,704,990	5,657,118	1,513,011	12,875,119
3	Mandate	12	25	4	29	56,399	-	9,835,025	9,891,424
4	Hotline	10	95	4	99	4,756,800	145,496	5,973	4,908,269
5	Spin-Off	7	39	6	45	23,271,666	25,160	22,716	23,319,542
6	Follow-Up	3	4	19	23	5,257,268	2,874,051	1,012,886	9,144,205
	Total	64	301	119	420	\$46,231,774	\$9,571,062	\$18,332,726	\$74,135,562

Refer to Appendix 3 for detail of the reports by audit initiation.

⁴ To submit a hotline tip or citizen’s concern: call our hotline at 671-47-AUDIT (671-472-8348); visit our website at www.guamopa.org; visit us in person; or mail your request to 238 Archbishop Flores St., Suite 401 DNA Bldg., Hagatna, Guam 96910. Information will be held in strict confidence.

OPA Recommendations to Agencies

Overall, the 64 OPA audit reports encompassed 27 government entities, 2 non-profit organizations, and government-wide audits, analyses, and reviews. An auditee is an entity or department that is the subject of the audit, review, or analysis. An audit report usually has one auditee, but may include multiple recommendations to different agencies (addressee).

A majority of OPA audits have been on the Department of Administration (DOA) because DOA is the primary entity responsible for the central accounting, procurement, and human resource functions for the Executive branch (line) agencies. As a result, we issued 11 reports, which identified a total financial impact of \$30.3 million⁵ directly affecting DOA. These reports examined procurement at the General Services Agency (GSA), stale-dated and returned checks, dormant funds, and other activities managed by DOA. See Appendix 4 for the status of OPA audit recommendations by auditee. Due to the nature of DOA's responsibilities, 63 recommendations were addressed to DOA. Of the 63 recommendations, 37 have been closed and 26 remain open. See Appendix 5 for the status of OPA audit recommendations by addressee.

We also made 42 recommendations to the Legislature to initiate changes to local laws to improve government operations. Of the 42 recommendations, 30 have been closed and 12 remain open.

We issued eight reports⁶ that were government-wide analyses and reviews, which covered restoration of salary increments, office space leases, and the tracking of the legislatively mandated quarterly financial reports. For more details of the recommendations that remain open for each addressee, see Appendix 6.

Management Does Not Implement Effective Internal Controls

The common deficiency in the various audits was a lack of management's (i.e., directors, deputy directors, managers, supervisors, etc.) understanding of the importance of internal controls (checks and balances). Internal controls are a concept that extends to all areas of an agency's management, not just over financial reporting.⁷ Management controls must provide reasonable assurance that assets are safeguarded against waste, loss, unauthorized use, and misappropriation. Management controls developed for government programs should be logical, applicable, reasonably complete, and effective and efficient in accomplishing management objectives. People make internal controls work, and the responsibility for good internal control rests with all staff members. See Appendix 7 for more on internal controls.

Based on the audits OPA has conducted, we have concluded that most Guam governmental entities have a weak control environment. We found that management did not set a positive and supportive tone at the top toward internal controls and adequate training. However, a positive control environment is the foundation for all other controls.⁸ It provides discipline and structure

⁵ The \$30.3 million is comprised of \$12.4 million in questioned costs, \$7.2 million in unrealized revenue, and \$10.6 million in other financial impact.

⁶ See Appendix 4.

⁷ Association of Government Accountant's *Should State and Local Government Strengthen Internal Controls by Applying SOX-like Requirements?* (www.agacgfm.org)

⁸ Government Accountability Office's *Standards for Internal Control in the Federal Government*. (www.gao.gov)

as well as the climate, which influences the quality of internal control. Other key factors include management's commitment to integrity, ethical values, and competence. Good human capital policies are also another critical environmental factor.

The weak control environments, as documented in OPA audits, have resulted in plea agreements, convictions, and several indictments of government officials. For example:

- Former GMTA Director and GIAA Deputy Manager entered into plea agreements for credit card abuse.
- Former DPR Assistant Recreation Administrator entered into a plea agreement for misapplication of entrusted funds.
- Former CLTC Deputy Director entered into a plea agreement for official misconduct and misapplication of entrusted funds.
- Former GMTA Deputy Director was convicted of fraudulent use of a credit card and official misconduct.
- Former GIAA Executive Manager was convicted of fraudulent use of a credit card and official misconduct. This case is on appeal to the Supreme Court of Guam.
- 15 indictments were issued for several government officials employed at DOE, GEDCA, GMHA, PAG, GGRF, and SCOG.

Refer to Appendix 8 for the list of plea agreements, convictions, and indictments.

In March 2003 and April 2006, OPA and the USDA Graduate School sponsored courses entitled *Management Controls and Vulnerability Assessments* and *Management Controls for Directors and Managers*, respectively. Topics included guidance for risk assessments, human capital issues, and how good controls help you become a better manager and director. Although these training opportunities were offered free of charge to government of Guam directors and managers, very few attended. These and other courses are available through USDA Graduate School, but many managers have not availed themselves of these training opportunities.

As a result of our identification of the consistent lack of understanding of the importance of internal controls, many recommendations were made to implement or improve internal controls and related processes, such as monitoring, separation of duties, establishing a positive control environment, and ensuring accurate and timely recording of transactions. In many instances, we found that waste and abuse could have been minimized and mitigated if management had a sufficient understanding of and appreciation for the importance of internal controls and had taken the steps to ensure the appropriate controls had been in place and operating effectively.

The following summarizes our recommendations by audit focus.

Fund Accountability

The majority of recommendations related to how government funds were accounted for. OPA issued 22 reports and made 131 recommendations to address deficiencies in fund accountability. These reports identified \$24.6 million in total financial impact, which is comprised of \$12.2 million in questioned costs, \$1.1 million in unrealized revenue, and \$11.2 million in other

financial impact. Of the 131 recommendations, only 16 remain open, while 115 have been closed.

Our audits most commonly found assets, especially cash, were misappropriated due to lack of or unenforced control procedures; revenues not monitored; and procurement regulations not followed.⁹ Refer to Table 4 for the recommendations status of the 22 reports, sorted by the total financial impact.

Table 4: Recommendations Status for Fund Accountability Audits

Report #	Auditee	Report Title	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact	
			Closed	Open	Total					
1	06-03	DOA	DOA's Dormant and Inactive Funds	2	0	2	\$ -	\$ -	\$9,835,025	\$9,835,025
2	03-08	GIAA	GIAA's FY 2002 Report on Compliance and Internal Controls	4	0	4	8,462,344	-	-	8,462,344
3	03-10	GFD	GFD's Enhanced 911 Emergency Reporting System Fund	7	4	11	1,426,000	-	-	1,426,000
4	04-13	DOA	DOA's Dededo Buffer Strip Revolving Fund	7	1	8	294,815	1,000,000 ¹⁰	-	1,294,815
5	03-06	GPD	GPD's Asset Forfeiture Fund	9	4	13	121,059	-	852,000	973,059
6	03-01	GPD	GPD's Safe Streets Foundation	5	0	5	849,000	-	-	849,000
7	04-04	DOA	DOA's Special Revenue Funds Part I	5	0	5	-	-	528,108	528,108
8	N/A*	GMHA	Supplement to GMHA's FY 2000 Report on Compliance and Internal Control	0	0	0	450,000	-	-	450,000
9	01-02	MCOG	Mayors' Offices of Barrigada, Chalan Pago-Ordot and Inarajan	20	0	20	248,314	-	-	248,314
10	03-05	GWA	Chata'an Expenditures	8	2	10	217,433	-	-	217,433
11	02-03	DPR	Parks and Recreation Revolving Fund	25	0	25	30,972	145,496	-	176,468
12	01-03	DPR	Employees' Association	5	0	5	70,327	-	-	70,327

⁹ Some fund accountability reports may discuss procurement or deficiencies and related financial impact amounts, which may not have been part of the original audit focus, but came to OPA's attention during the review.

¹⁰ The audit scope is FY 2002 and 2003. However, this amount represents the total lease amounts not collected for the Dededo Buffer Strip property over an 11-year period from 1993 to 2003.

Report #	Auditee	Report Title	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact	
			Closed	Open	Total					
13	05-06	PAG	Port Authority of Guam Goodwill and Morale Association	9	0	9	40,317	-	-	40,317
14	06-01	Non-Profit Organization	Internal Controls (Checks and Balances) Over Accounting and Reporting	0	0	0	1,852	-	3,563	5,415
15	04-09	OAG	OAG's FY 2004 Budget, Allotment, and Expenditures Reconciliation	0	0	0	-	-	-	-
16	04-12	DOA	DOA's Health and Human Services and Youth Tobacco and Education Prevention Fund	8	3	11	-	-	-	-
17	06-02	Government Wide	Submission of FY 2006 1st Quarter Financial Reports Subject to the Deappropriation of Funds as Mandated by P.L. 28-68	0	1	1	-	-	-	-
18	06-09	Government Wide	Submission of FY 2006 2nd Quarter Financial Reports	0	0	0	-	-	-	-
19	06-10	Government Wide	Submission of Amended FY 2006 3rd Quarter Financial Reports	1	0	1	-	-	-	-
20	06-13	GPSS	GPSS' Payroll	0	0	0	-	-	-	-
21	06-15	Government Wide	Submission of FY 2006 4th Quarter Financial Reports	0	0	0	-	-	-	-
22	06-17	GPSS	GPSS' Utilities	0	1	1	-	-	-	-
Total				115	16	131	\$ 12,212,433	\$ 1,145,496	\$11,218,696	\$ 24,576,625

*This report was not assigned a number.

Examples¹¹ of findings from our reports include:

- In OPA Report No. 06-03 Department of Administration's Dormant and Inactive Funds, we identified \$9.8 million in the fund balances of dormant and inactive funds, which included the following:
 - \$3.4 million for 36 dormant and inactive funds, of which \$347,000 in revenues can be transferred to the General Fund;
 - \$2.1 million for nine funds with minimal activities;

¹¹ These examples may not necessarily tie back to Table 4, which indicates the total financial impact amounts.

- \$2 million for seven funds that have outlived their purposes;
 - \$1.6 million for 12 funds that should have been closed by DOA, of which \$646,000 was revenues that could be recorded in the General Fund; and
 - \$625,050 for 25 funds was recommended for repeal in prior audits.
- In OPA Report No. 03-08 Guam International Airport Authority's Report on Compliance and Internal Controls, \$7 million was spent for goods and services improperly procured, \$860,000 in the Chinese Exhibit of Terra Cotta Warriors, and \$571,000 in excessive travel costs during the 1st quarter of FY 2003.
 - In July 2002, OPA issued a Supplement to Guam Memorial Hospital Authority's FY 2000 Report on Compliance and Internal Controls.¹² The report found that \$150,000 was paid to a high-ranking GMHA official for the alleged wrongful death of the official's close relative and \$300,000 was paid to a doctor in return for her release of claims against the hospital. The maximum claim allowed under the Government Claims Act (5 G.C.A. § 6301) is \$100,000.
 - In OPA Report No. 02-03 Department of Parks and Recreation Revolving Fund, controls over the collection of revenues were nonexistent. As a result, revenues had declined from \$220,000 in 1997 to \$85,000 in 2001, and \$64,000 in cash was diverted to the DPR Employees Association.
 - In OPA Report No. 05-06 Port Authority of Guam Goodwill and Morale Association (PAGGMA), we found that two former Port Authority of Guam employees, the former Treasurer and former President of PAGGMA, endorsed and cashed 23 checks totaling \$11,080 and 15 checks totaling \$7,650, respectively, that were unsupported.

Our recommendations to improve fund accountability included establishing controls to ensure that all receipts are properly accounted for and used only for the purposes established by the Legislature; using accounting software to manage data and prepare financial reports; and complying with legislative mandates and submitting monthly, quarterly, and annual financial reports.

Program Efficiency & Effectiveness

OPA issued 12 reports with 92 recommendations that focused on program performance and identified total financial impact of \$19.6 million.¹³ Performance audits are independent, objective, and systematic examinations of evidence to assess a government organization, program, activity, or function. This assessment provides information to improve public accountability and facilitate corrective action by decision-makers. Of the 92 recommendations, 59 have been closed and 33 remain open.

We generally found that the lack of internal controls again caused many programs to fall short of expectations. Inefficiencies noted included inadequate billing and collection; loss of revenue;

¹² This report was not assigned a number.

¹³ This figure is comprised of \$11.4 million in questioned costs, \$6.7 million in unrealized revenue, and \$1.5 million in other financial impact.

lack of monitoring; repetitive manual processes; and insufficient staffing and training. Refer to Table 5 for the recommendations status of these 12 reports, sorted by the total financial impact.

Table 5: Recommendations Status of Program Efficiency & Effectiveness Audits

Report #	Auditee	Report Title	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact	
			Closed	Open	Total					
1	06-19	OAG	OAG's Child Support Enforcement Program	4	4	8	\$5,236,402	\$448,708	\$1,007,442	\$6,692,552
2	03-09	OAG	OAG's Child Support Enforcement Program	9	0	9	3,014,671	-	207,000	3,221,671
3	03-07	DOA	GSA's Tendan Gobetnu	1	3	4	488,000	2,200,000	183,000	2,871,000
4	06-06	DOA	DOA's Returned Checks	0	9	9	-	2,425,343	5,230 ¹⁴	2,430,573
5	04-07	DOA	DOA's Bounced Checks	11	0	11	11,730	1,602,595	83,903	1,698,228
6	02-07	DLM	DLM's Permit for Use of Matapang Beach Park	5	0	5	1,535,650	-	-	1,535,650
7	06-18	DPR	DPR's Paseo Stadium Lease Agreement	6	1	7	1,063,612	25,160	22,716	1,111,488
8	02-05	DPHSS	DPHSS' Child Care Development Fund Program	14	0	14	56,399	-	-	56,399
9	06-07	DPR	DPR's Unresolved Audit Recommendations	0	6	6	20,866	-	214	21,080
10	06-04	DOA	DOA's Stale-Dated Checks	4	5	9	4,230	-	-	4,230
11	02-04	GTA	GTA's Accounts Receivable and Accounts Payable	5	0	5	-	-	-	-
12	05-05	Government Wide	Government of Guam Leases	0	5	5	-	-	-	-
Total				59	33	92	\$ 11,431,560	\$ 6,701,806	\$1,509,505	\$19,642,871

Examples¹⁵ of findings from our reports include:

- In the follow-up review of the Child Support Program, OPA Report No. 06-19, we identified \$5.2 million in questioned costs. Specifically, we found \$2.7 million had been written off the automated child support system for unidentified child support payments, and \$2.5 million in welfare reimbursement lacked supporting documentation.

¹⁴ This amount represents savings identified.

¹⁵ These examples may not necessarily tie back to the Table 5, which indicates the total financial impact amounts.

- In OPA Report No. 03-09 Office of the Attorney General’s Child Support Enforcement Program, \$5.4 million in child support collections had not been disbursed to custodial parents and \$345,000 in renovation costs that were not obtained in accordance with procurement regulations.
- In OPA Report No. 02-05 Department of Public Health and Social Services Child Care Development Fund Program, we found the lack of appropriate management oversight and expenditure control of the childcare program contributed significantly to the premature depletion of the federally funded Child Care Development Fund. From 1999 to 2001, DPHSS continued to increase annual expenditures and exceeded annual grant awards, which resulted in the fund running out of money and forced the suspension of the program in February 2001.

Our recommendations to improve program efficiency and effectiveness include:

- Exploring the best practices of stateside child support entities to collect on delinquent child support cases and reduce undistributed collections;
- Developing a comprehensive returned check policy; and
- Monitoring parks and park agreements at least annually to ensure that private businesses comply with the permit conditions.

Non-Appropriated Funds

OPA issued 10 reports with 104 recommendations focused on government agencies that manage non-appropriated funds, i.e., checking accounts that are not subject to legislative review, oversight, and appropriations. Untrained employees were given complete control over cash receipts and disbursements heightening the risk of misappropriation and fraud. These reports identified total financial impact of \$10.4 million, which is comprised of \$3.2 million in questioned costs, \$1.7 million in unrealized revenue, and \$5.5 million in other financial impact. Of the 104 recommendations, 56 have been closed and 48 remain open.

Refer to Table 6 for the recommendations status of these reports, sorted by the total financial impact.

Table 6: Recommendations Status of Non-Appropriated Funds Audits

Report #	Auditee	Report Title	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact
			Closed	Open	Total				
1	03-04	Liberation Day Committee	12	1	13	\$106,447	\$295,850	\$2,828,292	\$3,230,589
2	05-09	CLTC	3	6	9	179,427	420,345	1,988,022	2,587,794
3	05-08	SCOG	4	1	5	1,543,796	109,251	-	1,653,047
4	05-04	Dededo Mayor's Office	2	8	10	266,807	515,940	718,000	1,500,747

Report #	Auditee	Report Title	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact	
			Closed	Open	Total					
5	04-06	DCA	DCA's Non-Appropriated Funds	1	12	13	616,704	-	-	616,704
6	04-11	DCA	Chamorro Village Non-Appropriated Funds	1	7	8	174,882	43,791	-	218,673
7	06-05	Supreme Court of Guam	Supreme Court of Guam, OPG's Ward Trust Accounts	2	6	8	540	207,797	-	208,337
8	06-16	ALC	ALC's Non-Appropriated Funds	0	7	7	41,633	130,786	-	172,419
9	02-01	DOE/ GPSS ¹⁶	Southern High School's Non-Appropriated Funds	23	0	23	165,760	-	5,973	171,733
10	05-02	CAHA	CAHA's Non-Appropriated Funds	8	0	8	63,978	-	-	63,978
Total				56	48	104	\$3,159,974	\$1,723,760	\$5,540,287	\$10,424,021

We consistently noted the following:

- Lack of accountability and transparency among entities;
- Lack of monitoring by senior management or board to ensure that the funds were accounted for;
- Lack of use of accounting software and manually repetitive processes;
- Lack of tracking for revenues and expenditures;
- Noncompliance with procurement regulations;
- Lack of training for personnel handling cash and segregation of duties, in that one person is allowed to manage all aspects of cash handling from custody, recording, reporting, and depositing. This violates the basic principle of separation of duties.

These factors, noted above, heighten the risk that cash will be misused or misappropriated. In our reports, we continue to urge the Legislature to reconsider the current policy and not allow these small entities to manage non-appropriated funds and control their own checking accounts.

Examples¹⁷ of issues directly related to the current policy from our reports included:

- In OPA Report No. 03-04 Liberation Day Committee Funds and Activities, total financial impact of \$3.2 million were identified, including underreporting of \$424,950 received by a non-profit organization and bids totaling \$1.9 million that were not supported by bid forms, had insufficient documentation to explain why bids were rejected, or lacked the non-profit status certification from the Department of Revenue and Taxation.

¹⁶ P.L. 28-45 renamed the Guam Department of Education (DOE) as the Guam Public School System (GPSS). At the time OPA Report No. 02-01 was issued, the auditee was still referred to as DOE.

¹⁷ These examples may not necessarily tie back to the Table 6, which indicates the total financial impact amounts.

- In OPA Report No. 05-09 Chamorro Land Trust Commission's Non-Appropriated Funds, there were \$1.7 million in unreported revenues due to the lack of required financial reports and audits, as well as \$420,000 in lost revenues and \$179,000 in cost exceptions.
- In OPA Report No. 05-08 Superior Court of Guam's Judicial Building Fund, total financial impact of \$1.7 million was identified, including close to \$1 million in non-compliant procurement, \$544,000 in lobbying expenditures, and \$109,000 in lost revenue to the Superior Court Employees' Association.
- In OPA Report No. 05-04 Dededo Mayor's Office Non-Appropriated Funds, total financial impact of \$1.5 million was identified, including \$382,000 in lost revenue by failing to charge the \$20 vendor permit fee and \$267,000 in procurement exceptions and lack of approval for petty cash transactions.

OPA recommendations to improve the management of non-appropriated funds include developing and/or updating policies and procedures related to receipts and disbursements; complying with Guam procurement regulations; documenting all deposits, transfers, and disbursements; providing training opportunities for staff managing non-appropriated funds; utilizing an accounting software; and reporting non-appropriated funds to DOA.

The Legislature has addressed the non-appropriated fund reporting concern by requiring quarterly reports of all funds, including all non-appropriated funds, by government entities. We commend the Legislature for establishing this government accountability and transparency initiative.

Procurement

OPA issued nine reports with 41 recommendations and found that procurement continues to be major findings not only in OPA audits, but also in the financial audits of other government of Guam entities. The OPA reports identified a total financial impact of \$13.3 million, which is comprised of \$13.2 million in questioned costs and \$64,238 in other financial impact. Of the 41 recommendations, 30 have been closed and 11 remain open.

The major concerns pertained to:

- Sole source procurement;
- Lack of or incomplete procurement documentation;
- Non-competitive procurement practices;
- Preferential selection of vendors;
- Artificial division of procurement;
- Non-compliance with procurement rules and regulations; and
- Vague or contradicting legislation or regulations.

Refer to Table 7 for the recommendations status of these nine reports, sorted by the magnitude of total financial impact.

Table 7: Recommendations Status of Procurement Audits

Report #	Auditee	Report Title	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact	
			Closed	Open	Total					
1	04-14	DOA	GSA's Competitive Sealed Bidding, Sole Source, and Emergency Procurement Functions	6	3	9	4,407,320	-	-	4,407,320
2	04-05	DOA	GSA's Small Purchases Procurement Function	2	0	2	3,835,906	-	-	3,835,906
3	04-08	DOA	GSA's Blanket Purchase Agreements Procurement Function	8	2	10	3,398,229	-	-	3,398,229
4	03-02	GMHA	GMHA's Procurement of Radiology Services and Equipment	1	0	1	1,513,819	-	-	1,513,819
5	06-11	Government Wide	Emergency Executive Orders and Certificates of Emergency	0	6	6	24,945	-	64,238 ¹⁸	89,183
6	02-02	GMTA	GMTA's Procurement Issues	5	0	5	45,804	-	-	45,804
7	04-01	GWA	GWA's Water Meter Procurement	6	0	6	-	-	-	-
8	04-10	GTA	GTA's Privatization	0	0	0	-	-	-	-
9	05-01	GFD	GFD's Emergency Procurement of Fire Trucks Pursuant to P.L. 27-99	2	0	2	-	-	-	-
Total				30	11	41	\$13,226,023	\$ -	\$64,238	\$ 13,290,261

Examples¹⁹ of findings from our reports include:

- In OPA Report No. 04-08 General Services Agency Blanket Purchase Agreements, not following procurement laws and regulations resulted in preferential treatment of a vendor. In addition, one vendor was awarded \$2.5 million, \$919,000 was procured with incomplete documentation, 52 purchase orders were issued at \$14,999 to avoid using competitive sealed bids, and \$130,000 was paid over the original purchase order amounts.

¹⁸ This amount represents savings identified.

¹⁹ These examples may not necessarily tie back to the Table 7, which indicates the total financial impact amounts.

- In OPA Report No. 03-02 Guam Memorial Hospital Authority Procurement of Radiology Services and Equipment, we found no evidence to indicate GMHA obtained three informal price quotations for the purchase of radiological equipment and issued a purchase order to a contracted cardiologist/radiologist for equipment totaling nearly \$1.2 million.

Our recommendations to improve procurement include providing procurement training to ensure Guam procurement laws and regulations are followed; ensuring that all pertinent documentation are located within the respective procurement files, such that a complete history of the procurement is available; and ceasing the issuance of multiple purchase orders to the same vendor on the same day.

Personnel

OPA issued 6 reports with 21 recommendations pertaining to government personnel. These reports identified questioned costs of \$4.4 million. Of the 21 recommendations, 19 have been closed and 2 remain open.

Refer to Table 8 for the recommendations status of these reports, sorted by the magnitude of total financial impact.

Table 8: Recommendations Status of Personnel Audits

Report #	Auditee	Report Title	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact	
			Closed	Open	Total					
1	03-03	DOC	DOC's Overtime and Payroll Practices	7	0	7	4,063,272	-	-	4,063,272
2	04-02	GGRF	Supplement to GGRF's FY 2000 & 2001 Report on Compliance and Internal Controls	7	0	7	363,070	-	-	363,070
3	02-08	DOC	DOC's Overtime Practices Interim Report	4	0	4	-	-	-	-
4	04-03	DOE/ GPSS ²⁰	DOE's Staffing Structure	1	0	1	-	-	-	-
5	05-07	Government Wide	Government of Guam's Salary Increments	0	0	0	-	-	-	-
6	06-08	Government Wide	Ethics in Government Program as Mandated by P.L. 28-76	0	2	2	-	-	-	-
Total				19	2	21	\$ 4,426,342	\$ -	\$ -	\$ 4,426,342

²⁰ P.L. 28-45 renamed the Guam Department of Education (DOE) as the Guam Public School System (GPSS). At the time OPA Report No. 02-01 was issued, the auditee was still referred to as DOE.

Examples²¹ of findings from our reports include:

- In OPA Report No. 03-03 DOC's Overtime Practices, we found the following:
 - Significant discrepancies between the hours reported on DOC employee time sheets and the hours worked as documented in the Central Control Activity Blotters.
 - Employees received two to three times the amount of their base annual salary in overtime, night differential, hazardous, and holiday pay.
 - Certain DOC employees were consistently incurring overtime in excess of the regularly scheduled 12 hours per day.
 - We found little to no evidence that management took any steps to control overtime costs.

- In OPA Report No. 04-02 Supplement to GGRF's FY 2000 and 2001 Report on Compliance and Internal Control, the former GGRF Director authorized a retired elected official to claim excluded service credit and retroactively retire again with an enhanced annuity resulting from a higher salary in his new elected position.

- In OPA Report No. 04-03 DOE's Analysis of Staffing Structure, non-teaching personnel were not distributed evenly throughout the public school system. In addition, this report identified the following:
 - DOE teachers instruct 25% less students than teachers of selected comparable U.S. districts and student teacher ratios **do not** exceed class size limitations set in the Guam Educational Policy Board/Guam Federation of Teachers Union agreement.
 - DOE's personnel cost per student per pay period ranged from a low of \$105 to a high of \$660 with an average of \$188.
 - Three elementary schools that exceeded our threshold of the average personnel cost per student: (1) J.P. Torres Alternative-\$660, (2) F.Q. Sanchez-\$350, and (3) Talofofu-\$268.
 - F.Q. Sanchez is the most expensive elementary school with personnel costs of \$350 per student. In May 2003, the Guam Educational Policy Board decided not to merge the school with Merizo Martyrs. In preserving this school, it is at a cost nearly double the average cost per student at other schools.
 - Simon Sanchez High has the lowest personnel cost per student at \$105, the highest number of students per teacher at 22, and the second highest number of students per non-teacher at 54.

- In OPA Report No. 06-08 Ethics in Government Program as Mandated by P.L. 28-76, all elected officials are required to attend an ethics course within 90 days of taking office while appointed officials are required to attend within six months of their appointment. At least once every four years, the refresher ethics in government program is required.
 - We found certain limitations of the ethics law, including time constraints to cover a myriad of topics and lack of repercussions for elected and appointed government officials that do not participate.

²¹ These examples may not necessarily tie back to the Table 8, which indicates the total financial impact amounts.

Our recommendations to improve personnel issues include all overtime be appropriately justified and independently verified; implement a computerized or mechanized timekeeping system at DOC; consider reallocating a more equitable distribution of personnel among all GPSS schools; and requiring ethics training for all government of Guam employees.

Credit Card & Travel

OPA issued 5 reports with 31 recommendations for audits of government of Guam issued credit cards and related travel expenditures. These reports identified \$1.8 million in questioned costs. Of the 31 recommendations, 22 have been closed and 9 remain open.

In all of our credit card audits, the lack of internal controls, particularly the monitoring by senior management and/or the board, resulted in questionable uses of government credit cards. Several of our audits led to convictions, plea agreements, and indictments by the Office of the Attorney General. Refer to Table 9 for the recommendations status of these five reports, sorted by the magnitude of total financial impact.

Table 9: Recommendations Status of Credit Card & Travel Audits

Report #	Auditee	Report Title	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact	
			Closed	Open	Total					
1	02-06	GIAA	GIAA's Credit Card and Travel	15	0	15	1,042,242	-	-	1,042,242
2	05-03	GEDCA	GEDCA's Credit Card Charges & Related Travel Expenditures	1	0	1	340,005	-	-	340,005
3	06-14	GVB	GVB's Credit Cards and Travel	0	5	5	280,505	-	-	280,505
4	06-12	GHURA	GHURA's Credit Card Charges and Related Travel Expenditures	0	4	4	76,841	-	-	76,841
5	01-01	GMTA	GMTA's Credit Cards	6	0	6	35,849	-	-	35,849
Total				22	9	31	\$ 1,775,442	\$ -	\$ -	\$ 1,775,442

Examples²² of findings from our reports include:

- In OPA Report No. 02-06 Guam International Airport Authority (GIAA) Credit Card and Travel, questioned costs of \$1 million were identified, including personal charges on government credit cards and excessive travel and entertainment expenses.
- In OPA 05-03 Guam Economic Development and Commerce Authority (GEDCA) Credit Card Charges and Related Travel Expenditures found rampant abuse of government credit cards. Charges were made for unauthorized purchases such as local meals and entertainment, personal items, and in addition to per diem already paid.

²² These examples may not necessarily tie back to the Table 9, which indicates the total financial impact amounts.

- In OPA Report No. 01-01 Guam Mass Transit Authority (GMTA) Investigative Report on Credit Cards, the former General Manager and former Assistant General Manager used the government credit card for personal and unauthorized travel-related purchases.

Based on the lack of controls and resulting abuses, our recommendations have consistently been to abolish government credit cards, with one exception for the Guam Visitors Bureau (GVB). Conversely, we recommended credit card limits be established for only unforeseen circumstances during overseas tourism campaigns and due to foreign currency translation differences for GVB. Credit cards must be monitored for appropriateness of expenditures and compliance with policies.

Conclusion

From January 2001 through December 2006, OPA issued 64 reports containing 420 recommendations to help improve the overall operations of the government of Guam. As of July 31, 2007, 301 of the 420 recommendations, or 72%, have been closed.

OPA reports generally found that management's lack of understanding and appreciation for the importance of implementing effective internal controls (checks and balances) within governmental agencies was the underlying cause for questioned costs, noncompliance with laws and regulations, and loss of revenues. As a result, we found ineffective accounting systems, noncompliance with laws and regulations, and possible fraud, waste, and abuse within the government of Guam. While various management training opportunities from the USDA Graduate School were provided, few managers took advantage of the free training.

Effective internal controls provide reasonable, not absolute, assurance that errors or fraud will be prevented or detected in a timely manner. Government managers, not auditors, have a fundamental responsibility to develop and maintain effective internal control within their agencies. Management is also responsible for ensuring the organization is committed to sustaining an effective internal control environment. However, everyone within an organization, including the governing body, internal auditors, and other personnel, has a responsibility for good internal control.

OPA continues to provide periodic reminders and follow-up letters to agencies' management to persuade and encourage implementation. Just as good management cannot be legislated, recommendations too cannot be coerced. The remaining open OPA recommendations cannot be resolved until management accepts the responsibility for and recognizes the benefits of improving controls. While 1 G.C.A. § 1913 allows OPA to file actions in the Superior Court of Guam to force the implementation of the recommendations, the OPA has yet to exercise this arduous and costly remedy. Audit recommendations are discussed with the auditees to determine their reasonableness and feasibility prior to report issuance.

We recognize that implementing the recommendations may entail a cost, which may be direct (purchasing equipment or software) or indirect (staff time or training). However, the consequences of not implementing recommendations, including the use of antiquated software, not investing in staff training, and manually performing routine tasks can result in continued inefficiencies and increased costs in the long-term.

Due to the ever increasing government of Guam deficit, which is now at over half a billion dollars (\$524 million as of fiscal year 2006), agency directors or administrators should be more diligent in improving controls over the efficient use of government resources. While management is responsible for implementing recommendations, it is the responsibility of elected officials and governing bodies to encourage implementation through effective oversight. We look forward to working with the agencies in resolving the remaining outstanding audit recommendations.

OFFICE OF THE PUBLIC AUDITOR



Doris Flores Brooks, CPA, CGFM
Public Auditor

Appendix 1: Methodology

We reviewed the documentation submitted to OPA pertaining to the audit recommendations for reports issued from January 2001 through December 2006. We also reviewed the recommendations follow-up database maintained and updated periodically by OPA staff. The internal database was used to summarize the status of audit recommendations as of July 31, 2007.

As part of our review, we determined the audit focus based on the objectives of the respective audits. We categorized the audit focus into the following:

- *Fund Accountability*: how government funds were accounted for.
- *Program Efficiency and Effectiveness*: how government programs were managed.
- *Non-Appropriated Funds*: how funds not subject to legislative review were accounted for.
- *Procurement*: whether goods and services were procured in accordance with laws and regulations.
- *Personnel*: issues relating to government personnel.
- *Credit Card & Travel*: how government credit cards were managed.

We classified the financial impacts identified in each report into the following categories:

- *Questioned costs*: expenditures of funds, which may be unsupported costs, unallowable or otherwise improper.
- *Unrealized revenues*: funds that could have been collected as additional revenues.
- *Other financial impacts*: amounts identified, but do not fit the above categories. Examples are actual or potential savings that could have been realized by the auditee, dormant bank accounts, unreconciled differences identified, and unreported amounts that are required to be reported by law.

Although some reports may discuss deficiencies and related financial impact amounts, the deficiencies may not have been part of the original audit focus. For example, a report on program efficiency and effectiveness may also discuss procurement and personnel issues, which came to the attention of OPA.

The financial impact amounts accounted for in this report consist of the original amounts identified from the time the respective OPA reports were issued. They do not reflect the reduction of financial impact amounts when recommendations are closed.

Appendix 2:

Status of OPA Audit Recommendations by Report Number

The following table is in chronological order by report number. The first two digits in a report number represent the calendar year and the following digits represent the order in which the report was issued in the calendar year.

Report #	Auditee ²³	Report Title	Issue Date	Initiated By	Audit Focus**	Deficiency ²⁴	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact	
							Closed	Open	Total					
1	01-01	GMTA	GMTA's Credit Card	Jul-01	Hotline	CT	· Personal charges on government credit cards	6	0	6	35,849	-	-	35,849
2	01-02	MCG	Mayors' Offices of Barrigada, Chalan Pago-Ordot and Inarajan	Oct-01	Request	FA	· Improper procurement · Mayors disproportionately spent appropriations	20	0	20	248,314	-	-	248,314
3	01-03	DPR	DPR's Employees' Association	Nov-01	Hotline	FA	· \$67K in DPR fees diverted to employees' association	5	0	5	70,327	-	-	70,327
CY 2001 Subtotal		3 Reports						31	0	31	354,490	-	-	354,490
4	02-01	DOE/GPSS	Southern High School's Non-Appropriated Funds	Mar-02	Hotline	NAF	· \$102K in unsupported payments · \$4K in travel costs for advisor's close relative	23	0	23	165,760	-	5,973	171,733
5	02-02	GMTA	GMTA's Procurement Issues	Apr-02	Request	PR	· Multiple blanket purchase orders to by-pass procurement procedures	5	0	5	45,804	-	-	45,804
6	02-03	DPR	DPR's Parks and Recreation Revolving Fund	May-02	Hotline	FA	· \$54K in waivers and discounts · \$28K in fees not deposited · \$45K in use permits not collected	25	0	25	30,972	145,496	-	176,468

**FA: Fund Accountability; NAF: Non-Appropriated Funds; PE: Program Efficiency & Effectiveness; PR: Procurement; CT: Credit Card & Travel; and PS: Personnel.

²³ Refer to Appendix 5 for the list of agency abbreviations.

²⁴ These include specific deficiencies that may not necessarily tie back to the financial impact columns, which report the total financial impact each for each report.

Appendix 2:

Status of OPA Audit Recommendations by Report Number

Report #	Auditee	Report Title	Issue Date	Initiated By	Audit Focus**	Deficiency	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact	
							Closed	Open	Total					
7	02-04	GTA	GTA's Accounts Receivable and Accounts Payable	Jun-02	Hotline	PE	· Significant increase in allowance for doubtful accounts to \$7.5M · \$360K in long outstanding payables	5	0	5	-	-	-	
8	N/A*	GMHA	Supplement to GMHA's FY 2000 Report on Compliance and Internal Control	Jul-02	Hotline	FA	· \$150,000 given to a high-ranking GMHA official for the alleged wrongful death of the official's close relative · \$300,000 given to a doctor in return for her release of claims against GMHA	0	0	0	450,000	-	-	450,000
9	02-05	DPHSS	DPHSS' Child Care Development Fund Program	Nov-02	Mandate	PE	· Program was suspended	14	0	14	56,399	-	-	56,399
10	02-06	GIAA	GIAA's Credit Card and Travel	Nov-02	Hotline	CT	· Personal charges on government credit card · Excessive travel · Excessive entertainment expenses	15	0	15	1,042,242	-	-	1,042,242
11	02-07	DLM	DLM's Permit for Use of Matapang Beach Park	Nov-02	Hotline	PE	· \$63K in lost permit fees · \$1.5M in lost lease revenue	5	0	5	1,535,650	-	-	1,535,650

* This report was not assigned a number.

****FA:** Fund Accountability; **NAF:** Non-Appropriated Funds; **PE:** Program Efficiency & Effectiveness; **PR:** Procurement; **CT:** Credit Card & Travel; and **PS:** Personnel.

Status of OPA Audit Recommendations by Report Number

Report #	Auditee	Report Title	Issue Date	Initiated By	Audit Focus**	Deficiency	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact	
							Closed	Open	Total					
12	02-08	DOC	DOC's Overtime Practices Interim Report	Nov-02	Hotline	PS	· Overtime Abuse · \$4M paid for unaccounted hours	4	0	4	-	-	-	
CY 2002 Subtotal		9 Reports						96	0	96	3,326,827	145,496	5,973	3,478,296
13	03-01	GPD	GPD's Safe Streets Foundation	Feb-03	Request	FA	· Failure to account for \$849K in contributions by governments and others	5	0	5	849,000	-	-	849,000
14	03-02	GMHA	GMHA's Procurement of Radiology Services and Equipment	Apr-03	Spin-off	PR	· \$1.5M questioned for improper procurement	1	0	1	1,513,819	-	-	1,513,819
15	03-03	DOC	DOC's Overtime and Payroll Practices	May-03	Spin-off	PS	· Overtime Abuse · Employees allowed up to triple of annual base pay	7	0	7	4,063,272	-	-	4,063,272

**FA: Fund Accountability; NAF: Non-Appropriated Funds; PE: Program Efficiency & Effectiveness; PR: Procurement; CT: Credit Card & Travel; and PS: Personnel.

Status of OPA Audit Recommendations by Report Number

Report #	Auditee	Report Title	Issue Date	Initiated By	Audit Focus**	Deficiency	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact
							Closed	Open	Total				
16	03-04	Liberation Day Committee Funds and Activities	May-03	Request	NAF	· \$485K underreported revenues by Liberation Day Committee · \$14K unaccounted raffle booklets · \$21K paid to individuals instead of nonprofit org · Misuse of \$5K DOE (GPSS) funds · \$1.9M in bids lacking non-profit status or bid forms · \$425K underreported revenues by non-profit organization	12	1	13	106,447	295,850	2,828,292	3,230,589
17	03-05	GWA's Typhoon Chata'an Expenditures	May-03	Request	FA	· Only \$340K of \$500K typhoon damages documented · \$26K overtime abuse	8	2	10	217,433	-	-	217,433
18	03-06	GPD's Asset Forfeiture Fund	Aug-03	Request	FA	· 1,000 yrs of firearms targets purchased · \$340K unreconciled to financial mgmt system	9	4	13	121,059	-	852,000	973,059
19	03-07	GSA's Tendan Gobetnu	Aug-03	Self-Initiated	PE	· Decline of \$3.6M in revenues · Inventory loss of \$488K · Receivables of \$2.2M due to inadequate billing & collection	1	3	4	488,000	2,200,000	183,000	2,871,000

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Status of OPA Audit Recommendations by Report Number

Report #	Auditee	Report Title	Issue Date	Initiated By	Audit Focus**	Deficiency	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact	
							Closed	Open	Total					
20	03-08	GIAA	GIAA's Supplement to FY 2002 Report on Compliance and Internal Controls	Sep-03	Spin-off	FA	· Change orders outside of scope of work · Prohibited use of \$7.8M airport revenues	4	0	4	8,462,344	-	-	8,462,344
21	03-09	OAG	OAG's Child Support Enforcement Program	Nov-03	Request	PE	· Sole source procurement of \$1M projects · \$5.4M undisbursed child support payments · \$514K in additional lease	9	0	9	3,014,671	-	207,000	3,221,671
22	03-10	GFD	GFD's Enhanced 911 Emergency Reporting System Fund	Dec-03	Hotline	FA	· \$1M in lost revenue · Costly firefighters manning system · Improper procurement of consultant	7	4	11	1,426,000	-	-	1,426,000
CY 2003 Subtotal		10 Reports					63	14	77	20,262,045	2,495,850	4,070,292	26,828,187	
23	04-01	GWA	GWA's Water Meter Procurement	Feb-04	Mandate	PR	· Disclosure of confidential information during evaluation · No independent verification or review · Lack of competition	6	0	6	-	-	-	-

**FA: Fund Accountability; NAF: Non-Appropriated Funds; PE: Program Efficiency & Effectiveness; PR: Procurement; CT: Credit Card & Travel; and PS: Personnel.

Appendix 2:

Status of OPA Audit Recommendations by Report Number

Report #	Auditee	Report Title	Issue Date	Initiated By	Audit Focus**	Deficiency	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact	
							Closed	Open	Total					
24	04-02	GGRF	GGRF's Supplement to FY 2000 & 2001 Report on Compliance and Internal Controls	Feb-04	Spin-off	PS	· \$167K paid for an elected official's retirement · \$90K overpaid to a disability annuitant and defined benefit retirees	7	0	7	363,070	-	-	363,070
25	04-03	DOE/ GPSS	DOE's Staffing Structure	Feb-04	Request	PS	· Student-teacher ratios did not exceed the class size set by the Guam Federation of Teachers contract · Non-teaching staff not evenly distributed	1	0	1	-	-	-	-
26	04-04	DOA	DOA's Special Revenue Funds Part I	Mar-04	Self-Initiated	FA	· 30 special revenue funds had little to no financial activity	5	0	5	-	-	528,108	528,108
27	04-05	DOA	GSA's Small Purchases Procurement Function	Mar-04	Self-Initiated	PR	· Over \$25M procured as small purchases in 21 months · Over \$1.1M in improper procurement, including artificial division of invoices · Procurement selection and documentation often lacking	2	0	2	3,835,906	-	-	3,835,906

**FA: Fund Accountability; NAF: Non-Appropriated Funds; PE: Program Efficiency & Effectiveness; PR: Procurement; CT: Credit Card & Travel; and PS: Personnel.

Appendix 2:

Status of OPA Audit Recommendations by Report Number

Report #	Auditee	Report Title	Issue Date	Initiated By	Audit Focus**	Deficiency	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact
							Closed	Open	Total				
28	DCA	DCA's Non-Appropriated Funds	Jun-04	Request	NAF	· 5 separate checking accounts with no financial accounting systems · \$85K in unknown and unaccounted cash · \$472K in unsupported and unauthorized disbursements · \$120K in GEDCA qualifying certificates not utilized	1	12	13	616,704	-	-	616,704
29	DOA	DOA's Bounced Checks	Jun-04	Self-Initiated	PE	· \$5.1M in returned checks accounts receivable · Lack of reconciliation between DOA and DRT · Collection policies lacking	11	0	11	11,730	1,602,595	83,903	1,698,228
30	DOA	GSA's Blanket Purchase Agreements Procurement Function	Jul-04	Spin-off	PR	· Over \$2.5M in improper procurement, including: · \$864K with incomplete documentation · 52 POs issued at \$14,999 to avoid using competitive sealed bids · \$84K paid to one vendor over original amount	8	2	10	3,398,229	-	-	3,398,229
31	OAG	OAG's FY 2004 Budget, Allotment, and Expenditures Reconciliation	Sep-04	Request	FA	· No recommendations made	0	0	0	-	-	-	-

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Status of OPA Audit Recommendations by Report Number

Report #	Auditee	Report Title	Issue Date	Initiated By	Audit Focus**	Deficiency	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact	
							Closed	Open	Total					
32	04-10	GTA	GTA's Privatization	Sep-04	Mandate	PR	No recommendations made	0	0	0	-	-	-	
33	04-11	DCA	Chamorro Village Non-Appropriated Funds	Oct-04	Request	NAF	<ul style="list-style-type: none"> · \$139K in purchases without price quotes · \$30K paid to entertainers above average paid to others · \$19K in discrepancies for leases, Wednesday night market collections, and special agreements · \$25K grant diverted to DCA 	1	7	8	174,882	43,791	-	218,673
34	04-12	DOA	DOA's Health and Human Services and Youth Tobacco and Education Prevention Fund	Oct-04	Self-Initiated	FA	<ul style="list-style-type: none"> · Untimely use of bond funds · \$4.4M not utilized · Improper accounting of special revenue funds 	8	3	11	-	-	-	-
35	04-13	DOA	DOA's Dededo Buffer Strip Revolving Fund	Dec-04	Self-Initiated	FA	<ul style="list-style-type: none"> · \$328K in Dededo Flea Market vendor permits collected were not reported to MCOG · Deficiencies in cash management · Potential earnings of \$1M lost 	7	1	8	294,815	1,000,000	-	1,294,815

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Appendix 2:

Status of OPA Audit Recommendations by Report Number

Report #	Auditee	Report Title	Issue Date	Initiated By	Audit Focus**	Deficiency	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact	
							Closed	Open	Total					
36	04-14	DOA	GSA's Competitive Sealed Bidding, Sole Source, and Emergency Procurement Functions	Dec-04	Spin-off	PR	· \$15.3M in improper procurement, including: · \$6M citing "existing territorial contracts" · \$4.1M ratified after the fact · \$670K in unjustified sole source purchases · \$1.5M did not meet minimum 15-day advertising · \$129K in emergency POs lacking required three quotes	6	3	9	4,407,320	-	-	4,407,320
CY 2004 Subtotal		14 Reports					63	28	91	13,102,656	2,646,386	612,011	16,361,053	
37	05-01	GFD	GFD's Emergency Procurement of Fire Trucks Pursuant to P.L. 27-99	May-05	Mandate	PR	· Improper procurement of fire trucks · P.L. 27-99 voided the Superior Court's injunction	2	0	2	-	-	-	-
38	05-02	CAHA	CAHA's Non-Appropriated Funds	Jun-05	Self-Initiated	NAF	· Inadequate financial reporting and lack of accounting system · Improper separation of duties · \$64K in unsupported and unauthorized disbursements · Poor management of cash receipts	8	0	8	63,978	-	-	63,978

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Status of OPA Audit Recommendations by Report Number

Report #	Auditee	Report Title	Issue Date	Initiated By	Audit Focus**	Deficiency	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact
							Closed	Open	Total				
39	GEDCA	GEDCA's Credit Card Charges & Related Travel Expenditures	Aug-05	Self-Initiated	CT	<ul style="list-style-type: none"> · \$206K in questionable credit card charges · \$116K in funds to be put to better use · \$18K in unsupported costs 	1	0	1	340,005	-	-	340,005
40	Dededo Mayor's Office	Dededo Mayor's Office Non-Appropriated Funds	Sep-05	Self-Initiated	NAF	<ul style="list-style-type: none"> · \$516K in lost revenue when Flea Market vendors were undercharged · Lack of documentation for procurement totaling \$216K · \$17K not deposited · \$1K misappropriated by an employee 	2	8	10	266,807	515,940	718,000	1,500,747
41	Government Wide	Government of Guam Leases	Oct-05	Self-Initiated	PE	<ul style="list-style-type: none"> · \$6.8M on lease of commercial space in FY 2004 · Disparity in the lease rates, amount of office space, and services provided by lessors 	0	5	5	-	-	-	-
42	PAG	Port Authority of Guam Goodwill and Morale Association	Dec-05	Request	FA	<ul style="list-style-type: none"> · \$34K spent without documentation, of which \$24K may have been improperly received by association officers and non-PAGGMA members · \$5K donation not allowed · Unclaimed cargo donated without Board approval 	9	0	9	40,317	-	-	40,317

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Status of OPA Audit Recommendations by Report Number

Report #	Auditee	Report Title	Issue Date	Initiated By	Audit Focus**	Deficiency	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact	
							Closed	Open	Total					
43	05-07	Government Wide	Government of Guam's Salary Increments	Dec-05	Request	PS	No recommendations made	0	0	0	-	-	-	
44	05-08	SCOG	SCOG's Judicial Building Fund	Dec-05	Request	NAF	· \$1M in improper procurement · Expenditures were made without Judicial Council approval · Unrealized rental revenue of \$246K · Budget over-expenditures of \$177K · \$564K in procurement of lobbying services	4	1	5	1,543,796	109,251	-	1,653,047
45	05-09	CLTC	CLTC's Non-Appropriated Funds	Dec-05	Request	NAF	· Loans not monitored · Commercial licenses not awarded in accordance with rules · Proceeds of \$1.7M were not reported to the Legislature · \$296K in Golf Course proceeds in absence of required rules and regulations	3	6	9	179,427	420,345	1,988,022	2,587,794
CY 2005 Subtotal		9 Reports						29	20	49	2,434,330	1,045,536	2,706,022	6,185,888

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Appendix 2:

Status of OPA Audit Recommendations by Report Number

Report #	Auditee	Report Title	Issue Date	Initiated By	Audit Focus**	Deficiency	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact	
							Closed	Open	Total					
46	06-01	Non-Profit Org.	Internal Controls (Checks and Balances) Over Accounting and Reporting of a Non-Profit Organization	Jan-06	Request	FA	· Lack of oversight and monitoring · \$4K of cash receipts not on bank statements · \$2K in expenses paid w/out supporting documents	0	0	0	1,852	-	3,563	5,415
47	06-02	Government Wide	Submission of FY 2006 1st Quarter Financial Reports Subject to the Deappropriation of Funds as Mandated by P.L. 28-68	Apr-06	Mandate	FA	· Eight entities did not submit 1st quarter financial reports · 37 entities did not post the reports on their website · Six entities did not have websites	0	1	1	-	-	-	-
48	06-03	DOA	DOA's Dormant and Inactive Funds	Apr-06	Mandate	FA	· \$9.8M in fund balances that could revert back to the General Fund were identified	2	0	2	-	-	9,835,025	9,835,025
49	06-04	DOA	DOA's Stale-Dated Checks	May-06	Self-Initiated	PE	· Systematic inefficiencies with AS400 · Lack of reconciliation	4	5	9	4,230	-	-	4,230

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Status of OPA Audit Recommendations by Report Number

Report #	Auditee	Report Title	Issue Date	Initiated By	Audit Focus**	Deficiency	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact	
							Closed	Open	Total					
50	06-05	Supreme Court of Guam	Supreme Court of Guam, OPG's Ward Trust Accounts	May-06	Self-Initiated	NAF	· Insufficient segregation of duties · Untimely reconciliation · Inconsistent reporting to safeguard ward funds	2	6	8	540	207,797	-	208,337
51	06-06	DOA	DOA's Returned Checks	Jun-06	Follow-Up	PE	· Returned checks not referred to Attorney General or collection agency · Child Support has not established an accounting system to record, monitor, and collect child support returned checks	0	9	9	-	2,425,343	5,230	2,430,573
52	06-07	DPR	DPR's Unresolved Audit Recommendations	Jul-06	Follow-Up	PE	· 22 of 33 recommendations made in prior audit were not implemented · Decline of revenues from FY 2001 to FY 2005	0	6	6	20,866	-	214	21,080
53	06-08	Government Wide	Ethics in Government Program as Mandated by P.L. 28-76	Jul-06	Mandate	PS	· Limitations in the ethics law, such as four hour time requirement and restrictions on who should attend	0	2	2	-	-	-	-
54	06-09	Government Wide	Submission of FY 2006 2nd Quarter Financial Reports	Jul-06	Mandate	FA	· No recommendations made	0	0	0	-	-	-	-

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Appendix 2:

Status of OPA Audit Recommendations by Report Number

Report #	Auditee	Report Title	Issue Date	Initiated By	Audit Focus**	Deficiency	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact	
							Closed	Open	Total					
55	06-10	Government Wide	Submission of Amended FY 2006 3rd Quarter Financial Reports	Sep-06	Mandate	FA	· One entity did not comply, while 27 entities only partially complied with P.L. 28-68	1	0	1	-	-	-	
56	06-11	Government Wide	Emergency Executive Orders and Certificates of Emergency	Oct-06	Request	PR	· \$3.3M spent for emergencies related to civil defense, public safety, and healthcare · \$2.1M of \$3.3M was non-disaster related · Broad laws and regulations	0	6	6	24,945	-	64,238	89,183
57	06-12	GHURA	Credit Card Charges and Related Travel Expenditures	Oct-06	Self-Initiated	CT	· \$40K credit card charges with incomplete documentation · \$36K in purchases without three quotes · Untimely payment of credit card charges	0	4	4	76,841	-	-	76,841
58	06-13	GPSS	GPSS' Payroll	Oct-06	Mandate	FA	· No recommendations made	0	0	0	-	-	-	-
59	06-14	GVB	Credit Cards and Travel	Nov-06	Self-Initiated	CT	· \$107K in questionable credit card charges · \$138K in excess per diem · Travel programs and credit card charges not adequately documented	0	5	5	280,505	-	-	280,505

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Status of OPA Audit Recommendations by Report Number

Report #	Auditee	Report Title	Issue Date	Initiated By	Audit Focus**	Deficiency	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact	
							Closed	Open	Total					
60	06-15	Government Wide	Submission of FY 2006 4th Quarter Financial Reports	Dec-06	Mandate	FA	No recommendations made	0	0	0	-	-	-	
61	06-16	ALC	ALC's Non-Appropriated Funds	Dec-06	Self-Initiated	NAF	· Lack of system for collecting and monitoring license revenues · Inconsistencies in the issuance of licenses and properties · \$39K lacked evidence of competitive procurement	0	7	7	41,633	130,786	-	172,419
62	06-17	GPSS	GPSS' Utilities	Dec-06	Mandate	FA	· Discrepancies and inconsistencies in water usage and payments in FY 2006 for 55 GPSS water meters	0	1	1	-	-	-	-
63	06-18	DPR	DPR's Paseo Stadium Lease Agreement	Dec-06	Spin-Off	PE	· Failure to monitor, certify, and approve the satisfactory completion of Paseo Stadium rehabilitation projects totaling \$1M	6	1	7	1,063,612	25,160	22,716	1,111,488

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Status of OPA Audit Recommendations by Report Number

Report #	Auditee	Report Title	Issue Date	Initiated By	Audit Focus**	Deficiency	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact
							Closed	Open	Total				
64	OAG	OAG's Child Support Enforcement Program	Dec-06	Follow-Up	PE	· Undistributed collections in DOA and OAG's records not reconciled · Total arrearages of \$94.8M in FY 2005 · \$2.5M welfare reimbursement checks without supporting documentation	4	4	8	5,236,402	448,708	1,007,442	6,692,552
CY 2006 Subtotal		19 Reports					19	57	76	6,751,426	3,237,794	10,938,428	20,927,648
Total							301	119	420	\$46,231,774	\$9,571,062	\$18,332,726	\$74,135,562

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The following table is sorted in descending order by the number of reports issued for each auditee.

Summary of Reports Issued by Auditee

Auditee	# of Reports	Auditee	# of Reports	Auditee	# of Reports
1 DOA	11	11 GPD	2	21 CAHA	1
2 Government-Wide	8	12 GMHA	2	22 GEDCA	1
3 GPSS	4	13 GTA	2	23 GHURA	1
4 DPR	4	14 GWA	2	24 GVB	1
5 OAG	3	15 ALC	1	25 Liberation Day Committee	1
6 DCA	2	16 CLTC	1	26 MCOG	1
7 DOC	2	17 Dededo Mayor's Office	1	27 Non-Profit Organization	1
8 GFD	2	18 DLM	1	28 OPG	1
9 GIAA	2	19 DPHSS	1	29 PAG	1
10 GMTA	2	20 GGRF	1	30 SCOG	1
Total					64

Status of OPA Audit Recommendations by Audit Initiation

The following tables list the reports by the audit initiation method and are sorted in chronological order by report number.

Audits Initiated by Hotline Tips

Report #	Report Title	Audit Focus**	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact	
			Closed	Open	Total					
1	N/A	Supplement to FY 2000 GMHA's Report on Compliance and Internal Control	FA	0	0	0	450,000	-	-	450,000
2	01-01	GMTA's Credit Card	CT	6	0	6	35,849	-	-	35,849
3	01-03	DPR's employees' Association	FA	5	0	5	70,327	-	-	70,327
4	02-01	Southern High School's Non-Appropriated Funds	NAF	23	0	23	165,760	-	5,973	171,733
5	02-03	DPR's Parks and Recreation Revolving Fund	FA	25	0	25	30,972	145,496	-	176,468
6	02-04	GTA's Accounts Receivable and Accounts Payable	PE	5	0	5	-	-	-	-
7	02-06	GIAA's Credit Card and Travel	CT	15	0	15	1,042,242	-	-	1,042,242
8	02-07	DLM's Permit for Use of Matapang Beach Park	PE	5	0	5	1,535,650	-	-	1,535,650
9	02-08	DOC's Overtime Practices Interim Report	PS	4	0	4	-	-	-	-
10	03-10	GFD's Enhanced 911 Emergency Reporting System Fund	FA	7	4	11	1,426,000	-	-	1,426,000
Total				95	4	99	4,756,800	145,496	5,973	4,908,269

*This report was not assigned a number.

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Status of OPA Audit Recommendations by Audit Initiation

Audits Initiated by Requests

Report #	Report Title	Audit Focus**	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact
			Closed	Open	Total				
1	01-02 Mayors' Offices of Barrigada, Chalan Pago-Ordot and Inarajan	FA	20	0	20	248,314	-	-	248,314
2	02-02 GMTA's Procurement Issues	PR	5	0	5	45,804	-	-	45,804
3	03-01 GPD's Safe Streets Foundation	FA	5	0	5	849,000	-	-	849,000
4	03-04 Liberation Day Committee Funds and Activities	NAF	12	1	13	106,447	295,850	2,828,292	3,230,589
5	03-05 GWA's Chata'an Expenditures	FA	8	2	10	217,433	-	-	217,433
6	03-06 GPD's Asset Forfeiture Fund	FA	9	4	13	121,059	-	852,000	973,059
7	03-09 OAG's Child Support Enforcement Program	PE	9	0	9	3,014,671	-	207,000	3,221,671
8	04-03 DOE's Staffing Structure	PS	1	0	1	-	-	-	-
9	04-06 DCA's Non-Appropriated Funds	NAF	1	12	13	616,704	-	-	616,704
10	04-09 OAG's FY 2004 Budget, Allotment, and Expenditures Reconciliation	FA	0	0	0	-	-	-	-
11	04-11 DCA's Chamorro Village Non-Appropriated Funds	NAF	1	7	8	174,882	43,791	-	218,673
12	05-06 Port Authority of Guam Goodwill and Morale Association	FA	9	0	9	40,317	-	-	40,317
13	05-07 Government of Guam's Salary Increments	PS	0	0	0	-	-	-	-
14	05-08 SCOG's Judicial Building Fund	NAF	4	1	5	1,543,796	109,251	-	1,653,047
15	05-09 CLTC's Non-Appropriated Funds	NAF	3	6	9	179,427	420,345	1,988,022	2,587,794
16	06-01 Internal Controls Over Accounting and Reporting of a Non-Profit Organization	FA	0	0	0	1,852	-	3,563	5,415
17	06-11 Government of Guam Emergency Executive Orders and Certificates of Emergency	PR	0	6	6	24,945	-	64,238	89,183
Total			87	39	126	7,184,651	869,237	5,943,115	13,997,003

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Status of OPA Audit Recommendations by Audit Initiation

Self-Initiated Audits

Report #	Report Title	Audit Focus**	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact
			Closed	Open	Total				
1	03-07 GSA's Tendan Gobetnu	PE	1	3	4	488,000	2,200,000	183,000	2,871,000
2	04-04 DOA's Special Revenue Funds Part I	FA	5	0	5	-	-	528,108	528,108
3	04-05 GSA's Small Purchases Procurement Function	PR	2	0	2	3,835,906	-	-	3,835,906
4	04-07 DOA's Bounced Checks	PE	11	0	11	11,730	1,602,595	83,903	1,698,228
5	04-12 DOA's Health and Human Services and Youth Tobacco and Education Prevention Fund	FA	8	3	11	-	-	-	-
6	04-13 DOA's Dededo Buffer Strip Revolving Fund	FA	7	1	8	294,815	1,000,000	-	1,294,815
7	05-02 CAHA's Non-Appropriated Funds	NAF	8	0	8	63,978	-	-	63,978
8	05-03 GEDCA's Credit Card Charges & Related Travel Expenditures	CT	1	0	1	340,005	-	-	340,005
9	05-04 Dededo Mayor's Office Non-Appropriated Funds	NAF	2	8	10	266,807	515,940	718,000	1,500,747
10	05-05 Government of Guam Leases	PE	0	5	5	-	-	-	-
11	06-04 DOA's Stale-Dated Checks	PE	4	5	9	4,230	-	-	4,230
12	06-05 Supreme Court of Guam, OPG's Ward Trust Accounts	NAF	2	6	8	540	207,797	-	208,337
13	06-12 GHURA's Credit Card Charges and Related Travel Expenditures	CT	0	4	4	76,841	-	-	76,841
14	06-14 GVB's Credit Cards and Travel	CT	0	5	5	280,505	-	-	280,505
15	06-16 ALC's Non-Appropriated Funds	NAF	0	7	7	41,633	130,786	-	172,419
Total			51	47	98	5,704,990	5,657,118	1,513,011	12,875,119

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Status of OPA Audit Recommendations by Audit Initiation

Legislatively Mandated Audits

Report #	Report Title	Audit Focus**	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact
			Closed	Open	Total				
1	02-05 DPHSS' Child Care Development Fund Program	PE	14	0	14	56,399	-	-	56,399
2	04-01 GWA's Water Meter Procurement	PR	6	0	6	-	-	-	-
3	04-10 GTA's Privatization	PR	0	0	0	-	-	-	-
4	05-01 GFD's Emergency Procurement of Fire Trucks Pursuant to Public Law 27-99	PR	2	0	2	-	-	-	-
5	06-02 Submission of FY 2006 1st Quarter Financial Reports Subject to the Deappropriation of Funds as Mandated by Public Law 28-68	FA	0	1	1	-	-	-	-
6	06-03 DOA's Dormant and Inactive Funds	FA	2	0	2	-	-	9,835,025	9,835,025
7	06-08 Ethics in Government Program as Mandated by P.L. 28-76	PS	0	2	2	-	-	-	-
8	06-09 Submission of FY 2006 2nd Quarter Financial Reports	FA	0	0	0	-	-	-	-
9	06-10 Submission of Amended FY 2006 3rd Quarter Financial Reports	FA	1	0	1	-	-	-	-
10	06-13 GPSS' Payroll	FA	0	0	0	-	-	-	-
11	06-15 Submission of FY 2006 4th Quarter Financial Reports	FA	0	0	0	-	-	-	-
12	06-17 GPSS' Utilities	FA	0	1	1	-	-	-	-
Total			25	4	29	56,399	-	9,835,025	9,891,424

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Status of OPA Audit Recommendations by Audit Initiation

Spin-Off Audits

Report #	Report Title	Audit Focus**	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact
			Closed	Open	Total				
1	03-02 GMHA's Procurement of Radiology Services and Equipment	PR	1	0	1	1,513,819	-	-	1,513,819
2	03-03 DOC's Overtime and Payroll Practices	PS	7	0	7	4,063,272	-	-	4,063,272
3	03-08 GIAA's Report on Compliance and Internal Controls	FA	4	0	4	8,462,344	-	-	8,462,344
4	04-02 GGRF's FY 2000 & 2001 Report on Compliance and Internal Controls	PS	7	0	7	363,070	-	-	363,070
5	04-08 GSA's Blanket Purchase Agreements Procurement Function	PR	8	2	10	3,398,229	-	-	3,398,229
6	04-14 GSA's Competitive Sealed Bidding, Sole Source, and Emergency Procurement Functions	PR	6	3	9	4,407,320	-	-	4,407,320
7	06-18 DPR's Paseo Stadium Lease Agreement	PE	6	1	7	1,063,612	25,160	22,716	1,111,488
Total			39	6	45	23,271,666	25,160	22,716	23,319,542

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Status of OPA Audit Recommendations by Audit Initiation

Follow-Up Audits

Report #	Report Title	Audit Focus**	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact
			Closed	Open	Total				
1	06-06 DOA's Returned Checks	PE	0	9	9	-	2,425,343	5,230	2,430,573
2	06-07 DPR's Unresolved Audit Recommendations	PE	0	6	6	20,866	-	214	21,080
3	06-19 OAG's Child Support Enforcement Program	PE	4	4	8	5,236,402	448,708	1,007,442	6,692,552
Total			4	19	23	5,257,268	2,874,051	1,012,886	9,144,205

**FA: Fund Accountability; NAF: Non-Appropriated Funds; PE: Program Efficiency & Effectiveness; PR: Procurement; CT: Credit Card & Travel; and PS: Personnel.

Status of OPA Audit Recommendations by Auditee

The following table lists reports issued by auditee in descending order and in chronological order by report number. The auditees with only one report are listed in alphabetical order.

Auditee	Report #	Report Title	Audit Focus**	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact
				Closed	Open	Total				
1 Department of Administration (DOA)	03-07	GSA's Tendan Gobetnu	PE	1	3	4	\$488,000	\$2,200,000	\$183,000	\$2,871,000
	04-04	DOA's Special Revenue Funds Part I	FA	5	0	5	-	-	528,108	528,108
	04-05	GSA's Small Purchases Procurement Function	PR	2	0	2	3,835,906	-	-	3,835,906
	04-07	DOA's Bounced Checks	PE	11	0	11	11,730	1,602,595	83,903	1,698,228
	04-08	GSA's Blanket Purchase Agreements Procurement Function	PR	8	2	10	3,398,229	-	-	3,398,229
	04-12	DOA's Health and Human Services and Youth Tobacco and Education Prevention Fund	FA	8	3	11	-	-	-	-
	04-13	DOA's Dededo Buffer Strip Revolving Fund	FA	7	1	8	294,815	1,000,000	-	1,294,815
	04-14	GSA's Competitive Sealed Bidding, Sole Source, and Emergency Procurement Functions	PR	6	3	9	4,407,320	-	-	4,407,320

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Status of OPA Audit Recommendations by Auditee

Auditee	Report #	Report Title	Audit Focus**	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact
				Closed	Open	Total				
DOA, cont'd	06-03	DOA's Dormant and Inactive Funds	FA	2	0	2	-	-	9,835,025	9,835,025
	06-04	DOA's Stale-Dated Checks	PE	4	5	9	4,230	-	-	4,230
	06-06	DOA's Returned Checks	PE	0	9	9	-	2,425,343	5,230	2,430,573
Subtotal, DOA	11 Reports			54	26	80	12,440,230	7,227,938	10,635,266	30,303,434
2 Government-Wide	05-05	Government of Guam Leases	PE	0	5	5	-	-	-	-
	05-07	Government of Guam's Salary Increments	PS	0	0	0	-	-	-	-
	06-02	Submission of FY 2006 1st Quarter Financial Reports Subject to the Deappropriation of Funds as Mandated by Public Law 28-68	FA	0	1	1	-	-	-	-
	06-08	Ethics in Government Program as Mandated by P.L. 28-76	PS	0	2	2	-	-	-	-
	06-09	Submission of FY 2006 2nd Quarter Financial Reports	FA	0	0	0	-	-	-	-

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Status of OPA Audit Recommendations by Auditee

Auditee	Report #	Report Title	Audit Focus**	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact
				Closed	Open	Total				
Government-Wide, cont'd.	06-10	Submission of Amended FY 2006 3rd Quarter Financial Reports	FA	1	0	1	-	-	-	-
	06-11	Government of Guam Emergency Executive Orders and Certificates of Emergency	PR	0	6	6	24,945	-	64,238	89,183
	06-15	Submission of FY 2006 4th Quarter Financial Reports	FA	0	0	0	-	-	-	-
Subtotal, Government-Wide	8 Reports			1	14	15	24,945	-	64,238	89,183
3 DPR	01-03	DPR's Employees' Association	FA	5	0	5	70,327	-	-	70,327
	02-03	DPR's Parks and Recreation Revolving Fund	FA	25	0	25	30,972	145,496	-	176,468
	06-07	DPR's Unresolved Audit Recommendations	PE	0	6	6	20,866	-	214	21,080
	06-18	DPR's Paseo Stadium Lease Agreement	PE	6	1	7	1,063,612	25,160	22,716	1,111,488
Subtotal, DPR	4 Reports			36	7	43	1,185,777	170,656	22,930	1,379,363

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Status of OPA Audit Recommendations by Auditee

Auditee	Report #	Report Title	Audit Focus**	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact
				Closed	Open	Total				
4 DOE/ GPSS	02-01	Southern High School's Non-Appropriated Funds	NAF	23	0	23	165,760	-	5,973	171,733
	04-03	DOE's Staffing Structure	PS	1	0	1	-	-	-	-
	06-13	GPSS' Payroll	FA	0	0	0	-	-	-	-
	06-17	GPSS' Utilities	FA	0	1	1	-	-	-	-
Subtotal, GPSS	4 Reports			24	1	25	165,760	-	5,973	171,733
5 OAG	03-09	OAG's Child Support Enforcement Program	PE	9	0	9	3,014,671	-	207,000	3,221,671
	04-09	OAG's FY 2004 Budget, Allotment, and Expenditures Reconciliation	FA	0	0	0	-	-	-	-
	06-19	OAG's Child Support Enforcement Program	PE	4	4	8	5,236,402	448,708	1,007,442	6,692,552
Subtotal, OAG	3 Reports			13	4	17	8,251,073	448,708	1,214,442	9,914,223
6 DCA	04-06	DCA's Non-Appropriated Funds	NAF	1	12	13	616,704	-	-	616,704
	04-11	DCA's Chamorro Village Non-Appropriated Funds	NAF	1	7	8	174,882	43,791	-	218,673
Subtotal, DCA	2 Reports			2	19	21	791,586	43,791	-	835,377

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Status of OPA Audit Recommendations by Auditee

Auditee	Report #	Report Title	Audit Focus**	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact
				Closed	Open	Total				
7	02-08	DOC's Overtime Practices Interim Report	PS	4	0	4	-	-	-	-
	03-03	DOC's Overtime and Payroll Practices	PS	7	0	7	4,063,272	-	-	4,063,272
	Subtotal, DOC	2 Reports		11	0	11	4,063,272	-	-	4,063,272
8	03-10	GFD's Enhanced 911 Emergency Reporting System Fund	FA	7	4	11	1,426,000	-	-	1,426,000
	05-01	GFD's Emergency Procurement of Fire Trucks Pursuant to Public Law 27-99	PR	2	0	2	-	-	-	-
	Subtotal, GFD	2 Reports		9	4	13	1,426,000	-	-	1,426,000
9	02-06	GIAA's Credit Card and Travel	CT	15	0	15	1,042,242	-	-	1,042,242
	03-08	GIAA's Supplement to FY 2002 Report on Compliance and Internal Controls	PR	4	0	4	8,462,344	-	-	8,462,344
	Subtotal, GIAA	2 Reports		19	0	19	9,504,586	-	-	9,504,586
10	01-01	GMTA's Credit Card	CT	6	0	6	35,849	-	-	35,849
	02-02	GMTA's Procurement Issues	PR	5	0	5	45,804	-	-	45,804
	Subtotal, GMTA	2 Reports		11	0	11	81,653	-	-	81,653

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Status of OPA Audit Recommendations by Auditee

	Auditee	Report #	Report Title	Audit Focus**	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact
					Closed	Open	Total				
11	GMHA	03-02	GMHA's Procurement of Radiology Services and Equipment	PR	1	0	1	1,513,819	-	-	1,513,819
		N/A*	Supplement to GMHA's FY 2000 Report on Compliance and Internal Control	FA	0	0	0	450,000	-	-	450,000
	Subtotal, GMHA	2 Reports			1	0	1	1,963,819	-	-	1,963,819
12	GPD	03-01	GPD's Safe Streets Foundation	FA	5	0	5	849,000	-	-	849,000
		03-06	GPD's Asset Forfeiture Fund	FA	9	4	13	121,059	-	852,000	973,059
	Subtotal, GPD	2 Reports			14	4	18	970,059	-	852,000	1,822,059
13	GTA	02-04	GTA's Accounts Receivable and Accounts Payable	PE	5	0	5	-	-	-	-
		04-10	GTA's Privatization	PR	0	0	0	-	-	-	-
	Subtotal, GTA	2 Reports			5	0	5	-	-	-	-
14	GWA	03-05	GWA's Typhoon Chata'an Expenditures	FA	8	2	10	217,433	-	-	217,433
		04-01	GWA's Water Meter Procurement	PR	6	0	6	-	-	-	-
	Subtotal, GWA	2 Reports			14	2	16	217,433	-	-	217,433

* This report was not assigned a number.

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Status of OPA Audit Recommendations by Auditee

	Auditee	Report #	Report Title	Audit Focus**	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact
					Closed	Open	Total				
15	ALC	06-16	ALC's Non-Appropriated Funds	NAF	0	7	7	41,633	130,786	-	172,419
16	CAHA	05-02	CAHA's Non-Appropriated Funds	NAF	8	0	8	63,978	-	-	63,978
17	CLTC	05-09	CLTC's Non-Appropriated Funds	NAF	3	6	9	179,427	420,345	1,988,022	2,587,794
18	Dededo Mayor's Office	05-04	Dededo Mayor's Office Non-Appropriated Funds	NAF	2	8	10	266,807	515,940	718,000	1,500,747
19	DLM	02-07	DLM's Permit for Use of Matapang Beach Park	PE	5	0	5	1,535,650	-	-	1,535,650
20	DPHSS	02-05	DPHSS' Child Care Development Fund Program	PE	14	0	14	56,399	-	-	56,399
21	GEDCA	05-03	GEDCA's Credit Card Charges & Related Travel Expenditures	CT	1	0	1	340,005	-	-	340,005
22	GGRF	04-02	GGRF's FY 2000 & 2001 Report on Compliance and Internal Controls	PS	7	0	7	363,070	-	-	363,070
23	GHURA	06-12	GHURA's Credit Card Charges and Related Travel Expenditures	CT	0	4	4	76,841	-	-	76,841
24	GVB	06-14	GVB's Credit Cards and Travel	CT	0	5	5	280,505	-	-	280,505
25	Liberation Day Committee	03-04	Liberation Day Committee Funds and Activities	NAF	12	1	13	106,447	295,850	2,828,292	3,230,589

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Status of OPA Audit Recommendations by Auditee

	Auditee	Report #	Report Title	Audit Focus**	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact
					Closed	Open	Total				
26	MCOG	01-02	Mayors' Offices of Barrigada, Chalan Pago-Ordot and Inarajan	FA	20	0	20	248,314	-	-	248,314
27	Non-profit Organization	06-01	Internal Controls (Checks and Balances) Over Accounting and Reporting of a Non-Profit Organization	FA	0	0	0	1,852	-	3,563	5,415
28	PAG	05-06	Port Authority of Guam Goodwill and Morale Association	FA	9	0	9	40,317	-	-	40,317
29	SCOG	05-08	SCOG's Judicial Building Fund	NAF	4	1	5	1,543,796	109,251	-	1,653,047
30	Supreme Court of Guam	06-05	Supreme Court of Guam, OPG's Ward Trust Accounts	NAF	2	6	8	540	207,797	-	208,337
Grand Total		64 Reports			301	119	420	\$46,231,774	\$9,571,062	\$18,332,726	\$74,135,562

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Appendix 5:
Status of OPA Audit Recommendations by Addressee

		Recommendations					Recommendations			
Agency		Closed	Open	Total	Agency		Closed	Open	Total	
1	Dept. of Administration (DOA)	37	26	63	21	Guam Economic Development and Commerce Authority (GEDCA)	6	0	6	
2	Guam Legislature	30	12	42	22	Guam Fire Dept. (GFD)	4	2	6	
3	Dept. of Parks and Recreation (DPR)	28	7	35	23	Guam Telephone Auth. (GTA)	6	0	6	
4	Office of the Attorney General (OAG)	27	8	35	24	Superior Court of Guam (SCOG)	4	1	5	
5	Guam Public School System (GPSS)	24	1	25	25	Guam Visitors Bureau (GVB)	0	5	5	
6	Dept. of Chamorro Affairs (DCA)	0	18	18	26	Port Auth. of Guam (PAG)	5	0	5	
7	Guam Intl. Airport Auth. (GIAA)	14	0	14	27	Ancestral Lands Commission (ALC)	0	4	4	
8	Mayors Council of Guam (MCOG)	13	1	14	28	Guam Housing and Urban Renewal Auth. (GHURA)	0	4	4	
9	Dept. of Public Health and Social Services (DPHSS)	12	1	13	29	PAG Goodwill and Morale Association (PAGGMA)	4	0	4	
10	Guam Police Dept. (GPD)	10	3	13	30	Consolidated Commission on Utilities (CCU)	2	0	2	
11	Dept. of Corrections (DOC)	10	0	10	31	Dededo & Yigo Mayors	1	1	2	
12	Guam Waterworks Auth. (GWA)	24	1	25	32	Dept. of Land Mgmt. (DLM)	2	0	2	
13	Liberation Day Committee	10	0	10	33	Guam Memorial Hospital Auth. (GMHA)	1	1	2	
14	Dededo Mayor	9	1	10	34	Public Utilities Commission (PUC)	2	0	2	
15	Guam Mass Transit Auth. (GMTA)	2	7	9	35	University of Guam (UOG)	2	0	2	
16	Guam Council on the Arts and Humanities Agency (CAHA)	9	0	9	36	Dept. of Mental Health and Substance Abuse (DMHSA)	0	1	1	
17	Supreme Court of Guam, Office of the Public Guardian (OPG)	8	0	8	37	Dept. of Public Works (DPW)	1	0	1	
18	Chamorro Land Trust Commission (CLTC)	2	6	8	38	DOA and OAG	0	1	1	
19	Dept. of Revenue and Taxation (DRT)	2	5	7	39	Government-wide	1	0	1	
20	Government of Guam Retirement Fund (GGRF)	5	2	7	40	Governor of Guam and Guam Legislature	1	1	2	
					Total			301	119	420

The following addressee tables are arranged from the most to the least open recommendations as of July 31, 2007. Each addressee table is sorted by report number.

Department of Administration- 26 Open Recommendations

Report #	Report Title	Recommendation
1	03-05 GWA's Typhoon Chata'an Expenditures	Reconcile DOA records with those of Recovery Coordination Office and issue a final closeout report for Typhoon Chata'an expenditures by the government of Guam as required by Public Law 26-116.
2	03-05 GWA's Typhoon Chata'an Expenditures	Pursue collection from GWA for the \$190,909 difference from funds received and expenditures adequately supported.
3	03-07 GSA's Tendan Gobetnu	Direct Government of Guam agencies to purchase their supplies through local businesses utilizing Blanket Purchase Agreements or Indefinite Delivery, Indefinite Quantity (IDIQ) contracts.
4	03-07 GSA's Tendan Gobetnu	Avail of the U.S. GSA, from a price comparison perspective.
5	03-07 GSA's Tendan Gobetnu	Aggressively pursue the collection of the \$2.2 million in receivables from autonomous agencies.
6	03-10 GFD's Enhanced 911 Emergency Reporting System Fund	In consultation with GFD, determine personnel costs that should have been charged to the E911 Fund. After this determination, adjust the Interfund Payable to E911 for those expenses paid by GFD on behalf of the E911 Bureau.
7	04-08 GSA's Blanket Purchase Agreements Procurement Function	Establish written policies and procedures, to include: (1) the proper planning of BPA purchases through collaborative effort with line agencies in identifying anticipated repetitive needs for products or services and determining a periodic cost, i.e. quarterly, semi-annual, or annual; (2) the performance of detailed and extensive bid award analysis, to include performance of price comparison, especially when amounts being awarded are in millions; (3) request price reduction and conduct price negotiation based on total estimated volume of the BPA purchase, thereby realizing best value for government resources; and (4) monitor balances of BPAs through maintenance of running balance logs in every BPA files.
8	04-08 GSA's Blanket Purchase Agreements Procurement Function	Enforce compliance with procurement regulations, such as: 2 G.A.R. § 3112.13(h), BPAs shall contain adequate documentation of transactions to provide a complete history of the procurement in compliance with regulations (i.e., the description of the agreement, extent of obligation, pricing, purchase limitation, notice of individuals authorized to purchase under BPAs, delivery tickets, and invoices); 2 G.A.R. § 3112.14(a), the CPO must review a random number of BPA files at least annually to ensure that appropriate procedures are being followed; 2 G.A.R. § 3109(f)(2), provide adequate and timely publication of all bids over \$25,000; and 2 G.A.R. § 3108, seek competitive sealed bidding for procurement over \$15,000.
9	04-14 GSA's Competitive Sealed Bidding, Sole Source, and Emergency Procurement Functions	Ensure that all pertinent documentations are located within the respective procurement files, amend 2 G.A.R. 3109 (d) to specify a minimum 15-day advertisement and bidding time requirement to ensure that potential bidders are allowed ample time to respond to IFBs, and remove 2 G.A.R. 3109 (f)(2), which requires a minimum of 7 days, since it conflicts with 2 G.A.R. 3109 (d), which requires a minimum of 15 days.

Department of Administration, cont'd.

Report #	Report Title	Recommendation
10	04-14 GSA's Competitive Sealed Bidding, Sole Source, and Emergency Procurement Functions	Pursue the debarment and/or suspension of vendors who are not complying with procurement regulations stipulated in 5 G.C.A. § 5426.
11	04-14 GSA's Competitive Sealed Bidding, Sole Source, and Emergency Procurement Functions	Perform periodic customer surveys and consider comments made in the Procurement Survey Results, such as ensuring that all personnel are trained in office procedures and procurement regulations and expediting the purchase order process.
12	05-05 Government of Guam Leases	Assign the GSA to monitor and annually report to the Governor and the Legislature all government of Guam leases, including each entity's leased space, location, square footage, lease price, contract expiration date, services provided, and rationale for space.
13	05-05 Government of Guam Leases	Review and apply practicable guidelines for office space leases from the excerpt of the performance audit report: <i>Lease vs. Build Analysis</i> prepared by the Legislative Audit Division of the State of Montana.
14	05-05 Government of Guam Leases	Establish minimum specifications for basic rent and common area maintenance fees for office space of government of Guam entities. Specifications should include: (1) who is responsible for paying utilities and other services; (2) the maximum lease term; (3) escalation clauses in Government of Guam leases are to be avoided whenever possible; and (4) GSA should have prior approval authority over all lease contracts of line entities.
15	06-04 DOA's Stale-Dated Checks	Send all stale-dated Child Support checks to DOA Accounting instead of the OAG's State Disbursement Unit (SDU), and provide a copy of these stale-dated checks to SDU, in order for them to update their Absent Parent Automated System Information (APASI) system.
16	06-04 DOA's Stale-Dated Checks	Inform SDU of any undeliverable Child Support checks immediately after being returned in the mail.
17	06-04 DOA's Stale-Dated Checks	Meet with and request Data Processing or their AS400 vendor to (a) establish a program and train accountants to convert any AS400-generated reports into spreadsheet format; (b) determine the best way to tailor the AS400 to best utilize its capabilities (i.e. coding of checks as open, cleared, cancelled, voided, reissued, and escheated); and (c) schedule regular quarterly meetings between DOA Accounting and Data Processing to initiate and maintain discussions on how AS400 can best be used.
18	06-04 DOA's Stale-Dated Checks	Immediately adjust those checks eligible for escheatment, 23 checks totaling \$13,873 from the General Fund, 9 checks totaling \$13,610 from Payroll, and 205 checks totaling \$187,173 from the Income Tax Refund account.
19	06-06 DOA's Returned Checks	Establish written policies and procedures for the monitoring, control, safekeeping, reconciliation, and collection of returned checks. This should include referral of returned checks to the Attorney General, private attorney, and/or a collection agency.

Department of Administration, cont'd.

Report #	Report Title	Recommendation
20	06-06 DOA's Returned Checks	Consider raising the returned check fee from \$25 to the current business practice of \$35.
21	06-06 DOA's Returned Checks	Ensure that all returned checks, including returned child support checks, are accurately recorded no later than 10 working days in the AS400 system, upon receipt of the returned checks from the Treasurer of Guam.
22	06-06 DOA's Returned Checks	Establish a method for estimating the allowance for uncollected checks.
23	06-11 Government of Guam Emergency Executive Orders and Certificates of Emergency	Pending the requirement by law, limit the life of an emergency account to a maximum of one year, with the initial six months to expend and encumber all funds and the second six months to liquidate any outstanding encumbrances and close the account upon reaching the fund limit and have any unused funds or unliquidated encumbrances reverted to the General Fund.
24	06-11 Government of Guam Emergency Executive Orders and Certificates of Emergency	Require GSA to create a standard template for office lease to promote the development of bid specifications that are not restrictive or perceived to be restrictive.
25	06-16 ALC's Non-Appropriated Funds	Identify whether ALC's use of the government of Guam's EIN is proper and if proper financial reporting is being done. Identify other government entities that are utilizing the government of Guam's EIN and determine whether their use is authorized and that they are properly reporting to DOA.
26	06-19 OAG's Child Support Enforcement Program	Reconcile child support bank statements monthly, then reconcile the bank account to the liability and unclaimed checks accounts on a quarterly basis.

Department of Chamorro Affairs- 18 Open Recommendations

Report #	Report Title	Recommendation
1	04-06 DCA's Non-Appropriated Funds	Update policies and procedures for receipts and disbursements to include control activities such as monitoring by DCA management; reporting to DOA; utilizing pre-numbered receipt books documenting the source, nature, and purpose of the receipts; monthly bank reconciliations; and segregation of incompatible duties.
2	04-06 DCA's Non-Appropriated Funds	Require a qualified accountant to maintain the DCA records, utilizing accounting software, and submit annual financial reports to the independent auditors as part of the government wide audit.
3	04-06 DCA's Non-Appropriated Funds	Pursue collection of checks returned for insufficient funds and charge a return fee.
4	04-06 DCA's Non-Appropriated Funds	Transfer the \$25,000 FY 2002 payment to the Chamorro Village per GEDCA QC 219 from the primary account.
5	04-06 DCA's Non-Appropriated Funds	Coordinate with GEDCA to immediately implement uses for the \$40,000 in-kind contributions available from Company 1 through QC 212.
6	04-06 DCA's Non-Appropriated Funds	Comply with GSA Procurement Regulations that require RFPs to be published and award contracts only to entities licensed to do business on Guam.

Department of Chamorro Affairs, Cont'd.

Report #	Report Title	Recommendation
7	04-06 DCA's Non-Appropriated Funds	Pursue collection of \$6,270 or its equivalent in services from the vendor who was contracted to provide financial services, install financial accounting software and train DCA employees in its use and take appropriate legal action if it is not collected.
8	04-06 DCA's Non-Appropriated Funds	Request a working draft from the vendor who was supposed to provide a Chamorro-English/English-Chamorro Dictionary and if it is not provided, appropriate legal action should be pursued.
9	04-06 DCA's Non-Appropriated Funds	Submit Form 1099-MISC to individuals as required by the Internal Revenue Code who provide services to DCA of at least \$600 each calendar year.
10	04-06 DCA's Non-Appropriated Funds	Ensure that DCA employees who opt to engage in employment outside of DCA obtain approval and schedules that do not conflict with obligations during DCA's hours of operations and require that the DCA employee we found engaged in outside employment refund any compensation paid for hours spent outside the government of Guam.
11	04-06 DCA's Non-Appropriated Funds	Request legislation to rescind the additional board of advisors, close all accounts except the DCA primary account, and if the position of Vice-President is not warranted, recommend legislation to abolish the position.
12	04-11 Chamorro Village Non-Appropriated Funds	Develop and implement accounting procedures to generate monthly and annual financial reports, provide appropriate separation of duties among the CV staff, perform monthly bank reconciliations, and adequately train employees to perform the bookkeeping duties and utilize accounting software for these functions.
13	04-11 Chamorro Village Non-Appropriated Funds	Enforce the existing collection policy and disseminate the policy to all tenants to ensure timely renewals of leases and collect from delinquent tenants. If tenants cannot pay within 90 days, a tenant waiting list should be utilized to ensure the suite is economically viable and appropriate legal action may need to be pursued for collections.
14	04-11 Chamorro Village Non-Appropriated Funds	Take immediate action to implement a comprehensive marketing plan to better utilize the CV, make appropriate adjustments to lease rates and common area fees, and establish a Business Selection Committee to ensure all applicants are given an opportunity to start a business.
15	04-11 Chamorro Village Non-Appropriated Funds	Do not allow Night Market vendors who have not paid before 5:00 PM Tuesday to utilize CV facilities.
16	04-11 Chamorro Village Non-Appropriated Funds	Develop and implement procedures to ensure that requirements for procurement of supplies and services are complied with and staff becomes familiar with Guam procurement laws and regulations, to include an appropriate method of rotating entertainers for the Wednesday Night Market.
17	04-11 Chamorro Village Non-Appropriated Funds	Issue Form 1099-MISC to individuals (include prior years) who provide services of at least \$600 each calendar year.
18	04-11 Chamorro Village Non-Appropriated Funds	Transfer \$25,000 to the CV per Qualifying Certificate 219 for restroom maintenance.

Guam Legislature- 12 Open Recommendations

	Report #	Report Title	Recommendation
1	04-06	DCA's Non-Appropriated Funds	Enact legislation to abolish all but one of the funds that were established by P.L. 25-69
2	05-05	Government of Guam Leases	Require autonomous entities to annually report their office space leases to GSA to include in the overall annual report.
3	05-05	Government of Guam Leases	Begin to evaluate whether or not it is feasible to initiate long-term planning to build or acquire facilities to house government entities for the future.
4	05-09	CLTC's Non-Appropriated Funds	Reevaluate whether the requirements of 21 G.C.A. § 75112 (i) that all taxes on improvements or payments in lieu of taxes should be deposited into the Chamorro Loan Guarantee Fund and be continued, given the significant deficit and related financial difficulties of the Government of Guam.
5	06-02	Submission of FY 2006 1st Quarter Financial Reports Subject to the Deappropriation of Funds as Mandated by P.L. 28-68	Establish a minimum format to provide consistency about the information that should be disclosed in the Quarterly Financial Reports.
6	06-08	Ethics in Government Program as Mandated by P.L. 28-76	Offer Ethics training to all government of Guam employees and especially mid-level managers.
7	06-08	Ethics in Government Program as Mandated by P.L. 28-76	Designate the Guam Election Commission the responsibility for monitoring compliance of ethics training for elected and appointed officials. This compliance monitoring can be done in conjunction with the annual financial disclosure requirement.
8	06-11	Government of Guam Emergency Executive Orders and Certificates of Emergency	Require the Governor to seek legislative approval when money is requested for non-disaster related emergencies, to ensure that all transfers address only the most immediate emergencies.
9	06-11	Government of Guam Emergency Executive Orders and Certificates of Emergency	Impose time provisions for emergency funding, since there are no expiration dates for the expenditure of emergency funds.
10	06-11	Government of Guam Emergency Executive Orders and Certificates of Emergency	Eliminate Certificates of Emergency because they duplicate the authorization given in executive orders.
11	06-11	Government of Guam Emergency Executive Orders and Certificates of Emergency	Require quarterly reporting of emergency expenditures, instead of the five-day reporting requirement from the date of declaration, culminating in a final report 30 days after the account is closed, and no later than one year after the date of declaration.

Guam Legislature, cont'd.

Report #	Report Title	Recommendation
12	06-16 ALC's Non-Appropriated Funds	Enact through public law the permanent transfer of non-appropriated funds to DOA and consolidate the administrative functions of the ALC into DLM.

Office of the Attorney General- 8 Open Recommendations

Report #	Report Title	Recommendation
1	03-06 GPD's Asset Forfeiture Fund	Coordinate with GPD for final disposition of idle evidence including cash and coordinate with the AG's office at least on a quarterly basis.
2	03-10 GFD's Enhanced 911 Emergency Reporting System Fund	Pursue action against service providers referred by the PUC for non-compliance with their duties as collection agents.
3	06-04 DOA's Stale-Dated Checks	Deface and forward all stale-dated checks in its possession to DOA Accounting to be cancelled.
4	06-06 DOA's Returned Checks	Maintain an inventory listing of returned checks that reconciles with the AS400.
5	06-06 DOA's Returned Checks	Initiate collection procedures for returned checks.
6	06-06 DOA's Returned Checks	Ensure that all returned child support checks are accurately recorded no later than 10 working days in the APASI system, upon receipt of the returned checks from TOG, and annually reconcile with DOA's AS400 system.
7	06-19 OAG's Child Support Enforcement Program	Exert pressure on the APASI system vendor to address the APASI system's reporting capabilities to include a detailed breakdown of non-custodial payments for the TANF reimbursement checks and use the APASI reports to monitor the integrity and reasonableness of child support data.
8	06-19 OAG's Child Support Enforcement Program	Establish a system of authorization at different management levels to approve check disbursements above pre-determined amounts, and a monitoring system to ensure data changes in the APASI system are regularly reviewed for accuracy, validity, and proper authorization.

Department of Parks and Recreation- 7 Open Recommendations

Report #	Report Title	Recommendation
1	06-07 DPR's Unresolved Audit Recommendations	Prepare monthly revenue reports, including vendor permits, to be approved by the Director after supervisory review for completeness and accuracy to include sufficient information, i.e. permit numbers, applicant names, shelter number, and payments, which will help in identifying weaknesses in DPR's revenue generating activities.
2	06-07 DPR's Unresolved Audit Recommendations	Adopt rules and regulations through the AAA process and discontinue the practice of exchanging DPR facility usage for goods and services from private businesses until such guidelines are incorporated in the adopted rules and regulations.
3	06-07 DPR's Unresolved Audit Recommendations	Compile and maintain a complete and current electronic master permit listing to account for park and vendor permits, reconcile permits with cash collected daily, and have an independent person verify the reconciliation in order to monitor facility usage trends and detect irregularities.

Department of Parks and Recreation, Cont'd.

Report #	Report Title	Recommendation
4	06-07 DPR's Unresolved Audit Recommendations	Consider several options for the Hagåtña pool: (1) purchase of a new turnstile, (2) waive the 50 cents admission fee since the cost of staff to monitor admissions appears greater than the actual fees collected, (3) raise the fee to justify the manual monitoring in which greater control will be required, or (4) present another effective alternative.
5	06-07 DPR's Unresolved Audit Recommendations	Monitor parks (including Matapang Park) regularly, and park agreements, at least annually, to ensure that private businesses comply with the permit conditions.
6	06-07 DPR's Unresolved Audit Recommendations	Develop a system to monitor all legislation affecting DPR activities to comply with all mandates.
7	06-18 DPR's Paseo Stadium Lease Agreement	Cause the DPR Employees Association to pay \$542 to the Municipal Stadium Operations Fund.

Dededo Mayor's Office- 7 Open Recommendations

Report #	Report Title	Recommendation
1	05-04 Dededo Mayor's Office Non-Appropriated Funds	Establish a system to (a) reconcile cash collections to cash deposits and the number of weekly Flea Market stalls occupied weekly (b) ensure that cash custodial and accounting duties remain segregated, (c) require monthly bank reconciliation to be performed, for the Revolving Fund account and (d) update the graphical layout of the Dededo Flea Market.
2	05-04 Dededo Mayor's Office Non-Appropriated Funds	Charge the prescribed \$20 weekend fee as mandated by 5 G.C.A. § 68901(b) effective immediately.
3	05-04 Dededo Mayor's Office Non-Appropriated Funds	Adhere to all reporting requirements as mandated by the various laws.
4	05-04 Dededo Mayor's Office Non-Appropriated Funds	Close the Lencho Park Thursday Night Market Fund and the Dededo MPC Preventative Maintenance Fund accounts, and transfer all account balances to the Dededo Municipal Planning Council Revolving Fund account.
5	05-04 Dededo Mayor's Office Non-Appropriated Funds	Deposit Daily Vendor donations into the Dededo MPC Revolving Fund Account, and conform to standard control policies in the operation of a petty cash fund.
6	05-04 Dededo Mayor's Office Non-Appropriated Funds	Issue Form 1099-MISC to all individuals (including prior years) who provided services of at least \$600 each fiscal year.
7	05-04 Dededo Mayor's Office Non-Appropriated Funds	Ensure that all expenditures are authorized, verified, and documented in monthly Dededo MPC meeting minutes.

Office of the Public Guardian- 6 Open Recommendations

Report #	Report Title	Recommendation
1	06-05 Supreme Court of Guam, OPG's Ward Trust Accounts	Develop a comprehensive electronic database of all ward cases and provide training in database management for the Legal Secretary who will maintain the database.
2	06-05 Supreme Court of Guam, OPG's Ward Trust Accounts	Inventory all wards' personal and real property as required by law and perform periodic inventories of ward assets.
3	06-05 Supreme Court of Guam, OPG's Ward Trust Accounts	Develop guidelines for determining when an appraisal should be performed, given the financial status of the wards.
4	06-05 Supreme Court of Guam, OPG's Ward Trust Accounts	Evaluate whether the composition of the Board is still appropriate, given the number of vacancies and the limited availability of current Board members to meet more frequently. If a re-composition of the Board is deemed appropriate, the PG should recommend to the Legislature a change in the composition of the Public Guardianship Review Board (PGRB).
5	06-05 Supreme Court of Guam, OPG's Ward Trust Accounts	Establish standardized forms and reports to document the contact, visitation, status and review of wards and determine the availability, practicality, and cost benefit of employee bonding and if appropriate, seek amendment to the law.
6	06-05 Supreme Court of Guam, OPG's Ward Trust Accounts	Review and approve the OPG's annual report and incorporate any concerns raised by the PGRB.

Chamorro Land Trust Commission- 5 Open Recommendations

Report #	Report Title	Recommendation
1	05-09 CLTC's Non-Appropriated Funds	Instruct the Commercial Division to compile a database of all leases and licenses to include at a minimum, lot numbers, names of lessees and licensees, monthly rental payments, commencement and termination dates of agreements, payment due dates, and actual payment dates with use of accompanying pre-numbered receipts.
2	05-09 CLTC's Non-Appropriated Funds	Consider evicting the defaulted lessee and recover the \$72,970 paid to SBA and annually request status reports of the loans guaranteed with the respective loan institutions.
3	05-09 CLTC's Non-Appropriated Funds	Follow P.L. 27-79 by establishing rules and regulations for the use of lease payments received from the Guam Municipal Golf Course.
4	05-09 CLTC's Non-Appropriated Funds	Utilize an accounting software program to account for its financial activities to produce financial reports for the Guam Legislature and the Governor of Guam, obtain annual financial audits, and publicize the audited financial statements as required by law.
5	05-09 CLTC's Non-Appropriated Funds	Conduct the semi-annual performance evaluations of its Administrative Director every six months during his appointment, documenting performance, accomplishments, and the Board's reasons for retaining him, as required by 5 G.C.A. § 43202.

Guam Visitors' Bureau- 5 Open Recommendations

Report #	Report Title	Recommendation
1	06-14 GVB's Credit Cards and Travel	Limit the use of credit cards to off-island marketing campaigns, unforeseen expenditures, and in emergency situations while in travel.
2	06-14 GVB's Credit Cards and Travel	Modify existing travel-related policies to (a) require GVB compliance with the Guam Travel and Procurement Laws; (b) record per diem allowances as receivables until the traveler complies with all reporting and documentation requirements and the expense report has been reviewed and approved by an appropriate reviewing authority; (c) ensure consistency as to the form of marketing reports; (d) restructure GVB's review process, appoint specific reviewing authorities, and segregate duties to ensure an objective review process; and (e) provide for a realistic span of control in order to ensure timely and thorough review of reports (marketing, expense, entertainment, etc).
3	06-14 GVB's Credit Cards and Travel	Implement a centralized filing system to ensure that all documentations relevant to travel funding request, such as the Board approval, travel authorizations issued, marketing reports and individual expense/training reports supported by receipts or other documentation are easily and readily accessible by anyone wishing to review them.
4	06-14 GVB's Credit Cards and Travel	Develop an appropriate gift-giving policy for Board approval that should, at a minimum, define individuals who can give/receive gifts and establish a tier of appropriate values for the different classes (i.e., based on position, rank) of recipients.
5	06-14 GVB's Credit Cards and Travel	Establish and obtain Board approval of a uniform compensation system for performers, entertainers, and pageant winners.

Guam Housing and Urban Renewal Authority- 4 Open Recommendations

Report #	Report Title	Recommendation
1	06-12 GHURA's Credit Card Charges and Related Travel Expenditures	Eliminate the use of GHURA's credit cards.
2	06-12 GHURA's Credit Card Charges and Related Travel Expenditures	Adopt the Guam travel law regulations to include: (a) recording travel per diem allowances as receivables until all official documentation, such as boarding passes, official receipts for registration, accommodations, etc., are submitted and reviewed by the appropriate reviewing authority; and (b) utilizing the government of Guam travel authorization form to support all travel on behalf of the Authority to ensure that a division head approves all travel expenses and that funds are certified prior to granting authorization to travel.
3	06-12 GHURA's Credit Card Charges and Related Travel Expenditures	Restructure the travel approval process to establish specific review authority to eliminate the possibility of perfunctory approvals and provide a realistic span of control to ensure timely and thorough review of reports.
4	06-12 GHURA's Credit Card Charges and Related Travel Expenditures	Comply with all government of guam procurement procedures by obtaining three price quotes for goods, services and travel expenses, and ensuring that written justification for vendor selection is maintained on file.

Ancestral Lands Commission- 4 Open Recommendations

Report #	Report Title	Recommendation
1 06-16	ALC's Non-Appropriated Funds	Establish rules and regulation for the fair and equitable use of Land Bank properties.
2 06-16	ALC's Non-Appropriated Funds	Refer to legal counsel for collection on entities that fail to pay their license fees; and initiate immediate contact with the Superior Court of Guam to identify the status of the repayment and to speed up collection efforts.
3 06-16	ALC's Non-Appropriated Funds	Establish policies and procedures for managing and accounting for ALC's non-appropriated funds while under their control.
4 06-16	ALC's Non-Appropriated Funds	Suspend the license with the construction company until the Guam Land Use Commission has given its approval as required by 21 G.C.A. § 60410 and the Attorney General has reviewed this license to determine whether it was issued pursuant to Guam law.

Guam Police Department- 3 Open Recommendations

Report #	Report Title	Recommendation
1 03-06	GPD's Asset Forfeiture Fund	Compile an inventory of assets forfeited to GPD and purchased with Asset Forfeiture Funds and their disposition.
2 03-06	GPD's Asset Forfeiture Fund	Use accounting software to manage accounting data and aid in preparation of annual financial reports and inventory of forfeited assets.
3 03-06	GPD's Asset Forfeiture Fund	Initiate an immediate count of the cash, jewelry, and narcotics that are stored at the site, to include the witness of at least three people, two from GPD and the third from the AG's office to ensure they correspond with the custody receipt on file.

Department of Revenue and Taxation- 2 Open Recommendations

Report #	Report Title	Recommendation
1 06-06	DOA's Returned Checks	Ensure that DRT Accounting and Collections Supervisors perform periodic reconciliation between the physical returned checks and DRT's AS400, investigate any discrepancy, and immediately write-off all the returned checks that cannot be supported by physical checks.
2 06-06	DOA's Returned Checks	Ensure that all tax-related (income tax, Gross Receipts Tax, and Real Property Tax) returned checks are accurately recorded no later than 10 working days in the AS400 system, upon receipt of the returned checks from TOG.

Guam Fire Department- 2 Open Recommendations

Report #	Report Title	Recommendation
1 03-10	GFD's Enhanced 911 Emergency Reporting System Fund	Establish procedures to monitor remittances by service providers to DOA, which should include determining whether remittances are reasonable based on historical trends of average lines billed and timely received within the 45-day time specified in law and investigate any unusual changes in the amount of the remittance. Pursue the collection of the surcharge from delinquent service providers and consider the reimbursements for expenses for service providers' collection services.
2 03-10	GFD's Enhanced 911 Emergency Reporting System Fund	Prepare and transmit a yearly assessment report as required by P.L. 25-55 to the Governor and Legislature to include E-911 Fund financial activity, i.e., revenues and expenditures.

DOA and OAG- 1 Open Recommendation

Report #	Report Title	Recommendation
1 06-19	OAG's Child Support Enforcement Program	Determine whether resources should be allotted to conduct reconciliation of prior year differences or agree on an appropriate amount to be written-off as of September 2006.

Department of Public Health and Social Services- 1 Open Recommendation

Report #	Report Title	Recommendation
1 04-12	DOA's Health and Human Services (HHS) and Youth Tobacco and Education Prevention Fund (YTEP)	Work in conjunction with the GEDCA, DOA, and the Legislature to initiate a plan to utilize the HHS Fund's available balance of \$1,600,960 to finance health care, tobacco prevention educational programs and/or other related projects.

Dededo and Yigo Mayors' Offices- 1 Open Recommendation

Report #	Report Title	Recommendation
1 04-13	DOA's Dededo Buffer Strip Revolving Fund	Work in conjunction with DLM to initiate plans to actively promote the DBS, establish lease agreements, and prohibit the unauthorized use of the DBS

Department of Mental Health and Substance Abuse- 1 Open Recommendation

Report #	Report Title	Recommendation
1 04-12	DOA's Health and Human Services and Youth Tobacco and Education Prevention Fund	Work in conjunction with the GEDCA, the DOA, and the Legislature to continue utilizing the YTEP Fund's available balance of \$814,755 to develop youth compliance monitoring, tobacco and drug prevention and education programs, and/or other related projects

Guam Memorial Hospital Authority- 1 Open Recommendation

Report #	Report Title	Recommendation
1 04-12	DOA's Health and Human Services and Youth Tobacco and Education Prevention Fund	Work in conjunction with GEDCA, DOA, and the Legislature to continue utilizing the HST Fund's available balance of \$960,001 to finance the GMHA operations, ensuring that all expenditures are properly authorized by legislative appropriation prior to disbursement.

Guam Public School System- 1 Open Recommendation

Report #	Report Title	Recommendation
1 06-17	GPSS' Utilities	Designate a specific person to monitor and ensure the accuracy of power and water billings. Any inaccuracies should be disputed with the appropriate agency immediately.

Governor of Guam- 1 Open Recommendation

Report #	Report Title	Recommendation
1 06-16	ALC's Non-Appropriated Funds	Transfer through Executive Order the accounting of ALC's non-appropriated funds to the Department of Administration.

Liberation Day Committee- 1 Open Recommendation

Report #	Report Title	Recommendation
1 03-04	Liberation Day Committee Funds and Activities	Include a qualification that selected vendors are not indebted to the government or that the payments to the vendor can be legally offset to pay the government. The coordination and cooperation with DRT should be sought. The Liberation Day Committee should issue IRS Form 109922 to individuals and other vendors as required under law.

Mayor's Council of Guam- 1 Open Recommendation

Report #	Report Title	Recommendation
1 05-04	Dededo Mayor's Office Non-Appropriated Funds	Submit a new fee schedule for approval to the Legislature.

Superior Court of Guam- 1 Open Recommendation

Report #	Report Title	Recommendation
1 05-08	SCOG's Judicial Building Fund	Automate the process of allocated filing fees to the JBF and other various funds to minimize the possibility of human error and to ensure accuracy.

Standards of Internal Control

United States Government Accountability Office (GAO)

Management is responsible for establishing and maintaining internal control and for compliance with laws, regulations, contracts, and agreements. The standards outlined by GAO²⁵ that define the minimum level of quality acceptable for internal control are:

1. Control Environment
2. Risk Assessment
3. Control Activities
4. Information and Communications
5. Monitoring

Control Environment

The first standard calls for a positive control environment, where integrity and ethical values are maintained and demonstrated by management and staff. Another component of this standard calls for management's commitment to competence. All personnel need to possess and maintain a level of competence that allows them to accomplish their assigned duties, as well as understand the importance of developing and implementing good internal control. Another factor that affects the control environment is the manner in which the agency delegates authority, responsibility, and accountability throughout the organization.

Methods to ensure that management is aware of its responsibilities include having an active audit committee with clearly defined responsibilities for financial reports, and penalties for management misconduct, including protection for whistleblowers.

Risk Assessment

The second standard, risk assessment, is the identification and analysis of relevant risks associated with (1) achieving the objectives, such as those defined in strategic and annual performance plans, and (2) forming a basis for determining how risks should be managed. Management needs to comprehensively identify risks and should consider all significant interactions between the entity and other parties as well as internal factors at both the entitywide and activity level. Risk identification methods may include qualitative and quantitative ranking activities, management conferences, forecasting and strategic planning, and consideration of findings from audits and other assessments.

²⁵ GAO/AIMD-00-21.3.1, Standards of Internal Control in the Federal Government.

Control Activities

The third standard, control activities, are the policies, procedures, techniques, and mechanisms that enforce management's directives. Control activities are an integral part of an entity's planning, implementing, reviewing, and accountability for stewardship of government resources and achieving effective results. They include activities such as approvals, authorizations, verifications, reconciliations, performance reviews, maintenance of security, and the creation and maintenance of related records, which provide evidence of execution of these activities as well as appropriate documentation. Examples of these include activities such as:

- *Segregation of Duties*: where key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud.
- *Proper Execution of Transactions and Events*: where transactions and other significant events should be authorized and executed only by persons acting within the scope of their authority.
- *Accurate and Timely Recording of Transactions and Events*: where transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions.
- *Timeliness of Deposits*: where all monies collected, especially if they are in the form of cash, are deposited on a daily basis.
- *Access to and Accountability for Resources*: where access to resources and records should be limited to authorized individuals, and accountability for the custody and use of resources should be assigned and maintained.
- *Appropriate Documentation of Transactions*: where all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination.

Information and Communications

The fourth standard requires good information and communication. For an entity to run and control its operations, it must have relevant, reliable, and timely communications relating to internal as well as external events. Information is needed throughout the agency to achieve all of its objectives. Program managers need both operational and financial data to determine whether they are meeting their agencies' strategic and annual performance plans and meeting their goals for accountability for effective and efficient use of resources. Effective communications should occur in a broad sense with information flowing down, across, and up the organization. In addition, effective information technology management is critical to achieving useful, reliable, and continuous recording and communication of information.

Good record keeping is part of an internal control system. It helps protect assets and ensures that employees adhere to applicable laws and policies and use prescribed procedures. Reliable records are also a source of information that management uses to monitor company operations.²⁶

²⁶ Larson, Wild, and Chiapetta, "Fundamental Accounting Principles", p.365.

Monitoring

The fifth standard deals with internal controls that are designed to assure that ongoing monitoring occurs in the course of normal operations. It is performed continually and is ingrained in the agency's operations. It includes regular management and supervisory activities, comparisons, and reconciliation. It should also ensure that the findings of audits and other reviews are promptly evaluated and resolved. Managers should complete, within established timeframes, all actions that correct or otherwise resolve the appropriate matters brought to management's attention.

The effective operation of the monitoring component enables management and the board to determine whether the internal control system — which includes all five components — continues to operate effectively over time.²⁷

Government Finance Officers Association (GFOA)

GFOA issued *An Elected Official's Guide to Internal Controls and Fraud Prevention*, which provides a concise yet comprehensive overview of internal controls and fraud prevention in the private sector. The booklet provides easy-to-follow explanations on: the control environment; accounting systems; control policies and procedures; evaluating internal controls; the causes, cost, and prevention of fraud; common types of fraud; and how management can detect fraud.

Aside from the booklet on internal controls, GFOA also provides published guidelines and recommended practices on topics, such as Accounting, Auditing, and Financial Reporting and Cash Management.

Committee of Sponsoring Organizations (COSO) of the Treadway Commission

COSO defines internal control as a process, effected by an entity's board or directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in:

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations.

Internal controls can help an entity achieve its performance targets, prevent the loss of resources, and ensure reasonably reliable financial reporting.



Image: COSO Internal Control Integrated Framework

²⁷ COSO Internal Control - Integrated Framework, www.coso.org.

Appendix 7:
Standards of Internal Control

Page 4 of 4

However, internal controls cannot change an inherently poor manager into a good one, nor will the controls provide absolute assurance to management regarding achievement of an entity's objectives.

COSO issued a seven-page executive summary on *Internal Control – Integrated Framework*, which defines internal control, discusses the five elements of internal control, what internal control can and cannot do, and the responsibilities of all personnel in an organization.

Office of Management and Budget (OMB) Circular A-123

The OMB issued Circular A-123, *Management's Responsibility for Internal Control*, to provide guidance to Federal managers on improving the accountability and effectiveness of Federal programs and operations by establishing, assessing, correcting, and reporting on internal control.

Management has a fundamental responsibility to develop and maintain effective internal control. The proper stewardship of government resources is an essential responsibility of agency managers and staff. Employees must ensure that programs operate and resources are used efficiently and effectively to achieve desired objectives. Programs must operate and resources must be used consistent with agency missions, in compliance with laws and regulations, and with minimal potential for waste, fraud, and mismanagement.

Effective internal control provides assurance that significant weaknesses in the design or operation of internal control, that could adversely affect the agency's ability to meet its objectives, would be prevented or detected in a timely manner.

For comprehensive discussions on internal control, refer to:

- COSO (www.coso.org) - Internal Control Integrated Framework
- GAO (www.gao.gov) - Standards for Internal Control in the Federal Government
- GFOA (www.gfoa.org) - An Elected Official's Guide to Internal Controls and Fraud Prevention
- OMB (www.omb.gov) - Office of Management and Budget Circular A-123
- AGA (www.agacgfm.org) - Association of Government Accountants Should State and Local Governments Strengthen Internal Controls by Applying SOX-Like Requirements?

As a result of our audits, several government officials have entered into plea agreements, were convicted, or indicted as of April 2007.

Plea Agreements

- GMTA Director entered into a plea agreement for credit card abuse.
- GIAA Deputy Manager entered into a plea agreement for credit card abuse.
- Former DPR Assistant Recreation Administrator entered into a plea agreement for misapplication of entrusted funds.
- Former CLTC Deputy Director entered into a plea agreement for official misconduct and misapplication of entrusted funds.

Convictions

- Former GMTA Deputy Director was convicted of fraudulent use of a credit card and official misconduct.
- Former GIAA Executive Manager was convicted of fraudulent use of a credit card and official misconduct. This case is on appeal to the Supreme Court of Guam.

Indictments

- Former Chief of Staff to a Governor was indicted for theft by deception, conspiracy, and official misconduct, and is awaiting trial.
- Former GMHA Deputy Administrator was indicted for official misconduct and improper influence over a notary and is awaiting trial.
- Former GMHA employee was indicted for official misconduct and unlawful exercise of a notary.
- Former Retirement Fund Director was indicted for theft by deception, conspiracy, and official misconduct. The Superior Court of Guam dismissed the indictment, but the Office of the Attorney General is appealing the decision to the Supreme Court of Guam.
- Former Governor was indicted for theft by deception, conspiracy, and official misconduct. The Superior Court of Guam dismissed the indictment, but the Office of the Attorney General is appealing the decision to the Supreme Court of Guam.
- Former Superior Court of Guam Administrative Director was indicted for unlawful influence as a felony, conspiracy for unlawful influence as a felony, theft of property held in trust, and official misconduct.
- An off-island attorney was indicted for conspiracy of unlawful influence as a felony relating to the case involving the former Superior Court of Guam Administrative Director.
- Former GEDCA Finance and Administrative Director was indicted for fraudulent use of a credit card as a felony, theft of property, and official misconduct.

- Former GEDCA Chief Financial Officer was indicted for fraudulent use of a credit card as a felony, theft of property, and official misconduct.
- Former GEDCA Business Development Director was indicted for fraudulent use of a credit card as a felony, theft of property, and official misconduct.
- Former PAG employee (former President of the Port Authority of Guam Goodwill and Morale Association) was charged with conspiracy and theft as a felony.
- Former PAG employee (former Treasurer of the Port Authority of Guam Goodwill and Morale Association) was charged with conspiracy and theft as a felony.
- Three DOE employees (the former Director of Education, the former DOE Controller, and a DOE employee) were indicted for conspiracy to commit theft & official misconduct. However, the indictments were subsequently dismissed with prejudice.

Do you suspect fraud, waste, or abuse in a government agency or department? Contact the Office of the Public Auditor:



- **Call our HOTLINE at 47AUDIT (472-8348);**
- **Visit our website at www.guamopa.org;**
- **Call our office at 475-0390;**
- **Fax our office at 472-7951;**
- **Or visit us at the PNB Building, Suite 401
In Hagåtña**

All information will be held in strict confidence.