



OFFICE OF THE PUBLIC AUDITOR

## **EXECUTIVE SUMMARY**

OPA Report No. 04-04 March 2004

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**Department of Administration  
Special Revenue Funds Part I  
October 1, 2001 through September 30, 2003**

The Office of the Public Auditor (OPA) initiated a performance audit into 65 special revenue funds maintained by Department of Administration (DOA). The findings in the Government of Guam's Audited Financial Statements for the past several fiscal years and the excessive number of funds prompted this audit. DOA maintains over 125 special revenue funds. Special revenue funds are established by law or by the Governor's executive order and are used to account for the proceeds of specific revenue sources; expenditures from special funds is usually restricted to specific purposes.

This report deals with only 30 of the 65 special revenue funds. The remaining 35 funds will be covered in a later report.

The objectives of the audit were to:

- Determine whether selected special revenue funds were being utilized and accounted for in accordance with their originally intended purposes;
- Identify which funds were inactive or no longer operating as intended;
- Determine which funds should be closed; and
- Develop guidelines for the establishment of a special revenue fund.

The majority of the 30 special revenue funds reviewed in this report had little to no financial activity. Generally, fund inactivity suggests that a fund is not being utilized and brings to question the continued need for the fund. Continued existence of unused or unnecessary funds hampers the efficiency of DOA's accounting operations by adding administrative responsibilities and maintenance procedures.

The following are the various reasons we identified for fund inactivity:

- Funds were reliant on the General Fund;
- Funds were designed only for a specific event, but the event has passed;
- Funds were already accounted for by other entities;
- Funds were created erroneously due to inconsistent legislation;
- Funds were created by conflicting legislation;
- Funds were not closed in DOA's financial management system, despite being repealed; and
- Funds were composed of immaterial transactions.

We recommend DOA establish procedures for the official closure of funds and close the following funds, transfer any remaining balances to the General Fund, and ensure that they are made inaccessible for future postings and appear only for viewing:

- Abandoned Vessels Fund
- Aquaculture Development and Training Fund
- Chamorro Language Commission Fund
- Coastal Zone Management Fund
- Customs and Agriculture Inspection Services Fund
- Guam Housing Corporation Revolving Fund
- Guam Museum Fund
- JROTC Fund
- Lost Book Fund
- School Operations Fund
- Summer School Fund
- Typhoon Paka Emergency Fund

We recommend the Legislature repeal the following special revenue funds and transfer the remaining fund balances approximately \$221,000 as of September 30, 2002 to the General Fund:

- Land Acquisition
- Individuals with Disabilities Disaster Recovery Fund
- CAHA, OET, and CEF Fund
- Off-island Travel Fund
- Overtime Fund
- Deficit Elimination Fund
- Rainy Day Fund
- Vocational Rehabilitation Revolving Fund
- Autonomous Agency Infrastructure Collections Fund
- Plant Nursery Revolving Fund
- Consumer Protection Fund
- Rabies Prevention Fund
- Livestock Fund
- Accessible Parking Fund
- Driver's Education Fund
- 1999 SPG Revolving Fund
- Komitea Para Tiyan Fund
- District Improvement Fund

The elimination of these funds does not necessarily mean foregoing the purposes for which a fund was created. The purposes of these funds can be alternatively achieved through a direct appropriation by the Legislature to agencies administering such funds, with the accounting still being done by DOA. The only difference is the accounting will be done in an account, rather than as a special revenue fund.

Overall, we concluded that the creation of numerous special revenue funds has a negative effect on the Guam Legislature's ability to control the budget of the Government of Guam. Legislative control was reduced because many special revenue funds were financed solely from transferred monies from the General Fund. Many of the special revenue funds do not go through legislative scrutiny because the Legislature focuses mainly on the General Fund and limits its oversight of programs financed within the General Fund appropriations process. The use of special revenue funds distorted the Government of Guam's overall financial picture by making revenues and expenditures appear to be less than they actually were.

The Director of DOA generally concurred with the findings and recommendations of the report. According to their response, steps have already been undertaken to address some of the recommendations of the report.



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