



Mayors' Council of Guam – Non-Appropriated Funds FY 2015 Financial Highlights

April 5, 2016

The Mayors' Council of Guam (MCOG) and the mayors are to be commended for ending fiscal year (FY) 2015 with an unmodified (clean) opinion on its Non-Appropriated Funds (NAF). Although, deposits of \$5 thousand (K) and disbursements of \$498 could not be verified, this is a decrease from the \$49K in deposits and \$13K in disbursements that could not be verified in FY 2014. Separate management letters were issued to each mayor and MCOG. Of the 19 municipalities, five villages (Barrigada, Hagatna, Mongmong-Toto-Maite, Piti, and Sinajana) had no findings and are to be commended for this accomplishment. Four villages (Asan-Maina, Chalan Pago-Ordot, Santa Rita, and Talofofo) had only one finding. Although the non-profit organizations (NPO) that operate the NAFs of Agana Heights and Mongmong-Toto-Maite are in compliance with their December 31, 2014 filings required by the Department of Revenue and Taxation (DRT), these NPOs were not audited. While Tamuning's NAF is also operated by an NPO, the NPO has not completed all required DRT filings for 2014 and was not audited.

Revenues from NAF and Senior Center Operations

With \$160K in NAF deposits, Sinajana ended FY 2015 with the largest revenues among the villages, followed by Dededo with \$143K. Even when the Host Community Benefit is factored, Sinajana's NAF revenues remained the largest, followed by Inarajan (\$149K), Chalan Pago-Ordot (\$146K), then Dededo. Host Community Benefits are provided to Inarajan and Ordot, the villages where Guam's solid waste facilities are located. In terms of revenues, the largest senior center operation in FY 2015 was in Santa Rita with \$111K, followed by Agat with \$56K and Dededo with \$43K.

Management Letters

Deficiencies identified were similar to those in FY 2014 and included lack of supporting documentation for receipts and disbursements, deposits could not be verified, checks made payable to "Cash", lack of bank reconciliations, and untimely deposit of receipts. Merizo had the most findings with six, followed by Agat and Yona with five each, and Dededo with four.

Eight villages and MCOG had cash receipt issues that amounted to \$61K, while ten villages and MCOG had cash disbursement issues that amounted to \$178K. Of these villages, six villages (Agat, Inarajan, Merizo, Tamuning, Yigo, and Yona) and MCOG had problems in both cash disbursements and cash receipts.

Cash Receipt Issues

Although money received was deposited, four villages (Agat, Inarajan, Merizo, and Yigo) either did not issue receipts or relevant documents for the money received, or a report or cash log was not available. Five villages (Agana Heights, Agat, Chalan Pago-Ordot, Tamuning, and Yona) and MCOG made untimely deposits. Merizo and Tamuning could not validate whether receipts

were deposited, resulting in questioned costs of \$3K and \$222, respectively. All funds received should be issued a receipt and deposited, regardless of activity or amount. At a minimum, a cash receipts log should be used to track funds received and contain details of the date, source, nature, and amount of the cash received.

Cash Disbursement Issues

Three villages (Agat, Mangilao, and Talofoyo) lacked supporting documentation (i.e., invoices, billings, point allocation of monetary awards, etc.), from which Agat did not support monetary awards disbursements with the recipients' signatures. Three villages (Dededo, Umatac, and Yona) had check disbursements made payable to "Cash". As in FY 2014, Merizo's disbursements required only one signature. These were among the similar findings of the prior year.

Report on Compliance

The Report on Compliance and on Internal Control for MCOG had similar findings as in prior years concerning procurement and monitoring of NPOs. The absence of written policies and procedures to monitor NPOs continued to be an ongoing finding for eight villages (Agat, Asan-Maina, Dededo, Merizo, Santa Rita, Umatac, Yigo, and Yona) in FY 2015.

No Compliance with Applicable Procurement Rules and Regulations

During FY 2015, eight villages (Dededo, Inarajan, Mangilao, Merizo, Tamuning, Umatac, Yigo, and Yona) and MCOG did not have formal procurement rules and regulations governing NAF. Eight villages (Dededo, Inarajan, Mangilao, Merizo, Tamuning, Umatac, Yigo and Yona) and MCOG lacked comparative prices for disbursements, resulting in questioned costs of \$41K. Inarajan and Mangilao did not advertise for contracts that exceeded \$15K, resulting in questioned costs of \$90K and \$19K, respectively. Absent exemption from law, all NAF and Senior Center disbursements are subject to Government of Guam (GovGuam) and federal Procurement Rules and Regulations, respectively.

Senior Center Operations Program (SCOP)

FY 2015 marks the fourth year that MCOG managed and operated SCOP. All income derived during senior citizens' operations (9am–4pm) is program income and therefore, subject to federal regulations. Activities after that are at the discretion of the Mayor and part of that respective village's NAF.

Liberation Day Carnival

The 2012 Liberation Day Carnival was the last carnival operated by MCOG and the last year audited. For 2013, 2014, and 2015, the Guam Liberation Historical Society (GLHS) was appointed by MCOG to run and manage the carnival. Independent auditor Ernst & Young LLP (EY) issued a clean opinion on GLHS's financial statements for years ended December 31, 2014 and 2013. In a separate management letter, EY identified two deficiencies concerning GLHS' need to: (1) formally document cash reconciliation procedures and (2) consider requiring its concessionaries to pay concession fees through non-cash forms of payment (i.e., certified checks or money orders).

For more details, you may view the reports in their entirety on our website at www.opaguam.org.