



OFFICE OF PUBLIC ACCOUNTABILITY  
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Public Auditor

## Inaugural Remarks

[Acknowledge those present: Fr. Kidd, Lt Gov, Speaker, Senators, Directors, etc.]

Thank you all for being here, particularly as it is a holiday. I sincerely appreciate your presence instead of enjoying the day off.

I want to especially thank Chief Justice Torres for allowing me to hold the ceremony at the Supreme Court despite it being a holiday. The law says that senators and other elected officials must be inaugurated on the first Monday in January. Consequently, the Court will incur overtime as several marshals and other staff were brought in.

Mrs. Christina Perez of Main Street, who catered the refreshments that I hope you will partake after the ceremony, told me that to save money, the government should not hold inaugurations on holidays. I agree with her and have felt uncomfortable about holding this ceremony on a holiday but as Chief Justice Torres said, it's the law. It'll happen again in 2023 and 2029.

When I took office in January 2001, I never imagined that I would do so four more times. After 16 years in this job, you might think I'd tire of it. But I haven't because I believe that OPA is helping GovGuam improve in accountability and transparency.

I remain enthusiastic about my work and much of my enthusiasm is driven by the great staff that I have in OPA.

Every captain must have a crew and I am fortunate to have a fantastic crew.

I proudly acknowledge and thank all of the OPA staff for their hard work, dedication and support. OPA staff, please stand to be recognized. Please applaud them.

Just in the last few days we issued two more audits: the status of our audit

recommendations; and returned checks the government doesn't pursue for collection. It's through the efforts of my staff, working with me, that we are able to issue our audits and do other work required of us. Thank You Staff!

One of the reasons I decided to run again is to push for adoption of the OPA Compensation Study. It's needed to ensure continuity and the institutional memory of OPA. Right now, that knowledge is vested in just a handful of staff.

My three-member management team of Yuka, Rod and Llewelyn have been with me about 12 years each. That's 36 years of auditing experience. They constitute the core. However, all three are in the unclassified service.

That means the next Public Auditor can bring in his own unclassified team. There is no question that the next Public Auditor should have the flexibility to name his own staff, but not at the expense of wiping out the institutional memory of OPA.

As we look further at OPA's staff, the average tenure of

10 staff Auditors is not even 3 years. We do have 2 senior Auditors in Charge, Jerrick and Clariza, with over 7 years each but the average staff tenure is just 4 and one-half years. You can see we have a big gap in the middle.

We've had many other good workers but they're gone, mainly to autonomous agencies like GPA, GWA, UOG, DOE. The average salary increase upon leaving OPA is \$11,150, from a high of \$23,000 to a low of \$4,200. You can't blame staff for wanting to leave for an average increase of over \$11k.

The Compensation Study is under review at DOA. While it has taken longer than expected, progress is being made. I am hopeful that DOA can submit its review to the Legislature before the end of the next quarter. If it is adopted, it will give OPA staff the compensation they deserve and certainty of employment in critical areas.

I must also thank the 33rd Legislature for passing last Friday Bill 358. This bill, sponsored by Senator Dennis Rodriguez, allows the Public Auditor the same prerogatives that the Attorney General has to administer personnel

matters within her office. I just hope now that Governor Calvo will sign Bill 358 into law.

Turning now to our goals in this new term. The program distributed today states our motto: "Auditing for Good Governance"  
Our vision is "GovGuam is the model for good governance in the Pacific" and that "OPA is a model robust audit office."

Recently we issued a compliance review of the Municipal Golf Course Lease Agreement granted by the Chamorro Land Trust Commission. Thereafter the Attorney General found the 25-year extension of the lease valid. While that may be, I stand by my conclusion that the renewal was not a model of good governance.

What was lacking was a thorough look to see what more the CLTC could do for the people of Guam. There were missed opportunities to try to negotiate a better rate. The lease was renewed notwithstanding that the lessee was delinquent in rent 36 times averaging 88 days and for even as long as 258 days; that at one point the delinquent rent was \$400,000; that \$185,000 had been owed in property taxes. Overall the Company performed poorly and submitted questionable financial statements.

If minimal compliance--the letter of the law rather than the spirit of the law--is all we want from government officials then GovGuam will not become the model for good governance.

Another example of poor governance is the Simon Sanchez High School procurement. Besides the incomplete procurement records and other areas cited in my decision, there was the lack of ownership by any of the agencies. DPW said we just keep the procurement record; GEDA said we're just here for the financing, and DOE said we're only here to decide what kind of school we want. No one agency took the lead. All were under the guise that they were just following the law. Because no one took charge the procurement was done poorly and had to be overturned. Unfortunately, the real losers are the students and teachers not only at Simon Sanchez but at the other schools that would benefit from the project.

One thing DPW did get right was limiting the RFP to \$100 million. This was the largest ever RFP for DPW

I found to my amazement that the legislation had no cap. The Legislature gave DOE a blank check in deciding how much it will cost to rebuild Simon Sanchez.

When I asked GEDA what would be the approximate debt service / lease back payments for a \$100 million COPs (certificates of participation), I was told it wouldn't be known until the negotiations have been concluded. So not even a range of cost for planning purposes?

Good luck to the Legislature and the Governor who will have to find the funding in 2020 for Simon Sanchez lease back payments.

Incidentally, as DPW has decided to issue a new RFP, there is nothing to prevent them from increasing it to \$125 million, \$150 million or even \$200 million. There is no cap! I hope they will keep it at \$100m.

I find it ironic that after over 6 months of back and forth between the Vice Speaker and Governor there is still no appropriation for \$14 million owed for retiree health insurance premiums while, on the other hand, there was no disagreement about giving DOE a blank check to rebuild Simon Sanchez and the repair other schools.

The classic example of poor governance is in solid waste. The history of GovGuam's violation of the Clean Water Act goes back to 1986.

The U.S. District Judge took the unprecedented step of placing the Solid Waste Division of DPW in receivership in March of 2008. The Layon Landfill became operational in September 2011. Now after 5 years of the Receiver operating Layon, the Judge still lacks confidence in GovGuam's ability to govern, to provide good governance over solid waste.

Why should GovGuam be the model for good governance in the Pacific? Because Guam is the largest island economy in all of Micronesia. You can put the economies of Palau, FSM and the Marshalls all together and Guam is still larger. We should be setting a standard for all of our neighboring islands.

But Guam does get things right. One example was Guam's hosting of the 2016 Festival of the Pacific Arts. Yes, there were some hiccups but what event of that magnitude won't have some issues. All in all it was a

celebration we can be proud of.

For GovGuam to improve its Governance, it must make significant investments in technology.

We must invest in new financial management systems for DOA and DRT. Their systems date back to the 1980s, more than 30 years ago.

GovGuam is a billion dollar enterprise! We crossed that threshold in FY2011 and continue to grow.

GovGuam, excluding autonomous agencies, receives over a billion dollars a year in revenues. General fund revenues are \$648 million; federal grants are nearly \$300 million, and there are \$177 million in other fund revenues.

But GovGuam is too much of a manual paper pusher. DRT continues to manually input all tax filings. Who does that in this day and age? Documents are scanned and read. Paper pushing is no way to run a billion dollar enterprise!

With new technologies, however, come risks like Cyber attacks. Cyber Security Risk Management is among the top issues for all major companies and governments.

There is a saying now that there are only 2 types of companies and organizations: those that have been hacked and those that don't know that they have been hacked. GovGuam needs to become proactive and ever vigilant in this area. If giant credit card companies, health service providers, and Yahoo can be hacked, you know GovGuam is vulnerable. GovGuam must be proactive and vigilant in this area.

DOA and DRT must be extremely on guard. While cyber attacks can't be prevented, we should do everything possible to minimize the risks. Fortunately, we have a new and young breed of Senators and I know some of them are computer savvy; I believe they'll appreciate what needs to be done.

Change is happening faster than ever. In 2016 we saw seismic change:

- The election of Donald Trump;
- BREXIT, Great Britain leaving the European Union;
- Worldwide, geopolitical instability and financial uncertainty; and,
- Locally an election that saw nearly half the incumbents ousted; and
- As I've already noted, the threat of cyber hacking.

Finally, should our new President and Congress reduce federal taxes, as they have promised, GovGuam's revenues will be adversely effected. How will GovGuam be able to afford existing programs, much less institute new ones?

These are but some of the issues GovGuam must deal with. As the Greek philosopher Heraclitus noted some 500 years before Christ, the only constant in life is change. As he put it, you can't step twice into the same river because the water is always flowing by.

And in this climate of constant change, OPA is faced with the challenge of how to enhance audit quality and become a model robust audit office.

OPA will be embarking in the IDI PASAI Performance Measurement Framework which will help identify our strengths and weaknesses; provide an assessment of where we are today; and help chart the course of where we want to be in the next four years. As the captain, I look forward to participating in this endeavor.

To the people of Guam, Un Dang Ku Lu Si Yu'os Masse for your vote of trust and confidence in retaining me in my job for a fifth term.

And to God, I ask and pray for your continued guidance and counsel as I begin the next phase of this journey. To my husband Jim, thank you for continuing to support me throughout my career. I could not have done this without your love, support and insights.