



EXECUTIVE SUMMARY
Office of Public Accountability's Status of Audit Recommendations
OPA Report No. 23-01, January 2023

This is the fifth report on the implementation status of audit recommendations issued by the Office of Public Accountability (OPA). Title 1 Guam Code Annotated (GCA) §1912 requires the affected Government of Guam (GovGuam) agencies to prepare corrective action plans and endeavor to implement OPA audit recommendations by the beginning of the following fiscal year.

Our review of OPA's status of audit recommendations revealed that between calendar years (CY) 2016 and 2021, 55 audit reports were issued with 182 recommendations that focused on fund accountability, program efficiency and effectiveness, procurement, personnel, and non-appropriated funds. Of the 182 recommendations, 123 are still open, a 32% closure rate.

The 55 reports were initiated as a result of OPA risk-based assessments, Legislative Mandates, requests from government officials, follow-ups on previously issued audits, and OPA hotline tips. These reports collectively identified financial impacts of \$794 million (M), of which \$266.6M were unrealized revenues and \$242M were questioned costs. The remaining \$286M were other financial impacts that resulted from significant costs from returned checks that were overstated, heavy equipment inventory management, gross receipts tax exemptions, lack of accounting for a \$400K contribution to GFA, overpayments of tobacco tax, lack of verification on refunds related to health insurance contracts, and deficit balances in some inactive Special Revenue Funds, among others. The following table summarizes the status of OPA recommendations between CY 2016 and 2021.

OPA Audit Recommendations between CY 2016 and 2021

| Initiated By: | Reports Issued | | Audit Recommendations | | | | Total Financial Impact |
|---------------|----------------|-------------|-----------------------|------------|------------|-------------|------------------------|
| | Count | % to Total | Closed | Open | Total | % to Total | |
| OPA | 23 | 42% | 31 | 72 | 103 | 57% | \$ 761,779,600 |
| Mandate | 9 | 16% | 4 | 7 | 11 | 6% | 300,008 |
| Request | 14 | 25% | 8 | 36 | 44 | 24% | 26,534,025 |
| Follow-up | 7 | 13% | 6 | 9 | 15 | 8% | - |
| Hotline | 2 | 4% | 9 | - | 9 | 5% | 3,038,944 |
| Total | 55 | 100% | 59 | 123 | 182 | 100% | \$ 794,001,343 |

Status of Audit Recommendations Issued Between CY 2001 to 2015

Between CY 2001 and CY 2015, OPA issued 151 reports with 646 audit recommendations to improve government operations. These reports identified total financial impacts of \$222.2M. As of December 2022, of the 646 audit recommendations, 619 have been closed. OPA is working with the auditees to close the remaining 27 open recommendations.

One way we measure the effectiveness of our reports towards improving GovGuam's accountability, operations, services, and governance is by tracking the implementation status of our recommendations. OPA audits are tools that help management achieve their objectives by providing oversight over operations, such as reporting how government money was spent or whether agencies complied with laws, rules, and regulations. Our audits also provide GovGuam managers with insight of potential

operational risks and foresight into possible opportunities. Over time, these audits should improve governance of GovGuam programs. Our previous reports on the status of audit recommendations included the following:

- **OPA Report No. 07-18, Status of Audit Recommendations** *issued in December 2007*
The first status report on recommendations for audits issued between CY 2001 and 2006 covered 65 audit reports. These reports made 420 recommendations with \$74.1M in total financial impact. All recommendations have been closed.
- **OPA Report No. 10-02, Status of Audit Recommendations** *issued in May 2010*
The second status report on recommendations for audits issued between CY 2007 and CY 2009 covered 35 audit reports. There were 85 recommendations with \$35.4M in total financial impact. As of December 2022, six recommendations remain open.
- **OPA Report No. 12-09, Status of Audit Recommendations** *issued in December 2012*
The third status report on recommendations for audits issued in CY 2010 and 2011 covered 21 reports. There were 77 recommendations with \$33.9M in total financial impact. As of December 2022, one recommendation remains open.
- **OPA Report No. 16-10, Status of Audit Recommendations** *issued in December 2016*
The fourth status report on recommendations for audits issued between CY 2012 and 2015 covered 30 reports. There were 64 recommendations with \$78.8M in total financial impact. As of December 2022, twenty recommendations remain open.

Ultimately, management is responsible for implementing recommendations and should ensure their agencies are committed to sustaining an effective internal control environment. Elected officials and governing bodies should encourage implementation through effective oversight.

Conclusion

OPA continues to send periodic reminders and follow-up letters to GovGuam entities to implement these open recommendations. We have continued to observe internal control deficiencies stemming from government managers not recognizing the importance and benefits of effective internal controls. OPA's recommendations are intended to improve controls in the affected entities and management must accept the responsibility for implementing the recommendations. It is to each entity's benefit to embrace the internal control framework and its components as described by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and adopted by the U.S. Comptroller General, Government Accountability Office in the Standards for Internal Control in the Federal Government.

Until a general understanding is embraced, audit findings such as insufficient monitoring and noncompliance with laws and regulations, will continue along with the financial impact. A key factor in improving accountability in achieving an entity's mission is to implement an effective internal control system.

While 1 GCA § 1913 allows OPA to file actions in the Superior Court of Guam to force the implementation of the recommendations, OPA has yet to exercise this arduous and costly remedy.



Benjamin J.F. Cruz
Public Auditor