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Public Auditor Requests Budget for Healthy Futures Fund Financial Audit

Healthy Futures Fund Revenues, Expenditures Indicate Need for Annual Financial Audit

January 26, 2022

Hagåtña, Guam – On Wednesday, January 26, 2022, Public Auditor Benjamin J.F. Cruz wrote to the Speaker of the 36th Guam Legislature and Chairman on Appropriations requesting for budget consideration for the fiscal year (FY) 2022 financial audit of the Healthy Futures Fund as part of FY 2023's budget deliberations. The Healthy Futures Fund is a major source of funding for government investments in public health, including support for the Guam Memorial Hospital Authority and the Department of Public Health and Social Services.

Cruz explained that as of FY 2020, the Healthy Futures Fund accounted for 22% of all special revenue fund (SRF) revenues and 19% of all SRF expenditures. The Healthy Futures Fund has consistently placed in the top five of revenue grossing and expenditure producing SRFs in at least the last three fiscal years, if not more. Of the top five SRFs, the Tourist Attraction Fund, Territorial Highway Fund (also known as the Guam Highway Fund), and Solid Waste Operations Fund already receive a separate financial audit.

The OPA has also conducted two performance audits on tobacco taxes, specifically OPA Report No. 19-07, *Department of Revenue and Taxation Bonded Warehouses for Tobacco Products* and OPA Report No. 18-04, *Department of Revenue and Taxation Tobacco Tax*, which pointed out that DRT may not be collecting all that is owed in tobacco taxes for various reasons. An ongoing third-related performance audit on alcohol and tobacco taxes has preliminarily found a lack of adequate oversight over the revenues and expenditures of the tobacco taxes.

Cruz stated, *"This was highlighted when we received certain information and reports from the Department of Revenue and Taxation, Department of Administration, and Bureau of Budget Management Research related to the Healthy Futures Fund that were inconsistent. We believe that with the introduction of an annual financial audit, more attention will be paid to rectifying compliance issues and collecting revenues necessary to meet the mandates of the SRFs enabling legislation."*

Cruz also suggested that should funding be needed to be identified for the OPA's request, that the financial audit of the Healthy Futures Fund replace the annually budgeted allotment for the Guam Highway Fund's annual financial audit.

Cruz concluded, *"After raising this recommendation with Director Birn last week, he mentioned DOA would be amenable to this switch as the bond covenants that required the GHF's annual financial audit were met when the bonds were paid off a couple of years ago. The GHF's audit contract expires with the completion of the FY 2021 audit, so this is an opportune time to make the switch. OPA will still reserve the right to conduct performance audits on the Guam Highway Fund in the future, if necessary."*

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Attachments: Public Auditor Cruz's letter to Speaker Terlaje and Senator San Agustin

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