



OFFICE OF PUBLIC ACCOUNTABILITY  
Doris Flores Brooks, CPA, CGFM  
Public Auditor

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August 30, 2010

The Honorable Judith T. Won Pat, Ed.D  
Speaker  
30<sup>th</sup> Guam Legislature  
155 Hesler Place  
Hagatna, Guam 96910

Office of the Speaker  
Judith T. Won Pat, Ed. D.  
Date 8/30/2010  
Time 10:01 AM  
Received by [Signature]

30-10-0740

Hafa Adai Speaker Won Pat,

Pursuant to Section 2(a) of Public Law 30-127 relative to the Citizen-Centric Report Initiative, the Office of Public Accountability (OPA) has transmitted in electronic format (via .pdf e-mail attachment) and posted on its website its FY2009 Citizen Centric Report.

Additionally, although not required by the law, OPA has enclosed two hard copies of its report.

Should your staff require additional information, please contact Maripaz Perez at 475-0390 ext. 215 or e-mail [mperez@guamopa.org](mailto:mperez@guamopa.org); or Joy Bulatao ext. 207 or e-mail [jbulatao@guamopa.org](mailto:jbulatao@guamopa.org).

*Senseramente,*

Doris Flores Brooks, CPA, CGFM  
Public Auditor

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# Office of Public Accountability

## A Report to the Citizens of Guam

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For Fiscal Year (FY) 2009

Issued August 2010

### Our Form of Public Service

The Office of the Public Auditor (OPA) was established in July 1992 by Public Law (PL) 21-122 as an instrumentality of the government of Guam, independent of the executive, legislative, and judicial branches. The people and government of Guam rely on OPA to ensure the effective and efficient administration and management of public funds. OPA provides reliable information, objective analyses, and unbiased recommendations on ways to use government resources in support of the well-being of our island and its people.



In June 2009, PL 30-27 renamed the Office of the Public Auditor to the "Office of Public Accountability". OPA's new name better reflects its mission to promote public accountability. OPA is committed to provide better oversight, insight, and foresight of our government.

At the end of 2009, OPA staff consisted of one part-time and 13 full-time employees. OPA's staff collectively possess professional credentials such as Certified Public Accountant, Certified Government Financial Manager, Certified Internal Auditor, and Certified Government Auditing Professional. All of the OPA professional staff graduated with a Bachelor's or Master's Degree in various disciplines. OPA takes pride in its staff and continues to strive for further professional staff development.

### Who Audits the Auditor?

Government Auditing Standards require audit organizations to undergo a quality control review or peer review every three years. OPA is audited by the members of the Association of the Pacific Island Public Auditors. Full Compliance rating is the highest achievement for audit organizations. In May 2008, OPA received its third consecutive Full Compliance rating, and had been in full compliance since 2002. In addition, OPA's operations are annually audited by independent auditor Deloitte and Touche.

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"Auditing  
for Better Government"

### Our Mission

To improve the public trust, we audit, assess, analyze, and make recommendations for accountability, transparency, effectiveness, efficiency, and economy of the government of Guam independently, impartially, and with integrity.

### Our Vision

Guam is the model for good governance in the Pacific.

### Our Objective

To improve the audited entity's effectiveness, efficiency, and economy, and promote good governance.

### Our Goals

- Maintain independence
- Deliver timely, reliable, and non-partisan reports
- Advance staff competence
- Increase public knowledge of OPA's mission and work
- Build and improve relations with government entities

# Progress in FY 2009

## New Recruits



## OPA's Expenditures

Expenses	FY 2009	FY 2008
Salaries & Benefits	\$ 680,523	\$ 768,662
Contractual	\$ 122,196	\$ 114,127
Rent	\$ 82,177	\$ 74,026
Equipment	\$ 53,299	\$ 25,705
Miscellaneous	\$ 26,002	\$ 3,905
Travel	\$ 4,796	\$ 10,769
Supplies	\$ 9,814	\$ 8,267
Telephone & Utilities	\$ 6,238	\$ 6,090
<b>Totals</b>	<b>\$ 985,045</b>	<b>\$ 1,011,551</b>

## Did You Know?

- (1) In FY09, the government of Guam spent \$2.1M on audits, or less than one-half cent of every dollar (\$0.0043), of government of Guam revenues of \$483.2M.
- (2) With operating expenditures of \$985K, the taxpayers realized a return on investment of more than 141% (Questioned Costs Identified: \$1.4M ÷ OPA Expenditures: \$985K).

## Performance Audits

Performance Audits are audits of government programs and activities to improve the economy, effectiveness, and efficiency of government operations. Performance auditors are similar to doctors specializing in diagnosing problems with your heart, liver, lung, etc.

As of December 2009, OPA issued 100 audit reports with 505 recommendations to improve government performance. Of those 505, 460 recommendations were addressed by the respective agency or deemed no longer relevant due to system and policy changes.

Audit Focus	# of Reports	Recommendations		
		Closed	Open	Total
Program Efficiency & Effectiveness	22	126	14	140
Procurement	11	52	3	55
Fund Accountability	42	136	7	143
Non-appropriated Funds	12	92	21	113
Personnel	8	23	0	23
Credit Card & Travel	5	31	0	31
<b>Totals</b>	<b>100</b>	<b>460</b>	<b>45</b>	<b>505</b>

The 100 audit reports collectively identified a financial impact of \$109.5M with \$58.3M in questioned costs, \$16.3M of unrealized revenues, and \$34.9M of other financial impact, as illustrated in the table below.

CY	Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact
2001	\$ 354,490	\$ -	\$ -	\$ 354,490
2002	\$ 3,326,827	\$ 145,496	\$ 5,973	\$ 3,478,296
2003	\$ 20,262,045	\$ 2,495,850	\$ 4,070,292	\$ 26,828,187
2004	\$ 13,102,656	\$ 2,602,595	\$ 655,802	\$ 16,361,053
2005	\$ 2,434,330	\$ 1,045,536	\$ 2,706,022	\$ 6,185,888
2006	\$ 6,751,426	\$ 3,237,794	\$ 10,938,428	\$ 20,927,648
2007	\$ 1,308,995	\$ 6,484,259	\$ 16,489,457	\$ 24,282,711
2008	\$ 9,687,839	\$ -	\$ -	\$ 9,687,839
2009	\$ 1,081,539	\$ 305,472	\$ -	\$ 1,387,011
<b>Totals</b>	<b>\$ 58,310,147</b>	<b>\$ 16,317,002</b>	<b>\$ 34,865,974</b>	<b>\$ 109,493,123</b>

OPA annually develops an Audit Work Plan to collectively determine which government entities and programs to review based on overall risk assessment.

## Financial Audits

Financial audits are reviews of financial statements to determine its accuracy, completeness, and fair representation of the entity's operations. Financial audits are similar to general doctors in assessing your overall health condition annually.

From the FY00 to FY09 financial audits, 1,728 findings were identified with over \$64M in questioned costs, as illustrated in the table below.

FY	# of Findings	Questioned Costs
2000	39	\$ 14,594
2001	181	\$ 10,062,663
2002	260	\$ 21,957,785
2003	485	\$ 13,073,265
2004	236	\$ 2,112,369
2005	188	\$ 4,443,204
2006	136	\$ 4,057,666
2007	88	\$ 3,312,358
2008	70	\$ 3,090,559
2009	45	\$ 2,317,263
<b>Totals</b>	<b>1,728</b>	<b>\$ 64,441,726</b>

## Procurement Appeals

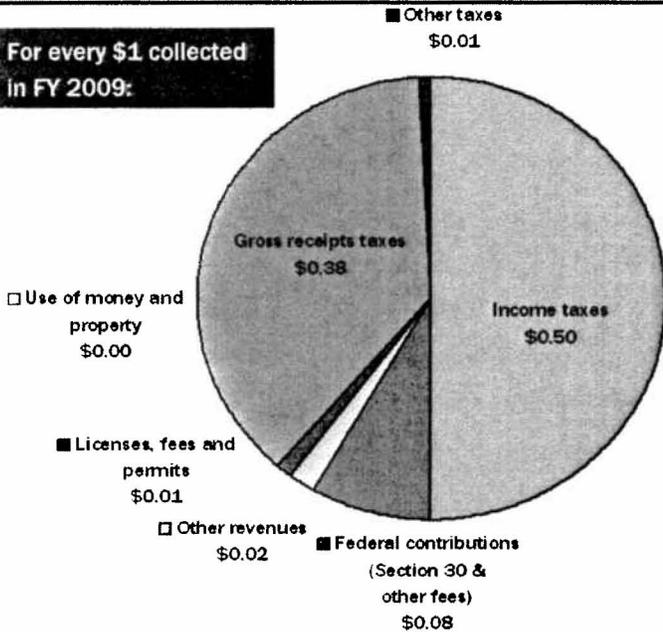
From October 2006 to December 2009, 38 procurement appeals have been filed with the OPA. These appeals ranged from bidder responsiveness and responsibility, methods of source selection, and award procedures.

As of December 2009, 20 appeals were issued decisions, 17 were dismissed, and 1 remains open.

# Government of Guam Finances

## General Fund Revenues - Where Did Our Funds Come From?

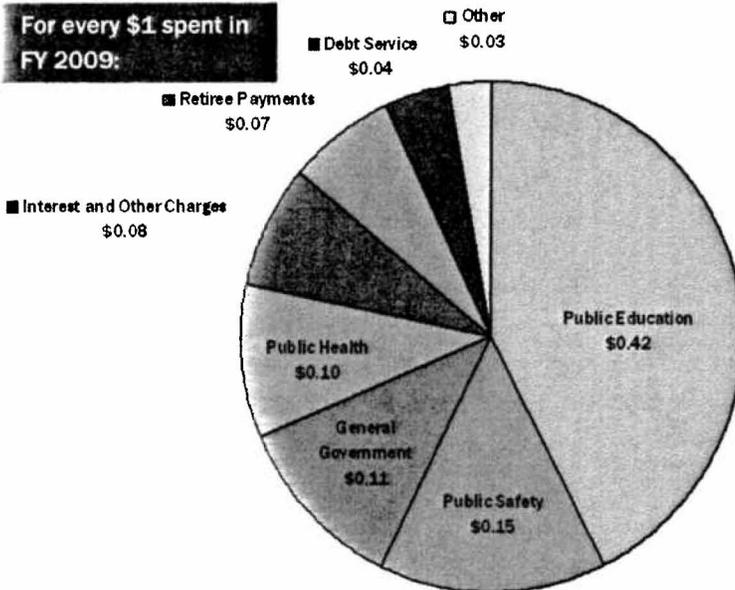
For every \$1 collected in FY 2009:



Revenues	FY 2009	FY 2008
<b>Taxes:</b>		
Income	\$ 241,877,161	\$ 254,137,767
Gross receipts	\$ 182,583,996	\$ 185,795,875
Other taxes	\$ 3,411,533	\$ 3,109,304
<b>Total Taxes</b>	<b>\$ 427,872,690</b>	<b>\$ 443,042,946</b>
Federal contributions (Section 30 & other fees)	\$ 40,481,512	\$ 45,329,450
Other revenues	\$ 9,454,365	\$ 16,751,480
Licenses, fees and permits	\$ 4,470,091	\$ 5,593,716
Use of money and property	\$ 871,525	\$ 2,472,737
<b>Total revenues</b>	<b>\$ 483,150,183</b>	<b>\$ 513,190,329</b>

## General Fund Expenditures - Where Did We Spend It?

For every \$1 spent in FY 2009:



General Fund Expenditures	FY 2009	FY 2008
Public Education	\$ 253,243,893	\$ 238,516,563
Public Safety	\$ 86,859,431	\$ 72,957,261
General Government	\$ 68,551,945	\$ 75,064,843
Public Health	\$ 57,049,996	\$ 31,702,865
Interest and Other Charges	\$ 46,609,389	\$ 17,309,639
Retiree Payments	\$ 40,275,345	\$ 38,449,655
Debt Service	\$ 26,103,484	\$ 22,702,010
Other	\$ 15,766,645	\$ 29,762,661
<b>Total expenditures</b>	<b>\$ 594,460,128</b>	<b>\$ 526,465,497</b>

## Our Independent Audit

The FY09 Government of Guam Financial Statement Audit issued on June 30, 2010 was conducted by independent auditor Deloitte & Touche, which resulted in a clean audit opinion. This opinion gave reasonable assurance that the financial statements are fairly presented and in compliance with the generally accepted accounting principles in the United States of America. For more information, please visit [http://www.guamopa.org/docs/GovGuam\\_fs09.pdf](http://www.guamopa.org/docs/GovGuam_fs09.pdf).

# Moving Forward



## The Hay Study

For OPA, retention and recruitment of qualified individuals remain an ongoing challenge with low compensation packages and lengthy bureaucratic hiring process. Under the purview of the Department of Administration's Human Resources Personnel Management Division, OPA is unable to compete with autonomous entities, the federal government, and the private sector, which have greater hiring flexibility. The starting salary of OPA's auditors are among the nation's lowest.

## Citizen Involvement

OPA encourages citizens to be its eyes and ears to help identify abusive and wasteful government spending. OPA also encourages citizens to share areas of government programs or entities they would like to be audited. Please contact our hotline, 47AUDIT or visit our website at <http://www.guamopa.org>.

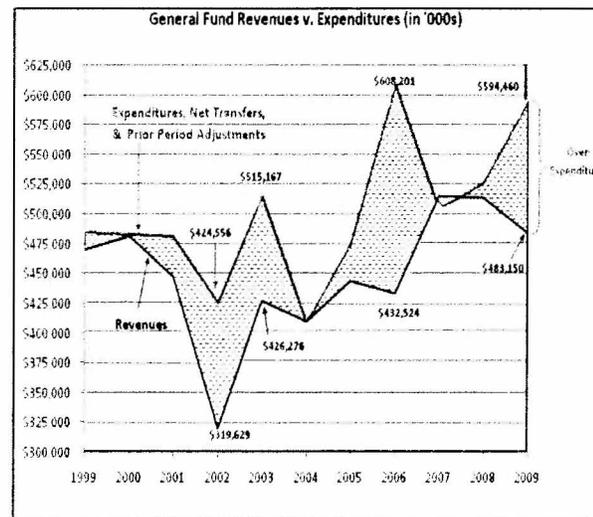
## Guam Challenges

### Military Buildup

Guam's increase in economic activity is contingent upon the commencement of the scheduled Marine relocation construction. With the impending Marine relocation, OPA is concerned about the Department of Revenue and Taxation's ability to capture and collect all revenues due to the government.

### Government of Guam Deficit

The FY09 revenues of \$483.2M were lower than the FY08 revenue collections of \$513.2M and budgeted revenues of \$531.2M. Despite the revenue decrease, our government continues to live beyond its means. General Fund expenditures of \$594.5M were \$111.3M higher than its \$483.2M revenues (see graph below). The deficit spending was financed by the issuance of \$271M deficit bonds. Past deficits were financed by non-payment of tax refunds now at \$253M.



## Next Audit Focus

Looking forward, and in line with OPA's goal to provide oversight, insight, and foresight, the impending military buildup and mounting deficit are our focal points. Due to the minimal restraint on government spending, OPA is focusing its audits to find ways to address revenue leakage and enhance revenue collections.

## Procurement Initiative

The integrity of the government's procurement process depends on well-trained employees, well-informed contractors, and updated procurement laws and regulations. OPA, together with the Attorney General's Office and the Guam Bar Association, are developing plans to establish a procurement advisory council, training institute, and professional certification program for procurement personnel.

## We Want to Hear From You

Do you like this report? Do you believe it should include more information? Please let us know by contacting Maripaz Perez at 475-0390 ext. 215 or [mperez@guamopa.org](mailto:mperez@guamopa.org); Llewelyn Terlaje at 475-0390 ext. 217 or [lterlaje@guamopa.org](mailto:lterlaje@guamopa.org); and Joy Bulatao at 475-0390 ext. 207 or [jbulatao@guamopa.org](mailto:jbulatao@guamopa.org). Complete reports on government performance and financials can be found at <http://www.guamopa.org>.