

SAI Performance Report

**Guam Office of Public
Accountability**

September 2017

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Abbreviations and Acronyms

AGA	Association of Government Accountants
AO	Administrative Officer
APIPA	Association of Pacific Islands Public Auditors
CCR	Citizen Centric Report
CPA	Certified Public Accountants
CPE	Continuing Professional Education
CSC	Civil Service Commission
DFAT	Department of Foreign Affairs and Trade
DOA	Department of Administration
GCA	Guam Code Annotated
GovGuam	Government of Guam
HR	Human Resources
IDI	INTOSAI Development Initiatives
INTOSAI	International Organization of Supreme Audit Institutions
ISSAI	International Standards for Supreme Audit Institutions
IT	Information Technology
OAG	Office of the Auditor-General
OPA	Office of Public Accountability
P.L.	Public Law
PA	Public Auditor
PASAI	Pacific Association of Supreme Audit Institutions
QAR	Quality Assurance Review
RFP	Request for Proposals
RMI	Republic of the Marshall Islands
SAI	Supreme Audit Institutions
SAI PMF	Supreme Audit Institutions Performance Management Framework
SOP	Standard Operating Procedures
SWOT	Strengths, Weaknesses, Opportunities and Threats

Foreword

The Supreme Audit Institutions (SAI) Performance Measurement Framework (PMF) assessment of the Office of Public Accountability (OPA) was prepared on the basis of the INTOSAI 2016 Endorsement Version, as of October 24, 2016. The assessment began in May 2017, with fieldwork in Guam taking place during the week of May 15-19, 2017.

a) Executive Summary

The Office of Public Accountability (OPA) is one of six Public Auditor's Offices who took part in a regional project – "Supporting Supreme Audit Institutions (SAI) Performance Measurement" in the North Pacific region, a collaboration between the INTOSAI Development Initiatives (IDI), the Pacific Association of Supreme Audit Institutions (PASAI) and the Australian Department of Foreign Affairs and Trade (DFAT). The project was implemented by IDI in partnership with PASAI.

The purpose of the assessment is to assist the OPA in identifying the strengths and weaknesses of its audit processes and capabilities against International Standards for Supreme Audit Institutions (ISSAIs) and other internationally established good practice, as well as its progress towards achieving the objectives of ISSAI 12: *The Value and Benefits of Supreme Audit Institutions – making a difference to the lives of citizens.*

Overall, the SAI performance is considered reasonable, considering the constraints and challenges it has encountered over the years, in terms of high level of staff turnover due to the restrictions on salary levels it can offer, which is limited by government regulations. OPA's inability to offer better salaries has resulted in the loss of qualified professionals to agencies that are not required to follow government regulations related to salaries and wages. The loss of qualified professionals contributed to the SAI not being able to meet its target number of audits to be carried out during the reporting period.

There has been significant improvement in timeliness of external audits as a result of OPA advocating March 31st to be the deadline to issue all Government of Guam financial audits. The Government of Guam-wide FY2016 audit report was issued on June 8, 2017, three weeks earlier than the FY2015 audit report, which was issued on June 30, 2016. This demonstrates good governance by providing timely information to the citizens and the decision makers.

Overall, the SAI has wide powers to initiate audits and is mainly free from direction and interference from the executive or other powers. The audit findings provide potential to strengthen accountability, transparency and integrity of the government and public sector.

The assessment disclosed some important challenges for the SAI:

- Improvement in the monitoring process to assess achievements against its organizational plans;
- Improvement in identifying long-term strategic staffing needs and competency requirements for the different types of audits it is mandated to conduct (e.g. financial audit, compliance audit, performance audit, procurement appeals or other types of audits); or
- Improvement in communication with staffs, stakeholders and to society that would foster the SAI capacity to add value to the lives of citizens.

The report may be shared with other stakeholders who are involved in the development of the SAI PMF (October 2016), provided that it is approved by the Public Auditor. The report may also be shared to PASAI and IDI. The decisions about the use of the SAI PMF Report and its publication are entirely under the discretion of the Public Auditor. For all purposes, the Public Auditor is the owner of the assessment.

b) Quality Assurance Review

By IDI

c) Observations of the SAI's Performance and Impact

The Organic Act of Guam (Constitution) only authorizes the establishment of the OPA, but not its independence. The independence is provided for in the enabling legislation [Title 1, Guam Code Annotated (GCA), Chapter 19]. There are no provisions in the Organic Act or the enabling legislation giving OPA adequate legal protection by the Supreme Court against any interference with the OPA's independence.

Although the OPA's legal framework, Title 1 GCA Chapter 19, provides the OPA with access to all information it needs to carry out its mandate, and does not limit OPA in any way to report, it was noted that the OPA has some restrictions in auditing and reviewing local taxes per P.L. 33-52, which limits OPA's access to individual taxpayers' privileged information by the U.S. Internal Revenue Code.

Overall, OPA has wide powers to initiate audits, and in practice, it is mainly free from direction and interference from the executive or other powers.

With its broad mandate, the OPA is able to determine, on its own, the types of audits and reviews that they wish to conduct as they see necessary. However, a broad mandate coupled with limited resources – both financial and human, provided a real challenge for the SAI when developing its annual operational plan. Within the year under review, OPA listed 20 performance audit topics in its annual plan. However, only 11 performance audits were completed and issued in CY 2016.

In addition to conducting audits, the OPA is also mandated by law to decide on procurement appeal cases. The OPA has opted to contract the services of three lawyers who are called Hearing Officers as these are quasi-judicial hearings following rules of evidence of Guam law. A Hearing Officer hears the appeal case with the Public Auditor, and the final verdict or decision on an appeal case is decided by the Public Auditor. While the Public Auditor's decision is binding, both the appellant and entity can appeal the PA's decision to the Superior Court of Guam.

(i) Integrated Assessment of SAI Performance

OPA has performed various duties ranging from conducting performance audits, administering procurement appeals to monitoring and overseeing the issuance of financial and compliance audits that were conducted by independent external auditing firms. Despite the numerous activities

conducted by the OPA, the absence of any monitoring process to assess achievements against its organizational plans highlighted the fact that OPA cannot determine whether they have achieved the activities they have set out to achieve as described in their strategic plan.

The annual operational plan is not in place and the strategic plan and audit plan are incomplete; these key organizational planning mechanisms are critical to ensuring that OPA has effectively considered their mandated responsibilities, key stakeholder expectations and emerging risks to delivering their planned activities. In the absence of proper planning and a monitoring process, we were not able to assess OPA's performance against set targets.

The Public Auditor (PA) together with three of OPA's management staff have a wealth of institutional knowledge about the Office – its policies and procedures and how the Office is managed. The manner in which the Head of SAI is appointed - by election, and the nature of employing three management staff – “at the pleasure of the Public Auditor”, provides some risks in retaining institutional knowledge because if the current PA is not re-elected, the newly elected PA may decide to bring in his/her own employees to manage the office.

(ii) The Value and Benefits of Supreme Audit Institutions – making a difference to the lives of Citizens

OPA has identified over \$20.4 million in questioned costs¹ and other financial impacts (such as lost or unrealized revenue) and provided recommendations to improve accountability, effectiveness and efficiency through the performance audits issued during CY 2016. The identification of questioned costs strengthen accountability as well as the integrity of public entities in terms of their internal processes as well as managing and utilizing government resources.

OPA prepared and issued what is called a “Citizen Centric Report”, which is a legislative requirement for all government of Guam entities. This report provided an overview of OPA's performance in terms of the activities it conducted during the year and how it expended its approved budget. OPA also prepared an annual report which provided further details about what the office achieved during the calendar year.

The financial audits for the twenty- two (22) component units and the whole of government were completed before the June 30th deadline and the audit reports were issued and posted on the OPA website. Notably, the FY2016 financial audit report for the Government of Guam (dated June 8, 2017) for the period being assessed was issued three (3) weeks earlier (June 30, 2016) than the FY2015 financial audit report, as a result of the OPA advocating March 31 to be the deadline to issue all Government of Guam financial audits. This demonstrates good governance by providing more timely information to the citizens and decision makers.

¹ Defined by US Office of Management and Budget (OMB) Circular A-133 to include costs that are questioned by the auditor because of an audit finding (a) that resulted from a violation or possible violation of a provision of a law, regulation contract, grant, cooperative, (b) for which the costs, at the time of the audit, are not supported by adequate documentation; or (c) for which the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.

(iii) Analysis of the SAI's capacity development efforts and prospects for further improvement

The SAI strives for excellence in service and professionalism through its commitment and support to developing its staff. The SAI takes advantage of any available training opportunity to develop its staff. What is lacking is establishing a structured system that identifies competencies to be developed, how these competencies are relevant to the SAI's mandated responsibilities, identifying staff that require professional development and the allocation of staff to trainings opportunities when they arise.

The SAI currently has several staff with professional certifications, with all being members of professional organizations. Improvement is needed in developing organizational and audit plans and documenting the processes for developing these key documents. Minutes of staff and management meetings should be documented to support all key decisions and resolutions made during these meetings.

The Head of the SAI routinely engaged in discussions with various Senators to actively advocate for hiring autonomy. As a result, Public Law 33-226 was enacted in January 2017, giving the SAI powers to administer personnel matters. Furthermore, the Public Auditor actively lobbied to institute an equitable compensation plan for OPA auditors mainly to address ongoing recruitment and retention issues. Effective October 2017, the following Accountability Auditor positions were successfully created: Accountability Auditor I, Accountability Auditor II, Accountability Auditor III, Supervising Accountability Auditor, Managing Accountability Auditor, and Accountability Director.

Chapter 1. Introduction

The Office of Public Accountability (OPA) agreed to undertake the SAI PMF assessment to assist in identifying the strengths and weaknesses of its audit processes and capabilities against ISSAIs and other internationally established good practice, as well as its progress towards achieving the objectives of ISSAI 12: *The Value and Benefits of Supreme Audit Institutions – making a difference to the lives of citizens*. The three broad objectives of ISSAI 12 that SAIs should strive to achieve are to:

- Strengthen the accountability, transparency, and integrity of government and public sector entities;
- Demonstrate on-going relevance to citizens, Parliament, and other stakeholders; and
- Being a model organization through leading by example.

The SAI PMF aims to provide a comprehensive and integrated, evidence-based assessment of SAI performance. It is informed by an indicator-led analysis of performance domains covering SAI environment, SAI internal capability and SAI external performance. This evidence, and understanding of the linkages between the performance domains, is used to assess the extent to which the SAI contributes to better public financial management, improved governance and accountability, and efforts to tackle corruption. It also looks at the SAI's reform process and the future prospects for reform.

The assessment covered the OPA as a whole, covering all domains and indicators of the SAI PMF version adopted as of October 2016, except for those specifically excluded below. All types of audit

work carried out by OPA during the calendar year 2016 (CY 2016) were available to be examined in this assessment. In CY 2016, Guam OPA has completed 11 performance audits, oversaw the issuance of 22 financial audits and administered 15 procurement appeals.

The following indicators and dimensions will be excluded due to OPA's key activities:

- SAI-8 Audit Coverage
 - (iv) Coverage of Jurisdictional Control

- SAI-9 Financial Audit Standards and Quality Management
 - (i) Financial Audit Standards and Policies
 - (ii) Financial Audit Team Management and Skills
 - (iii) Quality Control in Financial Audit

- SAI-10 Financial Audit Process
 - (i) Planning Financial Audits
 - (ii) Implementing Financial Audits
 - (iii) Evaluating Audit Evidence, Concluding and Reporting in Financial Audits

- SAI-11 Financial Audit Results
 - (i) Timely submission of financial audit results
 - (ii) Timely publication of financial audit results
 - (iii) SAI Follow-up on Implementation of Financial Audit Observations and Recommendations

- SAI-15 Compliance Audit Standards and Quality Management
 - (i) Compliance audit standards and policies
 - (ii) Compliance audit team management and skills
 - (iii) Quality control in compliance audit

- SAI-16 Compliance Audit Process
 - (i) Planning compliance audits
 - (ii) Implementing compliance audits
 - (iii) Evaluating audit evidence, concluding and reporting of compliance audits

- SAI-17 Compliance Audit Results
 - (i) Timely submission of compliance audit results
 - (ii) Timely publication of compliance audit results
 - (iii) SAI follow-up on implementation of compliance audit observations and recommendations

- SAI-18 Jurisdictional Control Standards and Quality Management (for SAIs with Jurisdictional Functions)
 - (i) Jurisdictional Control Standards and Policies
 - (ii) Jurisdictional Control Team Management and Skills
 - (iii) Quality Control of Jurisdictional Controls

- SAI-19 Jurisdictional Control Process (for SAIs with Jurisdictional Functions)
 - (i) Planning Jurisdictional Controls
 - (ii) Implementing Jurisdictional Controls
 - (iii) Decision-making Process During Jurisdictional Controls

- (iv) Final Decision of Jurisdictional Controls
- SAI-20 Results of Jurisdictional Controls (for SAIs with Jurisdictional Functions)
 - (i) Notification of Decisions Relating to Jurisdictional Control
 - (ii) Publication of Decisions Relating to Jurisdictional Control
 - (iii) Follow-up by the SAI on the Implementation of Decisions Relating to Jurisdictional Control

The assessment team freely chose documents and information that were regarded necessary to substantiate the scoring of the indicators and to clarify the country context.

The Assessment Team consisted of Atmita Jonathan, Team Leader (RMI Office of the Auditor-General), Ayako Yamaguchi-Eliou (RMI Office of the Auditor-General), and Sinaroseta Palamo-Iosefo (PASAI Director of Practice Development).

The Public Auditor of Guam OPA, Mrs. Doris Flores Brooks, has ownership of the assessment. The decisions about the use of the SAI PMF Report and its publication are entirely under her discretion.

Chapter 2. Methodology

As part of a regional initiative, the planning for this assessment took place during a planning meeting held in Guam in January 2017 where six SAIs (or as known in the north Pacific - Offices of the Public Auditor) participated to prepare for their respective assessments. The assessment fieldwork was conducted on 15-19 May 2017. A performance analysis workshop held in Marshall Islands in October 2017 provided further guidance for the assessment team on preparing the assessment report.

The assessment team obtained and reviewed evidences with regards to the criteria assessed in the framework, such as the Organic Act (Constitution), OPA Act and other relevant Acts, the Strategic Plan, the Audit Manual 2014, audit reports, audit files, annual reports and other relevant materials. The assessment team also conducted interviews with SAI staffs. The scorings of the criteria were based on the assessment of these evidences.

All samples were chosen by the team, without any interference from those responsible for the audits. Audit files selected for review were taken from the list of audits completed during the period under assessment. Of the eleven (11) performance audits completed during CY2016, the assessment team selected two (2) performance audit files (Government of Guam Gaming Tax and Guam Memorial Hospital Authority Trust Fund Fees) and one (1) procurement appeals file (OPA-PA-06-002) for review. Because financial and compliance audits are outsourced to independent CPA firms and audit files are retained with the firms, no financial audit files were reviewed. However, the assessment team reviewed the procurement process for soliciting request for proposals (RFPs) for financial and compliance audit services for two (2) of the Government of Guam component units (Tourist Attraction Fund and Guam Highway Fund).

Chapter 3. Country and SAI Background Information

3.1 Description of country governance arrangements and wider environment in which the SAI operates.

Guam is inhabited by 162,742 people and is the largest and southernmost island of the Mariana archipelago situated between Hawaii and the Philippines. In the Western Pacific, Guam serves as the gateway to Micronesia and a crossroad to the Far East. Guam is an unincorporated territory of the United States of America with policy relations between Guam and the United States under the jurisdiction of the Office of Insular Affairs, U.S. Department of the Interior. In 1950, the U.S. Congress provided Guam with an Organic Act that organized Government of Guam (GovGuam or Government) as a constitutional government comprised of locally elected executive and legislative branches and an appointed judicial branch. In addition, Guam has an elected representative to the U.S. Congress who possesses the same powers and privileges as representatives from the various States, with the exception of voting on the House floor.

The Executive Branch consists of a popularly elected Governor and Lieutenant Governor, each serving a four-year term, with executive department heads appointed by the Governor with the consent of the Guam legislature. These officials are tasked with the implementation of Guam's laws through its 64 departments, bureaus, and agencies that make up GovGuam. According to the Guam Bureau of Labor Statistics, there are 11,730 GovGuam employees as of September 2016.

The Legislative Branch is a unicameral parliament consisting of 15 Senators elected for a term of two years. The Legislature is empowered and responsible for creating laws to protect the community, ensure its health and welfare and promote Guam's development.

The Judicial Branch is comprised of the Supreme Court of Guam and the Superior Court of Guam with judges appointed by the Governor for eight year terms. Guam's judicial branch decides issues of local laws and interprets how these laws should be applied.

The United States government also maintains a presence on the island. As set out in the Organic Act of Guam, GovGuam shares its authority and duties in certain areas of governing to the federal government. The federal government maintains jurisdiction over certain areas including immigration, negotiation and execution of treaties and agreements with other nations, certain aspects of the maritime industry, protection of environmental integrity and defense.

The existence of an elected government and the presence of the U.S. government create a secure and stable political climate. Guam is protected by the U.S. Constitution, uses the U.S. dollar as currency, and mirrors the U.S. Internal Revenue Code.

The Guam Department of Education (GDOE) is Guam's public education system consisting of a single, unified school district. There are over 30,000 students in grades Kindergarten through 12th within the 26 elementary schools, eight middle schools, six high schools, and one alternative school. In 2016, the Accrediting Commission for Schools of the Western Association of Schools and Colleges unanimously

approved the district-level accreditation of the GDOE. This six-year district-level accreditation is the first for GDOE.

Guam also has two higher education institutions, the Guam Community College (GCC) and the University of Guam (UOG). GCC provides vocational classes for high schools, classes for developmental and adult education courses, two-year college courses, and college transfer courses. UOG offers undergraduate level courses and some graduate programs leading to a Master's degree.

According to the 2010 Census, Guam had an average family income of \$62,724 and an average nonfamily income of \$41,837. In the same Census, the per capita income of the entire population is \$16,549. The report also identified 35,848 individuals (6,514 families) with income below the 2009 US poverty level.

As of September 30, 2016, the Government of Guam's cumulative General Fund deficit stands at 105.7M, with an overall government-wide negative net position (deficit) of \$727.8M and unrestricted deficit of \$1.89 billion (B). Given the financial situation of our island, OPA strives to conduct audits that identify revenue enhancements and revenue leakages.

Guam enjoys the press and speech freedoms of the U.S. Constitution. Media is available in print (via locally-published newspaper, weekly newsletters, and magazines), online (via media websites), radio (AM and FM radio stations), television stations, etc.

Guam residents enjoy the freedom to establish civic organizations by filing with and abiding by the rules established by the Department of Revenue and Taxation.

3.2 Description of public sector budgetary environment including public financial management and impact on SAI performance.

As already noted in the preceding section, Guam's public sector is governed by the elected Governor and Lt. Governor and is comprised of the three branches - executive, legislative, and judicial branches.

GovGuam government-wide September 30 year-end financial statements are divided into two categories:

- Primary government – comprised of governmental or business-type activities, which includes most of GovGuam's basic services such as education, public safety, health, finance, judiciary, and general administration. Local sourced tax revenues and other federal grants finance most activities of the primary government.
- Component Units – comprised of entities that are legally separate organizations for which GovGuam's elected officials are financially accountable; or other organizations for which the nature and significance of their relationship with GovGuam are such that exclusion would cause GovGuam's basic financial statements to be misleading or incomplete. These are separately audited, unlike most of the primary government, which are audited as part of the government-wide audit.
- Judiciary and Legislature- the finances of these branches are included under Special Revenue funds.

GovGuam’s financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The financial audits are conducted in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the U.S. Comptroller General.

If federal awards expended by the primary government or component units during any financial statement audit period meet or exceed the audit threshold of the Single Audit Act of 1996, as amended, the external auditor will also perform a compliance audit over federal award programs in accordance with the Single Audit Act and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations* (A-133), replaced by the Uniform Guidance codified at Title 2, Part 200 of the Code of Federal Regulations.

Government-wide financial statements are reported using the economic resources measurement focus and the **full accrual** basis of accounting, as are the fiduciary fund and component unit financial statements. The statement of net position includes all of the government’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

Governmental funds financial statements account for the general governmental activities of GovGuam and are reported using the current financial resources measurement focus and the **modified accrual** basis of accounting.

The General Fund is the fund into which all Guam revenues, not otherwise restricted by statute, are deposited and from which appropriations are made. Two primary sources of General Fund revenues are tax revenues and federal contributions. Tax revenues are comprised of income taxes and business privilege taxes, which accounted for approximately 50% and 35% of total General Fund revenues, respectively, during FY 2015. The Government is the only taxing authority in Guam. There is no separate municipal, county, school district, or improvement district taxes.

Federal contributions traditionally represented the second largest source of General Fund revenues and are pursuant to Section 30 of the Organic Act of Guam, 48 U.S.C. §1421h (“Section 30 revenues”). Section 30 revenues are amounts received by or on behalf of GovGuam or the Trustee from the United States as proceeds of custom duties, federal income taxes and any other taxes derived from Guam.² Beginning in FY 2012, GovGuam changed its method of presenting Section 30 revenues in its audited financial statements, and these amounts are now presented as a component of GovGuam’s tax revenues.

Schedule of FY 2014 – FY 2016 General Fund Revenues & Expenditures

General Fund Revenues	FY 2016	%	FY 2015	%	FY 2014	%
Income Taxes	\$ 343,836,465	52%	\$ 324,402,392	52%	\$ 296,185,527	47%
Gross Receipts Taxes	238,304,786	36%	226,592,159	36%	238,249,400	38%
Section 30 Funds	78,467,450	12%	71,446,424	11%	87,998,215	14%
Other Taxes	2,937,715	0%	2,690,851	0%	3,463,914	1%
Subtotal, Taxes	663,546,416	100%	625,131,826	100%	625,897,056	100%

² GovGuam FY 2015 Financial Audit Notes to Financial Statements. p. 60
http://www.opaguam.org/sites/default/files/govguam_fs15.pdf

Other Revenues	5,869,099	26%	9,996,064	44%	8,725,702	40%
Charges and Fines	6,345,507	29%	4,144,732	18%	4,801,031	22%
Licenses and Permits	5,916,066	27%	5,636,191	25%	5,594,294	26%
Intergovernmental	4,065,459	18%	2,839,778	13%	2,545,406	12%
Subtotal	22,196,131	100%	22,616,765	100%	21,666,433	100%
Total Revenues	685,742,547		647,748,591		647,563,489	

General Fund Expenditures						
	FY 2016	%	FY 2015	%	FY 2014	%
Public Education	\$ 275,892,498	38%	\$ 276,599,153	40%	\$ 370,593,159	46%
Protection of Life and Property	109,012,247	15%	111,566,515	16%	134,059,434	17%
Debt Service	80,992,439	11%	88,970,278	13%	76,816,896	10%
Public Health	79,795,829	11%	39,734,335	6%	42,173,356	5%
Other	64,816,571	9%	63,610,305	9%	66,383,283	8%
Retiree Payments*	64,235,954	9%	60,414,932	9%	51,003,253	6%
General Government	58,147,869	8%	58,152,002	8%	55,504,357	7%
Interest on Tax Refunds	1,529,555	0%	1,021,759	0%	923,109	0%
Total Expenditures	734,422,962	100%	700,069,279	100%	797,456,847	100%
Other Financing Sources (Uses), Net	<u>62,047,043</u>		<u>(7,164,374)</u>		<u>87,951,396</u>	
Net Change in Fund Balance (Deficit)	<u>13,366,628</u>		<u>(59,485,062)</u>		<u>(61,941,962)</u>	
Fund Balances (Deficit) at Beginning of Year	<u>(119,100,127)</u>		<u>(59,615,065)</u>		<u>2,326,897</u>	
Fund Balances (Deficit) at End of Year	<u>(105,733,499)</u>		<u>(119,100,127)</u>		<u>(59,615,065)</u>	

*Retiree Payments include Special Revenue Section 2718 funds of \$15,243,673, \$20,572,173, and \$6,388,394 for FY 2016, FY 2015, and FY 2014, respectively.

All OPA reports (i.e., performance audits, financial audits, procurement appeals decisions, etc.) are available to Guam citizens and the general public via OPA's website, transmitted to the various media outlets, and submitted to the Governor, Lt. Governor, and senators. OPA has full autonomy to issue reports to those parties it deems necessary, and is not subject to any political or other interference.

OPA is responsible for monitoring and following-up on recommendations made. Although 1 GCA § 1913 allows the Public Auditor to file in the Superior Court of Guam an action for a Writ of Mandate to force the implementation of the recommendations and the attendant corrective action plan, the Public Auditor has not exercised this authority.

Several autonomous agencies, such as the Guam Power Authority, Guam Waterworks Authority, Department of Education, and University of Guam, have an internal audit function. OPA auditors coordinate with the internal auditors of these agencies when necessary, such as setting up financial audit meetings, providing hotline tips and citizens concerns, etc.

The Public Auditor and other public officials have recognized the need to update the government's financial management system from its antiquated AS400 system. There is currently a task force in place to look into the acquisition and procurement of a new system. However, completion of this review and recommendation as to the next steps to be taken is not known at this time.

3.3 Description of the SAI's legal and institutional framework, organizational structure and resources.

Guam Office of Public Accountability (OPA) was established by Public Law 21-122 in July 1992 [Title 1 Guam Code Annotated, Chapter 19]. OPA is an instrumentality of the Government of Guam (GovGuam), independent of the executive, legislative, and judicial branches as annotated in §1900 of 1 GCA Chapter 19.

The Public Auditor is the head of OPA. The Public Auditor is elected by the voters of Guam and serves a four-year term, which is not term-limited. The Public Auditor is the first and only elected Public Auditor in the Pacific and is in the beginning of her fifth consecutive term as Public Auditor. The enactment of P.L. 25-42 in May 1999, required the Public Auditor to be elected by popular vote.

OPA is responsible for conducting post-audits of all the transactions and accounts of all departments, offices, corporation, authorities, and agencies in all branches of the government of Guam. OPA is also responsible to conduct such other audits or reviews as deems necessary.

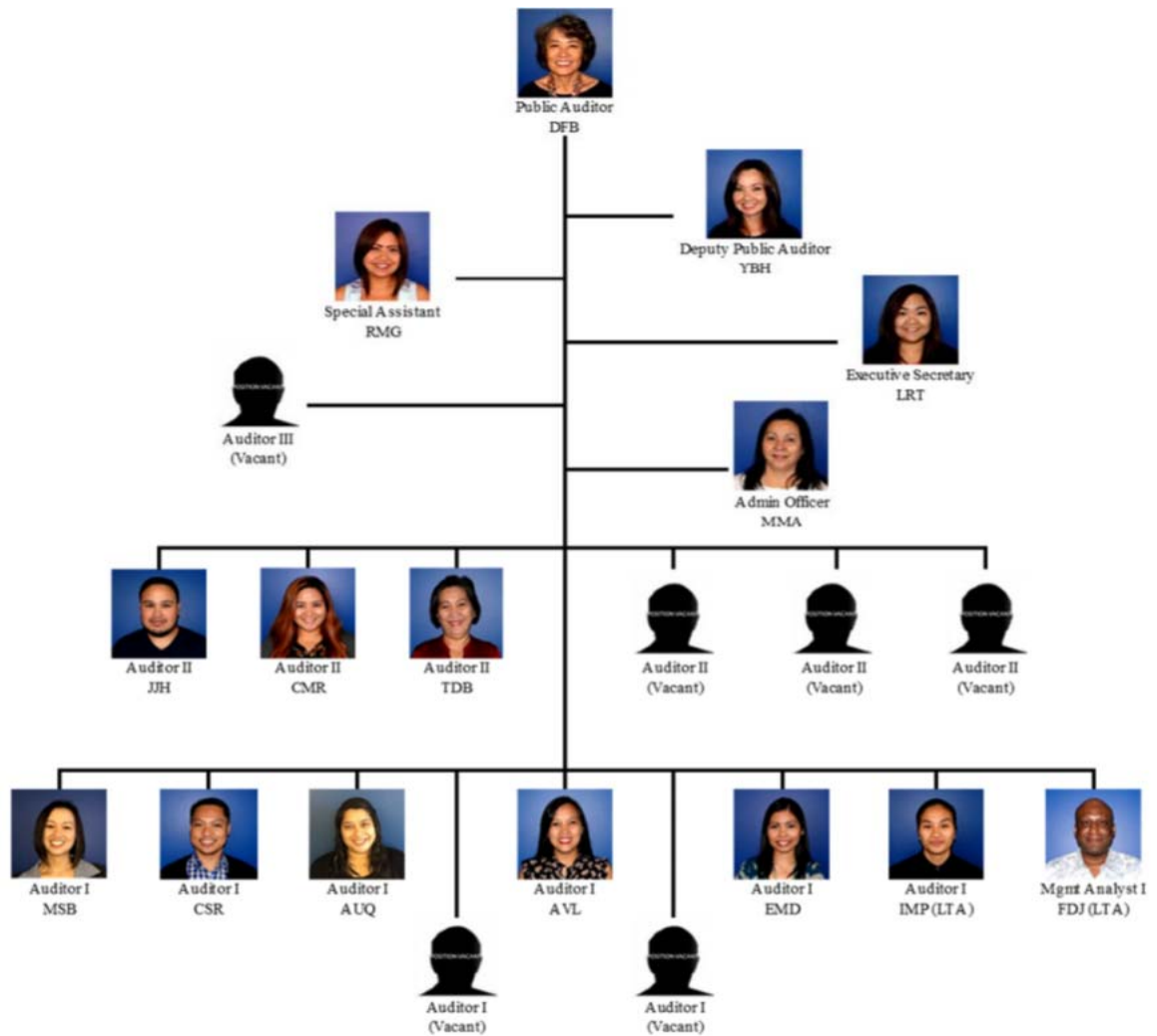
OPA's primary function is to conduct performance audits and has broad authority to conduct government-wide audits or program-specific audits. Due to staff shortage, OPA outsourced all Government of Guam agencies' financial audits to independent Certified Public Accounting (CPA) firms, but maintained oversight of these audits and prepared financial audit highlights that are released concurrently with the financial audit reports. OPA also responded to legislative mandates and official requests to review other government-related activities.

OPA is also tasked to hear and decide on appeals related to procurement protest decisions between vendors and agencies, contract controversies, and vendor suspension and debarment, pursuant to 1 GCA §1909(k). Procurement appeals are not common in other audit offices, but OPA applied quality assurance procedures similar to those required of performance audits reports and financial audit highlights.

The Public Auditor assigned each OPA procurement appeals case to a Hearing Officer. OPA maintained legal services contracts with three licensed attorneys on Guam who served as OPA's Hearing Officers in order to manage the workload and preclude potential conflicts of interest. Similar to the outsourced independent auditing services, procurement for the legal services is administered through the RFP process.

Since 2011, OPA received an average annual budget appropriation of \$1.42M from the General Fund, inclusive of various lapsed funds carry over authorizations. In prior years, the annual appropriations with the lapsed funds carry over authorizations were sufficient for OPA to execute its mandates. For FY 2018, OPA submitted a budget request of \$1.69M due primarily to increased payroll costs with the hiring of several new employees towards the end of FY 2017. However, OPA received a \$1.4M appropriation in FY 2018, resulting in a budgetary gap of \$293K. Despite having some available cash and implementing cost-cutting measures to augment the anticipated shortfall in FY 2018, management is concerned with OPA's ability to sustain operations in FY 2019, should the Legislature decide to appropriate similar budget levels as FY 2018.

The following represents the Guam OPA's organizational chart as of January 2017:



Chapter 4. Assessment of the SAI Environment, Capability, and Performance

The objective of this chapter is to provide an assessment of the key elements of the performance of the Guam OPA, through the set of indicators scored. Low scores will highlight opportunities for improvement, whereas high scores will be sign of good practices.

Domain A: Independence and Legal Framework

SAI-1 Independence of the SAI

The Lima Declaration highlights that the SAI's establishment should be anchored in the country's supreme law to ensure the appropriate sustainability and authority of the organization.

Indicator Score: 2		
Dimension	Findings	Score

<i>Dimension (i) – Appropriate and Effective Constitutional Framework</i>	Criteria a, f, g, are met. Criteria b, c, d, e, are not met.	1
<i>Dimension (ii) – Financial Independence/Autonomy</i>	Criteria a, b, c, d, f, g, are met. Criteria e is not met.	3
<i>Dimension (iii) – Organizational Independence/Autonomy</i>	Criteria a, b, c, e, f, g, are met. Criterion d is not met.	3
<i>Dimension (iv) – Independence of the Head of the SAI and its Officials</i>	Criteria a, b, d, e, f, g, are met. Criteria c is not met.	3
SAI-1 overall score		2

Dimension (i) Appropriate and Effective Constitutional Framework

The Organic Act of Guam (Constitution) only authorizes the establishment of the OPA, but the appointment, term, cessation of functions of the Head and the independence of the decision-making powers are guaranteed in the OPA’s legislation as described in Title 1 Guam Code Annotated (GCA) Chapter 19. Without legal protection of OPA’s independence specified in the Constitution, OPA is exposed to potential interference to its independence in the event any future legislation is passed removing such independence currently enjoyed by OPA.

Dimension (ii) Financial Independence / Autonomy

OPA submits its annual budgets to the Legislature. The annual budget is requested by the Legislative Appropriations Chairman, voted on by the Guam Legislature, and enacted into law by the Governor. OPA receives a lump sum appropriation. OPA is exempt from allotment release control and may draw down against its appropriation as needed. However, in fiscal years 2007, 2008 and 2013, OPA’s appropriations were reduced by various laws and budget lapsed funds carryovers were not authorized. Guam Legislature’s standing rules do not prohibit bills for supplemental appropriations and amendments. In the past three (3) years, the Executive branch has not interfered in OPA’s budget.

Dimension (iii) Organizational Independence / Autonomy

The Organic Act or the OPA enabling legislation did not give power to the Public Auditor to freely decide on all human resource matters. However, in January 2017, Public Law 33-226 was enacted, giving the head of the SAI the power to administer personnel matters. Despite the additional authority granted to the PA, the staff salaries continued to be set by the Department of Administration Director.

The Head of the SAI has the authority to retain the services of an independent audit firm or organization to conduct financial audits and may hire a private contractor to perform the SAI’s human resource operations.

Dimension (iv) Independence of the Head of the SAI and its Officials

The Public Auditor position is an elected position with the first election in November 2000. Each term is a period of four years. There is no term limit for the position. The current Public Auditor is serving

her fifth consecutive term after recently being elected in November 2016. The law that created the SAI does not specify immunity for the Public Auditor. The law outlines the process for removal.

SAI-2: Mandate of the SAI

SAIs need to be sufficiently empowered by the legal frameworks establishing their roles and clearly describing the public financial operations they are responsible for auditing. The legal frameworks should allow the SAIs to be independent in the choice of the audit issues, in their audit planning, in the conduct of their audits and to freely prepare, submit and publish their audit reports.

Indicator Score: 3		
Dimension	Findings	Score
<i>Dimension (i) – Sufficiently broad mandate</i>	Criteria a, c, d, e, f, g, h, i, are met. Criteria b, not applicable (N/A)	4
<i>Dimension (ii) – Access to information</i>	Criteria b, c, e, are met. Criteria a, d, not met.	2
<i>Dimension (iii) – Right and Obligation to report</i>	Criteria b, c, d, e, f, g, are met. Criteria a, not met.	2
SAI-2 overall score		3

Dimension (i) – Sufficiently broad mandate

OPA has a wider mandate that allows the Public Auditor annually, to audit or cause to be conducted post-audits of all transactions and accounts of all departments, office, corporations, authorities and agencies in all of the branches of Government of Guam. The Public Auditor may conduct or cause to be conducted such other audits or reviews as he/she deems necessary.

Dimension (ii) – Access to information

Title 1 G.C.A Section 1919 requires all agencies to surrender records that the SAI requests to conduct audits, except full access to taxpayer information. Although P.L. 33-52 allows the SAI to access taxpayer information, it still limits it to information that is not specifically privileged by the US Internal Revenue Code.

The SAI determines what audits to conduct and agencies must surrender requested records necessary to conduct the audit and agencies are required to offer their complete cooperation during an audit or review.

Dimension (iii) – Right and Obligation to report

Although it is not prescribed in the Organic Act of Guam, the SAI's enabling legislation requires an annual report of its audits and recommendations to be submitted to the Governor and the Legislature within ninety (90) days after the fiscal year. The SAI's annual reports are prepared by calendar year because its reports are issued as such. A Citizen Centric Report (CCR) is also required and all government agencies, including the SAI must submit a 4-page report no later than 60 days after the agencies financial audits are issued. The SAI posted all its reports on its website for public viewing.

The Public Auditor is empowered to conduct audits or reviews as he or she deems necessary. There are no specific timing requirements to complete audits except for financial audits which are required to be completed by June 30th after the fiscal year end.

During the past 3 years, the SAI has encountered some auditees who did not agree with certain findings and recommendations described in the draft performance audit reports transmitted to them for feedback prior to report issuance. These resulted in the auditees' submission of additional supporting documentation, which the audit teams took into consideration and made additional changes to the report where determined warranted. However, majority of the report's findings and recommendations remained.

Domain B: Internal Governance and Ethics

This domain measures the SAI's overall performance in the area of internal governance and ethics. It seeks to give a holistic understanding of the SAI's efforts, strengths and weaknesses at the organizational level. The indicators measured in Domain B reflect the SAI's foundations for conducting its activities.

Performance indicators

The following indicators are included in this domain:

- SAI 3: Strategic Planning Cycle
- SAI 4: Organisational Control Environment
- SAI 5: Outsourced audits
- SAI 6: Leadership and Internal Communication
- SAI 7: Overall Audit Planning and Follow-Up

SAI-3: Strategic Planning Cycle

Planning is an essential and vital process in any organization and therefore it is important that the SAIs have appropriate resources to facilitate the planning process. Comprehensive and thorough planning will exert positive impact on the SAIs performance. Such plans can contribute to improving public financial management and making a difference in the lives of citizens if properly executed.

The assessment of this indicator was based on a review of the SAI's current Strategic Plan document updated January 2014 and relevant supporting documents.

Indicator score: 1		
Dimension	Findings	Score
<i>Dimension (i) – Content of the Strategic Plan</i>	<p>Criterion a and g are met. Criteria b, c, d, e, f are not met.</p> <p>All staff participated in the development of the strategic plan. Performance measures should be specific and measurable and implementation matrix should be included. Stakeholders' expectations should be considered as well as an assessment of the institutional framework.</p>	1
<i>Dimension (ii) – Content of the Annual Plan/Operational Plan</i>	<p>All criteria were not met.</p> <p>The SAI does not have an annual or operational plan.</p>	0
<i>Dimension (iii) – Organizational Planning process</i>	<p>Criteria a, b, d, h are met. Criteria c, e, f, g, i are not met.</p> <p>All staff were involved in the development of the strategic plan. The organizational planning process is not documented and responsibilities, actions and timetable for developing the organization's plans are not clearly defined.</p>	2
<i>Dimension (iv) – Monitoring and Performance Reporting</i>	<p>Criteria b, c, e, f, g are met. Criteria a and d are not met.</p> <p>The SAI reports on its performance and publishes information showing the value of its work for citizens and stakeholders through its Annual Report and the Citizen Centric Report. The SAI is subject to an independent peer review every three years and its recent peer review report is published on its website. The SAI does not assess its performance against its planned</p>	3

	activities but reports what they have achieved during the year.	
SAI-3 overall score		1

Dimension (i) – Content of the Strategic Plan

The previous and current strategic plans do not identify timeframes but are identified by the dates on which they were finalised or updated. The previous strategic plan was finalised in July 2008 and the current one was finalised in January 2014. According to management, the strategic period is normally for five years.

The current strategic plan was developed through staff consultations led by an external consultant together with management, using the previous plan as guidance. Audio recordings of staff consultations involved revising the 2008 strategic plan and conducting a SWOT analysis of the SAI. The current strategic plan describes the SAI’s mission, vision, goals and objectives and its core values. Included also are actions to be taken to achieve the goals and objectives. The strategic plan also included measures designed to strengthen the SAI’s institutional environment; for instance, activities to address human resources matters and the SAI’s visibility.

Although performance measures are described for each objective, there are no indicators nor timeframe to measure the achievement of each objective. Some performance measures do not necessarily indicate achievement of set objective; e.g. Objective 1 - obtain independence from budget control; the performance measure is submission of annual budget request.

The strategic plan does not include an implementation matrix which identifies and prioritises the activities to be undertaken in order to achieve the strategic objectives nor identify risks to achievement of the strategic plan. While the level of priority for each activity is identified, it is not clear how each activity is prioritised in relation to all other activities that should be implemented during the strategic period. For instance, there are 17 tasks which are of high priority and in the absence of an implementation matrix, it is not clear which ones will be implemented first and when. In addition, there is no comment on whether risks to achieving the activities identified in the plan were considered and if so, what those risks were.

Management explained that the consultant who led the development of the strategic plan held meetings with some external stakeholders. However, the results of these external meetings and therefore stakeholders’ expectations were not documented. Nevertheless, the OPA’s strategic goals and objectives such as delivering impactful, reliable and quality reports, and increasing public knowledge and trust of OPA’s work and impact reflect that issues relating to the country governance, political economy and public financial management systems were considered.

Dimension (ii) - Content of the Annual Plan/Operational Plan.

The SAI does not have an annual operational plan but has a strategic plan, an annual audit plan and an annual budget request submitted to the Guam Legislature. From a review of the fiscal year 2016 budget request, we were not able to link the budget request to the proposed activities in the strategic plan. In the absence of an annual plan, it was difficult to identify the planned activities to be implemented and when in the fiscal year 2016 such activities will be implemented.

OPA's annual audit work plan outlines audits that it plans to conduct during the calendar year. But this plan does not include other activities such as legislative mandate, trainings and international meetings that OPA plans to participate in, during the year.

Dimension (iii) - Organizational Planning Process

The current strategic plan that communicates the SAI's vision, mission, values and goals and objectives in the next few years, is not signed by the Head of SAI to indicate that this is an official and approved document. However, management explained that the Public Auditor had the opportunity to review, discuss, and provide input on the results of the strategic plan, though there is no documented evidence of the PA's review and inputs. The Head of SAI delegates her management staff to coordinate and manage various planning processes within the SAI and often gathers input from the management staff enabling her to exercise her decision making authority as needed.

Based on discussions with key management personnel as well as the audio recordings of the strategic planning sessions, all staff of the SAI had the opportunity to provide input and contribute to the development of the SAI's strategic plan. The strategic planning session also confirmed that there was effective communication of the SAI's plans to all staff.

There was no evidence that external stakeholders were consulted in the planning process, although management explained that the consultant who facilitated the strategic planning process had scheduled meetings with some of the SAI's stakeholders. The full strategic plan is not published on the website but only the first page of the strategic plan including the SAI's mission, vision, values and goals and objectives.

There is no formal documented process for monitoring the SAI's progress against its strategic plan. The responsibilities, actions and timetable for developing the organizational plans are not defined in an office manual or policy document. In the absence of a formal planning process, there was no process to be evaluated to provide input to the next planning process.

Dimension (iv) - Monitoring and Performance Reporting

The SAI published its annual report for the calendar year 2015 in June 2016. The annual report included a summary of what the SAI has achieved and activities conducted during the year. However, the annual report does not report on the SAI's performance against its planned activities as described in the strategic plan.

The allocation of audit through audit work plan and updates on staff assignments are used as mechanisms to monitor and measure the achievement of internal performance objectives. The Head of SAI sets a goal for individual staff to conduct at least two performance audits per year (to be issued during the staff's performance appraisal period). These indicators or targeted performance measures are communicated to all staff during staff meeting. However, these are not identified formally in the strategic plan or any planning document (i.e. audit work plan).

The effectiveness of the SAI's audit work in adding value for citizens and stakeholders is measured through the SAI's "Status of Audit Recommendations" report, which tracks the implementation status of audit recommendations. The SAI also published in its annual report information such as potential savings, measuring the impact of the SAI's audits. These are summarized in various sections of the report namely, Performance Audit Summary, financial impact section, procurement appeals and questioned costs.

SAI-4: Organizational Control Environment

A SAI should have an internal control system in place to provide reasonable assurance that the SAI manages its operations economically, efficiently, effectively and in accordance with laws and regulations. Furthermore, SAIs should have a quality control system that ensures quality in all its work. This indicator covers the internal control environment, the system of internal control, quality control and quality assurance functions in the SAI.

The assessment of this indicator is based on a review of the AGA Code of Ethics adopted by the SAI, the OPA Audit Manual 2008, various Standard Operating Procedures (SOPs), Quality Assurance checklist and relevant documents to support the assessment of each criterion.

Indicator Score: 2		
Dimension	Findings	Score
<i>Dimension (i) – Internal Control Environment-Ethics, Integrity and Organizational Structure</i>	<p>Criteria a, b, d, h, i, j and k are met. Criteria c, e, f, g, and l are not met</p> <p>The SAI adopts another institution's (Association of Government Accountants) code of ethics without tailoring it to the specific context of the SAI. Responsibilities for all work carried out by the SAI are described in the Annual Report.</p>	0
<i>Dimension (ii) – System of Internal Control</i>	<p>Criteria a, b, c and j are met. Criteria d, e, h and i are not met. Criteria f and g are not applicable (NA)</p> <p>The Audit Manual 2008 provides guidance on administration and management of all audits and investigations to be carried out. Other policies and procedures are documented in various "Standard Operating Procedures". The SAI does not have an internal auditing function.</p>	1
<i>Dimension (iii) – Quality Control System</i>	<p>Criteria a, b, c and d are met. Only criterion e is not met.</p> <p>The Audit Manual 2008 prescribes quality control policies and procedures for audit related activities and Standard Operating Procedures (SOPs) are prepared for various non-audit related activities. Some SOPs are still in draft form and have not been approved by the head of SAI. The SAI does</p>	3

	not have system to prioritise its work programme.	
<i>Dimension (iv) – Quality Assurance System</i>	Criteria a, b, c, d, f and h are met. Criteria e and g are not met. All audits and investigations are subject to an independent Quality Assurance review by a supervisor or Auditor III who was not involved in carrying out or planning the audit. Quality Assurance policies are described in the Audit Manual 2008. The SAI also has a QAR Checklist to guide the QA review.	3
SAI-4 overall score		2

Dimension (i) – Internal Control Environment-Ethics, Integrity and Organizational Structure

According to OPA’s draft Audit Manual (April 2017), OPA follows Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States and standards of the American Institute of Certified Public Accountants (AICPA). OPA maintains an ethics policy which has the AICPA and the Association of Government Accountants (AGA) Code of Ethics as its foundation. Accordingly, Guam OPA adopts the Association of Government Accountants (AGA) Code of Ethics.

The AGA Code refers to government financial management profession which therefore renders most of the Code irrelevant to the context of the SAI’s specific audit functions and related ethical requirements. For instance, the AGA Code does not prescribe applicable ethical requirements when the SAI contracts some of its work to external parties, which is something that Guam OPA does. Any revision of the Code is dependent on when AGA reviews its Code.

All work carried out by the SAI are included in its annual report while the responsibilities for each position within the SAI are described in the respective job description. Staff assignments are documented in the dashboards (monthly worksheets), which identify the audits to be carried out and responsible staff. These worksheets are also used to monitor and follow-up progress of these assignments.

The SAI has not assessed its vulnerability and resilience to integrity violations but adopts other mechanisms to ensure its integrity is upholding. This is done through requiring all staff to sign a statement of independence for all audits they are involved in.

Dimension (ii) - System of Internal Control

The SAI’s policies and procedures for audits are documented in the OPA Audit Manual 2008. Staff of the SAI are subject to the personnel rules and regulations administered by the Government’s Department of Administration (DOA). Other internal control policies and procedures are documented in various “Standard Operating Procedures” (SOPs). Regular management and staff meetings ensure that all staff have carried out their responsibilities and any operational risks can be addressed as soon as possible.

The Audit Manual is currently being reviewed and in draft form. Similarly, some SOPs, such as those for procurement, payroll procedures and annual appropriations and budget allotments are also in draft form. Despite reviewing these policies and procedures, there is no formal report describing the proposed changes to the internal control policies and procedures documented in the 2008 Audit Manual and Standard Operating Procedures (SOPs).

The SAI does not have an internal audit function. It does not have a documented job rotation policy, although in practice, management explained that it gives all staff the opportunity to work on different teams. Staff are informed as part of their orientation (normally first week) at OPA that they will have an opportunity to work with different staff and supervisors as they grow and develop at OPA. As new audit assignments arise, management considers staff availability and who they have not worked with as part of the assignment determination process. Furthermore, all staff are required to sign a statement of independence as a procedure to manage possible conflicts of interest.

Dimension (iii) - Quality Control System

The SAI's quality control policies and procedures are clearly established and described in the Audit Manual 2008 and SOPs. SAI management comprised of three supervisors who shared the responsibility of managing the SAI's internal control procedures. During management meetings, the Head of SAI will delegate the authority to the supervisors to manage various areas of operations. Specific provisions in the Audit Manual 2008 provide guidance on managing risks to quality of audit work being performed.

All staff contribute to developing the SAI's annual work programme by providing suggestions towards prioritizing audits during the audit planning process. However, there is a lack of evidence to support how the audits were prioritized and what factors were considered when prioritizing the audits.

Dimension (iv) - Quality Assurance System

All performance audits and investigations are subject to an internal Quality Assurance Review (QAR) by a supervisor who was not involved in planning and carrying out the audit. This QAR is conducted in accordance with the SAI's QAR checklist. The review notes will identify any necessary corrective actions, which are usually taken by the staff responsible for carrying out the audit. There is no evidence that the Head of SAI has examined the results of the quality assurance review and drawn the necessary conclusion. However, in practice, the Head of SAI is kept abreast of the progress of the audit, including the results of the quality assurance review. Prior to finalising the audits, the Head of SAI is informed of significant quality assurance review notes that may or may not need her approval. The signing off on the audit report is taken as the Head of SAI has approved the audit in its entirety.

The SAI is subject to a peer review every three years by one of the members of the Association of Pacific Island Public Auditors (APIPA). The latest peer review was conducted in 2014, which concluded that the SAI's internal quality control system *"was suitably designed and operating effectively to provide reasonable assurance of compliance with Government Auditing Standards"*.³

SAI-5: Outsourced Audits

A SAI's legal framework may allow for it to contract external auditors. To enable a SAI with limited capacity to complete its audits in a timely manner, outsourcing some audit work may be an option to fulfil its mandate. However, the SAI should remain the responsible party for the audits and for the

³ 2014 APIPA peer review report of Guam OPA. Subsequent to the assessment team's visit, Guam OPA underwent its latest peer review in September 2017. The results of the latest peer review is identical to the 2014 APIPA peer review report.

results of the contracted work. The SAI should have a system in place to ensure work carried out by contracted parties are of the required quality.

The assessment of this indicator was based on review of a request for proposals (RFP) for independent financial auditors for 2 of the 22 GovGuam component units (RFP #2016-0660-004) and the relevant supporting documents, the SAI's RFP Process Guidelines, Procedures for Financial Audit Review, Financial Audit Review Checklist, and the Annual Financial Audit QAR assignment list.

Indicator Score: 3		
Dimension	Findings	Score
<i>Dimension (i) – Process for Selection of Contracted Auditor</i>	<p>Criteria a, b, c, d, f, g are met. Criteria e is not met.</p> <p>OPA works with the Department of Administration (DOA) to issue RFP's for the Government of Guam annual financial audit and with the component units to issue RFP's for their respective annual financial audits. Based on documents reviewed, the outsourcing process is working as described. Audit contracts with selected firms are for three years (multi-term) with an option to renew for one additional year following the initial three years.</p>	3
<i>Dimension (ii) – Quality Control of Outsourced Audits</i>	<p>Criteria a, b, d are met. Criteria c is not met.</p> <p>Audits contracted to external auditors are required to be reviewed by assigned OPA staffs before final reports are issued by the external auditors.</p> <p>Audit working papers for outsourced audits are not kept by the OPA, however, OPA has access to audit working papers when the needs arise.</p>	3
<i>Dimension (iii) – Quality Assurance of Outsourced Audits</i>	<p>All criteria are met.</p> <p>The CPA firms outsourced to conduct the financial audits of GovGuam and its component units are subject to a Peer Review every three years. Copies of the Peer Review letters are provided to OPA and serves as the firm's attestation as to the quality of their audits. In addition, the outsourced financial audits (excluding the work papers) and the resulting financial</p>	4

	highlights prepared by OPA staff are subject to an independent Quality Assurance review by one of 3 senior management staffs or an Auditor III staff who were not involved in the oversight of the specific financial audit assignment. The assignment of QAR is documented on the Financial Audit Assignment Schedule prepared annually. These staffs document their QAR through the Quality Assurance Review Checklist.	
SAI-5 overall score		3

Dimension (i) – Process for Selection

Title 1 GCA §1908 authorizes the Public Auditor to acquire independent auditing services to conduct financial audits. Accordingly, Guam OPA, in conjunction with the Department of Administration (DOA) or component units, outsourced all required financial audits of the Government of Guam and the 22 component units to independent Certified Public Accounting (CPA) firms, in accordance with the Guam Procurement Law (Title 5, Chapter 5 of GCA) and the Procurement Regulations (Title 2, Division 4 of the Guam Administrative Rules and Regulations). The outsourcing process includes ensuring offerors meet the required qualifications, has the capacity and capability to perform work in accordance with relevant standards and applicable legal and regulatory requirements, and complies with relevant ethical requirements.

An Evaluation Committee, consisted of 2 OPA staff, 2 DOA (or component unit) staff and 1 independent member from Guam Society of Certified Public Accountants or other Accountants Association on Guam, evaluate the proposals submitted in response to an RFP. Records of their evaluations, meetings and correspondence are maintained on file and kept in OPA’s office. At the end of the evaluation process, an evaluation memo is prepared by the 2 OPA members to the Public Auditor for approval of the selection of the qualified offeror.

Audit contracts are awarded for 3 years (multi-term contracts) for financial and compliance audits of the whole of Government of Guam and its 22 component units, with an option to renew for one additional year.

Review of a selected contract awarded during the period under assessment indicates that the outsourced selection process is being implemented. The only issue relating to the process is that Guam OPA does not have policies and procedures regarding rotation of key audit personnel. Management indicated that they will make sure the matter is addressed in the next round of RFP solicitations.

Dimension (ii) – Quality Control System

After the selection of the audit firm, OPA remains involved in a monitoring and oversight role over the audit process. OPA also prepares and publishes highlights to provide an overview of the government and its component units’ financial performance.

Audit reports for all outsourced audits are subject to review and approval by OPA. Quality control reviews are conducted by assigned auditors-in-charge as listed on the Financial Audit Assignment Schedule prepared annually. The audit reports are not signed by the Public Auditor as these are contracted out to independent CPA firms, who have the responsibility to issue the audit opinion. In addition, these working papers are the property of the CPA firms conducting the audit and are not retained by OPA; however, OPA has access to them when needed.

Dimension (iii) – Quality Assurance System

The Public Auditor and the staff assigned review the draft financial audit of the outsourced CPA firms to ensure relevant standards are complied with. In addition, a senior staff member not assigned to the financial audit conducts a QAR to the extent that the financial highlights prepared by OPA contain factual information found in the financial audit report. However, OPA staff do not conduct a QAR of the financial auditors’ work papers and rely on the fact that the outsourced CPA firms are required to undergo a peer review every three years. Copies of the Peer Review letters are provided to OPA and serves as the firm’s attestation as to the quality of their audits. The Public Auditor does not sign the audit reports because the responsibility for the financial audit report is maintained by the outsourced CPA firms. Accordingly, the working papers are owned and retained by the outsourced CPA firms, but OPA has full access to such work papers.

SAI-6: Leadership and Communication

Effective leadership in the SAI is crucial to ensuring that the appropriate tone is “set at the top” to promote integrity and establish an organizational culture that promotes effectiveness, transparency and accountability. In order for the SAI to effectively fulfil its mandate, strong leadership and good communication with staff is essential.

This indicator measures two aspects of leadership within the organisation. Dimension (i) assesses how effective SAI leadership is, in implementing the values of the organisation through conduct and initiatives. Dimension (ii) assesses whether internal communication is at an appropriate level for the organisation, allowing information and concern to flow freely between management and staff, and thus enabling staff to do their job.

Indicator Score: 2		
Dimension	Findings	Score
<i>Dimension (i) - Leadership</i>	Criteria a, c, d, e, f, g and h are met. Criterion b is not met. SAI leadership held periodic decision making meetings and considered strategies to incentivise better performance and implemented them. There are no records of minutes of meetings – both management and staff meetings.	3

<i>Dimension (ii) – Internal Communication</i>	Criteria b, c, d, e and f are met. Criterion “a” is not met. The SAI uses appropriate tools to promote effective internal communication. There are regular interactions between staff and management during staff meetings. Despite regular interactions, records of such interactions and any key decisions made are not formally recorded in the form of minutes.	3
SAI-6 overall score		3

Dimension (i) – Leadership

SAI leadership comprised of the Public Auditor (PA) and three members of the management team (sometimes referred to as supervisors). The SAI leadership meets regularly as noted from the several management meeting agendas. However, there are no formal records of any resolutions or key decisions made as evident by the absence of minutes of any meetings. Similarly, leadership have consulted staff through staff meetings but there are no minutes of staff meetings. Key decisions are communicated to all staff via email, during staff meetings or directly to the affected staff. Management believed that with a small organization of 15 staff, it should not be expected to keep minutes of all management and staff meetings as it would be an administrative burden.

SAI leadership has implemented a system where authority is delegated, however the policies related to delegation are not documented in an Office manual or standard operating procedures. Management has a rotation schedule for managing various activities as another mechanism of delegating authority to management. From a review of management meeting agenda, compensation plan and staff training are common agenda items noted. This demonstrated some of the strategies that leadership has implemented to incentivize better performance. There are several staff with multiple certifications, thus the compensation plan is the SAI’s way to lobby for additional compensation for staff with special qualifications. This additional compensation has been approved in accordance with government regulation. Staff are also encouraged to pursue certifications, such as the CPA, CIA, CGFM, and CFE, as well as higher education in order to improve office performance.

The SAI has also engaged a human resource consultant to conduct an online assessment of all staff including the Head of SAI. The online assessment used a program called DISCflex with the assessment results explained in a DISC report. The assessment was like a SWOT analysis of each individual staff, where everyone can learn about each other’s strengths and weaknesses and hopefully staff are encouraged to improve themselves where their weaknesses were identified.

The SAI leadership has demonstrated initiatives to set a tone enabling accountability and strengthening the culture of internal control through segregation of duties within the Office but also through status meeting held by the Head of SAI and audit teams. Audit teams prepare a work-in-progress status report and submit to the head of SAI before the meeting.

Being professionally certified, the Head of SAI has led by example in building an ethical culture in the organization. Management has an open-door policy (not documented); staff are informed that they

can approach management if they have questions / concerns / issues. This open-door policy is part of orientation for any new recruit. Other initiatives to build an ethical culture are social activities such as participating in the GovGuam recreational volleyball league and conducting a community service (such as cleaning public places) once a quarter.

Dimension (ii) - Internal Communication

The main medium of internal communication for the SAI is through its electronic email system and regular staff and management meetings. Other appropriate tools used to promote effective internal communication are through text messages between staff and establishment of “whatsapp” group chat, where staff can continuously communicate on audit work, even if they are not in the office. The SAI also holds staff meetings, in accordance with staff meeting agendas but there are no minutes of these staff meetings.

Despite the use of these tools to promote internal communication, there is no written internal communications policy. For instance, there are no policies in relation to how frequent staff meetings and management meetings are held.

SAI-7: Overall Audit Planning

The overall audit planning process defines the audits that the SAI plans to conduct in a set period. The overall audit plan should demonstrate how the SAI plans to fulfil its mandate and achieve its strategic objectives efficiently and effectively. Therefore, it is important that the overall audit planning process is feasible, reflecting actual circumstances and conditions.

The assessment of this indicator includes a review of the annual audit plan process, the content of the annual audit plan and relevant supporting documentations used in developing the annual audit plan. The assessment results for this indicator is summarised in the table below, yielding an overall score of 1.

Indicator Score: 1		
Dimension	Findings	Score
<i>Dimension (i) – Overall Audit Planning Process</i>	<p>Criteria a, b, c, d and f are met. Criteria e and g are not met.</p> <p>The process for developing and approving the overall audit plan is documented in Chapter 1 Audit Manual 2008. However, the actual audit plan reflects performance audits only to be conducted during the year and does not include other mandated responsibilities such as procurement appeals and oversight of outsourced audits.</p>	3

<i>Dimension (ii) – Overall Audit Plan Content</i>	Only criterion a is met. Criteria b, c, d and e are not met. The audit plan and staff assignment worksheets include the objectives of the audit as well as the responsible officer.	1
SAI-7 overall score		2

Dimension (i) Planning Process

The SAI's process for developing and approving the overall audit plan is documented in Chapter 1 Audit Manual 2008. In addition, the Audit Manual 2008 also clearly defined responsibilities for planning, implementing and monitoring the audit plan. The process follows a risk-based methodology where the audit topics for performance auditing are prioritised using various criteria.

The SAI discussed progress of audits being performed during staff meeting but there is no mechanism to link the results being monitored through staff meeting to the audit plan. For instance, the audit plan lists the audits to be conducted with the responsible officers but it does not include when the audit should be carried out and when it is expected to be completed. Similarly, the audit plan does not include the budget for each planned audit. Although the budgeted audit hours are calculated, but these are not linked to the audit plan and the number of audits planned to be conducted during the year.

The audit topics considered in the planning process were identified by staff of the SAI. There is no evidence of stakeholders' expectations and emerging risks being factored in, in the process.

Dimension (ii) Content of the Plan

The SAI's 2016 Audit Plan describes the objective of the audit and identifies the responsible staff. Unfortunately, the plan does not include an implementation matrix or a similar schedule describing when the audits are scheduled to start and to be completed. In addition, the audit plan included only performance audits and related resources to carry out these audits. It does not include other activities that the SAI are mandated to perform such as procurement appeals and financial audits which are outsourced. The SAI is not able to estimate how many and when procurement appeals will be submitted for hearing.

Finally, the annual plan identifies human resources but not the financial resources (i.e. Budget) for each respective audit. There is also no explanation of the risks and constraints to the delivery of the audit plan.

Domain C: Audit Quality and Reporting

This domain reviewed how OPA conducted its core function which is carrying out audits of government agencies as prescribed in its mandate (Title 1 GCA Section 1909). OPA is mandated to conduct financial, compliance and performance audits. Compliance audit is not conducted as a separate audit but included as part of the financial audits. In addition to the mandated audits, OPA has additional

responsibilities mandated by Government from time to time – these are referred to as “legislative mandates”.

Financial audits of the Government of Guam and its twenty-two (22) Component Units are outsourced to various local CPA firms. Accordingly, these are assessed under Domain B SAI 5 Outsourced Audits.

SAI-8: Audit Coverage

This indicator assesses to what extent the actual audit works cover the mandate, regarding these types of audits.

Indicator Score: 3		
Dimension	Findings	Score
<i>Dimension (i) – Financial Audit Coverage</i>	<p>Criteria N/A</p> <p>The SAI does not conduct financial audits. The SAI has been outsourcing all its financial audits to CPA firms, but remains involved in a monitoring and oversight role over the audit process. Head of SAI does not sign the audit reports issued by the CPA firms. Audit files and related working papers for these audits are not maintained by the SAI, but have access to them when the needs arise.</p>	N/A
<i>Dimension (ii) – Coverage, Selection and Objective of Performance Audits</i>	<p>Criteria a, b, c, e, f, and h are met. Criteria d and g are not met.</p> <p>SAI’s primary function is the conduct of performance audits of the agencies and departments of the Government of Guam.</p> <p>SAI has identified its audit topics based on the three E’s: Economy, Efficiency, and Effectiveness. However, the audit plan does not show evidence that stakeholder expectations and emerging risks are factored into the annual plan. Additionally, budgeted audit hours are not linked to the audit plan and the number of audits planned to be conducted during the year.</p>	3
<i>Dimension (iii) – Coverage, Selection and Objective of Compliance Audit</i>	<p>Dimension N/A</p> <p>For the SAI, elements of compliance audits are included as part of a financial audit, which is contracted out to CPA firms.</p>	N/A
<i>Dimension (iv) – Coverage of the Jurisdictional Control</i>	<p>Dimension N/A</p> <p>Jurisdictional control is not in the mandate and mission of the SAI.</p>	N/A

SAI-8 overall score		3
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Dimension (i) – Financial Audit Coverage

The SAI has been outsourcing all its financial audits of the Government of Guam and its twenty-two (22) component units to various CPA firms on Guam, but remains involved in a monitoring and oversight role in the audit process. All financial audit reports are subject to review and approval by the SAI prior to issuance. The SAI prepares and publishes highlights from these audits to provide an overview of an Agency's financial performance. The Head of the SAI does not sign off on the opinion of these audit reports and the audit working papers are not kept by the SAI, however, the SAI has access to them whenever the needs arise.

By contracting out these required financial audits, the SAI is able to meet its reporting deadline stipulated under the SAI enabling legislation and the Single Audit Act of 1984, as amended, which require all financial audits to be completed and audit reports issued no later than June 30th each year (9 months after year end of September 30th). All 22 required audits for the period under assessment (FY2016) were completed before the deadline and individual audit reports were issued and posted on the SAI website. Additionally, the Government of Guam audit report for FY2016 (dated June 8, 2017) was issued three weeks earlier than the FY2015 audit report.

Dimension (ii) – Performance Audit Coverage

The SAI's primary function is the conduct of performance audits of the agencies and departments of the Government of Guam.

The performance audits conducted provide oversight, insight, and foresight into government activities and operations. Developing and approving the overall audit plan is documented in Chapter 1 of the Audit Manual 2008. The Manual clearly defines responsibilities for planning, implementing and monitoring the audit plan. The process follows a risk-based methodology where the audit topics for performance auditing are prioritized using various criteria.

The audit plan does not include other activities carried out by the SAI (e.g. procurement appeals, financial audits). The audit planning process involved all staff of OPA where topics are proposed, discussed and prioritised. For the 2016 audit plan, the audit topic selection was based on the following criteria: a) financial impacts (lost revenues or cost savings) - 30%; public concerns/social impact - 30%, programs risk - 25% and leadership interest - 15%.

From reviewing the audit plan and the related supporting worksheets, there is no evidence that the stakeholder's expectations and emerging risks were factored into the audit plan.

The audit plan lists the audits to be conducted with responsible audit staff, but it does not include when the audit should be carried out, when it is expected to be completed nor the budget for each planned audit. Although the budgeted audit hours are calculated, these are not linked to the audit plan and the number of audits planned to be conducted during the year. In the last five years, the OPA has issued reports whose audit topics are related to the sectors indicated in the criteria. From 2012 through 2016, audit topics related to revenue collection, public sector reform programs, health, public finance and public administration, and social security and labour market were reported on.

Dimension (iii) – Compliance Audit Coverage

For the SAI, elements of compliance audits are included as part of a financial audit, which is outsourced to selected CPA firms. Therefore, the team did not assess this dimension.

SAI-12: Performance Audit Standards and Quality Management

Indicator Score: 4		
Dimension	Findings	Score
<i>Dimension (i) – Performance Audit Standards and Policies</i>	All criteria met	4
<i>Dimension (ii) – Performance Audit Team Composition and Skills</i>	All criteria met	4
<i>Dimension (iii) – Quality Control in Performance Audits</i>	All criteria met	4
SAI- 12 overall score		4

Dimension (i) - Standards and Policies

OPA has an audit manual driven from the Government Auditing Standards issued by the U.S. Government Accountability Office. During the time of review, OPA’s audit manual is still in draft form however, the audit that we looked at followed the old manual. Performance audits consist of two types of audits: audits of efficiency and economy and program audits. Because most audits performed by the OPA include aspects of both economy and efficiency audits and program audits, the OPA refers to all audits conducted under Chapters 7 & 8 of the Yellow Book as “Performance Audits”. The OPA Manual is comprehensive and sets out to cover all elements of performance audits. It covers important aspects of planning, professional conduct, documentation, evidence, quality control, as well as reporting and communication appropriately. OPA scored a 4 in this dimension as their audit manual states the need to have all of the elements of a performance audit.

Dimension (ii) - Performance Audit Team Composition and Skills

Per the OPA Audit Manual, a Senior Auditor and/or Audit Supervisor will ensure that persons who have the knowledge and skills staff the audits to successfully complete the audit in accordance with applicable Government Auditing Standards. Furthermore, the OPA has identified specific knowledge and skills needed by staff members prior to conducting an audit. These include:

- 1) knowledge of the methods and techniques applicable to Government auditing and the education, skills, and experience to apply this knowledge during an audit engagement;
- 2) knowledge of Government organizations, programs, activities, and functions;
- 3) skills to communicate clearly and effectively, both orally and in writing; and
- 4) knowledge and skills appropriate for the audit work to be done (e.g., knowledge of statistical sampling techniques, computer audit skills, etc.).

In addition, all auditors must maintain their CPE hours to ensure that they are up to date on professional competence. When a subject matter is determined as an audit topic, the audit team comes together to develop the audit work plan that will include the audit objective, suitable audit criteria, data gathering methods, evaluation methods, as well as report writing methods. This is a requirement under the Yellow Book and it is evident in the audit files that this is put into practice.

Dimension (iii) - Quality control in Performance Audits

The component parts of OPA’s quality control program are: 1) adherence to the OPA’s policies and procedures, 2) supervision of the audit staff, and 3) report referencing and internal and external quality control review performed by an individual not involved in the assignment under review. The OPA’s principal quality control from an operating standpoint is on-going supervision of the audit process. Each audit undergoes an internal quality control review by an Audit Supervisor or Senior Auditor not associated with the audit under review. A system of independent report referencing has also been established to ensure that audit reports are complete and accurate, and are supported by adequate evidence in the working papers. Additionally, as required by the Government Auditing Standards, the OPA participates in an external quality control review at least once every three years. The external review is conducted by an audit organization independent of the OPA to determine if the OPA’s quality control program is operating effectively and whether applicable auditing standards and established policies and procedures are followed.

SAI-13: Performance Audit Process

Indicator Score: 3		
Dimension	Findings	Score
<i>Dimension (i) – Planning Performance Audits</i>	Criteria a, b, d, e, f, g, h, i, j, k, l, m, are met. Criteria c is not met.	3
<i>Dimension (ii) – Implementing Performance Audits</i>	Criteria a, b, c, d, e, f, g, h, j, k, are met. Criteria i is not met.	3
<i>Dimension (iii) – Reporting in Performance Audits</i>	Criteria a, b, c, d, e, g, h, i, j, k, l, are met. Criteria f is not met.	3
SAI-13 overall score		3

This indicator is assessed by evaluating the process of conducting the audit on Government of Guam Limited Gaming Tax and Guam Memorial Hospital Authority Trust Fund Fees.

Dimension (i) Planning the audit

The documentation shows that the audit planning occurred in line with *Government Auditing Standards issued by the U.S. Government Accountability Office*. Reviewing the audit plan and adhering documents from the planning phase showed that there are certain aspects missing in the audit plan. For the audit under review, there was a certain weakness in linking the audit topic chosen to consider materiality at all stages of the audit process. There was no evidence to ensure that thought was given not only to financial, but also to social and political aspects of the subject matter.

Dimension (ii) Implementing Performance Audits

The audit aims to respond to the lines of inquiries through a combination of document review and interviews. It also appears that the auditors have followed the plan. It was evident in the audit file that analysis was conducted on the information gathered by the auditor. It was very clear to understand how the auditor had come to conclusion due to excellent documentation of the audit process. However, there is no proper documentation of how the auditors considered materiality.

Dimension (iii) Reporting in Performance Audit

The report reviewed, is written in a neutral tone, and does not over- or underemphasize any of the aspects presented. The report presents the criteria, and refers to evidence when presenting the findings. Very detailed in letting the reader understand the entity and its purpose.

The recommendations are relevant, but could be more directed towards management to achieve goals, rather than just suggesting correcting the deficiencies.

SAI-14: Performance Audit Results

SAI-14 assesses the Performance Audit Results. In this assessment, the results are based on the actual practices observed for the audits carried out in the period of the assessment, as well as for the audits in the sample.

Indicator Score: 4		
Dimension	Findings	Score
<i>Dimension (i) – Timely submission of Performance Audit Reports</i>	Audit reports are submitted as soon as it is signed off on	4
<i>Dimension (ii) – Timely publication of Performance Audit Reports</i>	Audit reports are submitted as soon as it is signed off on	4
<i>Dimension (iii) – SAI follow up on Implementation of Performance</i>	Criteria a, b, c, e, d, f, are met. Criteria g, not met.	3

<i>Audit Observations and Recommendations</i>		
SAI-14 overall score		4

Dimensions (i),(ii) and (iii) Timely Submission and Publication and Follow-up of Performance Audit Reports

For the audit on Government of Guam’s Limited Gaming Tax and Guam Memorial Hospital Authority Trust Fund Fees, the report was submitted to the auditee for management comment on July 29 and the auditee was then given 10 business days to comment. Management comments to the report were submitted on August 16. Seven days later, after receiving management’s comments, the report was issued and made public. OPA has been performing well in ensuring timeliness of audits as indicated in their audit files and the number of audits that are issued.

Although OPA issues timely audits, it was indicated by OPA staff that there are no established procedures in place in evaluating materiality and the importance of the identified problems in order to determine if a follow-up requires a new additional audit. OPA staff also indicated that follow-ups are reported appropriately in order to provide feedback to the Legislature. When an audit is finalized, it is published on the website and submitted to clients on the same day.

SAI-15, SAI-16, SAI-17: Compliance Audits

Guam OPA does not conduct compliance audit separately. Elements of compliance audits are part of the financial audit conducted annually, which is outsourced to CPA firms. Therefore, this was not assessed by the team.

Domain D: Financial Management, Assets and Support Services

An SAI should manage its operations in accordance with the principles of economy, efficiency, and effectiveness, and in accordance with laws and regulations, so that it will be in a position to lead through example. This Domain focuses on issues that help the SAI to achieve those objectives.

SAI-21: Financial Management, Assets and Support Services

Indicator Score: 4		
Dimension	Findings	Score
<i>Dimension (i) – Financial Management</i>	All of the Criteria are met. OPA manages its own financial resources (fund), except for payroll, which is being processed by the Department of Administration. Accounting records are maintained using QuickBooks and are audited annually as part of Government of Guam general fund; FY2016 audit opinion is	4

	"unqualified". Established SOP's are being followed and implemented by all staffs.	
<i>Dimension (ii) – Planning and Effective Use of Assets and Infrastructure</i>	All of the Criteria are met. Office space is on lease since 2002. Lease agreement has been renewed to year 2021. For IT needs, OPA retains a local IT Consulting firm. Requests for improvements/assets are made as needed with positive responses, for instance, purchase of the Team Mate Auditing Software, resulting in OPA moving from manual audit working papers to electronic working papers in 2016. Hence, financial audits for FY 2015 & subsequent years, as well as all performance audits commenced after October 2015, were conducted using the new software. Based on these, criteria is considered "met".	4
<i>Dimension (iii) – Administrative Support Services</i>	Criteria b, c, d, are met. Criteria a, not applicable (N/A) The Administrative Officer is responsible for management of OPA assets	4
SAI-21 overall score		4

Dimension (i) – Financial Management

The SAI manages and accounts for its own financial resources (fund). A separate bank account outside of the Government's Treasury has been established for purposes of receiving and disbursing funds related to its operations, in accordance with its established standard operating procedures (SOPs), except for payroll, which is being processed by the Government's Department of Administration (DOA). The SAI has established SOPs regarding its financial practical matters. However, some of the SOPs are not signed by the SAI Head to indicate proper approval.

The Administrative Office (AO) is responsible for maintaining the accounting records and producing the required reports on a quarterly, monthly, and annual basis for review and approval by the Head of the SAI or her Deputy. Accounting records are maintained using Quick Book Accounting Program and audited annually by a CPA firm as part of the Government of Guam General Fund financial audit and is included in the Government of Guam financial statements. Annual audit reports are posted on the SAI website. The fund has been receiving unqualified audit opinions for its FY 2016 audit and prior years.

In consideration of the above, we have scored the SAI 4 for this dimension.

Dimension (ii) – Planning and Effective Use of Assets and Infrastructure

From discussion with management staff, there is no formal process of planning physical infrastructure and IT needs of the SAI. The SAI office is on a leased basis since 2002, with the option for renewal for another 4 years. The new lease is until September 2021, with option for renewal through 2025. For IT needs, the SAI retains a local IT Consulting firm (Dimension Systems). When it asks for improvements, usually the response is positive. For instance, the purchase of the Team Mate Auditing Software in 2016, that resulted in the SAI moving from manual audit working papers to electronic working papers for the FY2015 financial audits and subsequent years, as well as the performance audits that commenced in October 2015. As this arrangement works for the SAI and has not impeded on the progress of its work, we have rated the SAI 4 for this dimension.

Dimension (iii) – Administrative Support Services

The job descriptions clearly assign responsibilities for file maintenance and archiving and management of all major categories of assets and infrastructure. Considering the small scale of the SAI, this arrangement seems to have been working properly.

Domain E: Human Resources and Training

SAI-22 Human Resources Management

The INTOSAI Lima declaration (ISSAI 1) recognizes that an effective SAI is dependent on its capacity to recruit, retain, and effectively deploy highly skilled staff. The very nature of a SAI’s core activities makes human resources capabilities crucial to achieve high level performance.

During the period under assessment, human resources functions were handled by the Department of Administration (DOA), and by law, the SAI was required to follow DOA’s personnel rules and regulations. However, the SAI has taken steps to address the matter in its 2014 Strategic Plan under Goal: 1, Objective 2 – to obtain authority over human resources and Goal 3: to recruit and retain qualified staffs. Through these efforts, the SAI was granted autonomy on personnel matters effective January 2017 to efficiently recruit in a timely manner and retain personnel critical to supporting its mandates, by passage of P.L. No. 33-226.

~~The SAI does not independently manage its human resource function but has taken steps to address this matter in its 2014 Strategic Plan under Goal 1, Objective 2 – to obtain authority over human resources and Goal 3 Recruit & retain qualified staff and in its efforts in seeking approval to manage its human resources functions, which was granted subsequently in January 2017 by passage of P.L. 33-226.~~ The assessment of this indicator is based on the SAI's implementation of the DOA personnel rules & regulations, in which some of the criteria are considered met, earning a score of 3 under this indicator.

Indicator Score: 3		
Dimension	Findings	Score
<i>Dimension (i) – Human Resources Functions</i>	N/A	N/A

<i>Dimension (ii) – Human Resources Strategy</i>	Criteria a, b, c, and f, are met; Criteria d, e, g, not met. OPA address some of the matters under this dimension in its 2014 Strategic Plan and has followed the DOA’s personnel rules and regulations.	2
<i>Dimension (iii) – Human Resources Recruitment</i>	All Criteria are met. During the period cover by this assessment, the human resources (HR) function was under the control of the DOA. The SAI is required to follow DOA’s personnel rules and regulations regarding recruitments.	4
<i>Dimension (iv) – Remuneration, Promotion and Staff Welfare</i>	All Criteria met During the period cover by this assessment, the human resources (HR) function was under the control of the DOA. The SAI is required to follow DOA’s personnel rules and regulations regarding remuneration, promotion, and staff welfare.	4
SAI-22 overall score		3

Dimension (i) – Human Resources Function

During the period being assessed, the SAI human resources function was governed by the Government of Guam Department of Administration (DOA) Personnel Rules & Regulations. The SAI is required to follow these rules and regulations regarding human resource management. Per the job descriptions, senior management staffs are responsible for human resources management. It should be noted that subsequent to the period under assessment (in January 2017), the human resources function was granted to the SAI upon passage of P.L. No. 33-226, giving the SAI authority over human resources. Since the human resource function is not managed by OPA, this dimension is assessed as “Not Applicable”.

Dimension (ii) – Human Resources Strategy

OPA has not developed a human resource strategy. However, criteria {a} to {c} were assessed based on SAI implementation of the DOA personnel rules and regulations related to these matters and for addressing them in its 2014 Strategic Plan under Goal 1, Objective 2 - to obtain authority over human resources and Goal 3 Recruit & retain qualified staff. As SAI does not have a human resource strategy, criteria {d}, {e} and {g} are considered not met. Accordingly, the SAI is rated 2 on this dimension.

Dimension (iii) – Human Resources Recruitment

The SAI follows DOA's personnel rules and regulations regarding recruitment that described all procedures that must be followed to hire staffs. Staff needs are clearly identified in the job advertisement. Accordingly, all criteria under this dimension are considered met based on the SAI implementation of the rules and regulations relating to recruitment, hence the score is 4.

Dimension (iv) – Remuneration, Promotion and Staff Welfare

The SAI follows the policies for performance evaluation described in the DOA Personnel Rules and Regulations. Performance is assessed against job descriptions, and promotions consider the assessments and potential for improvement. All criteria under this dimension are considered met based on SAI implementation of the above rules and regulations.

SAI-23 Professional Development and Training

OPA scored an overall score of 1 for this indicator mainly because it does not have a professional development and training plan that identifies long-term strategic staffing needs and competency requirements for the different types of audits it is mandated to conduct.

Indicator Score: 1		
Dimension	Findings	Score
<i>Dimension (i) – Plans and Processes for Professional Development and Trainings</i>	Criteria c, d, e, g, are met. Criteria a, b, and f are not met. SAI does not have a professional development and training plan. Procedures regarding staff development are contained in the SAI 2008 Audit Manual Part II, Chapter 5 and the 2014 Strategic Plan. As required by Government Auditing Standards, management ensures that staff are provided the minimum 80 CPEs biennially, or a minimum of 40 CPEs annually.	2
<i>Dimension (ii) – Financial Audit Professional Development and Training</i>	OPA does not conduct financial audits, but has oversight responsibilities.	N/A
<i>Dimension (iii) – Performance Audit Professional Development and Training</i>	Criteria a, is met. Criteria b, c, d, are not met. Refer comments above.	1
<i>Dimension (iv) – Compliance Audit Professional Development and Training</i>	Compliance audit is conducted in conjunction with a financial audits, which is outsourced to CPA firms. Refer comments above.	N/A

SAI-23 overall score		1
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Dimension (i) – Plans and Processes for Professional Development and Training

The SAI does not have a formal professional development and training plan, however, policies and procedures regarding professional developments and trainings are contained in the 2008 Audit Manual Part II, Chapter 5 and the 2014 Strategic Plan, which provide clear guidance for staff development. An individual development plan is required to be completed as part of the DOA annual evaluation form. On an informal basis, a staff would request training and depends on availability of funding and organizational priorities, request is approved by the Head of the SAI.

OPA assess staff levels and experience and decide what training may be appropriate. For example, for newer staffs, they are sent to APIPA workshops because courses being taught relating to performance auditing are consistent with staff needs, even at the basic levels. In accordance with Government Auditor Standards, a summary of Continuing Professional Education (CPE) hours is maintained and monitored by the Administrative Officer and OPA management for all trainings attended to ensure staff are meeting the requisite training. Management ensures all staff are provided minimum of 40 CPEs annually. The availability of training opportunities vary from year to year, and management ensure that opportunities are rotated amongst staff in consideration of the number of training hours already earned during the year, the types of trainings that staff have previously attended and are schedule to attend in the near future, and any special requests for training.

Dimension (ii), (iii) and (iv) – Financial, Performance and Compliance Audit Professional Development and Training

OPA does not have a training plan that identifies long-term strategic staffing needs and competency requirements for the different types of audits it is mandated to conduct (e.g. financial audit, compliance audit, performance audit, procurement appeals or other types of audits).

Guam OPA does not conduct financial and compliance audits. This is outsourced to various local CPA firms, however, OPA has oversight role over all these financial audits. Based on this, score for dimension (ii) and dimension (iv) are considered not applicable.

Domain F: Communication and Stakeholder Management

Maintaining good working relations with external stakeholders is essential for the SAI to communicate its value and benefits to society. One of the first steps is the identification of relevant stakeholders, followed by the development of appropriate communication and interaction with these stakeholders.

This domain comprises two indicators, one for the assessment of communications with the usual three powers, Legislature, Executive and Judiciary (SAI 24) and other for the communications with media, citizens and civil society organizations (SAI 25).

SAI-24 Communication with the Legislature, Judiciary and Executive

OPA scored a 2 on this indicator mainly because it does not have a communications strategy in place.

Indicator Score: 2		
Dimension	Findings	Score
<i>Dimension (i) – Communications Strategy</i>	Criteria b and d are met. Criteria a, c, e, f, and g are not met.	1
<i>Dimension (ii) – Good Practices Regarding Communication with Legislature</i>	Criteria a, b, c, d, e, f, and g are met. Criteria h is not met.	3
<i>Dimension (iii) – Good Practices Regarding Communication with Executive</i>	Criteria a, b, and c are met. Criteria d is not met	3
<i>Dimension (iv) – Good Practices Regarding Communication with the Judiciary, Prosecuting and Investigating Agencies</i>	Criteria c and e are met. Criteria a, b and d are not met.	2
SAI-24 overall score		2

Dimension (i) - Communications Strategy

In its audit manual, OPA has a policy in place for communicating with external Government sources. This section of the audit manual does not include details on who OPA's stakeholders are and what types of information to share with them. As mentioned previously, the criteria not met were all related to the non-existence of a formal communications strategy.

Dimension (ii) - Good Practices Regarding Communication with the Legislature

OPA holds regular communication with the Legislature, including annual reporting and meetings between the Public Auditor and newly elected and re-elected officials. Also, prior to releasing an audit, a meeting is held with the oversight Chair to discuss the audit. OPA is relatively on track with communicating with the Legislature, however, documentation is an issue in trying to understand what was discussed during meetings with oversight Chairs as well as elected officials.

Dimension (iii) – Good Practices Regarding Communication with the Executive

General Standards require that “in all matters relating to the audit work, the audit organization and the individual auditor, whether government or public, must be independent.” OPA follows this guideline by ensuring that prior to an audit, impairment statements are completed and signed to ensure that there is no independence issue to undermine the integrity of the audit process and audit results.

Dimension (iv) - Good practices Regarding communication with the Judiciary, prosecuting and investigating agencies

There are no formal procedures and policies in place on communicating with the Judiciary and/or prosecuting and investigating agencies. However, OPA does have in its manual processes on audit referrals to investigations.

SAI-25 Communication with the Media, Citizens and Civil Society organizations

A key contributor to the way information is given to the public is through any form of media. It is important that communication is open between the SAI and the media in order to provide relevant information to the public. These are the two focuses of this indicator, and here OPA has achieved a final score of 2, suggesting that there are opportunities of improvement.

Indicator Score: 2		
Dimension	Findings	Score
<i>Dimension (i) – Good Practices Regarding Communication with the Media</i>	Criteria b, c, d, e and f are met. Criteria a is not met.	3
<i>Dimension (ii) – Good Practices Regarding Communication with Citizens and Civil Society Organizations</i>	Criteria a, b, e, f, g and h are met. Criteria c and d are not met.	3
SAI-25 overall score		3

Dimension (i) - Good Practices Regarding Communication with the Media

Section 4.5 of OPA’s manual states that “all OPA personnel who review privileged and sensitive information during the course of their normal duties have a special obligation to prevent unauthorized or premature disclosure of the information. Staff can periodically expect to be contacted by the media or the general public inquiring about OPA related activities. All staff members shall address media representatives and the general public in a friendly cooperative manner, however, it is the policy of the OPA not to comment on on-going audits. OPA employees will refrain from initiating any media contacts related to the Office unless instructed to do so by the Public Auditor.” Although the manual suggests on how staff should handle information, there were no procedures and documentation to show how requests and/or information from the media are handled.

OPA does not conduct press conferences, however, all audit releases are posted on the OPA website, and issued through mass email and by fax.

Dimension (ii) - Good Practices Regarding Communication with Citizens and Civil Society Organizations

OPA is effective in ensuring that their website is up to date and that all reports released are posted and that feedback is available to those accessing the website. However, there is no documentation to support OPA's efforts in contacting civil society organizations and encouraging them to read audit reports to be able to share with citizens.

Other Activities Carried out by OPA

In addition to the mandated audit responsibilities prescribed in Title 1 GCA Section 1908, OPA is also required by public laws to carry out other responsibilities from time to time, as the government legislates. These additional responsibilities included the following:

- To hear and decide procurement appeals
- To provide oversight, approve or conduct a specific activity
- To be a member of a committee, group or task force
- Requirement for some Government agencies to submit reports and other information to OPA

Among these additional legislated responsibilities, the most significant one was Public Law (PL) 28-68 which transferred the responsibility to hear and decide procurement appeals from the Procurement Appeals Board to OPA.

Procurement Appeals

In addition to OPA's mandate granted by Public Law 21-122 in July 1992 [Title 1 Guam Code Annotated, Chapter 19], OPA is also required, under 1 GCA §1909(k) to hear and decide on Procurement Appeals.

The Public Auditor assigns each OPA procurement appeal to a Hearing Officer. To handle the workload, which is a quasi-judicial hearing following the rules of evidence in Guam law, and preclude potential conflicts of interest, OPA procured the legal services from a pool of three Hearing Officers who are licensed attorneys on Guam. Similar to the independent auditing services, procurement for the legal services is administered through the RFP process.

The process of conducting and handling an appeal is very well documented and is evident in the files that are maintained. For this special practice, OPA solicits the help of an Attorney to assist in the hearings. Judgment and decision on an appeal is based on the documents that the parties (appellant and procuring agency) provide and the oral testimonies given during the hearing. Procurement appeals are predetermined in scope and objective.

OPA maintains a Quality Assurance Review (QAR) of each appeal similar to that of financial and performance audits. The QAR process requires that the final report be referenced to the file containing all supporting documentation of the appeal. Although a QAR is required, there are no guidelines on how differences of opinions are documented and reflected in file. For instance, if the Public Auditor disagrees with the conclusion or wanted to make slight modification, there are no guidelines on what needs to be done and what documentations should be maintained as evidence of the amendments or differences in opinions, and how the final conclusion / decision was arrived at.

The whole process is monitored and managed by the auditor in charge of coordinating procurement appeals. All evidence, or procurement records, are provided by the procuring agency.

The decision is arrived at after hearing both parties' submissions and testimonies on the case. The lawyer presiding over the case, the Public Auditor, assigned senior staff (Supervisor) and Auditor III, carry out a thorough review of the supporting documents as well as hear testimonies to determine whether the issues raised have merit. A decision is issued by the Public Auditor to the parties. The report itself is easy to understand. OPA releases the decision on the procurement appeals case within the day that it is signed by the Public Auditor.

Although OPA anticipates procurement appeals each year, there is no plan in place to identify the number of staff that will be involved in an appeal. Also, it was evident during the examination of documents that there is an absence of ensuring that audit teams have collective knowledge, skills and experience necessary to participate on an appeal.

Section 5. SAI Capacity Development Process

5.1. Description of Recent and On-going Reforms

In 2014, the Guam Office of Public Accountability (OPA) enlisted the services of Leading Edge Consulting Group to review the positions within and make necessary recommendations on the positions and descriptions to better reflect the actual levels and composition of the tasks within the positions.

The services were requested based on the high level of attrition being experienced by OPA to other individual agencies that actually fall within the realm of their audit oversight and that the Government of Guam Competitive Wage Act 2014 did not address the loss of key personnel. In any organization, a group of professionals with audit oversight defecting to a smaller agency over which they have had oversight indicates a problem. Often, this occurs due to a misalignment of wages to positions or a lack of competitive wages in the marketplace.

As a result, Leading Edge recommended the revision and expansion of the six current audit positions to 10 accountability audit position titles based on the responsibilities and tasks of those employed at OPA.

The recommended job titles reflect OPA's overarching responsibilities for oversight of all Government of Guam agencies. Changes were made to each job description to better reflect the actual task and qualifications required of incumbents and candidates for the position. The recommended positions and organizational structure allow for an auditor's career growth as well as efficient functioning of OPA.

In order to attract and retain highly qualified personnel, Leading Edge also recommended an update to OPA's wage structure in line with the expanded positions. Because of the highly complex nature of the work, OPA needs to be able to recruit and select the candidates independently. Leading Edge also recommended that OPA be given hiring autonomy subject to post review and approval by the Civil Service Commission (CSC). The CSC's post audit responsibility is set forth in G.C.A. S 4403(e).

As a result of the review, Guam Legislature granted OPA the hiring autonomy through the passage of P.L. No. 33-226 in January 2017. Currently, OPA handle's its human resource matters along with its consultant, Leading Edge, as needed.

In 2014, OPA decided to explore the option of converting its manual audit processes to an automated process to increase efficiency. OPA believed the expected result of a successful implementation would be quicker audits and less burden on audit staff and supervisors with time consuming preparation of work papers, referencing, cross-referencing, etc. The automated audit software would also allow auditors to apply consistent templates and processes to all audits and facilitate supervisory reviews.

The software was procured and all OPA staff went through hours of training on the proper usage of the audit management software to ensure staff fully understands all functions of the audit software. There were challenges during the trial phase of the software, however, the staff were able to operate it and commenced automating their audit works in 2016 for all performance audits commenced after October 2015, and the FY2015 financial audits and subsequent years.

5.2. Use of SAI results by External Providers of Financial Support

The OPA participates in PASAI regional projects and IDI global projects (usually delivered in partnership with PASAI) and APIPA projects. The assessment team is not aware of any use of the OPA audit reports by external providers of support to the Government of Guam.

Annex A: Performance Indicator Summary & Tracking Performance over Time (where applicable)

The following table provides a summary of the OPA performance indicators. For each indicator, the table specifies the scoring assigned by dimensions and the overall score.

Indicator	Indicator Name	(i)	(ii)	(iii)	(iv)	Overall Score
Domain A	Independence and Legal Framework					
SAI-1	Independence of the SAI	1	3	3	3	2
SAI-2	Mandate of the SAI	4	2	2		3
Domain B	Internal Governance and Ethics					
SAI-3	Strategic Planning Cycle	1	0	2	3	1
SAI-4	Organizational Control Environment	0	1	3	3	2
SAI-5	Outsourced Audits	3	3	4		3
SAI-6	Leadership and Internal Communication	3	3			3
SAI-7	Overall Audit Planning	3	1			2
SAI-8	Audit Coverage	N/A	3	N/A		3
Domain C	Audit Quality and Reporting					
SAI-9	Financial Audit Standards and Quality Management	N/A	N/A	N/A		N/A
SAI-10	Financial Audit Process	N/A	N/A	N/A		N/A
SAI-11	Financial Audit Results	N/A	N/A	N/A		N/A
SAI-12	Performance Audit Standards and Quality Management	4	4	4		4
SAI-13	Performance Audit Process	3	3	3		3
SAI-14	Performance Audit Results	4	4	3		4
SAI-15	Compliance Audit Standards and Quality Management	N/A	N/A	N/A		N/A
SAI-16	Compliance Audit Process	N/A	N/A	N/A		N/A
SAI-17	Compliance Audit Results	N/A	N/A	N/A		N/A
SAI-18	Control and Judgement of Rendered Accounts (<i>for Court Model SAIs</i>)	N/A	N/A	N/A	N/A	N/A
SAI-19	<i>Public Sector Audit Standards and Quality Management (Optional)</i>	N/A	N/A	N/A		N/A
SAI-20	<i>Public Sector Audit Process (Optional)</i>	N/A	N/A	N/A		N/A
Domain D	Financial Management, Assets and Support Services					
SAI-21	Financial Management, Assets and Support Services	4	4	4		4
Domain E	Human Resources and Training					
SAI-22	Human Resource Management	N/A	2	4	4	3
SAI-23	Professional Development and Training	2	N/A	1	N/A	1
Domain F	Communication and Stakeholder Management					
SAI-24	Communication with the Legislature, Judiciary and Executive	1	3	3	2	2
SAI-25	Communication with the Media, Citizens & Civil Society Organizations	3	3			3

Annex B: Sources of Information & Evidence to Support Indicator Scoring

General Sources of Information

Citizen Centric Report 2016
Guam Organic Act
Guam Code Annotated and Guam Administrative Rules and Regulation
Department of Administration Personnel Rules and Regulations
Government of Guam Competitive Wage Act 2014
FY 2016 Budget Act

Evidence to Support Indicator Scoring

OPA Audit Manual (2008)
OPA Audit Manual 2016 -- DRAFT
OPA Strategic Plan - 2014
OPA Procedures for Financial Audit Review
RFP Process Guideline
Request for Proposal of Financial Audit
Audit Contract
Ch. 12 of the GAR: Procurement Appeals Rules and Regulations
Job Descriptions
OPA Standard Operating Procedures
OPA 2016 Annual Audit Plan

Review of Sample of Performance Audit Files

Government of Guam Limited Gaming Tax
Guam Memorial Hospital Authority Trust Fund Fees