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### **Guam Waterworks Authority FY 2001 Financial Highlights**

*May 8, 2003*

According to the audited financial statements of the Guam Waterworks Authority for the fiscal year ending September 30, 2001, which were prepared by Deloitte Touche Tohmatsu, GWA had a nominal loss of only \$22,622. The nominal loss occurred primarily because of contributions and grants from both the federal government and the Government of Guam totaling \$10.7 million. For the 11 previous years GWA had both operating and net losses.

Although operating revenues declined by \$1 million to \$38.1 million from FY 2000, operating expenses also declined by \$1.6 million to \$49.6 million. This led to an operating loss for GWA of \$11.5 million for FY 01. Among GWA's significant operating expenses were salaries and wages of \$11.5 million, which declined by \$1.7 million even though personnel increased by 13 going from 317 to 330 employees. While contractual expenses for equipment rental and labor dropped to \$3.8 million from \$5.9 million in prior year, the auditors cited poor procurement controls in the issuance of work orders to contractors including consecutive purchase orders, on the same date for the same service and same amount to the same contractor. GWA had \$460,000 in legal expenses and \$367,000 in regulatory expenses mainly to the PUC.

GWA also has serious problems with their receivables. Bad debts expenses more than doubled from the prior fiscal year going from \$1.6 million in 2000 to \$3.6 million in 2001 an increase of \$2 million. As of September 30, 2001, GWA's aggregate accounts receivable was \$25.7 million. Of that amount, there were doubtful accounts totaling \$6.1 million for private customers and \$5.9 million for government customers, for a combined total of \$12 million in receivables with an unlikely chance of being collected. A simple calculation will reveal that 47 cents of every dollar that GWA is owed may not be collected.

In GWA's report on compliance and internal controls a total of 18 findings were cited. Among those findings, GWA was not enforcing disconnection policies, thus allowing nonpaying customers to accumulate large water bills and not face any disconnection. Another finding cited GWA for allowing new private accounts to be opened even when an outstanding balance at the residence still exists. In finding 14, Deloitte found 372 instances of apparently excessive overtime and lack of control over the monitoring of overtime. In another finding, it was recommended that GWA establish a qualified internal audit department in the interest of, among other things, safeguarding its assets and ensuring departmental adherence to standard operating

procedures.

The findings in the FY 2001 audit occurred under previous management and the Consolidated Commission on Utilities together with the new interim general manager have already begun to implement changes and controls to improve fiscal accountability.

