



OFFICE OF THE PUBLIC AUDITOR

EXECUTIVE SUMMARY

Submission of FY 2007 4th Quarter Financial Reports Report No. 07-16, December 2007

This report presents our compliance review of the submission of quarterly financial reports, staffing pattern reports, and all other special reports for the fourth quarter of Fiscal Year (FY) 2007 for the period of July 1, 2007 through September 30, 2007. Public Law (P.L.) 29-02 amended and established new FY 2007 reporting requirements and imposed a 20% salary reduction as a penalty for agency Directors¹, Deputies, and Chief Financial Officers (CFO) who do not comply with the reporting requirements. However, the law failed to specify when the penalty would occur.

The FY 2007 budget laws collectively required six reporting elements, as follows:

- 1) General Quarterly Financial Reporting (due 30 days after the end of the quarter for all 58 entities)
- 2) General Quarterly Staffing Pattern Reports (due 1 day after the end of the quarter for 55 entities)
- 3) General Quarterly Prior Year Obligation Payments (due at the end of the quarter for 49 entities)
- 4) Non-Appropriated Funds (due 30 days after the end of the quarter for 16 entities)
- 5) Non-Profit Organization Reporting (due 30 days at the end of the quarter for 4 entities)
- 6) Special Reports (due at various reporting deadlines for 15 entities and 1 commission)

General Reporting Requirements: Of the 58 entities, 49 entities complied with all their reporting requirements for the fourth quarter of FY 2007, while 9 entities (DLM, DMHSA, GEC, GMRO, Governor's Office, GPSS, HRRRA, PEALS and VAO) did not comply with some of their reporting requirements. Specifically, 53 entities or 91% submitted their fourth quarter financial reports by the October 31, 2007 deadline. 50 entities submitted their staffing pattern reports on time, and 45 entities submitted their prior year's obligation payments report.

Non-Appropriated Funds (NAF) Reporting Requirements: Entities that complied with the submittal of NAF reports in all reporting formats increased from 13 to 14. There were 2 entities (DMHSA and GEC) that did not submit the required NAF reports.

Non-Profit Organization (NPO) Reporting Requirements: There were 4 overseeing entities required to report on their NPO activities. We found 3 entities (Agriculture, DYA, and Judiciary) complied with all three reporting requirements, while DMHSA continues to be non-compliant by not submitting NPO report.

¹ A Director shall include but not limited to the head of a department, agency, autonomous and semi-autonomous agency, public corporation, Superintendent of Education, Presidents of the University of Guam and the Guam Community College, the General Manager of the Guam Educational Telecommunication Corporation, the Director of the Guam Public Library System, the Executive Directors of the Mayors Council of Guam and the Guam Legislature, and the Administrator of the Courts of Guam.

Special Reports: 15 entities and 1 new commission were required to submit 31 special reports. The new commission, Modernization and Rightsizing Commission of the Government of Guam for the 21st Century (COMRIGHT-21), replaced the Sunset and Rightsizing Commission and the Commission on Modernization of the Government of Guam. Of the 16 entities, COMRIGHT-21 and the GBOA reports did not have due dates specified. For the remaining 14 entities, 11 entities met all three reporting conditions, while 2 entities (GMRO and Governor's Office) met some of their special reporting requirements but not all. Again, DMHSA continues to be non-compliant by not submitting any reports.

All 19 Mayors complied and submitted their NAF reports. For the fourth quarter, a consolidated quarterly report for all 19 mayors was submitted by the MCOG in all three reporting formats. We noted that the municipality of Yona issued three checks made payable to "cash" totaling \$3,700 during the third quarter of FY 2007. This practice should be prohibited due to the potential risk of misappropriation when making checks payable to cash for a non-specified purpose. There have been several instances reported in previous OPA audit reports of non-appropriated funds where checks made to "cash" were for personal gain and resulted in the resignation, indictment, or dismissal of the persons involved. No checks were made payable to "cash" in fourth quarter.

Unenforced 20% Salary Reduction Penalty. Chapter VI, Section 15 of P.L. 29-02 repealed the deappropriation penalty and imposed a 20% reduction in gross salaries of any government of Guam. Although the penalty was effective for the third quarter, no Director, Deputy Director, and CFO who was noncompliant was penalized the 20% salary reduction for the third quarter. There is confusion as to how the 20% salary reduction was to be implemented for FY 2007. No specific date was given on when the penalty would occur.

In October 2007, OPA made several inquiries with the Governor's Office and the DOA regarding the implementation of the 20% salary reduction penalty to all involved parties who did not meet all of their reporting requirements for the third quarter of FY 2007. We also made several inquiries with the Office of Finance and Budget on how the penalty for the fourth quarter would be applied. However, we have yet to receive a response to our inquiries as of the issue date of this report.

OPA Suggestions: Several suggestions were made to the Legislature to improve the reporting process to include: requiring entities to provide summary information of the changes in level of personnel, and changing all reporting requirement due dates to 30 days after the end of the quarter for consistency and to allow entities more time to submit their reports.

As this is the second year that a provision to require regular financial reporting is in the budget act, we applaud the Legislature for continuing to require these reports, assuring public accountability and transparency in the use of public funds.

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