Summary Report of FY 2007 3rd and 4th Quarter Financial Reports

As Mandated by Public Laws 28-149, 28-150, and 29-02

Letter Report

OPA Report No. 07-17
December 2007

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Summary Report of FY 2007 3rd and 4th Quarter Financial Reports
As Mandated by Public Laws 28-149, 28-150, and 29-02

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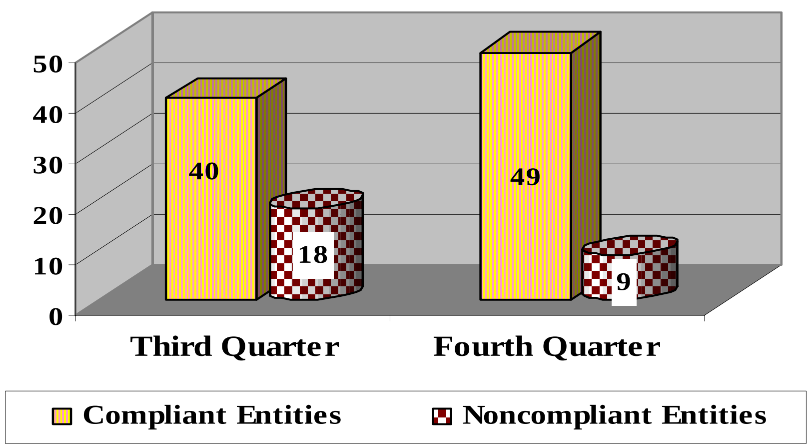
This report summarizes the compliance review of the submission of quarterly financial reports, staffing pattern reports, and all other special reports for the third and fourth quarters of Fiscal Year (FY) 2007 from April 1, 2007 through September 30, 2007. The compliance review was conducted in accordance with the mandates of the FY 2007 budget laws.[1]

Summary of Compliance

Overall, we saw considerable improvement in compliance with all reporting requirements[2] from third to fourth quarter of FY 2007. Our compliance review found that of the 58 entities, 49 entities or 84% complied with all their reporting requirements for the fourth quarter, an improvement from 40 entities or 69% in the third quarter.[3]

Chart 1: FY 2007 3rd and 4th Quarter Compliant Entities



Compliance by meeting all three reporting requirements of staffing patterns, non-appropriated funds (NAF), non-profit organizations (NPO), and special reports improved for the fourth quarter. See Chart 2.

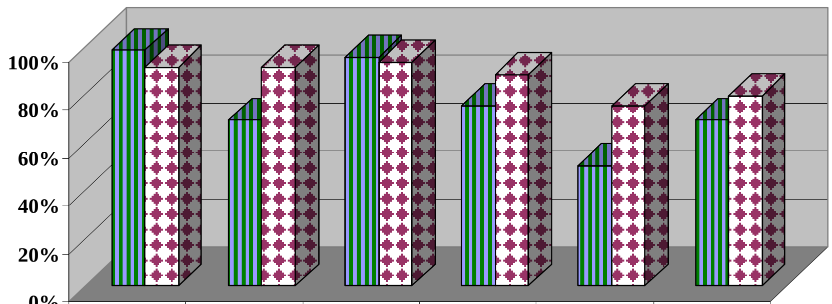
- Staffing pattern reports significantly increased to 50 entities, or 91%, compared to 38 entities, or 69%, in the third quarter.

[1] P.L. 29-02, referred to as the Amended General Appropriations Act of 2007; P.L. 28-149, the Educational Appropriations Act of 2007; and P.L. 28-150, the General Appropriations Act of 2007.
[2] Quarterly financial reports, staffing pattern reports, and all other special reports.
[3] See OPA Report Numbers 07-11 and 07-16; www.guamopa.org.

- NAF reports slightly increased from 12, or 75%, to 14 entities, or 88%.
- NPO reports increased from 2, or 50%, to 3 entities, or 75%.
- Special reports increased from 69% of entities compared to 79%.[4]

However, there were no improvements in compliance with the quarterly financial reports, which declined from 57 entities, or 98% in the third quarter to 53 entities, or 91% in fourth quarter. Prior year's obligation payments (PYO) reports compliance declined from 55, or 95%, to 54[5] entities, or 93%. Despite these instances of noncompliance, there was an overall increase in total entities who complied with all their reporting requirements. While we saw some improvements in the general and special reporting requirements for the fourth quarter, timely and accurate reporting is still a work in progress.

Chart 2: FY 2007 3rd and 4th Quarters Reporting Elements Comparison



	Financial Reports (58 entities)	Staffing Pattern (55 entities)	PYO Reports (58 entities)	NAF Reports (16 entities)	NPO Reports (4 entities)	Special Reports (footnote 4)
3rd Quarter	98%	69%	95%	75%	50%	69%
4th Quarter	91%	91%	93%	88%	75%	79%

3rd Quarter 4th Quarter

Noncompliance Penalty

Although in the first and second quarters of FY 2007 a deappropriation penalty[6] was established, the deappropriation penalty was repealed in the third quarter of FY 2007 and replaced with a 20% reduction in gross salaries for the remainder of FY 2007. Any government of Guam Director, Deputy Director, and Chief Financial Officer (CFO) would have 20% of his or her gross salary reduced if their entity's reporting requirements were not met.[7] However, the law was silent on who shall implement the penalty.

[4] 16 entities were required to submit special reports during the third quarter and 14 entities during the fourth quarter. The number of entities required to submit special reports declined in the fourth quarter because 2 entities submitted their special reports during the third quarter even though they were due in fourth quarter.

[5] For the third quarter, 58 entities were required to submit PYO reports. However, during the fourth quarter, the Office of Finance and Budget clarified that only entities that received appropriations from the General Fund are required to submit PYO reports. We identified 9 entities that were not required to submit PYO reports, but were counted as compliant entities for comparison purposes.

[6] Chapter VI, Section 3 of P.L. 28-150.

[7] Chapter VI, Section 15 of P.L. 29-02.

As of the issue date of this report, non-compliant Directors, Deputy Directors, and CFOs for the third and fourth[8] quarters were not penalized; nor have we attested to any salary reduction as required by law[9] because no such reduction had occurred.

The FY 2008 Budget Act[10] has a similar penalty and attestation provision. However, the law continues to be silent on who shall be responsible for implementing the penalty. We suggest the Legislature clarify this issue as non-compliant Directors, Deputy Directors, and CFOs identified in FY 2008 may not be penalized.

Suggestions for Improvement

During FY 2007, we made several suggestions to the Legislature to improve the reporting process to include: (1) requiring entities to provide summary information of the changes in personnel level to provide a quick status of each entity, and (2) amending due dates for all reporting requirements to 30 days after the end of the quarter or fiscal year. Having one reporting due date for all the reports will provide consistency and mitigate confusion among entities for tracking when reports are due.

In conclusion, the success of financial reporting requires the collaborative effort of the agency heads, Office of Finance and Budget, Bureau of Budget and Management Research, and OPA. These entities play an integral part of the quarterly financial reporting process and should meet quarterly to address issues and concerns to improve the reporting process.

Doris Flores Brooks, CPA, CGFM
Public Auditor

[8] The fourth quarter report was issued on December 26, 2007, OPA Report No. 07-16.
[9] Chapter VI, Section 15 of P.L. 29-02.
[10] Chapter VII, Section 2 of P.L. 29-19.