



## OFFICE OF PUBLIC ACCOUNTABILITY

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### OPA's Cash Balance and FY 2018 Expenditures and Shortfall

*Deputy Public Auditor Projects \$183K Shortfall for FY 2018*

**October 3, 2018**

Hagåtña, Guam – In a transition letter transmitted to Public Auditor Benjamin J.F. Cruz, Deputy Public Auditor Yukari Hechanova confirmed the Office of Public Accountability's projected shortfall of \$183 thousand (K) for fiscal year (FY) 2018, a projected payout of \$89K to the five employees affected by the OPA's fiscal realignment plan, and OPA's cash balances as of August 31, 2018.

#### **Projected Shortfall of \$183K, Payouts of \$89K**

In FY 2018, the OPA's budget was \$1,396,898. Based on the Deputy Public Auditor's analysis, the OPA expects to overspend its appropriation by \$183K. The overspending came primarily from \$122K in personnel costs and \$61K in operations. OPA's cash reserves will cover the shortfall.

*"The Department of Administration (DOA) will invoice the OPA for the \$123,000 in personnel costs shortly after the fiscal year end. The OPA will pay this invoice using the cash reserves. The remaining \$62,000 operations shortfall has already been paid through OPA's checking account as vendor invoices become due,"* Hechanova stated in her transition report.

As a result of OPA's fiscal realignment plan in reducing personnel, the Deputy Public Auditor projected an impact of \$89K, primarily to pay five affected employees for the last pay period in FY 2018, pay periods for their remaining employment in FY 2019, and accrued vacation leave cash pay outs.

#### **OPA Cash Balances and Reserves**

The Deputy Public Auditor further reported that as of August 31, 2018, the OPA's cash balance is \$392K, and rests in time certificates of deposit, one checking account, two savings accounts, and one petty cash fund. Taking into account the projected shortfall of \$183K, projected cash payouts of \$89K, as well as reimbursements from a federal grant of \$48K and a \$10K allotment from DOA, the estimated cash balance as of September 30, 2018 is \$189K.

*"One of my first directives in coming into this office was to get a full reporting of OPA's finances. In receiving this report, it confirms OPA overspent its FY 2018 appropriation by \$183K and the office needed to make tough, but necessary cuts to personnel to stay within the budgeted amounts granted by the Legislature,"* stated Cruz.

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For more information, please contact Vincent Duenas at 475-0390 ext. 206 or visit our website at [www.opaguam.org](http://www.opaguam.org).

Office of Public Accountability

**MEMORANDUM**

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Date: October 2, 2018  
To: Public Auditor  
From: Deputy Public Auditor  
Subject: OPA Cash Balance 8/31/18 and FY 2018 Expenditures and Shortfall

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In order to facilitate a smooth transition into your new position as Guam's elected Public Auditor, this memo confirms the OPA's cash balances as of August 31, 2018, projected uses of cash reserves, and projected shortfall for FY 2018.

**OPA Cash Balance and Reserves**

As of August 31, 2018, the OPA's cash balance is \$392,314.84 and rests in time certificates of deposit (TCD), one checking account, two savings accounts, and one petty cash fund. The balances in these accounts are as follows:

**TCDs**

Institution	Interest Rate	Maturity Date	Amount
Coast 360 Federal Credit Union	1.60%	1/4/2019	\$ 100,000.00
Coast 360 Federal Credit Union	1.30%	6/7/2019	100,000.00
Total TCDs:			<u>\$ 200,000.00</u>

**Checking Account, Savings, and Petty Cash**

ANZ checking account	\$ 55,771.47
OPA petty cash fund	500.00
Community First Federal Credit Union savings account	114,729.60
Coast 360 Federal Credit Union savings account	21,313.77
Total cash in bank:	<u>\$ 192,314.84</u>
<b>Total OPA cash balance 8/31/18:</b>	<b><u>\$ 392,314.84</u></b>

In September, a \$48,000 grant reimbursement and \$10,000 allotment is expected which will add \$58,000 to OPA's cash balance. However, expenditures in September are estimated to be \$49,000.

## Estimated September 2018 Operational Expenditures

### CONTRACTUAL SERVICES

Procurement Appeals Hearing Officers	\$8,000
Legal fees	500
Website services	3,150
Copier equipment lease	300
DOA MOU for payroll svc.	1,960
TeamMate licenses	15,915
Dimensions Systems	1,696
Professional memberships	<u>5,885</u>
<b>Subtotal, Contractual Services</b>	<b>37,406</b>

**OFFICE SPACE RENTAL** **10,188**

**SUPPLIES & MATERIALS** **522**

### MISCELLANEOUS

Fuel	200
Pepsi Cola Bottling Co.	188
Antivirus	<u>200</u>
<b>Subtotal, Miscellaneous</b>	<b>588</b>

**TELEPHONE/TOLL** **224**

**Total:** **\$48,928**

### Projected Uses of OPA Cash Balance and Reserves

As we discussed, the cash reserves will be used to pay for salaries and benefits for the five terminated employees for the last pay period of FY 2018, pay periods of our remaining employment in FY 2019, and accrued vacation leave cash outs. The following are the estimated amounts.

*FY 2018 Salaries and Benefits*

	<u>PPE</u> <u>9/29/18</u>
Yukari B. Hechanova	\$ 5,145
Rodalyn M.A. Gerardo	4,902
Llewelyn R. Terlaje	4,358
Vanessa D. Valencia	1,919
Anna J. Manibusan	1,937
	<u>\$ 18,260</u>

*FY 2019 Salaries and Benefits*

	<u>PPE</u> <u>10/13/18</u>	<u>PPE</u> <u>10/27/18</u>	<u>PPE</u> <u>11/10/18</u>	<u>Total</u>
Yukari B. Hechanova	\$ 4,430	\$ 4,430	\$ 4,430	\$ 13,289
Rodalyn M.A. Gerardo	4,232	4,232	4,232	12,695
Llewelyn R. Terlaje	3,900	3,900	3,900	11,700
Vanessa D. Valencia	1,919	0	0	1,919
Anna J. Manibusan	1,937	0	0	1,937
	<u>\$ 16,417</u>	<u>\$ 12,561</u>	<u>\$ 12,561</u>	<u>\$ 41,540</u>

*Accrued Vacation Leave Cash Outs*

	<u>Accrued Leave</u>		
	<u>Hours</u> <u>10/31/2018</u>	<u>Hourly Rate</u>	<u>Total</u>
Yukari B. Hechanova	233	\$ 42.59	\$ 9,923
Rodalyn M.A. Gerardo	224	40.70	9,117
Llewelyn R. Terlaje	276	37.50	10,350
Vanessa D. Valencia	16	17.84	285
Anna J. Manibusan	16	17.84	285
			<u>\$ 29,961</u>

**FY 2018 Projected Shortfall**

I am projecting a budget shortfall of approximately \$185,000 for FY 2018.

Total FY 2018 budget	\$ 1,396,898	
Operating budget	202,934	
Less operating expenditure projection	<u>264,009</u>	(61,075)
Personnel budget	1,193,964	
Less personnel expenditure projection	<u>1,316,215</u>	<u>(122,251)</u>
Amount of projected FY 2018 shortfall		<u>\$ (183,326)</u>

The Department of Administration (DOA) will invoice the OPA for the \$123,000 in personnel costs shortly after the fiscal year end. The OPA will pay this invoice using the cash reserves. The remaining \$62,000 operations shortfall has already been paid through OPA’s checking account as vendor invoices become due.

To recap the projected movement of OPA cash balance and reserves:

OPA cash balance 8/31/18		\$ 392,314
Add:		
FY 2018 appropriation due from DOA		10,000
Federal grant reimbursement		48,000
Less:		
Costs of terminated employees:		
FY 2018 salaries & benefits	\$ (18,260)	
FY 2019 salaries & benefits	(41,540)	
Accrued vacation leave cash out	<u>(29,961)</u>	(89,761)
Costs of FY 2018 budget shortfalls:		
FY 2018 personnel costs due to DOA	(123,000)	
September 2018 vendor payments	<u>(49,000)</u>	<u>(172,000)</u>
<b>Estimated cash balance 9/30/18</b>		<b>\$ <u>188,553</u></b>

## Appropriation History

In the last 10 years, OPA exceeded its budget in only FY 2017.

As shown in Table 1, the OPA's FY 2017 actual expenditures of \$1,513,950 exceeded its \$1,396,898 budget by \$117,052. Of this amount, personnel costs of \$14,432 was paid from OPA cash reserves directly to DOA. The remaining \$102,621 was for operational costs mainly in contractual and equipment and paid from OPA cash reserves.

Appendix A provides detail salary and benefits for the expenditures.

**Table 1 OPA Appropriation and Expenditure History FY2008 - FY2018  
As of August 2018**

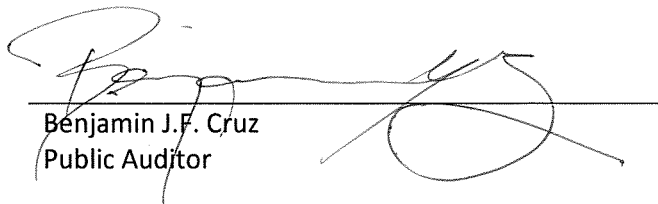
	A	B	B - A	
Fiscal Year	Final Budget	OPA Expenditures	\$ Change	OPA cash balance
2018	\$ 1,396,898	\$ 1,275,203	\$ 121,695	\$ 392,315 As of August 31, 2018
2017	1,396,898	1,513,949	(117,051)	455,421
2016	1,611,851	1,512,485	99,366	424,183
2015	1,481,312	1,109,242	372,070	446,122
2014	1,303,044	1,159,306	143,738	433,903
2013	1,235,315	1,136,403	98,912	475,998
2012	1,549,799	1,121,403	428,396	436,600
2011	1,454,778	1,158,976	295,802	415,998
2010	1,226,349	1,025,391	200,958	431,160
2009	1,271,782	832,839	438,943	403,902
2008	1,038,088	824,947	213,141	265,495

The cash flows from 2008 to August 31, 2018 are summarized below:

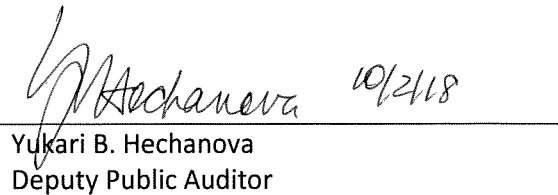
Cash flows from operating activities:	
Receipts from appropriations	\$ 13,375,667
Receipts from interest	45,993
Receipts from federal grants (travel & training)	365,368
Receipts from GSWA receiver	60,000
Receipts from APIPA	11,239
Receipt from PASAI	12,593
Receipts from NASACT/NSAA/ALGA	6,750
Receipt from other (FOIA, etc.)	310
Capital assets	(20,100)
Payments to employees	(9,619,543)
Payments to vendors	<u>(4,050,014)</u>
Net increase (decrease) in cash	188,263
Cash at beginning of year (10/1/2007)	<u>204,052</u>
Cash at end of year (8/31/2018)	\$ <u>392,314</u>

Appendix B provides detail of the cash flows by fiscal year.

Acknowledged:

  
Benjamin J.F. Cruz  
Public Auditor

Prepared by:

  
Yukari B. Hechanova  
Deputy Public Auditor

Appendix A

OPA Appropriation History FY 2008 – FY 2018 as of August 2018 with Salaries and Benefits

Fiscal Year	Final Budget	OPA Expenditures	Salaries	Benefits	Total Personnel Cost	Notes	No. of staff
2018	\$ 1,396,898	\$ 1,275,203	\$ 882,607	\$ 291,102	\$ 1,173,709	1 Auditor I hired: Anna	18
2017	1,396,898	1,513,949	856,136	293,492	1,149,628	2 Auditor I's hired: Fred & Vanessa; Vince transfered from GWA.	17
2016	1,611,851	1,512,485	764,529	266,453	1,030,982	2 Auditor I's hired: Edlyn & Ira Purchased TeamMate audit software \$70,000	15
2015	1,481,312	1,109,242	641,737	231,189	872,926	Deputy Public Auditor hired: Yuka Unclassified appointments: Special Asst-Rodalyn, Exec. Secty-Llewelyn	13
2014	1,303,044	1,159,306	612,510	224,690	837,200		12
2013	1,235,315	1,136,403	560,697	210,981	771,678		15
2012	1,549,799	1,121,403	574,223	176,593	750,816		12
2011	1,454,778	1,158,976	667,653	199,729	867,383		14
2010	1,226,349	1,025,391	601,784	170,574	772,358		15
2009	1,271,782	832,839	527,913	161,825	689,738		13
2008	1,038,088	824,947	554,565	155,221	709,787		11

- (A) Carryover Authorization
- (B) Hay Study Implementation Allotment
- (C) Income Tax Refund Appropriations
- (D) Governor Transfer



**Appendix B**

**OPA Cash Flows FY 2008 – FY 2018 (August 2018)**

Years ended September 30,	<u>Total</u>	<u>August</u> <u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:						
Receipts from appropriations	\$ 13,375,667	\$ 1,366,462	\$ 1,582,080	\$ 1,611,851	\$ 1,259,204	\$ 1,176,832
Receipts from interest	45,993	2,192	2,848	2,304	3,052	3,432
Receipts from federal grants (travel & training)	365,368	20,957	62,038	19,290	3,770	38,644
Receipts from GSWA receiver (audit fees)	60,000	20,000	20,000	15,000	5,000	-
Receipts from APIPA (peer reviews)	11,239	7,282	-	-	3,957	-
Receipt from PASAI (travel, PASAI Congress)	12,593	-	-	6,685	-	5,117
Receipts from NASACT/NSAA/ALGA (travel & training)	6,750	1,000	750	5,000	-	-
Receipt from other (FOIA, etc.)	310	295	10	-	-	2
Capital assets (vehicles)	(20,100)	-	-	-	-	2,800
Payments to employees	(9,619,543)	(1,173,709)	(1,164,060)	(1,030,982)	(872,926)	(854,873)
Payments to vendors	<u>(4,050,014)</u>	<u>(307,585)</u>	<u>(472,428)</u>	<u>(651,087)</u>	<u>(389,837)</u>	<u>(414,049)</u>
Net increase (decrease) in cash	188,263	(63,107)	31,238	(21,939)	12,220	(42,095)
Cash at beginning of year	<u>204,052</u>	<u>455,421</u>	<u>424,183</u>	<u>446,122</u>	<u>433,902</u>	<u>475,998</u>
Cash at end of year	\$ <u>392,314</u>	\$ <u>392,314</u>	\$ <u>455,421</u>	\$ <u>424,183</u>	\$ <u>446,122</u>	\$ <u>433,902</u>

Years ended September 30,	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:						
Receipts from appropriations	\$ 1,150,503	\$ 1,146,255	\$ 1,182,070	\$ 1,046,340	\$ 954,341	\$ 899,728
Receipts from interest	3,748	4,486	5,496	3,528	7,646	7,261
Receipts from federal grants (travel & training)	24,767	35,106	42,789	41,211	31,883	44,914
Receipts from GSWA receiver	-	-	-	-	-	-
Receipts from APIPA	-	-	-	-	-	-
Receipt from PASAI	-	-	-	791	-	-
Receipts from NASACT/NSAA/ALGA	-	-	-	-	-	-
Receipt from other (FOIA, etc.)	-	4	-	-	-	-
Capital assets	-	-	-	-	-	(22,900)
Payments to employees	(770,921)	(795,973)	(883,967)	(772,358)	(642,434)	(657,339)
Payments to vendors	<u>(369,098)</u>	<u>(348,223)</u>	<u>(382,204)</u>	<u>(292,266)</u>	<u>(213,042)</u>	<u>(210,196)</u>
Net increase (decrease) in cash	38,998	41,655	(35,816)	27,247	138,394	61,468
Cash at beginning of year	<u>436,999</u>	<u>395,344</u>	<u>431,160</u>	<u>403,913</u>	<u>265,519</u>	<u>204,052</u>
Cash at end of year	\$ <u>475,998</u>	\$ <u>436,999</u>	\$ <u>395,344</u>	\$ <u>431,160</u>	\$ <u>403,913</u>	\$ <u>265,519</u>