

**Offices of the Governor and
Lt. Governor's
Employees' Pay Adjustments**

**Performance Audit
January 2014 through April 2016**

**OPA Report No. 16-05
June 2016**



**Offices of the Governor and
Lt. Governor's
Employees' Pay Adjustments**

**Performance Audit
January 2014 through April 2016**

**OPA Report No. 16-05
June 2016**

Distribution:

Governor of Guam
Lt. Governor of Guam
Speaker, 33rd Guam Legislature
Senators, 33rd Guam Legislature
Director, Department of Administration
Director, Government of Guam Retirement Fund
Director, Bureau of Budget and Management Research
Guam Media via E-Mail



Table of Contents

	Page
Executive Summary	1
Introduction	3
Background	3
Results of Audit	6
Retroactive Pay Adjustments Paid in December 2014	7
Retroactive Pay Adjustments Found to be Illegal.....	8
December 2015 One-Time Single Pay Period Salary Adjustments Processed to Offset December 2014 Pay Adjustments.....	8
Employees with Identified Overpayments.....	12
Additional Adjustments for Select Employees.....	13
Double Taxation for 68 Employees: Income Tax Withholding and Medicare Tax	14
Retirement Implications.....	15
Outstanding Accounts Receivable as of April 30, 2016.....	16
Internal Controls Need Improvement	18
Other Matters	18
Conclusion and Recommendations.....	20
Classification of Monetary Amounts	21
Management Response and OPA Reply.....	22
Appendices	
1: Objectives, Scope, Methodology, and Prior Audit Coverage	23
2: Sample December 2014 GG1 and NPA.....	24
3: December 2014 Pay Adjustments	26
4: Former Employees With December 2014 Pay Adjustments.....	29
5: Governor’s December 31, 2014 Letter to DOA	30
6: Attorney General’s Legal Opinion	31
7: Sample December 2015 GG1 and NPA.....	33
8: December 2015 Pay Adjustments	35
9: Sample Calculation of Employees’ Pay in AS400.....	37
10: DOA Letter to GGRF.....	38
11: Form 941-X Sent to IRS.....	39
12: Sample February 2016 Letter Sent to 36 Employees.....	42
13: List of 37 Employees Sent Letters in February 2016.....	43
14: Proposed Legislation	44
15: Management Response.....	49
16: Status of Recommendations	60



EXECUTIVE SUMMARY

Offices of the Governor and Lt. Governor's Employees' Pay Adjustments OPA Report No. 16-05, June 2016

At the request of the Vice Speaker of the 33rd Guam Legislature, we conducted an audit of the pay adjustments for the Offices of the Governor and Lieutenant (Lt.) Governor of Guam's (hereinafter collectively referred to as the Governor's Office) unclassified employees. Our audit found:

- In December 2014, retroactive pay adjustments effective January 26, 2014 were paid to 106 employees. Gross salaries for the 106 employees were \$566,180, plus the Government of Guam's (GovGuam) share of retirement contributions of \$168,570, Medicare taxes of \$7,953, and other deductions of \$146, for total payments of \$742,849.
- Between January 2015 and March 2015, five employees received second pay adjustments amending their initial December 2014 pay adjustments. These payments totaled \$51,419.
- In December 2015, the Attorney General (AG) opined that the December 2014 retroactive pay adjustments were illegal and this could be corrected either by repayment or Legislative action.
- The Department of Administration (DOA) established a receivable of \$742,840¹ for the December 2014 pay adjustments as of September 2015, but this should be adjusted for the five employees' additional pay adjustments, for a total receivable \$794,268.
- In December 2015, 68 employees still with the Governor's Office were given a "One Time Single Pay Period Salary Adjustment" totaling \$403,328 (inclusive of income tax withholdings of \$82,132 and Medicare taxes of \$5,591), plus the government's share of Medicare taxes of \$5,591, for a total one-time adjustment of \$408,919. Retirement contributions were not deducted.
- The December 2015 pay adjustment was the first time DOA was directed to process a one-time single pay period salary adjustment. Due to AS400 system limitations, DOA Payroll calculated most adjustments using **72 hours for one day** and one hour on another day at higher hourly rates for the period November 23 to 28, 2015. This was not consistent with the GG1 and was done so without informing the Governor's Office of this deviation.
- In a December 2015 radio interview, the AG stated that while she was not in support of the "spike" in the December 2015 pay adjustments, "there is nothing illegal about it."
- Of the 68 employees, 67 endorsed their checks to GovGuam to repay the December 2014 pay adjustments they received.
- The one-time pay adjustments of \$403,328 for these 68 employees were reflected in their 2015 Forms W-2. Therefore, these 68 employees were taxed twice- for the December 2014 retroactive pay adjustments and again for the December 2015 one-time pay adjustments.
- In February 2016, the Governor's Office issued letters to 37 individuals no longer employed with the Governor's Office, requesting repayment of their December 2014 pay adjustments.
- There are several areas that need of improvement regarding DOA's human resource and payroll processing of the Governor's Office pay adjustments.

See Table below for a summary of the December 2014 and December 2015 pay adjustments.

¹ There is an immaterial variance between DOA's accounts receivable of \$742,840 and the total December 2014 pay adjustments of \$742,849.

Governor and Lt. Governor's Employees' Pay Adjustments Summary

	December 2014 Pay Adj.	Plus Additional Adjustments	Total	December 2015 Pay Adj.
# OF EMPLOYEES	106	5	106	68
GROSS PAY	\$ 566,180	\$ 39,162	\$ 605,342	\$ 403,328
LESS EMP. DEDUCTIONS:				
WITHHOLDING TAXES	107,068	6,713	113,781	82,132
DB/DC RETIREMENT	29,547	1,958	31,505	-
MEDICARE	7,953	568	8,521	5,591
OTHER	787	-	787	-
TOTAL EMP. DEDUCTIONS	\$ 145,355	\$ 9,239	\$ 154,594	\$ 87,723
NET PAY	\$ 420,825	\$ 29,922	\$ 450,748	\$ 315,604
PLUS GOVT. CONTRIBUTIONS:				
DB/DC RETIREMENT	35,474	1,958	37,432	-
UNFUNDED LIABILITY	133,096	9,732	142,828	-
MEDICARE	7,953	568	8,521	5,591
OTHER	146	-	146	-
TOTAL GOVT. CONTRIBUTIONS	\$ 176,669	\$ 12,258	\$ 188,927	\$ 5,591
GRAND TOTAL	\$ 742,849	\$ 51,419	\$ 794,268	\$ 408,919

Double Taxation for 68 Employees: Income Tax Withholding and Medicare Taxes

Per IRS Publication 15 (2015), when an employer receives a repayment of wages paid in error during a prior year, the employer cannot make an adjustment for income tax withholding because the employee received and had use of those funds during the year. The December 2014 pay adjustments, income tax withholdings, and Medicare taxes were reported in the 106 employees' 2014 Forms W-2. The 68 employees' one-time pay adjustments in December 2015, withholding taxes, and Medicare taxes were reflected in their 2015 Forms W-2, although 67 employees endorsed their checks to GovGuam. These 68 employees were taxed twice for these pay adjustments.

Retirement Implications

Of the 106 employees with pay adjustments in December 2014, three were in the Defined Benefit retirement plan and 103 were in the Defined Contribution retirement plan. We recommend the Government of Guam Retirement Fund (GGRF) review and determine the effect of the December 2014 and December 2015 pay adjustments on the 106 employees' retirement annuities. In February 2016, DOA sent a letter to GGRF in an attempt to recover \$142,496 in retirement contributions for the 68 employees. We recommend DOA and GGRF reconcile the retirement contributions required for the December 2014 and 2015 pay adjustments.

Conclusion

While the December 2015 one-time pay adjustments for the 68 employees were applied as repayment for the December 2014 retroactive pay adjustments, these employees did not repay with personal funds. The 38 employees who left the Governor's Office will have to repay with their personal funds.

In summary, GovGuam paid out \$887,583 (\$794,268 in 2014 and \$408,919 in 2015 for the pay adjustments less \$315,604 for the net pay checks returned to GovGuam) for salaries and benefits to 106 Governor's Office employees. The AG is in the process of selecting a Special Prosecutor to review these pay adjustments.

We made three recommendations, one of which was to establish and implement control measures to prevent errors in processing pay adjustments.

Doris Flores Brooks, CPA, CGFM
Public Auditor



Introduction

This report presents the results of our performance audit of the Governor and Lieutenant (Lt.) Governor's Offices Employees' Pay Adjustments. The audit was initiated at the request of the Vice Speaker of the 33rd Guam Legislature. The scope of our audit is from January 2014 to April 2016 and other periods deemed necessary.

The audit objectives were to determine:

1. The total amount paid as retroactive pay adjustments in December 2014 for the Offices of the Governor and Lt. Governor's (hereinafter collectively referred to as the Governor's Office) unclassified employees; and
2. The effect of the December 2015 pay adjustments.

The objectives, scope, methodology, and prior audit coverage are detailed in Appendix 1.

Background

The Guam Organic Act of 1950 provided Guam with a civil government in which civilian Governors were appointed by the President of the United States. It was not until the Elective Governor's Act of 1968 that the residents of Guam were given the right to vote for the Governor and Lt. Governor. In 1970, the people of Guam elected its first Governor and Lt. Governor. The present Governor and Lt. Governor were elected in 2010 and re-elected in November 2014.

The Office of the Governor is composed of two main departments: 1) Office of the Governor and 2) Office of the Lt. Governor. The following divisions or sections are funded by these two offices:

- | | |
|--|---|
| 1) Office of the Governor | 7) Medical Referral Office |
| 2) Office of the Lt. Governor | 8) Facilities Management |
| 3) Executive Direction | 9) Federal Programs Office –
Guam Community Outreach |
| 4) Commission on Self Determination | 10) Government House |
| 5) Veterans Affairs Office | 11) Guam State Clearinghouse |
| 6) State Homeland Security Program/
Office of Homeland Security | |

Applicable Laws, Regulations, and Policies

There are several laws and regulations pertaining to pay for Government of Guam (GovGuam) employees. Below are a few laws relevant to our audit objectives.

Public Law (P.L.) 32-208 –An Act to Repeal and Re-enact Certain Sections of P.L. 32-136 and set Salary Rates Pursuant to the Competitive Wage Act of 2014.

In November 2014, the Lt. Governor in his capacity as Acting Governor signed into law P.L. 32-208, which repealed and re-enacted certain sections of P.L. 32-136 and set the salary rates pursuant to the Competitive Wage Act of 2014.² The Act became effective on January 15, 2014.

P.L. 32-208 further stated that the salaries of the Governor, Lt. Governor, Senators, and the Attorney General shall be set to the respective salary rates pursuant to the Competitive Wage Act of 2014, with the FY 2015 budget appropriations authorized for the payment of the salaries of the positions identified by the law.

P.L. 32-136

Bill No. 278-32 lapsed into law as Public Law 32-136 on March 5, 2014. The Act is to prioritize the funding of the classified and unclassified GovGuam employees by setting the salaries of I Maga'lahaen Guahan, I Segundo na Maga'lahaen Guahan, the Senators of I Liheslaturan Guahan, the Attorney General of Guam (AG), the Public Auditor of Guam, and the appointed heads of the departments and agencies of the Executive Branch to October 1, 2013 salary rates. No appropriation and authorization for FY 2014 and prior shall be authorized for the payments of salaries to the positions identified in this section at a salary rate above the salary rates effective October 1, 2013.

P.L. 32-068 FY 2014 Budget Act

P.L. 32-068, Chapter XI Section 1- The GovGuam Competitive Wage Act of 2014 repealed Section 7 of Chapter XI of P.L. 30-196. In addition, according to P.L. 32-068, Chapter XI Section 1(d)- Implementation of the Government-wide Position Classification, Compensation and Benefits Study, a sum of \$7.1 million (M) is appropriated from the General Fund to implement the phase-

² According to the Compiler of Law's note for Title 4 of the Guam Code Annotated (GCA) § 6201:

P.L. 32-068:XI:2 (Sept. 11, 2013) (FY2014 Annual Appropriations Act), Government of Guam Competitive Wage Act of 2014, provided for funding and implementation of the Government-wide Position Classification, Compensation and Benefits Study, and required transmittal of a final, implementable plan to the Guam Legislature. The Department of Administration (DOA) submitted a plan on January 15, 2014, which included exhibits setting forth a General Pay Plan, Nurse Pay Plan, Educator Pay Plan, Attorney Pay Plan, and Executive Pay Plan. The Guam Legislature passed Bill 268-32 (COR) which amended the plan submitted by DOA. The Governor vetoed this bill and proceeded with implementation of the DOA plan, for employees in executive branch line agencies, effective January 26, 2014. At the time of implementation by DOA, none of the existing statutes in this chapter had been amended or repealed. The Judicial Council of Guam implemented the new pay plans for Judiciary of Guam employees pursuant to Judicial Council Resolution JC14-016 (July 17, 2014), subsequent to the the (sic) amendment to Judicial Council authority effectuated by P.L. 32-166 (June 24, 2014). The DOA plan was designated by the Guam Legislature as Doc 32GL-14-1170, and is available on the Guam Legislature website.

The pay plans included in the DOA plan are also reproduced in the Compiler of Laws' website. (<http://www.guamcourts.org/compileroflaws/GCA/04gca/4gc006.PDF>)

in salary adjustments in FY 2014 for the executive branch line departments and agencies as recommended by the “comprehensive Government-wide Position, Classification, Compensation and Benefits Study Plan conducted by the Hay Group, Inc.”

Section 1(e) states that the final implementable plan to adjust compensation, classification and benefits shall be submitted by I Maga’lahen Guahan to the Speaker of the I Liheslaturan Guahan no later than January 15, 2014. The implementation of salary increases due from said plan shall be effective 30 calendar days after receipt of the plan by the Speaker of the Legislature unless disapproved or amended.

P.L. 30-196 FY 2011 Budget Act

In Chapter XI Section 7(b) of P.L. 30-196 a sum of \$13.1M was appropriated to implement salary adjustments in FY 2011, as recommended by the comprehensive Government-wide Position, Classification, Compensation and Benefits Study Plan conducted by the Hay Group, Inc. pursuant Section 13 of P.L. 29-52 and the Governor’s Executive Order No. 2006-21. Funds appropriated in this section shall be used only for the salary adjustments of permanent classified personnel filling authorized full-time equivalent (FTE) positions.

4 GCA § 6207 Positions in Governor’s Office

Pursuant to 4 GCA § 6207, the Governor is authorized to establish such positions necessary for the operation of the Office of the Governor including off island offices and the Government House; provided, however, that no person shall be appointed to fill such position in the absence of an appropriation to pay the salary set for the position. The Governor shall set the salaries for positions for which salaries are not set by law.

4 GCA § 6207.1 Positions in Lt. Governor’s Office

Pursuant to 4 GCA § 6207.1, the Lt. Governor is authorized to establish such positions as may be necessary for the operation of the Office of the Lt. Governor, the Guam State Clearinghouse, and other offices established and placed under the purview or direction of the Lt. Governor of Guam; provided, however, that no person shall be appointed to fill such a position in the absence of an appropriation to pay the salary set for that position. The Lt. Governor shall set the salaries for positions for which salaries are not set by law.

4 GCA § 6218.1 Prohibition on Retroactive Pay Raises

Pursuant to 4 GCA § 6218.1, whenever a classified or unclassified GovGuam employee, including all departments, agencies and instrumentalities, whether or not autonomous, receives an increase in pay resulting from a step increase, pay range increase, promotion, or any other cause, ***such increase in pay shall not be retroactive from the date of its authorization, unless so specified by law*** [emphasis added]. Any person who authorizes a retroactive pay raise, which is in violation of this Section, shall be guilty of a misdemeanor.

4 GCA § 2103.14 Retroactive Pay

No unclassified GovGuam employee or officer may receive a retroactive pay increase unless specifically authorized by the statute.

Results of Audit

Our audit found the following:

- In December 2014, retroactive pay adjustments to January 26, 2014 were paid to 106 employees. Gross salaries for the 106 employees were \$566,180, plus GovGuam's share of retirement contributions of \$168,570, GovGuam's share of Medicare taxes of \$7,953, and other deductions of \$146, for total payments of \$742,849.
- Between January 2015 and March 2015, five employees received second pay adjustments amending their initial December 2014 pay adjustments. These payments totaled \$51,419 (\$39,162 in gross pay adjustments, \$11,690 in GovGuam's share of retirement contributions, and \$568 GovGuam's share of Medicare taxes).
- In December 2015, the AG opined that the December 2014 retroactive pay adjustments were illegal and that this could be corrected either by repayment or Legislative action.
- DOA established a receivable of \$742,840³ for the December 2014 pay adjustments as of September 2015 but this should be adjusted for the five employees' additional pay adjustments, for a total receivable \$794,268.
- In December 2015, 68 employees still with the Governor's Office were given a "One Time Single Pay Period Salary Adjustment" totaling \$403,328 (inclusive of income tax withholdings of \$82,132 and Medicare taxes of \$5,591), plus the government's share of Medicare taxes of \$5,591, for a total one-time adjustment of \$408,919. Retirement contributions were not deducted.
- The December 2015 pay adjustment was the first time DOA was directed to process a one-time single pay period salary adjustment. Due to AS400 system limitations, DOA Payroll calculated most of the adjustments using **72 hours for one day** at higher hourly rates for the period November 23 to 28, 2015. This was not consistent with the GG1 and was done so without informing the Governor's Office of this deviation.
- In a December 2015 radio interview, the AG stated that while she was not in support of the "spike" in the December 2015 pay adjustments, "there is nothing illegal about it."
- Of the 68 employees, 67 endorsed their checks to GovGuam to repay the December 2014 pay adjustments.
- The one-time pay adjustments of \$403,328 for these 68 employees were reflected in their 2015 Forms W-2. Therefore, these 68 employees were taxed twice - once for the December 2014 retroactive pay adjustments and again for the December 2015 one-time pay adjustments.
- In February 2016, the Governor's Office issued letters to 37 individuals no longer employed with the Governor's Office, requesting repayment of their December 2014 pay adjustments.
- There are several areas that need improvement regarding DOA's human resource and payroll processing of the Governor's Office pay adjustments.
- In summary, GovGuam paid out \$887,583 (\$794,268 and \$408,919 for the pay adjustments less \$315,604 for the net pay checks returned to GovGuam) for salaries and benefits to 106 Governor's Office employees.

See Table 1 for summary of the December 2014 and December 2015 pay adjustments.\

³ There is an immaterial variance between DOA's accounts receivable of \$742,840 and the total December 2014 pay adjustments of \$742,849.

Table 1: Governor and Lt. Governor’s Employees Pay Adjustments Summary

	December 2014 Pay Adj.	Plus Additional Adjustments	Total	December 2015 Pay Adj.
# OF EMPLOYEES	106	5	106	68
GROSS PAY	\$ 566,180	\$ 39,162	\$ 605,342	\$ 403,328
LESS EMP. DEDUCTIONS:				
WITHHOLDING TAXES	107,068	6,713	113,781	82,132
DB/DC RETIREMENT	29,547	1,958	31,505	-
MEDICARE	7,953	568	8,521	5,591
OTHER	787	-	787	-
TOTAL EMP. DEDUCTIONS	\$ 145,355	\$ 9,239	\$ 154,594	\$ 87,723
NET PAY	\$ 420,825	\$ 29,922	\$ 450,748	\$ 315,604
PLUS GOVT. CONTRIBUTIONS:				
DB/DC RETIREMENT	35,474	1,958	37,432	-
UNFUNDED LIABILITY	133,096	9,732	142,828	-
MEDICARE	7,953	568	8,521	5,591
OTHER	146	-	146	-
TOTAL GOVT. CONTRIBUTIONS	\$ 176,669	\$ 12,258	\$ 188,927	\$ 5,591
GRAND TOTAL	\$ 742,849	\$ 51,419	\$ 794,268	\$ 408,919

Retroactive Pay Adjustments Paid in December 2014

The Governor’s Office prepared Requests for Personnel Action, commonly known as GG1s, dated December 15, 2014, to adjust the pay of 106 unclassified employees effective January 26, 2014.

A blanket GG1 for 52 employees was requested, approved, and signed by the Governor, while the GG1s for 54 employees were requested, approved, and signed by the Governor’s Chief of Staff on behalf of the Governor.

The DOA Human Resource (HR) Division prepared the Notifications of Personnel Action (NPA) with pay adjustments effective January 26, 2014 for 106 employees (85 employees on December 17, 2014 and for 21 employees on December 23, 2014). Two additional NPAs were prepared for the Governor and Lt. Governor’s pay adjustments pursuant to P.L. 32-208. For purposes of our audit and because the pay adjustments for the Governor and Lt. Governor were authorized by P.L. 32-208, they were excluded from our analyses. See Appendix 2 for a sample GG1 and NPA issued in December 2014.

The DOA Payroll Division processed gross pay adjustments totaling \$566,180 for 106 employees. After employee deductions for income tax withholding, Medicare taxes, and employees’ share of retirement contributions, net checks issued amounted to \$420,825. In addition, GovGuam paid \$176,669 for its share of retirement contributions, Medicare, and others for total December 2014 payments of \$742,849. Based on the NPAs, the individual annual pay adjustments ranged from \$1,886 to \$26,287. The actual individual payments ranged from a low of \$230 and a high of \$23,258 depending upon the employee’s hire and termination date. Refer to Appendix 3 for details and Table 1 for summary.

On December 31, 2014, the Governor sent a letter to the DOA Director confirming his instructions of December 15, 2014 to issue salary adjustments to current and former employees pursuant to the Governor and Lt. Governor's authority under 4 GCA §§ 6207 and 6207.1. The letter further stated that the “adjustments shall be consistent with the formula that was used to determine my and the

Lt. Governor's retroactive pay adjustment under P.L. 32-208." See Appendix 5 for the Governor's letter.

Methodology for Retroactive Pay Adjustments

GovGuam employees are typically paid 26 pay periods each for a total of 2,080 hours. The December 2014 pay adjustments were calculated using 1,840 hours (23 pay periods) for the unclassified employees employed between January 26, 2014 and December 13, 2014. For those employees who were hired after January 26, 2014 and resigned before December 14, 2014, the number of work hours used to calculate their salary adjustments varied accordingly. Some employees given these pay adjustments were hired as late as November 2014 and some employees resigned as early as February 2014, one month after the effective date of the pay adjustment. See Appendix 3 for the list of December 2014 pay adjustments and Appendix 4 for the list of those who resigned prior to December 2014.

Retroactive Pay Adjustments Found to be Illegal

The Governor and Lt. Governor may set the salaries of their employees pursuant to 4 GCA § 6207 and 4 GCA § 6207.1. However, 4 GCA § 6218.1 prohibits pay increases that are retroactive from the date of authorization, unless specified in law.

On November 9, 2015, the Vice Speaker sent a letter to the Governor noting negative funds available in the 2015 Consolidated Revenue and Expenditure Report and requested information based on the Freedom of Information Act (FOIA). Specifically, the information the Vice Speaker requested pertained to concerns that for the month of December 2014 (consisting of three pay periods), there was a disbursement of salaries and benefits in excess of \$1M, or an increase of almost \$800,000 over the average salaries and benefits for any pay period before and after December 2014. After receiving the requested documentation through the FOIA, the Vice Speaker requested the AG to review the matter.

On December 10, 2015, the AG issued an opinion that the salary adjustments from January 26, 2014 to December 15, 2014 represent retroactive compensation for each individual employee in violation of Guam's anti-retroactive payment statutes. The AG also stated that it was not an issue of setting the employees' pay, but the nature in which the payments were processed, which in this case was done retroactively. In addition, this matter could only be resolved through repayment of the retroactive pay adjustments by each individual employee or through legislative action. See Appendix 6 for the AG's opinion.

December 2015 One-Time Single Pay Period Salary Adjustments Processed to Offset December 2014 Pay Adjustments

On December 7, 2015, prior to receiving the AG's legal opinion and in an attempt to offset the retroactive pay adjustments, the Office of the Governor prepared a blanket GG1 for 68 of the 106 employees who received pay adjustments in December 2014 and who were still employed within the Governor and Lt. Governor's offices. The blanket GG1 specified "One Time Single Pay Period Salary Adjustment" for the pay period beginning from December 7, 2015 to December 12, 2015. The blanket GG1 was signed by the Governor's Chief of Staff, funds certified by the Deputy Chief of Staff, and was stamped cleared by the Bureau of Budget and Management Research (BBMR)

all on the same day. This action was based on 4 GCA § 6207 and 4 GCA § 6207.1, the legal authority of the Governor and Lt. Governor to set their employees' pay.

On December 11, 2015, DOA HR prepared the blanket NPA for 67 of the 68 Governor and Lt. Governor's employees according to the blanket GG1 dated December 7, 2015. Unlike the NPAs for the December 2014 pay adjustments that were signed by the DOA HR Manager, the December 2015 NPA was signed by the DOA Director. See Appendix 7 for the GG1 and NPA issued for December 2015.

We noted that one employee was not listed in the attachment to the NPA that was transmitted to OPA, but the audit team confirmed that the employee received a pay adjustment per the AS400. According to the DOA HR Records Supervisor, they inadvertently omitted the one employee from the blanket NPA they prepared, but would be issuing a corrected blanket NPA. We did not receive a copy of the corrected blanket NPA as of report issuance.

67 Employees Endorsed Checks to GovGuam

The 68 employees received gross pay adjustments of \$403,328. The 68 checks were issued to offset the December 2014 pay adjustments with a net pay of \$315,604 after employees' individual income tax withholdings and Medicare deductions. No retirement contributions were deducted. Of the 68 employees, 67 endorsed their checks to GovGuam.

One Special Assistant's December 2015 check amounting to \$4,561 was cashed in December 2015 and not endorsed to GovGuam. Her December 2014 pay adjustment check was never cashed, subsequently became stale dated, and was canceled by DOA. However, the December 2014 pay adjustment was reflected in the Special Assistant's Form 2014 W-2. Likewise, her December 2015 pay adjustment was also reflected in his/her 2015 Form W-2.

See Appendix 8 for the list of the 68 employees' December 2015 pay adjustments and Table 1 for a summary of the pay adjustment amounts.

Inflated Hours and Rates and Retroactive Work Dates Due to AS400 Limitations

According to DOA HR and Payroll personnel, the December 2015 pay adjustment was the first time that DOA was directed to process a one-time single pay period salary adjustment.

The DOA AS400 payroll system is set up such that the hourly rates and number of hours must be keyed in. To effectuate the December 2015 pay adjustments for the 68 employees using the same pay adjustment amounts given in December 2014, DOA requested its payroll vendor to create a program to calculate the employee's adjusted hourly rates. By limiting the pay adjustments to a one-time single pay period, the employee's hours worked and adjusted hourly rates were increased. The Chief Payroll Officer stated that the employee work dates from the previous pay periods were utilized in order to process the lump sum payments.

Based on the data provided by DOA, the payroll program calculated most employees' pay adjustments using **72 hours for one day** and 1 hour for the following day at higher hourly rates to derive at the pay adjustments specified in the NPAs. Based on the 68 employees' December 2015 pay adjustments, the revised hourly rates ranged from \$1.60 to \$323.00, compared to normal hourly rates ranging from \$8.16 to \$52.88.

For example, the Chief Financial Advisor’s adjusted pay rate of \$51.10 per hour (/hr.) was increased by 532% to \$323.00/hr. for **72 hours** on November 23, 2015 and \$1.60/hr. for one hour on November 24, 2015 to effectuate the one-time single pay period pay adjustment.

See Table 2 for calculations of the Top 10 hourly rates for employees. See Appendix 9 for sample of three employees’ December 2015 pay adjustment calculation in the AS400.

Table 2: Hourly Rates Used in December 2015 Pay Adjustment Calculations for the Top 10 Employees⁴

POSITION TITLE	PAY ADJUSTMENT DEC. 2014		PAY ADJUSTMENT DECEMBER 2015					
	DATE	HOURLY RATE	GROSS PAY	# of HOURS	HOURLY RATE	GROSS PAY	HOURLY RATE CHANGE	% OF INCREASE/DECREASE
1 Spcl. Assistant (CFA)	11/23/2015	51.10	23,257.60	72	323.00	23,256.00	271.90	532%
	11/24/2015			1	1.60	1.60	-49.50	-97%
						23,257.60		
2 Chief Policy Advisor	11/23/2015	52.88	22,098.40	72	306.00	22,032.00	253.12	479%
	11/24/2015			1	66.40	66.40	13.52	26%
						22,098.40		
3 Legal Counsel to the Governor	11/23/2015	51.10	21,491.20	72	298.00	21,456.00	246.90	483%
	11/24/2015			1	35.20	35.20	-15.90	-31%
						21,491.20		
4 Deputy Chief of Staff	11/23/2015	49.23	20,700.00	72	287.00	20,664.00	237.77	483%
	11/24/2015			1	36.00	36.00	-13.23	-27%
						20,700.00		
5 Spcl. Assistant/ Director of Comm. ⁵	11/23/2015	39.46	17,466.98	72	227.00	16,344.00	187.54	475%
	11/24/2015			1	43.16	43.16	3.70	9%
						16,387.16		
6 Executive Director	11/23/2015	39.46	15,106.40	72	209.00	15,048.00	169.54	430%
	11/24/2015			1	58.40	58.40	18.94	48%
						15,106.40		
7 Spcl. Assistant (Gov)	11/23/2015	36.06	13,266.40	72	184.00	13,248.00	147.94	410%
	11/24/2015			1	18.40	18.40	-17.66	-49%
						13,266.40		
8 Spcl. Assistant (Gov)	11/23/2015	34.86	12,843.20	72	178.00	12,816.00	143.14	411%
	11/24/2015			1	27.20	27.20	-7.66	-22%
						12,843.20		
9 Executive Assistant to the Gov	11/23/2015	30.53	11,941.60	72	165.00	11,880.00	134.47	440%
	11/24/2015			1	61.60	61.60	31.07	102%
						11,941.60		
10 Spcl. Assistant (Buildup)	11/23/2015	39.46	10,690.40	72	148.00	10,656.00	108.54	275%
	11/24/2015			1	34.40	34.40	-5.06	-13%
						10,690.40		
10 Spcl. Assistant (Educ)	11/23/2015	39.46	10,690.40	72	148.00	10,656.00	108.54	275%
	11/24/2015			1	34.40	34.40	-5.06	-13%
						10,690.40		
10 Spcl. Assistant (Health)	11/23/2015	39.46	10,690.40	72	148.00	10,656.00	108.54	275%
	11/24/2015			1	34.40	34.40	-5.06	-13%
						10,690.40		

⁴ Three employees were tied for 10th place.

⁵ This Special Assistant’s December 2014 pay adjustment was processed together with a typhoon pay adjustment.

DOA Payroll Processing Differs from GG1 and NPA

During our review, we found that pay adjustments for the 68 employees were coded “R” for retroactive payments and the work dates inputted in the AS400 were between November 23 and 28, 2015 which were prior to the NPA’s stated effective “PPB 12-07-2015” to “PPE 12-12-2015.” We interpreted the NPA to mean that the December 2015 pay adjustments were to be effective for the pay period beginning December 7, 2015 to December 12, 2015.

The manner in which DOA Payroll processed the December 2015 pay adjustments with work dates between November 23 and 28, 2015 and then coded as retroactive in the AS400 was not processed in accordance with the GG1 and NPA. In addition, DOA’s processing changes were not communicated to the Governor’s Office. See Appendix 9 for samples of processed December 2015 pay adjustments and compare with GG1 and NPA at Appendix 7.

When the Governor’s Office became aware that the December 2015 pay adjustments were processed contrary to their intent, DOA was instructed to ensure that the pay adjustments were recognized as “Other Pay” instead of “Retroactive Pay”. As a result, DOA Payroll issued amended earnings statements, which indicated that the pay adjustments they received were “Other Pay” as instructed, to the 68 employees. However, recognizing AS400 system limitations, the Governor’s Office and DOA Payroll chose not to amend the pay period end dates, hourly rates, and the number of hours used when the checks were actually issued.

AG’s Public Statement in December 2015

During a radio interview in December 2015, the AG made a public statement that while she was not in support of the “spike” in pay caused by the December 2015 pay adjustments, “there is nothing illegal about it.”

P.L. 33-123 Relative to Prohibiting Bonus Pay and Mandating Proper Pay and Pay Adjustment Processing for Unclassified GovGuam Employees

While the Governor and Lt. Governor have authority to give their employees pay adjustments, the law was silent as to the legality of the one-time single pay period salary adjustments made in December 2015.

In February 2016, the Legislature passed Bill 222-33 to prohibit one-time lump sum pay adjustments, but the Governor vetoed the bill. The Legislature subsequently overrode the veto with 12 out of 15 senatorial votes in favor of the override. Bill 222-33 became P.L. 33-123 effective February 16, 2016 and did the following:

- Amended 4 GCA §§ 6207 and 6207.1 Positions in I Maga’låhi’s (the Governor’s) Office and Positions in I Segundu Na Maga’låhi’s (the Lieutenant Governor’s) Office, so that the salaries set by the Governor and Lt. Governor for positions that are not set by law shall be paid in 26 biweekly equal installments from the date when such salary was set.
- Added 6 GCA § 6218.2 Prohibition on Bonus Pay for Unclassified Employees to prohibit the authorization of lump sum payment of bonuses to unclassified GovGuam employees unless specified by law, and any person who authorizes such bonus payment shall be guilty of a misdemeanor.
- Defined bonuses or bonus payments to mean the sums authorized and/or paid to an unclassified employee that is separate and apart from and/or added to the base pay of such unclassified employee for any purpose.

- Added 6 GCA § 6218.3 Processing of Pay Adjustment for Unclassified Employees, which specifies that pay adjustments pursuant to 4 GCA §§ 6207 and 6207.1 shall be paid in 26 biweekly equal installments, but in the event another pay adjustment is authorized to decrease base pay within two pay periods, the amount of such pay adjustment that previously increased base pay shall be repaid by the unclassified employee no later than the following pay period subsequent to the date from when the pay adjustment decrease was authorized.

Employees with Identified Overpayments

DOA Payroll initially identified overpayments to five employees totaling \$7,658, since their hire and/or termination dates were not used in the calculation of the December 2014 retroactive payments received. As a result, four of the five affected employees signed Promissory Notes for scheduled salary deductions. See Table 3 below.

Table 3: Employees with Overpayments as of March 31, 2016

	POSITION	2014 PAY ADJUSTMENT	DOA RECALCULATED PAY ADJUSTMENT	OVER-PAYMENT	DECEMBER 2015 PAY ADJUSTMENT	PAYROLL DEDUCTIONS/PAYMENTS	OUTSTANDING RECEIVABLE PER DOA ACCOUNTING
1	Spcl. Asst (Gov)	\$ 11,852	\$ 8,831	\$ 3,021	\$ -	\$ 3,021	\$ 11,852 ⁶
2	Spcl. Assistant (Gov)	5,005	3,707	1,298	3,707	1,298	1,298
3	Staff Assistant	4,224	2,112	2,112	2,974	1,250	1,250
4	Staff Assistant	2,074	1,426	648	1,426	648	648
5	Staff Assistant	1,448	869	579	898	550	550
	TOTAL	\$ 24,603	\$ 16,945	\$ 7,658	\$ 9,005	\$ 6,767	\$ 15,598

A Special Assistant (# 1 in Table 3 above) signed a promissory note for the identified overpayment of \$3,021. As of March 2016, the \$3,021 overpayment was fully paid, but DOA Accounting has yet to adjust the accounts receivable balance.

In addition, one Special Assistant (#2 in Table 3 above) with an identified overpayment of \$1,298 paid off this amount without signing a promissory note, but DOA Accounting has yet to adjust the employee's accounts receivable.

For one Staff Assistant (#4 in Table 3 above), there was evidence that full payment was made against the overpayment through payroll deduction, but DOA Accounting has yet to adjust the employee's accounts receivable.

For two Staff Assistants (#3 and 5 in Table 3 above), there was evidence that they made payments against their overpayments through payroll deduction. However, we noted that their December 2015 pay adjustments of \$2,974 and \$898 were higher than the DOA recalculated pay adjustments of \$2,112 and \$869 because DOA Payroll included their remaining overpayment balances of \$862 and \$29 in the December 2015 pay adjustment to payoff these balances. DOA Accounting has yet to adjust these employees' accounts receivable.

⁶ This amount is inclusive of the \$3,021 overpayment balance that was paid off, but DOA has yet to adjust the Special Assistant's accounts receivable.

Upon verification, we learned that a Staff Assistant who transferred to the Department of Revenue and Taxation (DRT) on August 11, 2014, was given a pay adjustment in December 2014 for \$3,910 effective January 26, 2014 to December 13, 2014. DOA provided a document which calculated an overpayment to the employee of \$3,898 from August 11, 2014 to February 21, 2015. The overpayment was due to the employee continuing to earn \$16.23/hr. until February 21, 2015 instead of \$12.75/hr. effective August 11, 2014. The employee signed a Promissory Note for \$3,898 for a salary deduction of \$25 every pay period effective April 4, 2015. The remaining unpaid balance is \$3,198 as of April 2016. This overpayment was not included in the DOA-provided Accounts Receivable-Staff balance as of March 31, 2016.

Additional Adjustments for Select Employees

During our verification of the pay amounts included in the Governor’s Office employees’ Forms W-2, there were six employees who were paid two pay adjustments between December 2014 and March 2015. Their amended NPAs reflected the effective date of January 26, 2014, consistent with the NPAs in December 2014 that were processed retroactively. When DOA Payroll processed the six employees’ December 2015 pay adjustments, only one of their two pay adjustments were captured. As a result, their December 2015 pay adjustments did not fully offset the retroactive pay adjustments they received, leaving accounts receivable balances.

A Special Assistant was paid two pay adjustments in December 2014: \$8,850 on December 17 and another \$6,256 on December 23, for a total of \$15,106 due to an amendment to the first pay adjustment from \$31.25 to \$36.06, then to \$39.46. However, this Special Assistant’s December 2015 pay adjustment was only \$8,850. His/her net pay check of \$6,512 was endorsed to GovGuam, but DOA recognized the gross pay amount of \$8,850 as the repayment amount.

Because the Special Assistant received the second pay adjustment in December 2014, his/her amounts are already part of the accounts receivable DOA recorded as of September 2015. However, an adjustment should be made to include the second retroactive pay adjustments for the other five employees totaling \$51,419 (gross pay adjustment of \$39,162, government’s share of retirement contributions of \$11,690, and government’s Medicare share of \$568) between January and March 2015. See Table 5.

Table 4: Employees with Additional Pay Adjustments

POSITION	A	B	C = B-A	D	E	F	G = D-E+F
	SALARY PRIOR TO PAY ADJ.	PAY ADJ.	\$ CHANGE	GROSS RETRO PAY	LESS DEC. 2015 PAY ADJ.	2014 & 2015 GOV CONTR.	BALANCE
1 Spcl. Assistant (Prctl)	\$ 65,000	\$ 75,000	\$ 10,000	\$ 8,850	\$ 8,850	2,899	\$ 2,899
	65,000	82,071	17,071	6,256	-	1,958	8,214
Subtotal				15,106	8,850	4,857	11,113
2 Staff Assistant	30,000	33,750	3,750	3,330	3,330	1,091	1,091
	30,000	45,000	15,000	10,800	-	3,380	14,180
Subtotal				14,130	3,330	4,471	15,271
3 Staff Assistant	50,000	56,250	6,250	5,520	5,520	1,808	1,808
	50,000	62,000	12,000	5,762	-	1,803	7,565
Subtotal				11,282	5,520	3,611	9,373
4 Staff Assistant	45,000	50,625	5,625	4,986	4,986	1,633	1,633
	45,000	61,875	16,875	10,820	-	3,387	14,207
Subtotal				15,806	4,986	5,020	15,840
5 Deputy Chief of Staff	79,000	102,407	23,407	20,700	20,700	6,779	6,779
	79,000	103,407	24,407	960	-	300	1,260

POSITION	A	B	C = B-A	D	E	F	G = D-E+F
	SALARY PRIOR TO PAY ADJ.	PAY ADJ.	\$ CHANGE	GROSS RETRO PAY	LESS DEC. 2015 PAY ADJ.	2014 & 2015 GOV CONTR.	BALANCE
			Subtotal	21,660	20,700	7,080	8,040
6 Staff Assistant	45,000	50,625	5,625	4,986	4,986	1,633	1,633
	45,000	61,875	16,875	10,820	-	3,387	14,207
			Subtotal	15,806	4,986	5,020	15,840
	Subtotal, Initial Pay Adj. to the 6 Employees		\$ 54,657	\$ 48,374	\$ 48,374	\$ 15,842	\$ 15,842
	Subtotal, Additional Pay Adj. to the 6 Employees		102,228	45,418	-	14,216	59,633
	TOTAL		\$ 156,885	\$ 93,791	\$ 48,374	\$ 30,058	\$ 75,476
	Subtotal, Additional Pay Adj. to the 5 Employees [Excluding Spcl. Assistant (Prctl)]		85,157	39,162	-	12,258	51,419

We noted that four of the six employees were issued one check inclusive of their regular salary for the pay period in which their additional pay adjustments were processed.

Double Taxation for 68 Employees: Income Tax Withholding and Medicare Tax

The retroactive pay adjustments of \$566,180, plus related individual income tax withholdings of \$107,068 and Medicare taxes of \$15,906, were reported in the 106 employees' 2014 Forms W-2.

The December 2014 retroactive pay adjustments also resulted in payments to DRT for individual income tax withholding of \$78,751 and the IRS for Medicare taxes of \$11,504 for the 68 employees.

According to IRS Publication 15 (2015), when an employer receives a repayment of wages paid during a prior year, the employer cannot make an adjustment for income tax withholding because the wages were income to the employee for the prior year. The employer must:

1. Report an adjustment on Form 941-X or 944-X to recover social security and Medicare taxes.
2. File Forms W-2c and W-3c with the U.S. Social Security Administration to correct social security and Medicare wages and taxes.

From the employee's perspective, the wages paid in error in the prior year remain taxable to the employee for that year because the employee received and had use of those funds during the year. The employee is not entitled to file an amended return (1040X) to recover the income tax on these wages. These employees may be entitled to a deduction (or a credit in some cases) for the repaid wages for the year it was repaid and they should consult a tax preparer for further guidance.

For the 68 employees who received the one-time single pay period salary adjustments in December 2015, their pay adjustments of \$403,328, plus individual income tax withholdings of \$82,132 and Medicare taxes of \$11,182, were also reflected in their 2015 Forms W-2. Therefore, these 68 employees were double-taxed since both the December 2014 and 2015 pay adjustments were reported in their 2014 and 2015 Forms W-2.

On February 5, 2016, the DOA Chief Payroll Officer prepared and mailed the IRS Form 941-X (Adjusted Employer's Quarterly Federal Tax Return or Claim Refund) to amend the IRS Form 941 for the 4th Quarter, October to December 2014. The Form 941-X stated that 68 employees

were erroneously paid wages on December 17, 2014 and repaid the wages in December 2015. The Form reflected a difference of \$389,366 from what was originally reported as taxable Medicare wages and tips with the corresponding Medicare contribution of \$11,292.⁷ See Appendix 11 for the Form 941-X.

The December 2014 employee and GovGuam Medicare taxes totaling \$4,583 for 39 employees⁸ were not claimed as these individuals did not receive pay adjustments in December 2015.

In line with IRS Publication 15, DOA acknowledged that it could not request to recover from DRT the \$77,416 in income tax withholding paid on behalf of the 68 employees. However, DOA issued Forms W-2c for 2014 for the 68 employees in February 2016, which was also in line with the IRS guidance.

As of April 2016, DOA received the \$11,292 Medicare reimbursement plus \$396 in interest from the IRS.

Retirement Implications

Of the 106 employees initially provided pay adjustments in December 2014, three were members of the Defined Benefit (DB) retirement plan and 103 were members of the Defined Contribution (DC) retirement plan. DB members' retirement annuities are calculated by considering the members' years of government service and the average of their three highest annual salaries. In contrast, DC members' retirement benefits depend on the balance in their account upon retirement, and are subject to an automatic 5% deduction of the members' regular base pay and a 5% government match.

DOA paid \$198,117 to the Government of Guam Retirement Fund (GGRF) for the employee's share (\$29,547) and employer share (\$168,570) of the DB and DC retirement contributions and GovGuam's share of the unfunded liability on behalf of the 106 employees in December 2014. See Table 1 for details.

In February 2016, the DOA Director sent a letter to the GGRF Director requesting a \$142,496 refund for the employer and employee retirement contributions made on behalf of the 68 employees who received pay adjustments in December 2014 and are still employed at either the Governor or Lt. Governor's offices. See Appendix 10 for the letter. The \$142,496 refund request is comprised of the 68 employees' retirement DB and DC contributions of \$20,985, GovGuam's share of \$23,838, and GovGuam's contribution to pay down the unfunded retirement contribution of \$97,674.

For the 38 individuals no longer employed with the Governor's Office as of December 2015, GovGuam's corresponding share was \$11,324 plus \$33,868 to pay down the unfunded retirement liability. This amount cannot be reimbursed until the employees repay the December 2014 retroactive pay adjustment.

⁷ GovGuam does not contribute to Social Security, therefore no request was made for reimbursement.

⁸ The 39 employees consists of 38 employees who did not receive pay adjustments in December 2015 and one Special Assistant who received two pay adjustments in December 2014, but only received a partial pay adjustment in December 2014.

For the 38 former employees, there are complications pertaining to the 5% employee and employer retirement contribution match for the DC members as these amounts were deposited into their individual retirement investment accounts. DOA, GGRF, and the individual employees will need to resolve this issue.

Employee and employer retirement contributions for DC members are based on base pay. No retirement contributions are deducted for any additional pay. Accordingly, since the December 2015 pay adjustment was a non-base pay, no retirement contributions were deducted.

We recommend that DOA and GGRF reconcile the retirement contributions required for the December 2014 and December 2015 pay adjustments. We also recommend GGRF review and determine the effect of the December 2014 and December 2015 pay adjustments on the 106 employees' retirement annuities.

Outstanding Accounts Receivable as of April 30, 2016

DOA established a receivable of \$742,840⁹ as of September 2015 to recognize the retroactive pay adjustments due from the 106 employees, the retirement contributions due from GGRF, and the Medicare contributions due from the IRS. Per discussion with DOA officials, although 67 of the 68 employees' net pay checks were endorsed to GovGuam as repayment, DOA recognized the gross December 2015 pay adjustments of the 68 employees of \$403,328, inclusive of income tax withholding of \$82,132 and Medicare taxes of \$5,591, as repayments against the December 2014 pay adjustments.

However, only the net amount of \$315,604 (net of income tax withholding and Medicare) was returned to GovGuam as payment against the December 2014 pay adjustments. DOA and OPA differ in the amount of credit to be given mainly due to income tax withholding.

For comparison purposes, DOA submitted reimbursement requests to GGRF and IRS for the amounts paid on behalf of 68 employees, of which GovGuam already received \$11,292 from the IRS. No similar request was made for the 38 employees who left GovGuam. We note the difference in treatment for those currently employed.

Similarly, the repayment of overpayments should be deducted from the receivable as payments are made. As of April 2016, total payroll deductions for overpayments amounted to \$7,467.

In addition, as already discussed in the section entitled Additional Adjustments for Select Employees, an adjustment of \$51,419 should be made to account for the five employees' second retroactive pay adjustments given between January 2015 and March 2015.

See Table 5 for accounts receivable as of April 30, 2016.

⁹ DOA's accounts receivable differs from our total of \$742,849.

Table 5: Accounts Receivable as of April 30, 2016

	A/R per DOA	A/R per OPA	Variance
Gross Pay Adjustment, December 2014 ¹⁰	\$ 566,180	\$ 566,180	\$ -
Medicare	7,953	7,953	-
DB/DC Gov Contribution	35,474	35,474	-
Unfunded Liability	133,096	133,096	-
<i>Subtotal, Retirement Contributions</i>	<i>168,570</i>	<i>168,570</i>	<i>-</i>
Health, Dental, and Other Deductions	137	146	(9)
Beginning Accounts Receivable as of 9/30/15	\$ 742,840	\$ 742,849	\$ (9)
Plus Additional Pay Adjustments to 5 Employees	-	51,419	(51,419)
Adjusted Accounts Receivable as of 9/30/15	\$ 742,840	\$ 794,268	\$ (51,428)
Less Amounts Returned by Employees	403,328 ¹¹	315,604 ¹²	87,724
Less Amounts Returned by IRS for Medicare Taxes on behalf of 68 Employees	11,292	11,292	-
Less Employees' Repayment of Overpayments	-	7,467 ¹³	(7,467)
Outstanding Accounts Receivable as of 4/30/16	\$ 328,220	\$ 459,905	\$ (131,684)

Letters to 37 Former Employees

In February 2016, the Governor's Chief of Staff sent letters to the 37 employees who received retroactive pay adjustments totaling \$147,903 in December 2014, but are no longer employed by the Governor's Office as of December 2015. The letters explained that the December 2014 pay adjustments were not properly issued and need to be paid back per the Attorney General. The letters further requested the recipients to make arrangements with the Governor's Office to repay the pay adjustment on a schedule that is reasonable and affordable. See Appendix 12 for a sample of the letter.

The Governor's office did not issue a letter to one Staff Assistant who was provided a pay adjustment in December 2014 because this employee was deceased prior to the December 2015 adjustment. However, this employee's adjustment is still part of the overall outstanding receivable.

We verified the GovGuam employment status of the 37 employees in the AS400 and found that 12 of the 37 employees are employed in other GovGuam agencies and 25 have separated from GovGuam. As of May 2016, no payments have been received from the 37 employees.

See Appendix 13 for the list of the 37 employees.

While the December 2015 one-time pay adjustments for the 68 employees were applied as repayment for the December 2014 retroactive pay adjustments, these employees did not repay with personal funds. The 38 employees who left the Governor's Office will have to repay with their personal funds. Again, we note the difference in treatment for those currently employed with the Governor's Office.

Governor's Request for Employees to Pay Back

In a March 2016 press release from the Governor's Office, the Governor requested "Adelup employees to return the pay adjustments they originally received in 2014, unless the Legislature

¹⁰ Income tax withholding taxes amounted to \$107,068.

¹¹ Gross pay adjustments for 68 employees, inclusive of \$82,132 in income tax withholding taxes.

¹² Represents the net pay checks endorsed to GovGuam.

¹³ Consists of payroll deductions of \$6,767 from five employees plus \$700 from the Staff Assistant who transferred to DRT.

allows them to keep it as retroactive compensation... If the legislation doesn't pass, Adelup will start monthly payroll deductions in July of this year. The amounts will be fully paid to the General Fund over 30 months, by December 2018..." In May 2016, DOA has 30 promissory notes signed by Adelup employees, most of whom will begin their voluntary payroll deduction as early as May 2016.

Internal Controls Need Improvement

We assessed the internal controls pertaining to the pay adjustment process and noted several areas needing improvement, as follows:

- 1) Updated signature cards should be kept on file to ensure that the authorizing officials on GG1s and other personnel-related files are duly authorized to effectuate personnel actions. DOA HR processed NPAs for the December 2014 pay adjustments even though they were unable to readily identify who signed the GG1s on behalf of the Governor and were unable to provide OPA with the certifying officer signature specimen card. It was not until we inquired with the Governor's Office, wherein they identified the signature as belonging to the former Chief of Staff.
- 2) The NPA is required before payroll can be processed. One Staff Assistant's December 2014 pay adjustment was processed, but her name was not included in the NPA provided.
- 3) Prior written authorization should be obtained before the creation of a new special payroll program within the AS400. To effectuate the December 2015 "one-time pay period salary adjustment", the DOA Chief Payroll Officer requested from its payroll vendor to create a new special payroll program within the AS400. The new program is archived in the payroll system for future use, although no longer needed. After the special payroll run, a control mechanism should be in place to ensure the program has been deactivated or eliminated to preclude any unauthorized use.
- 4) No single agency should be given special consideration when processing pay adjustments, such as the Governor's Office December 2015 one-time single pay period salary adjustments, which was outside of DOA Payroll's normal processing. In order to effectuate the adjustments, the DOA Director signed the NPA and DOA created a special payroll program due to the AS400 system limitations. Even with the special payroll program, however, the work dates used were prior to the dates authorized in the NPAs.

To prevent errors in processing pay adjustments, we recommend the DOA Director or designees establish and implement control measures, such as but not limited to those listed above.

Other Matters

Proposed Legislation

In March 2016, the Governor transmitted to the Legislature proposed legislation relative to the salary pay adjustment received by the unclassified Governor's Office employees back in December 2014. The proposed legislation, if passed and enacted, would deem the December 2014 retroactive payment of salaries as authorized and valid. See Appendix 14 for the proposed legislation.

Special Prosecutor

In February 2016, the Office of the Attorney General (OAG) issued a request for proposal (RFP # 001-2016) for Independent Prosecutor (Special Assistant Attorney General) Professional Services.

The Special Assistant Attorney General will be required to review evidence, investigate, and determine if criminal charges and further prosecution are warranted as a result of the December 2014 retroactive pay adjustments. In April 2016, OAG issued a Procurement Stay on RFP # 001-2016 due to a procurement protest received.

Conclusion and Recommendations

After the AG found the December 2014 retroactive pay adjustments to 106 employees to be illegal, the Governor and Lt. Governor decided to give 68 employees still employed with the Governor's and Lt. Governor's offices one-time single pay period salary adjustments matching the prior year's adjustments. The employees were then requested to endorse the checks to GovGuam as their form of repayment for the December 2014 pay adjustments.

During a December 2015 radio interview, the AG made a public statement that while she was not in support of the "spike" in the December 2015 pay adjustments, "there is nothing illegal about it."

While the December 2015 one-time pay adjustments for the 68 employees were applied as repayment for the December 2014 retroactive pay adjustments, the 38 employees who left the Governor's Office will have to repay with their personal funds. However, the 68 employees were taxed twice because their pay adjustments were reflected in both their 2014 and 2015 Forms W-2.

In summary, GovGuam paid out \$887,583 (\$794,268 and \$408,919 for the pay adjustments less \$315,604 for the net pay checks returned to GovGuam) for salaries and benefits to 106 Governor's Office employees.

We make the following recommendations:

- 1) The DOA Director and GGRF Director or their designees reconcile the retirement contributions relative to the December 2014 and 2015 pay adjustments.
- 2) The GGRF Director review and determine the effect of the December 2014 and 2015 pay adjustments on the 106 employees' retirement annuities.
- 3) The DOA Director should establish and implement control measures to prevent errors in processing pay adjustments. Such control measures should include:
 - a. Updated signature cards should be kept on file to ensure that the authorizing officials on GG1s and other personnel-related files are duly authorized to effectuate personnel actions.
 - b. The NPA should be required before payroll can be processed.
 - c. Prior written authorization should be obtained before the creation of a new special payroll program within the AS400 and the created program should be deactivated when no longer needed to prevent future unauthorized use.
 - d. The work dates utilized in processing pay adjustments should match the authorized dates of the NPAs.

Classification of Monetary Amounts

Finding No.	Finding Description	Questioned Cost
1	Retroactive Pay Adjustments Paid in December 2014	\$ -
2	Retroactive Pay Adjustments Found to be Illegal	\$ 742,849
3	December 2015 One-Time Single Pay Period Salary Adjustments Processed to Offset December 2014 Pay Adjustment	\$ -
4	Employees' with Identified Overpayments	\$ 11,556 ¹⁴
5	Additional Adjustment for Select Employees	\$ 51,419
6	Double Taxation for 68 Employees: Income Tax Withholding and Medicare Tax	\$ -
7	Retirement Implications	\$ -
8	Outstanding Accounts Receivable as of April 30, 2016	\$ -
9	Internal Controls Need Improvement	\$ -
10	Other Matters	\$ -
Totals		\$ 805,824

¹⁴ Consists of \$7,568 for the DOA-identified overpayments made to the five employees plus the \$3,898 for the Staff Assistant who transferred to DRT whose overpayment was not included in DOA's Accounts Receivable- Staff balance as of March 2016.

Management Response and OPA Reply

We transmitted a draft report to the Governor, the Chief of Staff, Chief Fiscal Advisor, and then DOA Acting Director in April 2016 for their official response. We met with the Chief of Staff, Chief Policy Advisor, DOA Director, DRT Director, DOA Financial Manager, and DOA Chief Payroll Officer in April 2016, wherein they generally concurred with the findings and recommendations. We met again with the DOA Director, Chief Policy Advisor, DOA Deputy Financial Manager, and DOA Chief Payroll Officer in May 2016. See Appendix 15 for the Governor's official response.

We also provided a draft report to the Vice Speaker and met with him in April 2016. During the meeting, questions were raised regarding the December 2015 pay adjustments. As a result, we expanded our discussion within the report on the December 2015 pay adjustments. The Vice Speaker's audit request suggested a number of issues and questions for our office to consider, which generally were addressed throughout our report.

The legislation creating the Office of Public Accountability requires agencies to prepare a corrective action plan to implement audit recommendations, to document the progress in implementing the recommendations, and to endeavor to have implementation completed no later than the beginning of the next fiscal year. Accordingly, we will be contacting the DOA Director and GGRF Director to provide target dates for the implementation of the recommendation.

We appreciate the cooperation and assistance of the Governor's Office and all DOA divisions during the course of this audit.

OFFICE OF PUBLIC ACCOUNTABILITY



Doris Flores Brooks, CPA, CGFM
Public Auditor

Appendix 1:**Objectives, Scope, Methodology, and Prior Audit Coverage**

The audit objectives were to determine:

- The total amount paid as retroactive pay adjustments in December 2014 for the Governor and Lt. Governor's unclassified employees; and
- The effect of the December 2015 pay adjustments.

The scope of our audit is from January 2014 to April 2016 and other periods deemed necessary.

Our audit methodology included a review of local laws and regulations, prior audits and other relevant information pertinent to the Governor and Lt. Governor's employees' pay adjustments.

We also performed the following:

- Conducted meetings with key officials of the agencies involved, including the Office of the Governor, Office of the Vice Speaker of the Guam Legislature, DOA HR and Payroll Divisions, and GGRF.
- Performed a walkthrough of the payroll process with the DOA HR and Payroll Divisions.
- Obtained and reviewed pertinent documents (GG1, NPA, legal opinions, Form 941X, and various correspondences) from the Governor's Office, Vice Speaker, and DOA HR, Accounting, and Payroll Divisions.
- Obtained and examined data relative to payroll costs, pay adjustments, and Form W-2.
- Verified accuracy of DOA's pay adjustment calculations, as well as pay-outs against the AS400, DOA's financial management system.
- Performed comparative analyses to determine any variances between the December 2014 and 2015 pay adjustments, corresponding employees' Forms W-2 data, and retirement and Medicare contributions.
- Analyzed the effects of the pay adjustments on the employees' withholding taxes, as well as the employees and GovGuam's retirement and Medicare contributions.
- Determined the propriety of DOA Accounts Receivable for pay adjustments and propriety of outstanding balances.
- Evaluated internal control relative to the December 2014 and 2015 pay adjustments.

There were no prior audits pertaining to the Governor and Lt. Governor's employees retroactive pay adjustments.

We conducted this audit in accordance with the standards for performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan our audit objectives and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our objectives.

RECEIVED
DEC 17 2014

**GOVERNMENT OF GUAM
AGANA, GUAM
REQUEST FOR PERSONNEL ACTION**

1. NAME (Mr., Miss, Mrs., First, Middle Initial, Last) SEE ATTACHED LISTING		2. Date of Birth		3. Payroll Number		4. Date Requested 12/15/2014	
5. Request Number 15-012		6. Effective Date 1/26/2014		7. Nature of Action (Use standard terminology) PAY ADJUSTMENT			
FROM		DESCRIPTION		TO			
Executive Direction Office of the Governor of Guam		8. Position Title 9. Pay Range, Step 10. Dept. or Agency 11. Section 13. Position Number		Executive Direction Office of the Governor of Guam			
14. Remarks (continue in item 21, if necessary) BUDGET ACCOUNT NO.: 5100A150200GA001-11/113 JOB ORDER NO.: 0200-15-001							
<p>Department of Administration Human Resources Division</p> <p>DEC 16 2014</p> <p>Records Branch</p>							
15. Requested By (Signature and title) EDWARD J.B. CALVO, Authorized Official				16. For Additional Information Call (name and tel. No.) TRISHA D. TOPASNA (475-9303)			
17. Approved By (Signature, title and department) EDWARD J.B. CALVO, Authorized Official				18. Approved By (releasing Dept. Head - For transfers only)			
19. CLEARANCES - ITEMS BELOW TO BE COMPLETED BY OFFICES CONCERNED							
TO		ACTION		BY		DATE	
CLASSIFICATION				ANTHONY C. BLAZ		DEC 17 2014	
EMPLOYMENT				DIRECTOR, BBMR		DEC 17 2014	
OVERSEAS							
RETIREMENT							
RECORDS							

FCN 2-0-7
Revised 7/62
(old GG-1)

CLEARED PER
BBMR'S REVIEW
 Department of Administration
 Human Resources Division
 DEC 17 2014
 Department of Classification & Pay Branch
 Human Resources Division
 DEC 17 2014
 Records Branch

Government of Guam
 Department of Administration
 Notification of Personnel Action

1. Fullname: [REDACTED]	2. Date of Birth [REDACTED]	3. SSN [REDACTED]	4. Date 12/17/2014
THIS IS TO NOTIFY YOU OF THE FOLLOWING ACTION AFFECTING YOUR EMPLOYMENT			
5. Nature of Action: Pay Adjustment	6. Effective Date: 1/26/2014	7. Legal Authority: 4 GCA 6207	
FROM		TO	
SPECIAL ASSISTANT \$60,000.00 Per Annum \$28.85 Per Hour	8. POSITION TITLE 9. PAY GRADE/STEP SALARY	SPECIAL ASSISTANT \$70,000.00 Per Annum \$33.65 Per Hour	
OFFICE OF THE GOVERNOR	10. DEPARTMENT	OFFICE OF THE GOVERNOR	
GOVERNMENT HOUSE	11. DIV. / SECTION	GOVERNMENT HOUSE	
	12. POSITION NO.		
Next Increment: Action No.: GO-071 Work Schedule FULL-TIME	Exp / Separation Date: PMIS Action Date: 12/17/2014 Request ID:	Bdgt Acct No: 5100A150210SE007-111/113 JON:	
Retirement Type: DC - DEFINED CONTRIBUTION DEDUCTION		Jacket No: 4477	
REMARKS: THIS ACTION IS SUBJECT TO ALL APPLICABLE LAW, RULES, AND REGULATIONS, AND IS SUBJECT TO POST AUDIT BY THE CIVIL SERVICE COMMISSION. PAY ADJUSTMENT IS PURSUANT TO 4 GCA 6207			
 For: SHANE G.L. NGATA HUMAN RESOURCES MANAGER			

Appendix 3:
December 2014 Pay Adjustments

	A	B	C = B-A	D	E	F = D + E
POSITION	SALARY PRIOR TO PAY ADJUSTMENT	DECEMBER 2014 PAY ADJUSTMENT PER NPA	DIFFERENCE ¹⁵	DECEMBER 2014 GROSS RETRO PAYMENTS ¹⁶	DECEMBER 2014 GOVT. CONTRIBUTIONS	TOTAL
1 Spcl. Assistant (CFA)	\$ 80,000	\$ 106,287	\$ 26,287	\$ 23,258	\$ 7,280	\$ 30,537
2 Chief Policy Advisor	85,000	110,000	25,000	22,098	6,917	29,015
3 Chief of Staff	82,000	106,287	24,287	21,491	6,727	28,218
4 Legal Counsel to the Governor	82,000	106,287	24,287	21,491	6,727	28,218
5 Deputy Chief of Staff	79,000	102,407	23,407	20,700	6,479	27,179
6 Spcl. Asst/Director of Comm.	65,000	82,071	17,071	17,467	5,145	22,612
7 Spcl. Assistant (Prctl)	65,000	82,071	17,071	15,106	4,728	19,835
8 Executive Director	65,000	82,071	17,071	15,106	4,728	19,835
9 Spcl. Assistant (Exe Affairs)	65,000	82,071	17,071	15,106	4,728	19,835
10 Spcl. Asst (Gov)	60,000	75,000	15,000	13,266	4,152	17,419
11 Spcl. Assistant (Gov)	58,000	72,500	14,500	12,843	4,020	16,863
12 Executive Assistant to the Gov	50,000	63,500	13,500	11,942	3,738	15,679
13 Spcl. Asst (Gov)	70,000	82,071	12,071	11,852	3,710	15,562
14 Spcl. Assistant (Buildup)	70,000	82,071	12,071	10,690	3,346	14,036
15 Spcl. Assistant (Lt Cos)	70,000	82,071	12,071	10,690	3,346	14,036
16 Spcl. Assistant (Educ)	70,000	82,071	12,071	10,690	3,191	13,881
17 Spcl. Assistant (Health)	70,000	82,071	12,071	10,690	3,346	14,036
18 Staff Assistant	50,000	67,100	17,100	9,864	3,087	12,951
19 Spcl. Assistant	60,000	70,000	10,000	8,832	2,764	11,596
20 Staff Assistant	58,000	67,860	9,860	8,740	2,736	11,476
21 Staff Assistant	55,000	61,875	6,875	7,017	2,095	9,112
22 Spcl. Assistant	60,000	67,500	7,500	6,624	2,073	8,697
23 Spcl. Assistant	58,510	65,824	7,314	6,477	2,027	8,504
24 Staff Assistant (Gov)	75,000	82,071	7,071	6,256	1,958	8,214
25 Spcl. Assistant	55,000	61,875	6,875	6,090	1,906	7,997
26 Staff Assistant	55,000	61,875	6,875	6,090	1,906	7,997
27 Staff Assistant	55,000	61,875	6,875	6,090	1,906	7,997
28 Spcl. Assistant	53,000	59,625	6,625	5,870	1,837	7,707
29 Staff Assistant	50,000	56,250	6,250	5,520	1,728	7,248
30 Spcl. Assistant	70,000	76,188	6,188	5,483	1,716	7,199
31 Spcl. Asst (Gov)	55,000	61,875	6,875	5,005	1,566	6,571
32 Staff Assistant	45,000	50,625	5,625	4,986	1,561	6,547
33 Staff Assistant	45,000	50,625	5,625	4,986	1,561	6,547
34 Staff Assistant	45,000	50,625	5,625	4,986	1,561	6,547
35 Staff Assistant	45,000	50,625	5,625	4,986	1,561	6,547
36 Staff Assistant	45,000	50,625	5,625	4,983	1,493	6,476

¹⁵ Difference is calculated on an annual basis and based on 2,080 hours or 26 pay periods.

¹⁶ Calculated based on effective date of January 26, 2014 to December 13, 2014. However, there were some employees who began GovGuam employment after January 26, 2014 or were separated from GovGuam before December 13, 2014. In those cases, their retroactive pay adjustments were calculated using their respective effective beginning and/or end dates.

Appendix 3:
December 2014 Pay Adjustments

	A	B	C = B-A	D	E	F = D + E
POSITION	SALARY PRIOR TO PAY ADJUSTMENT	DECEMBER 2014 PAY ADJUSTMENT PER NPA	DIFFERENCE ¹⁷	DECEMBER 2014 GROSS RETRO PAYMENTS ¹⁸	DECEMBER 2014 GOVT. CONTRIBUTIONS	TOTAL
37 Program Coordinator (Gov)	44,524	50,100	5,576	4,931	1,543	6,475
38 Staff Assistant	40,000	45,000	5,000	4,416	1,382	5,798
39 Staff Assistant	40,000	45,000	5,000	4,416	1,382	5,798
40 Staff Assistant	40,000	45,000	5,000	4,416	1,382	5,798
41 Staff Assistant	40,000	45,000	5,000	4,416	1,382	5,798
42 Staff Assistant	40,000	45,000	5,000	4,416	1,382	5,798
43 Staff Assistant	40,000	45,000	5,000	4,416	1,382	5,798
44 Staff Assistant	40,000	45,000	5,000	4,224	1,322	5,546
45 Staff Assistant	45,000	50,625	5,625	3,974	1,219	5,193
46 Staff Assistant	30,000	33,750	3,750	3,910	1,224	5,133
47 Staff Assistant	35,000	39,375	4,375	3,864	1,209	5,073
48 Staff Assistant	35,000	39,375	4,375	3,864	1,209	5,073
49 Staff Assistant	35,000	39,375	4,375	3,864	1,209	5,073
50 Staff Assistant	35,000	39,375	4,375	3,864	1,209	5,073
51 Staff Assistant	31,000	34,875	3,875	3,786	1,185	4,972
52 Staff Assistant	32,000	36,000	4,000	3,551	1,112	4,663
53 Staff Assistant	32,000	36,000	4,000	3,551	1,112	4,663
54 Spcl. Projects Coord (Gov)	32,000	36,000	4,000	3,551	1,112	4,663
55 Staff Assistant	31,493	35,430	3,937	3,478	1,088	4,566
56 Spcl. Assistant	80,000	83,900	3,900	3,459	1,083	4,542
57 Staff Assistant	45,000	50,625	5,625	3,409	1,066	4,476
58 Staff Assistant	42,588	47,912	5,324	3,344	1,047	4,391
59 Staff Assistant	30,000	33,750	3,750	3,330	1,042	4,373
60 Staff Assistant	30,000	33,750	3,750	3,330	1,042	4,373
61 Staff Assistant	30,000	33,750	3,750	3,330	1,042	4,373
62 Staff Assistant	30,000	33,750	3,750	3,330	1,042	4,373
63 Staff Assistant	30,000	33,750	3,750	3,330	1,042	4,373
64 Staff Assistant	30,000	33,750	3,750	3,330	1,042	4,373
65 Staff Assistant	30,000	33,750	3,750	3,330	1,042	4,373
66 Staff Assistant	30,000	33,750	3,750	3,330	1,042	4,373
67 Staff Assistant	30,000	33,750	3,750	3,330	1,042	4,373
68 Staff Assistant	25,000	28,125	3,125	3,298	1,032	4,330
69 Staff Assistant	28,000	31,500	3,500	3,091	968	4,059
70 Staff Assistant	28,000	31,500	3,500	3,091	968	4,059
71 Staff Assistant	65,000	68,250	3,250	2,870	898	3,769
72 Staff Assistant	25,000	28,125	3,125	2,760	864	3,624
73 Staff Assistant	25,000	28,125	3,125	2,760	864	3,624
74 Staff Assistant	25,000	28,125	3,125	2,760	864	3,624
75 Staff Assistant	25,000	28,125	3,125	2,760	864	3,624

¹⁷ Difference is calculated on an annual basis and based on 2,080 hours or 26 pay periods.

¹⁸ Calculated based on effective date of January 26, 2014 to December 13, 2014. However, there were some employees who began GovGuam employment after January 26, 2014 or were separated from GovGuam before December 13, 2014. In those cases, their retroactive pay adjustments were calculated using their respective effective beginning and/or end dates.

Appendix 3:
December 2014 Pay Adjustments

	A	B	C = B-A	D	E	F = D + E
POSITION	SALARY PRIOR TO PAY ADJUSTMENT	DECEMBER 2014 PAY ADJUSTMENT PER NPA	DIFFERENCE ¹⁹	DECEMBER 2014 GROSS RETRO PAYMENTS ²⁰	DECEMBER 2014 GOVT. CONTRIBUTIONS	TOTAL
76 Building Custodian (Uncl)	25,000	28,125	3,125	2,760	864	3,624
77 Spcl. Assistant (Gov)	50,000	56,250	6,250	2,640	826	3,466
78 Spcl. Assistant (Gov)	55,000	61,875	6,875	2,426	759	3,186
79 Staff Assistant	30,000	33,750	3,750	2,389	875	3,264
80 Staff Assistant	38,000	42,750	4,750	2,371	742	3,113
81 Staff Assistant	45,000	50,625	5,625	2,331	729	3,060
82 Staff Assistant	35,000	39,375	4,375	2,268	710	2,978
83 Staff Assistant	25,000	28,125	3,125	2,256	706	2,962
84 Staff Assistant	38,000	42,750	4,750	2,116	662	2,778
85 Staff Assistant	40,000	45,000	5,000	2,085	653	2,738
86 Staff Assistant	24,000	28,125	4,125	2,074	649	2,723
87 Staff Assistant	30,000	33,750	3,750	1,716	537	2,253
88 Staff Assistant	30,000	33,750	3,750	1,448	453	1,901
89 Staff Assistant	44,000	49,500	5,500	1,348	422	1,770
90 Staff Assistant	45,000	50,625	5,625	1,301	407	1,708
91 Staff Assistant	25,000	28,125	3,125	1,296	406	1,702
92 Staff Assistant	31,000	34,875	3,875	1,197	375	1,571
93 Staff Assistant	38,000	42,750	4,750	1,195	374	1,569
94 Staff Assistant	25,000	28,125	3,125	930	291	1,221
95 Staff Assistant	15,080	16,966	1,886	837	262	1,099
96 Staff Assistant	30,000	33,750	3,750	796	249	1,046
97 Staff Assistant	25,000	28,125	3,125	780	244	1,024
98 Staff Assistant	25,000	28,125	3,125	762	239	1,001
99 Staff Assistant	22,500	25,313	2,813	648	203	851
100 Staff Assistant	30,000	33,750	3,750	434	136	570
101 Staff Assistant	25,000	28,125	3,125	420	131	551
102 Staff Assistant	30,000	33,750	3,750	376	118	494
103 Staff Assistant	25,000	28,125	3,125	300	94	394
104 Staff Assistant	22,500	25,313	2,813	297	93	390
105 Staff Assistant	30,000	33,750	3,750	290	91	380
106 Staff Assistant	24,000	27,000	3,000	230	72	303
TOTAL	\$ 4,579,195	\$ 5,299,509	\$ 720,314	\$ 566,180	\$ 176,669	\$ 742,849

¹⁹ Difference is calculated on an annual basis and based on 2,080 hours or 26 pay periods.

²⁰ Calculated based on effective date of January 26, 2014 to December 13, 2014. However, there were some employees who began GovGuam employment after January 26, 2014 or were separated from GovGuam before December 13, 2014. In those cases, their retroactive pay adjustments were calculated using their respective effective beginning and/or end dates.

Appendix 4:**Former Employees With December 2014 Pay Adjustments**

	Position	Date Resigned	NPA Date	Effective Date	2014 Pay Adjustment Per NPA	Gross Dec. 2014 Pay Adjustment
1	Spcl. Asst/ Director of Comm.	11/14/2014	12/17/2014	1/26/2014	\$ 17,071	\$ 17,467
2	Staff Assistant	8/22/2014	12/17/2014	1/26/2014	17,100	9,864
3	Staff Assistant	9/19/2014	12/23/2014	1/26/2014	5,625	3,974
4	Staff Assistant	8/8/2014	12/17/2014	1/26/2014	3,750	3,910
5	Spcl. Assistant (Gov)	6/27/2014	12/23/2014	1/26/2014	6,250	2,640
6	Spcl. Assistant	4/18/2014	12/23/2014	1/26/2014	6,875	2,426
7	Staff Assistant	8/25/2014	12/23/2014	1/26/2014	3,750	2,389
8	Staff Assistant	7/18/2014	12/23/2014	1/26/2014	4,750	2,371
9	Staff Assistant	5/9/2014	12/23/2014	1/26/2014	5,625	2,331
10	Staff Assistant	8/1/2014	12/23/2014	1/26/2014	4,375	2,268
11	Staff Assistant	4/18/2014	12/23/2014	1/26/2014	5,625	1,301
12	Staff Assistant	5/16/2014	12/23/2014	1/26/2014	3,875	1,197
13	Staff Assistant	3/28/2014	12/23/2014	1/26/2014	4,750	1,195
14	Staff Assistant	4/4/2014	12/23/2014	1/26/2014	3,125	930
15	Staff Assistant	4/11/2014	12/23/2014	1/26/2014	2,813	648
16	Staff Assistant	3/7/2014	12/23/2014	1/26/2014	3,750	434
17	Staff Assistant	4/8/2014	12/23/2014	1/26/2014	3,750	376
18	Staff Assistant	2/21/2014	12/23/2014	1/26/2014	2,813	297
					Total	\$ 56,019

Appendix 5:

Governor's December 31, 2014 Letter to DOA



EDDIE BAZA CALVO
Governor

RAY TENORIO
Lieutenant Governor

Office of the Governor of Guam.

DATE: December 31, 2014

TO: Benita Manglona, Director
Department of Administration

FROM: Governor Eddie Baza Calvo

SUBJECT: Employees Pay Adjustment, Office of the Governor

Pursuant to my and the Lt. Governor's authority under 4 GCA sections 6207 and 6207.1, this letter confirms the instructions given to the Department of Administration on December 15, 2014, to issue a pay adjustment to current and former employees of the Office of the Governor pursuant to the salary adjustments reflected on the GG1s. Such pay adjustment shall be consistent with the formula that was used to determine my and the Lt. Governor's retroactive pay adjustment under P.L. 32-208.

Ricardo J. Bordallo Governor's Complex • Adelup, Guam 96910

Tel: (671) 472-8931 • Fax: (671) 477-4826 • governor.guam.gov • calendar.guam.gov

Eddie Baza Calvo @eddiebazacalvo @governorcalvo [governorofguam](http://www.governorofguam.gov)



Office of the Attorney General of Guam

590 S. Marine Corps Dr., Ste. 706, Tamuning, Guam 96913



December 10, 2015

Elizabeth Barrett-Anderson
Attorney General
Phone: (671) 475-3324
ext. 5015/ 5030
Fax: 477-4703
law@guamag.org

Honorable Eddie B. Calvo
Governor of Guam
Office of the Governor, Ricardo J. Bordallo Complex

Jacqueline Z. Cruz
Chief of Staff
Administration
ext. 5010
jzcruz@guamag.org

Hafa Adai Governor:

Phillip J. Tydingco
Chief Prosecutor
Prosecution
ext. 2410
ptydingco@guamag.org

My Office has received from Vice-Speaker B.J. Cruz a set of FOIA documents pertaining to the December 2014 pay adjustments of 107 unclassified staff employees of the Offices of the Governor and Lt. Governor made effective retroactively to January 26, 2014. These pay adjustments were made pursuant to Title 4 GCA §§ 6207 and 6207.1 which authorize the Governor and Lieutenant Governor to set the salaries of the staff of your respective Executive offices. The issue presented by these documents is not the setting of salaries, but the retroactive nature of the payments made.

Karl P. Espaldon
Deputy AG
Solicitors
ext. 3115
kespaldon@guamag.org

Guam law specifically prohibits retroactive payments unless authorized by statute.¹ Your staff strongly acknowledges this prohibition, but posits these were not intended to be retroactive. Information contained in the documents themselves, however, suggests the processing of the personnel actions were made otherwise.

Kenneth D. Orcutt
Deputy AG
Litigation
ext. 3225
korcutt@guamag.org

We are unable to find support for the pay adjustments in Public Law 32-208, cited by your Office as the basis of the “formula” for retroactive payment. P.L. 32-208 provided for the retroactive implementation of the Executive Pay Plan for the Governor, Lt. Governor, Attorney General, and Cabinet members, back to January 15, 2014. Unfortunately, it did not apply to the 107 rank and file individuals in your Offices who were possibly the only category of unclassified government employees in the Executive Branch whose salaries were not addressed by the Competitive Wage Act (CWA) or legislation, presumptively based on your Section 6207 authority.

Fred S. Nishihira
Deputy AG
Consumer Protection
ext. 3250
fnishihira@guamag.org

Accordingly, it is my opinion that the salary adjustments from January 26, 2014 to December 15, 2014 represent retroactive compensation for each individual employee in violation of Guam’s anti-retroactive payment statutes. This matter can only be resolved through repayment of the retroactive pay adjustments by each individual employee, or through legislative action. It is not unprecedented for the Legislature to take action where employees relied in good faith.²

Rebecca M. Perez
Deputy AG
Child Support
ext. 1610
rebecca.perez@guamcse.net

Carol M. Hinkle-Sanchez
Deputy AG
Juvenile
ext. 4040
csanchez@guamag.org

Pauline U. Camacho
Administrator
Victim Service Center
& Notary Unit
ext. 5030
pcamacho@guamag.org

¹ Title 4 GCA §2103.14 and §6208.18

² See Public Law 30-126 codified at Title 4 GCA §6205.2(c)

Further, each individual personnel action should be audited to determine the exact nature and amount of repayment. In those instances where employees were no longer employed in either Executive offices on December 15, 2014, these may represent overpayment in addition to the retroactive compensation.

I trust that you will seek and pursue the best resolution to this matter.

Sincerely,



ELIZABETH BARRETT-ANDERSON
Attorney General of Guam

GOVERNMENT OF GUAM
AGANA, GUAM
REQUEST FOR PERSONNEL ACTION

1. NAME (Mr. Miss., Mrs., First, Middle Initial, Last) SEE ATTACHED LISTING		2. Date of Birth:	3. Payroll Number	4. Date Requested 12-7-15	
6. Effective Date: PPE 12-12-15		7. Nature of Action (Use Standard Terminology) SALARY ADJUSTMENT			
FROM	DESCRIPTION	TO			
See attached list	8. Position Title	See attached list			
Office of the Lieutenant Governor	9. Pay Range, Step Salary or Rate	Office of the Lieutenant Governor			
	10. Dept. or Agency				
	11. Division				
	12. Section				
	13. Position Number				
14. REMARKS (Continue in Item 21, if necessary) PPB 12-07-15 ONE TIME SINGLE PAY PERIOD SALARY ADJUSTMENT.					
RECEIVED DEC 07 2015 Bureau of Budget and Management Research		ACCOUNT #5100A160300GA001 CLEARED BY: ROSE F. RAMSEY CERTIFYING OFFICER DATE: 12/7/15 Department of Administration Human Resources Division DEC 07 2015 ATF Administrative Office			
15. Requested by: (Signature and Title) <i>Mark A. Celis</i> , Chief of Staff EDWARD J.B. CALVO, Authorized Official		16. For Additional Information Call (Name & Tel. No.) TRISHA D. TOPASNA (475-9303)			
17. Approved by: (Signature, Title and Department) <i>Mark A. Celis</i> , Chief of Staff EDWARD J.B. CALVO, Authorized Official		18. Approved By (Releasing Dept. Head - For Transfer Only)			
19. CLEARANCES - ITEMS BELOW TO BE COMPLETED BY OFFICES CONCERNED					
TO	ACTION	BY	DATE	BUDGET SECTION	MANAGEMENT SECTION
BENEFITS				CLEARED PER BBMRS REVIEW <i>J.P. Celis</i> Jose S. Calvo Director, BBMRS Date: DEC 07 2015	
CLASSIFICATION					
E.M.R.					
RECORDS					
RECRUITMENT					
TEST DEV.					
RETIREMENT					

Government of Guam
Department of Administration
 Notification of Personnel Action

1. Fullname: See attached listing	2. Date of Birth	3. SSN	4. Date 12/11/2015
THIS IS TO NOTIFY YOU OF THE FOLLOWING ACTION AFFECTING YOUR EMPLOYMENT			
5. Nature of Action: Salary Adjustment	6. Effective Date: PPB 12-7-2015	7. Legal Authority: 4 GCA 6207 and 6207.1	
FROM		TO	
See attached listing Per Annum Per Hour	8. POSITION TITLE 9. PAY GRADE/STEP SALARY	See attached listing Per Annum Per Hour	
Office of the Governor	10. DEPARTMENT 11. DIV. / SECTION 12. POSITION NO.	Office of the Governor	
Next Increment: Action No.: Work Schedule Full Time	Exp / Separation Date: PMIS Action Date:	Bdgt Acct No: 5100A160200GA001 JON:	
Retirement Type:			Jacket No:
REMARKS: THIS ACTION IS SUBJECT TO ALL APPLICABLE LAW, RULES, AND REGULATIONS, AND IS SUBJECT TO POST AUDIT BY THE CIVIL SERVICE COMMISSION.			
ONE TIME SINGLE PAY PERIOD SALARY ADJUSTMENT FROM PPB 12-07-2015 TO 12-12-2015.			
 ANTHONY C. BLAZ DIRECTOR, DEPARTMENT OF ADMINISTRATION			

Appendix 8:
December 2015 Pay Adjustments

	POSITION	A	B	C	D	E = C + D
		DECEMBER 2014 PAY ADJUSTMENT PER NPA	GROSS DECEMBER 2014 RETRO PAYMENTS ²¹	GROSS DECEMBER 2015 ONE TIME LUMP SUM PAY ADJ.	GOVT. DEC. 2015 MEDICARE CONTRIBUTIONS	TOTAL DECEMBER 2015 PAYMENTS
1	Spcl. Assistant (CFA)	106,287	23,258	23,258	337	23,595
2	Chief Policy Advisor	110,000	22,098	22,098	320	22,419
	Legal Counsel to the Governor	106,287	21,491	21,491	312	21,803
3	Deputy Chief of Staff	102,407	20,700	20,700	300	21,000
4	Spcl. Asst/Director of Comm.	82,071	17,467	16,387	238	16,625
5	Executive Director	82,071	15,106	15,106	219	15,325
6	Spcl. Asst (Gov)	75,000	13,266	13,266	192	13,459
7	Spcl. Assistant (Gov)	72,500	12,843	12,843	186	13,029
8	Executive Assistant to the Gov	63,500	11,942	11,942	173	12,115
9	Spcl. Assistant (Buildup)	82,071	10,690	10,690	155	10,845
10	Spcl. Assistant (Health)	82,071	10,690	10,690	155	10,845
11	Spcl. Assistant (Educ)	82,071	10,690	10,690	-	10,690
12	Spcl. Assistant (Prctl)	82,071	15,106	8,850	128	8,979
13	Spcl. Assistant	70,000	8,832	8,832	128	8,960
14	Staff Assistant	67,860	8,740	8,740	127	8,867
15	Staff Assistant	61,875	7,017	7,017	-	7,017
16	Spcl. Assistant	67,500	6,624	6,624	96	6,720
17	Spcl. Assistant	65,824	6,477	6,477	94	6,571
18	Spcl. Assistant	61,875	6,090	6,090	88	6,179
19	Staff Assistant	61,875	6,090	6,090	88	6,179
20	Staff Assistant	61,875	6,090	6,090	88	6,179
21	Spcl. Assistant ²²	59,625	5,870	5,870	85	5,955
22	Staff Assistant	56,250	5,520	5,520	80	5,600
23	Staff Assistant	50,625	4,986	4,986	72	5,059
24	Staff Assistant	50,625	4,986	4,986	72	5,059
25	Staff Assistant	50,625	4,986	4,986	72	5,059
26	Staff Assistant	50,625	4,986	4,986	72	5,059
27	Program Coordinator (Gov)	50,100	4,931	4,931	72	5,003
28	Staff Assistant	45,000	4,416	4,416	64	4,480
29	Staff Assistant	45,000	4,416	4,416	64	4,480
30	Staff Assistant	45,000	4,416	4,416	64	4,480
31	Staff Assistant	45,000	4,416	4,416	64	4,480
32	Staff Assistant	45,000	4,416	4,416	64	4,480
33	Staff Assistant	45,000	4,416	4,416	64	4,480
34	Staff Assistant	39,375	3,864	3,864	56	3,920
35	Staff Assistant	39,375	3,864	3,864	56	3,920
36	Spcl. Asst (Gov)	61,875	5,005	3,707	54	3,761
37	Staff Assistant	36,000	3,551	3,551	51	3,603

²¹ Calculated based on effective date of January 26, 2014 to December 13, 2014. However, there were some employees who began employment at the Governor's Office after January 26, 2014 or were separated before December 13, 2014. In those cases, their retroactive pay adjustments were calculated using their respective effective employment beginning and/or end dates.

²² This Special Assistant's December 2014 check was stale-dated and canceled, resulting in the December 2015 check being cashed, but not endorsed to GovGuam.

Appendix 8:
December 2015 Pay Adjustments

	POSITION	A	B	C	D	E = C + D
		DECEMBER 2014 PAY ADJUSTMENT PER NPA	GROSS DECEMBER 2014 RETRO PAYMENTS ²³	GROSS DECEMBER 2015 ONE TIME LUMP SUM PAY ADJ.	GOVT. DEC. 2015 MEDICARE CONTRIBUTIONS	TOTAL DECEMBER 2015 PAYMENTS
38	Staff Assistant	36,000	3,551	3,551	51	3,603
	Spcl. Projects Coord (Gov)					
39		36,000	3,551	3,551	51	3,603
40	Staff Assistant	35,430	3,478	3,478	50	3,528
41	Staff Assistant	50,625	3,409	3,406	49	3,456
42	Staff Assistant	33,750	3,330	3,330	48	3,379
43	Staff Assistant	33,750	3,330	3,330	48	3,379
44	Staff Assistant	33,750	3,330	3,330	48	3,379
45	Staff Assistant	33,750	3,330	3,330	48	3,379
46	Staff Assistant	33,750	3,330	3,330	48	3,379
47	Staff Assistant	33,750	3,330	3,330	48	3,379
48	Staff Assistant	33,750	3,330	3,330	48	3,379
49	Staff Assistant	33,750	3,330	3,330	48	3,379
50	Staff Assistant	28,125	3,298	3,298	48	3,345
51	Staff Assistant	31,500	3,091	3,091	45	3,136
52	Staff Assistant	31,500	3,091	3,091	45	3,136
53	Staff Assistant	45,000	4,224	2,974	43	3,017
54	Staff Assistant	68,250	2,870	2,870	42	2,912
55	Staff Assistant	28,125	2,760	2,760	40	2,800
56	Staff Assistant	28,125	2,760	2,760	40	2,800
	Building Custodian (Uncl)					
57		28,125	2,760	2,760	40	2,800
58	Staff Assistant	28,125	2,256	2,256	33	2,289
59	Staff Assistant	45,000	2,085	2,085	30	2,115
60	Staff Assistant	28,125	2,074	1,426	21	1,446
61	Staff Assistant	28,125	1,296	1,296	19	1,315
62	Staff Assistant	33,750	1,448	898	13	911
63	Staff Assistant	16,966	837	837	12	849
64	Staff Assistant	33,750	796	796	12	808
65	Staff Assistant	28,125	780	780	11	791
66	Staff Assistant	28,125	762	762	11	773
67	Staff Assistant	28,125	420	420	6	426
68	Staff Assistant	27,000	230	230	3	234
	SUBTOTAL, 68 Employees	\$ 3,459,212	\$ 414,412	\$ 403,328	\$ 5,591	\$ 408,920
	Remaining 38 Employees Provided Retroactive Pay Adjustments in Dec. 2014, but not in Dec. 2015	\$ 1,840,297	\$ 151,767	\$ -	\$ -	\$ -
	TOTAL, 106 Employees	\$ 5,299,509	\$ 566,180	\$ 403,328	\$ 5,591	\$ 408,920

²³ Calculated based on effective date of January 26, 2014 to December 13, 2014. However, there were some employees who began employment at the Governor's Office after January 26, 2014 or were separated before December 13, 2014. In those cases, their retroactive pay adjustments were calculated using their respective effective employment beginning and/or end dates.

Appendix 9:

Sample Calculation of Employees' Pay in AS400

2/23/16 Display Pay Time History DSPTMHHR 10:33:51
 Retro Pay or Negative Rate Adjustment
 Employee ID/seq. : ██████████ 1 ██████████
 Dept/division : 0201 EXECUTIVE DIRECTION
 PPE date 11 28 2015
 Time Hours Summary -----
 Total gross pay. : \$8850.4000 Regular : Other wrk:
 Pay FMLA Retro Overtime: Night dif:
 Leave . : Hazard . :
 Work Date Code ? # Hrs or Neg Rate/Adj Job Order No Gross \$
 11 23 2015 131 72.00 R 122.00 020016001111 8784.0000
 11 24 2015 131 1.00 R 66.40 020016001111 66.4000

2/23/16 Display Pay Time History DSPTMHHR 11:14:07
 Retro Pay or Negative Rate Adjustment
 Employee ID/seq. : ██████████ 1 ██████████
 Dept/division : 0201 EXECUTIVE DIRECTION
 PPE date 11 28 2015
 Time Hours Summary -----
 Total gross pay. : \$4986.4000 Regular : Other wrk:
 Pay FMLA Retro Overtime: Night dif:
 Leave . : Hazard . :
 Work Date Code ? # Hrs or Neg Rate/Adj Job Order No Gross \$
 11 27 2015 131 204.00 R 24.34 020115112111 4965.3600
 11 28 2015 131 1.00 R 21.04 020115112111 21.0400

2/23/16 Display Pay Time History DSPTMHHR 11:14:29
 Retro Pay or Negative Rate Adjustment
 Employee ID/seq. : ██████████ 1 ██████████
 Dept/division : 0201 EXECUTIVE DIRECTION
 PPE date 11 28 2015
 Time Hours Summary -----
 Total gross pay. : \$898.0000 Regular : Other wrk:
 Pay FMLA Retro Overtime: Night dif:
 Leave . : Hazard . :
 Work Date Code ? # Hrs or Neg Rate/Adj Job Order No Gross \$
 11 27 2015 131 55.00 R 16.23 020016001111 892.6500
 11 28 2015 131 1.00 R 5.35 020016001111 5.3500

Appendix 10:
DOA Letter to GGRF



Eddie Baza Calvo
Governor
Ray Tenorio
Lieutenant Governor

Department of Administration
(DIPATTAMENTON ATEMENSTRASION)

DIRECTOR'S OFFICE
(UFISINAN DIREKTOT)

590 S. Marine Corps Drive
Suite 224, ITC Building * 2929 Tamuning, GU 96931
Tel: (671) 475-1101/1250 - Fax: (671) 477-6788



Anthony C. Blaz
Director
Anisia B. Terlaje
Deputy Director

February 19, 2016

To: Director of Government of Guam Retirement Fund
From: Director of Administration
Subject: Request to Refund Retroactive Payment Contributions

Hafa Adai! As you all know, it was determined by Attorney General Barret-Anderson that the retroactive payment paid to the unclassified staffers of the Governor's Office to be illegal.

When the retroactive payments were released, the Employer and Employee contributions were remitted to your agency for application towards the employee's accounts.

Therefore, I have no choice but to request your assistance in refunding the amounts to the General Fund to clear up this unfortunate dilemma. We have attached a detailed listing of the employer and employee contributions that was sent to your agency.

Your attention to this matter is greatly appreciated.

Sensiramente,


ANTHONY C. BLAZ

attachment

Appendix 11: Form 941-X Sent to IRS

Form 941-X: Adjusted Employer's QUARTERLY Federal Tax Return or Claim for Refund
(Rev. April 2015) Department of the Treasury — Internal Revenue Service OMB No. 1545-0029

Employer identification number (EIN) XXXXXXXXXX

Name (not your trade name) GOVERNMENT OF GUAM

Trade name (if any) DEPARTMENT OF ADMINISTRATION

Address P O BOX 884

Number Street Suite or room number

HAGATNA GU 96932

City State ZIP code

Foreign country name Foreign province/county Foreign postal code

Return You Are Correcting ...

Check the type of return you are correcting:

941

941-SS

Check the ONE quarter you are correcting:

1: January, February, March

2: April, May, June

3: July, August, September

4: October, November, December

Enter the calendar year of the quarter you are correcting:

2014 (YYYY)

Read the separate instructions before completing this form. Use this form to correct errors you made on Form 941 or 941-SS. Use a separate Form 941-X for each quarter that needs correction. Type or print within the boxes. You MUST complete all three pages. Do not attach this form to Form 941 or 941-SS.

Part 1: Select ONLY one process. See page 4 for additional guidance.

1. Adjusted employment tax return. Check this box if you underreported amounts. Also check this box if you overreported amounts and you would like to use the adjustment process to correct the errors. You must check this box if you are correcting both underreported and overreported amounts on this form. The amount shown on line 20, if less than zero, may only be applied as a credit to your Form 941, Form 941-SS, or Form 944 for the tax period in which you are filing this form.
2. Claim. Check this box if you overreported amounts only and you would like to use the claim process to ask for a refund or abatement of the amount shown on line 20. Do not check this box if you are correcting ANY underreported amounts on this form.

Enter the date you discovered errors:

12 / 14 / 2015

(MM / DD / YYYY)

Part 2: Complete the certifications.

3. I certify that I have filed or will file Forms W-2, Wage and Tax Statement, or Forms W-2c, Corrected Wage and Tax Statement, as required.
- Note.** If you are correcting underreported amounts only, go to Part 3 on page 2 and skip lines 4 and 5. If you are correcting overreported amounts, for purposes of the certifications on lines 4 and 5, Medicare tax does not include Additional Medicare Tax. Form 941-X cannot be used to correct overreported amounts of Additional Medicare Tax unless the amounts were not withheld from employee wages or an adjustment is being made for the current year.
4. If you checked line 1 because you are adjusting overreported amounts, check all that apply. You must check at least one box. I certify that:
- a. I repaid or reimbursed each affected employee for the overcollected federal income tax or Additional Medicare Tax for the current year and the overcollected social security tax and Medicare tax for current and prior years. For adjustments of employee social security tax and Medicare tax overcollected in prior years, I have a written statement from each affected employee stating that he or she has not claimed (or the claim was rejected) and will not claim a refund or credit for the overcollection.
- b. The adjustments of social security tax and Medicare tax are for the employer's share only. I could not find the affected employees or each affected employee did not give me a written statement that he or she has not claimed (or the claim was rejected) and will not claim a refund or credit for the overcollection.
- c. The adjustment is for federal income tax, social security tax, Medicare tax, or Additional Medicare Tax that I did not withhold from employee wages.
5. If you checked line 2 because you are claiming a refund or abatement of overreported employment taxes, check all that apply. You must check at least one box. I certify that:
- a. I repaid or reimbursed each affected employee for the overcollected social security tax and Medicare tax. For claims of employee social security tax and Medicare tax overcollected in prior years, I have a written statement from each affected employee stating that he or she has not claimed (or the claim was rejected) and will not claim a refund or credit for the overcollection.
- b. I have a written consent from each affected employee stating that I may file this claim for the employee's share of social security tax and Medicare tax. For refunds of employee social security tax and Medicare tax overcollected in prior years, I also have a written statement from each affected employee stating that he or she has not claimed (or the claim was rejected) and will not claim a refund or credit for the overcollection.
- c. The claim for social security tax and Medicare tax is for the employer's share only. I could not find the affected employees; or each affected employee did not give me a written consent to file a claim for the employee's share of social security tax and Medicare tax; or each affected employee did not give me a written statement that he or she has not claimed (or the claim was rejected) and will not claim a refund or credit for the overcollection.
- d. The claim is for federal income tax, social security tax, Medicare tax, or Additional Medicare Tax that I did not withhold from employee wages.

Next ▶

Appendix 11: Form 941-X Sent to IRS

Name (not your trade name) DEPARTMENT OF ADMINISTRATION	Employer identification number (EIN) [REDACTED]	Correcting quarter 4 (1, 2, 3, 4) Correcting calendar year (YYYY) 2014
--	--	--

Part 3: Enter the corrections for this quarter. If any line does not apply, leave it blank.

	Column 1 Total corrected amount (for ALL employees)	Column 2 Amount originally reported or as previously corrected (for ALL employees)	Column 3 Difference (If this amount is a negative number, use a minus sign.)	Column 4 Tax correction
6. Wages, tips and other compensation (Form 941, line 2)				Use the amount in Column 1 when you prepare your Forms W-2 or Forms W-2c.
7. Federal income tax withheld from wages, tips, and other compensation (Form 941, line 3)				Copy Column 3 here ▶
8. Taxable social security wages (Form 941 or 941-SS, line 5a, Column 1)				$\times .124^* =$
9. Taxable social security tips (Form 941 or 941-SS, line 5b, Column 1)				$\times .124^* =$
10. Taxable Medicare wages and tips (Form 941 or 941-SS, line 5c, Column 1)	39,222,911 . 20	39,612,277 . 29	-389,366 . 09	$\times .029^* = -11,291 . 62$
11. Taxable wages & tips subject to Additional Medicare Tax withholding (Form 941 or 941-SS, line 5d; only for quarters beginning after December 31, 2012)				$\times .009^* =$
12. Section 3121(q) Notice and Demand – Tax due on unreported tips (Form 941 or 941-SS, line 5f (line 5e for quarters ending before January 1, 2013))				Copy Column 3 here ▶
13. Tax adjustments (Form 941 or 941-SS, lines 7-9)				Copy Column 3 here ▶
14. Special addition to wages for federal income tax				See instructions
15. Special addition to wages for social security taxes				See instructions
16. Special addition to wages for Medicare taxes				See instructions
17. Special addition to wages for Additional Medicare Tax				See instructions
18. Combine the amounts on lines 7-17 of Column 4				-11,291 . 62
19a. COBRA premium assistance payments (see instructions)				See instructions
19b. Number of individuals provided COBRA premium assistance (see instructions)				
20. Total. Combine the amounts on lines 18 and 19a of Column 4				-11,291 . 62

If line 20 is less than zero:

- If you checked line 1, this is the amount you want applied as a credit to your Form 941 for the tax period in which you are filing this form. (If you are currently filing a Form 944, Employer's ANNUAL Federal Tax Return, see the instructions.)
- If you checked line 2, this is the amount you want refunded or abated.

If line 20 is more than zero, this is the amount you owe. Pay this amount by the time you file this return. For information on how to pay, see Amount You Owe in the instructions.

Appendix 12:

Sample February 2016 Letter Sent to 36 Employees



EDDIE BAZA CALVO
Governor

RAY TENORIO
Lieutenant Governor

Office of the Governor of Guam.

February 11, 2016

[REDACTED]
Mangilao, GU 96913

Dear [REDACTED],

In January 2014, nearly every line agency employee, the judiciary, almost every elected official, and the cabinet heads received pay adjustments under the Competitive Wage Act. Some of these raises were automatically implemented in January 2014, while others were implemented later but made retroactive to January 2014.

In December 2014, Governor Calvo felt that Adelup staff were equally deserving of a pay adjustment in order to bring their salaries in line with the adjustments received by the other GovGuam employees. This was pursuant to his legal authority to set the salaries for Adelup staff, a fact confirmed by the Attorney General.

However, it is the opinion of the Attorney General that the pay adjustments were not properly issued, and the AG has advised the Governor that the December 2014 pay adjustments need to be paid back by the employees who received them. Although the Governor believes that he acted within his authority, he has decided to follow the AG's advice.

The Administration has tried its best these past few months to keep you from being penalized. However, the political climate created by the media and Vice Speaker B.J. Cruz is making it difficult to resolve this matter in the near term. Although we continue to explore various options to see that you are compensated as Governor Calvo intended, at this point, we need to make arrangements with you to repay the pay adjustment on a schedule that is reasonable and affordable. Please contact my staff at 475-9203/6 or email jessica.jackson@guam.gov and juanita.cruz@guam.gov to coordinate a time to discuss your options and make the necessary arrangements.

Thank you for your understanding.

Sincerely,


MARK G. CALVO
Chief of Staff

Ricardo J. Bordallo Governor's Complex • Adelup, Guam 96910
Tel: (671) 472-8931 • Fax: (671) 477-4826 • governor.guam.gov • calendar.guam.gov

 Eddie Baza Calvo  @eddiebazacalvo  @governorcalvo  governorofguam

Appendix 13:

List of 37 Employees Sent Letters in February 2016

	POSITION	DEC. 2014 GROSS PAY	TOTAL EMP. DEDUCTIONS	TOTAL GOV. CONTRIBUTIONS	TOTAL PAYMENTS	STATUS TO DATE	GOVERNMENT OFFICE
1	Chief of Staff	\$ 21,491	\$ 6,994	\$ 6,727	\$ 28,218	Inactive	Executive Direction
2	Spcl. Assistant (Exe Affairs)	15,106	5,990	4,728	19,835	Active	GVB
3	Spcl. Asst (Gov)	11,852	3,430	3,710	15,562	Active	BSP
4	Spcl. Assistant (Lt Cos)	10,690	2,656	3,346	14,036	Active	GEDA
5	Staff Assistant	9,864	3,029	3,087	12,951	Inactive	Director's Office
6	Staff Assistant (Gov)	6,256	1,526	1,958	8,214	Inactive	Guam Liason Office of Washington, DC
7	Spcl. Assistant	5,483	1,525	1,716	7,199	Active	Director's Office-Chamorro Affair
8	Staff Assistant	4,983	1,139	1,493	6,476	Inactive	Executive Direction
9	Staff Assistant	4,416	858	1,382	5,798	Inactive	Hawaii /LA Referral Office
10	Staff Assistant	3,974	1,771	1,219	5,193	Inactive	Executive Direction
11	Staff Assistant	3,910	963	1,224	5,133	Active	DRT
12	Staff Assistant	3,864	428	1,209	5,073	Active	Bureau of Professional Services
13	Staff Assistant	3,786	965	1,185	4,972	Inactive	Guam State Clearinghouse-ICF
14	Spcl. Assistant	3,459	518	1,083	4,542	Inactive	Executive Direction
15	Staff Assistant	3,344	586	1,047	4,391	Inactive	Executive Direction
16	Staff Assistant	3,330	825	1,042	4,373	Inactive	Lt. Gov's Office
17	Staff Assistant	2,760	652	864	3,624	Active	AHRD
18	Staff Assistant	2,760	245	864	3,624	Inactive	Government House
19	Spcl. Assistant (Gov)	2,640	540	826	3,466	Inactive	Lt. Gov's Office
20	Staff Assistant	2,389	577	875	3,264	Inactive	Government House
21	Spcl. Assistant (Gov)	2,426	552	759	3,186	Inactive	Lt. Gov's Office
22	Staff Assistant	2,371	497	742	3,113	Inactive	Executive Direction
23	Staff Assistant	2,331	447	729	3,060	Inactive	Executive Direction
24	Staff Assistant	2,268	504	710	2,978	Active	Cosmetology Board
25	Staff Assistant	2,116	382	662	2,778	Active	Director's Office
26	Staff Assistant	1,716	337	537	2,253	Active	Animal & Plant Industry Division
27	Staff Assistant	1,348	91	422	1,770	Inactive	Office of the Governor
28	Staff Assistant	1,301	114	407	1,708	Active	KGTF/PBS Guam
29	Staff Assistant	1,197	194	375	1,571	Inactive	Lt. Gov's Office
30	Staff Assistant	1,195	194	374	1,569	Inactive	Executive Direction
31	Staff Assistant	930	116	291	1,221	Inactive	Executive Direction
32	Staff Assistant	648	64	203	851	Inactive	Lt. Gov's Office
33	Staff Assistant	434	45	136	570	Active	DRT
34	Staff Assistant	376	28	118	494	Inactive	Government House
35	Staff Assistant	300	39	94	394	Inactive	Lt. Gov's Office
36	Staff Assistant	297	23	93	390	Inactive	Lt. Gov's Office
37	Staff Assistant	290	19	91	380	Inactive	SPS-COPS-Cops Hiring Program 2013
	TOTAL	\$ 147,903	\$ 38,863	\$ 46,329	\$ 194,232	12 Active 25 Inactive	

Appendix 14:
Proposed Legislation

Page 1 of 5



EDDIE BAZA CALVO
Governor

RAY TENORIO
Lieutenant Governor

Office of the Governor of Guam

March 17, 2016

Honorable Judith T. Won Pat, Ed.D
Speaker
I Mina'trentai Tres Na Liheslaturan Guåhan
155 Hesler Street
Hagåtña, Guam 96910

Dear Madame Speaker:

Pursuant to my authority under the Organic Act of Guam, I am transmitting herewith the attached proposed legislation entitled, *An Act Relative to the Salary Pay Adjustments Received by the Unclassified Employees of the Office of I Maga'lahren Guåhan and the Office of I Segundu Na Maga'lahren Guåhan*.

On behalf of the hard working employees of Adelup who are part of our "one government of Guam" family, I thank the *I Liheslaturan Guåhan* for its fair consideration of this bill.

Senseramente,

A handwritten signature in black ink, appearing to read "Eddie Baza Calvo".

EDDIE BAZA CALVO

I MINA'TRENTAI TRES NA LIHESLATURAN GUÅHAN
2016 (SECOND) Regular Session

Bill No. _____-33

Introduced by:

By request of *I Maga'Låhen*
Guåhan, the Governor of
Guam, in accordance with the
Organic Act of Guam.

**AN ACT RELATIVE TO THE SALARY PAY ADJUSTMENTS RECEIVED
BY THE UNCLASSIFIED EMPLOYEES OF THE OFFICE OF *I*
MAGA'LAHEN GUAHAN AND THE OFFICE OF *I SEGUNDU NA*
MAGA'LAHEN GUAHAN.**

1 **BE IT ENACTED BY THE PEOPLE OF GUAM:**

2 **Section 1. Findings and Intent.** On January 15, 2014, the Governor
3 issued Executive Order 2006-21, the *Government of Guam Competitive Wage Act*
4 *of 2014* ("CWA"), which was transmitted and received by the Guam Legislature.
5 The CWA is a plan authorized and funded by P.L. 32-068:XI(2) to raise the
6 compensation, and adjust the classification and benefits of, government of Guam
7 employees based upon a 2010 assessment by the Hay Group, a global management
8 consulting firm.

1 With the transmittal of Executive Order 2006-21, the CWA went into effect
2 for certain General Pay Plan employees, namely, nurses, teachers, and government
3 attorneys as of January 15, 2014. On March 7, 2014, P.L. 32-136 lapsed into law,
4 repealing the CWA pay adjustments for the Governor, Lieutenant Governor,
5 Senators, Attorney General, Public Auditor, and appointed cabinet members of the
6 Executive Branch. In September 2014, the CWA went into effect for the
7 remaining employees under the General Pay Plan.

8 On June 24, 2014, P.L. 32-166 was signed into law, authorizing the
9 Judiciary to raise the salaries of its classified and unclassified employees in
10 accordance with the CWA and to retroactively pay these salaries back to the date
11 of January 15, 2014.

12 On November 21, 2014, P.L. 32-208 was signed into effect, repealing P.L.
13 32-136 and increasing the salaries of the Governor, Lieutenant Governor, Senators,
14 Attorney General, and appointed cabinet members in accordance with the CWA,
15 and retroactively paying these salaries back to the date of January 15, 2014.

16 On December 17, 2014, and in accordance with the Governor's instructions,
17 the salaries of about 107 unclassified Adelup employees were adjusted and
18 increased pursuant to the Governor's authority under Title 4 G.C.A. Section 6207
19 and 6207.1. The Governor recognized the hard work and efforts of the staff at
20 Adelup, and further recognized that for nearly two years the members of the

1 Adelup staff had voluntarily taken a 10% pay cut in order to help the government's
2 finances.

3 However, due to the limitations of the government's payroll software
4 system, DOA was unable to input the pay adjustments to have an effective date of
5 December 15, 2014, as was originally instructed. Therefore, in order to go forward
6 with processing the pay adjustments, DOA instructed the Governor's Office to
7 input the earlier effective date of January 26, 2014 on the GG-1s.

8 On December 10, 2015, the Attorney General opined that because of the
9 January 26, 2014, effective date on the GG-1s, the Adelup salary adjustments
10 represented "retroactive compensation for each individual employee in violation of
11 Guam's anti-retroactive payment statutes." The Attorney General concluded that,
12 *"This matter can only be resolved through repayment of the retroactive pay*
13 *adjustments by each individual employee, or through legislative action. It is not*
14 *unprecedented for the Legislature to take action where employees relied in good*
15 *faith."* (Citing, P.L. 30-126, codified at 4 G.C.A. § 6205.2(c), which ratified three
16 years worth of unauthorized pay increases received by employees in the Office of
17 Public Accountability).

18 The Legislature agrees with the opinion of the Attorney General and finds
19 that the pay adjustments received by the Adelup employees were made in good
20 faith. The Legislature finds that it is in the best interest of the Territory and the

1 Government of Guam to allow the Governor to compensate his staff and the Lt.
2 Governor's staff consistent with the spirit and intent of the CWA.

3 **Section 2.** Notwithstanding any other provision of law, the retroactive
4 payment of the salaries of the Office of *I Maga'lahaen Guahan* and the Office of *I*
5 *Segundu Na Maga'lahaen Guahan*, paid pursuant to those GG-1s issued by the
6 Governor's Office and the Lt. Governor's Office to the Department of
7 Administration on or about December 15, 2014, with an effective date of January
8 26, 2014, are hereby deemed authorized and valid under law.

9 **Section 3. Effective Date.** This Act *shall* become effective upon
10 enactment.

11 **Section 4. Severability.** *If* any provision of this Act or its application to
12 any person or circumstance is found to be invalid or contrary to law, such
13 invalidity *shall not* affect other provisions or applications of this Act that can be
14 given effect without the invalid provision or application, and to this end the
15 provisions of this Act are severable.

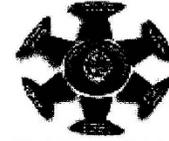
Appendix 15:
Management Response

Page 1 of 11



Eddie Baza Calvo
Governor
Ray Tenorio
Lieutenant Governor

DEPARTMENT OF ADMINISTRATION
(DIPATTAMENTON ATMENESTRASION)
DIRECTOR'S OFFICE
(Ufisinan Direktot)
590 South Marine Corps Drive
Suite 224, GITC Building, Tamuning, Guam 96913
Post Office Box 884 * Hagåtña, Guam 96932
TEL: (671) 475-1101/1250 * FAX: (671) 477-6788



Christine W. Baleto
Acting Director
Anisia B. Terlaje
Deputy Director

April 26, 2016

Ms. Doris Flores Brooks, CPA, CGFM
Public Auditor
Office of Public Accountability
Suite 401, DNA Building
258 Archbishop Flores Street
Hagåtña, Guam 96910

Håfa adai Public Auditor Brooks,

Transmitted herewith is the Department of Administration's Management Response to recommendations provided by the Office of Public Accountability under the Performance Audit of the Office of the Governor and Lt. Governor Staff Pay Adjustments.

Should you have any questions, or wish to discuss the responses further, please feel free to contact me at my office 475-1250.

Si Yu'os Ma'åse'

A handwritten signature in black ink, appearing to read "Christine Baleto".

Christine Baleto
Acting Director

DOA Management Response
Performance Audit – January 1, 2014 through March 31, 2016

Recommendation 1: The DOA Director and GGRF director reconcile the retirement contributions relative to the December 2014 and December 2015 pay adjustments to determine what refund, if any, is due back to DOA.

Response: DOA agrees with this recommendation and has already been in communication with GGRF on the reconciliation. A letter was sent on February 19, 2016 to the retirement fund. The reconciliation is being handled by the DOA Chief Payroll Officer and the GGRF Accountant.

Recommendation 2: The GGRF Director review and determine the effect of the spike in pay due to the December 2014 and December 2015 pay adjustments for three DB members, as these may affect the calculation of their retirement annuities.

Response: The Recommendation has been communicated to the GGRF Director verbally in a telephone conversation 4/22/2016. Retirement benefits calculations are beyond the scope of DOA's responsibility and thus we agree this would need to be deferred to the GGRF Director.

Appendix 15:
Management Response

Page 3 of 11



Eddie Baza Calvo
Governor
Ray Tenorio
Lieutenant Governor

DEPARTMENT OF ADMINISTRATION
(DIPATTAMENTON ATMENESTRASION)
DIRECTOR'S OFFICE
(Ufisinan Direktot)
590 South Marine Corps Drive
Suite 224, GITC Building, Tamuning, Guam 96913
Post Office Box 884 * Hagåtña, Guam 96932
TEL: (671) 475-1101/1250 * FAX: (671) 477-6788



Christine W. Baleto
Director
Anisia B. Terlaje
Deputy Director

May 19, 2016

Ms. Doris Flores Brooks, CPA, CGFM
Public Auditor
Office of Public Accountability
Suite 401, DNA Building
258 Archbishop Flores Street
Hagatna, Guam 96910

Håfa adai Public Auditor Brooks,

Transmitted herewith is the Department of Administration's Management Response to concerns discussed in our meeting yesterday regarding the Performance Audit of the Office of the Governor and Lt. Governor Staff Pay Adjustments. Please note that my prior response dated April 26, 2016, as well as the one being provided presently, was prepared in conjunction with the Office of the Governor.

Should you have any questions, or wish to discuss the responses further, please feel free to contact me at my office 475-1250.

Si Yu'os Ma'åse'

A handwritten signature in black ink, appearing to read "C. Baleto".

Christine Baleto
Director

Appendix 15: Management Response

Page 4 of 11

DOA Management Response Performance Audit – January 1, 2014 through March 31, 2016

Concern 1: Were the December 2015 Pay Adjustments processed retroactively as the Display Pay Time History states “Retro?”

Response: The payments were not retro pay. The AS400 payroll system is limited to only two rate adjustment categories: Retro Pay and Negative Rate Adjustment. The former payroll code is used for all payments processed outside of regular payroll, and the latter code is used for all payroll reductions. Therefore, any demand pay for overtime, advance payments, lump sum, etc. is processed using the Retro payroll code, regardless. Please see display pay time of other payments made which also indicates “Retro Pay” but is not in fact retroactive payments

Concern 2: Why was the work date for the payments processed November 23 and 24, 2015? The GG1’s indicate that the effective date is December 7, 2015 and the actual date of the check is December 14, 2015.

Response (DOA): The AS400 payroll system does not allow us to process payments within the current pay period. Thus, we had to utilize a prior date in order to process payment during the current pay period. According to our Chief Payroll Officer, the then Director of Administration approved using this former date, and felt such would be consistent with the Office of the Governor’s intent so long as the actual check payment is made effective December 7, 2015 as per the GG1s. With respect to the actual check date, we are only able to run demand payments during non-payroll weeks. Therefore, we were not able to actually print the check for the effective December 7, 2015 payments until the 14th. The issues concerning our payroll system and processing challenges was not communicated to the Office of the Governor. DOA acknowledges this error in lack of communication as well as our then administrative decision to process payments based on our system’s capabilities.

Response (OOG): The GG1s submitted by the Office of the Governor were explicit on the intent of the payments and concerning the December 7, 2015 effective date. The Office of the Governor was not made aware of the AS400’s processing limitations, or of the Department’s use of earlier work dates and exorbitant hours until a media story was published on February 6, 2016. Discontentment with the lack of communication to the Office of the Governor was thereafter immediately expressed, which the Department acknowledged. Please also refer to the Attorney General’s opinion of December 10, 2015, which opinion emphasizes and relies on the dates reflected on the GG1s.

Concern 3: What was the intent of the December 2015 pay adjustments?

Response (OOG): The pay adjustments were earned increases deemed by the Governor of Guam. When the Governor first took office, personnel in his office voluntarily took a 10% cut in salary as a result of the government’s fiscal challenges. In 2014, the work of his staff members as well as those in the Lt. Governor’s office were paramount to improving the island’s economy, tourism, bond ratings, fiscal stability, customer service to the public, etc. Thus, the Governor wished to recognize the administration’s accomplishment through pay increases due to its employees and to provide equality with the other branches that had recently implemented raises pursuant to the Hay Plan. Unfortunately, though Guam law allows the Governor to adjust his staff’s salaries, processing of the pay adjustments in 2014 were deemed by the Attorney General “illegal.” Therefore, the 2015 pay adjustments were intended to follow through with these well-deserved pay adjustments in the proper manner.

Concern 4: Internal Controls Need Improvement.

Response (DOA): Internal Controls within DOA are properly designed and effective. The concerns raised are fundamentally caused by limitations of our AS400 payroll system and a lack of communication with the Office of the Governor. Proper controls were in place which caused the Chief Payroll Officer to raise the processing concerns to the Deputy Financial Manager and subsequently to the Director of Administration. The advice and decision to proceed was issued by the Director. No communication to our understanding was initiated with the Office of the Governor.

Appendix 15:
Management Response

```

RAIGALAV                               ray time code records                               WKPF001
5/17/16                                                                           13:15:03
Position to pay time code. . . . .  ___

Type option, press Enter.
  2=Change      3=Copy      4=Delete      5=Display      7=Auth Dept

Opt Cde Description                               Abbrev EffectDate ExpireDate Mult
___  1 REGULAR?                                    REG     1/01/1990 12/31/2099 1.00
___  2 ANNUAL LEAVE                                A/L     1/01/1990 12/31/2099 1.00
___  3 SICK LEAVE                                  S/L     1/01/1990 12/31/2099 1.00
___  4 HOLIDAY PAY                                  HOL     1/01/1990 12/31/2099 1.00
___  5 NIGHT DIFFERENTIAL                          N/D     1/01/1990 12/31/2099 .10
___  6 OVERTIME 1.5                                O/T1.5  1/01/1990 12/31/2099 1.50
___  7 NON-PRODUCTIVE FIRE                          N/P     1/01/1990 12/31/2099 1.00
___  8 WORK FIRE                                    WFIR    1/01/1990 12/31/2099 1.00
___  9 BEREAVEMENT LEAVE.                          BERLV   1/01/1990 12/31/2099 1.00
___ 10 HAZARD 4%                                    H-4     1/01/1990 12/31/2099 .04
F3=Exit      F5=Refresh      F6=Add      F10=Position  F12=Cancel
More...

```

PAY CODES THAT ARE NORMALLY
 USED TO PROCESS PAY IN THE
 'PROCESS PAY TIME' SCREEN

PAGE 1 OF 2

Appendix 15:
Management Response

5/17/16 Display Pay Time History DSPTMHR
13:49:54

Employee ID/seq. : [REDACTED] 1 [REDACTED]
Dept/division. . : 1310 [REDACTED] CORRECTION FACILITY
PPE date : 4 30 2016

Total gross pay. : \$1152.7110
Pay FMLA ? # Hrs Retro or Neg Rate/Adj Job Order No Gross \$

Work Date	Code	?	# Hrs	Retro	or Neg	Rate/Adj	Job Order No	Gross \$
4 22 2016	105	N	2.00	R		23.94	131016003111	7.1820
4 22 2016	112	N	10.50	R		23.94	131016003111	37.7055
4 22 2016	6	N	10.50	R		23.94	131016003112	377.0550
4 23 2016	112	N	11.50	R		23.94	131016003111	41.2965
4 23 2016	6	N	11.50	R		23.94	131016003112	412.9650
4 30 2016	112	N	7.00	R		23.94	131016003111	25.1370
4 30 2016	6	N	7.00	R		23.94	131016003112	251.3700

Time Hours Summary -----
Regular : Other wrk:
Overtime: 29.00 Night dif:
Leave : Hazard . : 29.00

F12=Cancel F15=Display Detail

OT SAMPLE PAID

Appendix 15:
Management Response

5/17/16 Display Pay Time History DSPTMHHR
Retro Pay or Negative Rate Adjustment 13:49:38
Employee ID/seq. [REDACTED] 31
Dept/division . . : 3232 CONTRABAND ENFORCEMENT TEAM
PPE date 4 30 2016 ----- Time Hours Summary -----
Total gross pay. : \$139.5900 Regular : Other wrk:
Pay FMLA Retro Leave : 1.00 Night dif:
Work Date Code ? # Hrs or Neg Rate/Adj Job Order No Gross \$
4 20 2016 219 N 3.00 R 31.02 320010282111 93.0600
4 20 2016 220 N 1.00 R 31.02 320010282112 46.5300

F12=Cancel F15=Display Detail

OT CARRIER

5/17/16 Display Pay Time History DSPTMHR
Retro Pay or Negative Rate Adjustment 14:54:54
Employee ID/seq. [REDACTED] 1 [REDACTED]
Dept/division . . . 0201 EXECUTIVE DIRECTION
PPE date 12 28 2002 ----- Time Hours Summary -----
Total gross pay. : \$3288.9000 Regular : Other wrk:
Pay FMLA Retro Overtime: Night dif:
Work Date Code ? # Hrs or Neg Rate/Adj Job Order No Gross \$
12 28 2002 17 N 190.00 R 17.31 020003001111 3288.9000

F12=Cancel F15=Display Detail

ANNUA LEAVE LUMP SUM

Appendix 16:

Status of Recommendations

No.	Addressee	Audit Recommendation	Status	Action Required
1	DOA Director & GGRF Director	We recommend that the DOA Director and GGRF Director or their designees reconcile the retirement contributions relative to the December 2014 and 2015 pay adjustments.	OPEN	Please provide target date of the expected reconciliation between the DOA Chief Payroll Officer and the GGRF Accountant.
2	GGRF Director	We recommend that the GGRF Director review and determine the effect of the December 2014 and 2015 pay adjustments on the 106 employees' retirement annuities.	OPEN	Please provide target date and title of official(s) responsible for implementing the recommendation.
3	DOA Director	<p>We recommend that the DOA Director should establish and implement control measures to prevent errors in processing pay adjustments. Such control measures should include:</p> <ul style="list-style-type: none"> a. Updated signature cards should be kept on file to ensure that the authorizing officials on GGIs and other personnel-related files are duly authorized to effectuate personnel actions. b. The NPA should be required before payroll can be processed. c. Prior written authorization should be obtained before the creation of a new special payroll program within the AS400 and the created program should be deactivated when no longer needed to prevent future unauthorized use. d. The work dates utilized in processing pay adjustments should match the authorized dates of the NPAs. 	OPEN	Please provide target date and title of official(s) responsible for implementing the recommendation.



**Offices of the Governor and Lt. Governor's
Employees' Pay Adjustments
Report No. 16-05, June 2016**

ACKNOWLEDGEMENTS

Key contributions to this report were made by:
Rodalyn Gerardo, CIA, CGFM, CPA, CGAP, CGMA, Audit Supervisor
Maria Thyrza Bagana, Auditor-In-Charge
Doris Flores Brooks, CPA, CGFM, Public Auditor

MISSION STATEMENT

**To ensure public trust and assure good governance,
we conduct audits and administer procurement appeals,
independently, impartially, and with integrity.**

VISION

**The Government of Guam is the model for good governance in the Pacific.
OPA is a model robust audit office.**

CORE VALUES

**Objectivity: To have an independent and impartial mind.
Professionalism: To adhere to ethical and professional standards.
Accountability: To be responsible and transparent in our actions.**

REPORTING FRAUD, WASTE, AND ABUSE

- **Call our HOTLINE at 47AUDIT (472-8348)**
- **Visit our website at www.opaguam.org**
- **Call our office at 475-0390**
- **Fax our office at 472-7951**
- **Or visit us at Suite 401, DNA Building in Hagåtña;**

All information will be held in strict confidence.