



EXECUTIVE SUMMARY
Office of Public Accountability's Status of Audit Recommendations
OPA Report No. 16-10, December 2016

This is the fourth report on the implementation status of audit recommendations issued by the Office of Public Accountability (OPA). Title 1 Guam Code Annotated (GCA) § 1912 requires the affected Government of Guam (GovGuam) agencies to prepare corrective action plans and endeavor to implement OPA audit recommendations by the beginning of the following fiscal year.

Between calendar years (CY) 2012 and 2015, OPA issued 30 audit reports with 64 recommendations that focused on fund accountability, program efficiency and effectiveness, procurement, personnel, and non-appropriated funds. Of the 64 recommendations, 20 are still open. Overall, OPA has issued 151 reports since 2001 with 646 recommendations of which 619, or 96%, have been closed while 27, or 4%, remain open.

The 30 reports were initiated as a result of OPA risk-based assessments, Legislative mandates, requests from government officials, follow-ups on previously issued audits, and OPA Hotline tips. These reports collectively identified financial impacts of \$78.8 million (M), of which \$20.7M were unrealized revenues and \$6.0M were questioned costs. The remaining \$52.1M were other financial impacts that resulted from significant costs from special lifetime annuities, unverifiable Hotel Occupancy Tax receivables, lost savings if inactive tax credit programs were implemented, lost savings due to purchase of fuel at a higher cost, among others. The following table summarizes the status of OPA recommendations between CY 2012 and 2015.

OPA Audit Recommendations between CY 2012 and 2015

Initiated By	Reports Issued		Audit Recommendations				Total Financial Impact
	Count	% to Total	Closed	Open	Total	% to Total	
OPA	17	57%	35	9	44	69%	\$26,114,328
Mandate	5	17%	2	-	2	3%	5,295,526
Request	4	13%	5	4	9	14%	224,212
Follow-Up	3	10%	2	6	8	12%	47,162,751
Hotline	1	3%	-	1	1	2%	680
Total	30	100%	44	20	64	100%	\$78,797,497

One way we measure the effectiveness of our reports towards improving GovGuam's accountability, operations, services, and governance is by tracking the implementation status of our recommendations. OPA audits are tools that help management achieve their objectives by providing oversight over operations, such as reporting how government money was spent or whether agencies complied with laws, rules, and regulations. Our audits also provide GovGuam managers with insight of potential operational risks and foresight into possible opportunities. Over time, these audits should improve governance of GovGuam programs.

Ultimately, management is responsible for implementing recommendations and should ensure their agencies are committed to sustaining an effective internal control environment. Elected officials and governing bodies should encourage implementation through effective oversight.

Status of Audit Recommendations Issued Between CY 2001 to 2011

- **OPA Report No. 07-18, Status of Audit Recommendations** *issued in December 2007*
The first status report on recommendations for audits issued between CY 2001 and 2006 covered 65 audit reports. These reports made 420 recommendations with \$74.1M in total financial impact. All recommendations have been closed.
- **OPA Report No. 10-02, Status of Audit Recommendations** *issued in May 2010*
The second status report on recommendations for audits issued between CY 2007 and 2009 covered 35 audit reports. There were 85 recommendations with \$35.4M in total financial impact. As December 2016, six recommendations remain open.
- **OPA Report No. 12-09, Status of Audit Recommendations** *issued in December 2012*
The third status report on recommendations for audits issued between CY 2010 and 2011 covered 21 reports. There were 77 recommendations with \$33.9M in total financial impact. As December 2016, one recommendation remains open.

OPA continues to send periodic reminders and follow-up letters to GovGuam entities to implement these open recommendations.

Conclusion

We have continued to observe internal control deficiencies stemming from government managers not recognizing the importance and benefits of effective internal controls. OPA's recommendations are intended to improve controls in the affected entities and management must accept the responsibility for implementing the recommendations. It is to each entity's benefit to embrace the internal control framework and its components as described by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and adopted by the U.S. Comptroller General, Government Accountability Office in the Standards for Internal Control in the Federal Government.

Until a general understanding is embraced, audit findings such as insufficient monitoring and noncompliance with laws and regulations, will continue along with the financial impact. A key factor in improving accountability in achieving an entity's mission is to implement an effective internal control system.

While 1 GCA § 1913 allows OPA to file actions in the Superior Court of Guam to force the implementation of the recommendations, the OPA has yet to exercise this arduous and costly remedy.

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