



EXECUTIVE SUMMARY
Guam Registration Board of Professional Engineers, Architects, and Land Surveyors
Funds and Financial Practices Follow-Up Audit
Report No. 17-03, July 2017

Our follow-up audit found that the Registration Board of Professional Engineers, Architects, and Land Surveyors (PEALS Board) addressed five of the six recommendations made in OPA Report No. 11-07. While the PEALS Board made improvements by implementing controls over the receipt of payments, recording, and deposits, we noted the following weaknesses:

- A revolving fund checking account remained open;
- There were missing licensee eligibility documentation;
- We were unable to verify the count of registrants and permit clearances;
- QuickBooks was not utilized to record expenditures; and
- The Board Chairperson did not approve expenditures.

PEALS Board management failed to enforce certain requirements prescribed in Title 22 of the Guam Code Annotated (GCA) Chapter 32 pertaining to approval of expenditures and certain licensure requirements. The accounting infrastructure remains weak because certain controls are not in place and staff have limited knowledge of the QuickBooks Accounting Software's functionalities and features.

Revolving Fund Checking Account Remains Open

In March 2008, a checking account in the name of "PEALS Board" was opened. Although the law allows the PEALS Board to maintain a separate revolving account, OPA Report No. 11-07 recommended the closure of the account due to weak controls identified. We also found that this account has not been reported in the annual Government of Guam-wide financial audit. The PEALS Board Administrator explained that the checking account was used to deposit the wage garnishment of former employees and it was needed to process payments in the event that Department of Administration (DOA) is unable to do so in a timelier manner.

Missing Licensee Eligibility Documentation

Eighteen of the 20 tested professional licensee files were missing at least one required piece of documentation prescribed in 22 GCA Chapter 32, such as proof of U.S. citizenship. In addition, a PEALS Board staff inadvertently destroyed one licensee's record. There is a heightened risk of issuing licenses to potentially unqualified individuals.

Unable to Verify Count of Registrants from FY 2011 to FY 2016

The PEALS Board reported in its annual Citizen Centric Reports decreases in the professional licenses (PL) and Certificates of Authorization (COA) processed between fiscal year (FY) 2011 and FY 2016. PL decreased from 850 to 841, while COA decreased from 115 to 105. In contrast, building permit clearances (PC) data reported at the PEALS Board September 2016 meeting showed a steady increase from 506 to 1,332 in the same period.

We were unable to verify the accuracy of the reported number of PL, COA, and PC from FY 2011 to FY 2016. While the PEALS Board maintained one master database file for the PL and COA,

there was no historical database by fiscal year or any reconciliation to substantiate that the total registration revenues matched with the actual count of registrants per fiscal year. This heightens the risk for fraud, since there is no way to verify the accuracy and completeness of the revenues being reported.

QuickBooks Accounting Software Not Fully Utilized

In response to OPA's previous audit recommendation, the PEALS Board implemented QuickBooks accounting software to improve its processes over receiving payments, recording, and depositing in 2012. Twenty of the 24 tested check payment receipts from FY 2012 to FY 2016 were recorded in QuickBooks, deposited to the Treasurer of Guam, and recorded in DOA's AS400 financial management system.

Unfortunately, no expenditures were recorded in QuickBooks. The PEALS Board Administrator indicated that they rely on DOA to record its PEALS Fund expenditures in the AS400, since DOA is the Government of Guam's official record keeper.

We also noted that the revenues and expenditures of the separate PEALS Board checking account were not recorded in QuickBooks or by DOA. The agency only relies on the monthly bank statements to monitor the activities in this account.

Expenditures Lack Proper Approval

We tested 10 expenditures totaling \$21,057, and all 10 transactions were approved by the Administrator or former Administrative Assistant, but none were approved by the Chairman of the Board as required by 22 GCA § 32111(e).

Conclusion

Although the PEALS Board has made improvements since OPA Report No. 11-07 and addressed five of the six prior audit recommendations, in our professional judgment, the organization continues to have a weak accounting infrastructure. This was evidenced by the non-recording of expenditures in QuickBooks, the reliance on DOA to record expense transactions, lack of review and approval of expenditures by the Board Chairman, lack of reconciliation of reported licensee statistics, and the staff's limited knowledge of QuickBooks functionalities and features. We are also concerned that 90% of the tested licensee records were missing required eligibility documentation, which heightens the risk of issuing licenses to potentially unqualified individuals.

We made four audit recommendations for the PEALS Board as follows: 1) compliance with the law prescribed in 22 GCA Chapter 32, specifically the Board Chairman's approval to release expenditures and the general and discipline-specific eligibility requirements; 2) improve the accounting infrastructure by incorporating the fiscal year-end reconciliation of reported data, the printing, saving, and closing of the pre-numbered QuickBooks receipt after each transaction, and the full utilization of QuickBooks to record all PEALS Fund and PEALS Board Revolving Fund checking account revenues and expenditures; 3) review and simplify the fee structure to avoid confusion in the fee application; and 4) coordinate with the Compiler of Laws to update PEALS Board rules and regulations.

Doris Flores Brooks, CPA, CGFM
Public Auditor