

**Office of the Public Auditor**

**Annual Report**

**Calendar Year 2001**

**April 2002**

# Office of the Public Auditor

## Annual Report

Calendar Year 2001

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### Distribution:

Governor of Guam  
Speaker, 26<sup>th</sup> Guam Legislature  
Senators, 26<sup>th</sup> Guam Legislature  
All Government of Guam Agencies  
U.S. Department of Interior  
Office of Inspector General-  
Pacific Field Office  
Media of Guam via Internet

## Public Auditor's Message



On November 7, 2000, in the first ever election for Public Auditor, the people of Guam elected me for a term of four years. I am grateful and humbled by the trust and confidence that the voters have bestowed upon me.

As your Public Auditor, I am dedicated to making sure that the audits of all government agencies are issued in a timely and lucid manner. Audits that are not current or that are difficult to understand are of little help to the public in knowing how their tax dollars are spent, nor do they assist the three branches of government in making changes that will result in more efficient use of the island's limited financial resources.

This past year has been a time of transition and change for the Office of the Public Auditor (OPA). My first task was to recruit qualified staff as the entire work force of the previous Public Auditor transferred to the Department of Education before I took office. A second major task was the development of auditing policies and procedures.

In general, Directors and Agency Heads have cooperated with the OPA in making records available for audit. Some of the autonomous agencies—notably the Guam Visitors Bureau, the Guam Airport Authority, the Guam Power Authority and Guam Housing and Urban Renewal Authority—have been less than fully cooperative with the OPA. In transforming the position of Public

Auditor from an appointed to an elected status, the Legislature gave the OPA an independence it had not previously enjoyed. The Legislature, aware of the resistance that some agencies had to the oversight responsibilities of the OPA enacted legislation in March 2002 that reaffirmed the OPA's audit authority and permitted the OPA to keep its sources of information confidential.

Despite the challenges that accompany any new institution, I am pleased to note that in 2001, we recruited a professional and dedicated staff that compiled three investigative audits involving the Guam Mass Transit Authority, the Mayors' Offices of Barrigada, Chalan Pago-Ordot and Inarajan, and the Department of Parks and Recreation Employees' Association. Nearly all the audits prepared by CPA firms were reviewed by the OPA and then issued. The OPA also inaugurated its HOTLINE at 47-AUDIT to facilitate the public's ability to anonymously report wrongdoing. In the first week of January 2002, we launched our Internet web page at [www.guamopa.org](http://www.guamopa.org).

I am proud of the accomplishments of our dedicated staff, whose professionalism, integrity, and commitment have made my role as Public Auditor easier. We will continue to promote accountability and responsibility in government.

Senseramente,

A handwritten signature in black ink, appearing to read "Doris Flores Brooks". The signature is stylized and cursive.

Doris Flores Brooks, CPA  
Public Auditor

# The Year In Review

## Mission Statement

The mission of the Office of the Public Auditor (OPA) is to achieve independent and nonpartisan assessments that promote accountability and efficient, effective management throughout the Government of Guam. We seek to serve the public interest by providing the Governor of Guam, the Guam Legislature, and the People of Guam with dependable and reliable information, unbiased analysis, and objective recommendations on how best to use government resources in support of the well being of our island and its constituents. To achieve this mission, we:

- Endeavor to fulfill the highest standards of our profession and the expectations of the public to the best of our ability.
- Uphold the highest ethical standards in the performance of our work and encourage such standards throughout the Government of Guam.
- Commit to quality as the main principle governing our work.
- Perform our work with diligence, conscientiousness, and due professional care.
- Foster a partnership within our staff to enable us to reach our full potential and contribute to our growth and long-term success.

## Audit Activities

### Performance and Investigative Audits

In 2001, the OPA released three audit reports: "Investigative Report on Credit Card Abuse at the Guam Mass Transit Authority," "Report on the Mayors' Offices of Barrigada, Chalan Pago and Inarajan," and

"Investigative Report of the Department of Parks and Recreation Employees' Association."

As of December 31, 2001, the OPA had released three draft reports for agency comments and had four other audits in progress. Of the ten audits completed or ongoing, two were requested by public officials, one was mandated by law, three were initiated by either tips into the

OPA HOTLINE or from concerned citizens, and four were self-initiated. The OPA determines which audits to initiate based on an audit selection hierarchy. Audits are either mandated by law, requested by elected officials, requested by public officials, based on hotline tips and concerns of citizens, recommended by OPA staff, or relevant to current events and are prioritized in such order.

### **Financial Audits**

1 GCA § 1908 requires that all Government of Guam departments, agencies and instrumentalities be annually audited. This section also states that the audits shall be under the supervision and oversight of the OPA.

In April 2001, the OPA sent a circular to all departments and autonomous agencies outlining our role in the contracting, review, and oversight of all audits.

OPA monitors the audit activities for financial and compliance audits, as well as single audits of the Government of Guam and autonomous agencies. In 2001, of the 14 financial audit reports issued for fiscal year 2000, the OPA reviewed and commented on 11 of these reports. At the request of the Guam Legislature, which wanted more information, the OPA worked with the CPA firms and the autonomous agencies to provide supplementary information on personnel costs, overtime, benefits and staffing. Not all financial audit

reports issued contained the supplementary information. The OPA will continue to work with the agencies to include this information and other informative data in future audit reports. There were five fiscal 2000 audits in progress at year-end. See **Appendix A** for listing of audit reports issued by CPA firms and those on going at year-end.

The Single Audit of the Government of Guam as of September 30, 1999, listed ten agencies that had not been audited: the Department of Education, the Guam Retirement Fund, the Port Authority of Guam, the Guam Memorial Hospital Authority, the Guam Visitors Bureau, the Guam Preservation Trust, the Guam Legislature, the Guam Supreme Court, the Guam Housing and Urban Renewal Authority, and the Guam Council on the Arts and Humanities Agency.

The Guam Memorial Hospital Authority, the Port Authority of Guam, the Retirement Fund, the Guam Housing and Urban Renewal Authority, and the Supreme Court of Guam have since issued their 1999 audited financials statements in 2001.

OPA worked with these agencies to get their audits timely completed for fiscal year 2000. Of these ten agencies, four completed their audits timely. The exceptions were the Department of Education, the Retirement Fund, the Guam Visitors Bureau, the Port Authority of Guam, the Guam Memorial Hospital Authority, the Guam Preservation

Trust Fund, the Guam Council on the Arts and Humanities Agency, the Tourist Attraction Fund, and a new one, the Territorial Highway Fund.

The Supreme Court of Guam, the Superior Court of Guam, and the Guam Legislature were audited as part of the Government of Guam. Their operations are included in the General Purpose Financial Statements of the Government of Guam and the Single Audit for fiscal year 2000.

### **Unaudited Records at DOE**

The Department of Education received approximately \$29 million in federal funds and \$159 million in General Fund appropriations during fiscal year 2000. DOE is the largest single agency in both appropriation and personnel. However, DOE has not been audited for the last three fiscal years 1998, 1999, and 2000.

The Department of Education is working with the OPA to develop a Request for Proposal for audit services for those fiscal years.

### **GVB Challenges OPA Oversight**

The Guam Visitors Bureau has not been audited for the last two fiscal years 1999 and 2000. GVB received \$13.6 million in General Fund appropriations during fiscal year 2000.

GVB has stated that it is not a government agency subject to audit under 1 GCA Section 1900 et al. The OPA requested and the Guam

Legislature enacted legislation clarifying the oversight role of the OPA with regard to GVB.

### **Financial Audits Completed Without OPA Review**

Of the 14 financial audits conducted by CPA firms for fiscal year 2000, two autonomous agencies issued their audited financial reports without OPA review. They were the Guam Power Authority and the Guam Housing and Urban Renewal Authority. These autonomous agencies have questioned the oversight audit responsibilities of the OPA with respect to their agency.

The Guam Airport Authority was the first government agency to issue their FY 2000 audited financial statements in January 2001, prior to our circular on audit oversight.

The Guam Legislature enacted legislation in March 2002 reaffirming the OPA's oversight role over the audits of autonomous agencies.

### **Other Activities**

#### **Inauguration of OPA Hotline**

In May 2001, the OPA inaugurated the telephone HOTLINE. By dialing 47-AUDIT, the people of Guam, as well as government employees are able to report improper acts committed by public officials and employees of the Government of Guam. All tips received are kept strictly confidential.

# OPA Concerns Received for Calendar Year 2001

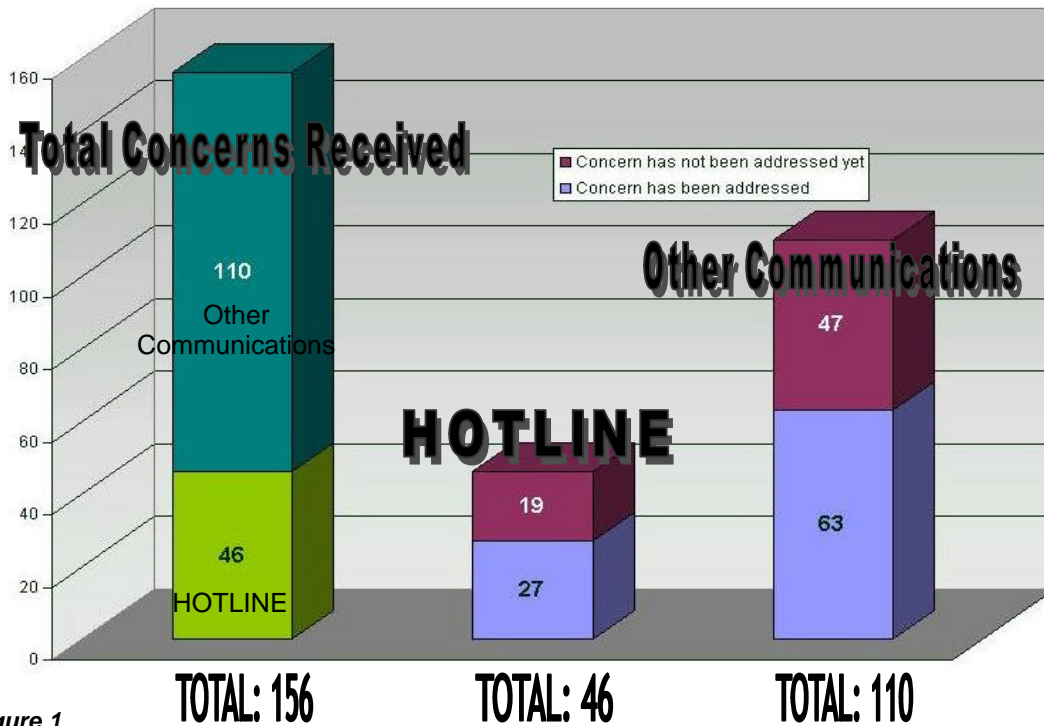


Figure 1

The OPA has worked cooperatively with other HOTLINES; the Lieutenant Governor's HOTLINE on Fraud and Abuse (472-9498) and Crime Stoppers HOTLINE (477-HELP). Referrals have been exchanged among our offices.

**Figure 1** is a graph of the types of calls and tips the OPA received in 2001. For calendar year 2001, we received over 150 contacts from the people of Guam. The OPA received a total of 46 reports of concerns through the HOTLINE. For 27 of these reports, some type of action was taken by the OPA.

In addition to the HOTLINE, the OPA also receives numerous calls and

visits from concerned citizens about government waste and abuse.

Limited personnel resources did not allow the OPA to respond to all citizen concerns. Discretion has to be exercised based on the specificity of the information provided. Many of the allegations did not provide enough credible information for the OPA to take action.

The OPA developed an email HOTLINE on our website where citizens can also email their concerns/tips. The email address of the sender is scrambled to protect the sender. There is an optional email address should the sender desire to be contacted.

## **OPA Website [www.guamopa.org](http://www.guamopa.org)**

The OPA launched its website the first week of January 2002 to allow citizens the opportunity to view all audit reports as they become available.

As mentioned above, the OPA email HOTLINE has been incorporated into the website as another means of confidentially reporting fraud, waste, and abuse. Thus, concerned citizens can contact the OPA by telephone at 47-AUDIT, by direct call to us at 475-0390, by visit to our office, or by email at [www.guamopa.org](http://www.guamopa.org).

## **PUC Hearings**

The Public Auditor submitted written testimony at the Public Utilities Commission hearings on proposed rate increases for the Guam Power Authority and the Guam Telephone Authority.

The Public Auditor recommended that the PUC review and monitor government receivables quarterly and recommended that the management studies conducted on the various utilities be updated to ascertain if the utilities have made progress toward implementing the recommendations.

## **Policy to Media**

The OPA's policy is that we do not comment on audits we may or may not be conducting. The OPA holds its comments until after the report is reviewed and finalized rather than making preliminary and/or premature

comments that may jeopardize the final issued audit report.

## **Government Auditing Standards:**

### **External Quality Control Review**

Section 3.31 of the *Government Auditing Standards* issued by the Comptroller General of the United States requires that audit organizations undergo an external quality control review, more commonly referred to as the peer review, every three years.

In October 2001, the Public Auditor and Audit Manager together with a technical consultant from the USDA Graduate School conducted the peer review of the CNMI Office of the Public Auditor, a fellow APIPA (Association of Pacific Island Public Auditors) member.

In December, the Public Auditor together with the Audit Manager and a USDA consultant conducted the peer review of the American Samoa Office of the Territorial Auditor, another APIPA member.

The USDA Graduate School paid for the travel and per diem expenses of these peer reviews. APIPA members contribute staff time to the peer review.

Guam's peer review will take place in October 2002 and will be conducted by the Palau Public Auditor and a USDA consultant.

As an added measure of quality control, the OPA has a CPA consultant, Michael A. Crawford,



who specializes in providing auditing, consulting, and accounting services solely to government entities. He reviews all draft OPA audit reports.

### **Continuing Professional Education**

Sections 3.6 and 3.7 of the Government Auditing Standards require that audit organizations implement a program to ensure audit staff maintain professional proficiency through continuing education and training of 80 hours every two years.

Guam law has a similar requirement. 5 GCA §20304 requires government agencies to finance the cost of continuing education programs of its accounting personnel. The educational program is dictated by applicable certifying organizations or federal requirements of accounting and auditing employees.

OPA staff have met and exceeded this requirement for 2001 by participating in several government auditing courses. The majority of the training was provided by the USDA Graduate School at no cost to the OPA.

The Graduate School provides training through the Pacific Island Training Initiative (PITI), which is funded by the U.S. Department of Interior, Office of Insular Affairs, Technical Assistance Programs.

The USDA Graduate courses included: Written Communications for Auditors, Assessing Controls in Performance Audits, Fraud and White-Collar Crime, Basics of

Governmental Auditing, Conducting Performance Audits, Prevention and Detection of Fraud, and Implementing GASB 34.

### **APIPA**

The OPA is a member of the Association of Pacific Island Public Auditors (APIPA). Members are the Public Auditors of the Federated States of Micronesia, Republic of Palau, Commonwealth of the Northern Mariana Islands, American Samoa, Republic of the Marshall Islands, Pohnpei, Yap, Chuuk, Kosrae, Guam, and Samoa. In June, the OPA audit staff of five went to Saipan for the 12<sup>th</sup> Annual APIPA conference, which was hosted by the CNMI OPA.

The APIPA conference afforded the staff and the Public Auditor the opportunity to earn continuing professional educational credits towards meeting the requirements of the Government Auditing Standards and to meet their counterparts in government auditing from around the region.

The annual APIPA training conferences are rotated among the APIPA members. Pohnpei was originally scheduled to host the 13<sup>th</sup> annual conference, however, Guam was asked by the APIPA members to host the conference in 2002. The Guam OPA welcomes the challenge and opportunity to host the APIPA conference and showcase our island.



*OPA Staff from L-R: Randall Wiegand, Audit Manager; Alfredo Cantoria, Administrative Officer; Susan Teo, Auditor II; Doris Flores Brooks, Public Auditor; Francis Quinto, Auditor III; Yuka Cabrera, Auditor I; Xuerong Yang, Auditor I; Chris Duenas, Management Analyst; and Don Laureano, Auditor I.*

## **History of OPA**

Public Law 21-122 created the Office of the Public Auditor in 1992. The first Public Auditor was Robert P.G. Cruz who was appointed by Governor Joseph F. Ada and confirmed by the Guam Legislature in 1994. Cruz served as Public Auditor until his retirement in September 1999.

For the next year several individuals served as acting Public Auditor until the November 7, 2000, general election mandated by Public Law 25-42 providing for an independent, elected Public Auditor to increase accountability in the Government of Guam. In a field of five candidates, Doris Flores Brooks received more than 50% of the votes. The term of Office is four years. The next election for Public Auditor will take place in November 2004. Present law allows the Public Auditor to seek

re-election only once, unlike the elected Attorney General who has no term limitation.

## **Management in Transition**

Upon taking office on January 1, 2001 the Public Auditor's first priority was to hire qualified personnel. The previous staff elected to transfer to the Department of Education, with little to no transition. The first person hired was Audit Manager Randall Wiegand, who came on board in mid-February. While recruiting qualified staff, high priority was given to the development of auditing policies and procedures.

The Audit Manager traveled to the CNMI OPA in order to gain first hand knowledge of how that office conducts audits and investigations. We wish to acknowledge the assistance of Michael Sablan and the staff of the CNMI OPA who

continue to provide technical information to the Guam OPA.

### Personnel

It was not until July 2001 that the OPA reached its authorized personnel level. The OPA office now has a staff of nine. Among the staff are three CPAs, three MBAs, and one CGFM. The OPA staff includes five University of Guam graduates, four with accounting degrees and one with a finance degree. See OPA organizational chart in **Appendix B**.

Total man-hours available for the year were 13,552 hours. Man-hours are calculated based on 40 hours per week for 52 weeks for a standard 2080 hours. These hours were allocated accordingly in **Figure 2**.

### Meeting with Inspector General

In December 2001, the Inspector General of the U.S. Department of Interior, Earl Devaney, invited all the Public Auditors from the Pacific Region to Honolulu, Hawaii. The expenses of the Honolulu meeting were paid by the Office of the Inspector General. This first time meeting ever to be held with the Inspector General afforded the opportunity for the Public Auditors and staff to meet the IG's regional staff headquartered in Sacramento, California; hear first hand the challenges affecting the Public Auditors in their respective regions; review audit findings with the goal of working cooperatively to close reports no longer relevant; work collaboratively on future audits;

## Staff Hours Distribution

*According to Category of Work*

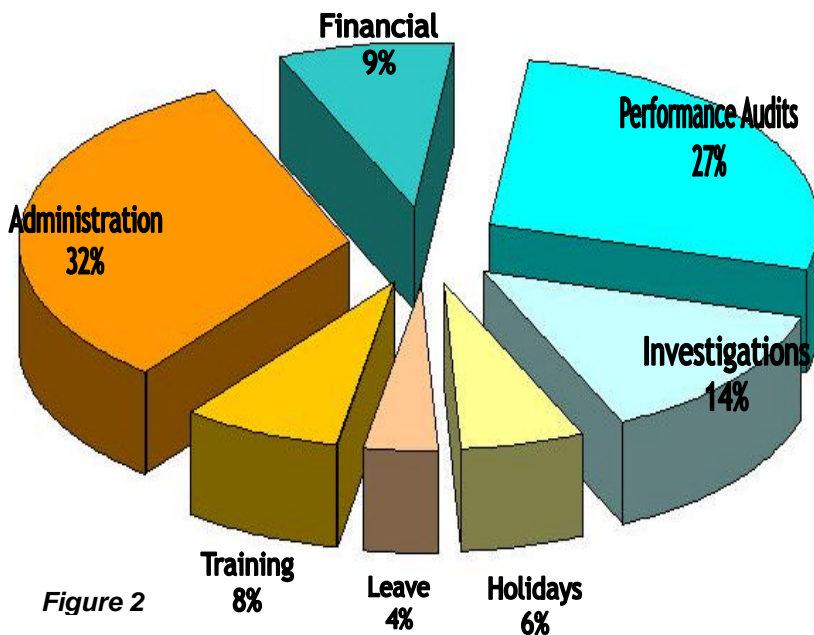


Figure 2

### Hours per Category

|                    |               |
|--------------------|---------------|
| Administration     | 4,441         |
| Performance Audits | 3,714         |
| Investigations     | 1,861         |
| Financial Audits   | 1,166         |
| Training           | 1,067         |
| Holidays           | 800           |
| Leave              | 503           |
| <b>Total</b>       | <b>13,552</b> |

provide technical assistance; and share training programs.

The Inspector General inquired how his Office could assist to strengthen the Public Auditors stating that the work of the Inspector General is facilitated tremendously if Public Auditors are strong and independent.

While in Honolulu, the Public Auditor and Audit Manager also met with the State of Hawaii Deputy Auditor to learn how Hawaii operates its office. Hawaii has been most willing to provide technical clarifications.

The Public Auditor also took advantage of her presence in Hawaii to participate in the ceremony organized by Congressman Robert Underwood at the Arizona Memorial to commemorate the 12 Chamorro sailors who lost their lives aboard that ship on December 7, 1941. On behalf of the 26<sup>th</sup> Guam Legislature, the Public Auditor presented a commemorative resolution that was accepted by the National Park Services for the Arizona Memorial archives.

### **Legislative Control**

In 1999, Public Law 25-42 established the OPA appropriations at a minimum .25% of the General Fund revenues of the government of Guam and exempted the OPA from allotment control by the Bureau of Budget and Management Research (BBMR). In 2001, Public Law 26-01 reduced this amount to .134% then repealed and set aside in its entirety

and also brought the OPA allotment releases under BBMR control.

Such action by the Guam Legislature we feel has compromised the independence of the Office because the OPA now must lobby with members of the Legislature for its annual appropriation and must also lobby with BBMR over monthly allotment releases. By way of comparison, the Attorney General, who will be elected in November 2002, is exempt from BBMR allotment control.

### **Challenges to OPA Oversight**

In this first year of office, 2001, there were many challenges to the authority of the Office of the Public Auditor. Current law was ambiguous in addressing the issues surrounding the safeguarding of confidential records of our investigations along with those citizens providing information to the OPA who wish to remain anonymous.

Several agencies have questioned the OPA's duty to supervise their audits. These challenges have prompted suggestion for changes in our current law to clarify the responsibilities of the Public Auditor.

The Guam Legislature responded with the passage of Public Law 26-76, in March 2002, which reaffirmed the OPA's oversight responsibilities of audits at autonomous agencies and afforded confidentiality to sources that bring issues of concern to the OPA.

# Appendix A - Independent CPA Audit Firms Audit Reports Issued

| Auditee   | CPA Firm                | Type of Audit  | Issue Date                                     |
|---|-------------------------|--|--|
| 1. Government of Guam                                     | Deloitte & Touche       | General Purpose Financial Statements, Additional Information and Independent Auditors' Report, FY 2000 | February 2002                                  |
|   | Deloitte & Touche       | Single Audit Reports, FY 2000  | January 2002                                   |
| 2. Guam International Airport Authority                   | Deloitte & Touche       | Financial Statements and Independent Auditors' Report on Compliance and Internal Control, FY 2000      | January 2001<br>Released prior to OPA Circular |
| 3. Guam Community College                                 | Deloitte & Touche       | Financial Statements and Independent Auditors' Report on Compliance and Internal Control, FY 2000      | July 2001                                      |
| 4. Guam Community College Foundation                      | Deloitte & Touche       | Financial Statements and Independent Auditors' Report on Compliance and Internal Control, FY 2000      | July 2001                                      |
| 5. Guam Economic Development Authority                    | Deloitte & Touche       | Financial Statements and Independent Auditors' Report on Compliance and Internal Control, FY 2000      | July 2001                                      |
| 6. Guam Educational Telecommunications Corporation - KGTF | Burger & Comer, P.C.    | Financial Statements and Independent Auditors' Report on Compliance and Internal Control, FY 1998      | March 2001                                     |
| 7. Guam Housing and Urban Renewal Authority               | J. Scott Magliari & Co. | Financial Statements and Independent Auditors' Report on Compliance and Internal Control, FY 2000      | Report released without OPA review             |
| 8. Guam Housing Corporation                               | J. Scott Magliari & Co. | Financial Statements and Independent Auditors' Report on Compliance and Internal Control, FY 2000      | September 2001                                 |

| Auditee                        | CPA Firm                | Type of Audit   | Issue Date                         |
|--------------------------------|-------------------------|---|------------------------------------|
| 9. Guam Mass Transit Authority | Deloitte & Touche       | Financial Statements and Independent Auditors' Report on Compliance and Internal Control, FY 2000 | July 2001                          |
| 10. Guam Power Authority       | Ernst & Young           | Financial Statements, FY 2000   | Report released without OPA review |
| 11. Guam Rental Corporation    | J. Scott Magliari & Co. | Financial Statements and Independent Auditors' Report on Compliance and Internal Control, FY 2000 | September 2001                     |
| 12. Guam Telephone Authority   | Deloitte & Touche       | Financial Statements and Independent Auditors' Report on Compliance and Internal Control, FY 2000 | July 2001                          |
| 13. Guam Waterworks Authority  | Deloitte & Touche       | Financial Statements and Independent Auditors' Report on Compliance and Internal Control, FY 2000 | May 2001                           |
| 14. University of Guam         | Deloitte & Touche       | Financial Statements and Independent Auditors' Report on Compliance and Internal Control, FY 2000 | August 2001                        |

# Independent CPA Audit Firms

## Audits in Progress at End of Calendar Year 2001

| Auditee                               | CPA Firm            | Type of Audit  |
|---------------------------------------|---------------------|--|
| 1. Government of Guam Retirement Fund | Burger & Comer, P.C | Financial Statements and Independent Auditors' Report on Compliance and Internal Control, FY 1999 and FY 1998 <sup>1</sup> |
| 2. Guam Memorial Hospital             | Deloitte & Touche   | Financial Statements and Independent Auditors' Report on Compliance and Internal Control, FY 2000                          |
| 3. Port Authority of Guam             | Deloitte & Touche   | Financial Statements and Independent Auditors' Report on Compliance and Internal Control, FY 2000                          |
| 4. Territorial Highway Fund           | Deloitte & Touche   | Financial Statements and Independent Auditors' Report on Compliance and Internal Control, FY 2000                          |
| 5. Tourist Attraction Fund            | Ernst & Young       | Financial Statements and Independent Auditors' Report on Compliance and Internal Control, FY 2000                          |

<sup>1</sup> Report released March 27, 2002

Appendix B -

# Office of the Public Auditor

## Organizational Chart

