

**Office of Public Accountability**

**Annual Report**

**Calendar Year 2017**

**May 2018**



# **Office of Public Accountability Annual Report**

**Calendar Year 2017**

**May 2018**

**Distribution:**

Governor of Guam  
Lt. Governor of Guam  
Speaker, 34<sup>th</sup> Guam Legislature  
Senators, 34<sup>th</sup> Guam Legislature  
Guam Media via E-Mail



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## Message from the Public Auditor



My Dear People of Guam

Un Dangkulo Na Si Yu'os Ma'ase for the privilege, honor, trust and confidence you have given me these nearly 18 years as your Public Auditor. It has been a wonderful and challenging journey into uncharted waters that I will always treasure. Over these years, accountability and transparency have become the expectation rather than the exception.

This journey is coming to a close sooner than expected. After much prayer and reflection I have decided to resign so that I can devote my time and energies to run for Congress. My last day at OPA was to be on June 1<sup>st</sup>, however, at the request of my staff, it will be moved to June 8<sup>th</sup> to allow for a smoother transition. I do this so that OPA will remain the independent nonpartisan office it is.

This 2017 annual report is my last annual accounting of my stewardship of OPA. I leave this office knowing that I have a fantastic management team and crew in place. The one risk is that the three women managers are in the unclassified service and therefore can be removed by the incoming elected Public Auditor. This risk was highlighted in the draft Performance Measurement Framework due to be released before the end of the year. This management team collectively has over 40 years of experience at OPA. While every Public Auditor should have the opportunity to bring in her/his management team, I hope and pray that it will not be at the expense of losing the institutional memory of OPA. Accordingly I will ask the legislature for a

transition budget for the next Public Auditor similar to what was accorded the current Attorney General.

Over the past year, Guam has seen seismic change that has been happening faster than ever. As stated in my inaugural remarks in January 2017, with the election of Donald Trump and promised reduction in federal taxes, coupled with worldwide, geopolitical instability and financial uncertainty, recent events have brought our island leaders to the realization that revenues will be adversely affected and something must be done to stem the tremendous loss.

Despite the recent efforts of the Guam Legislature in passing a 1% increase in business privilege taxes to be effective April 1<sup>st</sup> and the addition of a 2% sales tax to be effective October 1<sup>st</sup>, GovGuam must still do its part to reduce expenditures. OPA will do its part to implement cost-saving measures.

At the beginning of Governor Calvo's administration and in response to Executive Order 2011-01 directing agency heads to develop and recommend cost reduction and revenue enhancement measures, we submitted an Austerity Plan (OPA Report No. 2011-01) recommending potential cost savings and revenue enhancement ideas. Many of the proposed cost-saving measures went unaddressed, i.e., eliminating GFD's non-productive pay, reassessing wellness benefits, eliminating payroll paper checks, reassessing the need for Tendan Gobetnu, and eliminating the lifetime annuity for the Governor and Lieutenant Governor, among others.

In 2017, we issued nine performance audits that collectively identified over \$667 million (M) in questioned costs and other financial impacts. These audits made 25 recommendations to improve the accountability and operational efficiency and effectiveness of the audited agencies.

We administered 12 procurement appeals and issued five decisions, five dismissals, and two were stayed pending the Superior Court's decision on a petition for writ of mandamus. These appeals collectively have a purchasing value of approximately \$781M. The bulk of the \$781M came from an appeal of \$672M for a 120-megawatt renewable energy



source that will be installed by 2020. This was the largest procurement appeal OPA has ever adjudicated. The appeal for the rebuilding of Simon Sanchez High School (SSHS) was valued at \$100M. Unfortunately, the appellant for SSHS took the matter to court, which led to the further delay of the rebuilding of SSHS.

We monitored and oversaw the issuance of 23 financial audits, ten of which were issued within six months after the fiscal year. The financial statements of all 23 entities received unmodified (or clean) opinions. We strive to have all agencies not to have any material weaknesses or significant deficiencies and/or become low-risk auditees. In FY 2016, six entities qualified as low-risk auditees, Guam Community College, Port Authority of Guam, University of Guam, Guam International Airport Authority, Guam Power Authority, and Guam Waterworks Authority. These entities are commended for accomplishing this status.

OPA plans to give recognition in “Chamorro” to those entities that have similarly qualified, but do not have federal grants. Among the criteria are the agency’s financial audit is issued within six months of the fiscal year, and no material weaknesses or significant deficiencies. A number of agencies should qualify for this special recognition.

OPA continues to support legislation that would require all agencies to issue financial audits within six months after the fiscal year. This six-month time frame is one goal in the 10-year strategic plan of the Pacific Association of Supreme Audit Institutions (PASAI), which was adopted at the PASAI Congress in Guam in 2013 and is advocated by the Government Finance Officers Association and the World Bank.

We also suggest legislation that will require annual financial audits for organizations receiving over \$750 thousand (K) in GovGuam funding, similar to the Office of Management and Budget Uniform Guidance requirements for federal grant recipients. As an example, the Guam Cancer Care Trust Fund

received \$2.8M in FY 2017. If enacted, these entities will receive a separate financial audit.

As part of OPA’s strategic plan, we strive to become a model robust audit office. In 2017, we underwent an independent assessment using PASAI’s Performance Measurement Framework. The assessment will help OPA identify our strengths and weaknesses. For example, we found that OPA is not as independent as other audit offices in the Pacific primarily due to the restrictions in staff hiring and lack of staff autonomy. We received the draft assessment report in March 2018 and responded to it.

In 2017, OPA received a full compliance peer review rating, the sixth such rating since I was elected to office in 2000. Full compliance is the highest level of compliance and demonstrates the high quality of our audits. This monumental achievement could not have been done without the hard work, commitment, dedication, and professionalism of the staff and management of OPA.

To help us be more efficient, OPA has transitioned to electronic working papers, utilizing TeamMate software. Many audit organizations are embracing automation with software for electronic work papers. The Department of Interior – Office of Inspector General and several PASAI members are using TeamMate. Since transitioning, we have customized TeamMate specifically for our performance audits. Guam OPA is the only user in the Pacific using TeamMate for performance audits. These are but some of the initiatives we are undertaking in our quest to become a model robust audit office and for GovGuam to be the model for good governance in the Pacific.

*Senseramente,*

Doris Flores Brooks, CPA, CGFM  
Public Auditor



## Office of Public Accountability

The Office of Public Accountability (OPA) was established by Public Law (P.L.) 21-122 in July 1992. OPA is an instrumentality of the Government of Guam (GovGuam), independent of the executive, legislative, and judicial branches.

At OPA, we seek to:

- Achieve independent and nonpartisan assessments that promote accountability and efficient, effective management throughout GovGuam; and
- Serve the public interest by providing the Governor of Guam, the Guam Legislature, and the People of Guam with dependable and reliable information, unbiased analyses, and objective recommendations on how best to use government resources in support of the well being of our island and its constituents.

### Our Motto

“Auditing for Good Governance”

### Our Mission

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

### Our 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.



OPA - (Back L-R) Edlyn Dalisay, Marisol Andrade, Ira Palero, Vanessa Valencia, Michele Brillante, Christian Rivera, Andriana Quitugua, Thyrsa Bagana, and Clariza Roque; (Front L-R) Vincent Duenas, Llewelyn Terlaje, Rodalyn Gerardo, Doris Flores Brooks, Yukari Hechanova, and Frederick Jones. Not pictured: Jerrick Hernandez and Amacris Legaspi





## Year in Review

Despite staffing challenges, OPA continued its commitment and dedication to “Auditing for Good Governance” by:

- Issuing nine performance audits, which collectively
  - Identified over \$667.0 million (M) in questioned costs and other financial impacts (e.g., lost/unrealized revenues).
  - Provided 25 recommendations to improve accountability, effectiveness and efficiency;
- Administering 12 procurement appeals; and
- Monitoring and overseeing the issuance of 23 financial audits (the government-wide audit and its component units).

### Performance Audits

In 2017, we issued the following nine performance audits:

1. OPA’s Status of Legislative Mandates;
2. Analysis of GovGuam Leases;

3. PEALS Funds and Financial Practices;
4. DPW Heavy Equipment and Related Parts Inventory Management;
5. GSA Procurement Practices;
6. 12th Festival of Pacific Arts;
7. GovGuam Submission of Citizen Centric Reports for FY 2016 & FY 2015;
8. DRT Gross Receipts Tax Exemptions; and
9. DPW Village Streets Management Strategy.

### Procurement Appeals

In 2017, 12 procurement appeals were filed with OPA, as follows:

- Three appeals were against DPW;
- Two against GCC;
- Two against GPA;
- One each against the 34th Guam Legislature, GSWA, GMHA, GEDA and PAG/GSA.

We addressed the 12 appeals as follows:

- Five decisions were rendered, of which three were upheld in part and denied in part, and two were denied;



OPA - (Back L-R) Rodalyn Gerardo, Yukari Hechanova, Frederick Jones, Llewelyn Terlaje, Vanessa Valencia, Christian Rivera, Marisol Andrade, Jerrick Hernandez, Michele Brillante, Andriana Quitugua, and Ira Palero; (Front L-R) Clariza Roque, Thomas Battung, Doris Flores Brooks, Thyrza Bagana, Edlyn Dalisay, and Vincent Duenas



- Five were dismissed, of which two were dismissed due to appellant withdrawing appeal, two due to lack of jurisdiction, and one due to a stipulated agreement; and
- Two were stayed pending Superior Court decisions on petitions for writ of mandamus.

The subjects and dollar values of these appeals ranged from a telephone system and telecommunications system at \$75K to a renewable energy source at \$672.0M.

### Financial Audits

Overall, we saw the following improvements in the fiscal year (FY) 2016 financial audits that were issued in 2017:

- Fewer findings (which involve deficiencies in internal control and/or noncompliance with provisions of law, regulations, contracts, or grant agreements; fraud; or abuse);
- Increase in questioned costs;
- Fewer management letter comments over financial reporting; and
- More entities qualifying as low-risk auditees.

Of the 23 FY 2016 financial audits issued in 2017:

- All 23 received unmodified “clean” opinions over their financial reporting;
- None were issued any later than nine months (or June 30<sup>th</sup>) after the fiscal year end; and
- Two entities had questioned costs totaling \$502K: GIAA for \$70K and GovGuam for \$432K.

### Compliance Reports

Of the 23 financial audits issued in 2017 for FY 2016, the following 10 were subjected to a Single Audit (report on compliance for each major federal program):

1. GWA,
2. PAG,
3. GIAA,
4. GCC,
5. UOG,
6. GPA,
7. GDOE,
8. GHURA,
9. GMHA, and
10. GovGuam.

From the 10 GovGuam audits subjected to a Single Audit,

- Questioned costs increased from \$348 in FY 2015 to \$502K in FY 2016; and
- Entities qualifying as low-risk auditees increased from four in FY 2015 to the following six in FY 2016:
  1. GWA,
  2. GIAA,
  3. PAG,
  4. GCC,
  5. GPA, and
  6. UOG.

### Staff Time Composition

As of December 31, 2017, OPA had 17 full-time staff consisting of

- The Public Auditor;
- The Deputy Public Auditor;
- Two Audit Supervisors;
- Twelve Staff Auditors; and
- One Administrative Officer.



OPA's Net Assets Volleyball Team in a Huddle



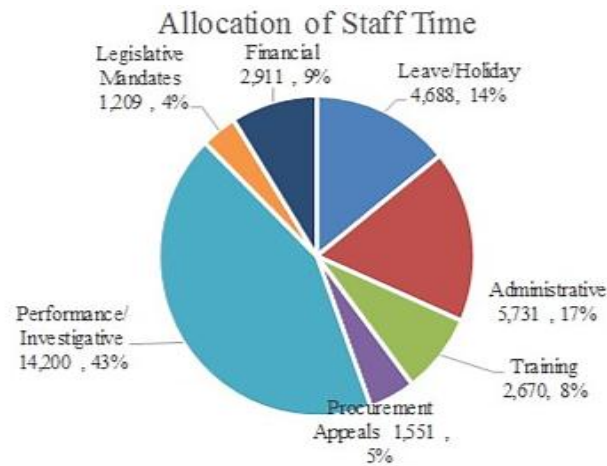


Refer to Appendix 6 for OPA’s Organizational Chart.

Of the total hours available to OPA staff in CY 2017, OPA staff spent

- 43% on performance/investigative audits;
- 9% on financial audits;
- 5% on procurement appeals; and
- 4% on legislative mandates.

The rest of their time was spent on training (8%), administrative tasks (17%), and leave/holidays (14%).



### Who Audits the Auditor?

OPA’s financial statements are included in GovGuam’s independent, government-wide financial audit. OPA has not received any management letter comments in connection with its financials. See Appendix 1 for OPA’s 2017 financial statements.

In addition, Government Auditing Standards require independent peer reviews every three years to assure audit organizations are complying with professional standards and legal requirements.

APIPA conducted OPA’s latest peer review in September 2017. This review marked OPA’s 6<sup>th</sup> “Full Compliance” rating and the

3<sup>rd</sup> time no Management Letter was issued. OPA’s next peer review is scheduled for 2020. See Appendix 2 for APIPA’s Peer Review Report.

### Strengthening Performance

OPA participated in the IDI’s SAI Performance Measurement Framework (PMF), a tool that measures, monitors, manages, and reports on a SAI’s performance. The purpose of the PMF is to identify a SAI’s strengths and weaknesses and look holistically at the SAI’s independence, ethics, audits, operations, finances, human resources, and training. An assessment of the OPA was conducted by representatives from PASAI and the RMI’s Office of the Auditor General in May 2017.

The project will culminate with the submission of final assessment reports in the second quarter of 2018. OPA received its draft assessment report in March 2018 and responses are due at the end of March 2018.

Guam’s Deputy Public Auditor and one Audit Supervisor also participated in the SAI PMF by assessing the FSM Office of the National Public Auditor in July 2017.

### FY 2017 Budget Execution

With the FY 2017 budget of \$1.4M and no authority to carry over lapses, OPA expenditures of \$1.5M resulted in the use of cash reserves.



OPA FY 2018 Budget Hearing



Of the \$1.5M expended, salaries and benefits comprised \$1.2M, or 77%. All other expenditures were made up of the following:

Expenses	% of Total	FY 2017	FY 2016
Salaries and Benefits	77%	\$1,164,060	\$1,030,982
Contractual	13%	\$ 195,848	\$ 254,051
Rent	8%	\$ 120,971	\$ 117,659
Travel	1%	\$ 16,331	\$ 12,922
Equipment	1%	\$ 10,581	\$ 63,886
Miscellaneous	0.2%	\$ 3,029	\$ 30,175
Communications	0.2%	\$ 2,491	\$ 2,659
Telephone and Utilities	0.1%	\$ 1,035	\$ -
Supplies	0.0%	\$ 244	\$ 26,568
<b>Total</b>	<b>100%</b>	<b>\$1,514,590</b>	<b>\$1,538,902</b>

In FY 2017, OPA was the only elected office not authorized to carry over lapsed funds. The elected offices of the Attorney General and the Mayors, as well as the Judiciary, UOG, and GCC, were allowed to carry over their lapses.

### FY 2018 Budget Request

For OPA's FY 2018 budget, we requested that the Legislature:

- (1) Approve OPA's lump sum budget to allow for flexibility;
- (2) Approve the carryover lapses from FY 2012, FY 2013, and FY 2017 into the FY 2018 budget appropriation;
- (3) Continue to exempt OPA from the Bureau of Budget and Management Research allotment control similar to other elected offices and the Judiciary;
- (4) Approve a salary adjustment for the Public Auditor; and
- (5) Amend legislation to require Board or Commission meeting audio files be posted on the respective agency's website with a link posted on the OPA website.

When OPA was not authorized to carry over unused funds into FY 2018, we lost

approximately \$550K in lapses from FY 2012 and FY 2013. We respectfully requested carry over authorization in our FY 2018 budget request to fund the transition to new OPA Accountability Auditor positions and recruitment.

### Performance Audits Overview

Performance audits provide independent analysis on specific programs:

- To assist management and public officials in improving program performance and operations (e.g., effectiveness, economy, efficiency, and compliance); and
- To improve public accountability and transparency.

In 2017, we issued nine performance audits. Collectively, these audits identified over \$667.0M in financial impacts to our government. Financial impacts include questioned costs, unrealized revenues, potential savings, unreported amounts, and unreconciled differences.

### Report No. 17-01: OPA's Status of Legislative Mandates



- During the past 16 years, 90 public laws with 173 separate mandates expanded OPA's primary duties and responsibilities.
  - Of the 173 mandates:
    - 45 required OPA to conduct audits;
    - One required OPA to hear and decide procurement



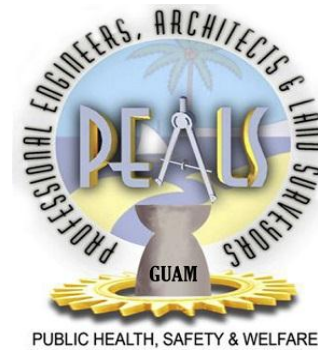
- appeals;
  - 63 required OPA to provide oversight, approve, or conduct a specific activity;
  - 10 required OPA to be a member of a committee, group, or task force; and
  - 54 required various GovGuam agencies to submit reports and other information to OPA.
- 88%, or 153 mandates, have been addressed.
- No recommendations were made.

**Report No. 17-02: Analysis of GovGuam Leases**

- Conducted as part of OPA’s Audit Plan.
- GovGuam doubled its annual cost for leasing commercial space, going from \$6.8M for 493,701 square feet in FY 2004 to \$12.5M for 493,097 square feet in FY 2015.
- Average cost per square foot nearly doubled from \$1.15 per square foot to \$2.11 per square foot.
- Majority of GovGuam commercial leases were for office space at \$11.8M, while other commercial lease space was \$692K.
- Top 10 agencies accounted for 80% of total lease costs.

- Customs and Quarantine, Office of the Attorney General, Department of Public Health and Social Services, Department of Revenue and Taxation, and Department of Land Management were the top five agencies with highest lease cost for office space.
- OPA recommended that (1) the Governor designate a lead agency for GovGuam building construction, and (2) an agency monitor and annually report all GovGuam leases.

**Report No. 17-03: PEALS Funds and Financial Practices Follow-Up Audit**



- This was a follow-up from a prior audit issued in 2011.
- PEALS addressed five of six recommendations made in OPA Report No. 11-07.
- Weaknesses were noted, including:
  - A revolving fund checking account remained open;
  - Licensee eligibility documentation was missing;
  - Count of registrants and permit clearances could not be verified;
  - QuickBooks was not utilized to record expenditures;
  - Board Chairperson did not approve expenditures.
- Four recommendations to the Chairman of the PEALS board were made: (1) comply with 22 Guam Code Annotated (GCA) Chapter 32, (2) improve







accounting infrastructure, (3) review and simplify fee structure, and (4) coordinate with Compiler of Laws to update rules and regulations.

### **Report No. 17-04: DPW Heavy Equipment and Related Parts Inventory Management**

- Audit identified indicators of potential fraud and misuse.
- Possible ethical violations as the Director accepted free heavy equipment rental services from a DPW employee's company citing inadequate heavy equipment.
- Questioned costs of \$283K were identified as controls over heavy equipment were lacking, parts and unusual repair orders were issued to idle nonworking heavy equipment.
- Audit identified \$4.9M in other financial impact of which \$3.1M was not in DOA's inventory and \$1.1M was not in the DPW inventory report.
- OPA recommended DPW management (1) conduct physical inventory, (2) investigate alleged missing lowboy, unauthorized heavy equipment usage, and unauthorized cannibalization of heavy equipment, (3) investigate unusual parts issuances and repair orders, (4) amend Standard Operating Procedures (SOP) to require parts delivery to warehouse, and (5) develop an MOU with



Mayor's Council.

- The Director disagreed with the finding pertaining to management's disregard of its responsibilities.

### **Report No. 17-05: GSA Procurement Practices**



- This audit was conducted as part of the International Organization of Supreme Audit Institutions (INTOSAI) Development Initiative (IDI) and Pacific Association of Supreme Audit Institutions (PASAI) Cooperative Procurement Audit Program.
- Efforts made by GSA to consolidate similar purchases were not effective.
- For all methods other than competitive sealed bids, GSA did not verify the validity of vendors' business licenses for all purchase orders tested.
- GSA does not have updated Standard Operating Procedures.
- OPA made seven recommendations to the Chief Procurement Officer: (1) strengthen relationships with agencies, (2) document and monitor effectiveness of planning efforts, (3) seek operational support, (4) implement an approval limit, (5) obtain AG's guidance for procurements pending appeals, (6) challenge agency requests for sole source on federally funded requisitions, and (7) formally update SOPs.
- The Chief Procurement Officer disagreed with all of our findings.



### Report No. 17-06: 12th Festival of Pacific Arts (FESTPAC)



- This audit was a follow-up to OPA Report 16-02, Guam’s Readiness for the 12th Festival of Pacific Arts.
- Guam successfully hosted the 12th FESTPAC, a two-week cultural event that showcased 27 island countries and territories from the Pacific.
- Our compilation revealed that cash of \$8.5M was received and \$8.3M was spent:
  - \$4.4M was paid to CAHA and GVB events management services contractors;
  - \$2.2M was for 34 festival village huts;
  - \$1.1M was for GPD, GFD, DPW overtime expenses;
  - \$293K was for Chamorro village traffic light controlled crosswalk;
  - \$164K was reimbursed to GDOE for FESTPAC-related expenses at public schools used to house delegates;
  - \$135K was for programing expenses paid by CAHA.
- We also found \$53K in FESTPAC-related purchases did not comply with Guam procurement law.
- We identified \$36K in questioned costs for processing payments using vendor quotes instead of invoices.
- No recommendations were made.

### Report No. 17-07: GovGuam Submission of Citizen Centric Reports for FY 2016 & FY 2015

- This audit was a legislative mandate.
- At least 89% of the 57 entities issued an annual Citizen Centric Report (CCR).
- Six entities for FY 2016 and five entities for FY 2015 were deemed non-compliant because they did not submit their CCRs to OPA and the Speaker, nor did they post them on their respective websites.
- Four entities were non-compliant for both FY 2016 and FY 2015: Department of Agriculture, Department of Integrated Services for Individuals with Disabilities, Guam Homeland Security/Office of Civil Defense, and Office of the Governor.
- These non-compliant entities have neglected their responsibility to:
  - Provide information regarding government operations and how taxpayer dollars are spent; and
  - Communicate and make accessible to citizens government financial information in a simple and understandable format.
- No recommendations were made.







## Report No. 17-08: DRT Gross Receipts Tax Exemptions



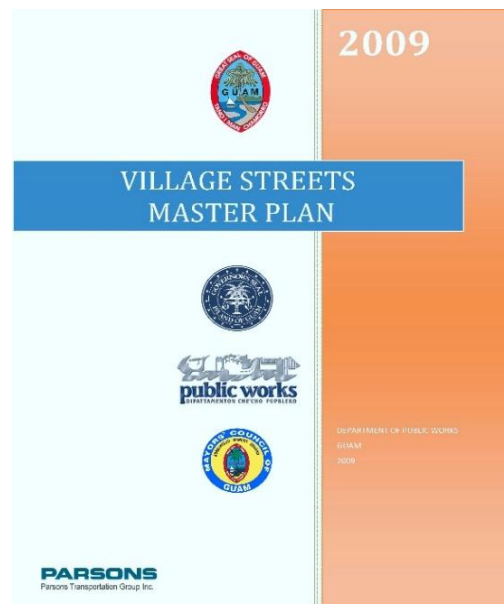
- This audit was initiated by requests made by senators in the 32nd and 34th Guam Legislatures.
- From FY 2014 through FY 2016, GRT exemptions totaled \$5.3 billion reducing GRT revenues by \$210.7M, or an average of \$70.2M a year.
- We could not ascertain the impact of exemptions on actual revenues reported as DRT could not provide data reconciling to payments collected.
- Wholesale was the largest exemption representing 52% of all other exemptions or an average of \$908M annually.
- DRT continues to manually input GRT returns with limited analysis or review of the data.
- Three recommendations were made to DRT management: (1) analyze GRT data and resolve system errors, (2) regularly review GRT data and investigate any irregularities, and (3) work with policymakers to develop a more comprehensive and systematic strategy to review all tax expenditures on a regular basis.

## Report No. 17-09: DPW Village Streets Management Strategy

- This audit was included in our Audit Plan.
- The audit found DPW's Division of

Highways did not have an effective asset management strategy to protect and prolong the life of village streets.

- The Division of Highways did not take action to ensure the Village Streets Master Plan was regularly monitored and properly implemented;
- Repairs of village streets were determined on a reactive basis;
- Management did not keep records of performance metrics to evaluate achievement of goals.
- Three recommendations were made to DPW: (1) Update the Village Streets Master Plan or establish a system to objectively review and prioritize village streets, (2) implement a pavement management system to allow DPW to apply the lowest-cost treatment, and (3) establish performance measures to guide village street operations and to evaluate achievement of goals.





## 2018 Audit Plan

We annually establish an Audit Plan to determine which government entities and programs to review based on:

- Extensive discussions with staff,
- Audit requests from stakeholders, and
- Risk assessments.

To determine where we will invest OPA's limited resources, audit topics are selected by identifying high risk areas of loss or possible mismanagement of funds based on the following factors:

1. Financial impact (lost revenues or cost savings);
2. Public concern and social impact;
3. Program risk (likelihood that program will not meet its goals, i.e., poor controls); and
4. Leadership interest (from public officials and top management).



The Audit Plan is a flexible guide that can accommodate other audits, based on priority, requests from elected officials, and staff availability.

The 2018 Audit Plan includes:

- GMHA Billing and Collections;
- GovGuam Fuel Prices;
- DPW Inventory of Parts and Construction Supplies/Materials;
- GovGuam Travel Per Diem;
- GovGuam Usage of Credit Cards; and
- Requests from government officials.

Every year, we request input from all agency heads and public officials on what entities and programs should be reviewed. However, few responses are received. We encourage the people of Guam to provide input on what government entity or program they feel should be audited.

In January 2018, we solicited input from the public through an online survey. We asked three questions:

- (1) Which GovGuam agency do you want audited?
- (2) What specific area within this GovGuam agency merits attention and why?
- (3) Are there any alleged improper government activities in the area(s) you want audited?

We received limited responses to our online survey.

Audits in Progress at the beginning of 2018 included:

1. GRТА Procurement and Billing (*Issued February 2018 – OPA Report No. 18-01*);
2. GFA Soccer Stadium Contributions (*Issued March 2018 – OPA Report No. 18-02*);
3. DRT Real Property Tax Assessments and Exemptions (*Issued May 2018 – OPA Report No. 18-03*);
4. DRT Tobacco Taxes (*Issued May 2018 – OPA Report No. 18-04*);
5. DOA Health Insurance Benefits;
6. DOC Overtime;
7. DRT Non-Profit Organization Gaming Tax; and
8. SAI PMF Report.

### Performance Audit Summary

Since 2001, OPA issued 171 performance audit reports, made 696 recommendations, and identified over \$909.0M in financial impacts. The highest number of reports



issued by OPA was 19 in 2006 when OPA employed the highest number of staff. Refer to the following table for details.

CY	Reports Issued	Recommendations Issued	Financial Impact	No. of Employees
2017	9	25	\$666.7M	17
2016	11	25	\$20.4M	15
2015	8	13	\$47.3M	13
2014	7	10	\$10.6M	11
2013	6	17	\$16.6M	14
2012	9	24	\$4.3M	12
2011	12	39	\$11.3M	14
2010	9	38	\$22.6M	15
2009	7	6	\$1.4M	13
2008	10	28	\$9.7M	10
2007	18	51	\$24.3M	11
2006	19	76	\$20.9M	18
2005	9	49	\$6.2M	17
2004	14	91	\$16.4M	14
2003	11	77	\$26.8M	11
2002	9	96	\$3.5M	9
2001	3	31	\$354K	9
<b>Totals</b>	<b>171</b>	<b>696</b>	<b>\$909.3M</b>	

### Procurement Appeals Overview

Procurement appeals are complaints by aggrieved persons against the Purchasing Agency's decision on a:

- Protest of method, solicitation or award;
- Debarment or suspension;
- Contract or breach of contract controversy;
- Award determination during a pending protest or appeal; or
- Other matters.

Twelve procurement appeals were brought before OPA in 2017. Of the 12, we:

- Rendered decisions on five appeals, of which three were upheld in part and

denied in part, and two were denied;

- Dismissed five appeals, of which two were due to the appellant withdrawing appeal, two due to lack of jurisdiction, and one due to a stipulated agreement; and
- Stayed two appeals because Superior Court decisions on petitions for writ of mandamus are pending.

Summaries of the procurement appeals filed in 2017 can be found in Appendix 3.

OPA strives to

1. Resolve appeals within 90 to 120 days from the time of filing; and
2. Issue decisions within 30 to 60 days after the hearing.

Six appeals were resolved in less than 90 days from the time of filing, two within 90 to 120 days, two after 120 days, and two are on stay.

Of the 12 appeals, three each were filed against DPW; two each against GCC and GPA; and one each against the 34th Guam Legislature, GSWA, GMHA, GEDA and PAG/GSA.

The subjects and dollar values of these appeals ranged from:

- Lease Financing for Design, Renovation, Rehabilitation, Construction, and Maintenance of Public Schools, \$100.0M;
- Refuse Collection Trucks, \$270K;
- Construction of Generator Building and Installation of a Back-up Generator System, \$430K;
- Contract Dispute on Interest on Past Due Invoices, \$173K;
- Telephone System and Telecommunications Services, \$75K;
- LED Luminaire Units and Photo Electric Controls;



- Contract for the Construction of the Farmers’ Cooperative Association of Guam Facility and Relocation of the Dededo Flea Market, \$460K;
- Renewable Energy Resource Phase II, \$672.0M;
- Lease Financing for Design, Renovation, Rehabilitation, Construction, and Maintenance of Simon Sanchez High School;
- Contract for Improvements to Route 1/Route 8 and to replace Agana Bridges 1 and 2, \$3.0M;
- GCC Forensic DNA Lab Construction, \$4.0M; and
- 11,000 Lbs (5.5 Ton) Fork Trucks, \$205K.



17-001 & 17-009: Core Tech vs. DPW

### Summary of Appeals

Since OPA was mandated with this responsibility in September 2005, 161 procurement appeals have been filed with the OPA. From 161,

- 88 decisions were issued;
  - 70 appeals were dismissed; and
  - Three were stayed pending the Superior Court of Guam’s decision on non-recusal.
- Of the 88 decisions issued, 30 favored the appellant, 36 favored the government, and 22 were split.

Among the 70 dismissals, 30 resulted from mutual agreement between the appellant and

purchasing agency, nine from the Public Auditor’s recusal, 11 from the appellant withdrawing the appeal, and 7 lacked the purchasing agency’s decision on the appellant’s protest. In order for OPA to review an appeal, the purchasing agency must first issue a decision on the vendor’s protest.

The remaining 13 dismissals resulted from the appeals moving to the Superior Court, cancellation or reissuance of the bid, lack of jurisdiction, and untimely notice of appeal.

On average, 13 appeals per year are filed with OPA. GSA had the most appeals filed against them with 45 of the 161 total appeals. GDOE followed with 34 appeals.

### Procurement Appeals Improve the Procurement Process

Aggrieved vendors have been deliberative and reflective and invest time, money, and effort to file an appeal. The Public Auditor concluded that vendors continue to closely scrutinize the government of Guam procurement process. Vendors are analyzing bids and specifications and challenging premature disqualifications. These efforts help strengthen and improve the procurement process.



17-011: J&B vs. GCC

DNA Forensic Lab





A common misconception is that appeals prolong the overall procurement process. However, appeals have been resolved generally within 90 to 120 days. We also encourage parties to mutually agree to resolve their procurement issues.

Procurement appeals have revealed the need for further government procurement training. GCC has courses on the procurement process as required by P.L. 32-131 (codified in Guam Procurement Law). All GovGuam procurement personnel must take these training courses.



With limited staff resources, the Public Auditor has continued contracting GovGuam’s financial audits to independent Certified Public Accountant (CPA) firms. This partnership was established before the Public Auditor took office in 2001.

We monitor and oversee the work of the contracted audit firms to ensure GovGuam entities’ annual financial audits are issued by June 30<sup>th</sup> (or nine months) after fiscal year end [1 GCA, Chapter 19, §1909(a)].

We envision GovGuam as the model for good governance in the Pacific and are encouraging legislation to require financial audits be completed no later than six months (or March 31<sup>st</sup>) after fiscal year end.

All 23 FY 2016 financial audits issued in 2017 were issued by June 30<sup>th</sup>. Ten of these audits were issued by March 31<sup>st</sup>.

All government financial audits must include a report on internal control over financial reporting and on compliance, whether or not findings are identified. The financial statements of all 23 FY 2016 GovGuam entities/funds received unmodified (or “clean”) opinions.

Also required is an additional report on compliance for each major federal program (or “Single Audit”) for those government entities that expend more than \$750K in



### OPA Hearing Officers

The Public Auditor assigns each time-sensitive procurement appeal to one of three OPA Hearing Officers who are licensed attorneys. This pool is established to handle the workload and preclude potential conflicts. There are cost savings from hiring contractual attorneys on an as-needed basis versus a full-time staff attorney.

OPA Hearing Officers may also provide other legal advice and services as requested by the Public Auditor.

### Financial Audits Overview

Financial audits provide independent assessments of

- An entity’s overall annual performance and financial health; and
- Whether the entity’s financial statements are fairly presented in compliance with applicable professional standards.





federal grants during FY 2016.

Of the 23 entities/funds audited for FY 2016 and issued in 2017, the following 10 were subjected to a Single Audit:

1. GWA,
2. PAG,
3. GIAA,
4. GCC,
5. UOG,
6. GPA,
7. GDOE,
8. GHURA,
9. GMHA, and
10. GovGuam.

Over the years, we have seen overall improvements in most government entities' financial audits with

- Fewer findings;
- Decreased questioned costs;
- More entities qualifying as low-risk auditees; and
- Fewer management letter comments.

### Financial Reporting Compliance

The following entities were the remaining 13 not subjected to a Single Audit, because they did not receive any federal grants in FY 2016:

1. CLTC,

2. DCA,
3. GALC,
4. GEDA,
5. GGRF,
6. GHC,
7. GHF,
8. GPT,
9. GSWA,
10. GVB,
11. MCOG,
12. KGTF, and
13. TAF,

Of the 13, the following 9 did not have any findings reported in their FY 2016 financial audits: GHC, GGRF, GVB, GPT, TAF, KGTF, MCOG, GEDA, and GALC.

- DCA's two findings concerned (1) purchases and corresponding payables were not recorded upon receipt and (2) outstanding checks and deposits in transit more than three months old are included in the bank reconciliations.
- GHF and GSWA each had one finding for noncompliance with procurement requirements.
- CLTC's one finding concerned a lack of a negotiated lease agreement for office space, which was a repeat finding.



Guam, CNMI, and FSM Audit Staff with Graduate School USA's Instructor, Drummond Kahn



University of Guam's Junior Accountants Society taking a Company Tour at OPA.

### Single Audit Compliance

Of the ten entities that required a Single Audit for FY 2016, GWA, GCC, GPA, and GMHA did not have any findings for compliance for major federal programs.

The other six entities accumulated 26 findings:

- GovGuam received a modified opinion and nine findings related to procurement, eligibility, electronic benefits transfer reconciliation, equipment management, subrecipient monitoring, and program income. Of the nine findings, five were material weaknesses and four were significant deficiencies.
- GHURA received a modified opinion and 12 findings concerning annual inspection

reports were not signed, improper documentation, failure to use the Enterprise Income Verification system, incorrect payment standard for one voucher, missing documentation for tenant's eligibility recertification, no wage compliance review of contractor's employees, no documentation for repairs during move-in inspection, no evidence of eligible citizenship status, erroneous use of flat rent in calculations, did not use nor complete Real Estate Imputed Income form for calculations, and failure to document Community Service Compliance Certification or Exemption.

- GDOE's two findings concerned procurement and the lack of coordination between GovGuam and GDOE for level of effort requirement.
- UOG's one finding related to not meeting target goals for the Small Business Development Centers federal award.
- PAG's one finding related to not submitting quarterly reports for a Rural Development Loan Guarantee.
- GIAA's one finding for ineligible costs for repairs.



Net Assets' Marisol Andrade Serves an Ace in DPR's Volleyball League

### Questioned Costs

A questioned cost arises from the:

- Alleged violation of a law, regulation, or the terms and conditions of a Federal award;
- Inadequate documentation of costs at the



- time of the audit; or
- Unreasonable and wasteful expenditure of funds.

We have seen an increase in questioned costs from \$348 in FY 2015 to \$502K in FY 2016.



**Auditors Christian Rivera and Fred Jones give a presentation to UOG students on OPA's operations.**

### **Low-Risk Auditee**

One of OPA's goals is for all the GovGuam entities subject to a Single Audit Act to qualify as a low-risk auditee. In order to qualify as a *low-risk auditee*, an agency must meet the following conditions for three consecutive audit periods:

1. Single Audits are performed annually;
2. Unmodified "clean" opinion on financial statements;
3. No material weaknesses per generally accepted government auditing standards (GAGAS);
4. No substantial doubt to continue as a going concern; *and*
5. None of the federal programs have material weaknesses, questioned costs exceeding 5% of total federal awards expended, or a modified opinion.

Out of ten entities, the following qualified as low-risk auditees for FY 2016:

1. GCC—maintained status for 16 years;
2. PAG—maintained status for three years;
3. GIAA—maintained status for two years;

4. UOG—maintained status for two years;
5. GPA—achieved status for the first time; and
6. GWA—achieved status for the first time.

The other four – GovGuam, GHURA, GDOE, and GMHA, – did not qualify as low-risk auditees because

- GovGuam received several qualified opinions and material weaknesses plus a questioned cost of \$432K.
- GHURA received a modified opinion due to several material weaknesses.
- GDOE had material weaknesses in the preceding audit periods and is designated a high-risk grantee by the U.S. Department of Education.

### **Auditees with Non-Federal Funding**

Since last year, OPA has recognized entities not subject to a Single Audit that achieved a similar low-risk status. These entities received unmodified "clean" opinions on their financial statements for three consecutive periods (FY 2014, FY 2015, and FY 2016) and had no material weaknesses, significant deficiencies, and questioned costs. Those entities are:

1. GVB
2. GGRF
3. PBS Guam (KGTF)
4. GHC
5. THF

To recognize these entities, OPA seeks input for Chamorro words to identify an appropriate title for these low-risk auditees.

### **Management Letter**

Separate letters are issued to management by the independent auditor to report deficiencies related to internal control over financial reporting, information technology (IT), and other matters.





Twenty entities each received management letters with 99 comments, collectively, pertaining to financial reporting and other matters. The most common pertained to lack of timely reconciliation, inadequate/missing documentation, nonmoving/inactive accounts, procurement, fixed assets, contracts oversight, federal compliance, and monitoring of construction in progress. Eight entities collectively received 38 comments on their IT issues.

### **Procurement of Financial Audit Services**

Title 1 GCA, Chapter 19, §1908 authorizes the Public Auditor to acquire independent financial audit services from firms. GovGuam entities work with OPA to issue Request for Proposal's to procure the services.

During 2017, we issued three RFPs in conjunction with GHC, GSWA, and PBS Guam. The three RFPs resulted in contracts for three fiscal years (FY 2017 to FY 2019) with an option to renew for one additional fiscal year of professional audit services.

### **Summary of Financial Audits**

Since 2001, OPA provided oversight to 339 financial audits, which identified 2,019 findings and \$64.6M in questioned costs.

Refer to Appendix 4 for a summary of the FY 2016 financial audits released in 2017.

## **Legislative Mandates Overview**

In addition to financial oversight responsibilities and audit activities, we also respond to legislative mandates and requests to review other government-related activities.

As of December 2017, 38 mandates have expanded the Public Auditor and OPA's duties and responsibilities. Of the 38

mandates,

- 21 required various GovGuam agencies to submit reports and other information to OPA;
- 11 required OPA to conduct audits;
- 3 required OPA to be a member of a committee, group, or task force;
- 2 required OPA to provide oversight, approval, or conduct a specific activity; and
- 54 required various GovGuam agencies to submit reports and other information to OPA.

The mandate, which transferred from the Procurement Appeals Board to OPA the responsibility to hear and decide all appeals of procurement decisions (P.L. 28-68), was the most significant. From FY 2006 to FY 2017, 161 procurement appeals were filed with OPA, an annual average of over 13 appeals. For more statistics on appeals filed with OPA, refer to the Procurement Appeals Overview section of the report. Prior to P.L. 28-68, procurement appeals had to be decided in the Superior Court.

OPA addressed 153 mandates and 20 remain open as recurring mandates. Of the 20, 15 require GovGuam agencies to submit reports or other information to OPA, while the other five require OPA to conduct an audit.

One of the five is included in GovGuam's annual financial audit\*, and one is included in GDOE's annual financial audit\*\*. Due to limited resources, OPA is assessing the feasibility of conducting the other three audits.

1. P.L. 30-221 Beverage Container Recycling Deposit Fund
2. P.L. 32-023 Farmers' Cooperative Association of Guam
3. P.L. 32-060 Non-Profit Organizations Operating any Gaming Activity



- 4. P.L. 32-205 Police Patrol Vehicle and Equipment Revolving Fund\*
- 5. P.L. 33-07 First Generation Trust Fund\*\*

difficult to quickly research, interview, and follow-up on hotline tips and citizen concerns.

OPA Report No. 17-01, **OPA's Status of Legislative Mandates** details the additional mandates that expanded OPA's role and responsibilities and is posted on our website, [www.opaguam.org](http://www.opaguam.org).

Furthermore, all the information needed to respond to a hotline tip or citizen concern may not have been provided. For a tip or concern to be considered, we suggest that the submission include as much details to answer who, what, where, when, and how.

**OPA Hotline (47AUDIT; 472-8348)**

OPA Hotline provides a confidential way for citizens and government employees to share their concerns and report improper government activities, such as

- Illegal acts (such as corruption, bribery, theft, or fraud);
- Misuse or abuse of government property or time; and
- Gross misconduct, incompetence, or inefficiency.

We received a total of 1,446 hotline tips since the establishment of the OPA Hotline in 2001. The number of hotline tips received ranged from a high of 177 tips in 2004 to a low of 23 tips in 2012. Refer to Appendix 5 for more details.

Information received on the Hotline helps us assess risks and determine where to focus OPA's limited resources. All information provided to OPA is held in the strictest confidence. Disclosing privileged communication or information violates 1 GCA §1909.1 as a felony of the third degree.

In 2017, OPA received 65 hotline tips. Of the 25 that remain open,

- 11 were forwarded to the respective entity's internal auditors or external financial auditors;
- 2 are ongoing with OPA; and
- 12 have yet to be addressed.

Anyone who wishes to submit a hotline tip or express a concern may do so by:

- Calling 47AUDIT (472-8348);
- Visiting [www.opaguam.org](http://www.opaguam.org);
- Faxing sufficient and relevant information to 472-7951; or
- Contacting any of the OPA staff by phone at 475-0390 or in person.

Although responses may not be immediate, we take all concerns seriously. With limited staff resources, it is often



Help make a difference in our government by contacting the OPA Hotline.





## Staffing Level Challenges

As of December 2017, OPA had 17 full-time staff and four vacancies. The current staffing is comprised of 12 auditors, our Administrative Officer, Executive Secretary, Special Assistant, the Deputy Public Auditor, and the Public Auditor. More than a decade ago, in 2006, OPA had 18 full-time staff in the unclassified service, which was the highest staff complement attained since the Public Auditor took office in 2001.

Of the 12 auditors, five are Auditor IIIs with an average of seven years of OPA service, two Auditor IIs with an average of four years of OPA service, and five Auditor Is with an average of less than two years of OPA service.

From 2012 through 2017, OPA lost 14 employees of which:

- 11 professional staff left due to jobs offering \$4K-\$23K more for annual salaries and better opportunities for professional career growth;
- The pay received by 14 of the employees at their new positions is unknown; and
- One of the employees laterally transferred to another agency.



New additions to OPA - (L-R) Vanessa Valencia, Frederick Jones, and Vincent Duenas

Staffing shortages due to difficulties with recruitment, compensation, promotion, and retention have challenged OPA for many years.

In January 2017, P.L. 33-226 was enacted to give OPA hiring autonomy. OPA was finally given much needed relief from years of inefficiencies in hiring under DOA's Human Resource Division because of inadequate compensation and the lengthy hiring process.



OPA Staff attended a training on TeamMate software with DOI-OIG's Bryan Brazil.



### **OPA Compensation Study**

OPA and Dr. Karri Perez, PMP, SPHR, GPHR of Leading Edge Consulting Group developed the 2014 OPA Compensation Study to address compensation, promotion, and retention.

In March 2016, OPA transmitted the proposed positions from the Compensation Study for their review and approval per 4 GCA §6303. The study was done based on OPA's alarming attrition rate and OPA's inability to compete with higher salaries at other GovGuam agencies.

In October 2017, the final plan creating the new Accountability Auditor Series positions was approved. The positions include:

- Accountability Auditor I;
- Accountability Auditor II;
- Accountability Auditor III;
- Supervising Accountability Auditor;
- Managing Accountability Auditor; and
- Accountability Director.

The final approved plan was not what was originally submitted. There were many back and forth discussions with DOA. In the end, certain positions were removed and certain positions received lower pay.

The Public Auditor's statutorily set salary has not been adjusted since 2006 and requests

parity with the elected Attorney General's salary, consistent with a Superior Court Judge. In November 2014, P.L. 32-208 adjusted the salaries of elected officials except the Public Auditor.

### **Staff Qualifications**

The Public Auditor supports and encourages personal and professional development for OPA staff.

All 17 OPA staff have Bachelor degrees and eight staff are certified professionals or hold advanced degrees. Some hold two or more certifications:

- 4 CPAs;
- 4 CGFMs;
- 4 CGAPs;
- 3 CICAs;
- 2 CIAs;
- 2 CGMAs;
- 1 CFE;
- 1 MBA; and
- 1 MPA.

Of the 17 staff, nine are currently pursuing a CPA, CGFM, or CFE certification, two are MBA candidates, one MAOL candidate, and one Macc candidate.

### **Certification Pay**



**APIPA's Principals, including Public Auditor Brooks pictured at the 28<sup>th</sup> Annual Conference in Majuro, Marshall Islands.**



Management by Certified Professionals – (Front L-R) Doris Flores Brooks, CPA, CGFM; and Yukari Hechanova, CPA, CIA, CGFM, CGAP, CGMA; (Back L-R) Llewelyn Terlaje, CGFM, CGAP; and Rodalyn Gerardo, CIA, CGFM, CPA, CGAP, CGMA.



P.L. 33-18 allows a 15% increase in base pay for CPAs and a 10% increase in base pay for CGFMs, CFEs, and CIAs within OPA, UOG, GDOE, and the line agencies, effective October 1, 2015. Already, four staff received a 15% increase for their CPA certification and two staff received a 10% increase for their CGFM and CFE certifications.

### Staff Development

Auditors are required to maintain professional competence through 80 hours of continuing professional education (CPE) every two years. At least 24 CPE hours must be related to government auditing or the government environment (U.S. Government Accountability Office's 2011 Government Auditing Standards). Guam law requires GovGuam to budget for the required training

for GovGuam accounting and auditing personnel (5 GCA §20304).

In 2017, OPA auditors averaged 94 CPE hours each.

OPA professional development is funded largely by technical assistance grants from the U.S. Department of the Interior's Office of Insular Affairs (DOI-OIA).

### DOI-OIA Training Grant

In March 2015, we received a \$76K training grant that was completed in December 2017. In June 2017, we received a new \$76K training grant. We appreciate DOI-OIA's continued support for OPA and other APIPA members because it has allowed OPA to

- Participate in the Department of the Interior's Office of Inspector General (DOI-OIG) programs,
- Attend training seminars and conferences, and
- Purchase various certification review materials.

Since 2005, OPA sent several of its staff to intern at DOI-OIG regional offices in Albuquerque, New Mexico; Denver, Colorado; Sacramento, California; and the Recovery Oversight Office in Herndon, Virginia. There was a four-year pause in



Auditors Andriana Quitugua and Christian Rivera participated in the Lakewood Experience in Denver, Colorado in June 2017.





DOI-OIG’s internship training from 2012 until the 2016 pilot of the Lakewood Experience.

### **DOI-OIG’s “Lakewood Experience”**

In June 2017, auditors Andriana Quitugua and Christian Rivera attended a two-week training at the DOI-OIG office in Lakewood, Colorado. They took part in a structured program that encompasses phases of audits. Unlike the prior internship program that other OPA staff attended, the Lakewood Experience consists of coaching by an OIG team leader, classroom training, and a case study with exercises covering various phases of a performance audit. This is the second time Guam OPA participated in the Lakewood Experience. Auditors Thyrsa Bagana and Michele Brillante participated in 2016.

### **Executive Leadership Development Program (ELDP)**

In June 2017, Auditor III Jerrick Hernandez successfully completed the year-long ELDP. Mr. Hernandez was among 22 participants from throughout the U.S. affiliated insular areas that represented the 2017 graduating class. The

2017 ELDP graduating class is the fifth ELDP cohort. Since the program’s inception in 2008, 103 participants from across the Pacific have completed the ELDP. Mr. Hernandez is the third OPA employee to complete the program. Other OPA graduates are Vincent Duenas in 2011 and Llewelyn Terlaje in 2015. The application process for the sixth ELDP cohort began February 2018.

### **Certified Fraud Examiner**

In June 2017, Auditor I Andriana Quitugua earned her Certified Fraud Examiner designation after completing the fraud prevention and deterrence, financial transactions and fraud schemes, investigation, and law examinations administered by the Association of Certified Fraud Examiners (ACFE).

The ACFE professional designation is recognized worldwide and requires each member adhere to the ACFE Code of Ethics and complete 20 hours of professional continuing education each year related to the detection and deterrence of fraud and ethics to maintain the CFE designation. Ms. Quitugua is OPA’s first CFE.



**Jerrick J.J.G. Hernandez**  
2017 Graduate, ELDP



**Andriana Quitugua**  
Certified Fraud Examiner



**Edlyn Dalisay**  
Certified Public Accountant





### **Certified Public Accountant**

Auditor II Edlyn Dalisay successfully completed the U.S. Certified Public Accountant (CPA) examination. After passing her exam in October 2017, Edlyn earned her U.S. CPA professional designation in November 2017.

### **Ten Years of Dedicated Service**

OPA's Deputy Public Auditor, Yukari Hechanova, was recognized in 2017 for ten years of outstanding and dedicated service to OPA. Mrs. Hechanova began her public service in 2001 as one of OPA's first hires, however, left in 2009 to an autonomous agency. She returned to her former position in 2014. She holds a Bachelor's degree in Accounting from the University of Guam and holds multiple certifications including CPA, CIA, CGFM, CGAP, and CGMA.



**Deputy Public Auditor Yukari Hechanova is recognized for her ten years of service to the OPA.**

### **Conferences and Trainings**

In 2017, OPA staff attended various trainings with hosts such as the Graduate School USA, APIPA, PASAI, Association of Government Accountants (AGA), INTOSAI, Guam Society of CPA's, and Ernst & Young LLP.

### **UOG Internship Program**

In 2017, OPA continued its partnership with UOG's Accounting Internship Program by providing 150 hours of on-the-job experience for interns Thomas Battung and Erica



**OPA Interns Thomas Battung and Erica Fastidio with Certificates of Completion from their respective audit teams for their internship with OPA.**

Fastidio. The interns were exposed to governmental auditing by conducting research, preparing and completing work papers, and observing financial audit meetings and procurement appeals.

### **Professional Affiliations**

OPA is proudly affiliated with several professional organizations in the auditing and accounting profession, such as the PASAI, APIPA, and AGA.



## **PASAI**

PASAI is a regional organization of 28 audit institutions in the Pacific who are aligned with the goals of the Pacific Plan to achieve stronger national development through better governance. Guam has been a member of PASAI since May 2006. The Public Auditor is a past chairperson of the PASAI governing board. As the current representative for Micronesia, the Public Auditor attended the 16<sup>th</sup> PASAI Governing Board meeting in Auckland, New Zealand in February 2017 and the 20<sup>th</sup> PASAI Congress in Funafuti, Tuvalu in August 2017.

## **PASAI Trainings & Cooperative Audits**

For the past seven years, PASAI has funded various trainings for several staff in performance auditing, cooperative audits, and other workshops.

In November 2017, Auditor III Edlyn Dalisay participated the Cooperative Compliance Audit of Procurement Quality Assurance Meeting in Nadi, Fiji relative to OPA Report No. 17-05, GSA Procurement Practices.

As a participant in PASAI's SAI Young Leader Program, Auditor III Clariza Roque attended the SAI Young Leaders Symposium in Auckland, New Zealand in April 2017 and the 3<sup>rd</sup> Young EUOSAI (YES) Conference in Tallinn, Estonia in September 2017.

In May 2017, the Public Auditor along with Auditor-Generals and Public Auditors from around the Pacific attended "Enhancing Effective Communication with Stakeholders" in Nadi, Fiji.

In November-December 2017, Auditor III Vincent Duenas attended the SAI's Engaging with Stakeholders Workshop in Phnom Penh, Cambodia.

Audit Supervisor Llewelyn Terlaje is a facilitator for IDI's Global Program on SAIs Fighting Corruption Program. She attended the planning meeting in September 2017 in Bangkok, Thailand.

## **Performance Measurement Framework**

INTOSAI developed a SAI PMF to assist





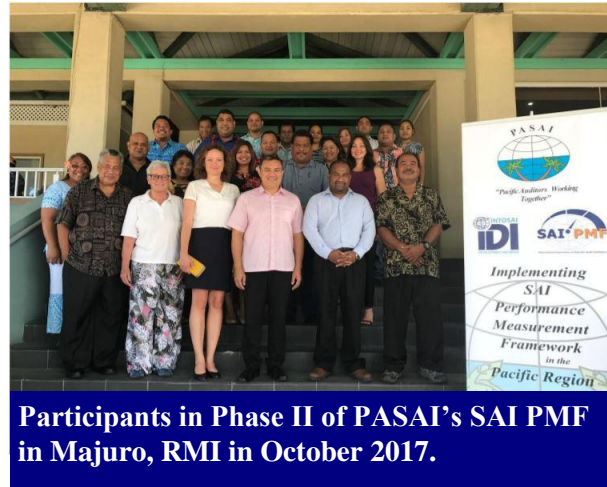
SAIs in assessing their performance against the International Standards for Supreme Audit Institutions (ISSAIs) and other established international good practices for external public auditing.

OPA's first performance measurement review based on the SAI PMF culminated in January 2017 with a workshop on Guam hosted by PASAI. In May, Guam was independently assessed by the RMI and PASAI's Director of Practice Development. Similarly, Deputy Public Auditor Yukari Hechanova and Special Assistant Rodalyn Gerardo assessed the FSM Office of the National Public Auditor in July 2017.

### Phase II SAI PMF

In October 2017, Phase II of the SAI PMF project for SAI's took place with a workshop in Majuro, Marshall Islands. Twenty-two staff from nine SAI's attend the workshop.

The workshop was facilitated by Ms Cecilie Thue-Hansen, Head of IDI's SAI PMF Unit and Mrs. Sinaroseta Palamo-Iosefo, PASAI Director of Practice Development.



Participants in Phase II of PASAI's SAI PMF in Majuro, RMI in October 2017.

This project is supported by the Australian Department of Foreign Affairs, IDI, and the New Zealand Ministry of Foreign Affairs and Trade.



OPA management meets with PASAI's Director of Practice Development and auditors from the Republic of the Marshall Islands (RMI) for their SAI PMF assessment.



**Public Auditor Doris Flores Brooks pictured with APIPA Peer Review team representing the CNMI and RMI Public Auditor offices. Guam OPA receives its 6<sup>th</sup> Full Compliance rating and 3<sup>rd</sup> time no Management Letter was issued.**

### **INTOSAI Affiliate Member**

In November 2017, Dr. Margit Kraker, INTOSAI Secretary General and President of the Austrian Court of Audit, welcomed the Guam OPA as an Affiliate Member on behalf of all INTOSAI members. OPA began pursuing INTOSAI Affiliate Membership in August 2016. This membership category includes audit organizations of overseas territories of INTOSAI member countries, such as Guam. OPA's application was first approved by the U.S. Comptroller General Gene Dodaro in August 2016. Former PASAI Secretary General Lyn Provost supported and submitted OPA's application in January 2017, before final approval by the INTOSAI Governing Board.

### **APIPA**

APIPA is a regional organization that was founded by the audit organizations of five Pacific island nations, including Guam, and has since expanded to 12 Pacific island nation's audit organizations. APIPA is made possible by the ongoing, generous support of

DOI-OIA.

In August 2017, the Public Auditor and Auditors Amacris Legaspi and Edlyn Dalisay attended APIPA's 28<sup>th</sup> Annual Conference in



**Public Auditor Doris Flores Brooks and Auditors Amacris Legaspi and Edlyn Dalisay attend the 28<sup>th</sup> Annual APIPA Conference in Majuro, RMI.**





Majuro, RMI, where the theme was *Charting a Journey Towards Greater Government Accountability*. The conference brought together auditors and finance officers throughout the Pacific including American Samoa, the Commonwealth of the Northern Mariana Islands (CNMI), the Federated State of Micronesia (FSM), Guam, Kiribati, Pohnpei, Chuuk, Kosrae, RMI, Yap, and Palau.

### AGA

AGA is a nationally recognized professional membership organization focused on advancing government accountability, and of which our staff are proud members. Over the years, several held key leadership positions in the Guam Chapter Executive Committee.

Some staff are members of other nationally recognized professional organizations, e.g., the American Institute of Certified Public Accountants, the Institute of Internal Auditors, and the ACFE.

### OPA Website

OPA's website was launched to provide reliable and transparent information about our government's financial condition. Posted on our website are

- OPA performance audits;
- GovGuam financial audits and CCRs;
- Procurement appeals' filings and audios;
- GovGuam Board and Commission meeting audios;
- OPA budget and expenditure reports; and
- OPA staffing patterns

Our website, [www.opaguam.org](http://www.opaguam.org), features user-friendly navigation, organized content, and mobile device accessibility.

In 2017, our website averaged 2,037 visits per month, compared to 2016's average of 2,113 per month. Measured according to

unique IP addresses, the OPA website averaged 827 unique visitors per month, compared to 2016's 868 per month. Also, the OPA website averaged 5,408 page views compared to 2016's average of 5,916 per month.

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### Technology Roadmap

OPA utilizes information technology to improve our processes and efficiently manage audits and procurement appeals.

#### Managing Audits with TeamMate

Since October 2015, OPA has been using TeamMate audit management software for financial and performance audits. Many audit organizations are embracing automation with software for electronic work papers. DOI-OIG and several PASAI members are using TeamMate. Over five months, we developed templates and customized TeamMate specifically for our performance audits. Guam OPA is the only audit office in the Pacific using TeamMate for performance audits.

TeamMate, has added efficiencies to our audit processes such as:

- Hyperlinking working papers to support conclusions;
- Establishing working paper templates;



- Streamlining quality assurance reviews; and
- Managing audit time budgets.

In October 2017, Bryan Brazil from DOI-OIG provided us training based on their experiences with TeamMate. This training encouraged OPA to use TeamMate for our particular needs and revise our templates.

GovGuam also needs to invest in IT. DRT and DOA need a new and integrated financial management system and more online filing and collaboration. While taxpayer confidentiality is important, accurately recording and reporting taxes and revenues is just as essential.

### Public Outreach & Community Service

Important aspects of OPA's Strategic Plan include increasing public awareness, improving government efficiency and effectiveness, and promoting better understanding of OPA's mission, work, and impact. We participated in various community and outreach efforts such as the donating to Catholic Social Services and picking up trash at historical sites.

From February to March 2017, the Public Auditor and staff joined in the Department of Parks and Recreation's annual Coed Volleyball League, Tano Division for the second year in a row. Our team, *Net Assets*, enjoyed a wonderful season of camaraderie and sportsmanship.

In May 2017, OPA staff helped spruce up the island by conducting a cleanup at Paseo De Susana Park.

In June 2017, OPA was recognized as a Weather Ready Nation (WRN) Ambassador, an initiative of the US National Weather

Service – National Oceanic and Atmospheric Administration. WRN Ambassadors help improve the nation's readiness, responsiveness, and overall resilience against extreme weather, water, and climate events.



OPA was recognized as a Weather Ready Nation Ambassador by US NOAA in June 2017.

In November 2017, OPA collected donations of clothes, school supplies, shoes, bags, and other necessities for a donation drive for Catholic Social Services.

Throughout the year, the Public Auditor presented topics, such as OPA's role in GovGuam, the procurement appeals process, and GovGuam's finances at various speaking engagements at the Guam Chamber of Commerce, AGA, and the UOG Public Administration class.



Office of Public Accountability  
Government of Guam  
Statement of Net Position  
As of September 30, 2017 and 2016

	Unaudited 9/30/2017	9/30/2016
<b>ASSETS</b>		
Cash and cash equivalents	\$ 455,421	\$ 424,183
Receivables, net:		
Federal Agencies	9,091	21,437
Federal Receiver	20,000	-
PASAI	-	-
Travel Due from OPA Staff	-	639
APIPA	-	-
Other - DOA Appropriation	-	185,184 <sup>1 3</sup>
Total Receivables	29,091	207,260
Capital Assets	147,549	147,549
Less Accumulated Depreciation	(147,549)	(147,549)
Total Capital Assets:	-	-
Total Assets	484,512	631,443
Deferred outflows of resources from pension	226,770 <sup>5</sup>	226,770
Total assets and deferred outflows of resources	\$ 711,282	\$ 858,213
<b>LIABILITIES AND FUND BALANCES (DEFICIT)</b>		
Accrued Annual and Sick Leave	\$ 155,549 <sup>2</sup>	\$ 140,717 <sup>2 4</sup>
Payable- Other	32,273	77,519
Deferred Revenue - Appropriation	-	-
Deferred Revenue - Federal Grants	-	209
Net Pension Liability	1,580,645 <sup>5</sup>	1,580,645
Total Liabilities	1,768,468	1,799,089
Deferred inflows of resources from pension	-	-
Total liabilities and deferred inflows of resources	\$ 1,768,468	\$ 1,799,089
Net Position:		
Net investment in capital assets	-	-
Unrestricted	(1,057,186)	(940,876)
Total Net Position	\$ (1,057,186)	\$ (940,876)
	\$ 711,282	\$ 858,213

**Footnotes:**

	FY 2017	FY 2016
<sup>1,3</sup> Personnel Svcs	\$ -	\$ -
Operations	-	185,184
Appropriation Balance:	\$ - <sup>1</sup>	\$ 185,184 <sup>1 3</sup>
<sup>2,4</sup> Accrued Sick Leave	\$ 83,524	\$ 75,034
Accrued Annual Leave	72,025	65,683
	\$ 155,549 <sup>2</sup>	\$ 140,717 <sup>2 4</sup>

<sup>5</sup> Deferred inflows and outflows of resources from pension, as well as the Net Pension Liability are subject to change based on the issuance of the Actuarial Valuation for FY 2017.

Reviewed by:

Rodalyn Gerardo, CIA, CGFM, CPA, CGAP, CGMA  
 Special Assistant / Audit Supervisor

Approved by:

Doris Flores Brooks, CPA, CGFM  
 Public Auditor



Office of Public Accountability  
Government of Guam  
Statements of Revenues, Expenses,  
and Changes in Net Position  
For the year ended September 30, 2017 and 2016

	Unaudited	
	10/1/16 - 9/30/17	10/1/15 - 9/30/16
<b>Revenues:</b>		
Federal Grants	\$ 49,261	\$ 16,732
Interest Income	2,848	2,304
Other Income	20,760	9,685
Total revenues	72,869	28,720
<b>Expenditures by Object:</b>		
Salaries	\$ 870,568	\$ 764,529
Benefits	293,492	266,453
Net Pension Expense	-	(86,052)
Accrued Leave	14,833	19,287
Subtotal:	1,178,893	964,217
Rent	120,971	117,659
Contractual services	186,865	237,319
Supplies	(399)	26,568
Utilities and Telephone	3,526	2,659
Equipment & Furniture Expensed	10,581	63,886
Travel	16,331	12,922
Training	8,982	16,626
Depreciation	-	3,773
Other	3,034	3,863
Total expenditures	1,528,784	1,449,493
Excess (deficiency) of revenues and appropriations over expenditures	(1,455,915)	(1,420,772)
<b>Other financing sources (uses):</b>		
Transfers In - appropriation received to date	1,396,898	1,611,851
Federal Grant Expenses - Auditor Technical Assistance	(49,261)	(16,732)
APIPA Peer Review Expense	(7,282)	-
Other Expense	(750)	(9,685)
Total, Other Financing Sources (Uses)	1,339,605	1,585,434
Changes in Net Position	(116,310)	164,662
<b>Net Position:</b>		
Beginning of the Year	(940,876)	(1,105,537)
End of the Year	\$ (1,057,186)	\$ (940,876)

Footnotes:

<sup>1,2</sup> Transfers In from DOA:

Personnel Svcs - Salaries & Benefits	\$ 1,149,628	\$ 1,030,982
Operations	247,270	580,869
Total Transfers In:	\$ 1,396,898	\$ 1,611,851

<sup>3</sup> Net Pension Expense is subject to change based on issuance of the Actuarial Valuation for FY 2017.

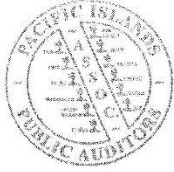
Reviewed by:

Rodalyn Gerardo, CIA, CGFM, CPA, CGAP, CGMA  
Special Assistant / Audit Supervisor

Approved by:

Doris Flores Brooks, CPA, CGFM  
Public Auditor





## Association of Pacific Islands Public Auditors

September 8, 2017

The Honorable Eddie J.B. Calvo  
Governor  
Office of the Governor  
P.O. Box 2950  
Hagatna, Guam 96932

**Office of the Governor  
Central Files**

By: [Signature]  
Time: 2:35 Date: 9-8-17

Dear Governor Calvo,

Attached for your reference is the final report on the Government of Guam's Office of Public Accountability pursuant to a Peer (Quality Control) Review done by our team of auditors from the Association of Pacific Islands Public Auditors (APIPA). External quality control reviews of all audit offices issuing audit reports guided by *Government Auditing Standards* (GAS) are required at least every three years. Because of this requirement, your Public Auditor initiated and contracted with APIPA.

Your Public Auditor's office was determined to be in full compliance with GAS for the period reviewed. Full compliance is the highest of three possible ratings issued in an external quality control review. The report now becomes public information and may be made accessible to any interested person(s). The working papers and other supporting documentation accumulated during our review will be maintained by the Public Auditor's office.

For your information, the peer review expenses were partially covered by a technical assistance grant through the U.S. Department of Interior's Office of Insular Affairs.

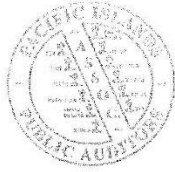
It was a privilege working with the staff of the Office of Public Accountability, most especially Mrs. Brooks, the Public Auditor. Each member of Mrs. Brooks' office was most cooperative and helpful to the team and exemplifies the highest standards of the auditing profession.

Sincerely,

[Signature]  
Alice Etse  
Audit Manager  
Pohnpei Office of the Public Auditor  
Team Leader

[Signature]  
Ayako Yamaguchi-Eliou  
Audit Manager  
RMI Office of the Auditor-General  
Team Member

[Signature]  
Geraldine Tenorio, CFE, CGAP  
Audit Supervisor  
CNMI Office of the Public Auditor  
Team Member



## Association of Pacific Islands Public Auditors

September 8, 2017

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

Dear Mrs. Brooks,

We have completed a peer review of the Guam Office of Public Accountability (OPA) for the period January 1, 2014 to December 31, 2016. In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide* published by the Association of Pacific Islands Public Auditors (APIPA).

We reviewed the internal quality control system of your audit organization and conducted tests in order to determine whether your internal quality control system operated to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our procedures included:

- Reviewing the audit organization's written policies and procedures.
- Reviewing internal monitoring procedures.
- Reviewing a sample of audits and non-audit service engagements and working papers.
- Reviewing documents related to independence, training, and development of auditing staff.
- Interviewing auditing staff and management to assess their understanding of, and compliance with, relevant quality control policies and procedures.

Due to variances in individual performance and judgment, compliance does not imply adherence to standards in every case, but does imply adherence in most situations.

Based on the results of our review, it is our opinion that the Guam OPA's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for audits during January 1, 2014 to December 31, 2016.

Sincerely,

Alice Etse  
Audit Manager  
Pohnpei Office of the Public Auditor  
Team Leader

Ayako Yamaguchi-Eliou  
Audit Manager  
RMI Office of the Auditor-General  
Team Member

Geraldine Tenorio, CFE, CGAP  
Audit Supervisor  
CNMI Office of the Public Auditor  
Team Member



<b>Appeal No. OPA-PA-17-001</b>	<b>Purchasing Agency: DPW</b>	<b>Appellant: Core Tech International Corp. (CTI)</b>
<b>Appeal Relative To: Lease Financing for Design, Renovation, Rehabilitation, Construction and Maintenance of Public Schools</b>		<b>Value: \$100M</b>
<p><b>Procurement Issue:</b> Improper method of solicitation</p> <p>CTI alleged that</p> <ul style="list-style-type: none"> <li>• The RFP violates 5 G.C.A., Chapter 58E because it was issued without a Program Study.</li> <li>• The RFP improperly included requirements set forth in 5 G.C.A. Chapter 58E by combining the solicitation of maintenance work for the remaining 34 public schools and the construction of Simon Sanchez High School.</li> </ul>		<p><b>Decision:</b> Appeal was UPHELD in part and DENIED in part.</p> <p>OPA determined that</p> <ul style="list-style-type: none"> <li>• CTI's Appeal was timely filed;</li> <li>• The RFP violates 5GCA §58E104;</li> <li>• The Comprehensive Capital Improvement Plan fulfills the requirement for a Program Study;</li> <li>• DPW may procure insurance, maintenance, and collateral equipment for the remaining thirty-four (34) public schools; and</li> <li>• DPW may cancel or amend the RFP.</li> </ul>
<b>Filed: March 16, 2017</b>	<b>Closed: June 9, 2017</b>	<b>Duration: 85 days</b>
<b>Appeal No. OPA-PA-17-002</b>	<b>Purchasing Agency: GSWA</b>	<b>Appellant: Morrico Equipment, LLC</b>
<b>Appeal Relative To: Refuse Collection Trucks</b>		<b>Value: \$270K</b>
<p><b>Procurement Issue:</b> Restricted competition</p> <p>Morrico alleged that</p> <ul style="list-style-type: none"> <li>• The IFB specification restricts competition to only vendors offering a cab forward model and violates the Guam Procurement Code provisions governing specifications and that the refusal of the GSWA to amend the specifications to allow vendors to bid a conventional cab model was arbitrary, capricious, and an abuse of discretion.</li> </ul>		<p><b>Dismissal:</b> Dismissed with Prejudice after the Ninth Circuit Court of Appeals denied Morrico's emergency motion for a stay on the procurement.</p>
<b>Filed: March 17, 2017</b>	<b>Closed: May 3, 2017</b>	<b>Duration: 47 days</b>



<b>Appeal No. OPA-PA-17-003</b>	<b>Purchasing Agency: GCC</b>	<b>Appellant: J&amp;B Modern Tech</b>
<b>Appeal Relative To: Construction of Generator Building and Installation of a Back-up Generator System to Service GCC Allied Health Center and Building A</b>		<b>Value: \$430K</b>
<b>Procurement Issue:</b> Bid cancellation  J&B Modern Tech asserted that <ul style="list-style-type: none"> <li>• Shop drawings were not included in the requirements for bids.</li> <li>• The bid was improperly cancelled.</li> <li>• J&amp;B had the lowest bid and should have been awarded the contract for this matter.</li> </ul>		<b>Decision:</b> DENIED  GCC's rejection of all bids and cancellation of the bid was authorized.
<b>Filed: March 20, 2017</b>	<b>Closed: June 9, 2017</b>	<b>Duration: 81 days</b>
<b>Appeal No. OPA-PA-17-004</b>	<b>Purchasing Agency: GMHA</b>	<b>Appellant: JMI Edison</b>
<b>Appeal Relative To: Contract Dispute on Total Amount of Interest on Past Due Invoices</b>		<b>Value: \$173K</b>
<b>Procurement Issue:</b> Contract dispute  JMI Edison asserted that <ul style="list-style-type: none"> <li>• GMHA should have issued a final written decision on the contract controversy as requested by JMI asking for resolution of the dispute regarding the total amount of interest due to JMI on past due invoices.</li> <li>• GMHA was wrong in calculating interest due to JMI at 3%.</li> </ul>		<b>Dismissal:</b> Appellant withdrew appeal
<b>Filed: March 20, 2017</b>	<b>Closed: August 1, 2017</b>	<b>Duration: 134 days</b>
<b>Appeal No. OPA-PA-17-005</b>	<b>Purchasing Agency: 34th Guam Legislature</b>	<b>Appellant: Pacific Data Systems, Inc.</b>
<b>Appeal Relative To: Telephone System and Telecommunications Services</b>		<b>Value: \$75K</b>
<b>Procurement Issue:</b> IFB revisions  PDS asserted that <ul style="list-style-type: none"> <li>• The Guam Legislature violated the Guam Procurement Law and Regulations for failing to formally amend the bid to reflect revised specifications and requirements to conform with the applicable law and regulation.</li> </ul>		<b>Dismissal:</b> Appellant Withdrew Appeal; Lack of Jurisdiction
<b>Filed: March 20, 2017</b>	<b>Closed: April 13, 2017</b>	<b>Duration: 24 days</b>





<b>Appeal No. OPA-PA-17-006</b>	<b>Purchasing Agency: GPA</b>	<b>Appellant: American Best Electricmart, Inc.(ABE)</b>
<b>Appeal Relative To: LED Luminaire Units and Photo Electric Controls</b>		<b>Value: \$ -</b>
<p><b>Procurement Issue:</b> Bid cancellation</p> <p>ABE alleged that</p> <ul style="list-style-type: none"> <li>• The IFB cancellation was not specific and did not appear to relate to the LED Streetlight Specifications.</li> <li>• Cancelling and rebidding the IFB for issues unrelated to the technical specifications was unfair.</li> <li>• The IFB cancellation contradicts the timely implementation of the installation of the LED streetlights.</li> <li>• The IFB cancellation delays the IFB’s delivery schedule.</li> <li>• The IFB cancellation and re-bid was unfair because the bidders’ prices were made public.</li> </ul>		<p><b>Decision:</b> Appeal was UPHELD in part and DENIED in part</p> <ul style="list-style-type: none"> <li>• GPA’s cancellation of the IFB was untimely and of no further force and effect.</li> <li>• The IFB’s procurement record is incomplete.</li> <li>• GPA may terminate the IFB solicitation by rejecting all bids or it may proceed to evaluate and award.</li> </ul>
<b>Filed: April 20, 2017</b>	<b>Closed: July 27, 2017</b>	<b>Duration: 98 days</b>
<b>Appeal No. OPA-PA-17-007</b>	<b>Purchasing Agency: GEDA</b>	<b>Appellant: Mega United Corp. Ltd.</b>
<b>Appeal Relative To: Contract for the Construction of the Farmers' Cooperative Association of Guam Facility and Relocation of the Dededo Flea Market</b>		<b>Value: \$460K</b>
<p><b>Procurement Issue:</b> Contract dispute</p> <p>Mega United alleged</p> <ul style="list-style-type: none"> <li>• Delays caused by GEDA or its representative Program Management Office increased the contract time by more than 60 days resulting in damages to Mega United and its attorneys, and GEDA and its attorneys.</li> </ul>		<p><b>Dismissal:</b> Due to untimely appeal.</p>
<b>Filed: June 15, 2017</b>	<b>Closed: August 1, 2017</b>	<b>Duration: 47 days</b>



<b>Appeal No. OPA-PA-17-008</b>		<b>Purchasing Agency: GPA</b>	<b>Appellant: Shanghai Electric Power Japan Co., Ltd, and Terra Energy, Inc.</b>
<b>Appeal Relative To: Renewable Energy Resource Phase II</b>			<b>Appeal Value: \$672M</b>
<b>Procurement Issue:</b> Non-conformance to IFB specifications  Shanghai Electric Power Japan alleged <ul style="list-style-type: none"> <li>• GPA’s acceptance of the Hanwha bids violated the Invitation for Bids.</li> <li>• GPA’s action in doubling the procurement from 60 Megawatts (MW) to 120 MW of renewable capacity was improper and the procurement must be rebid.</li> <li>• A crucial portion of the specifications are ambiguous and unfair and the procurement must be rebid.</li> <li>• The SolarCity bid ranked number 6 was not accepted by GPA</li> </ul>			<b>Decision:</b> Appeal was DENIED. <ul style="list-style-type: none"> <li>• GPA’s acceptance of the Hanwha bids did not violate the IFB.</li> <li>• GPA’s award of 120 MW was proper.</li> <li>• The IFB Specifications were not ambiguous and unfair.</li> <li>• SEPJ did not establish that GPA ranked the bids improperly.</li> <li>• Ratification or affirmation of the award is in the best interests of the Territory.</li> </ul>
<b>Filed: August 21, 2017</b>		<b>Closed: December 7, 2017</b>	<b>Duration: 108 days</b>
<b>Appeal No. OPA-PA-17-009</b>		<b>Purchasing Agency: DPW</b>	<b>Appellant: Core Tech International Corp.</b>
<b>Appeal Relative To: Lease Financing for Design, Renovation, Rehabilitation, Construction, and Maintenance of Simon Sanchez High School</b>			<b>Appeal Value: \$ -</b>
<b>Procurement Issue:</b> Non-conformance to IFB requirements  CTI alleged <ul style="list-style-type: none"> <li>• DPW incorrectly and improperly included a Notice of Default Regarding Claims for which there has not been final adjudication in its interpretation.</li> <li>• DPW interpreted “Record of Default” to include disputed Notice of Default against CTI in the Route 1/Route 8 Intersection Improvements and Agana Bridges Replacement Project in retaliation against CTI.</li> </ul>			<b>Stay:</b> Pending Superior Court Decision on Petition for Writ of Mandamus filed by appellant.
<b>Filed: October 16, 2017</b>		<b>Closed: -</b>	<b>Duration: 65 days</b>



<b>Appeal No. OPA-PA-17-010</b>		<b>Purchasing Agency: DPW</b>	<b>Appellant: Core Tech International Corp.</b>
<b>Appeal Relative To: Contract for Improvements to Route 1/Route 8 and to replace Agana Bridges 1 and 2</b>		<b>Value: \$3M</b>	
<b>Procurement Issue:</b> Contract dispute  CTI alleged <ul style="list-style-type: none"> <li>• DPW wrongfully terminated the contract.</li> <li>• DPW breached the contract.</li> <li>• Parsons Transportation Group intentionally and wrongfully interfered with CTI's work on the project.</li> <li>• There is no justification for liquidated damages.</li> </ul>		<b>Stay:</b> Pending Superior Court Decision on Petition for Writ of Mandamus filed by appellant.	
<b>Filed: October 23, 2017</b>		<b>Closed: -</b>	<b>Duration: 129 days</b>
<b>Appeal No. OPA-PA-17-011</b>		<b>Purchasing Agency: GCC</b>	<b>Appellant: J&amp;B Modern Tech</b>
<b>Appeal Relative To: GCC Forensic DNA Lab Construction</b>		<b>Value: \$4M</b>	
<b>Procurement Issue:</b> Non-conformance to IFB requirements  J&B Modern Tech alleged <ul style="list-style-type: none"> <li>• J&amp;B is the lowest bidder.</li> <li>• Only J&amp; B is entitled to 15% local procurement preference.</li> <li>• GCC violated the procurement process regarding bid requirements for GCLB compliance, insurance, and certificate of owner's attorney.</li> </ul>		<b>Decision:</b> Appeal was UPHeld in part and DENIED in part. <ul style="list-style-type: none"> <li>• GCC's proposed award to ProPacific was in violation of the law.</li> <li>• Pursuant to 5 GCA § 5451, GCC's proposed award to Propacific is cancelled and GCC is to reconsider J&amp;B's bid.</li> <li>• ProPacific's bid was non-responsive.</li> </ul>	
<b>Filed: October 30, 2017</b>		<b>Closed: February 28, 2018</b>	<b>Duration: 121 Days</b>
<b>Appeal No. OPA-PA-17-012</b>		<b>Purchasing Agency: GSA/PAG</b>	<b>Appellant: Mid Pac Far East</b>
<b>Appeal Relative To: 11,000 Lbs (5.5 Ton) Fork Trucks (New)</b>		<b>Value: \$205K</b>	
<b>Procurement Issue:</b> Restricted competition  Mid Pac Far East alleged <ul style="list-style-type: none"> <li>• The color specification in GSA/PAG-025-17 violates Guam Procurement Law.</li> </ul>		<b>Dismissal:</b> Stipulated agreement by parties.	
<b>Filed: November 27, 2017</b>		<b>Closed: January 25, 2018</b>	<b>Duration: 59 days</b>



# Appendix 4: Financial Audits Summary

#	Auditee	Issue Date	Opinion	No. of Material Weaknesses	No. of Significant Deficiencies	Deficiency in Internal Control	Noncompliance
1	GWA	1/17/2017	Unmodified	0	0	0	0
2	GIAA	1/31/2017	Unmodified	0	1	0	0
3	PAG	2/20/2017	Unmodified	0	0	0	0
4	GHC	2/28/2017	Unmodified	0	0	0	0
5	GGRF	3/3/2017	Unmodified	0	0	0	0
6	GVB	3/9/2017	Unmodified	0	0	0	0
7	GPT	3/16/2017	Unmodified	0	0	0	0
8	TAF	3/29/2017	Unmodified	0	0	0	0
9	PBS Guam (KGTF)	3/30/2017	Unmodified	0	0	0	0
10	GHF	3/31/2017	Unmodified	0	0	0	1
11	GCC	4/3/2017	Unmodified	0	0	0	0
12	GPA	4/12/2017	Unmodified	0	1	0	0
13	UOG	4/19/2017	Unmodified	0	0	0	0
14	MCOG	4/26/2017	Unmodified	0	0	0	0
15	GEDA	4/27/2017	Unmodified	0	0	0	0
16	GMHA	5/1/2017	Unmodified	0	2	0	0
17	GDOE	5/4/2017	Unmodified	0	0	0	0
18	GHURA	5/9/2017	Unmodified	0	1	0	0
19	DCA	5/11/2017	Unmodified	0	2	0	0
20	CLTC	5/12/2017	Unmodified	1	0	0	0
21	GALC	5/12/2017	Unmodified	0	0	0	0
22	GSWA (SWOF)	5/30/2017	Unmodified	0	0	0	1
23	GOVGUAM	6/8/2017	Unmodified	0	1	0	0
	<b>Totals</b>		<b>23</b>	<b>1</b>	<b>8</b>	<b>0</b>	<b>2</b>





Compliance for Major Federal Programs									
#	Auditee	Issue Date	Opinion*	No. of	No. of	Total	Total Questioned Costs	Total Federal Award Expenditures	Low-Risk
1	GWA	1/17/2017	Unmodified	0	0	0	\$ -	\$5,488,863	Yes
2	GIAA	1/31/2017	Unmodified	0	1	1	\$70,401	\$14,607,826	Yes
3	PAG	2/20/2017	Unmodified	0	1	1	\$ -	\$18,221,446	Yes
4	GHC	2/28/2017	n/a	n/a	n/a	0	n/a	n/a	n/a
5	GGRF	3/3/2017	n/a	n/a	n/a	0	n/a	n/a	n/a
6	GVB	3/9/2017	n/a	n/a	n/a	0	n/a	n/a	n/a
7	GPT	3/16/2017	n/a	n/a	n/a	0	n/a	n/a	n/a
8	TAF	3/29/2017	n/a	n/a	n/a	0	n/a	n/a	n/a
9	PBS Guam (KGTF)	3/30/2017	n/a	n/a	n/a	0	n/a	n/a	n/a
10	GHF	3/31/2017	n/a	n/a	n/a	0	n/a	n/a	n/a
11	GCC	4/3/2017	Unmodified	0	0	0	\$ -	\$15,118,764	Yes
12	GPA	4/12/2017	Unmodified	0	0	0	\$ -	\$1,367,584	Yes
13	UOG	4/19/2017	Unmodified	0	1	1	\$ -	\$28,843,093	Yes
14	MCOG	4/26/2017	n/a	n/a	n/a	0	n/a	n/a	n/a
15	GEDA	4/27/2017	n/a	n/a	n/a	0	n/a	n/a	n/a
16	GMHA	5/1/2017	Unmodified	0	0	0	\$ -	\$2,811,125	No
17	GDOE	5/4/2017	Unmodified	0	2	2	\$ -	\$64,349,925	No
18	GHURA	5/9/2017	Modified	6	6	12	\$ -	\$45,064,796	No
19	DCA	5/11/2017	n/a	n/a	n/a	0	n/a	n/a	n/a
20	CLTC	5/12/2017	n/a	n/a	n/a	0	n/a	n/a	n/a
21	GALC	5/12/2017	n/a	n/a	n/a	0	n/a	n/a	n/a
22	GSWA (SWOF)	5/30/2017	n/a	n/a	n/a	0	n/a	n/a	n/a
23	GOVGUAM	6/8/2017	Qualified	5	4	9	\$432,056	\$298,822,736	No
	<b>Subtotals</b>			<b>11</b>	<b>15</b>	<b>26</b>	<b>\$502,457</b>	<b>\$494,696,158</b>	<b>6</b>
	<b>Totals since 2001</b>					<b>2,019</b>	<b>\$64,641,703</b>		

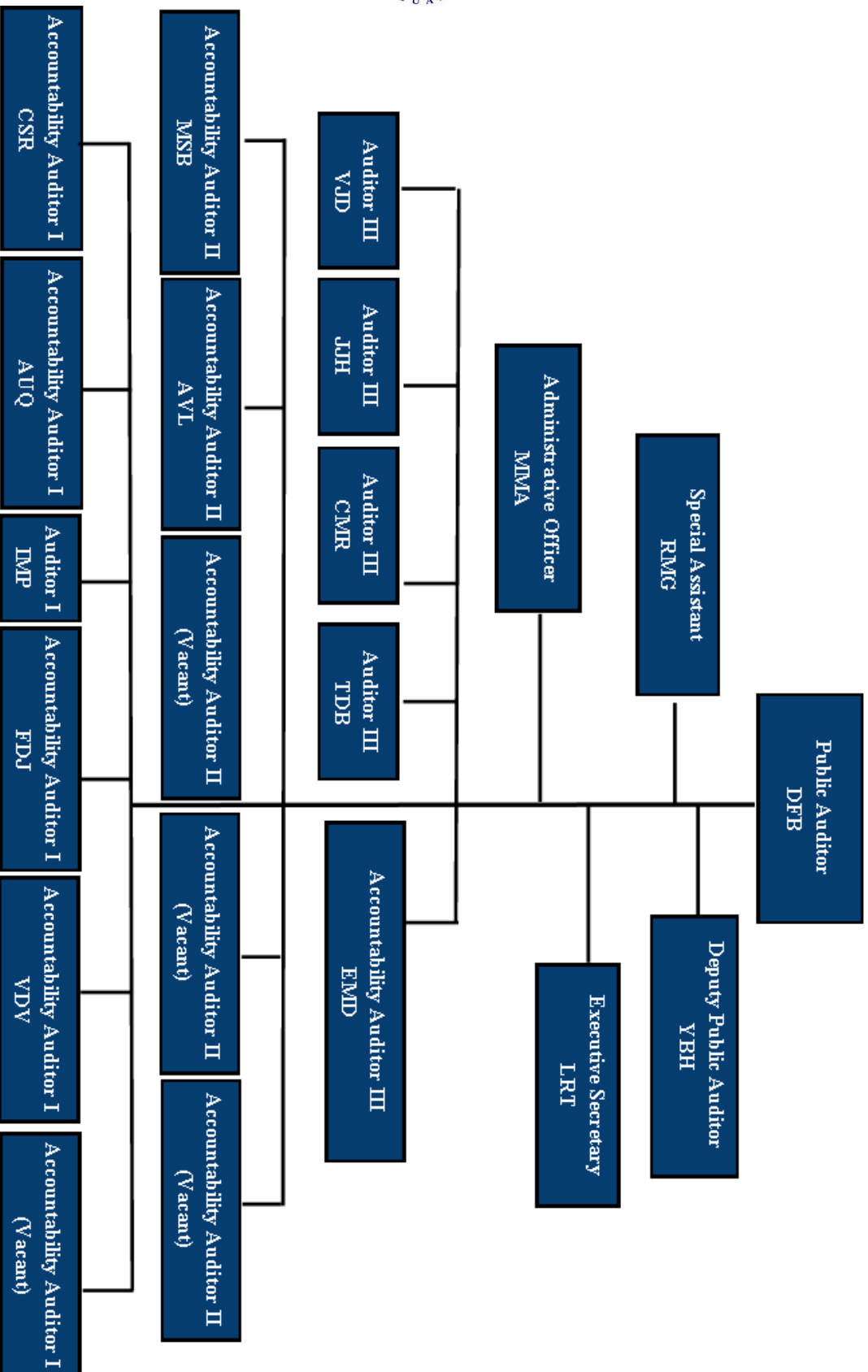


#	Auditee	Issue Date	Management Letter Comments	
			Deficiencies & Other Matters	Information Technology
1	GWA	1/17/2017	3	6
2	GIAA	1/31/2017	5	5
3	PAG	2/20/2017	7	8
4	GHC	2/28/2017	1	0
5	GGRF	3/3/2017	0	0
6	GVB	3/9/2017	3	0
7	GPT	3/16/2017	3	0
8	TAF	3/29/2017	0	0
9	PBS Guam (KGTF)	3/30/2017	1	0
10	GHF	3/31/2017	2	0
11	GCC	4/3/2017	0	0
12	GPA	4/12/2017	6	6
13	UOG	4/19/2017	6	0
14	MCOG	4/26/2017	1	0
15	GEDA	4/27/2017	2	0
16	GMHA	5/1/2017	7	6
17	GDOE	5/4/2017	8	3
18	GHURA	5/9/2017	14	1
19	DCA	5/11/2017	3	0
20	CLTC	5/12/2017	3	0
21	GALC	5/12/2017	3	0
22	GSWA (SWOF)	5/30/2017	2	0
23	GOVGUAM	6/8/2017	19	3
	<b>Subtotals</b>		<b>99</b>	<b>38</b>
	<b>Totals since 2001</b>		<b>979</b>	



Agencies or Programs	2017	2016	2015	2014	2013	2001 to 2012	Total
Other Agencies and Programs	14	13	8	9	10	301	355
Department of Education	2	3	1	7	2	157	172
Department of Public Works	3	3	2	0	1	76	85
Guam International Airport Authority	0	0	1	3	0	69	73
Mayors Council of Guam	1	2	1	0	2	57	63
Department of Corrections	0	6	6	1	2	42	57
Guam Power Authority	0	0	1	2	2	50	55
Guam Waterworks Authority	6	2	0	2	1	43	54
Guam Memorial Hospital Authority	0	1	0	6	0	43	50
Department of Public Health and Social Services	14	2	0	1	1	29	47
Department of Administration	2	1	0	2	2	34	41
University of Guam	8	3	0	2	3	19	35
Guam Fire Department	3	1	1	1	1	26	33
Government of Guam Retirement Fund	0	0	0	0	0	30	30
Guam Housing and Urban Renewal Authority	1	0	0	0	1	28	30
Office of the Attorney General	4	0	0	1	0	25	30
Guam Police Department	1	0	2	2	0	20	25
Department of Parks & Recreation	1	1	1	0	0	22	25
Superior Court of Guam	0	0	0	0	0	24	24
Guam Mass Transit Authority	1	1	2	0	0	19	23
Guam Visitors Bureau	1	2	0	2	0	18	23
Office of the Governor	1	1	1	0	0	18	21
Port Authority of Guam	0	0	0	0	3	17	20
Guam Telephone Authority	0	0	0	0	1	17	18
Department of Labor	1	0	6	1	0	9	17
General Services Agency	0	0	0	0	0	16	16
Guam Economic Development Authority	0	0	2	0	1	10	13
Department of Land Management	1	0	0	1	0	9	11
<b>Totals</b>	<b>65</b>	<b>42</b>	<b>35</b>	<b>43</b>	<b>33</b>	<b>1,228</b>	<b>1,446</b>

# Appendix 6: Organizational Chart







**Office of Public Accountability  
2017 Annual Report  
May 2018**

## **ACKNOWLEDGEMENTS**

**Key contributions to this report were made by:**  
Vincent Duenas, Auditor-in-Charge  
Llewelyn Terlaje, CGFM, CGAP, Audit Supervisor  
Doris Flores Brooks, CPA, CGFM, Public Auditor

## **MISSION STATEMENT**

**To ensure the 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](http://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.**