



EXECUTIVE SUMMARY

Office of Public Accountability's Status of Audit Recommendations OPA Report No. 10-02, May 2010

Between calendar years 2001 and 2009, the Office of the Public Accountability (OPA) issued 100 audit reports that focused on fund accountability, program efficiency and effectiveness, procurement, personnel, non-appropriated funds, and suspected fraud and abuse. These audits made 505 recommendations to help improve the overall operations of the government of Guam. This report is the second on the status of the implementation of those recommendations and covers the 35 audits issued between January 2007 and December 2009, as well as older recommendations.

Our reports generally found that management's lack of understanding the importance of implementing effective internal controls (checks and balances) was the underlying cause for questioned costs and noncompliance with laws and regulations. We found ineffective billing and collection systems, loss of government revenues, lack of control procedures over non-appropriated funds, and lack of monitoring and oversight of government programs. Ultimately, management is responsible for implementing recommendations and should ensure their agencies are committed to sustaining an effective internal control environment. Elected officials and governing bodies should encourage implementation through effective oversight.

As of March 31, 2010, 460 recommendations (91%) were addressed by agency corrective action plans, the passage of legislation, or deemed no longer applicable or relevant due to changes in the auditees' system or processes. Only 45 recommendations (9%) remain open. The 100 reports collectively identified \$109.5 million (M) in financial impact, of which \$58.3M were questioned costs, \$16.3M were unrealized revenues, and \$35.9M were other financial impact as detailed in the table below.

Summary Status of OPA Audit Recommendations as of March 2010

Audit Focus	# of Reports	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact
		Closed	Open	Total				
Program Efficiency & Effectiveness	22	126	14	140	\$13,414,031	\$13,487,857	\$17,998,962	\$44,900,850
Procurement	11	52	3	55	\$23,334,115	\$ -	\$ 64,238	\$23,398,353
Fund Accountability	42	136	7	143	\$11,762,433	\$ 1,145,496	\$11,218,696	\$24,126,625
Non-Appropriated Funds	12	92	21	113	\$ 3,216,033	\$ 1,683,649	\$ 5,584,078	\$10,483,760
Personnel	8	23	0	23	\$ 4,808,093	\$ -	\$ -	\$ 4,808,093
Credit Card & Travel	5	31	0	31	\$ 1,775,442	\$ -	\$ -	\$ 1,775,442
TOTAL:	100	460	45	505	\$58,310,147	\$16,317,002	\$34,865,974	\$109,493,123

Audit Recommendations Issued Between 2007~2009

OPA audits are initiated by request, through legislative mandate, are OPA initiated, or resulting from hotline tips, spin-offs, or follow-up. Of the 35 audit reports issued between 2007 and 2009, 16 audits (46%) were legislative mandates or were required by the Legislature, 10 (29%) were at the request of government officials, seven (20%) were OPA initiated, and the remaining two were spin-off and hotline.

The 35 reports identified a total financial impact of \$35.4M and included 85 recommendations. Of these recommendations, 70 (82%) were implemented or otherwise closed by the auditees and 15 remain open. The 35 audit reports encompassed 11 specific government entities in addition to government-wide analyses and reviews. The majority of the audits focused on the following agencies:

- Department of Administration with eight audits that identified \$1.8M in financial impact;
- Department of Education with five audits that identified \$2.9M in questioned costs; and
- Department of Public Works with two audits that identified \$13.7M in financial impact.

The remaining 20 reports involved government-wide analyses and reviews, which collectively identified \$16.9M of financial impact. Of these 20 reports, 11 were mandated by law relative to the compliance reviews of quarterly financial reports. The remaining reports were of the Chamorro Land Trust Commission's commercial division, the Department of Corrections' hazardous pay and overtime, and the Guam Economic Development Authority's tax credits programs.

Status of Audit Recommendations Issued Between 2001~2006

OPA issued its first status report on audit recommendations in 2007 covering audits issued between 2001 and 2006. That first report covered 65 audit reports with 420 recommendations with a total financial impact of \$74.1M. As of March 2010, of the 420 audit recommendations, 390 (93%) have been closed; leaving 30 still open. OPA is actively working with the auditees to close these recommendations.

Conclusion

We recognize that implementing some recommendations entails cost, either directly, such as purchasing equipment or software, or indirectly, such as investing staff resources on training. However, the cost of failing to implement audit recommendations can be higher and result in long-term inefficiencies. OPA continues to send periodic reminders and follow-up letters to encourage implementation. Agency management must recognize and accept the benefits of improved controls in order for the remaining OPA recommendations to be resolved. While 1 G.C.A. § 1913 allows OPA to file actions in the Superior Court of Guam to force the implementation of the recommendations, the OPA has yet to exercise this arduous and costly remedy.



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