



Mayors' Council of Guam FY 2011 Financial Highlights

January 17, 2013

The Mayor's Council of Guam (MCOG) and all mayors' Non-Appropriated Funds (NAFs) ended fiscal year (FY) 2011 with a qualified opinion on its statement of cash deposits and disbursements as a result of their inability to verify the classification of \$125,614 of deposits and \$118,225 of disbursements. Separate management letters were issued to each mayor and the MCOG. The findings identified in FY 2011 were similar to those in the FY 2010 audits that were issued in April 2012. Due to the April 2012 release, there was little time to take corrective action in FY 2011. Accordingly, it is anticipated that corrections and improvements will occur in FY 2012.

Mayors' Office Non-Appropriated Receipts and Disbursements

The 19 mayors NAFs collectively totaled \$515 thousand (K) in FY 2011 with funds coming from a variety of activities held at the villages such as the flea/night markets (\$125K or 24%), program registrations (\$65K or 13%), Guam Visitors Bureau (GVB) grants (\$53K or 10%), fiesta concessions (\$51K or 10%), ticket sales (\$37K or 7%), and donations (\$32K or 6%). The mayors have great discretion over the use of these funds. Individually, the FY 2011 NAF receipts were below \$30K for 13 villages, of which six villages generated less than \$10K. The top five villages in NAF receipts were Dededo at \$144K, Agat at \$89K, Merizo at \$54K, Sinajana at \$46K, and Yigo at \$38K. One village, Agana Heights has all its village activities handled through a separate non-profit organization. In general, receipts at the village level have declined for all villages except Sinajana, whose receipts more than doubled from \$21K in FY 2010 to \$46K in FY 2011. See Chart 1 below for a comparison of cash receipts by village between FY 2011 and FY 2010.

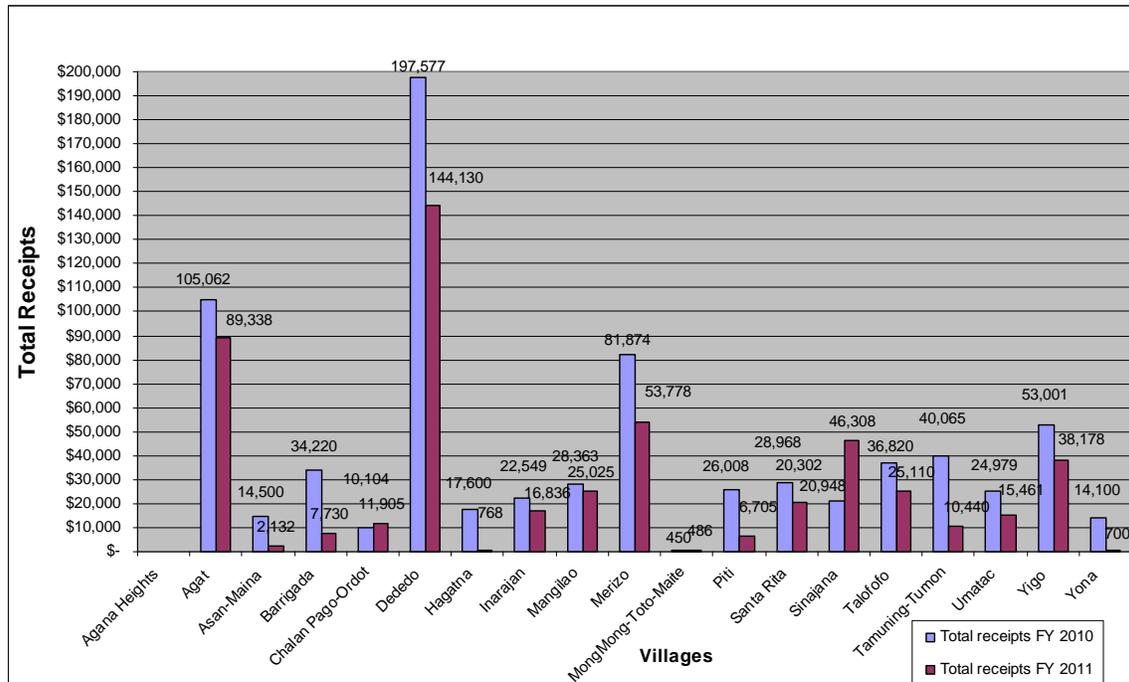


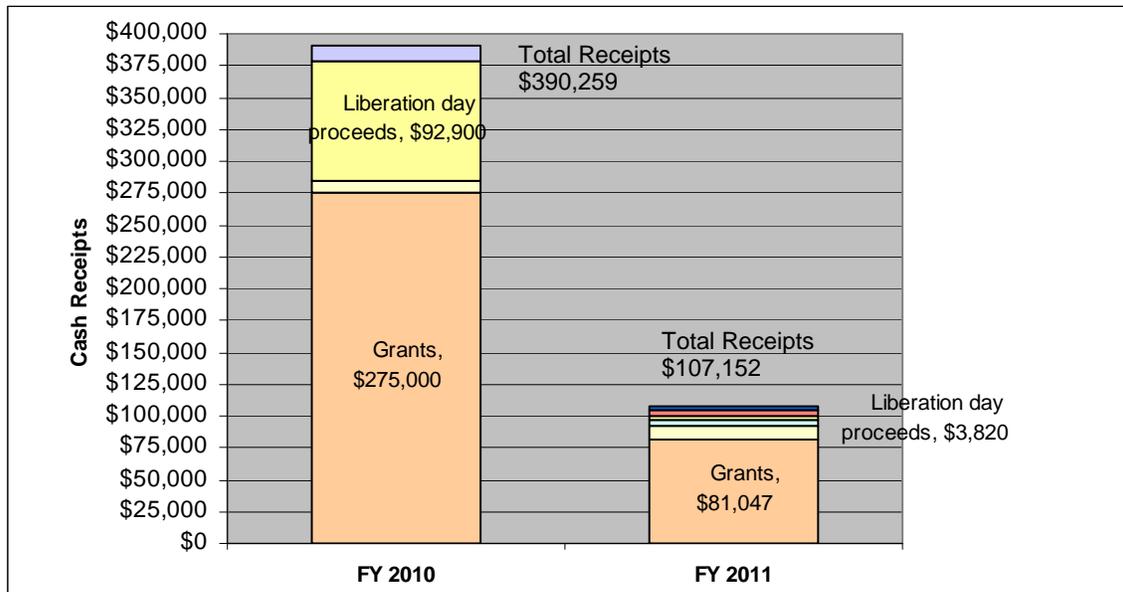
Chart 1: Mayors NAF Total Receipts (Non-Appropriated Funds)

Despite the \$242K or 32% decrease in receipts for the 19 mayors from \$757K in FY 2010 to \$515K in FY 2011, disbursements among the mayors increased by \$25K or 4% from \$649K in FY 2010 to \$674K in FY 2011. These disbursements were for various needs and activities at the village level that included community projects (\$124K or 18%), fiesta expenses (\$114K or 17%), and community programs (\$61K or 9%).

MCOG Non-Appropriated Receipts and Disbursements

The MCOG, as a body, has its own NAF and serves as the pass through agency for grants to be distributed to the different villages. For 2011, these grants totaled \$81K. Other revenue sources were from dues (\$11K or 10%), tickets sales (\$5K or 4%), and other fundraising activities (\$5K or 4%). Dues are assessed to each member of the MCOG at the rate of \$15 per pay period with an initiation fee of \$50 for all new members. Receipts declined significantly due to less grants received, specifically the GVB grant for branding initiatives. Liberation Day proceeds were not received until January 2012, therefore it will be recognized in the FY 2012 audit. See Chart 2 below for a comparison of the MCOG NAF between FY 2011 and FY 2010.

Chart 2: MCOG NAF Revolving Fund Receipts



Disbursements made from the MCOG NAF were primarily for office events, sponsorships, and donations.

Management Letters and Report on Compliance

Management letters were issued to each of the mayors along with the MCOG that identified deficiencies that were similar in FY 2010. The most common deficiencies included receipts not being issued for funds/cash received, lack of supporting documentation for deposits and disbursements, checks being made payable to “Cash,” and no process in place to classify and summarize transactions to provide an accurate financial statement. While we acknowledge the skill sets of the employees at the mayors’ offices vary, OPA suggests that MCOG central personnel be trained in basic bookkeeping

and accounting to assist the mayors in their financial reporting requirements. The acquisition of an accounting software program such as QuickBooks would simplify these reporting requirements.

A separate letter was issued to MCOG citing five control deficiencies, which included issues pertaining to disbursements and a formal process of summarizing transactions. Several MCOG disbursements were made payable to "Cash." A process to summarize receipts and disbursements is still not in place in order to provide accurate financial statement reporting.

Likewise with the FY 2011 Report on Compliance and Internal Control for the MCOG, the same findings remain from FY 2010 and include: 1) lack of accounting and financial reporting policies and procedures, 2) noncompliance with applicable procurement regulations, and 3) lack of monitoring non-profit organizations.

Accounting and Financial Reporting

Formal accounting and financial reporting policies and procedures were not established for FY 2011. A system is not in place that will produce accurate financial reports and it has been recommended that the Task Force created develop such policies and create a system that will govern the non-appropriated funds.

Compliance with Applicable Procurement Regulations

Procurement rules and regulations absent an established policy are applicable to the NAFs. A Task Force created by the MCOG is in the process of developing a uniform procurement policy. It has been recommended that these policies be developed first then seek legislation for approval of such policies for all NAF activities.

Monitoring of Non-Profit Organizations

Auditors continue to recommend that a standard operating policy be put in place for mayors to utilize when dealing with non-profit organizations in order to mitigate potential lawsuits. We applaud the efforts of some mayors who have taken a proactive approach by creating their own checklist to ensure that non-profit organizations are legally established.

For more details, you may view the reports in its entirety at our website at www.guamopa.org.