



OFFICE OF PUBLIC ACCOUNTABILITY

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TRANSMITTED VIA EMAIL

January 26, 2022

Honorable Therese M. Terlaje
Speaker, 36th Guam Legislature
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Hagåtña, Guam 96910
speaker@guamlegislature.org

Honorable Joe San Agustin
Senator, 36th Guam Legislature
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Subject: Healthy Futures Fund Financial Audit

Hafa adai Speaker Terlaje and Senator San Agustin,

We address this letter to you in your capacities as the Oversight Chairperson on the Committee on Health (Speaker Terlaje) and Chairman on Appropriations (Senator San Agustin). The Guam Office of Public Accountability is respectfully requesting your consideration to budget for the fiscal year (FY) 2022 financial audit of the Healthy Futures Fund as part of FY 2023's budget deliberations. As you are aware, the Healthy Futures Fund is a major source of funding for government investments in public health, including support for the Guam Memorial Hospital Authority and the Department of Public Health and Social Services.

As of FY 2020, the Healthy Futures Fund accounted for 22% of all special revenue fund (SRF) revenues and 19% of all SRF expenditures. The Healthy Futures Fund has consistently placed in the top five of revenue grossing and expenditure producing SRFs in at least the last three fiscal years, if not more. For reference, attachment 1 includes a comparison of the top five SRF in revenues and expenditures. Of the top five SRFs, the Tourist Attraction Fund, Territorial Highway Fund (also known as the Guam Highway Fund), and Solid Waste Operations Fund already receive a separate financial audit. We urge you to include the Healthy Futures Fund in this pool.

Our office in the past has conducted two related performance audits on tobacco taxes, specifically OPA Report No. 19-07, *Department of Revenue and Taxation Bonded Warehouses for Tobacco Products* and OPA Report No. 18-04, *Department of Revenue and Taxation Tobacco Tax*. In these audits, we pointed out that DRT may not be collecting all that is owed in tobacco taxes for various reasons. Copies of these reports are available on our website at www.opaguam.org for your review.

Our office is also currently conducting a third-related performance audit on alcohol and tobacco taxes. One of the preliminary findings includes the lack of adequate oversight over the revenues and expenditures of the tobacco taxes. This was highlighted when we received certain information and reports from the

Department of Revenue and Taxation, Department of Administration, and Bureau of Budget Management Research related to the Healthy Futures Fund that were inconsistent. We believe that with the introduction of an annual financial audit, more attention will be paid to rectifying compliance issues and collecting revenues necessary to meet the mandates of the SRFs enabling legislation.

Understanding the extent of our government's limited resources, should funding needed to be identified to budget for this request, we suggest our request replace the annually budgeted amounts for the Guam Highway Fund's annual financial audit. After raising this recommendation with Director Birn last week, he mentioned DOA would be amenable to this switch as the bond covenants that required the GHF's annual financial audit were met when the bonds were paid off a couple of years ago. The GHF's audit contract expires with the completion of the FY 2021 audit, so this is an opportune time to make the switch. OPA will still reserve the right to conduct performance audits on the Guam Highway Fund in the future, if necessary.

Should you have any questions, comments, or need clarification, please feel free to contact me directly at (671) 475-0390 ext. 209 (bjcruz@guamopa.com), Vincent Duenas at ext. 219 (vduenas@guamopa.com), or Selina Onedera-Salas at ext. 207 (sonederasalas@guamopa.com). We look forward to your favorable reply.

Senseramente,


Benjamin J.F. Cruz
Public Auditor

Cc: Honorable Lourdes A. Leon Guerrero, Governor of Guam
Honorable Sabina Perez, Senator, 36th Guam Legislature
Edward Birn, Director, Department of Administration
Lester Carlson, Director, Bureau of Budget and Management Research

Attachment 1: Top Five Special Revenue Funds

FISCAL YEAR 2018				
SPECIAL FUND	REVENUES	%REVENUES	EXPENDITURES	%EXPENDITURES
TOURIST ATTRACTION FUND	43,204,500	21.23%	37,679,173	21.99%
HEALTHY FUTURES FUND	32,243,855	15.84%	28,074,934	16.39%
TERRITORIAL EDUCATIONAL FACILITIES FUND	29,801,541	14.64%	10,020,285	5.85%
TERRITORIAL HIGHWAY FUND	23,120,678	11.36%	21,570,389	12.59%
SOLID WASTE OPERATIONS FUND	19,345,538	9.50%	25,661,487	14.98%
<i>ALL OTHER SPECIAL REVENUE FUNDS</i>	55,832,034	27.43%	48,315,873	28.20%
Total	203,548,146	100.00%	171,322,141	100.00%

Source: FY 2018 Government of Guam Basic Financial Statements

FISCAL YEAR 2019				
SPECIAL FUND	REVENUES	%REVENUES	EXPENDITURES	%EXPENDITURES
TOURIST ATTRACTION FUND	44,773,491	19.97%	35,905,366	21.16%
HEALTHY FUTURES FUND	39,537,138	17.63%	36,185,837	21.33%
TERRITORIAL EDUCATIONAL FACILITIES FUND	33,188,616	14.80%	9,070,286	5.35%
TERRITORIAL HIGHWAY FUND	25,221,093	11.25%	19,415,979	11.44%
SOLID WASTE OPERATIONS FUND	19,339,754	8.62%	18,016,107	10.62%
<i>ALL OTHER SPECIAL REVENUE FUNDS</i>	62,171,845	27.73%	51,060,998	30.10%
Total	224,231,937	100.00%	169,654,573	100.00%

Source: FY 2019 Government of Guam Basic Financial Statements

FISCAL YEAR 2020				
SPECIAL FUND	REVENUES	%REVENUES	EXPENDITURES	%EXPENDITURES
HEALTHY FUTURES FUND	39,776,193	21.62%	31,121,942	19.25%
TERRITORIAL EDUCATIONAL FACILITIES FUND	34,022,566	18.49%	8,146,898	5.04%
TOURIST ATTRACTION FUND	26,404,448	14.35%	28,138,315	17.41%
TERRITORIAL HIGHWAY FUND	20,382,229	11.08%	24,142,618	14.94%
SOLID WASTE OPERATIONS FUND	18,183,545	9.88%	16,813,009	10.40%
<i>ALL OTHER SPECIAL REVENUE FUNDS</i>	45,230,770	24.58%	53,276,876	32.96%
Total	183,999,751	100.00%	161,639,658	100.00%

Source: FY 2020 Government of Guam Basic Financial Statements