



## **Mayors' Council of Guam FY 2010 Financial Highlights**

April 12, 2012

All mayors' and the Mayors' Council of Guam (MCOG)'s Non-Appropriated Funds (NAFs) were audited for the first time for fiscal year (FY) 2010 pursuant to Public Law 30-68. Independent auditors, Deloitte & Touche, LLP, expressed a qualified opinion on the statement of cash deposits and disbursements of the NAF as a result of their inability to verify the classification of \$204,952 of deposits and \$86,048 of disbursements. Despite this exception, the auditors concluded that the financial statement was fairly presented. Separate management letters were issued to each mayor and MCOG. The independent auditors' report on internal control and compliance had three findings: 1) lack of accounting and financial reporting policies and procedures, which was deemed a material weakness; 2) noncompliance with applicable procurement regulations; and 3) lack of monitoring of Non-Profit Organizations (NPO).

Title 5 of the Guam Code Annotated Section 40135 authorized NAFs for mayors and their Municipal Planning Councils (MPCs) for any funds generated from advertisement, fundraising efforts, corporate sponsorship, contributions and concessionaire activities within each municipality as approved by its MPC for the benefit of the village. The MCOG also has an NAF.

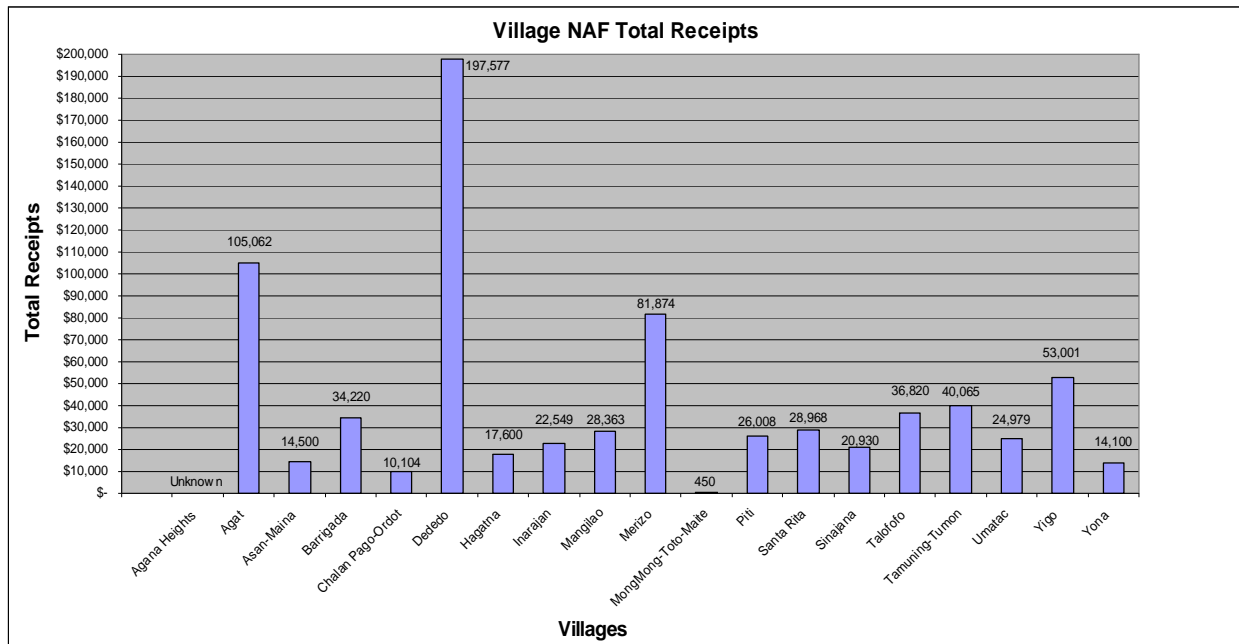
### ***Mayors' Offices and MCOG Non-Appropriated Revenues***

Total mayors' offices non-appropriated revenues amounted to \$757 thousand (K) in FY 2010 ranging from a low \$450 to a high \$198K. One Mayor elected to have all their NAF activities handled by an NPO; however, the validation of this NPO has not been provided. More than half of the village NAF revenues are below \$30K with six villages in the range of \$20K - \$30K. See charts on the next page for range of receipts per village, including MCOG.

Mayors' office receipts come from multiple sources. The top three revenue sources are grants (35%) primarily from the Guam Visitors Bureau (GVB), flea market rents (14%), and program registrations (7%). The GVB Grant is relative to the usage of funds for various community brand-building initiatives in accordance with Public Law 30-22.

MCOG non-appropriated revenues amounted to \$390K in FY 2010. MCOG's revenue sources were from a GVB grant (\$275K), which is redistributed to the individual mayors; Liberation Day proceeds (\$93K); and dues (\$10K). Dues are voluntary contributions automatically deducted from mayors' and vice-mayors' paychecks on a bi-weekly basis.

Range	Unknown	\$0 - \$10,000	\$10,001 - \$20,000	\$20,001 - \$30,000	\$30,001 - \$40,000	\$40,001 - \$50,000	\$50,001 - \$60,000	\$80,001 - \$90,000	\$100,001 - \$150,000	\$150,001 - \$200,000	\$300,001 - \$400,000	
Offices	Agana Heights	Mongmong-Toto-Maite	Asan-Maina Chalan Pago-Ordot Hagatna Yona	Inarajan Mangilao Piti Santa Rita Sinajana Umatac	Barrigada Talofofo	Tamuning- Tumon- Harmon	Yigo	Merizo	Agat	Dededo	Mayors' Council Of Guam	
Total	1	1	4	6	2	1	1	1	1	1	1	20



***Mayors’ Offices and MCOG Non-Appropriated Expenses***

Total mayors’ offices non-appropriated expenses amounted to \$649K in FY 2010. The expenses covered a variety of village’s needs and activities. The overall top three expenses are community projects and programs (21%), fiesta expenses (20%), and sponsorships (5%).

MCOG non-appropriated expenses amounted to \$314K in FY 2010. Of the \$314K, \$244K or 78% is primarily attributed to grants distributed to the various villages. Other expenses consist of office events (\$15K), Liberation Day proceeds (\$11K), humanitarian assistance (\$7K), and sponsorships (\$6K).

***Report on Compliance and Management Letter***

Three findings were identified in the Report on Compliance and Internal Control, one of which was considered a material weakness and the remaining findings were instances of noncompliance: 1) lack of accounting and financial reporting policies and procedures, 2) noncompliance with applicable procurement regulations, and 3) lack of monitoring of NPOs.

### Accounting and Financial Reporting

Some mayors have the advantage of employing an Administrative Assistant (AA) with some accounting background while others do not have an AA. As a result of the lack of formal accounting and financial reporting policies and procedures, the auditors found the following in most mayors' offices:

- Receipts not issued for funds/cash received;
- Relevant supporting documents for various deposits and disbursements not provided;
- Monthly bank reconciliations not performed;
- A process of classifying and summarizing receipt and disbursement transactions to provide accurate financial statement reporting not in place;
- The individual responsible for the recordkeeping function is also responsible for handling cash and signing checks;
- Some disbursements issued payable to "Cash"; and
- Only one authorized signatory on bank account.

These findings are not uncommon in a first year audit. More importantly, the auditors did not find any evidence of abuse or misappropriation. MCOG should hire an individual with an accounting background to provide assistance on basic accounting procedures for all the mayors' offices in handling their respective NAF.

### Compliance with Applicable Procurement Regulations

The understanding of each mayor and the MCOG is that NAF is not subject to Guam Procurement Rules and Regulations, and as such, NAF disbursements were not subjected to formal procurement procedures. According to OPA legal counsel, Guam procurement laws apply to the mayors' NAF. OPA is open to mayors seeking legislation to exempt their NAF from Government of Guam procurement regulations and to establishing their own procurement rules and regulations, similar to the exemption granted to the Department of Education schools' NAFs.

### Monitoring of Non-Profit Organizations

A formal process to monitor non-profit organizations utilizing the municipalities' facilities is not in place. Liability forms are needed to ensure the protection of mayors for any accidents or injuries while residents and other parties are on Government of Guam property. In addition, each mayor's office must evaluate the legitimacy of the NPO by providing a certificate and ensuring the NPO has filed appropriate forms at the Department of Revenue and Taxation. NPO validation should be centralized at MCOG to avoid multiple confirmations.

A separate letter was issued to MCOG citing seven control deficiencies, which included issues pertaining to receipts, disbursements, disbursements payable to cash, authorization of disbursements, segregation of duties, formal process of classifying and summarizing transactions, and the GVB grant plan.

For more details, you may view the reports in its entirety at our website at [www.guamopa.org](http://www.guamopa.org).