



## EXECUTIVE SUMMARY

### Office of Public Accountability's Status of Audit Recommendations OPA Report No. 12-09, December 2012

Between calendar years (CY) 2010 and 2011, the Office of Public Accountability (OPA) issued 21 audit reports that focused on fund accountability, program efficiency and effectiveness, procurement, personnel, non-appropriated funds, and suspected fraud and abuse. Of these reports, nine, or 43%, were OPA initiated; six, or 29%, were at the request of government officials; five, or 24%, were legislative mandates and/or Executive Order; and one, or 5%, was a follow-up. The 21 reports collectively identified \$33.9 million (M) in financial impact, of which \$23.6M were questioned costs, \$271 thousand (K) were unrealized revenues, and \$10M were other financial impact such as the significant cost of non-productive pay (\$6.3M); lack of controls over cash receipts (\$1.6M); inequitable benefits (\$845K); quarterly reports not reviewed for accuracy and completeness (\$619K); lost opportunity income and mis-assessment of fees (\$604K) and others. We made 77 recommendations to help improve the overall operations of the audited entities. This report is the third on the status of audit recommendations implementation with the first issued in December 2007 and the second in May 2010.

Our reports generally found that management's lack of ongoing monitoring, oversight, and understanding the importance of implementing effective internal controls (checks and balances) were the underlying causes 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. One way we measure our effect in improving the government's accountability, operations, and services is by tracking the percentage of audit recommendations that have been implemented.

As of September 2012, 27 recommendations (35%) were addressed by agency corrective action plans or otherwise closed by the auditees where 50 recommendations (65%) remain open. The United States Government Accountability Office found that it takes up to four years for an agency to implement audit recommendations.

### Summary Status of OPA Audit Recommendations as of September 2012

Type of Audit	# of Reports	% of Reports	Recommendations			Questioned Costs	Unrealized Revenue	Other Financial Impact	Total Financial Impact
			Closed	Open	Total				
Self-Initiated	9	43%	9	33	47	\$ 17,855,031	\$ 271,098	\$ 8,388,217	\$ 26,514,346
Request	6	29%	13	8	21	\$ 378,234	\$ -	\$ 69,316	\$ 447,550
Mandate	5	24%	5	3	3	\$ -	\$ -	\$ -	\$ -
Follow-Up	1	5%	0	6	6	\$ 5,328,099	\$ -	\$ 1,597,517	\$ 6,925,616
<b>TOTAL:</b>	<b>21</b>	<b>100%</b>	<b>27</b>	<b>50</b>	<b>77</b>	<b>\$ 23,561,364</b>	<b>\$ 271,098</b>	<b>\$ 10,055,050</b>	<b>\$ 33,887,512</b>

Audits traditionally provide oversight into past government operations, how money was spent and whether it was in compliance with laws, rules, and regulations. Audits can be a tool to provide insight and foresight into the effectiveness and efficiency of government programs and activities. Of the 21 audits issued, ten focused on oversight, seven provided insight into government operations, two provided foresight into such areas as revenue savings, and the other two provided insight as well as foresight into government activities.

### **Status of Audit Recommendations Issued Between CY 2001~2009**

OPA issued its first status report on audit recommendations in December 2007, OPA Report No. 07-18, covering audits issued between 2001 and 2006. That report covered 65 audit reports and 420 recommendations with a total financial impact of \$74.1M. Of the 420 recommendations, seven remain open.

The second report, OPA Report No.10-02, covered 35 audit reports between CY 2007 and 2009 that issued 85 recommendations with a total financial impact of \$35.4M. As of the issuance of this report, 67 of these recommendations have been implemented. OPA continues to work collaboratively with the government entities to implement these recommendations.

### **Conclusion**

We recognize that implementing some recommendations entails cost, either directly, such as purchasing equipment or software, or indirectly, such as investing in staff resources on training. However, the cost of failing to implement audit recommendations can be higher and result in long-term financial and performance deficiencies in government programs, systems, and services. OPA continues to send periodic reminders and follow-up letters to encourage implementation. Agency management should recognize the benefits of improved controls that provide accountability and transparency. 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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