

Government of Guam
Government of Guam Legal Fees and
Services Analysis

Performance Audit
October 1, 2012 through September 30, 2018

OPA Report No. 19-05
August 2019



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EXECUTIVE SUMMARY
Government of Guam Legal Fees and Services Analysis
Report No. 19-05, August 2019

Our analysis of the cost of legal fees and services of Government of Guam (GovGuam) agencies, autonomous and semi-autonomous agencies, and public corporations identified \$78 million (M) was spent on legal services from fiscal year (FY) 2013 to FY 2018. Specifically, we identified:

- 21 GovGuam entities paid \$32.6M to contracted legal firms;
- Seven GovGuam entities spent \$43.8M on government-hired attorneys; and
 - Six GovGuam entities spent \$5.9M on government-hired attorneys.
 - OAG spent \$38M on government-hired attorneys.
- 34 GovGuam entities utilized OAG for legal services and six reimbursed \$1.6M.
- Five GovGuam entities employed attorneys and contracted legal services.

Legal Services Cost Summary

FY	No. of Entities with Contract	Cost of Contract	No. of Attys. Employed	Gov't-Hired Atty. Compensation	No. of Entities Reimbursed OAG	OAG Reimbursement	Total
2013	20	\$3,936,612	60	\$6,250,345	1	\$100,620	\$10,287,578
2014	20	\$4,769,973	65	\$7,312,127	2	\$221,275	\$12,303,376
2015	17	\$4,183,593	63	\$7,138,270	4	\$264,609	\$11,586,471
2016	19	\$5,391,012	65	\$7,448,006	3	\$307,106	\$13,146,124
2017	19	\$6,621,631	64	\$7,626,402	3	\$304,600	\$14,552,633
2018	18	\$7,743,926	65	\$8,048,476	5	\$378,651	\$16,171,054
Total		\$32,646,748		\$43,823,627¹		\$1,576,861	\$78,047,236

21 GovGuam Entities Spent \$32.6M on Contracted Legal Firms

Our analysis found 21 entities paid \$32.6M to contracted legal firms. The top five entities paid \$27.1M of the \$32.6M which are Guam International Airport Authority (GIAA), Port Authority of Guam (PAG), Guam Memorial Hospital Authority (GMHA), Department of Public Health and Social Services (DPHSS), and Guam Waterworks Authority (GWA). Specifically:

1. GIAA initially paid \$17.8M to four law firms, however, they were reimbursed \$13.5M through a written agreement for an ongoing case bringing their cost to \$4.3M;
2. PAG paid one law firm \$5.4M;
3. GMHA paid \$1.4M to two law firms;
4. DPHSS paid \$1.3M to two law firms; and
5. GWA paid \$1.2M to four law firms.

¹ This amount includes OAG's attorney compensation of \$37,957,725.

Top 5 Contracted Legal Services Cost

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Total
1. GIAA	\$1,510,667	\$1,681,004	\$2,129,530	\$2,856,987	\$4,521,364	\$5,125,395	\$17,824,946
2. PAG	\$868,831	\$842,778	\$841,080	\$919,364	\$963,653	\$928,587	\$5,364,293
3. GMHA	\$278,527	\$318,158	\$225,108	\$215,938	\$175,776	\$188,003	\$1,401,510
4. DPHSS	\$186,095	\$239,393	\$298,936	\$201,330	\$191,336	\$190,889	\$1,307,979
5. GWA	\$10,774	\$546,758	\$25,014	\$298,759	\$19,746	\$345,818	\$1,246,869
Subtotal	\$2,854,894	\$3,628,091	\$3,519,667	\$4,492,378	\$5,871,874	\$6,778,692	\$27,145,597
Others Entities	\$1,081,718	\$1,141,883	\$663,925	\$898,634	\$749,757	\$965,235	\$5,501,151
Total	\$3,936,612	\$4,769,973	\$4,183,593	\$5,391,012	\$6,621,631	\$7,743,926	\$32,646,748

GIAA \$17.8M Initial Legal Services Cost

GIAA had four contracts with four different law firms. Payments for legal services initially was \$17.8M. A case that a law firm (Law Firm A) is handling includes a written agreement for the attorney's fees reimbursement from the respondent party. The respondent party reimbursed GIAA \$13.5M bringing its legal services cost down to \$4.3M.

GIAA Contracted Legal Services Cost

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Total
Law Firm A	\$1,416,798	\$1,576,659	\$2,083,368	\$2,834,984	\$4,494,446	\$5,086,918	\$17,493,174
Law Firm B	\$38,509	\$69,389	\$40,669	\$22,004	\$8,151	\$6,603	\$185,325
Law Firm C	\$55,359	\$34,955	\$5,492	\$ -	\$ -	\$ -	\$95,807
Law Firm D	\$ -	\$ -	\$ -	\$ -	\$18,766	\$31,874	\$50,640
Subtotal	\$1,510,667	\$1,681,004	\$2,129,530	\$2,856,987	\$4,521,364	\$5,125,395	\$17,824,946
Reimbursed	(\$755,034)	(\$1,287,648)	(\$1,520,385)	(\$1,884,766)	(\$3,825,038)	(\$4,220,693)	(\$13,493,564)
Net Cost	\$755,633	\$393,356	\$609,145	\$972,221	\$696,326	\$904,702	\$4,331,382

Seven GovGuam Entities Spent \$43.8M on Government-Hired Attorneys

Our analysis found seven GovGuam entities spent \$43.8M on government-hired attorneys. Six entities, including Guam Department of Education (GDOE), Department of Administration (DOA), University of Guam (UOG), Guam Power Authority (GPA), GWA, and Civil Service Commission (CSC) spent \$5.9M for their in-house counsel. The OAG spent \$38M for their attorneys.

GovGuam Attorney Compensation and No. of Attorneys

	FY 2013	Atty.	FY 2014	Atty.	FY 2015	Atty.	FY 2016	Atty.	FY 2017	Atty.	FY 2018	Atty.	Total
GDOE	\$166,220	2	\$258,396	3	\$185,656	2	\$192,428	2	\$200,183	2	\$214,286	2	\$1,217,169
DOA	\$169,963	1	\$180,622	1	\$179,847	1	\$178,973	1	\$181,792	1	\$183,895	1	\$1,075,092
UOG	\$162,644	1	\$169,152	1	\$168,413	1	\$176,634	1	\$173,650	1	\$175,469	1	\$1,025,962
GPA	\$128,080	1	\$147,522	1	\$139,877	1	\$156,691	1	\$179,333	1	\$172,880	1	\$924,383
GWA	\$145,037	1	\$147,990	1	\$149,878	1	\$130,392	2	\$149,501	1	\$151,885	1	\$874,683
CSC	\$105,042	1	\$213,367	2	\$108,325	1	\$106,343	1	\$110,493	1	\$105,042	1	\$748,612
Subtotal	\$876,986	7	\$1,117,049	9	\$931,996	7	\$941,461	8	\$994,952	7	\$1,003,457	7	\$5,865,901
OAG	\$5,373,359	53	\$6,195,078	56	\$6,206,274	56	\$6,506,545	57	\$6,631,450	57	\$7,045,019	58	\$37,957,725
Total	\$6,250,345	60	\$7,312,127	65	\$7,138,270	63	\$7,448,006	65	\$7,626,402	64	\$8,048,476	65	\$43,823,626

34 GovGuam Entities Utilized OAG for Legal Services, Six Reimbursed OAG \$1.6M

Our analysis identified 34 GovGuam entities utilized the OAG for legal services. Of these 34 entities, six reimbursed the OAG \$1.6M for legal services. See table below for details.

OAG Reimbursement for Legal Services

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Total
DPW	\$100,620	\$177,813	\$156,651	\$196,285	\$187,472	\$126,975	\$945,816
CLTC	\$ -	\$43,462	\$105,511	\$106,819	\$112,938	\$121,297	\$490,027
GEPA	\$ -	\$ -	\$ -	\$ -	\$ -	\$116,375	\$116,375
PEALS	\$ -	\$ -	\$2,375	\$4,002	\$4,190	\$5,252	\$15,819
DOC	\$ -	\$ -	\$ -	\$ -	\$ -	\$8,753	\$8,753
CLB	\$ -	\$ -	\$72	\$ -	\$ -	\$ -	\$72
Total Reimbursed	\$100,620	\$221,275	\$264,609	\$307,106	\$304,600	\$378,652	\$1,576,862

Five GovGuam Entities Employed Attorneys and Contracted Legal Services

In our analysis, GWA, GPA, UOG, GDOE, and CSC concurrently employed and contracted attorneys for their legal services. The aggregate amount totaled \$7.7M with \$4.8M for attorney compensation and \$2.9M for legal services contract with 13 law firms.

Attorney Compensation and Contract Legal Services Cost

Fiscal Year	GWA		GPA		UOG		GDOE		CSC		Total
	Sal. & Ben.	Contract	Sal. & Ben.	Contract	Sal. & Ben.	Contract	Sal. & Ben.	Contract	Sal. & Ben.	Contract	
2013	\$145,037	\$10,774	\$128,080	\$161,920	\$162,644	\$45,532	\$ 166,220	\$ -	\$ 105,042	\$5,000	\$930,250
2014	\$147,990	\$546,758	\$147,522	\$148,472	\$169,152	\$58,117	\$ 258,396	\$ -	\$ 213,367	\$5,000	\$1,694,774
2015	\$149,878	\$25,014	\$139,877	\$118,436	\$168,413	\$98,343	\$ 185,656	\$ -	\$ 108,325	\$ -	\$993,942
2016	\$130,392	\$298,759	\$156,691	\$122,206	\$176,634	\$105,730	\$ 192,428	\$51,339	\$ 106,343	\$30,000	\$1,370,523
2017	\$149,501	\$19,746	\$179,333	\$132,137	\$173,650	\$80,722	\$ 200,183	\$60,000	\$ 110,493	\$33,550	\$1,139,315
2018	\$151,885	\$345,818	\$172,880	\$249,429	\$175,469	\$67,848	\$ 214,286	\$ -	\$ 105,042	\$89,000	\$1,571,657
Subtotal	\$874,683	\$1,246,869	\$924,383	\$932,600	\$1,025,963	\$456,292	\$1,217,169	\$111,339	\$ 748,612	\$ 162,550	
Total	\$2,121,552		\$1,856,983		\$1,482,255		\$1,328,508		\$911,162		\$7,700,460²

Conclusion and Recommendation

GovGuam agencies, autonomous and semi-autonomous agencies, and public corporations aggregately spent \$78M on legal services from FY 2013 to FY 2018. In our analysis, 21 GovGuam entities paid \$32.6M to cover for contracted legal services. GIAA initially paid \$17.8M for contracted legal services. The reimbursement of \$13.5M decreased GIAA’s legal services cost to \$4.3M. Six entities that employed government-hired attorneys, including OAG, spent \$43.8M on compensation. Reimbursement to OAG from six entities amounted to \$1.6M.

Although certain GovGuam entities require special counsel to handle particular cases, we noted that it is cost effective to hire in-house attorneys. While each GovGuam entity identifies its needs for legal services, we recommended these entities perform a cost-benefit analysis to determine if it is more feasible to employ government attorneys versus contracting for legal services.


Benjamin J.F. Cruz
Public Auditor

² Salary and Benefits total \$4,790,810 and Attorney Contract totals \$2,909,650.

BWA	Bureau of Women's Affairs
BBMR	Bureau of Budget and Management Research
BSP	Bureau of Statistics and Plans
CLTC	Chamorro Land Trust Commission
CSC	Civil Service Commission
COD	Commission on Decolonization
DOA	Department of Administration
DOAG	Department of Agriculture
DCA	Department of Chamorro Affairs
DOC	Department of Corrections
DISID	Department of Integrated Services for Individuals with Disabilities
DOL	Department of Labor
DLM	Department of Land Management
DMA	Department of Military Affairs
DPR	Department of Parks & Recreation
DPHSS	Department of Public Health and Social Services
DPW	Department of Public Works
DRT	Department of Revenue and Taxation
DYA	Department of Youth Affairs
GSA	General Service Agency
GGRF	Government of Guam Retirement Fund
GALC	Guam Ancestral Lands Commission
GBHWC	Guam Behavioral Health and Wellness Center
GCEC	Guam Commission for Educator Certification
GCC	Guam Community College
CLB	Guam Contractors License Board
CAHA	Guam Council on the Arts and Humanities Agency
CQA	Guam Customs and Quarantine Agency
GDOE	Guam Department of Education
GDDC	Guam Developmental Disabilities Council
GEDA	Guam Economic Development Authority
PBS Guam	Guam Educational Telecommunication Corporation
GEC	Guam Election Commission

GEO	Guam Energy Office
GEPA	Guam Environmental Protection Agency
GFD	Guam Fire Department
GHS-OCD	Guam Homeland Security/Office of Civil Defense
GHURA	Guam Housing and Urban Renewal Authority
GHC	Guam Housing Corporation
GIAA	Guam International Airport Authority
GMRAO	Guam Medical Referral Assistance Office
GMHA	Guam Memorial Hospital Authority
GPD	Guam Police Department
GPA	Guam Power Authority
GPT	Guam Preservation Trust
GPLS	Guam Public Library System
GRTA	Guam Regional Transit Authority
GSC	Guam State Clearinghouse
GVB	Guam Visitors Bureau
GWA	Guam Waterworks Authority
HRRA	Hagåtña Restoration and Redevelopment Authority
OPA	Office of Public Accountability
OOT	Office of Technology
OVA	Office of Veterans Affairs
OAG	Office of the Attorney General
OCME	Office of the Chief Medical Examiner
PAG	Port Authority of Guam
SGC	Serve Guam Commission
UOG	University of Guam



Introduction

This report presents the results of our analysis of the cost of legal fees and services by the Government of Guam (GovGuam) agencies, autonomous and semi-autonomous agencies, and public corporations' (hereinafter "GovGuam entities") from Fiscal Year (FY) 2013 through 2018. We conducted this analysis to determine the cost associated with providing in-house legal services and contracted services for the executive branch.

Specifically, our objectives were to determine the following:

- 1) The total cost GovGuam entities paid for legal services;
- 2) Which GovGuam entities contracted legal services from law firms and their related cost;
- 3) Which GovGuam entities employed government-hired attorneys for legal services and the total salaries and benefits paid; and
- 4) Which GovGuam entities utilized the OAG and the cost associated with their legal services.

Our audit objective, scope, and methodology are detailed in Appendix 1.

Background

Public Law (P.L.) 25-44 established the OAG with the elected Attorney General having conferred the duty to represent GovGuam in all civil actions in which the government is an interested party. The OAG is comprised of seven divisions that work together to uphold the office's mission. One of its seven divisions, the Solicitor Division, provides legal services to GovGuam agencies, departments, boards, commission, and other entities.

Reimbursements for Legal Services

Under Title 5 of the Guam Code Annotated (GCA) Chapter 30, the OAG is authorized reimbursement for legal services to include administrative hearings or litigation and reviews relating to procurement law, which it rendered to the GovGuam entities

Authority to Contract Legal Services from Law Firms

Certain GovGuam entities, under Guam laws, are authorized to contract with law firms or hire attorneys. These entities can still avail of the OAG's legal services.

Results of Analysis

Our analysis of the cost of legal fees and services of Government of Guam (GovGuam) agencies, autonomous and semi-autonomous agencies, and public corporations identified \$78 million (M) spent on legal services from FY 2013 to FY 2018. Of this amount, \$32.6M was spent for contracted legal services, \$43.8M for government-hired attorney compensation, and \$1.6M for OAG reimbursement by GovGuam entities. Table 1 summarizes GovGuam’s total cost of legal services.

Table 1: Legal Services Cost Summary

FY	No. of Entities with Contract	Cost of Contract	No. of Attys. Employed	Gov’t-Hired Atty. Compensation	No. of Entities Reimbursed OAG	OAG Reimbursement	Total
2013	20	\$3,936,612	60	\$6,250,345	1	\$100,620	\$10,287,578
2014	20	\$4,769,973	65	\$7,312,127	2	\$221,275	\$12,303,376
2015	17	\$4,183,593	63	\$7,138,270	4	\$264,609	\$11,586,471
2016	19	\$5,391,012	65	\$7,448,006	3	\$307,106	\$13,146,124
2017	19	\$6,621,631	64	\$7,626,402	3	\$304,600	\$14,552,633
2018	18	\$7,743,926	65	\$8,048,476	5	\$378,651	\$16,171,054
Total		\$32,646,748		\$43,823,627¹		\$1,576,861	\$78,047,236

Specifically, we identified:

- 21 GovGuam entities spent \$32.6M on contracted legal firms.
 - Five entities spent \$27.1M for contracted legal services.
 - GIAA initially paid \$17.8M to one law firm to represent them in an ongoing case. Of this amount, \$13.5M was reimbursed (paid back) to GIAA by the respondent to cover the costs of legal services. This resulted in a net legal cost of \$4M to the law firm which decreased GIAA’s payment for legal services to \$4.3M.
 - PAG paid \$5.4M to one law firm.
 - GMHA, GWA, and DPHSS aggregately paid \$4M for legal services to various law firms.
- Seven GovGuam entities employed government attorneys and spent \$43.8M for salary and benefits.
 - GDOE employed about two attorneys and spent \$1.2M.
 - DOA employed one attorney and spent \$1.1M.
 - UOG employed one attorney and spent \$1M.
 - GPA employed one attorney and spent \$924K.
 - GWA employed one attorney and spent \$875K.
 - CSC employed one attorney and spent \$749K.
 - OAG employed about 56 attorneys and spent \$38M.
- 34 GovGuam entities utilized OAG for legal services and six reimbursed \$1.6M.

¹ This amount includes OAG’s attorney compensation of \$37,957,725.

We also found that:

- Five GovGuam entities concurrently employed government-hired attorneys and contracted legal services aggregately totaling \$7.7M or an average of \$1.3M annually.
- CLTC opted to utilize the OAG for legal services beginning in FY 2014 which amounted to \$490K in five years.

See Appendix 2 for the total legal fees for each GovGuam entity.

21 GovGuam Entities Spent \$32.6M on Contracted Legal Firms

Under Guam laws, certain GovGuam entities are authorized to contract with law firms for their legal services. From FY 2013 to FY 2018, 21 GovGuam entities contracted their legal services with various law firms for a total of \$32.6M. These services ranged from general legal services to litigation counsel.

Top Five Entities Paid \$27.1M for Contracted Legal Services

In our analysis, of the 21 GovGuam entities with contracted legal services, five entities paid a total of \$27.1M with an annual average of \$4.5M. These entities are:

- GIAA paid \$17.8M with FY 2018 paying the most at \$5.1M;
- PAG paid \$5.4M with FY 2017 paying the most at \$964K;
- GMHA paid \$1.4M with FY 2014 paying the most at \$318K;
- DPHSS paid \$1.3M with FY 2015 paying the most at \$299K; and
- GWA paid \$1.2M with FY 2014 paying the most at \$547K.

See Table 2 for the contracted legal services cost.

Table 2: Top 5 Contracted Legal Services Cost

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Total	Average
1. GIAA	\$1,510,667	\$1,681,004	\$2,129,530	\$2,856,987	\$4,521,364	\$5,125,395	\$17,824,946	\$2,970,824
2. PAG	\$868,831	\$842,778	\$841,080	\$919,364	\$963,653	\$928,587	\$5,364,293	\$894,049
3. GMHA	\$278,527	\$318,158	\$225,108	\$215,938	\$175,776	\$188,003	\$1,401,510	\$233,585
4. DPHSS	\$186,095	\$239,393	\$298,936	\$201,330	\$191,336	\$190,889	\$1,307,979	\$217,997
5. GWA	\$10,774	\$546,758	\$25,014	\$298,759	\$19,746	\$345,818	\$1,246,869	\$207,812
Subtotal	\$2,854,894	\$3,628,091	\$3,519,667	\$4,492,378	\$5,871,874	\$6,778,692	\$27,145,597	\$4,524,266
Others Entities	\$1,081,718	\$1,141,883	\$663,925	\$898,634	\$749,757	\$965,235	\$5,501,151	\$916,859
Total	\$3,936,612	\$4,769,973	\$4,183,593	\$5,391,012	\$6,621,631	\$7,743,926	\$32,646,748	\$5,441,125

OPA spent \$508K, or \$85K annually, for contracted legal services mostly for Procurement Appeals Hearing Officers. OPA had six contracts with different law firms.

GIAA \$17.8M Initial Legal Services Cost

GIAA had four contracts with four different law firms totaling an initial payment of \$17.8M. Law Firm A is representing GIAA on several cases and provided general legal matters. A case that Law Firm A is handling includes a written agreement for the attorney's fees reimbursement from the respondent party. Payment to Law Firm A totaled \$17.5M. However, with the reimbursement, GIAA's net legal services payment to Law Firm A decreased to \$4M. GIAA has pending reimbursement for \$62K as of May 2019. Table 3 presents GIAA's contracted legal services cost.

Table 3: GIAA Contracted Legal Services Cost

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Total
Law Firm A	\$1,416,798	\$1,576,659	\$2,083,368	\$2,834,984	\$4,494,446	\$5,086,918	\$17,493,174²
Law Firm B	\$38,509	\$69,389	\$40,669	\$22,004	\$8,151	\$6,603	\$185,325
Law Firm C	\$55,359	\$34,955	\$5,492	\$ -	\$ -	\$ -	\$95,807
Law Firm D	\$ -	\$ -	\$ -	\$ -	\$18,766	\$31,874	\$50,640
Subtotal	\$1,510,667	\$1,681,004	\$2,129,530	\$2,856,987	\$4,521,364	\$5,125,395	\$17,824,946
Reimbursed	(\$755,034)	(\$1,287,648)	(\$1,520,385)	(\$1,884,766)	(\$3,825,038)	(\$4,220,693)	(\$13,493,564)
Net Cost	\$755,633	\$393,356	\$609,145	\$972,221	\$696,326	\$904,702	\$4,331,382

PAG Paid \$5.4M for Legal Services to One Law Firm

PAG faced several lawsuits from FY 2013 through FY 2018 involving a dispute due to development and lease agreement and several employee cases. Some of these cases are ongoing before the Superior Court of Guam. PAG paid this Law Firm \$5.4M for legal services. Table 4 presents PAG's legal services cost.

Table 4: PAG Contracted Legal Services Cost

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Total
Law Firm	\$868,831	\$842,778	\$841,080	\$919,364	\$963,653	\$928,587	\$5,364,293

See Appendix 3 for the cost of contracted legal services from the 21 GovGuam entities.

Legal Services, Bond Counsel, and Environmental Attorney Cost \$4M

GMHA, GWA, and DPHSS paid \$4M in total for contracted legal services to various law firms. GMHA and DPHSS had two contracts for in-house legal assistance and litigation counsel. GWA had four contracts for legal services, bond counsel, and environmental attorney. GWA paid a total of \$1.2M for contracted legal services of which the payment for bond counsel totaling \$1.1M was the biggest.

² GIAA's payment to Law Firm A totaled \$3,999,610 with the reimbursement.

Seven GovGuam Entities Spent \$43.8M on Government-Hired Attorneys

In our analysis, seven GovGuam entities hired attorneys to provide in-house legal services for a total amount of \$43.8M. Six entities spent \$5.9M while OAG spent \$38M on government-hired attorney compensation. Table 5 presents the attorney compensation paid by the seven GovGuam entities.

Table 5: GovGuam Attorneys Compensation Cost

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Total	Annual Average
GDOE	\$166,220	\$258,396	\$185,656	\$192,428	\$200,183	\$214,286	\$1,217,169	\$202,862
DOA	\$169,963	\$180,622	\$179,847	\$178,973	\$181,792	\$183,895	\$1,075,092	\$179,182
UOG	\$162,644	\$169,152	\$168,413	\$176,634	\$173,650	\$175,469	\$1,025,962	\$170,994
GPA	\$128,080	\$147,522	\$139,877	\$156,691	\$179,333	\$172,880	\$924,383	\$154,064
GWA	\$145,037	\$147,990	\$149,878	\$130,392	\$149,501	\$151,885	\$874,683	\$145,781
CSC	\$105,042	\$213,367	\$108,325	\$106,343	\$110,493	\$105,042	\$748,612	\$124,769
Subtotal	\$876,986	\$1,117,049	\$931,996	\$941,461	\$994,952	\$1,003,457	\$5,865,901	\$977,650
OAG	\$5,373,359	\$6,195,078	\$6,206,274	\$6,506,545	\$6,631,450	\$7,045,019	\$37,957,725	\$6,326,288
Total	\$6,250,345	\$7,312,127	\$7,138,270	\$7,448,006	\$7,626,402	\$8,048,476	\$43,823,626	\$7,303,938

The number of government-hired attorneys employed by the six GovGuam entities did not change much from FY 2013 to FY 2018. Annually, eight attorneys were employed with an average compensation of \$978K or \$125K per government-hired attorney. See Table 6 for the number of attorneys employed by the six entities and the compensation per fiscal year.

Table 6: Number of GovGuam Attorneys Employed

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Average
GDOE	2	3	2	2	2	2	2
DOA	1	1	1	1	1	1	1
UOG	1	1	1	1	1	1	1
GPA	1	1	1	1	1	1	1
GWA	1	1	1	2	1	1	1
CSC	1	2	1	1	1	1	1
Total	7	9	7	8	7	7	8
Total Compensation	\$876,986	\$1,117,049	\$931,996	\$941,461	\$994,952	\$1,003,457	\$997,650
Average Cost per Attorney	\$125,284	\$124,117	\$133,142	\$117,683	\$142,136	\$139,979	\$124,706

GDOE, DOA, and UOG spent \$3.3M in total for compensation. GDOE on average hired two attorneys with compensation totaling \$1.2M or \$203K annually. DOA and UOG each hired one in-house attorney with compensation totaling \$2.1M or \$350K annually.

In FY 2014 and FY 2018, annual compensation totaled more than \$1M. In FY 2014, GDOE employed three attorneys with compensation of \$258K. In FY 2018, CSC hired an attorney with compensation totaling \$105K.

OAG Paid on Average \$113K per Attorney

Compensation for attorneys employed at OAG is excluded from the above analysis because of the nature of the government organization. In our separate analysis, we found that OAG employed an average of 56 attorneys from FY 2013 through FY 2018 with an annual compensation averaging \$113K per attorney. Table 7 below shows OAG’s compensation cost.

Table 7: OAG Compensation Cost per Attorney

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Average
Total Compensation	\$5,373,359	\$6,195,078	\$6,206,274	\$6,506,545	\$6,631,450	\$7,045,019	\$6,326,288
Number of Attorneys	53	56	56	57	57	58	56
Cost per Attorney	\$101,384	\$110,626	\$110,826	\$114,150	\$116,341	\$121,466	\$112,634

34 GovGuam Entities Utilized OAG with \$1.6M in Reimbursement

OAG serves as GovGuam’s law firm that provides legal services to government agencies, departments, boards, commission, and other entities. From FY 2013 to FY 2018, 34 GovGuam entities utilized the OAG attorneys for legal services. Only six entities reimbursed OAG totaling \$1.6M or an annual average of \$263K. Table 8 presents the amount reimbursed to OAG.

Table 8: OAG Reimbursement for Legal Services

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Total	Average
DPW	\$100,620	\$177,813	\$156,651	\$196,285	\$187,472	\$126,975	\$945,816	\$157,636
CLTC	\$ -	\$43,462	\$105,511	\$106,819	\$112,938	\$121,297	\$490,027	\$98,005
GEPA	\$ -	\$ -	\$ -	\$ -	\$ -	\$116,375	\$116,375	\$116,375
PEALS	\$ -	\$ -	\$2,375	\$4,002	\$4,190	\$5,252	\$15,819	\$3,955
DOC	\$ -	\$ -	\$ -	\$ -	\$ -	\$8,753	\$8,753	\$8,753
CLB	\$ -	\$ -	\$72	\$ -	\$ -	\$ -	\$72	\$72
Total Reimbursed	\$100,620	\$221,275	\$264,609	\$307,106	\$304,600	\$378,652	\$1,576,862	\$262,810

DPW’s three divisions namely the Highways, Office of Highway Safety, and Administrative Services Division, reimbursed OAG \$946K for legal services from FY 2013 to FY 2018. The Highways division reimbursed OAG the most totaling \$451K.

In FY 2014, Highways division reimbursed OAG \$130K, the biggest amount reimbursed. Beginning FY 2015, the reimbursement amount decreased. The Assistant Attorney General assigned to the division began charging the other DPW divisions for legal services through a Memorandum of Understanding.

See Appendix 2 for the list of GovGuam entities that utilized OAG and the amount reimbursed.

Other Matters

In our analysis, we also found the following:

Five GovGuam Entities Employed Attorneys and Contracted Legal Services

In our analysis, GWA, GPA, UOG, GDOE, and CSC concurrently employed and contracted attorneys for their legal services. The aggregate amount totaled \$7.7M with \$4.8M for attorney compensation and \$2.9M for legal services contract with 13 law firms.

Among the five entities, GWA paid the highest for employed attorneys and contract legal services. This totaled \$2.1M with \$875K for compensation and \$1.2M for legal services contract. GWA had four contracts with different law firms from FY 2013 to FY 2018.

Table 9 below presents the cost for the fiscal year when these entities had both in-house attorneys employed and contracted legal services.

Table 9: Attorney Compensation and Contract Legal Services Cost

Fiscal Year	GWA		GPA		UOG		GDOE		CSC		Total
	Sal. & Ben.	Contract	Sal. & Ben.	Contract	Sal. & Ben.	Contract	Sal. & Ben.	Contract	Sal. & Ben.	Contract	
2013	\$145,037	\$10,774	\$128,080	\$161,920	\$162,644	\$45,532	\$ 166,220	\$ -	\$ 105,042	\$5,000	\$930,250
2014	\$147,990	\$546,758	\$147,522	\$148,472	\$169,152	\$58,117	\$ 258,396	\$ -	\$ 213,367	\$5,000	\$1,694,774
2015	\$149,878	\$25,014	\$139,877	\$118,436	\$168,413	\$98,343	\$ 185,656	\$ -	\$ 108,325	\$ -	\$993,942
2016	\$130,392	\$298,759	\$156,691	\$122,206	\$176,634	\$105,730	\$ 192,428	\$51,339	\$ 106,343	\$30,000	\$1,370,523
2017	\$149,501	\$19,746	\$179,333	\$132,137	\$173,650	\$80,722	\$ 200,183	\$60,000	\$ 110,493	\$33,550	\$1,139,315
2018	\$151,885	\$345,818	\$172,880	\$249,429	\$175,469	\$67,848	\$ 214,286	\$ -	\$ 105,042	\$89,000	\$1,571,657
Subtotal	\$874,683	\$1,246,869	\$924,383	\$932,600	\$1,025,963	\$456,292	\$1,217,169	\$111,339	\$ 748,612	\$ 162,550	
Total	\$2,121,552		\$1,856,983		\$1,482,255		\$1,328,508		\$911,162		\$7,700,460³

CLTC Opted for OAG's Legal Services

In FY 2013 and FY 2014, CLTC had a contract for legal services that totaled \$50K. This ended in FY 2014 and since then CLTC utilized OAG for legal services. CLTC reimbursed OAG for a total amount of \$490K. Table 10 below shows CLTC's legal service cost from FY 2013 to FY 2018.

Table 10: CLTC Legal Service Cost

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Total
Contract Payment	\$42,275	\$7,400	\$ -	\$ -	\$ -	\$ -	\$49,675
Reimbursement	\$ -	\$43,462	\$105,511	\$106,819	\$112,938	\$121,297	\$490,027
Total	\$42,275	\$50,862	\$105,511	\$106,819	\$112,938	\$121,297	\$539,702

³ Salary and Benefits total \$4,790,810 and Attorney Contract totals \$2,909,650.

Conclusion and Recommendation

GovGuam agencies, autonomous and semi-autonomous agencies, and public corporations aggregately spent \$78M in legal services from FY 2013 to FY 2018. In our analysis, 21 GovGuam entities paid \$32.6M to cover for contracted legal services. GIAA initially paid \$17.8M for contracted legal services. The reimbursement of \$13.5M decreased GIAA’s legal services cost to \$4.3M. Seven entities that employed government-hired attorneys, including OAG, spent \$43.8M on compensation. Reimbursement to OAG from six entities amounted to \$1.6M.

Although certain GovGuam entities require special counsel to handle particular cases, we noted that it is cost-effective to hire in-house attorneys (government attorneys). When comparing the top five contracted legal services cost and government-hired attorney compensation, we identified an average annual cost of \$2.2M for contracted legal services and \$853K for government-hired attorney compensation. See table below for comparison of the top five GovGuam entities’ legal costs.

Comparison of Top Five GovGuam Entities Legal Services Cost					
Contracted Legal Services			Government-Hired Attorney Compensation		
	Total	Average		Total	Average
GIAA	\$17,824,946	\$2,970,824	GDOE	\$1,217,169	\$202,862
PAG	\$5,364,293	\$894,049	DOA	\$1,075,092	\$179,182
GMHA	\$1,401,510	\$233,585	UOG	\$1,025,962	\$170,994
DPHSS	\$1,307,979	\$217,996	GPA	\$924,383	\$154,064
GWA	\$1,246,869	\$207,812	GWA	\$874,683	\$145,781
	\$27,145,597	\$4,524,266		\$5,117,287	\$852,882

While each GovGuam entity identifies its needs for legal services, we recommended these entities perform a cost-benefit analysis to determine if it is more feasible to employ government attorneys versus contracting for legal services.

Classification of Monetary Amounts

	Finding Description	Questioned Costs	Potential Savings	Unrealized Revenues	Other Financial Impact ⁴
1	21 GovGuam Entities Spent \$32.6M on Contracted Legal Firms				
	Top Five Entities Paid \$27.1M for Contracted Legal Services	\$ -	\$ -	\$ -	\$ -
	<i>GIAA \$17.8M Initial Legal Services Cost</i>	\$ -	\$ -	\$ -	\$ -
	<i>PAG Paid \$5.4M for Legal Services to One Law Firm</i>	\$ -	\$ -	\$ -	\$ -
	<i>Legal Services, Bond Counsel, and Environmental Attorney Cost \$4M</i>	\$ -	\$ -	\$ -	\$ -
	Subtotal	\$ -	\$ -	\$ -	\$ -
2	Seven GovGuam Entities Spent \$43.8M on Government-Hired Attorneys				
	OAG Paid on Average \$113K per Attorney	\$ -	\$ -	\$ -	\$ -
	Subtotal	\$ -	\$ -	\$ -	\$ -
3	34 GovGuam Entities Utilized OAG with \$1.6M in Reimbursement	\$ -	\$ -	\$ -	\$ -
4	Other Matters				
	Five GovGuam Entities Employed Attorneys and Contracted Legal Services	\$ -	\$ -	\$ -	\$ -
	CLTC Opted for OAG's Legal Services	\$ -	\$ -	\$ -	\$ -
	Subtotal	\$ -	\$ -	\$ -	\$ -
	Totals	\$ -	\$ -	\$ -	\$ -

⁴ Other financial impacts are amount identified in the audit but do not fit the other categories.

Management Response and OPA Reply

In July 2018, we provided a draft Executive Summary to GIAA and PAG for their respective official response. We did not hold a meeting with each agency's representative to discuss our analysis and recommendation.

GIAA's response: GIAA will perform the cost-benefit analysis and present the result to GIAA Board of Directors.

PAG's response: Prior to the issuance of this report, PAG already hired an in-house attorney effective August 2019.

OPA reply: We acknowledged GIAA and PAG's responses to our suggestion to perform a cost-benefit analysis to determine if it is more feasible to employ government attorneys versus contracting for legal services. Our suggestion remains open for GIAA as we have not seen the result of their cost-benefit analysis.

See the transmittal from each agency on the following page.

The legislation creating the Office of Public Accountability requires agencies to prepare a corrective action plan to implement the audit suggestion(s), to document the progress of implementing the suggestions(s), and to endeavor to complete implementation of the suggestion(s) no later than the beginning of the next fiscal year.

We will be contacting GIAA and PAG to provide a target date and title of the official(s) responsible for implementing our suggestion(s).

OFFICE OF PUBLIC ACCOUNTABILITY



Benjamin J.F. Cruz
Public Auditor

Management Response Letter



PORT OF GUAM
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Lourdes A. Leon Guerrero
Governor of Guam
Joshua F. Tenorio
Lieutenant Governor

July 18, 2019

MEMORANDUM

TO: Vincent Duenas, Audit Supervisor, Office of Public Accountability
FROM: Dominic G. Muna, Acting General Manager
SUBJECT: Draft Executive Summary – Government of Guam Legal Fees and Services Analysis

Hafa Adai! Mr. Duenas,

Thank you for your letter of July 5, 2019 relative to subject matter.

The Port Authority of Guam is pleased to inform your office that we have acquired an In-House Counsel, namely Atty a Port Attorney IV with

Si Yu'os Ma'ase.



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WE'RE ON IT
24/7



July 17, 2019

VIA EMAIL: vduenas@guamopa.com

Mr. Vincent Duenas
Auditor
Office of Public Accountability
Suite 401 DNA Building
238 Archbishop Flores Street
Hagatna, Guam 96910

Re: COST-BENEFIT ANALYSIS ON IN-HOUSE LEGAL COUNSEL VERSUS EXTERNAL LEGAL SERVICES

Hafa Adai, Mr. Duenas:

We are in receipt of your letter via email, dated July 10, 2019, recommending GIAA perform a cost-benefit analysis on employing an in-house attorney versus hiring external legal services. We are in the process of conducting this cost-benefit analysis as you suggested, and will present the results to our GIAA Board of Directors.

Should you have any questions, please contact our office at 646-0300.

Senseramente,

Thomas C. Ada
Thomas C. Ada
Executive Manager

cc: GIAA Admin.



The objective of our analysis were to determine:

- 1) The total cost GovGuam entities paid for legal services;
- 2) Which GovGuam entities contracted legal services from law firms and their related cost;
- 3) Which GovGuam entities employed government-hired attorneys for legal services and the total salaries and benefits paid; and
- 4) Which GovGuam entities utilized the OAG and the cost associated with their legal services.

The period of our analysis was from October 1, 2012 to September 30, 2018 (FY 2013 to FY 2018).

The scope of our analysis included a review of the applicable laws and regulations, GovGuam entities' legal contracts, and other relevant documents (i.e., billed hours, staffing pattern, and memorandums of understanding) concerning legal services.

Scope Limitation

Generally, we did not verify the amount of payments for legal services declared by each GovGuam entity in their survey response. The amounts declared by each GovGuam entity is their representation. We took these at face value for our analysis. We also did not determine the reasonableness of the number of attorneys needed by each GovGuam entity and the accuracy of its count or the number of contract with legal firms for each period. Lastly, we did not compute if the payments made to each law firm were within the negotiated rate.

Due to the nature of the survey, there were GovGuam entities that did not provide their responses to be included in our analysis. Although we tried to perform alternative audit procedures, we could not ascertain legal fees paid by these unresponsive entities. The outcome of our analysis would have been different had we received their official responses.

Audit Methodology

To accomplish our objectives, we reviewed laws and regulations, contracts and agreements, and prior audit reports related to GovGuam legal fees. We performed the following to answer our objectives:

1. Created a survey form with questionnaires pertaining to legal fees and identified GovGuam entities from the Government of Guam 2019 Protocol Directory.
2. Transmitted the survey forms to these GovGuam entities with about a month to return with their responses.

3. Requested copies of contracts and agreements from GovGuam entities with outsourced legal services.
4. Followed-up with GovGuam entities that did not provide responses. We deemed those entities to be unresponsive.
5. Compiled all survey responses and performed analysis for the following: a) in-house attorney compensation, b). reimbursement to OAG, and 3) cost of legal firms contracts (outsourced legal services).⁵

We only requested for a management response from GIAA and PAG because of the high cost of legal services among the GovGuam entities we surveyed.

We conducted this analysis in accordance with the standards for performance audits contained in Government Auditing Standards issued by the Comptroller General of the United States of America. These standards require that we plan our audit objectives and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

⁵ We conducted a survey of 62 GovGuam entities. We received 54 responses or an 87% response rate. Eight entities did not respond to our survey. These entities were: (1) BSP, (2) DISID, (3) GGRF, (4) PBS Guam, (5) GFD, (6) GHS-OCD, (7) HRRR, and (8) OOT.

**Appendix 2:
GovGuam Legal Fees and Services Cost**

GovGuam Entity	Law Firm Contract	Gov't-Hired Attorney Compensation	OAG Reimbursement	Total
BBMR	\$ -	\$ -	\$ -	\$ -
CAHA	\$ -	\$ -	\$ -	\$ -
CLB	\$ -	\$ -	\$72	\$72
CLTC	\$49,675	\$ -	\$490,027	\$539,702
COD	\$ -	\$ -	\$ -	\$ -
CQA	\$ -	\$ -	\$ -	\$ -
CSC	\$162,550	\$748,612	\$ -	\$911,162
DCA	\$ -	\$ -	\$ -	\$ -
DLM	\$11,000	\$ -	\$ -	\$11,000
DMA	\$ -	\$ -	\$ -	\$ -
DOA	\$ -	\$1,075,092	\$ -	\$1,075,092
DOC	\$ -	\$ -	\$8,753	\$8,753
DOL	\$ -	\$ -	\$ -	\$ -
DPHSS	\$1,307,979	\$ -	\$ -	\$1,307,979
DPR	\$ -	\$ -	\$ -	\$ -
DPW	\$ -	\$ -	\$945,816	\$945,816
DRT	\$ -	\$ -	\$ -	\$ -
DYA	\$ -	\$ -	\$ -	\$ -
GALC	\$550	\$ -	\$ -	\$550
GBHWC	\$ -	\$ -	\$ -	\$ -
GBOA	\$ -	\$ -	\$ -	\$ -
GCC	\$348,973	\$ -	\$ -	\$348,973
GCEC	\$ -	\$ -	\$ -	\$ -
GDDC	\$ -	\$ -	\$ -	\$ -
GDOE	\$111,339	\$1,217,169	\$ -	\$1,328,508
GEC	\$324,975	\$ -	\$ -	\$324,975
GEDA	\$875,728	\$ -	\$ -	\$875,728
GEPA	\$ -	\$ -	\$116,375	\$116,375
GHC	\$194,403	\$ -	\$ -	\$194,403
GHURA	\$595,813	\$ -	\$ -	\$595,813
GIAA	\$17,824,946	\$ -	\$ -	\$17,824,946 ⁶
GMHA	\$1,401,510	\$ -	\$ -	\$1,401,510

⁶ This amount includes reimbursement of \$13,493,564. GIAA's net legal cost is \$4,331,382.

Appendix 2:
GovGuam Legal Fees and Services Cost

GovGuam Entity	Law Firm Contract	Gov't-Hired Attorney Compensation	OAG Reimbursement	Total
GPA	\$932,600	\$924,383	\$ -	\$1,856,983
GPD	\$ -	\$ -	\$ -	\$ -
GPLS	\$ -	\$ -	\$ -	\$ -
GPT	\$33,905	\$ -	\$ -	\$33,905
GRTA	\$ -	\$ -	\$ -	\$ -
GVB	\$294,287	\$ -	\$ -	\$294,287
GWA	\$1,246,869	\$874,683	\$ -	\$2,121,552
MCOG	\$ -	\$ -	\$ -	\$ -
OAG	\$601,288	\$37,957,725	\$ -	\$38,559,013
OCME	\$ -	\$ -	\$ -	\$ -
OPA	\$507,773	\$ -	\$ -	\$507,773
PAG	\$5,364,293	\$ -	\$ -	\$5,364,293
PEALS	\$ -	\$ -	\$15,819	\$15,819
UOG	\$456,292	\$1,025,963	\$ -	\$1,482,255
Total	\$32,646,748	\$43,823,627	\$1,576,862	\$78,047,236

**Appendix 3:
Contracted Legal Services**

GovGuam Entity	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Total
GIAA	\$1,510,667	\$1,681,004	\$2,129,530	\$2,856,987	\$4,521,364	\$5,125,395	\$17,824,946
PAG	\$868,831	\$842,778	\$841,080	\$919,364	\$963,653	\$928,587	\$5,364,293
GMHA	\$278,527	\$318,158	\$225,108	\$215,938	\$175,776	\$188,003	\$1,401,510
DPHSS	\$186,095	\$239,393	\$298,936	\$201,330	\$191,336	\$190,889	\$1,307,979
GWA	\$10,774	\$546,758	\$25,014	\$298,759	\$19,746	\$345,818	\$1,246,869
GPA	\$161,920	\$148,472	\$118,436	\$122,206	\$132,137	\$249,429	\$932,600
GEDA	\$272,390	\$287,529	\$60,231	\$88,818	\$59,857	\$106,902	\$875,728
OAG	\$155,489	\$173,841	\$4,762	\$111,515	\$65,751	\$89,929	\$601,288
GHURA	\$119,340	\$142,935	\$121,982	\$64,124	\$80,539	\$66,894	\$595,813
OPA	\$98,251	\$83,396	\$90,693	\$83,069	\$92,075	\$60,289	\$507,773
UOG	\$45,532	\$58,117	\$98,343	\$105,730	\$80,722	\$67,848	\$456,292
GHC	\$20,574	\$24,602	\$59,530	\$20,743	\$22,131	\$46,823	\$194,403
GCC	\$49,763	\$58,930	\$20,425	\$99,581	\$59,867	\$60,408	\$348,973
GEC	\$44,820	\$58,398	\$41,116	\$42,251	\$38,400	\$99,990	\$324,975
GVB	\$52,165	\$87,142	\$36,392	\$75,420	\$20,675	\$22,494	\$294,287
CSC	\$5,000	\$5,000	\$ -	\$30,000	\$33,550	\$89,000	\$162,550
GDOE	\$ -	\$ -	\$ -	\$51,339	\$60,000	\$ -	\$111,339
CLTC	\$42,275	\$7,400	\$ -	\$ -	\$ -	\$ -	\$49,675
GPT	\$3,400	\$5,371	\$12,015	\$3,837	\$4,053	\$5,229	\$33,905
DLM	\$10,250	\$750	\$ -	\$ -	\$ -	\$ -	\$11,000
GALC	\$550	\$ -	\$ -	\$ -	\$ -	\$ -	\$550
Total	\$3,936,612	\$4,769,973	\$4,183,593	\$5,391,012	\$6,621,631	\$7,743,926	\$32,646,748



**Government of Guam
Government of Guam Legal Fees and Services Analysis
Report No. 19-05, August 2019**

ACKNOWLEDGEMENTS

Key contributions to this report were made by:

Christian Rivera, Auditor-in-Charge
Vince Duenas, Audit Supervisor
Benjamin J.F. Cruz, Public Auditor

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