



## Message from the Public Auditor



My Dear People of Guam

Un Dangkulo Na Si Yu'os Ma'ase for the privilege, honor, trust and confidence you have given me these nearly 18 years as your Public Auditor. It has been a wonderful and challenging journey into uncharted waters that I will always treasure. Over these years, accountability and transparency have become the expectation rather than the exception.

This journey is coming to a close sooner than expected. After much prayer and reflection I have decided to resign so that I can devote my time and energies to run for Congress. My last day at OPA was to be on June 1<sup>st</sup>, however, at the request of my staff, it will be moved to June 8<sup>th</sup> to allow for a smoother transition. I do this so that OPA will remain the independent nonpartisan office it is.

This 2017 annual report is my last annual accounting of my stewardship of OPA. I leave this office knowing that I have a fantastic management team and crew in place. The one risk is that the three women managers are in the unclassified service and therefore can be removed by the incoming elected Public Auditor. This risk was highlighted in the draft Performance Measurement Framework due to be released before the end of the year. This management team collectively has over 40 years of experience at OPA. While every Public Auditor should have the opportunity to bring in her/his management team, I hope and pray that it will not be at the expense of losing the institutional memory of OPA. Accordingly I will ask the legislature for a

transition budget for the next Public Auditor similar to what was accorded the current Attorney General.

Over the past year, Guam has seen seismic change that has been happening faster than ever. As stated in my inaugural remarks in January 2017, with the election of Donald Trump and promised reduction in federal taxes, coupled with worldwide, geopolitical instability and financial uncertainty, recent events have brought our island leaders to the realization that revenues will be adversely affected and something must be done to stem the tremendous loss.

Despite the recent efforts of the Guam Legislature in passing a 1% increase in business privilege taxes to be effective April 1<sup>st</sup> and the addition of a 2% sales tax to be effective October 1<sup>st</sup>, GovGuam must still do its part to reduce expenditures. OPA will do its part to implement cost-saving measures.

At the beginning of Governor Calvo's administration and in response to Executive Order 2011-01 directing agency heads to develop and recommend cost reduction and revenue enhancement measures, we submitted an Austerity Plan (OPA Report No. 2011-01) recommending potential cost savings and revenue enhancement ideas. Many of the proposed cost-saving measures went unaddressed, i.e., eliminating GFD's non-productive pay, reassessing wellness benefits, eliminating payroll paper checks, reassessing the need for Tendan Gobetnu, and eliminating the lifetime annuity for the Governor and Lieutenant Governor, among others.

In 2017, we issued nine performance audits that collectively identified over \$667 million (M) in questioned costs and other financial impacts. These audits made 25 recommendations to improve the accountability and operational efficiency and effectiveness of the audited agencies.

We administered 12 procurement appeals and issued five decisions, five dismissals, and two were stayed pending the Superior Court's decision on a petition for writ of mandamus. These appeals collectively have a purchasing value of approximately \$781M. The bulk of the \$781M came from an appeal of \$672M for a 120-megawatt renewable energy



source that will be installed by 2020. This was the largest procurement appeal OPA has ever adjudicated. The appeal for the rebuilding of Simon Sanchez High School (SSHS) was valued at \$100M. Unfortunately, the appellant for SSHS took the matter to court, which led to the further delay of the rebuilding of SSHS.

We monitored and oversaw the issuance of 23 financial audits, ten of which were issued within six months after the fiscal year. The financial statements of all 23 entities received unmodified (or clean) opinions. We strive to have all agencies not to have any material weaknesses or significant deficiencies and/or become low-risk auditees. In FY 2016, six entities qualified as low-risk auditees, Guam Community College, Port Authority of Guam, University of Guam, Guam International Airport Authority, Guam Power Authority, and Guam Waterworks Authority. These entities are commended for accomplishing this status.

OPA plans to give recognition in “Chamorro” to those entities that have similarly qualified, but do not have federal grants. Among the criteria are the agency’s financial audit is issued within six months of the fiscal year, and no material weaknesses or significant deficiencies. A number of agencies should qualify for this special recognition.

OPA continues to support legislation that would require all agencies to issue financial audits within six months after the fiscal year. This six-month time frame is one goal in the 10-year strategic plan of the Pacific Association of Supreme Audit Institutions (PASAI), which was adopted at the PASAI Congress in Guam in 2013 and is advocated by the Government Finance Officers Association and the World Bank.

We also suggest legislation that will require annual financial audits for organizations receiving over \$750 thousand (K) in GovGuam funding, similar to the Office of Management and Budget Uniform Guidance requirements for federal grant recipients. As an example, the Guam Cancer Care Trust Fund

received \$2.8M in FY 2017. If enacted, these entities will receive a separate financial audit.

As part of OPA’s strategic plan, we strive to become a model robust audit office. In 2017, we underwent an independent assessment using PASAI’s Performance Measurement Framework. The assessment will help OPA identify our strengths and weaknesses. For example, we found that OPA is not as independent as other audit offices in the Pacific primarily due to the restrictions in staff hiring and lack of staff autonomy. We received the draft assessment report in March 2018 and responded to it.

In 2017, OPA received a full compliance peer review rating, the sixth such rating since I was elected to office in 2000. Full compliance is the highest level of compliance and demonstrates the high quality of our audits. This monumental achievement could not have been done without the hard work, commitment, dedication, and professionalism of the staff and management of OPA.

To help us be more efficient, OPA has transitioned to electronic working papers, utilizing TeamMate software. Many audit organizations are embracing automation with software for electronic work papers. The Department of Interior – Office of Inspector General and several PASAI members are using TeamMate. Since transitioning, we have customized TeamMate specifically for our performance audits. Guam OPA is the only user in the Pacific using TeamMate for performance audits. These are but some of the initiatives we are undertaking in our quest to become a model robust audit office and for GovGuam to be the model for good governance in the Pacific.

*Senseramente,*

Doris Flores Brooks, CPA, CGFM  
Public Auditor