



**Inaugural Remarks
January 5, 2009
Public Auditor Doris Flores Brooks**

Thank you for being here...

The start of a third term. When I took my first oath of office in 2001, I didn't imagine I would do this a third time. It gives me pause to reflect where the office began and where it is today.

I want to thank my OPA staff for their professionalism, commitment and dedication. You have made OPA what it is today and allowed us to achieve many goals I have set over the past eight years.

I'm proud to acknowledge my deputy Public Auditor, Yuka Cabrera, Rodalyn Marquez, Vincent Duenas, Theresa Gumataotao, Maripaz Perez, Frank Cooper-Nurse, Anne Camacho, Lourdes Perez and Llewelyn Restuvog.

Thank you, staff.

I also thank my husband Jim for the unwavering support and encouragement he has given me throughout my years of public service. Jim, you are my rock, my No. 1 fan and my cheerleader.

And to my Dad, who at age 86 is fortunately able to be here today, you have always been my compass, giving me moral guidance. Thank you Dad.

Auditing is essential to the stewardship of government. Audits improve the efficiency, effectiveness, ethics and equity within government.

Government auditing is evolving. Where once it was pretty much limited to bean counting, it has become a more complex and comprehensive activity involving Oversight, Insight and Foresight. At Guam OPA we have a fourth function, Adjudication, better known as procurement appeals.

Oversight continues to be the traditional role of auditors. This is where we tell what has happened, what went wrong and how problems can be fixed.

In Guam, government financial audits have always been contracted to CPA firms. When I took office, the problem was that the audits were usually

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issued 18 to 24 months or more after the fiscal year's end. In addition to being untimely, the audits were often qualified, meaning incomplete or inaccurate information made them not totally reliable.

Some audits were not even performed. The Department of Education was classic in that respect. Four years went by without an audit. That's why DOE was declared a "high risk" grantee and in jeopardy of losing its federal funds. It remains on "high risk" today.

My goal was to have timely and unqualified "clean" audits issued for every agency and to make accountability and transparency the norm in government.

Some critics have said that OPA's role is just to contract out the financial audits. It's true that we oversee the procurement of audit contracts, as the law requires. But we do far more than award contracts. We are the grease in the machine that makes the audits happen timely, responsively and without qualification.

As the monitoring force behind these audits, we call the meetings, require progress updates, establish deadlines, review and question findings, and follow up on audit responses and resolutions. In actively participating in the audits, we review, revise and issue the reports. When an audit is done, we start the process again, month after month, year after year.

Last July, for the first time, all of GovGuam's financial audits were issued on time and without qualification. This happened because OPA took ownership and made the entities individually and collectively accountable. It's not merely because OPA contracted them out. As I said, financial audits had been contracted out for years, but until this office no one was keeping track of the work or holding agencies accountable.

By achieving the milestone of timely and unqualified audits, GovGuam is finally doing what is required of it as a grantee under the federal Single Audit Act.

Regular transparency exists because of the quarterly financial reporting of every government entity. Today information about government revenues, expenditures, contracts and salaries is readily available at OPA and agency websites.

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In conjunction with oversight, we emphasize insight—how can we make government programs and operations more responsive to recipients? How can we improve the effectiveness and efficiency of a program, its operations and financial reporting? In other words, is there effective use and good stewardship of the funds entrusted to us?

In a recent audit of GPSS, we found not only questionable procurement of \$3M, but that procurement is primarily a manual operation. The volume of requisitions and purchase orders mandate basic automation to make significant increases in efficiency. Other small-automated enhancements were suggested as a result of the financial management improvement plan that OPA was instrumental in securing for GPSS.

Likewise we suggested that GPSS follow DOA's policy of limiting the number of payroll deductions to eliminate pages and pages of deductions and simplify the reconciliation process. Or better still, implement electronic payroll, thus eliminating the printing of some 4,000 checks every two weeks and the need for scores of school personnel to come down to central office to pick up their checks. The federal government does it, including for Social Security, Food Stamps and Section 8 rents.

GPSS has yet to implement these time saving and money saving recommendations.

Our oversight and insight audits collectively identified more than \$107M in questioned costs, fraud, waste, abuse and **revenue diversions!**

In auditing tax credit programs we found that over \$8M in Gross Receipts Taxes were not paid into the General Fund. Instead selected businesses were allowed to offset their tax liabilities in return for constructing various sports facilities. The tax credit programs finesse the appropriation process. Because the taxes never got to the General Fund, the selected sports projects were directly funded without an appropriation. Essentially the sports projects received a higher funding priority than education, health and safety because they did not compete for appropriations in the annual budget process.

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Tax credit programs reduce government revenues and distort the government's spending priorities. Standard & Poors said the "implementation of exemptions and credits has prevented those revenues from realizing stronger growth."

A developing role for auditors is Foresight. With Foresight we highlight the implications of today's decisions and identify key trends and emerging issues facing our island. Among these are (1) financing the closing of Ordot and the opening of a new landfill, (2) providing funding to solve the JFK problem while maintaining and improving other schools (3) preparing for the impending military buildup, (4) mitigating the growth of the deficit; and (5) shoring up the retirement fund.

Financing the closure of Ordot and the opening of the new landfill without new sources of dedicated revenue will only exacerbate the dilemma of the General Fund. Think of the General Fund as a pie with more and more mouths to feed. But the pie is not growing.

JFK teaches us that schools cannot be allowed to deteriorate to the point where they are ordered closed. Maintaining and updating schools requires new-dedicated sources of revenue. Again the General Fund is not growing.

With the military buildup attention—and rightly so—is being placed on getting the basic infrastructure of roads, bridges, utilities and public buildings in place. It is only recently that policy makers and administrators realized we need to get our accounting infrastructure and related services in place. Many question whether our government is collecting the taxes due from military contractors today. How much more so when the buildup begins? Does Rev & Tax have the technology and resources to keep on top of collections? A recent OIG audit indicated not.

Another example is in the issuance of building permits. This necessary procedure is still done manually at DPW. Dedicated personnel do not even have copy or fax machines, much less individual computers. Incremental investments in technology—baby steps—will reap significant gains in the productivity of government workers.

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Our deficit exceeds half a billion dollars; that is more than 95% of annual general fund revenues. Our primary economic engine of tourism is on the wane. If we have the political will NOT to increase our deficit and set aside just \$5M a year it will take over two generations to retire the deficit. The greater challenge will be NOT to increase the deficit at all.

The worldwide recession is taking its toll on Guam. One effect is the reduction in value of the Retirement Fund's investment portfolio. Meanwhile the Fund is paying \$168M a year to some 7,000 retirees while active employee contributions are only \$101 million. The corpus of the Fund is being shrunk in two ways, creating a threat to the long-term viability of the Fund.

Foresight demands that we raise these questions so policy makers may address them before our government is crippled.

In 2006 a new responsibility, adjudication or procurement appeals, was given to OPA. Over the past 2½ years we have had 26 appeals. We have rendered decisions in all but three cases. It has been a learning experience for us. While we have not been as timely as I would like, our goal is to render a decision within 90 days from the day an appeal is filed.

Looking forward, I ask the Legislature to amend our enabling act regarding procurement appeals, our office name and to establish a Classification and Compensation Plan for OPA.

For procurement appeals we propose the law be changed so that in the event of the recusal of the Public Auditor, her designee can issue the procurement decision. Another change proposed is to eliminate the requirement for separate findings of fact by the hearing officer and a separate decision by the Public Auditor. It would eliminate redundancy if one decision incorporates the findings of the hearing officer and the decision of the Public Auditor.

The name change would be from Office of the Public Auditor to Office of Public Accountability. GAO went through a similar change in going from General Accounting Office to Government Accountability Office. Albeit a small change, it more accurately reflects the nature of our work.

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The most crucial need is enactment of a separate Classification and Compensation Plan that allows the Public Auditor to hire personnel in the classified service. The authority to so manage personnel is already granted to the Attorney General and the autonomous agencies. The Attorney General and Rev & Tax also have separate Classification and Compensation Plans. I ask for similar authority for OPA.

The 2008 survey of Auditing in the States by the National Association of State Auditors shows that OPA's deputy, a certified public accountant, is the lowest paid deputy of all the 50 states and two territories. But it does not end there. OPA's Upper Level Auditors also make the lowest while Middle Level Auditors and entry-level auditors make next to the lowest.

It is no wonder OPA staff are lured away by autonomous entities that have their own hiring authority and can offer salaries at will.

When I took office eight years ago I was an office of one. By the end of the first year our ranks grew to 9. At the start of my second term we were 13 and then grew to 18. As I start my 3rd term we are down to 10 and in jeopardy of losing more key staff if changes are not made in the manner of hiring, promoting and compensating.

There are ways to make an office ineffective. One way is not to allow it the resources and flexibility to hire crucial staff. We do not have the independence afforded other state auditor offices, much less an elected office. We do not even have the flexibility to determine our work plan because mandated audits have come to dictate the work we do. In salary matters we don't even get the respect accorded line agencies, as evidenced by the inaction to our plea for increasing the totally inadequate salary of our deputy.

The personnel problems that I've described and the audits being mandated by law are impairing and eroding OPA's independence. Yet independence is the hallmark of every auditor, of every audit office.

I respectfully request the 30th Guam Legislature to restore OPA's independence.

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Without independence, we cannot attain our vision of making Guam the model for good governance in the Pacific. With it, OPA can employ, as President Kennedy said in 1961, “Courage—judgment—integrity—dedication—these are the historic qualities ... which, with God’s help ... will characterize our Government’s conduct in the four ... years that lie ahead.”

And let us adhere to the principles that President Zachary Taylor announced at his inaugural in 1849. He promised to “enforce a strict accountability on the part of all officers of the government and the utmost economy in all public expenditures.”

Governor, Senators, together, with God’s help, we can make Guam that model for good governance in the Pacific.

Thank you, and Si Yu’os Ma’ase.