



EXECUTIVE SUMMARY

Guam Fire Department Payroll & Special Payments Analysis Report No. 10-08, November 2011

At the request of the Guam Police Department (GPD), in connection with its investigation of a former Guam Fire Department fire chief (chief), the Office of Public Accountability (OPA) conducted a review of the subject chief's payroll records between January 2003 and December 2005. We determined that \$53,909 was paid inappropriately, specifically:

- \$46,692 unauthorized and unexplained retroactive special payments;
- \$4,973 unneeded overtime and night differential special payments; and
- \$2,244 questionable regular bi-weekly payments.

We also found that Department of Administration (DOA) payroll technicians receive, process, and approve timesheets and special payment requests without secondary or management review.

19 Special Payments Totaling \$68,406 Issued

Special payments are any payments made by payroll outside the regular bi-weekly payroll run, such as retroactive payment requests, advance annual leave payments, etc. Both as acting and confirmed department head, the former fire chief received 19 special payments totaling \$68,406 between January 1, 2003 and December 31, 2005. Of the 19, 17 payments totaling \$51,665 were improper. The remaining two payments totaling \$16,741 were authorized for unused annual leave.

The 17 improper payments totaling \$51,665 were initiated by the chief himself. Sixteen payments, totaling \$46,692, lacked supporting documentation, secondary review, and authorization. This lack of thorough independent check on timesheets and special payment requests is indicative of a weak internal control structure. The remaining \$4,973 was authorized special payment for unneeded overtime and night differential pay.

Increased Annual Earnings

As a consequence of special payments, the fire chief made significantly more than the \$74,096 set by law between calendar years 2002 and 2006. The subject made \$71,007 in 2002, prior to his acting appointment. In 2003, as his salary level fluctuated between his regular and acting positions, and his lump sum withdrawal, he made \$87,680. He made \$79,688 in 2004; \$97,871 in 2005; and \$79,599 in 2006.

Unexplained Payments

We found 19 unexplained payments totaling \$53,909, of which 16 were unexplained and unauthorized special payments totaling \$46,692, one was authorized but for unneeded overtime and night differential totaling \$4,973, and two questionable bi-weekly pay

amounts totaling \$2,244 between January 2003 and December 2005 as discussed. With the exception of three special payments, the DOA chief payroll officer was not able to explain the reasons for the payments, detailed below, nor did we find documentation or justification for them. We could not determine the logic behind some of the complicated calculations on these payments. These payments were processed and disbursed without documentation, authorization, and management review and approval. The former chief took advantage of his official position for personal gain.

A discussion of the nature of these payments follows.

Unauthorized Retroactive Overtime and Night Differential Special Payments

1. \$1,475 issued in Check No. 107585 on May 13, 2005; and
2. \$5,450 issued in Check No. 158605 on November 4, 2005.

As a department head, the chief was prohibited by law from receiving overtime and night differential pay and was not entitled to the 106-hour pay period of uniformed firefighters. Yet he received two special payments totaling \$6,925 for overtime and night differential pay from 2003. Additionally, some hours were calculated at the \$74,096 per annum fire chief salary broken down into \$35.62/hour to make his time-and-a-half overtime cost \$53.43/hour.

Unneeded Overtime and Night Differential Special Payment

3. \$4,973 issued in Check No. 103160 on April 22, 2005

Although overtime justification was approved by the former DOA Human Resources Administrator, we still question the \$4,973 paid to the chief. The justifications included attendance of meetings, preparation of budget, and review of policies and procedure, which we deemed to be standard managerial duties and responsibilities of a fire chief. Moreover, if the claimed overtime hours were appropriate, it should have been claimed at the time of occurrence and not almost two years in April 2005, and a month before the former chief resigned from his position.

Unexplained Retroactive Overtime, Night Differential & Typhoon Payments

4. \$1,753 issued in Check No. 360500 on May 2, 2003;
5. \$8,359 issued in Check No. 409371 on October 3, 2003;
6. \$3,231 issued in Check No. 418940 on October 31, 2003;
7. \$1,069 issued in Check No. 423409 on November 14, 2003; and
8. \$6,002 issued in Check No. 11319 on June 11, 2004

Advance Payments

9. \$2,850 issued in Check No. 327496 on June 13, 2003
10. \$2,850 issued in Check No. 376804 on June 27, 2003
11. \$5,699 issued in Check No. 381126 on July 11, 2003
12. \$2,126 issued in Check No. 64088 on December 10, 2004

13. \$724 issued in Check No. 64091 on December 10, 2004
14. \$2,850 issued in Check No. 68191 on December 23, 2004

Retroactive Special Payments

15. \$1,579 issued in Check No. 336509 on February 7, 2003
16. \$452 issued in Check No. 400484 on September 5, 2003
17. \$226 issued in Check No. 404665 on September 12, 2003

Questionable Regular Bi-Weekly Pay

18. On April 25, 2003, the chief received \$926 at \$35.62/hour for 106 hours, the standard two-week pay period for uniformed firefighters; and
19. On April 8, 2005, the chief received \$1,318 at \$35.62/hour for 37 hours of administrative leave between March 28 and April 1, 2005.

Conclusion and Recommendation

Based on our review, we determined that the former fire chief received \$53,909 inappropriately, that payments were processed and disbursed without documentation and authorization, and that this occurred because DOA payroll technicians routinely processes timesheets and special payment requests without management review and approval. As such, the payroll system is subject to errors, manipulation, and the risk of abuse and fraud.

We recommend the DOA Director instruct the chief payroll officer to monitor the timesheets of government managers, to include Directors, Deputies, and Controllers, with particular attention to special or retroactive payment requests. A management response provided by DOA stated that they concurred with the audit findings and recommendations. Special payments are now to be approved by the Director and top level agency management requests will be closely monitored by the chief payroll officer. In addition, system controls are being tested that will restrict payroll technicians from processing special payment requests without clearance from the chief payroll officer or payroll supervisor.

This report was completed and provided to the Guam Police Department and Office of the Attorney General in December 2010. Due to the sensitivity of the information, the report was not publicly released to allow time for the Attorney General to take action. After 11 months, we are publicly releasing the report as required by the OPA's enabling act.

Doris Flores Brooks, CPA, CGFM
Public Auditor