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OFFICE OF PUBLIC ACCOUNTABILITY
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Public Auditor

August 11, 2010

Honorable Thomas C. Ada
Senator and Chairman Committee on Utilities, Transportation,
Public Works, and Veterans Affairs
30th Guam Legislature
Ada Plaza Center, Ste, 207
173 Aspinall Avenue
Hagatna, Guam 96910

Ref: Bill No. 426-30 (COR)

Dear Senator Ada and Committee Members:

I applaud the initiative taken in Bill No. 426 to create an autonomous Guam Solid Waste Authority that will be tasked with administering the island's solid waste program.

Among the recommendations we made in our audit of the Department of Public Works Solid Waste Management Division (OPA Report No. 10-04) was to establish the new legal and organizational framework for solid waste management and to appoint a liaison to coordinate with the Federal Receiver on consent decree projects and act as the single point of contact for the government of Guam.

I am in general support of this bill with certain amendments and/or clarifications.

With respect to the fiscal year financial report outlined in Section 15105 (vi), this report should include the annual financial audit of the authority. The annual financial audit should be conducted pursuant to the OPA's authority as outlined in 1 GCA 1908 and 1909. Further in 1 GCA 1921 the name of the new authority should be added to the list of autonomous entities.

The bill is silent as to what the fiscal year end should be. For clarification the fiscal year should be September 30, as is the government of Guam and all other autonomous entities.

Having the audited financials issued within 120 days is an accomplishment that only a handful of autonomous entities have been able to consistently achieve, most notably the airport and port authorities. This year UOG for the first time issued its audit within 120 days. GPA and GWA have yet to issue their financial audits within 120 days.

I do not advocate extending the time line as this is a standard the new authority should be held to. However in fairness to the new authority, GPA and GWA, who are also under the Consolidated Commission on Utilities, should be held to the same reporting standard of 120 days.

In section 15111, it is unclear whether the \$202,425,000 Limited Obligation (Section 30) Bonds to build the new landfill will be under the auspices of the new authority. While this is an obligation of the government of Guam because of the pledging of Section 30 funds, the new authority should be assigned annual debt payments which in time should be recovered through its rate structure. Ultimately, because of the bond indenture, the General Fund would have to cover any shortfall.

Sections 15107 and 15108 establish an Assistant General Manager: Administration and Fiscal Services, and Chief Financial Officer respectively. There appears to be some redundancy in responsibilities and yet a divergence of reporting. The Assistant General Manager shall have full charge and control, subject to the direction of the General Manager, of all administration, accounting and fiscal services of the Authority. The Chief Financial Officer shall have full charge and control of the fiscal, business and accounting operations of the authority, subject to the supervision of the board. Clarification is needed.

In Section 15109, the term "workmen's compensation" should be changed to "workers' compensation," consistent with Guam's statute on the topic.

A third recommendation is the commissioning of a study to evaluate the costs and benefits of adding the U.S. Military as a customer of the new landfill. Unlike water and power, the military has not been a customer of the Ordot dump. Most of the discussion has been on how the military will reduce rates, but little discussion on the cost and effect of a shorten life span to the new landfill. Policy makers through the new authority should set the clear direction on whether the military should become a landfill customer.

In Section 15301 the effective date of this act shall be when the U.S. District Court determines the requirements of Section XIV of the Consent Decree are fulfilled and governance is returned to the government of Guam. At this time when the handover will occur is unknown. Our government has not demonstrated to the Court that we are capable of handling solid waste. The creation of the new authority is the vehicle

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by which the management team will come into place to begin the orderly transition, including the appointment of a liaison to coordinate with the Federal Receiver and the commissioning of the study.

By having a viable management team in place, this will demonstrate to the District Court that the government of Guam is ready and capable to resume solid waste management. As a consequence the handover can occur sooner rather than later. With that I would urge that the effective date of the act be changed to 90 days upon passage.

Senseramente,

A handwritten signature in black ink, appearing to read "Doris Brooks", written in a cursive style.

Doris Flores Brooks CPA, CGFM
Public Auditor