
**Management Audit of the
Department of Commerce**

A Report to the
Governor, the
Judiciary and
the Legislature
of the Government
of Guam



**THE PUBLIC AUDITOR
GOVERNMENT OF GUAM**

OVERVIEW

Management Audit of the Department of Commerce

SUMMARY

The Department of Commerce (DOC) is responsible for collecting, compiling, and distributing socioeconomic information focused on demographic analysis, census of population, agriculture, business and industry in Guam. We found that the DOC has to regularly publish the economic information needed by the public.

The DOC publishes quarterly issues of economic information such as *Doing Business on Guam*, *Applying for Business License*, *Directory of Copyrights, Trademarks and Servicemarks*, and *Trade Newsletter*. There are no established deadlines and no record of copies produced and distributed to the users. The change of quarterly to semiannual or annual publications except *Trade Newsletter* would save time and cost of printing information repetitiously. Also, the publication staff will have more time to gather data and improve each issue.

The DOC has not regularly published the Quarterly Consumer Price Index, Export and Import, Trade Balances, and other information to guide businessmen and investors. The DOC has not provided adequate publicity and promotion in the United States to facilitate overseas trade and the services available on Guam because of budget constraints.

The final review of updating the Consumer Expenditure Survey conducted in 1995 will be completed by May 30, 1996 according to the Director of the DOC. This will be used to update the computation of Guam Consumer Price Index and the Inflation Rate. The DOC will lose Federal grants and pay penalties for administrative sanctions if they continue to be late or non-submission of Federal Financial Reports SF269 and SF272 to the grantor agency.

To strengthen weak internal controls over the Guam Aquaculture Development and Training Center (GADTC) Revolving Fund, the DOC has limited the petty cash fund to a minimum amount with specific employees assigned to handle such funds. The control of Public Market (PM) Revolving Fund was implemented in mid 1995 to review expenditures and certify funds by the Administrative Officer prior to payment and approval by the Director. In addition, the Department of Administration is now reviewing and evaluating the FTE positions assigned to the Chamorro Village.

RECOMMENDATIONS AND RESPONSE

We recommend that the Director of the Department of Commerce (DOC) reduce individual quarterly publications and establish timelines of publications and number of copies to be produced. The DOC should combine Doing Business on Guam and Applying for Business License into one annual publication, retain the Trade Newsletter quarterly, and publish the Directory of Copyrights, Trademarks, and Servicemarks annually.

We recommend that the Director provide adequate publicity and promotion in the United States to facilitate overseas trade and the services available on Guam. In addition, publish an updated Consumer Price Index, Export and Import, Trade Balances, and other information quarterly.

We recommend that the Director immediately complete the updating of Consumer Expenditure Survey. Also, he should prepare and submit Federal Financial Reports (SF269 and SF272) on time to avoid losing Federal grants and paying administrative penalties.

We recommend that the Director develop and carry out improved policies and procedures to strengthen the internal control over the GADTC Revolving Fund and the PM Revolving Fund. Permanent staff should be assigned to the operation of Chamorro Village and invite more local producers to actively participate in the promotion and sale of Guam products.

The Director responded by citing the initial remedies in progress to address the concerns raised in our report such as to establish timelines to complete all publications, modify publications either semiannually or annually, limit petty cash fund to a minimum amount and assign specific employees to handle GADTC Revolving Fund, and appoint permanent employees to the Chamorro Village to assume responsibility.

The Director and staff of the DOC commented that the report disregards the on-going efforts of the present management to address the discrepancies including some concerns already addressed prior to the completion of audit. However, the Director did not clearly respond whether he concurs or not to our recommendations to improve the agency's operation. If he concurs, he should indicate what specific actions to take or taken with timeframe, who is responsible for the implementation and evidence of written policy guidelines to resolve the issues. If he does not agree, there should be appropriate justification for non-concurrence.

We recognize that the DOC has attempted to regularly publish some of the quarterly and annual publications. Our view is that the publications should be released on time to be more useful and meaningful to the consumers (businessmen, investors, public) of this vital economic information.



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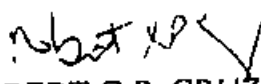
May 2, 1996

The Governor of Guam
Speaker of the Guam Legislature
Presiding Judge of the
Superior Court of Guam
Agana, Guam 96910

Dear Governor, Speaker and Presiding Judge:

Pursuant to the Guam Code Annotated Title 1, Chapter 19, Section 1909, as amended, the Office of the Public Auditor submits its report concerning the management audit of the Department of Commerce for fiscal years 1993, 1994, and 1995. This report consists of introduction, findings and recommendations, and response of the affected agency received April 11, 1996.

Respectfully submitted,


ROBERT G.P. CRUZ

Enclosure

PA-02-96

Foreword

The Department of Commerce is the agency collecting, compiling, and distributing socioeconomic information on demographic analysis, census of population, agriculture, business and industry particularly tourism in Guam. In 1995, the Department of Commerce published some of the quarterly issues of Doing Business on Guam, Applying for Business License, Directory of Copyrights, Trademarks and Servicemarks, Trade Newsletter and Guam Quarterly Economic Review. The Department of Commerce conducted the Consumer Expenditure Survey in 1995 to be used in updating the Guam Consumer Price Index and the Inflation rate. Also, Department of Commerce administers the Guam Aquaculture Development and Training Center and the Public Market known as "Chamorro Village". The audit was conducted pursuant to Guam Code Annotated Title 1, Chapter 19, Section 1909, as amended, which requires the Public Auditor to conduct audits of the Executive, the Legislative, and the Judicial branches.

We wish to acknowledge the cooperation and assistance extended to us by the Department of Commerce and others whom we contacted during the course of the audit.


ROBERT G.P. CRUZ
Public Auditor

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INTRODUCTION

BACKGROUND

The Department of Commerce (DOC) was created by Public Law (PL) 7-48 on July 9, 1963. The DOC is tasked with encouraging and promoting the prosperous development and operations of the legitimate interest and welfare of Guam business, industry, and commerce.

The Guam Legislature has mandated the creation of DOC to achieve the following:

- * Promote and encourage the expansion of markets for Guam products, location and development of new business in Guam, as well as, the maintenance and expansion of existing business, with emphasis on tourism, finance, light industry, and transportation.
- * Promote exports and encourage both foreign and domestic investment on Guam.
- * Investigate and study conditions affecting Guam business, industry and commerce, and compile, collect, develop, and otherwise make available scientific indices and other information relating to current business conditions to enhance coordination among all government agencies with regard to economic development efforts and promote Guam's position as a regional center for business, trade, and commerce.
- * Collect, compile, and distribute socioeconomic information about conditions on Guam, including the compilation and distribution of demographic analysis.
- * Compile periodically the census of population, agriculture, business, and industry in Guam and distribute the information in a form useful to the community of Guam.

The DOC has five (5) divisions: Director's Office (Administration), Business and Overseas Affairs (BOA), Economic Research Center (ERC), Economic Development and Planning Division (EDP) which administers the Guam Aquaculture Development and Training Center (GADTC), and the Public Market (PM), also known as the

Chamorro Village (CV) established by PL 14-154 which promotes the venues for all local products, made-in, grown-in and administers the Guam Product Seal program. PM revolving fund balance as of September 30, 1995 was \$106,435.02. It was deposited with Bank of Hawaii under Account 38-119209, a checking account earning interest. Executive Order 88-23 of September 2, 1988 created the Guam Aquaculture Development and Training Center (GADTC) to start and carry out its operation in support of the Guam Aquaculture Industry and then established GADTC revolving fund.

The Department of Commerce has incurred total expenditures in FY 1993 \$4.6m, FY 1994 \$4.79m and FY 1995 \$1.98m. Expenditures in FY 1993 and FY 1994 included that of the Customs and Quarantine which in FY 1995 became another agency of the Government of Guam.

OBJECTIVE AND SCOPE

The objective of our audit was to determine whether: (1) the DOC has provided the assistance, encouragement and information to the business community for the location and development of new business, as well as, the maintenance of existing businesses in Guam; (2) the DOC has promoted and encouraged the expansion and development of markets for the products of Guam; (3) the CV has carried out its functions and the revolving fund has been properly managed and accounted for, and (4) the GADTC has accounted for, maintained and properly used its Revolving Fund

We reviewed the department's mission, organization, operations and management of the five (5) divisions covering FYs 1993, 1994 and 1995.

Our work was performed July 1995 to November 1995 in accordance with generally accepted government auditing standards. Accordingly, we included such tests of records and other auditing procedures that were considered necessary under the circumstances.

Our fieldwork was performed at the DOC, Chamorro Village and the Department of Administration. To have a better perspective of how the duties of the department were carried out, we identified them to each of the five (5) divisions.

As part of our review, we evaluated the divisional organization staffing where deemed necessary. We interviewed employees, reviewed and examined DOC records

Our work was expanded to include the examination and review of financial transactions covering the PM and the GADTC revolving funds. To determine the PM revolving fund balance, we performed a bank reconciliation.

PRIOR AUDIT COVERAGE

No prior audit has been conducted of the Department of Commerce.

FINDINGS AND RECOMMENDATIONS

The Department of Commerce (DOC) is responsible for promoting and encouraging the expansion of markets with emphasis on tourism, finance, light industry and transportation. The DOC continued to collect, compile, and distribute socioeconomic information focusing on demographic analysis, census of population, agriculture, business and industry in Guam. In this section, we examined the management of the agency on whether it has accomplished its defined goals and objectives.

SUMMARY OF FINDINGS

The DOC has directed its effort to achieve the promotion and encouragement of prosperous development of the legitimate interest and welfare of Guam business, industry, and commerce. Our observations on how the agency fulfilled its mission are the following:

1. The DOC has many different issues of economic informational publications not regularly published. There is no established deadline of publications and number of copies to be produced.
2. The DOC has not provided adequate publicity and promotion in the United States to facilitate overseas trade and the services available on Guam.
3. The DOC has not regularly published the scientific indices and economic indicators to guide businessmen and potential investors.
4. DOC has published Quarterly Consumer Price Index based on outdated Consumer Expenditure Survey that was conducted in 1978.
5. The DOC has not prepared and submitted on time the federal financial reporting requirements.
6. The DOC has improperly handled the Guam Aquaculture Development and Training Center (GADTC) Revolving Fund.
7. The DOC has not impressively managed and operated the Chamorro Village to achieve promotion of Guam products.

IMPROVED QUARTERLY PUBLICATIONS

The promotion of Guam as a good business location will encourage businessmen to expand and potential investors to move their operation to Guam. The regular and annual publications containing current statistics and economic information will guide the entrepreneurs to make business decisions. This serves as a basis for projecting business condition on Guam.

Improving the Publications

The Business and Overseas Affairs (BOA) has to continuously provide assistance and consultation to new and existing businesses. To achieve this objective, they publish four (4) individual quarterly issues to convey business information. The BOA serves as an information clearing house to encourage the location and development of new business and the maintenance of existing businesses on Guam. Thus, the BOA maintains and disseminates current information on trade and commerce to the public.

The following are the publications issued quarterly:

- a. **Doing Business on Guam**
- b. **Applying for a Business License**
- c. **Directory of Copyrights, Trademarks and Servicemarks**
- d. **Trade Newsletter**

Quarterly publication of **Doing Business on Guam** provides information and useful guidelines on long distance rates, telephone service, electricity and water rates, air freight rates, taxes, business licenses, U.S postal rates, shipping charges, and other related information.

The quarterly publication of **Applying for a Business License** provides information and useful guidelines in applying for a business license. It includes the steps to be taken to apply and obtain a business license, the different business license categories and fees, gross receipts tax, clearance from government agencies, expiration and renewals.

The quarterly directory of **Copyrights, Trademarks and Servicemarks** contains the listing of approvals and registration.

The BOA valuable trade leads received through business contacts and correspondence which local businesses may have an interest in are published in the quarterly **Trade**

Newsletter. It includes information on international trade events, fairs, promotions and other related publications obtained on a continuous basis. Also, it includes newly registered trademarks and changes in U.S. Copyright, Patent and Trademark laws.

Irregular and Inconsistent Publications

We reviewed the four (4) individual quarterly publications prepared by the BOA and we found that the quarterly issues were not produced regularly and consistently. We were able to determine that there were no established deadline and number of copies to make the quarterly issues available to businessmen, investors, and the public. We were not able to review all quarterly publications of 1994. However, the following publications were noted in 1995:

- | | | |
|----|--|--|
| a. | Doing Business on Guam | no publication 2nd and 4th Quarters |
| b. | Applying for a Business License | no publication 1st, 3rd and 4th Quarters |
| c. | Directory of Copyrights, Trademarks and Servicemarks | no publication 2nd, 3rd and 4th Quarters |
| d. | Trade Newsletter | no publication 1st, 3rd and 4th Quarters |

In addition, we found that there were many separate quarterly publications which could be incorporated into single annual publications except the Trade Newsletter that can be published quarterly.

Too Many Individual Publications

The BOA was unable to publish regularly the quarterly issues due to the limited personnel resources, lack of written policies and procedures, limited funds, and lack of supervisory review.

Doing Business on Guam and Applying for Business on Guam can be combined into annual publication to save time and cost instead of issuing information repetitiously. The Directory of Copyrights, Trademarks and Servicemarks should be an annual publication and the Trade Newsletter should be maintained as quarterly. This will solve the too many commitments of individual publications. Ultimately, the personnel involved in the publication can cope and improve the quality of the publications.

Economical Publication

There should be an established deadline and number of copies to produce and to distribute the quarterly and annual publications. To incorporate or reduce the frequency of publications will result in economical, timely and consistent publications, thus it will eliminate repetitious information. Moreover, the publication staff will have more time to gather information and improve every issue.

PUBLICITY FOR OVERSEAS TRADE

Guam is a territory of the United States which is a tourist destination for Japanese, South Koreans, Chinese and Pacific Islanders. To expand overseas trade and to create more overseas activities, Guam needs exposure and promotion in the US and other countries. This will achieve development and promotion of investment opportunities on Guam.

Adequate Publicity for Overseas Affairs Office (OAO)

Public Law 15-40, Chapter 6, Sections 1 & 2 enacted in June 1979 established within the DOC the OAO with an Officer-in-Charge (OIC) to be designated by the DOC Director to oversee its functions. The purpose of the OAO is to facilitate the overseas trade and will act as an informational clearing house for all traders and companies wanting to enter the Trade. Further, it requires that the DOC shall provide adequate publicity in the United States showing the willingness of the Territory to facilitate Trade and the services available through the OAO.

Limited Exposure and Promotion

We examined the approved funding for BOA in FYs 1994 and 1995 and we found that there was no fund budgeted for contractual advertising and promotion for OAO. In addition, there is no position for OIC, instead a Program Coordinator IV was acting as Officer-in-Charge. The DOC was publicized only in the Facsimile Users' Directory, Fall of 1989 without mentioning the OAO. Consequently, there was limited exposure and promotion of overseas trade between domestic and foreign countries.

Failure to Carry Out the Publicity

We believe that the OAO failed to act as clearing house for all traders and companies wanting to enter the Trade and to provide publicity in the US to facilitate overseas

trade due to lack of management attention. There was no budget to carry out this function and to designate an OIC. Hence, there was no plan to accomplish the objectives of PL 15-40 to further improve Guam business, commerce and industry.

Advantages of Wider Publicity

If there had been better publicity by BOA more business enterprises could have moved to Guam. To effectively facilitate overseas trade between domestic and foreign countries, the DOC must provide adequate and continuous publicity in the United States through the media such as Trade Magazines and Convention Bureaus. It is beneficial to participate in international trade fairs and expositions which is an effective means to distribute information to businessmen being in personal contact with business representatives from the different countries. Moreover, the trade fairs and expositions will be a source of valuable materials and information for the Trade Library to be used by interested companies. On the other hand, there will be loss of business opportunities for not carrying out the function of the OAO.

TIMELY REPORTING OF STATISTICS

To provide meaningful economic information related to the current and future condition of Guam's economy, there is a need to update and timely publish the statistics consistent with the objectives of the Economic Research Center (ERC). Monitor current economic events and forecast future conditions; this will serve existing and prospective local businessmen and foreign investors on Guam.

Collection of Economic Data

In accordance with PL 22-74, Section 2(b), the DOC must investigate, study, and undertake ways and means of promoting and encouraging the prosperous development and protection of the interest and welfare of Guam's legitimate business, industry and commerce and then, compiles, collects, develops and publishes quarterly scientific indices and economic indicators. Further, it provides that in the event sufficient funds are not available to the DOC to publish all the materials, the information gathered shall be published in the following priorities:

- a. a consumer price index
- b. exports and imports
- c. trade balances
- d. all other information designated for publication

The ERC has to publish Monthly Food Index, Quarterly Consumer Price Index, Monthly Export and Import Data, the Quarterly Economic Review and Guam Annual Economic Review.

Late and Irregular Publication

We have reviewed all the publications prepared by the ERC and we observed that the scientific indices and economic indicators including Monthly Food Index, Import/Export Data, and Quarterly Consumer Price Index were not published regularly. The 1993 Guam Annual Economic Review was published in November 1994. In 1995 the publications produced were: Guam's Import Data, January and July 1995; Guam's Export Data, none; Trade Balances, none; Quarterly Economic Review, First Quarter 1995, and 1994 Guam Annual Economic Review, none.

Weak Monitoring System

We believe that the ERC was unable to comply with the legally mandated responsibilities of collecting and publishing economic data to be used particularly by the business community. This is can be attributed to lack of written policies and procedures to ensure timely publication, not enough qualified personnel, and insufficient management attention. The ERC has to constantly and diligently monitor the growth of population, consumer prices, import/export activities, inflation rate, and growth of production to update any economic information to be disseminated to the public.

Statistics of Economic Data for Potential Investors

The investors should be provided information on Guam's economy to make an important decision on whether to place, maintain or expand operation on Guam. The investors need an updated base for economic indicators such as the Consumer Price Index. We believe that the regular, timely publications of the scientific indices and economic indicators were not effective as mandated due to absence of written policies and procedures to guide the staff in collecting the information and to provide for the schedule of publication. An updated and timely preparation of statistics will attract more investments and improve Guam's economy.

UPDATED CONSUMER PRICE INDEX NEEDED

The Consumer Price Index is a key economic indicator. Businessmen, potential investors and policy makers rely on the consumer price index particularly in pricing

their commodities, projecting profit, and adjusting government revenues. An updated Consumer Price Index will help the users to have a meaningful basis in forecasting future economic performance.

Publishing Consumer Price Index

According to PL 22-74, Section 2(c), the DOC shall publish the Consumer Price Index as a priority. The index is the basis in determining salaries, welfare benefits and pricing of consumer products. In addition, it helps the determination of Gross Island Product. Private schools and universities are using the Consumer Price Index to justify the adjustment of their tuition fees.

Section 3003.3 of the Administrative Rules and Regulations of the Government of Guam provides that the DOC may perform surveys to determine the consumption behavior of households within Guam and estimate the behavior of the representative households.

Meaningless Consumer Price Index

We reviewed the quarterly publication of Consumer Price Index in 1994 and 1995 and we noted that ERC was able to maintain the Consumer Price Index up to the third quarter of 1994 with a meaningless base. According to the Analysis Report on Guam Economy prepared by Dr. Eugene T. Li, DOC Chief Economist, that although the demographic structure and economic status of the population, and the goods and services available to it have changed considerably, these changes have not been measured and taken into consideration for the Consumer Price Index to be meaningful. The Consumer Expenditure Survey used to update the Consumer Price Index was conducted in 1978 with no other survey performed up to April 30, 1995 to consider the changes.

Delay in Conducting Consumer Expenditure Survey

We believe that the failure of the DOC to maintain an updated Consumer Price Index for 1994 and 1995 was due to the delay in conducting the Consumer Expenditure Survey. We found that the questionnaire, training and reference guide for performing a Consumer Expenditure Survey have already been completed with the assistance of Dr. Michael Levin, Office of the Territorial and International Affairs Office, US Department of Interior.

A technical assistance grant G84 amounting to \$80,000 for the FY 94 Consumer Expenditure Survey was obtained from the US Department of the Interior on November 22, 1994. The fund is to cover costs of printing supplies, salaries and benefits and other related expenditures. According to the ERC the Consumer Expenditure Survey was conducted May 1, through November 30, 1995, however the report is not yet done.

Importance of Consumer Price Index

Updating the basis for the Consumer Price Index is critical for maintaining the credibility of the Guam Consumer Price Index. Based on the Analysis Report on Guam Economy by Dr. Eugene T. Li, DOC Chief Economist, the Consumer Expenditure Survey gives the details of the peoples' spending patterns. It shows the types of goods people buy and amount people spend on these goods. With the information on demographic, labor and income from households, it will enable ERC to project the variation in spending patterns by such factors as family size and composition, income level and occupation. Therefore, an updated Consumer Price Index based on current consumer expenditure will benefit the users to forecast the outcome of economic performance.

TIMELY SUBMISSION OF FEDERAL FINANCIAL REPORTS

In the economic development of Guam, programs, technical research and training were developed to help and support commerce and industry. Funding for these projects aimed at achieving development goals comes from Federal Grants Awards with conditions to be met that relate to the financial status reporting. The Federal Financial Reports should be submitted according to established guidelines with specific forms and due dates.

Compliance to Financial Reporting

National Oceanic and Atmospheric Administration (NOAA) of the USDOC, administrative special award conditions require that:

- a. The Financial Status Report (SF269) shall be submitted on a semiannual basis commencing six months after the start date of the award period. Report due no later than 30 days following the end of the reporting period. A final SF269 shall be submitted within 90 days after the expiration of the award.

- b. **The Federal Cash Transactions (SF272) shall be submitted for cash awards where funds are advanced by Treasury Checks or the Financial Assistance Disbursement System (FADS). SF272 is due:**
- (1) within 15 working days of the end of each semiannual reporting period for awards under \$1 million, or
 - (2) within 15 working days of the end of each month for awards over \$1 million.

All financial reports shall be submitted in triplicate (one original and two copies) to the NOAA Grants Officer of the USDOC.

The Office of Territorial and International Affairs, USDOJ assistance award conditions require submission to the Director, Financial Assistance, OTIA the Quarterly and Final SF269 Financial Status Reports and SF270 Request for Advance or Reimbursement.

Late Submission of Federal Financial Reports

We examined the Federal Financial Reports of grant awards and did not find the semi-annual SF269 Financial Status Report and the SF272 Federal Cash Transactions prepared and submitted in 1995. According to the DOC Director, they requested for an extension. However, in 1994 all the quarterly SF269 and SF272 federal reports were prepared and submitted, as follows:

Grant No. NA26F10393-01 Data Collection and Analysis in the Management of Guam's Interjurisdictional Fishery Resource for the amount of \$17,375.

SF269/270

<u>Reporting Period</u>	<u>Due Date</u>	<u>Date Submitted</u>	<u>No. of Days Late</u>
01-31-94 - 03-31-94	04-01-94	03-16-95	320
04-01-94 - 06-30-94	07-30-94	03-16-95	229
07-01-94 - 09-30-94	10-30-94	03-16-95	137
10-01-94 - 12-31-94	01-31-95	03-16-95	45

SF272

<u>Reporting Period</u>	<u>Due Date</u>	<u>Date Submitted</u>	<u>No. of Days Late</u>
01-01-94 - 03-31-94	04-15-94	03-16-95	335
04-01-94 - 06-30-94	07-15-94	03-16-95	244
07-01-94 - 09-30-94	10-15-94	03-16-95	152
10-01-94 - 12-31-94	01-15-95	03-16-95	60

Delineation of Job Responsibility Not Clear

The preparation of the financial reports was done by planner who, by nature of the work, performs complex planning function. Likewise, the program coordinator administers and coordinates federal programs and activities and among the job responsibilities is to prepare financial reports for submission to federal agencies. The DOC did not comply with the submission of federal financial reports required within the established deadlines.

The Economic Development and Planning (EDP) could have complied with the grant awards financial reporting requirements if there were eligible personnel, training to prepare the federal reports and proper supervision of staff.

Program Benefits Fully Achieved

The financial status reports should be prepared and submitted timely on a projected deadline. We believe that the timely submission of financial status reports (SF269) and cash transaction reports (SF272) will result in more funds secured by the DOC. Use of funds fully maximized on technical research and construction will benefit and improve business, industry and commerce. Additionally, it is consistent with the objective of the EDP to secure funds for projects aimed at achieving economic development goals set forth in economic development plans. Late submission or non submission of federal financial reports will affect federal fund releases in the future including possible loss of funds and administrative sanctions imposed by the grantor agency against DOC.

DEFICIENT INTERNAL CONTROL OF GADTC REVOLVING FUND

Public funds are taxpayers' money. They should be accounted for accurately to avoid public suspicion. Management must make adequate internal control to avoid possible loss of funds. The operation must be reviewed periodically to ensure that the existing rules and regulations are followed.

Proper Handling of GADTC Revolving Fund

The Guam Aquaculture Development and Training Center was created by Executive Order No. 88-23 on September 2, 1978 organizationally under the cognizance and purview of the DOC and with it established the GADTC Fund. This revolving fund shall be maintained separately and apart from any other funds of the Government of Guam. The fund is established to cover the cost of operations and maintenance for the production component of the GADTC. GADTC provides training, research, and production activities in support of the Guam Aquaculture Industry.

Funds come from the sale of the GADTC products, lease fees of equipment and facilities, and service fees to be deposited to the Fund. It has been administered by the Chief Planner, EDP of the DOC.

An effective internal control over the funds received should provide reasonable assurance that (1) monies collected are completely and accurately recorded; (2) access to collection is restricted to authorized personnel; and (3) collections are promptly remitted intact to the Treasurer of Guam.

Internal controls are policies and procedures that management established to provide reasonable assurance that specific objectives are achieved. For cash collection, they generally include the following:

- a. Proper authorization of transactions and activities.
- b. Segregation of duties that reduces the opportunities to allow any person to be in a position to perpetrate and conceal error or irregularities.
- c. Design and use of adequate documents and records to ensure proper recording of transactions, such as the use and monitoring of numbered forms.
- d. Adequate safeguards over access to and use of assets and records.
- e. Independent check on performance and proper valuation such as clerical check, comparison of assets with recorded accountability, a computer programmed controls and management review reports.

Weak Internal Control Over the GADTC Revolving Fund

Our audit showed that internal controls over the GADTC revolving fund were inadequate because written accounting policies and control procedures were not developed and carried out to ensure 1) accounting of sequential numbered billing documents; 2) collections are posted to a Record of Daily Cash Receipts; 3) payment

received were applied to billing documents; 4) comparison of daily collections records with the validated Treasurer of Guam official receipts; 5) adequate physical controls over collection for remittance; 6) sales on account recorded to customers' ledger; and 7) review by an official to determine whether the established controls continued to operate.

In 1993, 1994, and 1995 (as of July 31, 1995), the total cash retained at EDP of the DOC was \$27,890.88. The total expenditures from the cash receipts during the period was \$17,394.81.

Excess of the cash retained was deposited to the GADTC revolving fund through the issuance of Chief Planner's personal checks in the total amount of \$8,950.32. This included a personal check issued by the employee at the GADTC. As a result, cash retained has a balance of \$1,545.75 as of July 31, 1995 not deposited to the GADTC revolving fund.

Our review showed several personal checks were issued by the Chief Planner to cover payment of purchases for the GADTC. Other purchases were paid by GADTC's employees. These cash advances were then reimbursed from the cash receipts from sales and fees. Items with values exceeding \$150.00 were purchased and paid in cash including a 20' freezer container, roofing system and refrigerator

The sales transactions were initially recorded on sequential numbered forms but the numbering was stopped in 1994 and 1995. Checks received and payable to GADTC revolving fund were remitted at the average delays of 21 to 83 days. Field Receipts were prepared at the time the checks were remitted to the Treasurer of Guam but not prepared and issued to customers when payment is received. The Charge Sales (on account) showed a balance of \$17,400.61 for 1993, 1994 and 1995 (as of July 31, 1995).

Deviation From Standard Business Practice

The weak internal control over revolving fund was due to lack of written policies and procedures for handling cash such as:

1. Procedural steps and designation of a specific employee to account for the numbered documents, such as the sales invoices, field receipts and official receipts.
2. Adequate supervisory controls to ensure the daily remittance of cash collections.

3. Procedural steps and designation of a specific employee not assigned as a cashier to compare daily collection records with the validated official receipts.
4. Adequate physical controls and limited access to (a) cash and checks before they are remitted, and (b) unused sales invoices, unused field receipts and official receipts, and customer records.
5. Supervisory review by a designated senior staff to ensure the continued operation of established controls over collections. Proper documentation procedure to show that action review was performed.

Likewise, this can be attributed to lack of supervisory review, deviation from standard business practice and no surprise audit of funds was conducted.

Safeguarding of the GADTC Revolving Fund

Executive Order No. 88-23 requires the DOC to develop rules and regulations necessary in the administration of the GADTC fund and the Director to certify all disbursement from the Fund. Furthermore, it requires that periodic audit of the fund to be conducted.

In view of the operational requirement of the GADTC, a good internal control requires that all disbursements be made by checks. Open a checking account with a local bank, establish and maintain an imprest fund system (Petty Cash) for the disbursements of minor amounts involving many transactions. Provide for definite policies and procedures to limit the type and amount authorized to be paid out of the petty cash fund. Without an adequate control system, there would be possible loss of funds, violation of generally accepted accounting principles, and the unreliable accounting records.

INEFFECTIVE MANAGEMENT OF CHAMORRO VILLAGE

The Chamorro Village is a public market entrusted to provide the venue for marketing Guam products. Chamorro Village is a show window to promote legitimate goods particularly agricultural produce and local handicrafts and food. The success of the Chamorro Village is a reflection and pride of the heart and soul of the people of Guam.

Operating and Maintaining the Chamorro Village

Pursuant to Section 47400, Chapter V, Title XIV of the Government Code of Guam, the DOC shall operate and maintain under its control a public market or markets for Guam products at such place as the Director may deem proper. Any such market shall be operated and maintained at all times in a sanitary and orderly manner, beneficial to both producers and patrons alike. Producers and sellers wanting to use space within such markets to display or sell their produce shall be levied a uniform fee based on the amount of space used and period of each use.

In addition, Section 47401 established a fund to be known as the Public Market Revolving Fund which shall be maintained, separately and apart from any other funds of the Government of Guam. Independent records and accounts shall be maintained in connection with it. Funds of the PM Revolving Fund shall be used exclusively for the administration, operation and maintenance of the Chamorro Village. All funds collected from fees pursuant to Section 47400 shall be deposited in the PM Revolving Fund.

Relating to procurement of supplies and services, Title 5, GCA, Section 5210 provides that unless otherwise authorized by law, all territorial contracts shall be awarded by competitive bidding. Section 3-204 of the General Services Administration Procurement Regulations provides for the amount for small purchases procurement that was established at less than \$5,000 for supplies and services and at less than \$15,000 for construction.

Management Problems Persist at Chamorro Village

We reviewed the operation and maintenance of the Chamorro Village and we observed that the target revenue was \$235,641.60 and the actual revenue collected was \$140,683.68 up to November 14, 1995. No operational budget existed, total expenditures of \$236,371.17 was more than revenue realized, no permanent employees assigned to the Chamorro Village, and inadequate control of PM revolving fund existed. In addition, the DOC waived the vendors' four (4) months rental amounting to \$28,745.28 and the Governor approved the reduction in the monthly rental fee by 50% in August 1995 to help the CV vendors. The PM revolving fund balance was \$106,435.02 as of September 30, 1995.

We observed that the sanitation of restroom facilities needs more attention, as well as, control of the growing population of flies in the main dining area. The beautiful facility leases stalls to 53 vendors; (19) of which are food vendors; (2) local produce;

(27) local products; (2) local fish/seafood vendors; and (3) plant nursery vendors. The employees assigned to the market operation mostly were on temporary duty until June 1995 when the CV Manager was designated.

Different DOC employees were sent to help with the office function such as recording of cash receipts and deposits, bank reconciliation, which all most often are done by one individual. Also, there are other clerical works performed including receptionist jobs, recording time of employees and other related clerical work. Virtually, there is no organization to permanently attend to the numerous activities that will carry out the functions of the CV. Although the new manager is truly concerned, visibly active and commendably motivated, the manager is only an individual faced with the burden of the day to day operation and without a team of permanent workers.

We also noted that procurement of services was not according to regulations for amounts over \$5,000. Contracts for security services with RS Warren Security for one (1) year in the amount of \$32,400 and for trash collection services with Pacific Sanitation for two (2) years in the amount of \$12,720 were not awarded through competitive bidding.

CV's Goals Not Achieved

The CV is encountering internal problems and not achieving its objectives because of lack of permanent personnel, lack of comprehensive marketing plan, limited Guam products available for sale making it not attractive to local and foreign customers.

According to the article in Guam's Business of December 1995 issue, there has never been a requirement for the vendors to keep extended hours. But when people come to any kind of shopping or entertainment area and it is mostly closed, it is hard to get them to come back. It was also stated that the tenants or vendors are not properly oriented on the established standards of sound business operation. Accordingly, they do not appear to be dedicated and hard working entrepreneurs, and some individuals may be using the space as a cheap storage facility.

There was an inadequacy of internal control over the PM revolving fund because there is only one individual assigned to handle cash. Violations of procurement regulations were due to lack of supervisory review.

Proper Management of Chamorro Village

To achieve the goals and objectives of the Chamorro Village, there must be an improvement in the business activities going on and increase in revenues realized to match the expenditures. This will avoid granting a waiver to tenants and vendors for their unpaid rental fees including rental charges reduction. If the tenants and vendors will consistently operate based on the established operation schedule with varieties of Guam products, there will be no waiver and as a result there will be increases in revenue to sustain the operation.

Assign permanent employees to handle the CV operations, maintain cleanliness, sanitation of CV facilities and implement marketing plan focused on the promotion of the CV to attract more customers.

RECOMMENDATIONS

1. We recommend that the Director reduce individual publications quarterly issued and establish a deadline of publications and the number of copies to be produced.
2. We recommend that the Director provide adequate publicity and promotion in the United States to facilitate overseas trade and the services available on Guam according to PL 15-40.
3. We recommend that the Director publish the scientific indices and economic indicators to be used by businessmen and potential investors in accordance with PL 22-74.
4. We recommend that the Director immediately complete the updating of the Consumer Expenditure Survey to be used in publishing Quarterly Consumer Price Index.
5. We recommend that the Director prepare and submit the Federal Financial Reports such as the SF269 semiannually and SF272 quarterly within the established guidelines.
6. We recommend that the Director develop and carry out written policies and procedures to include the following:

- a. Design and use of preprinted and numbered Sales Invoice forms.
 - b. Use and issue of Field Receipts to customers when payments are received.
 - c. Accounting of sequential numbered sales invoices, field receipts and official receipts by a person other than the cashier.
 - d. Daily deposit of cash collections.
 - e. Comparing the Daily Cash Receipt Records with the validated Treasurer of Guam Official Receipts and records of transmittal.
 - f. Adequate physical control over cash and checks before they are remitted to the Treasurer of Guam. Secure work areas, use of safe, and restrict access to cash.
 - g. Periodic review and follow up by the Director to ensure the continued use of internal control procedures.
 - h. Establish control records for charge sales by maintaining customer's ledger to monitor assets of GADTC.
7. We recommend that the Director assign permanent staff to the operation of the Chamorro Village, institute proper handling of the Public Market Revolving Fund and invite more local producers to participate in the promotion of Guam products.

RESPONSE OF THE AFFECTED AGENCY

Comments on Agency Response

We transmitted a draft of this report to the Department of Commerce (DOC) on March 15, 1996. A copy of the transmittal letter to the DOC is included as Attachment 1. The response from the Director of the DOC on April 10, 1996 is included as Attachment 2.

The DOC Director cites initial remedies in progress that are intended to address concerns raised in our report. The remedies include the establishment of timelines to complete the Guam Quarterly Economic Review, Guam Annual Economic Review, and other quarterly publications e.g. Doing Business on Guam, Applying for Business License, Directory of Copyrights, Trademarks and Servicemarks, and Trade Newsletter. The DOC agrees to modify quarterly issues to reflect either semiannual or annual publications due to limited personnel resources. The DOC also says that the promotion of overseas trade continues to be a concern because of budget constraint to implement the program. However, the possibility of seeking Federal grants is being considered to hold the Micronesian Trade Fair which will encourage the participation and promotion of native products in the region.

We note that the DOC does not comment on publishing the information gathered in the following priorities: Quarterly Consumer Price Index, Export and Import, Trade Balances, and other information designated for publication. The DOC emphasizes updating the computation of the Guam Consumer Price Index and the Inflation Rate. Thus the DOC states that final review of updating the Consumer Expenditure Survey will be completed by May 30, 1996. The submission of the Federal Financial Reports SF 269 semiannually and SF 272 quarterly on or before the due date is imperative or the Department would lose the Federal grants and pay penalty for administrative sanction.

With respect to our recommendation to strengthen the internal control over the GADTC Revolving Fund, the Department does not intend to develop and carryout improved policies and procedures to resolve the issue. However, the situation is being addressed by limiting the petty cash fund to a minimum amount with specific employees assigned to handle such fund. Moreover, the assignment of permanent employees to the Chamorro Village is being addressed by the DOC whereby the review and evaluation of FTE positions by Department of Administration is now on-going. The DOC Director cites the control of Public Market Revolving Fund implemented in mid 1995 and no comment is made on how to increase participation of local producers in the promotion of Guam products at the Chamorro Village.

The Acting Chief Planner, EDP addressed a number of concerns including the true organization of the agency. Although the information distributed by DOC itself indicates five (5) divisions exists (see Attachment 3), the Acting Chief Planner asserts that there are only four (4) divisions. This misconception generated by the agency perhaps needs to be remedied by statute so that the reality matches the professed, and that the staff, as well as the public, understand the organizational structure.

Also, the Chief Economist, ERC misunderstands our point, that is, that late publication of economic data and statistics causes that information to diminish in value. Thus, the earliest compilation and release of reports is urged.



OFFICE OF THE PUBLIC AUDITOR
UFISINAN I ADITOT PUPBLEKO
GOVERNMENT OF GUAM
P.O. BOX 23667, GMF, Barrigada, Guam 96921
(1208 East Sunset Boulevard, Tiyan)
(671) 475-0393/0394/0395 - FAX: (671) 472-7951

Attachment 1

ROBERT G.P. CRUZ
PUBLIC AUDITOR

March 15, 1996



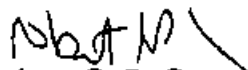
Mr. Frank B. Aguon, Jr.
Director
Department of Commerce
102 M Street
Tiyan, Guam 96913

Dear Mr. Aguon:

Enclosed for your information is our draft report, Management Audit of the Department of Commerce. We ask that you comment on our recommendations within fifteen (15) days or no later than Monday, April 1, 1996. Your comments will be included in the report.

Since this report is not in final form and changes may be made to it, access to the report should be restricted to those assisting in preparing your response. Public release of the report will be made solely by our office and only after the report is published in its final form.

Sincerely,


Robert G. P. Cruz

Enclosure



DEPARTMENT OF COMMERCE

DIPATTAMENTON KUMETSIO

GOVERNMENT OF GUAM

Attachment 2

Carl T. C. Gutierrez
Governor
Madeleine Z. Bordallo
Lt. Governor

Received by Office of
Public Auditor

4/11/96

Frank B. Aguon, Jr.
Director
Edward L. ...
Deputy Director

April 10, 1996

MEMORANDUM

TO: Mr. Robert G. P. Cruz
Public Auditor
Government of Guam

FROM: Director
Department of Commerce

SUBJECT: Response to Recent Management Audit of the Department of Commerce.

Hafa Adai! Initially, I would like to take this opportunity to thank you and Mr. Ernie Sales for your efforts in completing the management audit of the Department of Commerce. As was previously stated, the audit has been welcomed and should provide the Department with an initial assessment on the activities and services of the agency, and also present recommendations for enhancing such services to the people of Guam.

Although I am quite pleased that the audit was completed during the designated time period, I believe that many of the comments presented in the report disregards the on-going effort of the present management to address many of the discrepancies highlighted in the report. Furthermore, several of the concerns expressed had been addressed prior to the completion of the audit. Therefore, the following response is being provided to your office for clarification and I hope that these factors be seriously considered and reviewed prior to the release of your official report.

Should you have any comments, questions or concerns you may contact my office at any time at 475-0321/2 or fax at 477-9031. Your interest and desire to insure that the Department of Commerce continues to focus on enhancing its services to the people of Guam is genuinely appreciated. *Dangkolo Na Si Yu'os Ma'ase'*

Frank B. Aguon, Jr.
Director of Commerce

24
Commonwealth

Once again, the management audit of the Office of the Public Auditor is welcomed and certainly appreciated. I believe that a more comprehensive review of the accomplishments and improvements, as well as on-going concerns, of the agency may have been acquired through additional direct communication with many of the agency's management and staff personnel, which may have revealed many of the positive work and services being provided by the Department of Commerce. Based on the recommendations and several of the concerns highlighted in the preliminary report, if they have not already been previously corrected, actions have been initiated to address these in a timely manner.

In closing, I would like to congratulate your office for the completion of the management audit for the Department of Commerce. Your external perspective on the activities and services of the Department will certainly assist our agency in better servicing the people of Guam.

Dangkolo Na Si Yu'os Ma'ase'.

**RESPONSE TO PRELIMINARY MANAGEMENT
AUDIT REPORT CONDUCTED BY THE
OFFICE OF THE PUBLIC AUDITOR**

**PRESENTED BY:
FRANK B. AGUON, JR.
DIRECTOR
DEPARTMENT OF COMMERCE
APRIL 10, 1996**

The Department of Commerce is a government of Guam entity tasked with the following responsibilities:

- a.) The promotion and encouragement of new and existing economic industries which would be beneficial to the overall development of the island's economy;
- b.) The preparation and publishing of economic and social statistical information which would be useful to the local government and businesses, and which may further be utilized by potential investors to Guam;
- c.) The promotion and establishment of small entrepreneurial businesses into the local economy;
- d.) The promotion of trade and business both locally and off-island;
- e.) In addition, to other economically related activities.

Upon assuming the responsibility of managing the Department of Commerce, I recognized the tremendous challenge that the agency was confronted with due to the continuously restricted financial resources the government of Guam was confronted with. Due to this major concern, the Department initially focused on its existing personnel and resources to address the quality and type of services being provided by the agency. This effort has been both a tremendous challenge and learning experience for myself and the employees within the Department of Commerce. But, with the determination, focus and cooperation of each of the employees of the Department, I strongly feel that the agency has been able to accomplish a tremendous amount of work just in the past year and three months. The following information reflects the challenges and opportunities encountered by the Commerce people at the beginning of 1995, and further highlights the positive contribution of the employees and management of the Department of Commerce during the past year.

Economic Research Center

Initial concerns and remedies:

- I.) Quality and timeliness of the production and completion of the Department's economic publications.

*This issue has been addressed through the establishment of informal timelines for the completion of the Quarterly Guam Economic Reviews, and the Guam Annual Economic Reviews. Such timelines have been established, with serious consideration to existing division personnel resources. The division personnel have worked diligently in providing these necessary economic publications in a timely manner.

- II.) Temporary limited term appointment of a Chief Economist to

administer the division.

***Has been addressed through the active recruitment of a Senior Economist for the division, which was officially completed in March, 1996.**

III.) Current market basket for the computation of the Guam Consumer Price Index and the Inflation Rate.

***Through the funding support of the Department of Interior and the Guam Economic Development Authority, the Department commenced work on conducting a current Consumer Expenditures Survey for the island in May, 1995. The final review of the information compiled from the survey is on-going, and the establishment of the current market basket of goods and commodities should be completed by May 30, 1996. Thus this information would allow for an updated Consumer Price Index and Inflation Rate.**

IV.) Timely processing of visitor arrival statistics.

***This concern was immediately addressed through the purchase of two high quality scanning equipment, and the allocation of appropriate personnel to conduct the editing of the visitor arrival forms. Presently, the Department is able to process and forward the information to the Guam Visitors Bureau within ten (10) working days following the conclusion of each month.**

Business and Overseas Affairs Division

Initial Concerns and Remedies:

I.) Continuous lack of adequate permanent division personnel to effectively administer programs within the division.

***This situation has been complicated within the past several months due to the recent departure of a couple of division personnel to other government of Guam agencies.**

***Plans are presently being reviewed to examine existing division programs and minimize any duplication of work with other government of Guam agencies.**

***A possible consolidation of the Business and Overseas Affairs division and the Chamorro Village is also being considered.**

II.) Production of appropriate business-oriented publications that would benefit existing and potential businesses.

***This was addressed through the reproduction of the following publications, with emphasis on quality and**

timeliness.

- Doing Business on Guam
- Applying for a Business License
- Directory of Copyright, Trademarks and Servicemarks
- Trade Newsletter

These publications were being produced quarterly, and due to existing personnel resources, may be modified to reflect semi annual or annual publications.

III.) Promotion of Overseas Trade.

***This continues to be a concern, due to the lack of financial resources available to aggressively establish and implement an overseas trade promotion program.**

***Efforts are being reviewed to examine the possibility of seeking federal grants to pursue the coordination and planning of a Micronesian Trade Fair which would encourage the islands in the region to participate and promote the marketing of their native products. This is in its preliminary planning stage.**

IV.) On-going effort to review and formulate proper personnel positions that would effectively reflect the responsibilities and duties of division personnel.

***A request had been made with the Department of Administration for this review to be conducted and appropriate recommendations to be provided. Due to the present workload of the Department of Administration, work on this project has been initiated but not completed.**

Economic Development and Planning

Initial Concerns and Remedies:

I.) Timely submission of federal financial reports.

***In the past, this problem was caused by the untimely processing in the establishment of federal grants, which in many cases were directly attributed to the involvement of other government agencies. The submission of financial reports are now being processed in a timely manner on existing Department federal grants. This is being accomplished through the coordination of the Department administration and division personnel in the monitoring of these grants.**

II.) Guam Aquaculture Development and Training Center.

***Concerns expressed regarding the monitoring of the**

Revolving Fund. This situation is being addressed through the restriction of petty cash to a minimum amount, with specific individuals identified to handle such funds; and with the informal identification of how the payments and receipt of funds are to be effectively handled.

Chamorro Village

Initial Concerns and Remedies:

- I.) **Assignment of permanent employees to be assigned to the Chamorro Village.**
 - *Following the completion of the initial assessment of the Chamorro Village in early 1995, it was identified that in fact proper personnel and positions were not in place to carry out the responsibilities of the Village.
 - *This situation was addressed through the timely employment of three (3) individuals for maintenance and a temporary employee to address the daily operations of the facility.
 - *Efforts are being coordinated with the Department of Administration to review and evaluate the FTE positions that may be applicable and utilized for the Chamorro Village. This review is on-going.
- II.) **Control of Public Market Revolving Fund.**
 - *A policy that was implemented in mid 1995 was for the expenditure of any item to be reviewed and funds certified by the Administrative Officer of the Department prior to the payment of such item(s) and the ultimate approval by the Director.
- III.) **Expenditures and revenues.**
 - *Due to the temporary rental relief that was granted in July, 1995, this has been a concern.
 - *Efforts are being pursued to encourage the adoption of the proposed rules and regulations for the Chamorro Village which will reinstate the regular rental rates and insure the continual operation of the facility. Presently pending action by the Guam Legislature.
- IV.) **Comprehensive marketing plan.**
 - *This is a requirement within the proposed rules and regulations. The increase in rental fees would provide the Chamorro Village with the financial resources necessary to aggressively pursue this project.
- V.) **Consistent and set operation hours for the businesses at the**

Chamorro Village.

***The proposed rules and regulations would outline the minimum operation hours for the businesses within the facility.**

VI.) Privatization of the management of the Chamorro Village.

***This is an issue that has surfaced on several occasions during the past year, but due to present concerns of the businesses within the facility regarding its impact, this idea is still being discussed.**

Additional comments have been prepared and provided by the Chief Economist of the Economic Research Center and the Acting Chief Planner of the Economic Development and Planning division. Your review and consideration for these comments is also requested.

Conclusion

In conclusion I believe that the management and operation of the Department of Commerce in the past fifteen months has made tremendous strides in carrying out its mandated responsibilities and enhancing its services. This has only been made possible through the commitment, dedication, cooperation and consistent hard work of each of the Department of Commerce's personnel. The progress of the Department is quite evident in the many activities now being aggressively carried out. These include

- *The timely production of the Guam Economic Review quarterly and annual publications;**
- *The timely editing and processing of the island's visitor arrival statistics information;**
- *The upcoming completion of the Consumer Expenditures Survey, and the identification of the current consumer goods and commodities market basket, for the preparation of the Guam Consumer Price Index and the Inflation Rate;**
- *The availability of specific trade import and export data in a timely manner;**
- *The on-going work on several research projects directly related to addressing the potential of expanding Guam's Aquaculture industry;**
- *The active production of a variety of Aquaculture species for island farmers;**
- *The coordination and planning of the Annual Guam Micronesia Island Fair;**
- *And many others.**

Although I acknowledge that there may continue to be several areas of concern that the Department will need to further review and address in a timely manner, I am confident that in the upcoming months such issues will be remedied by the management and personnel of the Department of Commerce.

Response to the Auditor's Preliminary Report

--- From Economic Research Center

The Preliminary Report points out some important issues about Economic Research Center (ERC), we appreciate the auditor's efforts. However, we would like to add two observations on the report for its improvement.

1. The report ignores the time factor, i.e., it looks at "stock variables" not "flow variables". This methodology is static. Specifically, the report ignores the change new administration and management brought to the ERC.

2. The report emphasis on "publication delay", pays little attention to the quantity and quality issues.

Normally, there are three criteria to judge data collection and publication: quality, quantity and timing. If the report is based on these three factors to make a judgment, the report can avoid bias.

Quality. In the new "Guam Economic Review Annual Report", we created and published a "fiscal policy economic information system" according to Special Economic Services of Guam Finance Commission, which has 116 economic indicators. The new indicators include Gross Island Product (GIP) by sector, Quarterly GIP per capita and GIP per capita international comparison. To serve prospective off-island investors, we added a new section "General information about Guam".

The special commendation from Special Economic Services of Guam Finance Commission is "1994 Guam Economic Review Annual Report is very impressive. The quality in terms of its formation and contents has improved greatly".

Quantity. Before the new administration, we had uncompleted trade data in terms of quantity and timing. The import data by commodity group and country of origin have not been accessible since 1984.

The new administration has reformed the whole system and made the import data accessible. Now, we have published import data for January, April, July and October in 1995.

Timing. As far as the Consumer Expenditure Survey, the delay was primarily caused by the difficulty of obtaining the data required. The surveys required detailed information of consumer purchasing habits. We are now weeks away from completing the Consumer Expenditure Survey and implementation should commence shortly.

We hope that the report can use dynamic methodology to examine the new change of Department of Commerce. The report should reflect the overall picture of Department of Commerce and encourage employees to work hard.



DEPARTMENT OF COMMERCE

DIPATTAMENTON KUMETSIO

GOVERNMENT OF GUAM

Carl T. C. Gutierrez
Governor
Madelaine Z. Bordallo
Lt. Governor

Frank B. Aguon, Jr.
Director
Edward I. Cruz
Deputy Director

March 26, 1996

Memorandum

To: Director

Via: Deputy Director

From: Acting Chief Planner, EDP Division

Subject: Department Preliminary Audit by the Office of the Public Auditor

Provided for your review and information are the comments on the above mentioned document.

I am available to answer any questions you might have concerning my comments.


Linda S. Flynn

Attachments

DC-EDP-010-96C



COMMENTS ON

THE DEPARTMENT OF COMMERCE PRELIMINARY AUDIT BY THE OFFICE OF THE PUBLIC AUDITOR

BY:

Linda S. Flynn, Acting Chief Planner - Division of Economic Development and Planning

A management audit that properly evaluated the department in terms of its effectiveness in achieving its objectives and the appropriateness of the resources allocated to the various areas of responsibilities is something that would benefit the Government of Guam and the public immensely. However, this particular audit does not achieve this purpose. The specific comments and concerns are discussed below and focused on the findings as they pertain to the Division of Economic Development and Planning (EDP).

The Auditor demonstrates a lack of knowledge as to the organization, functions and responsibilities of the Department. This is demonstrated in the first few pages of the Introduction in which the GADTC is identified as a separate division on more than one occasion. The department has four (4) divisions and not five (5). The lack of understanding as to the organization, and the responsibilities of the department is also highlighted in the first paragraph of the "Findings and Recommendations". There is no mention of the functions of EDP which did not exist at the time the enabling legislation was passed but came into being through passage of the department's budget. As a result, the fact that the department is responsible for economic development planning for Guam and is the lead agency for the development of large scale fisheries and aquaculture is never even mentioned anywhere within the report.

The second paragraph on page 3 of the report, under "Objective and Scope" states that, "To have a better perspective of how the duties of the department were carried out, we identified them to each of the five (5) divisions." This was clearly not done as the discussion as to the Division of Economic Development Planning was limited only to a discussion of the Federal grant reporting requirements and the handling of the GADTC Revolving Fund. The audit fails to even discuss at a minimal level the performance of the division in terms of its stated objectives which are presented in the EDP Functional Chart in Appendix 1. The objectives and activities were discussed with the Auditor at one meeting with the former Chief Planner and three EDP staff, but it is apparent that a communication problem existed as the information reviewed during this time, along with the annual reports and other documents given to the Auditor, is not reflected in any area of this report.

Furthermore, although the audit report mistakenly identifies the GADTC as a separate division, the Auditor did not make a single visit to this location to interview supervisors in order to determine the degree to which they were achieving their objectives of meeting the needs of the aquaculture industry and carrying out their mandates. Nor was there any

discussion or investigation into GADTC's performance and activities with regard to the eleven Federal Grants that were being carried out at the time of the management audit. Had this occurred, it would have been apparent that this facility, which is a part of EDP, has made remarkable progress given the limited resources (See Appendix 2 - 4 locally funded staff and Federally funded staff for a facility that should be operated and maintained by approximately fifteen staff).

The report is not a management audit with respect to EDP, but rather a partial financial audit. As a financial audit was not the stated purpose of the report, its narrow focus does not take into account the tremendous success rate EDP has had in securing and meeting the objectives of the Federal Grants that have been obtained consistently and increasingly during the three fiscal years this "management audit" was to review.

The fact that EDP is one of the few entities within the Government of Guam to even pursue competitive grants should be notable and commended during the present and past years of extreme fiscal austerity. Federal funds from competitive grants have totaled between \$1 million to \$2.4 million for sixteen (16) to twenty (20) grants from FY 1993 and FY 1995. In addition, the statements that the timeliness of the reports to the Federal granting agencies will jeopardize the potential for future funding is erroneous in that we have consistently received grants from the same sources, some for the past five consecutive years. This success in being awarded competitive grants repeatedly from the same sources is a reflection of the quality of work by EDP and its ability to meet the grants' stated objectives.

The over emphasis on the reporting time lines and the erroneous hazard it presents does not give a true representation of the performance of EDP and its ability to carry out its objectives. Furthermore, the auditor failed to inquire as to the cause of the late reports. Had this occurred we could have provided documentation showing the problems we have had in simply getting the Federal accounts established through the Bureau of Budget Management and the Department of Administration within the time frame specified in order to access the funds. Once we have access to the funds, we have had constant delays in procurement or in hiring staff under the grants. As a result we have had to consistently request for extensions on grants because of this problem. These problems and our attempts to resolve them have been documented in detail. This is a situation that we have been working with BBMR and DOA and we are now seeing some improvement but it has not happened until this fiscal year. The granting agencies have been aware of this situation and our efforts to resolve it and, as a result, have not held it against us in awarding the grants.

The comments with regard to the "Proper Handling of GADTC Fund" have been fully addressed in the attached memorandum (See Appendix 3) which was sent to the Public Auditor. While traditional accounting of the fund has not been maintained, the accuracy of the accounting has been exceptional, the proper expenditure of the funds in accordance with the objectives for which it was established have been uncompromised throughout the review period, and the successful collection of accounts receivable since its establishment (approximately 99%) is unheard of for the Government of Guam.

If this exercise had truly been a "management audit" it would have reflected EDP's outstanding record in achieving its official objectives given the limitation that have been placed on the division in terms of manpower and funding. It would also have been clear that despite a tremendous lack of locally funded resources over the years, EDP has been overcome this and other constraints through the aggressive and innovative efforts of the former Chief Planner and staff which have resulted in unparalleled success in obtaining and carrying out the objectives dozens of Federal Grants.

If this is indeed a preliminary audit report, it is recommended that appropriate staff be assigned from the Public Auditor's staff who will do a proper management audit that will evaluate the department in terms of its objectives, its responsibility, its activities, and the allocation and adequacy of resources to carry out its work. For EDP specifically it should include an assessment of the programs and resources of the GADTC, as well as the rest of the division, and examine the division's ability to meet the objectives of the many grants we implement. Such an evaluation should also specifically examine the qualifications, ability and appropriateness of staff assigned to carry out the programs of the Department



DEPARTMENT OF COMMERCE

DIPATTAMENTON KUMETSIO

GOVERNMENT OF GUAM



Frank B. Aguon
Director
Edward L. C.
Deputy Director

Carl T. C. Gutierrez
Governor
Madelaine Z. Bordallo
Lt. Governor

MEMORANDUM

October 31, 1995

To: Robert Cruz, Office of the Public Auditor
From: William J. FitzGerald
Subject: Audit of the Guam Aquaculture Development and Training Center Revolving Fund

In response to the findings of the audit (October 3, 1995) on the above account, I have the following comments to specific points raised.

"Internal controls over the Revolving Fund were inadequate because written accounting policies and control procedures were not developed and implemented"

Written standard operating procedures for the maintenance and account record of the Fund have been prepared and have been in place (copy attached). These have been refined over time to address issues that needed clarification or correction. In addition to this SOP, further delineation of procedures to assure the proper control of the Fund would be appropriate in specific areas. These procedures need to be developed in a realistic format that can be implemented within the framework of the main function of the Fund.

A copy of account records with further clarification of transactions with information from the records including transfer transactions depositing petty cash to the GADTC Revolving Fund account at the Department of Administration are attached.

Access to the collected monies are restricted to authorized personnel as documented in the receipt, documentation and deposit of monies.

"Sequential numbering of invoices"

This was initially the practice, however, during 1993 the invoices issued by the GADTC Biologist Supervisor at that time were often out of sequence with the date issued and occasional double or triple issuance of invoices. Chronological sequencing of account records was implemented in 1994 to avoid the previous problem encountered of out of sequence invoices. In mid-1995 the use of pre-numbered invoices was reinstated. It would be ideal to have the pre-numbered invoices be printed by a commercial

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Common

printer. An adequate number of invoices for a period of 5-years could be ordered to keep the cost of printing per invoice to a reasonable cost.

"There were checks in payment of accounts from customers drawn and payable to cash instead of payable to GADTC in amounts of \$1500, \$2000, \$4327.50, and \$6140 which appear to be an irregular business practice."

Checks were made payable to cash to cover reimbursements to EDP and GADTC staff that had put up personal funds to carry out functions of GADTC or purchase items in support of GADTC projects and operations. In addition, it was the practice to maintain petty cash to be able to cover purchases that were required immediately or were facilitated as needed to carry out operations.

Cash in excess of these immediate needs were deposited into the DOA account. Personal checks were issued for cash deposit to avoid possible loss of the cash in handling. This was requested by the former Administrative Officer, since transaction of cash transfer to DOA represented an increased risk of loss or misplacement of the monies. Checks could be cancelled and replaced, if necessary.

The \$1,500 IAE check # 15948 (8/25/94) was made to cash to cover invoices \$500 (8/25/94) and \$1,008.75 (8/25/94; \$8.75 paid in cash). The cash was utilized to reimburse staff for expenditures and for maintaining petty cash.

The \$2,000 IAE check # 15518 (10/25/93) was made to cash to cover invoice billing \$2,000 (9/8/93). The cash was utilized to reimburse staff for expenditures and for maintaining petty cash.

The \$4,327.50 IAE check # 16157 (1/23/95) was made to cash along with in-kind feed payments to cover invoice billings totalling \$6940 (\$2,400 paid in-kind with feed 9/9/94; \$1,440 (11/11/94) paid with \$212.50 in-kind with feed and \$1,227.50 in cash to DOA; \$3,110 (12/21/94) paid in cash with \$1,000 maintained as petty cash and \$2,100 deposited to DOA). The cash was utilized as follows.

- \$1,000 to petty cash
- \$3,327.50 to DOA for deposit to GADTC Fund by WJF check # 1755 (2/2/9)

The \$6,140 IAE check # 16067 (11/28/94) was made to cash to cover invoice billings \$2,660 (7/12/94), \$1,980 (7/27/94), \$1,500 (8/29/94). The cash was utilized as follows.

- \$2,500 to petty cash to cover cash payments by staff.
- \$3,640 to DOA for deposit to GADTC Fund as part of \$3,640 WJF check # 1725 (11/30/94)

"20' freezer container, roofing system and refrigerator were paid in cash"

The 20' freezer was not paid for in cash, but was part of an in-kind payment on outstanding invoices (\$2,651.32) due from Scopes and Concepts. The balance of the freezer cost (\$2,098.68) was paid by a check issued by IAE in exchange for seedstock supplied to IAE. The total cost of the freezer was \$4,750. Price quotations were obtained from three sources (Scopes & Concepts \$4,750, Pacific Island Concepts \$5,900, and Pacific Trucking Co. \$6,800) for the 20' freezer which was needed for feed

storage at GADTC (this allowed for the bulk purchase of feed which lowered the per unit price substantially). The lowest price was obtained from Scopes and Concepts and the freezer was subsequently obtained in exchange for outstanding invoices (from Scopes & Concepts and IAE). This was part of our aggressive pursuit of major outstanding accounts payable. We obtained full payment for all invoices to Scopes and Concepts. In comparison, numerous private businesses that dealt with Scopes and Concepts never received payment for outstanding payments before the firm went out of business (private businesses had unpaid receipts of over \$100,000 as well as vehicles that were not recovered).

GADTC lacked written policies and procedures ...

The GADTC Revolving Fund does have written procedures. A copy of the current Standard Operating Procedures which were in place prior to the audit are attached. The SOP evolved over time as a refinement of procedures.

These policies and procedures can be expanded and further refined. This would especially be the case with the passage of Bill No. 102, An Act to Establish a Capitol Outlay Revolving Fund Within the Guam Department of Commerce for the Purpose of Purchasing Essential Equipments, Materials and Supplies for the Guam Aquaculture Development and Training Center

Accounts receivable stated in audit findings at \$17,400.61

This amount is incorrect. The correct outstanding accounts at the time of transfer of accounts (September 29, 1995) was \$2,190.44 (\$510 in 1993; \$1,127.72 in 1994; and \$552.72 in 1995).

1993			
	9/29/93 DOC Staff	\$90.00	
	11/17/93 Aqua Tech	420.00	
	Subtotal		\$510.00
1994			
	8/19/94 Marine Lab	975.00	
	9/21/94 Aqua Tech	141.72	
	12/14/94 Chapman	11.00	
	Subtotal		1,127.72
1995			
	3/15/95 Aqua Tech	411.00	
	3/15/95 Aqua Tech	141.72	
	Subtotal		<u>552.72</u>
	Grand Total		\$2,190.44

The extended period which the auditor had all records did not reflect the payments received during the period. In addition, the outstanding accounts at the time of transfer represent 1.47% of the total billed invoices (\$149,005.46) for the audited period. For any private business, this represents a high collection rate and an exceptional collection rate for government. The largest outstanding single account is the University of Guam Marine Lab (\$975; 8/19/94). A number of attempts were made to collect payment (e.g., see the memo from Director of Commerce to the Marine Lab). The Marine Lab had agreed to pay the outstanding billing

with the purchase of feed (to replace the GADTC feed used to feed the Marine Lab fish held at GADTC); however, they still have not done so. This is typical of Government of Guam in general in not being responsible for billings and often making vendors wait an excessive length of time (in excess of one year) even with numerous requests.

To address the small percentage of outstanding accounts, an additional memorandum has been prepared and submitted for the Director's signature to make an additional request for payments. Regarding the Aqua Technology outstanding accounts totalling \$1,114.44 (\$420 - 11/17/93; \$141.72 - 9/21/94; \$552.72 - 3/15/95), a phone call to the University of Hawaii that oversees the project has been made to request the full payment. They will be sending full payment. In addition, a \$90 invoice (9/29/93) was a donation to a function at the Department of Commerce and should be eliminated as an account receivable. A \$50 outstanding invoice (8/27/94) to a staff member of GADTC has been paid (10/19/95). With the payment of the Aqua Technology, GADTC staff and discounting the donation for an office function, this will bring the outstanding accounts receivable to \$986 or 0.66% of total invoiced (99% of which is owed by a Government of Guam agency). I am sure this is one of the lowest accounts receivable, if not the lowest, in the Government of Guam.

"Balance of cash receipts retained in amount of \$1,545.75 as of July 31, 1995"

This should be corrected to the amount at the time the account was turned over on September 29, 1995. The updated GADTC Revolving Fund as of September 29 showed a negative cash balance of \$1,029.90.

Specific comments on Audit Recommendations

I. We recommend that the Director, Department of Commerce should develop and implement written policies and procedures to include the following internal controls.

A. Design and use preprinted and pre-numbered Sales Invoice forms.

1. As stated above, this was the practice then changed to chronological documentation and recording was substituted during 1994. The pre-numbered invoices combined with chronological dating was implemented in mid-1995. Printing of pre-numbered invoices is concurred with.

B. Use and Issuance of Field Receipts to customers upon receipt of payments.

1. In the past, the receipt of payment was marked on the customer's invoice. However, the recommended separate issuance of Field Receipts is concurred with.

C. Accounting of sequential pre-numbered sales invoices, field receipts and official receipts by a person other than the cashier.

1. The accounting of sales invoices and payments procedure currently in place calls for a counter verification of all invoices and receipts. This was implemented in 1994. Refer to attached flow chart which illustrates the transfer steps and points the invoices are verified. This consists of the following.

a) Acknowledgement of receipt of invoice transmitted to the Chief Planner from the GADTC Biologist Supervisor is maintained at GADTC as a counter check to the record at EDP and in the computerized account record.

b) The EDP computerized account record was provided on a periodic basis to the GADTC Biologist Supervisor to again counter check that all invoices and payments were documented correctly.

D. Daily deposits of cash collections

1. This is totally impractical, since receipt of payments are sporadic. In addition, the personnel resources are limited with other work requirements that makes it totally impractical for the staff to make daily deposits or even deposits immediately on receipt. It is recommended that a more realistic procedure be employed of weekly deposits.

E. Comparing the Daily Cash Receipt Records with the validated Treasurer of Guam Official Receipts and records of transmittal.

1. As stated above, daily deposit transactions are impractical. Daily deposit and comparison of those deposits to the Treasurer's Daily Cash Receipt Records should be changed to weekly. The comparison of deposits within the GADTC Revolving Fund account should also be made to assure the deposits are properly credited to the Fund and in the correct budget categories as designated in the transmittal memoranda of deposits to Department of Administration. Proper crediting by DOA to the designated budget categories does not always occur; therefore, this needs to be monitored to assure correct allocation of the deposits. In the past, this has been the practice that was to be followed. On occasions of improper allocation by DOA, a Job Voucher had to be prepared to have it corrected in the account.

F. Adequate physical controls over cash and checks before they are deposited (work areas, safes, restricted access)

1. This has been the practice to the extent possible within a realistic working environment. If a safe can be made available for both locations where cash/checks are held, GADTC and EDP, this would further secure payments received prior to deposit. In the past, there have been no incidence of cash or checks being reported missing from the respective points of consolidation (GADTC and EDP) where they are maintained in a secured location.

11. In view of the operational requirement of the GADTC, and as good internal controls require that all disbursements be made by checks, we recommend that the Director, Department of Commerce establish funds for the immediate necessities of the GADTC by (a) opening a checking account with a local bank, (b) establish and maintaining an Imprest Fund (Petty Cash) to facilitate the handling of disbursements which are minor in amounts or recur regularly and involve numerous transactions. A definite established policies and procedures limiting the types and amounts of disbursements which the Petty Cash custodian is authorized to make.

A. The proposed opening of a checking account with a local bank has been the intention since the initial conception of the GADTC Revolving Fund. However, Executive Order 88-23 did not allow for the establishment of a

checking account, since funds were to be deposited through the Department of Administration. The establishment of the Revolving Fund through legislation has been pursued for more than eight years; however, the Executive Order provided a quick action to address the immediate need in the successful operation of GADTC. Proposed legislation was prepared for introduction from the Executive Branch; however, this was not acted on. Later, legislation by Senator Pangelinan in the form of Bill No. 513, which addressed the establishment of the revolving fund, was written and went successfully through two public hearings. However, it was not introduced to the floor of the legislature before the close of the 22nd Legislature. Bill No. 102 was introduced by Senator Orsini in February 1995 to address the establishment of a Guam Aquaculture Development and Training Center Revolving Fund. This has gone through the public hearing process and is pending introduction on the floor of the Legislature.

B. The establishment of the Revolving Fund through legislation would allow for the flexibility of establishing a checking account in a commercial bank. This would allow for the deposit of all funds, including cash payments, into the bank account and would provide an accurate and timely record of all funds which is not currently available through the procedure of deposits and utilization of funds through the Department of Administration. If a checking account is established, this would essentially eliminate the necessity and the associated risk of maintaining petty cash, since a check could be written immediately for purchases or reimbursement of staff. This would have the further advantage of a well documented record of all transactions including deposits and expenditures within the bank checking account.

C. The recommended establishment of a petty cash fund would not be necessary, if the checking account was in place and properly implemented. Furthermore, this would eliminate the burden on EDP personnel of being responsible for maintaining a cash reserve.

III. We recommend that controls records for charge sales be established with the maintenance of customer's ledgers to monitor this asset of GADTC. Address an collection action should be initiated to collect payment for account over 45 days old and the outstanding accounts as of July 31, 1995 amounting to \$17,400.61.

A. This has been in place with the records that have been maintained on the invoices. The collection of all accounts has been the practice. The exceptional invoice that becomes an overdue account receivable are relatively rare. As stated above, the \$17,400.61 outstanding account is incorrect.

IV. We recommend that the Director, Department of Commerce certify all disbursements from the fund, and to cause periodic audit of the fund in accordance with Executive Order 88-23 in order to monitor the soundness of the fund.

A. This is concurred with and should be incorporated into the implementation of a commercial bank checking account. This would be in the form of dual signature of all checks issued. The signatures should consist of the Director of Commerce and the Chief of the Economic Development and Planning Division that oversees the operation of GADTC.

B. Furthermore, it has been the practice that all checks received as payment on invoices are deposited with dual signatures (Director of Commerce and

Chief, Economic Development and Planning). This, combined with the above dual signature for checks issued from the proposed Fund's checking bank account, would provide for the certification of both funds deposited and disbursed through the checking bank account.

V. We recommend that the Director, Department of Commerce, take appropriate action to have the balance of the cash receipts in the amount of \$1,545.75 as of July 31, 1995 and deposited to the Fund.

A. This audit recommendation is contrary to the second audit recommendation which recommends a petty cash fund. Cash needs to be maintained to facilitate special purchases and those that are required immediately until a checking account can be established. Furthermore, the balance of the cash receipts as stated in the audit are incorrect and should reflect the current balance.

I would make the further recommendation that an audit by your office be conducted on an annual basis. This will not only assure that reasonable procedures are being applied to the account records; but it will minimize the potential burden on staff administering the account.

In general, I agree with the audit recommendations, other than the points raised above. However, it should also be emphasized that personnel at GADTC and the Chief Planner were placed in the very inappropriate position of trying to carry out the programs and projects of GADTC that resulted in their essentially underwriting governmental operations with personal funds that were substantial at times (over \$2,000) and for extended periods without reimbursement. This was done as part of a strong commitment to assuring the successful operation of GADTC and the most efficient operation of the various projects and tasks at GADTC. I find it appalling that myself and the staff had to be subjected to this to carry out a government program then questioned to our intent and integrity.

The account is thoroughly documented. Even though the Fund's record and accounting does not follow all of the standard government accounting procedures, documentation is complete and procedures have been standardized to best accomplish the priorities and basic premise of the Revolving Fund. That is facilitating the operation of GADTC.

GADTC has been transformed from an abandoned facility that the Government of Guam took over on back taxes and subsequently transferred to the Department of Commerce in 1986 with no budgetary support to a world renowned aquaculture facility. It receives requests from the Middle East, North America, Central America, South America, Indian Ocean, Eastern Pacific, Micronesia, and Asia for seed stock produced at GADTC. This is an unprecedented accomplishment for a Government of Guam operated facility let alone an aquaculture hatchery anywhere in the world. It was recognized as an example of how government can efficiently and effectively operate a program in a recent study conducted by the South Pacific Commission and the United Nations Economic and Social Commission for Asia and the Pacific. The GADTC Revolving Fund provided the flexibility and the ability to react in a timely manner for the successful implementation of the programs and projects of GADTC.

The ultimate objective of an audit should be improvement in the efficiency and accuracy of accounting records and the procedure in maintaining the records. The manner in which the audit was carried out does not assure the

maximum implementation of improved procedures nor does it accurately reflect the status of the account. I would recommend that future audits be conducted by knowledgeable individuals with sufficient communication skills to interact in a constructive manner with those staff involved in the day-to-day management and implementation of the account (this would include the operation as well as the accounting procedure). Despite full access to records and cooperation provided by the EDP staff members, the auditor failed to ask pertinent questions or failed to comprehend issues. This suggested a preconceived attitude or an inability to understand simple statements as was further demonstrated in the meeting with the auditor who was accompanied by his supervisor in a meeting with myself to discuss the audit on September 28. This was witnessed by two EDP staff members present at the meeting. The improper removal of the original account records by the auditor without proper request nor notification raises serious questions in procedures of the audit and jeopardizes the security of the records. Numerous requests had to be made to the auditor before they were returned.

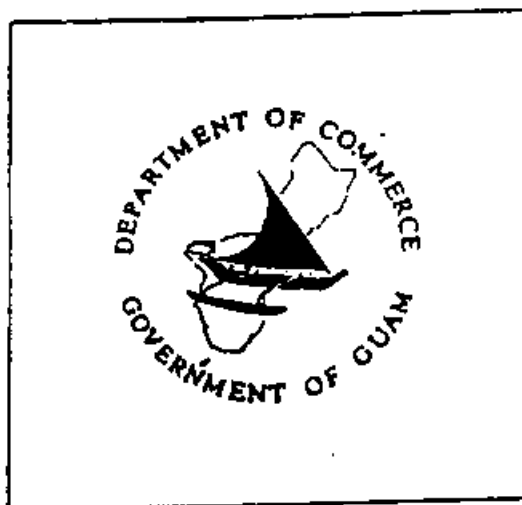
I would like to see the audit reflect these concerns raised above and the corrections recommended to the Revolving Fund so that current and future staff of GADTC as well as the Chief Planner are not subjected to underwriting this government operation. In addition, staff should not have to be forced to take measures, due to the inefficiencies built into the procurement system (see 12/20/94 letter to Governor Elect), that might be considered as not standard government accounting procedures to accomplish the program's objectives. This goes beyond just the accounting of the GADTC Revolving Fund to the basis why such a fund was required.

In closure, as with all activities there is always room for improvement and all options for improvement in the operation of the GADTC Revolving Fund should be considered. Passage of Bill No. 102 and the establishment of a commercial bank checking account for the Fund should be the priority. These options need to be balanced with the need of carrying out the program, resources available, and reasonable accounting practices that facilitate the proper maintenance of records and security of the funds.



William J. FitzGerald

cc: Acting Chief, EDP
Deputy Director
Department of Commerce
Director
Department of Commerce



I. **Brief Introduction of Overall Department/Agency Operations**

The Department of Commerce performs several roles for the territory of Guam, all of which are directly or indirectly related to making its services and information readily available to the local business community.

The Department has Five (5) Divisions, each engaged in numerous programs of an ongoing nature and is often called upon to perform specialized functions in special projects for the Government of Guam.

II. **History of the Department**

The Guam Department of Commerce was established by P.L. 7-48, effective July 1, 1963. Initially a "Superagency" incorporating the roles of the present Department, the Guam Airport Authority, the Port Authority of Guam, the Bureau of Planning, the Guam Visitors Bureau and the Department of Parks & Recreation and the most recent creation, the Customs & Quarantine Agency. The Department of Commerce has gradually seen its role become more focused in those areas best identified by its title. As such, the Department has developed over the years into an advocate for organized economic development and of private sector business interests through the establishment of ad-hoc style committees representing the various key industries on Guam.

III. Services Offered by the Department

The Department of Commerce includes the following: (1) The Economic Research Center, which publishes socio-economic/statistical data and assesses and analyzes the performance of Guam's economy. This division also administers several Censuses. The Decennial Census and the Economic and Agricultural Census. It oversees the compilation of the Monthly Food Index (MFI) and the Consumer Price Index (CPI) as well as the compilation of Trade data. (2) The Division of Economic Development and Planning, which secures and administers economic development grants, conducts specialized research on economic topics and industries. This division also administers the Guam Aquaculture Training and Development Center; (3) The Business and Overseas Affairs, provides advisory services/technical assistance on trade problems as come within the purview of the statutory responsibilities of the Department of Commerce. Addresses business queries/information needs of extant and prospective island businesses and administers the Copyright, Patent Trademark program. It organizes and promotes trade shows. (4) The Chamorro Village Public Market, promotes the venues for all local products, made-in, grown-in and administers the Guam Product Seal program. (5) Administration/Director's Office, oversees the Department's Administrative requirements and management of the programs and responsibilities of all the divisions.

IV. Special Programs and Responsibilities

In addition to the overall programs and services offered by the Department of Commerce, the Department has memberships in the various local business organizations such as the Guam Chamber of Commerce and various interagency Government committees. The Department is designated as an Associate Office of the U.S. Department of Commerce, International Trade Administration. Affiliates with the Pacific Business Center. From time to time the Department sponsors trade shows, seminars and exhibits promoting Guam businesses as well as international firms interested in doing business in Guam.