
Management Audit of the Department of Agriculture

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



**THE PUBLIC AUDITOR
GOVERNMENT OF GUAM**

O V E R V I E W

Management Audit of the Department of Agriculture

SUMMARY

The Department of Agriculture (Department) was created by Public Law (PL) 3-103 on August 1, 1956 and it is under the general supervision of the Governor. There is an established Agricultural Board of Commissioners which consists of nine (9) members appointed by the Governor for a term of six (6) years subject to advice and consent of the Legislature. No less than six (6) commercial farmers from various crop and livestock farm cooperatives of Guam shall be members of the Board.

The Department of Agriculture is responsible for conserving, developing, and maintaining the agricultural sector of the island's economy. We find that the Department has to develop and implement plans, policies, procedures and guidelines to properly manage available resources.

We found that the Department has provided limited heavy equipment services to the farmers through the Subsidized Heavy Equipment Program.

We found that the Department has no reliable record of seedling inventory whether fruit trees, vegetables, or ornamental plants. The Department has no monthly or quarterly status reports on the cases filed with the Attorney General's Office concerning illegal hunting, illegal fishing and other illegal activities.

The Department has not continuously distributed tree seeds and other erosion deterring plants to farmers and landowners to protect the environment.

The Department has prepared the annual Guam total imports summary of regulated items.

The Department has not complied with the established rules and regulations of the Small Loan Revolving Fund to collect long overdue accounts from delinquent farmers and fishermen.

RECOMMENDATIONS AND RESPONSE

We recommend that the Board of Commissioners and the Director increase the established rental fees of heavy equipment subsidy to help the small farmers boost their agricultural production.

We recommend that the Board of Commissioners and the Director establish and implement policies and procedures to maintain seedlings inventory showing the beginning, planted or propagated, sold or distributed, and ending inventory for control purposes.

We recommend that the Board of Commissioners and Director establish and implement policies and procedures for monitoring of cases filed with the Attorney General's Office

We recommend that the Board of Commissioners and Director establish and implement policies and procedures to improve and increase the distribution of tree seeds and other erosion deterring plants to the farmers and landowners.

We recommend that the Board of Commissioners and Director establish and implement policies and procedures to ensure the accuracy and timely submission of Guam total imports summary whether monthly, quarterly, or annually.

We recommend that the Board of Commissioners and Director strictly implement the established rules and regulations of the Small Loan Fund to intensify the collection of long overdue accounts from the delinquent farmers and fishermen.

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INTRODUCTION

BACKGROUND

The Department of Agriculture (Department) was created on August 1, 1956 by Guam Public Law (P.L.) 3-103, as amended, under the general direction of the Governor. There is an established Agricultural Board of Commissioners which consists of nine (9) members appointed by the Governor for a term of six (6) years subject to the advice and consent of the Legislature. No less than six (6) commercial farmers from various crop and livestock farm cooperatives of Guam will be members of the Board. Their primary responsibility is to conserve, develop, and utilize agricultural resources in Guam, and assist farmers and others engaged in agriculture by conducting research projects and disseminating information to improve the productivity of the lands.

The Department is mandated to fulfill several responsibilities including the following:

- * Enforcing rules and regulations to further and control the management of agricultural resources;
- * Providing farmers with equipment services for clearing and soil preparation of farmlands, technical advice and assistance, as well as, demonstration projects for the improvement of existing and new agricultural products;
- * Protecting endangered resident and wildlife species and their habitats through active propagation and other management measures, and educating the public in the principals of conservation of natural resources;
- * Providing to private land owners on Guam tree seeds and planting stock for forest and barrier plantings to stimulate forestation;
- * Providing to community organizations and government, seedlings of various tree species for the improvement of the environment and;
- * Propagating varieties of vegetables and fruit tree seedlings for farmers development and expansion of the production of fresh produce.

The Subsidized Heavy Equipment Program (SHEP) under P.L. 15-107 granted 50% subsidy of rental fee for heavy equipment services provided by private contractors. The Department distributed 24,771 ornamental plants, 7,266 fruit trees, and 3,968 vegetables in FY1996 and this is expected to increase in FY 1997. Eighty-six cases were filed with the Attorney General's (AG) Office in FY 1996.

The majority of them were on illegal hunting. The Department confiscated a ship collected and a fine of \$35,000.00 which was deposited into the Wildlife Conservation Fund. The Department incurred General Fund expenditures of \$3,412,513.00 in FY 1994, \$2,999,534.00 in FY 1995, and \$3,088,288.00 in FY 1996

OBJECTIVE AND SCOPE

The objective of our audit was to determine whether 1) heavy equipment and spraying services were provided to farmers for agricultural development purposes; 2) fruit trees, vegetables, and ornamental plant seedlings were provided to farmers, government agencies, and the general public to improve local production and beautification projects; 3) Guams laws and regulations were enforced to protect aquatic and wildlife resources from illegal activities, and disseminated to inform and educate the public; 4) tree seeds and other erosion deterring plants were provided to farmers and landowners to prevent erosion, flooding, and irrigation deficiencies; 5) measures were designed to control imported plants, vegetables, fruits, soil, and animal products and to eradicate existing plant pests and diseases; 6) policies and procedures were established and implemented to properly administer the Farmers' and Fishermen's Small Loan Revolving Fund (FFSLRF).

To determine the heavy equipment services provided to small farmers, we reviewed the established rental fees and charges paid to private contractors including the number of farmers who requested heavy equipment under SHEP. We reviewed private contractors and issued licenses authorizing them to provide heavy equipment to the farmers including the number of acres of farmland prepared for farming cash crop, livestock, and fruit orchard. We also reviewed the condition and location of government heavy equipment and funding used for the repairs and maintenance of serviceable units.

We reviewed the reports showing the distribution of seedlings and inventory, to determine whether the Department has provided fruit trees, vegetables, and ornamental plants to farmers, government agencies and the general public. We also reviewed the seedling beginning inventory, planted or propagated, sold or distributed, and ending inventory to establish the accuracy of the report.

We reviewed the lists of cases filed with the AG's Office, to determine, whether they are still pending litigation, dismissed, or decided, and to determine the penalty fines imposed and deposited into the Wildlife Conservation Fund. We also reviewed the annual Guam total imports summary, to determine the total released, fumigated, destroyed, or shipped out of the island. We checked the mathematical computation of the total imports according to a source of country, to determine the accuracy of the generated data presented in the annual report of the Plant Protection and Quarantine Section. In addition, we analyzed the small loans granted to farmers and fishermen to determine how long the accounts were overdue in accordance with established rules and regulations.

The scope of the audit covered the Department operations for Fys 1994, 1995, and 1996. Audit work was performed at the Department of Agriculture and Department of Administration. To accomplish our objective, we interviewed employees and reviewed relevant laws and regulations, policy and procedures manuals, budget, annual reports and other supporting documents.

As a part of the review, we evaluated the Department's internal control mechanism on heavy equipment services provided to farmers under the Subsidized Heavy Equipment Program (SHEP). We reviewed significant internal control procedures in the following areas: issuance of licenses to private companies, requests for heavy equipment services submitted by farmers, computation of equipment rental fees, inventory of government owned equipment, distribution of seedlings and other erosion deterring plants, cases filed with the AG's Office, penalties and fines collected and deposited into the Wildlife Conservation Fund, annual Guam total imports summary of regulated items, and Fishermen's and Farmer's Small Loan Revolving Fund overdue accounts. Our audit showed that internal control procedures for seedlings inventory and collection of loans receivable from farmers and fishermen were not properly implemented. The audit also disclosed weaknesses in methods used to distribute seedlings, follow up of cases filed with the AG's Office, and collection of overdue accounts. These weaknesses are discussed in the Findings and Recommendations section of this report. Our recommendations, if implemented, should improve internal controls in these areas.

This management audit was conducted from December 2, 1996 through April 25, 1997 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.

PRIOR AUDIT COVERAGE

No audit has been conducted since 1956 when the Department of Agriculture was created by PL. 3-103.

FINDINGS AND RECOMMENDATIONS

The Department of Agriculture is responsible for conserving, developing , and maintaining the agricultural sector of the island's economy. We reviewed reports and documents to ascertain whether this mission was achieved. The Department has to develop and implement plans, policies, procedures, and guidelines to properly manage available resources. In this section we examined the implementation of its various programs.

SUMMARY OF FINDINGS

The Department is generally achieving its defined goals and objectives under the Agricultural Law. We made the following observations:

1. The Department has provided limited heavy equipment services to the farmers through the Subsidized Heavy Equipment Program.
2. The Department has no reliable record of seedling inventory whether fruit trees, vegetables, or ornamental plants.
3. The Department has no monthly or quarterly status reports on the cases filed with the Attorney General's Office concerning illegal hunting, illegal fishing and other illegal activities.
4. The Department has not continuously distributed tree seeds and other erosion deterring plants to the farmers and land owners to protect the environment.
5. The Department has prepared the annual Guam total imports summary of regulated items
6. The Department has not complied with the establish rules and regulations of the Small Loan Revolving Fund to collect long overdue accounts from delinquent farmers and fishermen.

ECONOMICAL EQUIPMENT SERVICES TO FARMERS

Availability of equipment services to small farmers would increase agricultural production. Minimum fees or free use of government equipment , rather than limited subsidized rental of heavy equipment from private contractors, would lighten the financial burden encountered by farmers.

Use of Heavy and Spraying Equipment

According to Title 5, Guam Code Annotated (GCA), Section 62203, heavy duty tractors, plows, and other equipment owned and maintained by the Department of Agriculture may be used by or for individual persons in agricultural land clearing and other agricultural purposes. The Director shall establish the rental fee to be paid for each use, and the procedures for assigning operating and maintain such equipment. Title 5, GCA, Section provides that heavy duty tractors, plows, and other equipment may be leased from private companies licensed by the Director of Agriculture so long as the sub-lessee shall use such heavy equipment for agricultural land clearing and other agricultural purposes. Title 5, GCA, Section 62205 states that the rental shall be subsidized at fifty percent (50%) in accordance with rules and regulations by the Director. In addition, the Director shall issue licenses to private companies to rent equipment according to such rules promulgated thereto.

The Department Provided Limited Equipment Services

The Department operated and maintained three (3) bulldozers, twelve (12) tractors, two (2) backhoes, four (4) pieces of spraying equipment and three (3) livestock trailers. This equipment is no longer used except for one (1) bulldozer and one (1) tractor assigned to the forestry program to be used for development of fire breaks to protect plants and trees, one (1) tractor borrowed by Tiyan Reuse Authority, and one (1) water buffalo on trailer loaned to PUAG. The other equipment is unserviceable or under repair, waiting for availability of funds and spare parts. No government equipment was loaned or rented to farmers.

The Subsidized Heavy Equipment Program (SHEP) under P.L. 15-107 was implemented granting 50% subsidy to the farmers. The SHEP issued licenses authorizing six (6) private companies to provide heavy equipment to farmers. There were twenty-eight (28) farmers who requested heavy equipment under SHEP. In FY 1996, the SHEP budget was \$20,000.00, however, only \$4,325.00 was spent for 180 hours of equipment service for initial clearing of farm land. Thirty-one (31) acres of farm land were prepared for farming activities such as cash crop, livestock and fruit orchards. Twelve (12) out of twenty-eight (28) applications used the subsidized equipment services. However, those small farmers who were not provided equipment services stated that the Department was favoring big farmers

Spraying services were integrated in the SHEP in 1993 but they were subsequently discontinued. The Department issued licenses to six (6) private contractors, for leases of bulldozers and tractors to clear and plow fields for planting preparation. The minimum charge for equipment is at the discretion of private companies licensed by the Department.

The maximum charge is equivalent to the number of hours allowable on the type of equipment service. The Department pays only 50% of the established hourly rate. We believe that the government share is too small compared to equipment rental fees paid by farmers.

Too Small Government Subsidy

The Department failed to provide government owned equipment services to farmers because the equipment was either unserviceable, under repair, loaned to other agencies, or used for Department programs. The unserviceable equipment is too old, dilapidated, and expensive to maintain. The under repair equipment is in the repair shop waiting for available funds to buy spare parts are not available on island. There is no retrieval plan for equipment loaned to the Tiyan Reuse Authority and PUAG. Equipment assigned to Department programs is to be used only for specific purposes.

The SHEP spent only \$4,325.00 or 21.6% of the \$20,000.00 budget for 180 hours of equipment service rendered by private contractors. Only twelve (12) farmers used the subsidized equipment service because the established government rates are lower than the actual rental fee charged by the private companies. The farmers obtain subsidized services depending on contractor's schedule, weather condition, or location of the farm land. The cumbersome process of obtaining the government equipment service discourages farmers from applying for the SHEP. Although it would minimize farming cost, the government subsidy is not enough for farmers using the SHEP.

Spraying services were stopped by the Department because the employee-technicians suffered health problems in spraying the chemical products. Although spraying service was integrated in the SHEP, it was considered expensive and no vendor was interested in providing spraying service to the farmers.

High Cost of Agricultural Produce

There is serviceable government owned equipment in good running condition. However, this equipment is not rented or loaned to small farmers. The limited use of equipment results in less operating costs but farmers feel like they are not being supported by the government. The enactment of P.L. 15-107 subsidizing 50% rental of heavy equipment owned by private contractors relieved the Department from the responsibility of renting government equipment to the farmers. However, farmers are not relieved from the high cost of farming when the private contractors provide the equipment services. The subsidized and established government rate is now obsolete and no longer realistic under the prevailing market situation.

IMPROVED SEEDLINGS DISTRIBUTION SYSTEM

There are varieties of ornamental plants, fruits, and vegetable seedlings produced yearly by the Department. In order to successfully distribute seedlings on the island, the Department should maintain sufficient stock to satisfy the immediate demand of farmers, government agencies and the general public.

Authority to Produce and Distribute Seedlings

According to Title 5, GCA, Section 62202 the Department is authorized to produce and distribute, at cost, seeds, fertilizer, pesticides, and other agricultural supplies and equipment not readily available to farmers from other sources in Guam. Also, the Department shall develop and test new and improved fruits, vegetables, forage, and other plants as to their growth and productivity under conditions existing in Guam. It shall propagate and collect seeds and make them available for planting by public agencies at a price fixed by the Director.

No Record of Seedling Inventory

The Department provided seedlings to farmers at a minimal cost to increase their agricultural production. Seedlings are readily available to farmers. However, the proceeds from the sale of fruit tree seedlings is not enough to cover the cost of planting. Ornamental plants are grown by the Department for planting by government agencies. These ornamental plants are not for sale.

Physical inventory of seedlings is conducted every quarter and the inventory report is submitted to the Deputy and Director. However, we found that there was no inventory record to show beginning, planted or propagated, sold or distributed, and ending inventory of seedlings, whether fruit trees, vegetables, or ornamental plants.

The following information was taken from the Agricultural Development Services (ADS) reports for FY's 1994-1996:

<u>Ornamental Plants</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
Beginning balance	N.A	7,525	15,944
Planted	10,716	13,055	34,248
Distributed	3,191	4,636	24,771
Ending balance	7,525	15,944	25,421
<u>Fruit Trees</u>			
Planted	N.A	N.A	2,746
Distributed	16,233	840	7,266
<u>Vegetables</u>			
Planted	N.A	N.A	4,302
Distributed	5,454	4,388	3,968

The increase in cost of pesticides, fertilizers and other supplies prompted the Department to increase the unit price per seed for sale. There was a tremendous increase in planting and distribution of ornamental plants to government agencies for beautification projects.

Weak Control of Seedlings Inventory

We reviewed the ornamental nursery, fruit trees and vegetables inventory, and found that the Department achieved its goal of making seedlings available to farmers, and ornamental plants available to government agencies for beautification projects. We noted that the supply of quality seeds from the U.S. mainland was out of stock and low quality seeds from Taiwan were substituted. There was no record book to determine the beginning and ending seedlings inventory planted and distributed. Therefore there was no method to determine whether unaccounted seedlings died or were lost. In addition, it is difficult to determine whether there is still a remaining supply of seedlings to satisfy the requests and needs of farmers. The Department should improve and maintain nursery facilities for proper handling of seedlings.

Low Productivity

It is difficult for the Department to determine the specific seedlings needed by the farmers, because there is no record book to monitor the movement of seedlings. It is difficult for the Department to determine the specific seedlings needed by the farmers. Also seedlings may be lost without being noticed by management. It is a not good practice to propagate seedlings only when requested by farmers. It is also costly to plant seedlings that are not needed by farmers. A supply of seedlings of different varieties will help farmers to make choices and plant on time.

Low quality vegetable seeds imported from Taiwan produce less crop unlike the seeds from the U.S mainland. Distribution of ornamental plants to various agencies certainly assists the government in its drive to make the island beautiful.

MONITORING CASES FILED AGAINST VIOLATORS

If they were consistently monitored early resolution of cases filed with the Attorney Generals Office would be facilitated. If the AG's Office knows that the Department is interested in the progress of each case, it would be difficult for violators to avoid prosecution. Prosecution could be avoided if no legal action was taken within the prescriptive period or settlement has been reached before the court judgement.

Power of Conservation Officers

Any person in whom the law enforcement is vested has the power of a peace officer as to such enforcement. The Director of Agriculture may appoint Conservation Officers as well as peace officers who have the power to carry arms and make arrests for violations. Taking fish with explosives, use of poisonous or intoxicating substances or electrical devices is unlawful. It is also unlawful to destroy coral growth, to raise deer without authority and to take or transport wild animals except as authorized by regulations. The Department shall commence proceeding in the Superior Court by petitioning the court for a judgement forfeiting the items such as engines, motors, firearms, electrical devices, or vehicles. Any items forfeited shall be sold, used or destroyed by the Department and proceeds shall be deposited into the Wildlife Conservation Fund.

Status of Cases with AG's Office

We reviewed the list of cases filed with the AG's Office and found that there were no monthly or quarterly status reports on these cases. The Department did not regularly follow up on individual cases to determine whether they were pending a court hearing, dismissed, or decided. There was no compilation of decisions issued by the court.

In Fys 1994, 1995, and 1996, the total arrests were 73, 60, and 86, respectively. Illegal hunting represented the most violations consisting of 65, 52, and 75 cases respectively. During the last three (3) fiscal years the following cases were accounted for:

	<u>1994</u>	<u>1995</u>	<u>1996</u>
Total arrests	73	60	86
Illegal hunting	65	52	75
Harvesting live coral	3	8	
Destroying live coral	3		
Harvesting undersize coconut crabs	1		6
Possession of sea turtle			2
Possession of controlled substance			3
Importing protected birds	1		
Harboring live deer	1		

All cases were referred to the AG's Office except two (2) cases that were referred to U.S. District Court of Guam in FY 1994. There were 27, 9, and 14 vehicles confiscated in FY 1994, 1995 and 1996 respectively for illegal hunting which were either returned to the bank or owner, turned over to General Services Agency (GSA), or possessed by the Department for cases still pending litigation. It was reported that the owner of an impounded ship paid \$35,00.00 as fee and another \$350.00 as fine for illegal hunting. The fee and fine were deposited into the Wildlife Conservation Fund. Old vehicles confiscated were turn over to the GSA for disposal.

Limited Number of Conservation Officers

According to the Chief Conservation Officer, the rate of apprehension of violators of Guam's conservation laws was very low. This low rate of apprehension was attributed to the limited number of conservation officers. The Chief Conservation Officer should be responsible for monitoring cases filed with the AG's Office to ensure that cases are litigated timely by the court. Management unaware of the status of cases, because there are no specific policy guidelines for preparing and submitting monthly or quarterly reports.

Effective Law Enforcement

The low rate of apprehension maybe an indication that law enforcement is not effective. The increase in the number of cases filed with the AG's Office every year and the increase in the number of illegal hunting incidents are indications that people are not afraid to violate the law. Law enforcement would be improved if cases are followed up. If cases filed with the AG's Office are not followed up, the court tends to dismiss them for lack of interest on the part of the government. Prosecution of the case may discourage the public from committing illegal acts . Penalties and fines collected will benefit the government and increase the Wildlife Conservation Fund. Implementing laws against violators will aid in protecting endangered species from extinction.

In order to educate the people of Guam, the public information officer visited schools to talk about Guam's laws, rules and regulations. This was followed by publishing cases of poaching, illegal fishing, and arrest of violators in the media. The media provides wide coverage which serves to inform and warn the public not to violate the law.

CONSISTENT DISTRIBUTION OF TREE SEEDS

A well-planned distribution of tree seeds and other erosion deterring plants to farmers and land owners is a step towards protecting the environment. The trees to be planted, cultivated and grown would serve as windbreaks and watersheds. The trees would also prevent erosion, flooding and irrigation deficiencies

Responsibility for Improving Resources

The Department of Agriculture is responsible for protecting, developing, and managing the Territory's public lands in a manner that will conserve the basic soil resources, and produce continuous yields of water, wood fiber, forage, recreation and wildlife for the use and benefit of the people of Guam. The Department should encourage and assist private land owners to emulate it. The Department also needs to establish urban and community forestry programs with village mayors and civil groups. At the discretion of the Director, the seeds and seedling may be made available by the Department for planting on private and public lands, either free or at a price determined by the Director pursuant to Title 5, GCA, Section 63301.

Decrease in Number of Tree Seedlings Distributed

The Department promoted the use of windbreaks by encouraging farmers to be planting cooperators. It continued the tree planting project started in Tract I (Northern Guam) as a component of the conservation plan for new farmer cooperators and afforestation of eroded and barren areas. The farmers-cooperators under the Windbreak Establishment project participated in the tree planting of "acacia auriculiformis" and "casuarina equisetifolia" provided by the Division of Forestry and Soil Resources Nursery. The windbreak project was designed as a cooperative effort among the farmers, landowners, and foresters.

In the review of annual reports of Forestry Stewardship Program (FSP), Forest Nursery and Tree Improvement (FNTI), and Urban and Community Forestry (UCF), we found that there was a decrease in the number of tree seedlings distributed between FY's 1994 and 1996. The following is the breakdown of tree seedlings distribution to farmers and land owners

	<u>1994</u>	<u>1995</u>	<u>1996</u>
FSP	25,386	9,722	8,223
FNTI	47,400	17,882	5,997
UCF	4,142	569	N.A.

The FSP distribution trees without cost to farmers, the FNTI sold 474 of the 5,997 tree seedlings in FY 1996 to non-cooperators. The UCF sold seedlings to the public to partially recover cost of growing tree seedlings. The number of tree seedlings distributed by FSP declined by 62% and 68% in Fys 1995 and 1996 respectively compared to FY 1994. Tree seedlings distributed by FNTI decreased by 62% and 87% in Fys 1995 and 1996 respectively while, UCF declined by 86% in FY 1995.

Lack of Continuous Efforts to Distribute Seedlings

We believe that the decrease in the number of tree seedlings distributed to farmers and land owners was due to a lack of continuous effort to maintain and improve the seedlings distribution system. There was a decrease in the number of seedlings planted and distributed in Fys 1994, 1995 and 1996. There was also a decrease in the number of participants in the program. The effect of a decrease in the number of seedlings propagated is that there would be fewer seedlings available for distribution to participants. Normally the Department has to maintain or increase the number of seedlings to be distributed annually until the whole area on Guam is planted with trees. It is not a realistic view that there is now a limited area to be planted since available land on Guam had already been planted with trees.

A Challenge to Develop New Areas

To increase the number of participants, numbers of seedlings propagated and distributed, and the acreage to be covered by the forestry program will be a challenge to the Department staff. It is imperative to look for new areas to be developed to increase farmer-cooperators. The new cooperators definitely will increase the areas and tree seedlings to be planted. Although less demand for seedlings will reduce government expenditures, it will not benefit the public because the environment, will not be improved.

As reported by the Fire Protection Program, there were fewer fire occurrences in FY 1996. Therefore there should be a decrease in distribution of seedlings for replanting purposes. Consequently, the Department staff should have more time to look for new areas to develop and then propagate more seedling for distribution to meet future demand. In addition, they could present and demonstrate the government policy on tree planting and soil conservation, to students and others without waiting for a request from schools or villages.

TIMELY REPORTING OF IMPORTED ITEMS

The inspection of imported plants and animal at the port is a preventive measure to check the possible spread of new plant and animal disease on the island. Confiscating, treating, destroying, or shipping out items are authorized measures to protect the environment from being contaminated with diseases caused by imported articles. Any action taken by the government or inspectors must be most logical and beneficial both to Guam and the person in possession of regulated articles. These imported items must be reported timely to top management for review and evaluation.

Responsibility to Regulate Articles

Title 5, GCA, Section 60108 provides that regulations dealing with quarantine, pest control, fishing, slaughtering Dairy cattle and experimental dairy cattle, egg labeling and meat inspection shall be formulated by the Department and approved by the Director. Title 5, GCA, Section 61101-61108 state that the regulations shall be formulated to protect Guam agriculture from new plant and animal disease. Such regulations may establish quarantines at the border of or within Guam, prohibiting or restricting the entry and movement of designated pests and hosts and prescribing methods for inspection, safeguard, treatment and destruction of such regulated articles, and for related work. The Director shall have the power to safeguard regulated articles, safely and effectively treat them to destroy associated pests. Any treatment that may be required will be the risk and expense of the owner or person in charge or in possession thereof at the time of treatment . Regulated articles exposed to contamination shall be destroyed or shipped out of Guam , as ordered by the Director. Any costs of plant and animal quarantine activities shall be borne by the owner or person in charge or in possession of any regulated articles. The government or inspector shall not be liable for any loss, destruction, or damage to property or persons resulting from authorizes quarantine activities.

Discrepancy of Total Imports Summary

We reviewed the annual reports of the Plant Protection Program and Quarantine (PPQ) Section for Fys 1994-1996 and found that the PPQ conducted inspections of imported plants and animals to protect the island from the threat of imported pests and animal diseases which may accompany regulated agricultural items. The PPQ inspected all imported items at the U.S. Post Offices, Commercial Port, Air Cargo Areas of Northwest, Continental and other airlines, Airport Passenger Arrival Area, and Sea Containers of imported fruits, vegetables, eggs, and other items. Ninety-eight percent of the total imported items inspected was released to the importers and 2% was either fumigated, destroyed or re-exported. The PPQ was enforcing both local Guam law and Federal regulations in cooperation with USDA-Animal and Plant Health Inspection Service and the Customs and Quarantine Agency.

The following is the Guam Imports Summary in pounds (lbs.) For Fys 1994-1996:

	<u>As Reported</u>	<u>As Audited</u>	<u>Difference</u>
FY 1994	40,914,152	40,911,522	2,630
FY 1995	43,114,162	43,114,142	20
FY 1996	35,290,358	35,220,218	70,140

The annual reports show there were discrepancies in the Guam total imports reported. The error in computation was immaterial in Fys 1994 and 1995, but not in FY 1996. There was an overstatement of 70,140 lbs. in the amount report.

Lack of Supervisory Review

The discrepancy in the computation of Guam total imports annually was caused by the lack of review and supervision in the preparation of the annual report by the PPQ Section. Proper monitoring and evaluation of accumulated data should be done monthly or quarterly and summarized in the annual report. This is to ensure accuracy and detect any error at the early stage.

The Guam total imports summary whether monthly, quarterly, or annually must be supported by import documents showing the date and time the articles were inspected, location, description of articles, employee who conducted the inspection and other relevant information to substantiate the validity of the reports. It appears that there are no internal policies and procedures to ensure accuracy of the reports and their submission in a timely manner.

Need for Internal Policies and Procedures

The Guam total imports summary must be accurate and submitted timely. It should indicate total released, fumigated, destroyed, and re-exported to inform top management on whether rules and regulations to control plant pests and animal disease are effected to regulate imported articles. There is a potential that inaccurate preparation and untimely submission of the reports may occur without supervisory review and internal policies and procedures. The PPQ staff might tend to become indifferent towards reporting if top management is lax in requiring the submission of reports.

BENEFICIAL LOAN REVOLVING FUND

Farmers and fishermen would reap the benefit of the Farmer's and Fishermen's Small Loan Revolving Fund (Fund) if; loans granted to them are collected on time and redeposited to the Fund, penalties and interest are imposed, or legal action overdue accounts is taken in compliance with rules and regulations. Borrowers must be held responsible for paying their loans on the due date to make resources available to other farmers, thereby achieving the intent of the law creating the Fund.

Delinquent Loans Collected Procedures

Delinquent loans are loans where no payment has been made thirty (30) days after its due date. When a loan becomes delinquent, the Director of Agriculture shall furnish the Board of Trustees a loan status report. The Director shall send first notice to the borrower notifying him of the status of his loan. After fifteen (15) days from the issuance of the first notice of the loan delinquency, the Director shall send a second notice, thirty (30) days after the issuance of the first notice of delinquency the Director shall prepare a report for the Board of Trustees at its next meeting to include his recommendation. The Board of Trustees shall take appropriate action upon presentation of the Director's report.

The Board of Trustees Chairman shall send a notice to the borrower notifying him of the status of his loan, request the presence of the borrower at the next meeting of the Board of Trustees to discuss loan status, revise or amend loan agreement to lower monthly payment or defer monthly payment until such time as the Board of Trustees deems appropriate. The Chairman may refer the delinquent loan to the AG's Office for legal action, notify the borrower that if the delinquent amount is not paid within thirty (30) days from date of notice, legal action will be initiated, or call loan immediately due and payable in full or foreclosure on mortgage/s will be commenced

Delayed Action on Delinquent Loans

We examined the loan documents of ten (10) borrowers of the Fund and found that six (6) accounts were delinquent eight (8) months to fourteen (14) years as of December 31, 1996 in the amount of \$53,821.63; two (2) accounts were 90 days overdue for \$1,668.69; one (1) account was 69 days overdue for \$442.82; and one (1) account was thirty (30) days overdue for \$192.50.

We observed that the first and second notices were sent to the borrower after four (4) months to fourteen (14) years from the due dates. This is grossly non-compliant with rules and regulations. Two (2) borrowers were not assessed penalties although payments were made after the due dates. The other two (2) borrowers executed promissory notes through the AG's Office reducing the monthly loan amortization after they were issued a demand for full settlement notice. The Board of Trustees did not take legal action on eight (8) delinquent borrowers to enforce the collection of delinquent loans through the AG's.

Mismanagement of Loan Revolving Fund

The Department failed to collect delinquent accounts because of lack of aggressive effort to convince borrowers to update long overdue accounts. The borrower should have been informed on time by sending notices immediately before and after the due date. The Board of Trustees and the Director of Agriculture should be furnished a status report on the outstanding loans receivable monthly, quarterly, or annually so they can monitor and analyze the accounts. The status report should indicate the aging of accounts, actions taken on delinquent accounts, and penalty and interest collected or to be collected. The Board of Trustees should refer all delinquent loans to the AG's Office to expedite early settlement of the accounts. In addition, the Board of Trustees and the Director should initiate periodic examination and audit of the books of accounts of the Fund to ensure accuracy and reliability of each account.

Potential Loss of Fund

The collection of loans receivable on time will save farmers and fishermen from paying penalties and additional interest. The early settlement of delinquent loans will save the Department administrative costs. There is a potential loss to the fund, particularly from those outstanding loans receivable for more than one (1) year if there is no legal action or notices sent to delinquent borrowers. Transfer of borrower to U.S. mainland, death, change of occupation, or health reasons may also cause a loss to the fund.

If the loans receivable are collected on the due dates, there will be more funds available for other interested farmers and fishermen. These funds can be used for improvement of farm land to increase production which in turn benefit the farm products consumers. The fishermen can borrow money to buy fishing equipment to support uninterrupted operations and improve their livelihood.

RECOMMENDATIONS

1. We recommend that the Board of Commissioners and Director increase the established rental fees of heavy equipment subsidy to help the small farmers boost their agricultural production.
2. We recommend that the Board of Commissioners and Director establish and implement policies and procedures to maintain record of seedlings inventory showing the beginning, planted or propagated, sold or distributed, and ending inventory for control purposes.
3. We recommend that the Board of Commissioners and the Director establish and implement policies and procedures for monitoring of cases filed with the Attorney General's Office.
4. We recommend that the Board of Commissioners and Director establish and implement policies and procedures to improve and increase the distribution of tree seeds and other erosion deterring plants to the farmers and land owners.

5. We recommend that the Board of Commissioners and Director establish and implement policies and procedures to ensure the accuracy and timely submission of Guam total imports summary whether monthly, quarterly, or annually.
6. We recommend that the Board of Commissioners and Director strictly implement the establish rules and regulations of the Small Loan Fund to intensify the collection of long overdue accounts from the delinquent farmers and fishermen