

SAI Performance Report

**Guam Office of Public
Accountability**

September 2017

Acknowledgements:

The assessment team extends its gratitude to the Public Auditor and staff of Guam Office of Public Accountability for the assistance and support provided during the assessment fieldwork. The assessment team is also grateful for PASAI and IDI's support throughout the whole assessment from planning to finalising the SAI Performance Report.

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Abbreviations and Acronyms

AGA	Association of Government Accountants
AO	Administrative Officer
APIPA	Association of Pacific Islands Public Auditors
BBMR	Bureau of Budget and Management Research
CCR	Citizen Centric Report
CPA	Certified Public Accountants
CPE	Continuing Professional Education
CSC	Civil Service Commission
DFAT	Department of Foreign Affairs and Trade
DOA	Department of Administration
GCA	Guam Code Annotated
GovGuam	Government of Guam
HR	Human Resources
IDI	INTOSAI Development Initiative
INTOSAI	International Organization of Supreme Audit Institutions
ISSAI	International Standards for Supreme Audit Institutions
IT	Information Technology
OAG	Office of the Auditor-General
OPA	Office of Public Accountability
P.L.	Public Law
PA	Public Auditor
PASAI	Pacific Association of Supreme Audit Institutions
QAR	Quality Assurance Review
RFP	Request for Proposals
RMI	Republic of the Marshall Islands
SAI	Supreme Audit Institutions
SAI PMF	Supreme Audit Institutions Performance Management Framework
SOP	Standard Operating Procedures
SWOT	Strengths, Weaknesses, Opportunities and Threats

Foreword

The Supreme Audit Institutions (SAI) Performance Measurement Framework (PMF) assessment of the Office of Public Accountability (OPA) was prepared on the basis of the INTOSAI 2016 Endorsement Version, as of October 24, 2016. The assessment began in May 2017, with fieldwork in Guam taking place during the week of May 15-19, 2017.

a) Executive Summary

The Office of Public Accountability (OPA) is one of six Public Auditor's Offices who took part in a regional project – "Supporting Supreme Audit Institutions (SAI) Performance Measurement" in the North Pacific region, a collaboration between the INTOSAI Development Initiatives (IDI), the Pacific Association of Supreme Audit Institutions (PASAI) and the Australian Department of Foreign Affairs and Trade (DFAT). The project was implemented by IDI in partnership with PASAI.

The purpose of the assessment is to assist the OPA in identifying the strengths and weaknesses of its audit processes and capabilities against International Standards for Supreme Audit Institutions (ISSAIs) and other internationally established good practice, as well as its progress towards achieving the objectives of ISSAI 12: *The Value and Benefits of Supreme Audit Institutions – making a difference to the lives of citizens.*

Overall, the SAI performance is considered reasonable, considering the constraints and challenges it has encountered over the years, in terms of high level of staff turnover due to the restrictions on salary levels it can offer, which is limited by government regulations. OPA's inability to offer better salaries has resulted in the loss of qualified professionals to agencies that are not required to follow government regulations related to salaries and wages. The loss of qualified professionals together with the increase in additional legislative mandates contributed to the SAI not being able to meet its target number of audits to be carried out during the reporting period.

There has been significant improvement in timeliness of external audits as a result of OPA advocating March 31st to be the deadline to issue all Government of Guam financial audits. The Government of Guam-wide FY2016 audit report was issued on June 8, 2017, three weeks earlier than the FY2015 audit report, which was issued on June 30, 2016. This demonstrates good governance by providing timely information to the citizens and the decision makers.

Overall, the SAI has wide powers to initiate audits and is mainly free from direction and interference from the executive or other powers. The audit findings provide potential to strengthen accountability, transparency and integrity of the government and public sector.

The assessment disclosed some important challenges for the SAI:

- Improvement in the monitoring process to assess achievements against its organizational plans;
- Improvement in identifying long-term strategic staffing needs and competency requirements for the different types of audits it is mandated to conduct (e.g. financial audit, compliance audit, performance audit, procurement appeals or other types of audits);
- Improvement in communication with staffs, stakeholders and to society that would foster the SAI capacity to add value to the lives of citizens;

- The need to document important decisions, minutes of meetings (both internal and external) and actions taken to advocate and raise awareness of stakeholders about the value and benefits of the work of the SAI.

The report may be shared with other stakeholders who are involved in the development of the SAI PMF (October 2016), provided that it is approved by the Public Auditor. The report may also be shared to PASAI and IDI. The decisions about the use of the SAI PMF Report and its publication are entirely under the discretion of the Public Auditor. For all purposes, the Public Auditor is the owner of the assessment.

b) Quality Assurance Review

SAI Performance Report of the Office of Public Accountability (OPA) of Guam dated September 2017

Independent Review Statement

The INTOSAI Development Initiative (IDI), as operational lead on SAI PMF, provides support to SAI PMF assessments where requested. Such support includes conducting independent reviews (IR) of draft assessment reports. A request for such an IR was received from the Public Auditor of Guam on date 17 July 2018.

The Assessment Team consisted of Atmita Jonathan, Deputy Auditor General of the Republic of Marshall Islands (RMI) (Team Leader), Ayako Yamaguchi-Eliou, Performance Audit Manager of RMI and Sinaroseta Palamo-Iosefo, PASAI Director of Practice Development. All members of the assessment team gained skills on using the SAI PMF tool through the first SAI PMF training conducted in the PASAI region in April 2014 and through the planning workshop in February 2017 which prepared the team for this assessment.

The design of the independent review (IR) process was included in the assessment Terms of Reference, which was approved by the Public Auditor.

In compliance with recommended SAI PMF methodology, the OPA carried out quality assurance of the draft report with the objective of ensuring that the report is factually correct. PASAI also carried out a high level review of the initial draft report before it was submitted to the OPA.

The Independent review arranged by IDI was carried out by Bill Burnett, independent SAI consultant, who had no responsibility for preparing the SAI-PR, and is considered to have the appropriate knowledge and experience necessary for this task. The objective of this review was to ensure that the SAI PMF methodology had been adhered to, that the evidence in the SAI-PR was sufficient to justify the indicator scores, that the analysis was consistent with the evidence, and that the executive summary was consistent with the analysis in the rest of the SAI-PR. The review concluded that all objectives have been satisfactorily met in the final report dated September 2017 received in January 2019.

All significant matters raised during the independent review process have been addressed in this final version of the SAI-PR.

c) Observations of the SAI's Performance and Impact

(i) Integrated Assessment of SAI Performance

OPA outsourced financial audits of the Government of Guam (GovGuam) annual accounts and its 22 component units. All these financial audits were completed within the stipulated deadline and individual audit reports were issued and published on OPA's website immediately. OPA plays an oversight role over these financial audits to ensure the quality of the audit however, the Head of the SAI does not sign off the audit reports and opinions, although these financial audits are part of OPA's mandated responsibilities.

Compliance audits are conducted as part of financial audits and therefore were carried out by external auditors. Separate audit reports for compliance audits were prepared and published together with the financial audit reports. These reports are also published on OPA's website.

Performance audits are conducted in-house by staff of OPA. Within the year under review, OPA identified 20 performance audit topics in its annual plan. However, only 11 performance audits were completed and issued during the calendar year 2016 (CY 2016). With an incomplete audit plan and the exclusion of resource allocation to other mandated responsibilities such as procurement appeals, this affected OPA's achievements in performance audits.

Among the additional responsibilities resulting from other government legislations, the most significant one was transferring the responsibility to hear and decide procurement appeals from the Procurement Appeals Board to OPA. The number of appeals received by OPA varies from year to year. Fifteen appeals were filed with OPA in the CY 2016. In conducting hearings for these appeals, OPA contracted the services of three lawyers who are called Hearing Officers, as these are quasi-judicial hearings need to follow the rules of evidence of Guam law. Ten appeals have been finalised, four were dismissed and one is pending the Superior Court's decision. Decisions were issued within the stipulated time of 30 days after the hearing.

Although OPA has delivered services aligned with its mandate, the absence of key organizational planning mechanisms made it difficult to determine whether OPA was effectively delivering its mandated responsibilities. OPA did not have an annual operational plan in place and therefore it was not clear what activities OPA planned to undertake during the CY 2016. The annual audit plan identified only performance audits to be conducted during the year but did not include resource allocations for other audit functions, such as oversight of financial audits, administering procurement appeals and other additional legislative responsibilities. Consequently, when OPA received a high number (15) of procurement appeals which were not included in the audit plan, it affected the completion of planned performance audits (completed 11 out of 20 audits planned).

It is critical to have effective organizational plans in place to provide strategic direction for the SAI, provide guidance on its daily operations and to ensure that OPA has effectively considered its mandated responsibilities, key stakeholder expectations and emerging risks to delivering its planned

activities. The development of OPA's strategic plan 2014-2017 was led by a consultant and the plan did not have clearly defined performance measures and an implementation matrix to facilitate the implementation of the plan. However, OPA seems to take advantage of the institutional knowledge that the Head of SAI and three management staff had about the Office – its policies and procedures and general understanding of the government's operations that it overlooked the absence of key elements in its strategic plan and the importance of having an effective operational plan and audit plan

With its broad mandate, the OPA is able to determine, on its own, the types of audits and reviews that they wish to conduct as they see necessary. However, a broad mandate coupled with limited resources – both financial and human, further highlights the importance of having effective organisational plans in place with clear priorities to ensure the limited resources it has are allocated appropriately and efficiently. Despite the numerous activities conducted by OPA during the CY 2016, the absence of any monitoring process to assess achievements against its organizational plans makes it challenging to determine whether OPA has achieved the activities it intended to deliver.

OPA has a qualified workforce with all staff having a formal qualification and are all members of the Guam Chapter of the Association of Government Accountants (AGA). The Public Auditor and five other staff are Certified Public Accountants. Despite having qualified staff, OPA outsourced all financial audits including the Government of Guam financial audit. The absence of effective organisational plans made it difficult to identify what OPA's priorities were and whether OPA has allocated its resources based on its priorities.

Although OPA's independence is assured in the Constitution, the manner in which the Head of SAI is appointed - by election, and the nature of employing three management staff – “at the pleasure of the Public Auditor”, provides some risks in retaining institutional knowledge because if the current PA is not re-elected, the newly elected PA may decide to bring in his/her own employees to manage the office and replace the three management staff.

Staffing shortages due to difficulties with recruitment, compensation, promotion and retention have challenged OPA for several years. In January 2017, a Public Law 33-226 was enacted to give OPA hiring autonomy and this was a relief from inadequate compensation and the lengthy hiring process when OPA staff were recruited through the Department of Administration's Human Resources Division.

(ii) The Value and Benefits of Supreme Audit Institutions – making a difference to the lives of Citizens

OPA conducted a performance audit to follow up audit recommendations issued between 2012 and 2016. This is the fourth performance audit to follow up the implementation of audit recommendations. Title 1 Guam Code Annotated (GCA) § 1912 requires government agencies to prepare corrective action plans and endeavour to implement audit recommendations by the beginning of the following fiscal year. Accordingly, OPA follows up the implementation of audit recommendations.

Between calendar years 2012 and 2015, OPA issued 30 performance audit reports with 64 recommendations that focused on fund accountability, program efficiency and effectiveness, procurement, personnel and non-appropriated funds. Of the 64 recommendations, 20 remains open because action plans have yet to be made by the responsible agency or have not been submitted to

OPA as of December 2016. The 30 reports collectively identified financial impacts of \$78.8million of which \$20.7million were unrealised revenues¹ and \$6million were questioned costs². The remaining \$52.1million were other financial impacts that resulted from significant costs from special lifetime annuities, unverifiable hotel occupancy tax receivables, lost savings due to purchase of fuel at a higher cost, among others. The identification of questioned costs and ensuring that related audit recommendations were implemented, strengthen accountability as well as the integrity of public entities in terms of improving their internal processes as well as managing and utilizing government resources effectively.

The financial audits for the 22 component units and the whole of government were completed before the June 30th deadline and the audit reports were issued and posted on the OPA website. The government financial audit report for the FY2016 was issued on 8 June 2017, three weeks earlier than the 30 June deadline. Providing timely quality audits for citizens and government officials to make informed decision demonstrates OPA’s efforts to strengthen good governance, transparency and accountability.

Furthermore, the transfer of responsibility for administering procurement appeals from the Appeals Board to OPA is testament to the Government’s recognition of the importance of the oversight role of OPA in providing assurance to citizens that these appeals are dealt with in a credible and professional manner.

OPA leads by example by preparing and issuing its “Citizen Centric Report”, which is a legislative requirement for all government entities. This report provided an overview of OPA’s performance in terms of the activities it conducted during the year and how it expended its approved budget. OPA also prepared an annual report which provided further details about what the office achieved during the calendar year.

(iii) Analysis of the SAI’s capacity development efforts and prospects for further improvement

The SAI strives for excellence in service and professionalism through its commitment and support to developing its staff. The SAI takes advantage of any available training opportunity to develop its staff. What is lacking is establishing a structured system that identifies competencies to be developed, how these competencies are relevant to the SAI’s mandated responsibilities, identifying staff that require professional development and the allocation of staff to trainings opportunities when they arise.

The SAI currently has several staff with professional certifications, with all being members of professional organizations. Improvement is needed in developing organizational and audit plans and documenting the processes for developing these key documents. Minutes of staff and management meetings should be documented to support all key decisions and resolutions made during these meetings.

The Head of the SAI routinely engaged in discussions with various Senators to actively advocate for hiring autonomy. As a result, Public Law 33-226 was enacted in January 2017, giving the SAI powers to

¹ Defined by OPA as funds that could have been collected but were not.
² Defined by OPA as expenditures of funds that are unsupported, unallowable or improper.

administer personnel matters. Furthermore, the Public Auditor actively lobbied to institute an equitable compensation plan for OPA auditors mainly to address ongoing recruitment and retention issues. Effective October 2017, the following Accountability Auditor positions were successfully created: Accountability Auditor I, Accountability Auditor II, Accountability Auditor III, Supervising Accountability Auditor, Managing Accountability Auditor, and Accountability Director.

(d) SAI Management Use of Assessment Results

Guam OPA management intends to use the results of the SAI PMF assessment to develop the office’s Strategic Plan for 2018-2023. One particular area that came to light as a result of the assessment was that OPA’s Strategic Plan was outdated and was in need of an update. To address this, OPA is participating in PASAI’s Strategy, Performance Measurement, and Reporting program. In addition, OPA management also began addressing other areas in the assessment, such as the Public Auditor approving the Audit Manual as of June 2017 and the development of a Communications Strategy. OPA is confident that once they complete developing its Strategic Plan for 2018-2023, it will have a plan of action to address most of the areas identified in the SAI PMF needing improvement. OPA management expressed its appreciation of the assessment team’s hard work and attention to detail in putting together this assessment.

Chapter 1. Introduction

The Office of Public Accountability (OPA) agreed to undertake the SAI PMF assessment to assist in identifying the strengths and weaknesses of its audit processes and capabilities against ISSAIs and other internationally established good practice, as well as its progress towards achieving the objectives of ISSAI 12: *The Value and Benefits of Supreme Audit Institutions – making a difference to the lives of citizens*. The three broad objectives of ISSAI 12 that SAIs should strive to achieve are to:

- Strengthen the accountability, transparency, and integrity of government and public sector entities;
- Demonstrate on-going relevance to citizens, Parliament, and other stakeholders; and
- Being a model organization through leading by example.

The SAI PMF aims to provide a comprehensive and integrated, evidence-based assessment of SAI performance. It is informed by an indicator-led analysis of performance domains covering SAI environment, SAI internal capability and SAI external performance. This evidence, and understanding of the linkages between the performance domains, is used to assess the extent to which the SAI contributes to better public financial management, improved governance and accountability, and efforts to tackle corruption. It also looks at the SAI’s reform process and the future prospects for reform.

The assessment covered the OPA as a whole, covering all domains and indicators of the SAI PMF version adopted as of October 2016, except for those specifically excluded below. All types of audit work carried out by OPA during the calendar year 2016 (CY 2016) were available to be examined in this assessment. In CY 2016, Guam OPA has completed 11 performance audits, oversaw the issuance of 22 financial audits and administered 15 procurement appeals.

The following indicators and dimensions will be excluded due to OPA's key activities:

- SAI-8 Audit Coverage
 - (iv) Coverage of Jurisdictional Control

- SAI-9 Financial Audit Standards and Quality Management
 - (i) Financial Audit Standards and Policies
 - (ii) Financial Audit Team Management and Skills
 - (iii) Quality Control in Financial Audit

- SAI-10 Financial Audit Process
 - (i) Planning Financial Audits
 - (ii) Implementing Financial Audits
 - (iii) Evaluating Audit Evidence, Concluding and Reporting in Financial Audits

- SAI-11 Financial Audit Results
 - (i) Timely submission of financial audit results
 - (ii) Timely publication of financial audit results
 - (iii) SAI Follow-up on Implementation of Financial Audit Observations and Recommendations

- SAI-15 Compliance Audit Standards and Quality Management
 - (i) Compliance audit standards and policies
 - (ii) Compliance audit team management and skills
 - (iii) Quality control in compliance audit

- SAI-16 Compliance Audit Process
 - (i) Planning compliance audits
 - (ii) Implementing compliance audits
 - (iii) Evaluating audit evidence, concluding and reporting of compliance audits

- SAI-17 Compliance Audit Results
 - (i) Timely submission of compliance audit results
 - (ii) Timely publication of compliance audit results
 - (iii) SAI follow-up on implementation of compliance audit observations and recommendations

- SAI-18 Jurisdictional Control Standards and Quality Management (for SAIs with Jurisdictional Functions)
 - (i) Jurisdictional Control Standards and Policies
 - (ii) Jurisdictional Control Team Management and Skills
 - (iii) Quality Control of Jurisdictional Controls

- SAI-19 Jurisdictional Control Process (for SAIs with Jurisdictional Functions)
 - (i) Planning Jurisdictional Controls
 - (ii) Implementing Jurisdictional Controls
 - (iii) Decision-making Process During Jurisdictional Controls
 - (iv) Final Decision of Jurisdictional Controls

- SAI-20 Results of Jurisdictional Controls (for SAIs with Jurisdictional Functions)
 - (i) Notification of Decisions Relating to Jurisdictional Control

- (ii) Publication of Decisions Relating to Jurisdictional Control
- (iii) Follow-up by the SAI on the Implementation of Decisions Relating to Jurisdictional Control

OPA outsourced all financial audits but has an oversight role over these audits. Therefore financial audits will be assessed under Domain B, SAI-5: Outsourced Audits and SAIs 9, 10 and 11 will not be assessed. Similarly, compliance audits are not conducted as separate audits but as part of financial audits. Thus SAIs 15, 16 and 17 are also excluded from this assessment. Because OPA does not have jurisdictional function, SAIs 18 to 20 and coverage of these functions (SAI-8 (iv)) are excluded from the assessment.

The assessment team freely chose documents and information that were regarded necessary to substantiate the scoring of the indicators and to clarify the country context.

The Assessment Team consisted of Atmita Jonathan, Deputy Auditor General of the Republic of Marshall Islands (RMI) (Team Leader), Ayako Yamaguchi-Eliou, Performance Audit Manager of RMI and Sinaroseta Palamo-Iosefo, PASAI Director of Practice Development. All members of the assessment team gained skills on using the SAI PMF tool through the first SAI PMF training conducted in the PASAI region in April 2014 and through the planning workshop in February 2017 which prepared the team for this assessment.

The Public Auditor of Guam OPA, Mrs. Doris Flores Brooks, has ownership of the assessment. The decisions about the use of the SAI PMF Report and its publication are entirely under her discretion.

Chapter 2. Methodology

As part of a regional initiative, the planning for this assessment took place during a planning meeting held in Guam in January 2017 where six SAIs (or as known in the north Pacific - Offices of the Public Auditor) including Guam OPA, participated to prepare for their respective assessments.

The assessment fieldwork was conducted on 15-19 May 2017 at Guam OPA's premises. The methods used for gathering data and information included document review, review of a sample of audit files and interviews with appropriate OPA staff. The main documents obtained and reviewed by the assessment team are listed in Annex 2: Sources of Information & Evidence to Support Indicator Scoring. Among the main documents are the Organic Act (Constitution), OPA Act and other relevant Acts, the Strategic Plan, the Audit Manual 2014, audit reports, audit files, annual reports and other relevant materials. The assessment team also conducted interviews with SAI staffs. The scoring of the criteria were based on the assessment of these evidences.

All samples were chosen by the team, without any interference from those responsible for the audits. Audit files selected for review were taken from the list of audits completed during the period under assessment. Of the eleven (11) performance audits completed during CY2016, the assessment team selected two (2) performance audit files (Government of Guam Gaming Tax and Guam Memorial Hospital Authority Trust Fund Fees) and one (1) procurement appeals file (OPA-PA-06-002) for review. Because financial and compliance audits are outsourced to independent CPA firms and audit files are retained with the firms, no financial audit files were reviewed. However, the assessment team reviewed the procurement process for soliciting request for proposals (RFPs) for financial and

compliance audit services for two (2) of the Government of Guam component units (Tourist Attraction Fund and Guam Highway Fund).

A performance analysis workshop held in Marshall Islands in October 2017 provided further guidance for the assessment team on preparing the assessment report. The assessment and the assessment report follow the structure as prescribed in the SAI Performance Measurement Framework endorsed by INTOSAI in December 2016.

To ensure quality of the assessment, the assessment team, Guam OPA and IDI played separate roles throughout the assessment until the report is finalised. The assessment team leader supervised the assessment, review team members' work and manage the assessment process. PASAI conducted a high level review of the first draft report before the report was submitted to OPA for its quality review to confirm the assessment results and findings. The final report was subject to IDI's independent quality assurance review.

Chapter 3. Country and SAI Background Information

3.1 Description of country governance arrangements and wider environment in which the SAI operates.

Guam is inhabited by 162,742 people and is the largest and southernmost island of the Mariana archipelago situated between Hawaii and the Philippines. In the Western Pacific, Guam serves as the gateway to Micronesia and a crossroad to the Far East. Guam is an unincorporated territory of the United States of America with policy relations between Guam and the United States under the jurisdiction of the Office of Insular Affairs, U.S. Department of the Interior. In 1950, the U.S. Congress provided Guam with an Organic Act that organized Government of Guam (GovGuam or Government) as a constitutional government comprised of locally elected executive and legislative branches and an appointed judicial branch. In addition, Guam has an elected representative to the U.S. Congress who possesses the same powers and privileges as representatives from the various States, with the exception of voting on the House floor.

The Executive Branch consists of a popularly elected Governor and Lieutenant Governor, each serving a four-year term, with executive department heads appointed by the Governor with the consent of the Guam legislature. These officials are tasked with the implementation of Guam's laws through its 64 departments, bureaus, and agencies that make up GovGuam. According to the Guam Bureau of Labor Statistics, there are 11,730 GovGuam employees as of September 2016.

The Legislative Branch is a unicameral parliament consisting of 15 Senators elected for a term of two years. The Legislature is empowered and responsible for creating laws to protect the community, ensure its health and welfare and promote Guam's development.

The Judicial Branch is comprised of the Supreme Court of Guam and the Superior Court of Guam with judges appointed by the Governor for eight year terms. Guam's judicial branch decides issues of local laws and interprets how these laws should be applied.

The United States government also maintains a presence on the island. As set out in the Organic Act of Guam, GovGuam shares its authority and duties in certain areas of governing to the federal government. The federal government maintains jurisdiction over certain areas including immigration, negotiation and execution of treaties and agreements with other nations, certain aspects of the maritime industry, protection of environmental integrity and defense.

The existence of an elected government and the presence of the U.S. government create a secure and stable political climate. Guam is protected by the U.S. Constitution, uses the U.S. dollar as currency, and mirrors the U.S. Internal Revenue Code.

The Guam Department of Education (GDOE) is Guam's public education system consisting of a single, unified school district. There are over 30,000 students in grades Kindergarten through 12th within the 26 elementary schools, eight middle schools, six high schools, and one alternative school. In 2016, the Accrediting Commission for Schools of the Western Association of Schools and Colleges unanimously approved the district-level accreditation of the GDOE. This six-year district-level accreditation is the first for GDOE.

Guam also has two higher education institutions, the Guam Community College (GCC) and the University of Guam (UOG). GCC provides vocational classes for high schools, classes for developmental and adult education courses, two-year college courses, and college transfer courses. UOG offers undergraduate level courses and some graduate programs leading to a Master's degree.

According to the 2010 Census, Guam had an average family income of \$62,724 and an average nonfamily income of \$41,837. In the same Census, the per capita income of the entire population is \$16,549. The report also identified 35,848 individuals (6,514 families) with income below the 2009 US poverty level.

As of September 30, 2016, the Government of Guam's cumulative General Fund deficit stands at 105.7M, with an overall government-wide negative net position (deficit) of \$727.8M and unrestricted deficit of \$1.89 billion (B). Given Guam's financial situation, OPA strives to conduct audits that identify revenue enhancements and revenue leakages.

Guam enjoys the press and speech freedoms of the U.S. Constitution. Media is available in print (via locally-published newspaper, weekly newsletters, and magazines), online (via media websites), radio (AM and FM radio stations), television stations, etc.

Guam residents enjoy the freedom to establish civic organizations by filing with and abiding by the rules established by the Department of Revenue and Taxation.

3.2 Description of public sector budgetary environment including public financial management and impact on SAI performance.

As already noted in the preceding section, Guam's public sector is governed by the elected Governor and Lt. Governor and is comprised of the three branches - executive, legislative, and judicial branches.

GovGuam government-wide September 30 year-end financial statements are divided into two categories:

- Primary government – comprised of governmental or business-type activities, which includes most of GovGuam’s basic services such as education, public safety, health, finance, judiciary, and general administration. Local sourced tax revenues and other federal grants finance most activities of the primary government.
- Component Units – comprised of entities that are legally separate organizations for which GovGuam’s elected officials are financially accountable; or other organizations for which the nature and significance of their relationship with GovGuam are such that exclusion would cause GovGuam’s basic financial statements to be misleading or incomplete. These are separately audited, unlike most of the primary government, which are audited as part of the government-wide audit.
- Judiciary and Legislature- the finances of these branches are included under Special Revenue funds.

GovGuam’s financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The financial audits are conducted in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the U.S. Comptroller General.

If federal awards expended by the primary government or component units during any financial statement audit period meet or exceed the audit threshold of the Single Audit Act of 1996, as amended, the external auditor will also perform a compliance audit over federal award programs in accordance with the Single Audit Act and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations* (A-133), replaced by the Uniform Guidance codified at Title 2, Part 200 of the Code of Federal Regulations.

Government-wide financial statements are reported using the economic resources measurement focus and the **full accrual** basis of accounting, as are the fiduciary fund and component unit financial statements. The statement of net position includes all of the government’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

Governmental funds financial statements account for the general governmental activities of GovGuam and are reported using the current financial resources measurement focus and the **modified accrual** basis of accounting.

The General Fund is the fund into which all Guam revenues, not otherwise restricted by statute, are deposited and from which appropriations are made. Two primary sources of General Fund revenues are tax revenues and federal contributions. Tax revenues are comprised of income taxes and business privilege taxes, which accounted for approximately 50% and 35% of total General Fund revenues, respectively, during FY 2015. The Government is the only taxing authority in Guam. There is no separate municipal, county, school district, or improvement district taxes.

Federal contributions traditionally represented the second largest source of General Fund revenues and are pursuant to Section 30 of the Organic Act of Guam, 48 U.S.C. §1421h (“Section 30 revenues”). Section 30 revenues are amounts received by or on behalf of GovGuam or the Trustee from the United

States as proceeds of custom duties, federal income taxes and any other taxes derived from Guam.³ Beginning in FY 2012, GovGuam changed its method of presenting Section 30 revenues in its audited financial statements, and these amounts are now presented as a component of GovGuam’s tax revenues.

Schedule of FY 2014 – FY 2016 General Fund Revenues & Expenditures

General Fund Revenues	FY 2016	%	FY 2015	%	FY 2014	%
Income Taxes	\$ 343,836,465	52%	\$ 324,402,392	52%	\$ 296,185,527	47%
Gross Receipts Taxes	238,304,786	36%	226,592,159	36%	238,249,400	38%
Section 30 Funds	78,467,450	12%	71,446,424	11%	87,998,215	14%
Other Taxes	2,937,715	0%	2,690,851	0%	3,463,914	1%
Subtotal, Taxes	663,546,416	100%	625,131,826	100%	625,897,056	100%
Other Revenues	5,869,099	26%	9,996,064	44%	8,725,702	40%
Charges and Fines	6,345,507	29%	4,144,732	18%	4,801,031	22%
Licenses and Permits	5,916,066	27%	5,636,191	25%	5,594,294	26%
Intergovernmental	4,065,459	18%	2,839,778	13%	2,545,406	12%
Subtotal	22,196,131	100%	22,616,765	100%	21,666,433	100%
Total Revenues	685,742,547		647,748,591		647,563,489	

General Fund Expenditures	FY 2016	%	FY 2015	%	FY 2014	%
Public Education	\$ 275,892,498	38%	\$ 276,599,153	40%	\$ 370,593,159	46%
Protection of Life and Property	109,012,247	15%	111,566,515	16%	134,059,434	17%
Debt Service	80,992,439	11%	88,970,278	13%	76,816,896	10%
Public Health	79,795,829	11%	39,734,335	6%	42,173,356	5%
Other	64,816,571	9%	63,610,305	9%	66,383,283	8%
Retiree Payments*	64,235,954	9%	60,414,932	9%	51,003,253	6%
General Government	58,147,869	8%	58,152,002	8%	55,504,357	7%
Interest on Tax Refunds	1,529,555	0%	1,021,759	0%	923,109	0%
Total Expenditures	734,422,962	100%	700,069,279	100%	797,456,847	100%
Other Financing Sources (Uses), Net	62,047,043		(7,164,374)		87,951,396	
Net Change in Fund Balance (Deficit)	13,366,628		(59,485,062)		(61,941,962)	
Fund Balances (Deficit) at Beginning of Year	(119,100,127)		(59,615,065)		2,326,897	
Fund Balances (Deficit) at End of Year	(105,733,499)		(119,100,127)		(59,615,065)	

*Retiree Payments include Special Revenue Section 2718 funds of \$15,243,673, \$20,572,173, and \$6,388,394 for FY 2016, FY 2015, and FY 2014, respectively.

All OPA reports (i.e., performance audits, financial audits, procurement appeals decisions, etc.) are available to Guam citizens and the general public via OPA’s website, transmitted to the various media outlets, and submitted to the Governor, Lt. Governor, and senators. OPA has full autonomy to issue reports to those parties it deems necessary, and is not subject to any political or other interference.

³ GovGuam FY 2015 Financial Audit Notes to Financial Statements. p. 60
http://www.opaguam.org/sites/default/files/govguam_fs15.pdf

OPA is responsible for monitoring and following-up on recommendations made. Although 1 GCA § 1913 allows the Public Auditor to file in the Superior Court of Guam an action for a Writ of Mandate to force the implementation of the recommendations and the attendant corrective action plan, the Public Auditor has not exercised this authority.

Several autonomous agencies, such as the Guam Power Authority, Guam Waterworks Authority, Department of Education, and University of Guam, have an internal audit function. OPA auditors coordinate with the internal auditors of these agencies when necessary, such as setting up financial audit meetings, providing hotline tips and citizens' concerns, etc.

The Public Auditor and other public officials have recognized the need to update the government's financial management system from its antiquated AS400 system. There is currently a task force in place to look into the acquisition and procurement of a new system. However, completion of this review and recommendation as to the next steps to be taken is not known at this time.

3.3 Description of the SAI's legal and institutional framework, organizational structure and resources.

Guam Office of Public Accountability (OPA) was established by Public Law 21-122 in July 1992 [Title 1 Guam Code Annotated, Chapter 19]. OPA is an instrumentality of the Government of Guam (GovGuam), independent of the executive, legislative, and judicial branches as annotated in §1900 of 1 GCA Chapter 19.

The Public Auditor is the head of OPA. The Public Auditor is elected by the voters of Guam and serves a four-year term, which is not term-limited. The Public Auditor is the first and only elected Public Auditor in the Pacific and is in the beginning of her fifth consecutive term as Public Auditor. The enactment of P.L. 25-42 in May 1999, required the Public Auditor to be elected by popular vote.

OPA has a wider mandate in Title 1 GCA §1908 where the Public Auditor is required to conduct post-audits of all transactions and accounts of all departments, offices, corporations, authorities, and agencies in all of the branches of the government of Guam. "With respect to the line departments of the executive, the legislative and the judicial branches, the Public Auditor may conduct the audit through his or her own staff or may retain the services of an independent audit firm or organization, which audit shall be under the direction and supervision of the Public Auditor. With respect to corporations, authorities or agencies, including autonomous agencies and instrumentalities, the Public Auditor shall make the selection of the auditing firm or organization and the scope of the audit".⁴

OPA's primary function is to conduct performance audits and has broad authority to conduct government-wide audits or program-specific audits. OPA also responded to legislative mandates and official requests to review other government-related activities.

Due to staff shortage, all financial audits are outsourced to external Certified Public Accounting (CPA) firms. OPA has an oversight role over these audits, monitoring and managing these audits to ensure the audits are conducted in accordance with the required auditing standards and comply with OPA policies. The Public Auditor does not sign off the audit reports prepared by the external firms, although

⁴ Title 1 GCA §1908

there is no legislative requirement prohibiting the Public Auditor from signing off these audit reports, which are within the OPA's mandated responsibilities. OPA prepares financial audit highlights that are released concurrently with the financial audit reports.

OPA is also tasked to hear and decide on appeals related to procurement protest decisions between vendors and agencies, contract controversies, and vendor suspension and debarment, pursuant to 1 GCA §1909(k). Procurement appeals are not common in other audit offices, but OPA applied quality assurance procedures similar to those required of performance audits reports and financial audit highlights.

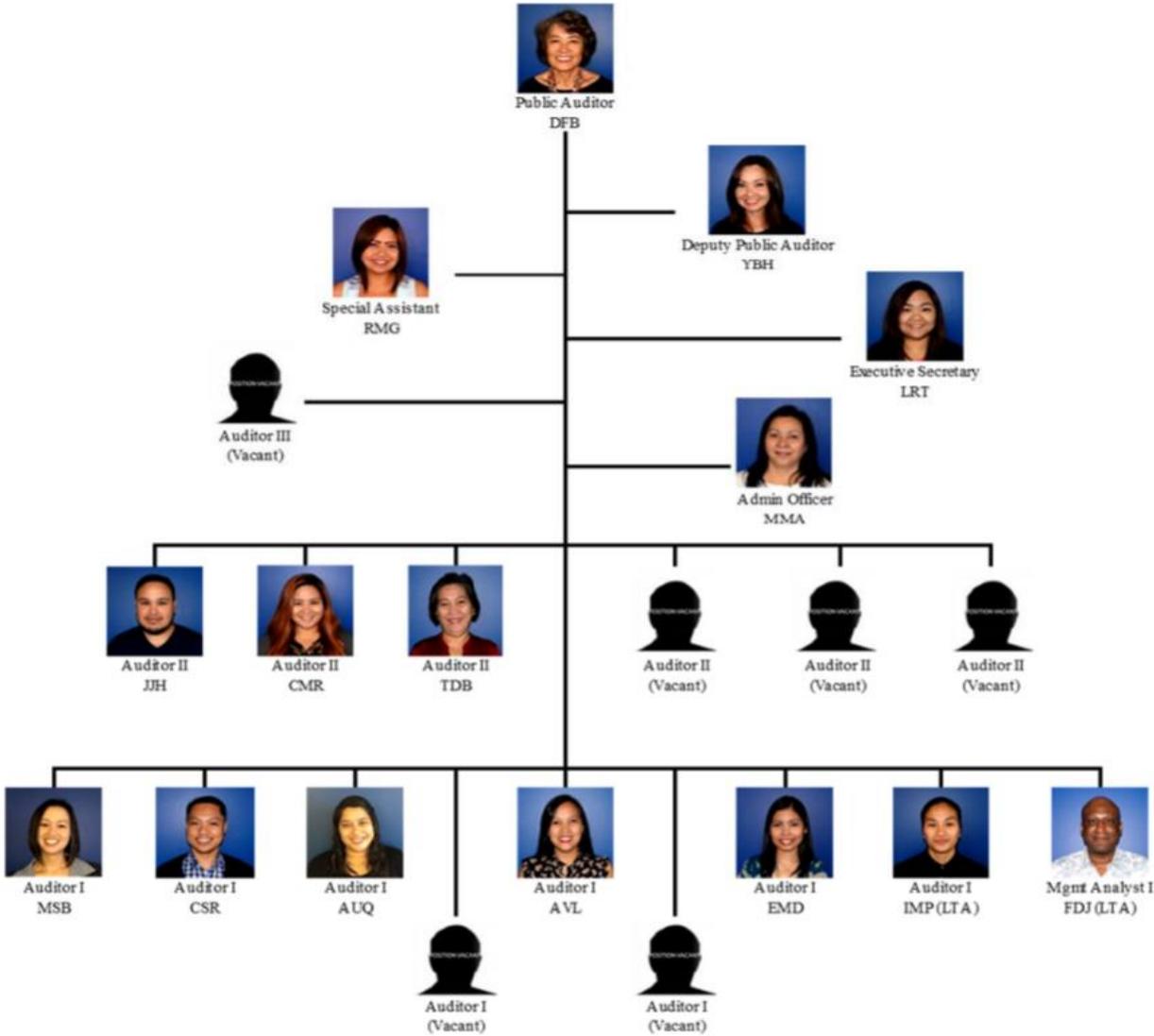
The Public Auditor assigned each OPA procurement appeals case to a Hearing Officer. OPA maintained legal services contracts with three licensed attorneys on Guam who served as OPA's Hearing Officers in order to manage the workload and preclude potential conflicts of interest. Similar to the outsourced independent auditing services, procurement for the legal services is administered through the RFP process.

OPA is also required by public laws to carry out other responsibilities from time to time, as the government legislates and other audits or reviews as OPA deems necessary. These additional responsibilities included the following:

- To provide oversight, approve or conduct a specific activity
- To be a member of a committee, group or task force
- Requirement for some Government agencies to submit reports and other information to OPA

Since 2011, OPA received an average annual budget appropriation of \$1.42M from the General Fund, inclusive of various lapsed funds carry over authorizations. In prior years, the annual appropriations with the lapsed funds carry over authorizations were sufficient for OPA to execute its mandates. For FY 2018, OPA submitted a budget request of \$1.69M due primarily to increased payroll costs with the hiring of several new employees towards the end of FY 2017. However, OPA received a \$1.4M appropriation in FY 2018, resulting in a budgetary gap of \$293K. Despite having some available cash and implementing cost-cutting measures to augment the anticipated shortfall in FY 2018, management is concerned with OPA's ability to sustain operations in FY 2019, should the Legislature decide to appropriate similar budget levels as FY 2018.

Figure 1: Guam OPA’s organizational chart as of January 2017



Chapter 4. Assessment of the SAI Environment, Capability, and Performance

The objective of this chapter is to provide an assessment of the key elements of the performance of the Guam OPA, through the set of indicators scored. Low scores will highlight opportunities for improvement, whereas high scores will be sign of good practices.

Domain A: Independence and Legal Framework

SAI-1 Independence of the SAI

The Lima Declaration highlights that the SAI’s establishment should be anchored in the country’s supreme law to ensure the appropriate sustainability and authority of the organization.

Indicator Score: 2		
Dimension	Findings	Score
<i>Dimension (i) – Appropriate and Effective Constitutional Framework</i>	<p>Criteria a, f, g, are met. Criteria b, c, d, e, are not met.</p> <p>The establishment of the SAI is laid down in the Constitution. The SAI strives to promote, secure and maintain an effective constitutional framework.</p>	1
<i>Dimension (ii) – Financial Independence/Autonomy</i>	<p>Criteria a, b, c, d, f, g, are met. Criteria e is not met.</p> <p>OPA is free to propose its budget and submits its budget directly to Legislature. The SAI has the right of appeal to the Legislature if the resources provided are insufficient for it to carry out its mandate.</p>	3
<i>Dimension (iii) – Organizational Independence/Autonomy</i>	<p>Criteria a, b, c, e, f, g, are met. Criterion d is not met.</p> <p>Head of SAI is not free to independently decide on all human resources matter. The SAI is entitled to call on and pay for external expertise as necessary.</p>	3
<i>Dimension (iv) – Independence of the Head of the SAI and its Officials</i>	<p>Criteria a, b, d, e, f, g, are met. Criteria c is not met.</p> <p>Legislation outlines the process for the removal of Head of SAI. The law does not specify immunity for the Head of SAI.</p>	3
SAI-1 overall score		2

Dimension (i) Appropriate and Effective Constitutional Framework

The Organic Act of Guam (Constitution) authorizes the establishment of the OPA in §1421g(c): The Government of Guam may by law establish...an Office of Public Auditor...Public Auditor may be removed as provided by the laws of Guam. The appointment, term, cessation of functions of the Head of SAI and the independence of the decision-making powers are guaranteed in the OPA’s legislation as described in Title 1 Guam Code Annotated (GCA) Chapter 19. Without legal protection of OPA’s independence specified in the Constitution, OPA is exposed to potential interference to its independence in the event any future legislation is passed removing such independence currently enjoyed by OPA.

OPA audit reports are required by Government Auditing Standards (Section 7.11) to report scope limitations. Examples of recent OPA reports with scope limitations are:

- Report No. 17-08 GRT Exemptions – data was incomplete and unreliable for OPA to determine the impact of GRT tax exemptions on GovGuam revenues.
- Report No. 16-08 Multiple SSNs – lack of readily available data to evaluate the risk of misuse of multiple SSNs.
- Report No. 15-06 Tax Credit Programs – requested data was not provided.

The Public Auditor has routinely engaged in discussions with various Senators actively lobbying for hiring autonomy. As a result, Public Law 33-226 was enacted in January 2017. The Public Auditor has also been actively lobbying to institute an equitable compensation plan for OPA auditors mainly for recruitment and retention issues. Currently, the Department of Administration is reviewing the positions. The Public Auditor has advocated in OPA's annual reports and Legislative testimonies the importance of OPA's autonomy and independence.

Dimension (ii) Financial Independence / Autonomy

OPA's legal framework provides for the OPA's financial independence from the executive in Title 1 GCA Chapter 19 §1900: There is an instrumentality of the government of Guam, independent of the executive, legislative and judicial branches, known as the Office of Public Accountability.

As an independent instrumentality of the Government of Guam, the OPA is free to propose and submit its budget to the Legislative Appropriations Chairman, who would make the decision on approving OPA's budget, which gets incorporated into the entire Government of Guam Budget Bill. The legislature would then vote to pass budget bill and then transmits to the Governor for his action. The Governor can sign the budget bill into law or veto it. If there is no action by the Governor after 10 days upon receipt of the budget bill from the legislature, then the bill will just lapse into law.

Per Title 5 Chapter 1 §1303.1, OPA receives a lump sum appropriation which is exempt from Bureau of Budget and Management Research allotment release control. This allows OPA to draw down against its appropriation as needed. However, in fiscal years 2007, 2008 and 2013, OPA's appropriations were reduced by various laws and lapsed funds were not authorized to be carried over into the next fiscal year.

Guam Legislature's Standing Rule VI Section 6.01(d) (1) does not prohibit bills for supplemental appropriations and amendments. In the past three (3) years, the Executive branch has not interfered in OPA's budget.

Dimension (iii) Organizational Independence / Autonomy

The OPA's organizational independence is established in Title 1 GCA §1900: There is an instrumentality of the government of Guam, independent of the executive, legislative and judicial branches, known as the Office of Public Accountability.

The Organic Act and the OPA enabling legislation did not give power to the Public Auditor to freely decide on all human resource matters. However, in January 2017, Public Law 33-226 was enacted, giving the head of the SAI the power to administer personnel matters. Despite the additional authority granted to the PA, the staff salaries continued to be set by the Department of Administration Director.

In §1908 of Title 1 GCA, the Head of the SAI has the authority to retain the services of an independent audit firm or organization to conduct financial audits and may hire a private contractor to perform the SAI’s human resource operations.

Furthermore, the SAI’s legal framework provides for accountability and transparency by covering the oversight of the SAI’s activities. Title 1 GCA §1909 (f) requires the SAI “to submit annual reports to the Governor and Legislature within 90 days after the close of each government fiscal year, such reports to include recommendations for necessary legislation to improve and to protect the integrity of the financial transactions and condition of the government”. Title 1 GCA §1909 (h) requires the SAI to provide copies of all audits to the Director of Administration, the Director of the Bureau of Budget and Management Research (BBMR), the Chairperson of the Committee on Rules of the Legislature and to the Controller of the Supreme Court of Guam. Copies of all audits shall also be made available to the public.

Dimension (iv) Independence of the Head of the SAI and its Officials

As specified in §1903 of Title 1 GCA, the Public Auditor shall be elected by the voters of Guam in a General Election with the first election in November 2000. The Public Auditor shall serve a term of four (4) years and there is no limit to the term for this position. The law that created the SAI does not specify immunity for the Public Auditor. §1910 outlines the process for removal. During the last 3 years there have been no cases where the Head of the SAI was removed through an unlawful act or in a way that compromised the SAI’s independence.

The Guam Organic Act Sections g (c) and 1 GCA Chapter 19 Section 1900, created OPA as an instrumentality independent from the executive, legislative and judicial branches of the government. Although, the related provisions does not specifically state the independence of the audit staff against the influence of the audited organizations, OPA 's independence encompasses the audit staff who performs the OPA functions mandated by law. Title 4 Guam Code Annotated Chapter 15: *Ethical Standards for Government Employees*, which applies to OPA staff, provides further guidance to ensure OPA staff are not influenced by the entities they audited.

SAI-2: Mandate of the SAI

SAIs need to be sufficiently empowered by the legal frameworks establishing their roles and clearly describing the public financial operations they are responsible for auditing. The legal frameworks should allow the SAIs to be independent in the choice of the audit issues, in their audit planning, in the conduct of their audits and to freely prepare, submit and publish their audit reports.

Indicator Score: 2		
Dimension	Findings	Score
<i>Dimension (i) – Sufficiently broad mandate</i>	Criteria a, c, e, f, g, h, i, are met. Criterion d not met. Criterion b, not applicable (N/A) OPA has a wide mandate ensuring it is responsible for auditing all central government activities.	3

<i>Dimension (ii) – Access to information</i>	Criteria b and e, are met. Criteria a and c are not met. Criteria d, not applicable (N/A) OPA has the right to decide information it needs for audit purposes. Legislation is not specific on access to information required for all audits.	2
<i>Dimension (iii) – Right and Obligation to report</i>	Criteria b, c, d, e, f, g, are met. Criteria a, not met. OPA has the right to publish its annual audit reports and is free to decide the content of its audit reports.	2
SAI-2 overall score		2

Dimension (i) – Sufficiently broad mandate

OPA has a wider mandate in Title 1 GCA §1908 where the Public Auditor shall, annually, audit or cause to be conducted post-audits of all transactions and accounts of all departments, offices, corporations, authorities, and agencies in all of the branches of the government of Guam. §1909 in Title 1 GCA specifies the Public Auditor’s duties which include directing and supervising all audits. The Public Auditor may conduct or cause to be conducted such other audits or reviews as he/she deems necessary. Although the existing legislation (Title 1 GCA §1909) describes the duties of the SAI and what it should audit, there is no specific legal provision reiterating that the SAI should be free from direction and interference in the selection of audit issues, planning, conducting, reporting and following up of their audits.

During the past 3 years the SAI has not been given and has not taken any tasks which influence the independence of its mandate. In addition, there have been no cases of interference in the SAI’s selection of audit clients or subjects within the last three years, in a way that may compromise the SAI’s independence.

Dimension (ii) – Access to information

Title 1 G.C.A Section 19 is not specific or clear on the SAI having unrestricted right of access to records, documents and information. However, Title 1 G.C.A Section 1919 requires all agencies to surrender records that the SAI determines necessary for the conduct of surprise or unannounced audits. P.L. 33-52 also allows OPA access to taxpayer information except privileged information as defined by the Internal Revenue Code of the United States.

The SAI’s enabling legislation in the form of Title 1 G.C.A Section 19 does not provide an established and appropriate process to resolve disputes in the event that the access to information required for the audit is restricted or denied.

The SAI has authority in §§1908 and 1909 to determine what audits to conduct. Per §§1917 and 1919, government agencies must surrender requested records necessary to conduct the audit and agencies are required to offer their complete cooperation during an audit or review.

Dimension (iii) – Right and Obligation to report

Although it is not prescribed in the Organic Act of Guam, Title 1 GCA §1909(f) of the SAI's enabling legislation requires an annual report of its audits and recommendations to be submitted to the Governor and the Legislature within ninety (90) days after the fiscal year. The SAI's annual reports are prepared by calendar year because its reports are issued as such. In §1922, a Citizen Centric Report (CCR) is also required and all government agencies, including the SAI must submit a 4-page report no later than 60 days after the agencies financial audits are issued. The SAI posted all its reports on its website (<http://www.opaguam.org/audits-mandates/citizen-centric-reports-ccrs>) for public viewing.

The Public Auditor is empowered (Title 1 GCA §1908) to conduct audits or reviews as he or she deems necessary. There are no specific timing requirements to complete audits except for financial audits which are required in §1909(a) to be completed by June 30th after the fiscal year end.

During the past 3 years, the SAI has encountered some auditees who did not agree with certain findings and recommendations described in the draft performance audit reports transmitted to them for feedback prior to report issuance. These resulted in the auditees' submission of additional supporting documentation, which the audit teams took into consideration and made additional changes to the report where determined warranted. However, majority of the report's findings and recommendations remained.

Domain B: Internal Governance and Ethics

This domain measures the SAI's overall performance in the area of internal governance and ethics. It seeks to give a holistic understanding of the SAI's efforts, strengths and weaknesses at the organizational level. The indicators measured in Domain B reflect the SAI's foundations for conducting its activities.

Performance indicators

The following indicators are included in this domain:

- SAI 3: Strategic Planning Cycle
- SAI 4: Organisational Control Environment
- SAI 5: Outsourced audits
- SAI 6: Leadership and Internal Communication
- SAI 7: Overall Audit Planning and Follow-Up

SAI-3: Strategic Planning Cycle

Planning is an essential and vital process in any organization and therefore it is important that the SAIs have appropriate resources to facilitate the planning process. Comprehensive and thorough planning will exert positive impact on the SAIs performance. Such plans can contribute to improving public financial management and making a difference in the lives of citizens if properly executed.

The assessment of this indicator was based on a review of the SAI's current Strategic Plan document updated January 2014 and relevant supporting documents.

Indicator score: 1		
Dimension	Findings	Score
<i>Dimension (i) – Content of the Strategic Plan</i>	<p>Criterion a and g are met. Criteria b, c, d, e, f are not met.</p> <p>All staff participated in the development of the strategic plan. Performance measures should be specific and measureable and implementation matrix should be included. Stakeholders' expectations should be considered as well as an assessment of the institutional framework.</p>	1
<i>Dimension (ii) – Content of the Annual Plan/Operational Plan</i>	<p>All criteria were not met.</p> <p>The SAI does not have an annual or operational plan.</p>	0
<i>Dimension (iii) – Organizational Planning process</i>	<p>Criteria a, b, d, h are met. Criteria c, e, f, g, i are not met.</p> <p>All staff were involved in the development of the strategic plan. The organizational planning process is not documented and responsibilities, actions and timetable for developing the organization's plans are not clearly defined.</p>	2
<i>Dimension (iv) – Monitoring and Performance Reporting</i>	<p>Criteria b, c, e, f, g are met. Criteria a and d are not met.</p> <p>The SAI reports on its performance and publishes information showing the value of its work for citizens and stakeholders through its Annual Report and the Citizen Centric Report. The SAI is subject to an independent peer review every three years and its recent peer review report is published on its website. The SAI does not assess its performance against its planned activities but reports what they have achieved during the year.</p>	3
SAI-3 overall score		1

Dimension (i) – Content of the Strategic Plan

The previous and current strategic plans do not identify timeframes but are identified by the dates on which they were finalised or updated. The previous strategic plan was finalised in July 2008 and the current one was finalised in January 2014. According to management, the strategic period is normally for five years.

The current strategic plan was developed through staff consultations led by an external consultant together with management, using the previous plan as guidance. Audio recordings of staff consultations involved revising the 2008 strategic plan and conducting a SWOT analysis of the SAI. The current strategic plan describes the SAI's mission, vision, goals and objectives and its core values. Included also are actions to be taken to achieve the goals and objectives. The strategic plan also included measures designed to strengthen the SAI's institutional environment; for instance, activities to address human resources matters and the SAI's visibility.

Although performance measures are described for each objective, there are no indicators nor timeframe to measure the achievement of each objective. Some performance measures do not necessarily indicate achievement of set objective; e.g. Objective 1 - obtain independence from budget control; the performance measure is submission of annual budget request.

The strategic plan does not include an implementation matrix which identifies and prioritises the activities to be undertaken in order to achieve the strategic objectives nor identify risks to achievement of the strategic plan. While the level of priority for each activity is identified, it is not clear how each activity is prioritised in relation to all other activities that should be implemented during the strategic period. For instance, there are 17 tasks which are of high priority and in the absence of an implementation matrix, it is not clear which ones will be implemented first and when. In addition, there is no comment on whether risks to achieving the activities identified in the plan were considered and if so, what those risks were.

Management explained that the consultant who led the development of the strategic plan held meetings with some external stakeholders. However, the results of these external meetings and therefore stakeholders' expectations were not documented. Nevertheless, the OPA's strategic goals and objectives such as delivering impactful, reliable and quality reports, and increasing public knowledge and trust of OPA's work and impact reflect that issues relating to the country governance, political economy and public financial management systems were considered.

Dimension (ii) - Content of the Annual Plan/Operational Plan.

The SAI does not have an annual operational plan but has a strategic plan, an annual audit plan and an annual budget request submitted to the Guam Legislature. From a review of the fiscal year 2016 budget request, we were not able to link the budget request to the proposed activities in the strategic plan. In the absence of an annual plan, it was difficult to identify the planned activities to be implemented and when in the fiscal year 2016 such activities will be implemented.

OPA's annual audit work plan outlines audits that it plans to conduct during the calendar year. But this plan does not include other activities such as legislative mandate, trainings and international meetings that OPA plans to participate in, during the year.

Dimension (iii) - Organizational Planning Process

The current strategic plan that communicates the SAI's vision, mission, values and goals and objectives in the next few years, is not signed by the Head of SAI to indicate that this is an official and approved document. However, management explained that the Public Auditor had the opportunity to review, discuss, and provide input on the results of the strategic plan, though there is no documented evidence of the PA's review and inputs. The Head of SAI delegates her management staff to coordinate and manage various planning processes within the SAI and often gathers input from the management staff enabling her to exercise her decision making authority as needed.

Based on discussions with key management personnel as well as the audio recordings of the strategic planning sessions, all staff of the SAI had the opportunity to provide input and contribute to the development of the SAI's strategic plan. The strategic planning session also confirmed that there was effective communication of the SAI's plans to all staff.

There was no evidence that external stakeholders were consulted in the planning process, although management explained that the consultant who facilitated the strategic planning process had scheduled meetings with some of the SAI's stakeholders. The full strategic plan is not published on the website but only the first page of the strategic plan including the SAI's mission, vision, values and goals and objectives.

There is no formal documented process for monitoring the SAI's progress against its strategic plan. The responsibilities, actions and timetable for developing the organizational plans are not defined in an office manual or policy document. In the absence of a formal planning process, there was no process to be evaluated to provide input to the next planning process.

Dimension (iv) - Monitoring and Performance Reporting

The SAI published its annual report for the calendar year 2015 in June 2016. The annual report included a summary of what the SAI has achieved and activities conducted during the year. However, the annual report does not report on the SAI's performance against its planned activities as described in the strategic plan.

The allocation of audit through audit work plan and updates on staff assignments are used as mechanisms to monitor and measure the achievement of internal performance objectives. The Head of SAI sets a goal for individual staff to conduct at least two performance audits per year (to be issued during the staff's performance appraisal period). These indicators or targeted performance measures are communicated to all staff during staff meeting. However, these are not identified formally in the strategic plan or any planning document (i.e. audit work plan).

The effectiveness of the SAI's audit work in adding value for citizens and stakeholders is measured through the SAI's "Status of Audit Recommendations" report, which tracks the implementation status of audit recommendations. The SAI also published in its annual report information such as potential savings, measuring the impact of the SAI's audits. These are summarized in various sections of the report namely, Performance Audit Summary, financial impact section, procurement appeals and questioned costs.

SAI-4: Organizational Control Environment

A SAI should have an internal control system in place to provide reasonable assurance that the SAI manages its operations economically, efficiently, effectively and in accordance with laws and

regulations. Furthermore, SAIs should have a quality control system that ensures quality in all its work. This indicator covers the internal control environment, the system of internal control, quality control and quality assurance functions in the SAI.

The assessment of this indicator is based on a review of the AGA Code of Ethics adopted by the SAI, the OPA Audit Manual 2008, various Standard Operating Procedures (SOPs), Quality Assurance checklist and relevant documents to support the assessment of each criterion.

Indicator Score: 2		
Dimension	Findings	Score
<i>Dimension (i) – Internal Control Environment-Ethics, Integrity and Organizational Structure</i>	<p>Criteria a, d, h, i, j and k are met. Criteria b, c, e, f, g, and l are not met</p> <p>The SAI adopts another institution’s (Association of Government Accountants) code of ethics without tailoring it to the specific context of the SAI. Responsibilities for all work carried out by the SAI are described in the Annual Report.</p>	0
<i>Dimension (ii) – System of Internal Control</i>	<p>Criteria a, b, c, f, g and j are met. Criteria d, e, h and i are not met.</p> <p>The Audit Manual 2008 provides guidance on administration and management of all audits and investigations to be carried out. Other policies and procedures are documented in various “Standard Operating Procedures”. The SAI does not have an internal auditing function but is subject to a peer review every three years.</p>	2
<i>Dimension (iii) – Quality Control System</i>	<p>Criteria a, b, c and d are met. Only criterion e is not met.</p> <p>The Audit Manual 2008 prescribes quality control policies and procedures for audit related activities and Standard Operating Procedures (SOPs) are prepared for various non-audit related activities. Some SOPs are still in draft form and have not been approved by the head of SAI. The SAI does not have system to prioritise its work programme.</p>	3
<i>Dimension (iv) – Quality Assurance System</i>	<p>Criteria a, b, c, d, f and h are met. Criteria e and g are not met.</p> <p>All audits and investigations are subject to an independent Quality Assurance review by a supervisor or Auditor III who was not involved in carrying out or planning the audit. Quality Assurance policies are described in the Audit</p>	3

	Manual 2008. The SAI also has a QAR Checklist to guide the QA review.	
SAI-4 overall score		2

Dimension (i) – Internal Control Environment-Ethics, Integrity and Organizational Structure

According to OPA’s draft Audit Manual (April 2017), OPA follows Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States and standards of the American Institute of Certified Public Accountants (AICPA). OPA maintains an ethics policy which has the AICPA and the Association of Government Accountants (AGA) Code of Ethics as its foundation. Accordingly, Guam OPA adopts the Association of Government Accountants (AGA) Code of Ethics.

The AGA Code refers to government financial management profession which therefore renders most of the Code irrelevant to the context of the SAI’s specific audit functions and related ethical requirements. For instance, the AGA Code does not prescribe applicable ethical requirements when the SAI contracts some of its work to external parties, which is something that Guam OPA does. Any revision of the Code is dependent on when AGA reviews its Code.

All work carried out by the SAI are included in its annual report while the responsibilities for each position within the SAI are described in the respective job description. Staff assignments are documented in the dashboards (monthly worksheets), which identify the audits to be carried out and responsible staff. These worksheets are also used to monitor and follow-up progress of these assignments.

The SAI has not assessed its vulnerability and resilience to integrity violations but adopts other mechanisms to ensure its integrity is upholding. This is done through requiring all staff to sign a statement of independence for all audits they are involved in.

Dimension (ii) - System of Internal Control

The SAI’s policies and procedures for audits are documented in the OPA Audit Manual 2008. Staff of the SAI are subject to the personnel rules and regulations administered by the Government’s Department of Administration (DOA). Other internal control policies and procedures are documented in various “Standard Operating Procedures” (SOPs). Regular management and staff meetings ensure that all staff have carried out their responsibilities and any operational risks can be addressed as soon as possible.

The Audit Manual is currently being reviewed and in draft form. Similarly, some SOPs, such as those for procurement, payroll procedures and annual appropriations and budget allotments are also in draft form. Because these documents are in draft form, the assessment team did not use them as evidence to support the existence of internal controls that are approved for the SAI to adopt and staff to implement and comply with. Despite reviewing these policies and procedures, there is no formal report describing the proposed changes to the internal control policies and procedures documented in the 2008 Audit Manual and Standard Operating Procedures (SOPs).

The SAI does not have an internal audit function however, being a member of APIPA, the SAI is subject to a peer review every three years. The selection of the peer review team and allocation of responsibilities are not within the control of OPA but managed and regulated by the APIPA.

OPA does not have a documented job rotation policy, although in practice, management explained that it gives all staff the opportunity to work on different teams. Staff are informed as part of their

orientation (normally first week) at OPA that they will have an opportunity to work with different staff and supervisors as they grow and develop at OPA. As new audit assignments arise, management considers staff availability and who they have not worked with as part of the assignment determination process. Furthermore, all staff are required to sign a statement of independence as a procedure to manage possible conflicts of interest.

Dimension (iii) - Quality Control System

The SAI's quality control policies and procedures are clearly established and described in the Audit Manual 2008 and SOPs. SAI management comprised of three supervisors who shared the responsibility of managing the SAI's internal control procedures. During management meetings, the Head of SAI will delegate the authority to the supervisors to manage various areas of operations. Specific provisions in the Audit Manual 2008 provide guidance on managing risks to quality of audit work being performed.

All staff contribute to developing the SAI's annual work programme by providing suggestions towards prioritizing audits during the audit planning process. However, there is a lack of evidence to support how the audits were prioritized and what factors were considered when prioritizing the audits.

Dimension (iv) - Quality Assurance System

All performance audits and investigations are subject to an internal Quality Assurance Review (QAR) by a supervisor who was not involved in planning and carrying out the audit. This QAR is conducted in accordance with the SAI's QAR checklist. The review notes will identify any necessary corrective actions, which are usually taken by the staff responsible for carrying out the audit. There is no evidence that the Head of SAI has examined the results of the quality assurance review and drawn the necessary conclusion. However, in practice, the Head of SAI is kept abreast of the progress of the audit, including the results of the quality assurance review. Prior to finalising the audits, the Head of SAI is informed of significant quality assurance review notes that may or may not need her approval. The signing off on the audit report is taken as the Head of SAI has approved the audit in its entirety.

The SAI is subject to a peer review every three years by one of the members of the Association of Pacific Island Public Auditors (APIPA). The latest peer review was conducted in 2014, which concluded that the SAI's internal quality control system "*was suitably designed and operating effectively to provide reasonable assurance of compliance with Government Auditing Standards*".⁵

SAI-5: Outsourced Audits

A SAI's legal framework may allow for it to contract external auditors. To enable a SAI with limited capacity to complete its audits in a timely manner, outsourcing some audit work may be an option to fulfil its mandate. However, the SAI should remain the responsible party for the audits and for the results of the contracted work. The SAI should have a system in place to ensure work carried out by contracted parties are of the required quality.

The assessment of this indicator was based on review of a request for proposals (RFP) for independent financial auditors for 2 of the 22 GovGuam component units (RFP #2016-0660-004) and the relevant supporting documents, the SAI's RFP Process Guidelines, Procedures for Financial Audit Review, Financial Audit Review Checklist, and the Annual Financial Audit QAR assignment schedule.

⁵ 2014 APIPA peer review report of Guam OPA. Subsequent to the assessment team's visit, Guam OPA underwent its latest peer review in September 2017. The results of the latest peer review is identical to the 2014 APIPA peer review report.

Indicator Score: 2		
Dimension	Findings	Score
<i>Dimension (i) – Process for Selection of Contracted Auditor</i>	<p>Criteria a, b, c, d, f, g are met. Criteria e is not met.</p> <p>OPA works with the Department of Administration (DOA) to issue RFP's for the Government of Guam annual financial audit and with the component units to issue RFP's for their respective annual financial audits.</p>	3
<i>Dimension (ii) – Quality Control of Outsourced Audits</i>	<p>Criteria b and d are met. Criteria a and c are not met.</p> <p>Audits contracted to external auditors are required to be reviewed by assigned OPA staffs before final reports are issued by the external auditors. Audit working papers for these audits are not kept by the OPA, however, OPA can access them when the need arises.</p>	2
<i>Dimension (iii) – Quality Assurance of Outsourced Audits</i>	<p>Criteria a, c, d, e and g are met. Criteria b and f are not met.</p> <p>Quality Assurance is conducted on the financial audit reports and the financial highlights prepared by the OPA staff but not on the working papers, by one of 3 senior management staffs or an Auditor III staff who was not involved in the oversight of the specific financial audit assignment. The assignment of QAR is documented on the Financial Audit Assignment Schedule prepared annually. These staffs document their QAR through the Quality Assurance Review Checklist.</p>	2
SAI-5 overall score		2

Dimension (i) – Process for Selection of Contracted Auditor

Title 1 GCA §1908 authorizes the Public Auditor to acquire independent auditing services to conduct financial audits and shall have oversight over the audits. Accordingly, Guam OPA, in conjunction with the Department of Administration (DOA) or component units, outsourced all required financial audits of the Government of Guam and the 22 component units to independent Certified Public Accounting (CPA) firms, in accordance with the Guam Procurement Law (Title 5, Chapter 5 of GCA) and the Procurement Regulations (Title 2, Division 4 of the Guam Administrative Rules and Regulations).

In addition, OPA 2008 Audit Manual Part III, Chapter 9, Sections 9.2 and 9.3, state that it is the OPA's policy to use contract services for the performance of financial statement audits or when in-house expertise is not readily available to meet a particular OPA mission responsibility. The OPA will rely on

the professionalism of the CPA firms to ensure compliance with Government Auditing Standards in the performance of their duties. The Public Auditor will determine the scope of the audit and control the release and distribution of financial statement audits.

The outsourcing process includes ensuring bidders meet the required qualifications, has the capacity and capability to perform work in accordance with relevant standards and applicable legal and regulatory requirements, and complies with relevant ethical requirements.

An Evaluation Committee, consisted of 2 OPA staff, 2 DOA (or component unit) staff and 1 independent member from Guam Society of Certified Public Accountants or other Accountants Association on Guam, evaluate the proposals submitted in response to an RFP. Records of their evaluations, meetings and correspondence are maintained on file and kept in OPA's office. At the end of the evaluation process, an evaluation memo is prepared by the 2 OPA members to the Public Auditor for approval of the selection of the qualified offeror.

After an award is made to a CPA firm, the OPA will enter into a monitoring role. The audited entity is responsible for all necessary arrangements such as schedule pre-audit and exit conferences, to facilitate the conducting of the audit by the CPA firm. OPA in its monitoring role, continues to be a party to most of the meetings between the auditee and the CPA firm and be informed through any correspondences pertaining to the audit.

Audit contracts are awarded for 3 years (multi-term contracts) for financial and compliance audits of the whole of Government of Guam and its 22 component units, with an option to renew for one additional year following the initial three years.

Three different CPA firms are being contracted by the SAI to perform annual financial audits of the Government accounts and the 22 component units. A review of a selected contract awarded during the period under assessment indicates that the outsourced selection process is being implemented. The only issue relating to the process is that Guam OPA does not have policies and procedures regarding rotation of key audit personnel. Management acknowledged the deficiency and indicated that they will make sure the matter is addressed in the next round of RFP solicitations.

Dimension (ii) – Quality Control of Outsourced Audits

After the selection of the audit firm, OPA remains involved in a monitoring and oversight role over the audit process. Chapter 9, Section 9.4: *Contract Monitoring* requires OPA to assure compliance with all written terms and conditions to which the parties have agreed, and that are contained in the contractual document. OPA relies on the professionalism of the CPA firms to ensure compliance with Government Auditing Standards in the performance of their duties. The Public Auditor will determine the scope of the audit and control the release and distribution of financial statement audits. Despite these provisions in the audit manual, the process and procedures for monitoring these contracts are not described or documented in a formal OPA document.

The audit reports prepared by the independent CPA firms are not signed by the Public Auditor. There is no definitive reason why the Public Auditor does not sign these audit reports neither any legislative provisions prohibiting this from happening, except that the ultimate responsibility for conducting and completing these outsourced audits rest with the Public Auditor. In addition, the working papers are

the property of the CPA firms conducting the audit and are not retained by OPA. However, OPA has access to them when needed.

Dimension (iii) – Quality Assurance of Outsourced Audits

Audit reports for all outsourced audits are subject to quality assurance review (QAR) by one of the three senior management staff or another senior auditor (Auditor III) who was not involved in the oversight of the specific financial audit assignment. The quality assurance reviews are conducted using the QAR checklist. The schedule for (QAR) is documented on the Financial Audit Assignment Schedule prepared annually.

The Public Auditor and the staff assigned with the responsibility to review the audit reports, review the draft financial statements audited by the outsourced auditor to ensure relevant standards are complied with. In addition, a senior staff member not assigned to the financial audit conducts a QAR to the extent that the financial highlights prepared by OPA contain factual information found in the financial audit report. However, OPA staff do not conduct a QAR of the financial auditors’ work papers and rely on the fact that the outsourced CPA firms are required to undergo a peer review every three years. Copies of the Peer Review letters are provided to OPA and serves as the firm’s attestation as to the quality of their audits.

SAI-6: Leadership and Communication

Effective leadership in the SAI is crucial to ensuring that the appropriate tone is “set at the top” to promote integrity and establish an organizational culture that promotes effectiveness, transparency and accountability. In order for the SAI to effectively fulfil its mandate, strong leadership and good communication with staff is essential.

This indicator measures two aspects of leadership within the organisation. Dimension (i) assesses how effective SAI leadership is, in implementing the values of the organisation through conduct and initiatives. Dimension (ii) assesses whether internal communication is at an appropriate level for the organisation, allowing information and concern to flow freely between management and staff, and thus enabling staff to do their job.

Indicator Score: 3		
Dimension	Findings	Score
<i>Dimension (i) - Leadership</i>	Criteria a, c, d, e, f, g and h are met. Criterion b is not met. SAI leadership held periodic decision making meetings and considered strategies to incentivise better performance and implemented them. There are no records of minutes of meetings – both management and staff meetings.	3
<i>Dimension (ii) – Internal Communication</i>	Criteria b, c, d, e and f are met. Criterion “a” is not met.	3

	The SAI uses appropriate tools to promote effective internal communication. There are regular interactions between staff and management during staff meetings. Despite regular interactions, records of such interactions and any key decisions made are not formally recorded in the form of minutes.	
SAI-6 overall score		3

Dimension (i) – Leadership

SAI leadership comprised of the Public Auditor (PA) and three members of the management team (sometimes referred to as supervisors). The SAI leadership meets regularly as noted from the several management meeting agendas. However, there are no formal records of any resolutions or key decisions made as evident by the absence of minutes of any meetings. Similarly, leadership have consulted staff through staff meetings but there are no minutes of staff meetings. Key decisions are communicated to all staff via email, during staff meetings or directly to the affected staff. Management believed that with a small organization of 15 staff, it should not be expected to keep minutes of all management and staff meetings as it would be an administrative burden.

SAI leadership has implemented a system where authority is delegated, however the policies related to delegation are not documented in an Office manual or standard operating procedures. Management has a rotation schedule for managing various activities as another mechanism of delegating authority to management. From a review of management meeting agenda, compensation plan and staff training are common agenda items noted. This demonstrated some of the strategies that leadership has implemented to incentivise better performance. There are several staff with multiple certifications, thus the compensation plan is the SAI’s way to lobby for additional compensation for staff with special qualifications. This additional compensation has been approved in accordance with government regulation. Staff are also encouraged to pursue certifications, such as the CPA, CIA, CGFM, and CFE, as well as higher education in order to improve office performance.

The SAI has also engaged a human resource consultant to conduct an online assessment of all staff including the Head of SAI. The online assessment used a program called DISCflex with the assessment results explained in a DISC report. The assessment was like a SWOT analysis of each individual staff, where everyone can learn about each other’s strengths and weaknesses and hopefully staff are encouraged to improve themselves where their weaknesses were identified.

The SAI leadership has demonstrated initiatives to set a tone enabling accountability and strengthening the culture of internal control through segregation of duties within the Office but also through status meeting held by the Head of SAI and audit teams. Audit teams prepare a work-in-progress status report and submit to the head of SAI before the meeting.

Being professionally certified, the Head of SAI has led by example in building an ethical culture in the organization. Management has an open-door policy (not documented); staff are informed that they can approach management if they have questions / concerns / issues. This open-door policy is part of orientation for any new recruit. Other initiatives to build an ethical culture are social activities such as participating in the GovGuam recreational volleyball league and conducting a community service (such as cleaning public places) once a quarter.

Dimension (ii) - Internal Communication

The main medium of internal communication for the SAI is through its electronic email system and regular staff and management meetings. Other appropriate tools used to promote effective internal communication are through text messages between staff and establishment of “*whatsapp*” group chat, where staff can continuously communicate on audit work, even if they are not in the office. The SAI also holds staff meetings, in accordance with staff meeting agendas but there are no minutes of these staff meetings.

Despite the use of these tools to promote internal communication, there is no written internal communications policy. For instance, there are no policies in relation to how frequent staff meetings and management meetings are held.

SAI-7: Overall Audit Planning

The overall audit planning process defines the audits that the SAI plans to conduct in a set period. The overall audit plan should demonstrate how the SAI plans to fulfil its mandate and achieve its strategic objectives efficiently and effectively. Therefore, it is important that the overall audit planning process is feasible, reflecting actual circumstances and conditions.

The assessment of this indicator includes a review of the annual audit plan process, the content of the annual audit plan and relevant supporting documentations used in developing the annual audit plan. The assessment results for this indicator is summarised in the table below, yielding an overall score of 2.

Indicator Score: 2		
Dimension	Findings	Score
<i>Dimension (i) – Overall Audit Planning Process</i>	Criteria a, b, c, d and f are met. Criteria e and g are not met. The process for developing and approving the overall audit plan is documented in Chapter 1 Audit Manual 2008. However, the actual audit plan reflects performance audits only to be conducted during the year and does not include other mandated responsibilities such as procurement appeals and oversight of outsourced audits.	3
<i>Dimension (ii) – Overall Audit Plan Content</i>	Only criterion a is met. Criteria b, c, d and e are not met. The audit plan and staff assignment worksheets include the objectives of the audit as well as the responsible officer.	1
SAI-7 overall score		2

Dimension (i) Planning Process

The SAI's process for developing and approving the overall audit plan is documented in Chapter 1 Audit Manual 2008. In addition, the Audit Manual 2008 also clearly defined responsibilities for planning, implementing and monitoring the audit plan. The process follows a risk-based methodology where the audit topics for performance auditing are prioritised using various criteria.

The SAI discussed progress of audits being performed during staff meeting but there is no mechanism to link the results being monitored through staff meeting to the audit plan. For instance, the audit plan lists the audits to be conducted with the responsible officers but it does not include when the audit should be carried out and when it is expected to be completed. Similarly, the audit plan does not include the budget for each planned audit. Although the budgeted audit hours are calculated, but these are not linked to the audit plan and the number of audits planned to be conducted during the year.

The audit topics considered in the planning process were identified by staff of the SAI. There is no evidence of stakeholders' expectations and emerging risks being factored in, in the process.

Dimension (ii) Content of the Plan

The SAI's 2016 Audit Plan describes the objective of the audit and identifies the responsible staff. Unfortunately, the plan does not include an implementation matrix or a similar schedule describing when the audits are scheduled to start and to be completed. In addition, the audit plan included only performance audits and related resources to carry out these audits. It does not include other activities that the SAI are mandated to perform such as procurement appeals and financial audits which are outsourced. The SAI is not able to estimate how many and when procurement appeals will be submitted for hearing.

Finally, the annual plan identifies human resources but not the financial resources (i.e. Budget) for each respective audit. There is also no explanation of the risks and constraints to the delivery of the audit plan.

Domain C: Audit Quality and Reporting

This domain reviewed how OPA conducted its core function which is carrying out audits of government agencies as prescribed in its mandate (Title 1 GCA Section 1909). OPA is mandated to conduct financial, compliance and performance audits. Compliance audit is not conducted as a separate audit but included as part of the financial audits. In addition to the mandated audits, OPA has additional responsibilities mandated by Government from time to time – these are referred to as “legislative mandates”.

Financial audits of the Government of Guam and its twenty-two (22) Component Units are outsourced to various local CPA firms. Accordingly, these are assessed under Domain B SAI 5 Outsourced Audits.

SAI-8: Audit Coverage

This indicator assesses to what extent the actual audit works cover the mandate, regarding these types of audits.

Indicator Score: 3		
Dimension	Findings	Score
<i>Dimension (i) – Financial Audit Coverage</i>	During the year under review, all annual financial statements received and required to be audited were audited. All audit reports were submitted and published on OPA’s website.	4
<i>Dimension (ii) – Coverage, Selection and Objective of Performance Audits</i>	Criteria a, b, c, e, f, and h are met. Criteria d and g are not met. SAI’s primary function is the conduct of performance audits of the agencies and departments of the Government of Guam. SAI has identified its audit topics based on the three E’s: Economy, Efficiency, and Effectiveness. However, the audit plan does not show evidence that stakeholder expectations and emerging risks are factored into the annual plan. Additionally, budgeted audit hours are not linked to the audit plan and the number of audits planned to be conducted during the year.	3
<i>Dimension (iii) – Coverage, Selection and Objective of Compliance Audit</i>	Dimension N/A For the SAI, elements of compliance audits are included as part of a financial audit, which is contracted out to CPA firms.	N/A
SAI-8 overall score		3

Dimension (i) – Financial Audit Coverage

OPA is required to audit the financial accounts of the Government of Guam and its 22 component units due to staff shortage. By contracting out these financial audits, the SAI is able to meet its mandated obligations with regards to financial audits by the reporting deadline stipulated under the SAI’s enabling legislation and the Single Audit Act of 1984, as amended, which require all financial audits to be completed and audit reports issued no later than June 30th each year (9 months after year end of September 30th). All 22 required audits for the period under assessment (FY2016) were completed before the deadline and individual audit reports were issued and posted on the SAI website. Additionally, the Government of Guam audit report for FY2016 (dated June 8, 2017) was issued three weeks earlier than the FY2015 audit report.

Dimension (ii) – Performance Audit Coverage

The SAI's primary function is the conduct of performance audits of the agencies and departments of the Government of Guam.

The performance audits conducted provide oversight, insight, and foresight into government activities and operations. Developing and approving the overall audit plan is documented in Chapter 1 of the

Audit Manual 2008. The Manual clearly defines responsibilities for planning, implementing and monitoring the audit plan. The process follows a risk-based methodology where the audit topics for performance auditing are prioritized using various criteria. The audit planning process involved all staff of OPA where topics are proposed, discussed and prioritised. For the 2016 audit plan, the audit topic selection was based on the following criteria: a) financial impacts (lost revenues or cost savings) - 30%; public concerns/social impact - 30%, programs risk - 25% and leadership interest - 15%.

The SAI’s annual audit plan identifies the audits to be conducted with responsible audit staff, but it does not include when the audit should be carried out, when it is expected to be completed nor the budget for each planned audit. Although the budgeted audit hours are calculated, these are not linked to the audit plan and the number of audits planned to be conducted during the year. Furthermore, from reviewing the audit plan and the related supporting worksheets, there is no evidence that the stakeholder’s expectations and emerging risks were factored into the audit plan.

Between 2012 and 2016, the OPA has issued audit reports on a wide range of topics relating to revenue collection, public sector reform programs, health, public finance and public administration, and social security and labour market.

Dimension (iii) – Compliance Audit Coverage

Compliance audits are conducted where applicable, as part of the financial audits, which are outsourced to selected CPA firms. Therefore, coverage of compliance audit is covered in the assessment of outsourced audits under SAI-5: Outsourced Audits.

SAI-12: Performance Audit Standards and Quality Management

Indicator Score: 3		
Dimension	Findings	Score
<i>Dimension (i) – Performance Audit Standards and Policies</i>	<p>Criteria b, e, f, g, h, i, k, l, m, n, o, p, q, r, s, t, u are met.</p> <p>Criteria a, c, d, j are not met.</p> <p>OPA has an audit manual that provides guidance on several areas of performance audit. The manual does not define the key elements of performance audit prescribed by ISSAI 300. Audit approach is not identified and guidance on the need for suitable criteria are not specifically emphasized.</p>	3
<i>Dimension (ii) – Performance Audit Team Composition and Skills</i>	<p>Criteria a, c, d, e, h, j, k, l, m, n are met.</p> <p>Criteria b, f, g, i are not met.</p> <p>The audit manual describes knowledge and skills that all staff conducting performance audits need to have. Knowledge and skills are not specific to include key skills such as research</p>	2

	design and evaluation techniques, required in performance audit.	
<i>Dimension (iii) – Quality Control in Performance Audits</i>	<p>Criteria a, b, c, e, f are met.</p> <p>Criterion d is not met.</p> <p>Audit Manual 2008 prescribes OPA’s policies and procedures to ensure the quality of audit reports at different development stages. However there is no guidance on actions to be taken if any differences in opinions within OPA occur.</p>	3
SAI-12 overall score		3

Dimension (i) - Standards and Policies

The assessment team used OPA’s Audit Manual 2008 (hereinafter referred to as the Audit Manual”) as the basis for this assessment because the Audit Manual 2017 is still in draft form and has not been approve for adoption.

The Audit Manual prescribes policies and guidance on the various stages of the performance audit process, from planning, fieldwork, supervision, developing audit findings and recommendations right through to the reporting phase. Chapter 5: Performance audit fieldwork standards of the audit manual requires the auditors to adequately plan and document plans for the work necessary to address the audit objectives. It requires that the audit should be planned to reduce audit risks to an appropriate level for the auditors to provide reasonable assurance that the evidence is sufficient and appropriate to support the audit findings and conclusions.

Furthermore, the Audit Manual describes the general policy on maintaining effective and proper communication with the audited entities and relevant stakeholders throughout the audit process and defining the content, process and recipients of communication for each audit. *Part III: Audit, Chapter 1: General Standards* describes OPA’s policy on the need for the audit team to have the necessary professional competence to perform the audit and the need to apply professional judgement and scepticism. *Chapter 2: Rules of Evidence* describes the rules and various categories of evidence and an overview of the reasoning process used in evaluating issues given the evidence gathered to ensure that auditors obtained sufficient appropriate audit evidence to establish findings, reach conclusions in response to the audit objectives and questions and issue recommendations. *Chapter 4: Working Paper Preparation and Use* explains working paper standards and guidelines on the content and format of working papers, so that information is sufficiently complete and detailed to enable an experienced auditor having no previous connection with the audit to determine what work was done in order to arrive at the audit findings, conclusions and recommendations. *Chapter 5: Performance Audit Fieldwork Standards* requires audit supervisors to apply procedures to safeguard quality, ensuring that the applicable requirements are met. Specific guidance is provided on audit reporting standards including the process and responsibilities for finalising, approving and distributing the audit report.

Some aspects of performance audit that are not specifically addressed in the Audit Manual are the key elements of a performance audit, the audit approach and clear definition of criteria. The Audit Manual does not require the auditors to identify the key elements of performance audits as prescribed in ISSAI 300. These elements are the responsible party, intended users, subject matter and criteria for any performance audit. These elements might be considered or referred to as different terminology however it was difficult to identify these elements because the whole performance audit process is also not described in a systematic manner.

The Audit Manual does not require the SAI to identify the audit approach or the type of performance audit to be conducted, but defines the different types of audit that are considered as performance audits; these are program effectiveness and results audits, internal control audits, compliance audits and prospective analysis (pg. 56). These types of audits are aligned with the three audit approaches described in ISSAI 300. However, the description of the Planning Memorandum in *Part III, Chapter 5, Section 5.7: Audit Fieldwork Phase* does not include the identification of the audit approach given the different types of performance audits defined in the manual. Identifying the audit approach is critical to facilitate the soundness of the audit design and determine the nature of the audit.

OPA Audit manual provides a brief definition of what criteria is and briefly refer to performance criteria in the Planning Memorandum. These descriptions are too vague, given the importance of "criteria" to performance audit. There should be more clarity and emphasis on the link between the criteria, the audit objectives and the principles of economy, efficiency and effectiveness.

Dimension (ii) - Performance Audit Team Composition and Skills

Per the OPA Audit Manual, a Senior Auditor and/or Audit Supervisor will ensure that persons who have the knowledge and skills staff the audits to successfully complete the audit in accordance with applicable Government Auditing Standards. Furthermore, the OPA has identified specific knowledge and skills needed by staff members prior to conducting an audit. These include:

- 1) knowledge of the methods and techniques applicable to Government auditing and the education, skills, and experience to apply this knowledge during an audit engagement;
- 2) knowledge of Government organizations, programs, activities, and functions;
- 3) skills to communicate clearly and effectively, both orally and in writing; and
- 4) knowledge and skills appropriate for the audit work to be done (e.g., knowledge of statistical sampling techniques, computer audit skills, etc.).

In addition, all auditors must maintain their CPE hours to ensure that they are up to date on professional competence. When a subject matter is determined as an audit topic, the audit team comes together to develop the audit work plan that will include the audit objective, suitable audit criteria, data gathering methods, evaluation methods, as well as report writing methods. This is a requirement under the Yellow Book and it is evident in the audit files that this is put into practice.

Although *Part III: Audit, Chapter 1, Section 1.3 Qualifications* of the Audit Manual describes the knowledge and skills staff members need to have if conducting Government audits, the requirements are not specific enough to cover key skills, such as research design, evaluation techniques, required in performance auditing. Knowledge and skills identified in the manual are very general and apply to all types of audits, not just performance audits.

The Performance Audit process is not clearly identified and described in the Manual. *Part III, Chapter 5: Performance Audit Fieldwork Standards* describes the various phases of the performance audit but does not identify who is responsible for some tasks; for instance, it does not identify who is responsible for planning – auditor or supervisor. A survey program should be prepared but the responsible staff is not specified - auditor, in-charge auditor or supervisor.

The manual does not provide guidance on how to establish suitable audit criteria but defines what criteria are. The Audit Manual defines criteria as, “Criteria tells the reader what should be – ie. the standard for measuring performance or the goals to be achieved.”⁶ This definition is too general and vague and it does not define criteria to include both qualitative and quantitative measures that the entity’s performance will be assessed against.

Dimension (iii) - Quality control in Performance Audits

OPA policy requires that all working papers should be reviewed by the in-charge auditor, during the audit fieldwork, as well as Senior Auditor or Supervisor before the draft report is issued. Section 4.6 Review of Working Papers provides further guidance on the process and how the review is documented on working papers. Quality control process covers the following:

- (i) adherence to the OPA’s policies and procedures
- (ii) supervision of the audit staff
- (iii) cross referencing between working papers and the audit report and
- (iv) quality assurance review performed by an individual not involved in the audit being reviewed.

Section 1.3 Part III Chapter 1 of the Audit Manual entails that if a particular assignment requires knowledge and skills that the permanent staff do not possess, the Senior Auditor or Audit Supervisor will arrange to supplement the staff with consultants or others who possess the required knowledge and skills.

The OPA’s principal quality control from an operating standpoint is on-going supervision of the audit process. Each audit undergoes an internal quality control review by an Audit Supervisor or Senior Auditor not associated with the audit under review. A system of independent report referencing has also been established to ensure that audit reports are complete and accurate, and are supported by adequate evidence in the working papers.

Additionally, as required by the Government Auditing Standards, the OPA participates in an external quality control review at least once every three years. The external review is conducted by an audit organization independent of the OPA to determine if the OPA’s quality control program is operating effectively and whether applicable auditing standards and established policies and procedures are followed. The last external review conducted by APIPA⁷ colleagues in October 2014 concluded that “OPA’s internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with Government Auditing Standards”⁸.

⁶ OPA Audit Manual 2008, page 69.

⁷ Association of Pacific Islands Public Auditors

⁸ OPA’s Peer Review report 3 October 2014

Although the review process and documentation of review of working papers are described in the relevant sections of the Audit Manual, there is no guidance on actions taken if any differences of opinions within the SAI occur. The review process only indicates that the reviewer should take necessary steps to clear all review items.

SAI-13: Performance Audit Process

Indicator Score: 3		
Dimension	Findings	Score
<i>Dimension (i) – Planning Performance Audits</i>	<p>Criteria a, b, e, h, i, k, l, m are met. Criteria c, d, f, g and j are not met.</p> <p>A pre-study is conducted to acquire substantive knowledge on the subject matter before the audit is launched. An Audit Planning Memorandum describes overall plans for the audit. The overall audit objective is not clearly defined in relation to the principles of economy, efficiency and effectiveness.</p>	2
<i>Dimension (ii) – Implementing Performance Audits</i>	<p>Criteria a, b, c, e, f, g, h, j, k, are met. Criteria d and i are not met.</p> <p>Sufficient appropriate audit evidence were gathered and evaluated to establish findings and reach conclusions. The audit team maintained effective and proper communication with the audited entities throughout the audit process.</p> <p>The conclusions reached addressed part of the overall objective. There is no documented evidence that materiality was considered throughout the audit process.</p>	3
<i>Dimension (iii) – Reporting in Performance Audits</i>	<p>Criteria b, c, d, e, i, j, k, l, are met. Criteria a, g and h are not met.</p> <p>The audit report is sufficiently detailed to provide an understanding of the subject matter and the findings. The audit report is concise and present a clear relationship between the audit objective, findings, conclusions and recommendations. The report makes no reference to the key principles of performance audit – economy, effectiveness and efficiency.</p>	2
SAI-13 overall score		2

Dimension (i) Planning the audit

The assessment team reviewed the audit process for the performance audit on Government of Guam Limited Gaming Tax (LGT) and Guam Memorial Hospital Authority (GMHA) Trust Fund Fees as the basis for findings discussed in this whole indicator.

Based on the audit file reviewed, a Survey Planning Memorandum prepared by the auditor-in-charge, describes how the audit initiated and a brief description of the audited entity. This planning memorandum also describes the survey objective, scope, methodology, audit team members and their qualifications and experience as well as the estimated number of hours to be spent on conducting the survey. The results of this survey will determine whether the audit should proceed.

Once the Public Auditor approves the audit to proceed based on the results of the survey, an audit planning memorandum (APM) is prepared for the audit. Timelines are clearly identified in the APM for key audit milestones including the issuing of the engagement letter, the survey report, the draft report to the supervisor, the draft report to the Public Auditor, the draft report to the audited entity and the release of the final audit report. The reason for the audit, audit objectives, scope, methodology and criteria are also described in the APM. However, materiality is not discussed in great detail in the APM. A brief statement states that quantitative materiality is not relevant to this particular engagement but there is no further explanations why it is not relevant. Also the qualitative aspects of materiality are not identified or discussed to provide some guidance for audit team members and to enable them to identify these issues if they discover them during the course of the audit.

The APM does not explicitly identify the audit approach used - whether result, problem or system oriented. The criteria are not framed in the form of "should be" statement but a list of laws and regulations which are the source of criteria. Given the manner in which the criteria are described, it is difficult to measure performance in relation to the three key principles of a performance audit namely economy, effectiveness or efficiency.

Having a clearly-defined audit objective that relates to the main principles of a performance audit is critical. The overall audit objective for this engagement is to "determine whether revenue collected by the audited entity were accurately collected and allocated in accordance with its intended purpose". This objective does not provide a clear link to the principles of economy, efficiency and effectiveness. It reflects more a compliance objective - whether the revenue were collected and accurately allocated. An alternative objective could be, to determine whether the audited entity collected the revenue in an efficient, effective and economical manner.

A detailed audit program is prepared, providing a step-by-step approach to conducting the audit in order to achieve the overall objective. The audit program also describes the audit procedures to be used for gathering sufficient appropriate audit evidence.

All staff involved in the audit engagement are required to sign a declaration called an impairment statement, before the engagement commenced, indicating that they have no personal, financial, or any other external impairments that they are aware of, in fact and in appearance, that may affect their audit opinions, conclusions, judgments, recommendations, impartiality, integrity or objectivity during the engagement. The statement also required the auditors to notify the auditor-in-charge, audit

supervisor and/or Public Auditor if there are any changes that may affect the auditors' independence after signing the statement and before the audit report is issued.

Dimension (ii) Implementing Performance Audits

Based on our review of the performance audit on Government of Guam Limited Gaming Tax (LGT) and Guam Memorial Hospital Authority (GMHA) Trust Fund Fees, the audit fieldwork was conducted in accordance with the audit program using the proposed audit procedures. Evidence were gathered through a review of applicable laws and entity records, interviews with relevant staff of the audited entities, review and testing of internal controls, testing and analysing a sample of transactions. Sufficient appropriate audit evidence were gathered, documented and evaluated to establish findings and reach conclusions.

Although some useful findings and conclusions were reached as a result of the audit, the conclusions reached provided answers to part of the audit objective. The audit objective was to determine whether fees for limited gaming activities are accurately assessed and utilized in accordance with its intended purpose. The conclusion does not explicitly answer this objective but audit findings indicated that these activities were not assessed correctly. There were no specific findings relating to the second part of the audit objective which is to determine whether such fees were utilised in accordance with its intended purpose. The audit conclusions were in the form of a list of audit findings and recommendations rather than a direct response to the audit objective, so that the conclusion should state, (i) that the fees for limited gaming activities were incorrectly assessed and (ii) the fees were not utilised in accordance with its intended purposes. The audit report did not explain what the “intended purposes” are for these fees, in order for the audit to address the second part of the overall audit objective.

The audit team maintained effective and proper communication with the audited entities throughout the audit process which are documented through correspondences with various members of the audited entities. Relevant communications took place including entrance meeting, exit meeting and status meetings to inform the audited entities of the progress of the audit and to discuss any significant matters arising.

From discussions with the audit team, they have considered materiality throughout the audit process. However, there were no documentations to indicate that materiality was considered and that thoughts were given to financial as well as social and political aspects of the subject matter, with the aim of delivering as much added value as possible. Without documented evidence, it is difficult to determine the audit team’s thought process and whether they have exercise professional judgement throughout the audit process in order to derive appropriate conclusions.

Dimension (iii) Reporting in Performance Audit

OPA’s reporting process requires the preparation of two separate reports: the first report, which is for discussion purposes only, contains the preliminary audit findings to be discussed with the audited entities. The second report is the final audit report after considering feedback from the auditees, signed by the Public Auditor, submitted to authorities and published on OPA’s website. The format of the two reports are slightly different with the first report describing the audit finding and the criteria, condition, cause, effect and recommendation in relation to the audit finding. The final audit report which is published, is prepared in a different format but providing a summary of the audit findings, conclusions and recommendations.

The final audit report is sufficiently detailed to provide an understanding of the subject matter and the audit findings. The audit report is concise and present a clear relationship between the audit objective, findings and root causes, conclusions and recommendations. It included the total value of unreconciled or uncollected revenue and highlighted the important role of government agencies to promote quality service to all taxpayers and increase voluntary compliance by helping the taxpayers understand and meet their tax obligations, indicating considerations for both the quantitative and qualitative aspects of materiality. Constructive audit recommendations in relation to the weaknesses identified are described in the report. The auditing standards adopted by OPA when conducting the audit were described in the appendices section of the audit report.

Despite having a comprehensive audit report, both reports made no reference to the three key principles of a performance audit: economy, efficiency and effectiveness. The findings were not reported in relation to any of the three key principles. For instance, the conclusions describe the situations (audit findings) - “unreconciled financial information reported” and “enforcement efforts need improvement” without identifying whether the audited entities were effective and efficient in collecting tax. The fact that there are two separate audit reports with distinct reporting format gives the impression that the final audit report is prepared based on the understanding between OPA and the audited entities gathered during the discussions of the first report. The only drawback to this approach is that people who do not have access to the “discussion only” report (first report) do not get a full understanding of the criteria (which are described in detail in this report) used to measure the performance of the auditees, which led to the audit findings and conclusions.

SAI-14: Performance Audit Results

SAI-14 assesses the Performance Audit Results. In this assessment, the results are based on the actual practices observed for the audits carried out in the period of the assessment, as well as for the audits in the sample.

Indicator Score: 3		
Dimension	Findings	Score
<i>Dimension (i) – Timely submission of Performance Audit Reports</i>	All audit reports were submitted within 30 days once the report is finalised, as per OPA policy.	4
<i>Dimension (ii) – Timely publication of Performance Audit Reports</i>	All audit reports were published within 30 days of completion of the audit. Seven out of 11 audit reports were published within 15 days after completion of the audit.	3
<i>Dimension (iii) – SAI follow up on Implementation of Performance Audit Observations and Recommendations</i>	Criteria a, b, c, d, e, f are met. Criterion g is not met. OPA conducts a separate audit to follow up implementation of audit recommendations. There is no established process on evaluating significant issues in order to determine	3

	whether a follow-up is needed or a new audit should be conducted.	
SAI-14 overall score		3

Dimension (i) Timely Submission of Performance Audit Reports

OPA conducted 11 performance audits during the calendar year 2016. It is the SAI's policy that final reports are to be issued within 30 days after receipt of management's comments on the draft report, unless there are significant changes, which require special attention by the Public Auditor. Given OPA policy, all 11 audit reports were issued within the stipulated timeframe.

Dimension (ii) Timely Publication of Performance Audit Reports

OPA's policy on the publication of performance audit reports is the same as with the submission of these reports. Seven out of 11 audit reports were published on OPA's website within 15 days since the completion of the audit.

Dimension (iii) SAI follow up on implementation of Performance audit recommendations

Title 1 Guam Code Annotated (GCA) § 1912 requires the audited entities to prepare corrective action plans and endeavour to implement the audit recommendations by the beginning of the following fiscal year. Consequently, OPA has been conducting three separate performance audits on the status of implementing audit recommendations issued during the calendar years 2001 to 2011. During the period under review (CY 2016), a fourth audit was conducted for recommendations issued in CY 2012 to 2015. These audits follow up on the progress of auditees in taking corrective actions to address concerns raised in previous audit reports. Between calendar years (CY) 2012 and 2015, OPA issued 30 performance audit reports including 64 audit recommendations that focused on accountability, program efficiency and effectiveness, personnel, procurement, and non-appropriated funds. Of the 64 recommendations, 20 are still to be addressed satisfactorily. A consolidated report for the fourth audit on status of audit recommendations was issued in December 2016. These follow up audits have seen improvements in efforts taken by auditees to implement audit recommendations and thereby effecting improvements within the public financial management systems.

The follow up procedures allow OPA and the auditee to agree on the validity of the audit finding, the need for and nature of corrective action and a time frame for implementing the "agreed to" action. OPA strives to reach an agreement with the auditee within 6 months of the issuance of the audit report.

While 1 GCA § 1913 allows OPA to file actions in the Superior Court of Guam to enforce the implementation of audit recommendations, the OPA has yet to exercise this arduous and costly remedy.

As explained earlier under SAI-4: Organizational Control Environment, the process for developing the annual audit plan includes prioritising audits and therefore determines audits to be conducted during the year. According to 2016 Annual Audit Plan, 4 follow-up audits were identified but it is not clear how the audit topics were evaluated and prioritised. Because of the absence of proper documentation to support the annual audit plan and the fact that it is incomplete, it was difficult to determine whether

the OPA has established a practice for evaluating materiality and the importance of the identified problems in order to determine if a follow-up requires a new additional audit. Furthermore, there is no clear process to determine when an audit on the status of audit recommendations should be conducted, as reflected in the irregular timing and calendar years covered in the four audits conducted so far.

SAI-15, SAI-16, SAI-17: Compliance Audits

Guam OPA does not conduct compliance audit separately. Elements of compliance audits are part of the financial audit conducted annually, which is outsourced to CPA firms. Therefore, these indicators were not assessed.

Domain D: Financial Management, Assets and Support Services

An SAI should manage its operations in accordance with the principles of economy, efficiency, and effectiveness, and in accordance with laws and regulations, so that it will be in a position to lead through example. This Domain focuses on issues that help the SAI to achieve those objectives.

SAI-21: Financial Management, Assets and Support Services

Indicator Score: 3		
Dimension	Findings	Score
<i>Dimension (i) – Financial Management</i>	Criteria a, b, c, d, e, f, g and h are met. OPA manages its own financial resources except payroll, which is processed by the Department of Administration. Accounting records are maintained using QuickBooks and are audited annually as part of Government of Guam general fund.	3
<i>Dimension (ii) – Planning and Effective Use of Assets and Infrastructure</i>	Criteria b and d are met. Criteria a, c and e are not met. OPA has not developed a plan for the effective use of its assets and infrastructure. Requests are submitted through annual budget for assets and IT infrastructure needs.	2
<i>Dimension (iii) – Administrative Support Services</i>	Criteria b, c and d are met. Criterion a is not applicable (N/A) OPA contracts the IT Support Service to a local vendor. Therefore criterion a is NA. Responsibility for file management and archiving is assigned to the Administrative Officer, who	4

	has appropriate skill set and resources to fulfil assigned tasks.	
SAI-21 overall score		3

Dimension (i) – Financial Management

The SAI manages and accounts for its own financial resources except payroll, which is processed by the Government’s Department of Administration (DOA). A separate bank account outside of the Government’s Treasury has been established for purposes of receiving and disbursing funds related to OPA’s operations. OPA has established standard operating procedures (SOPs) with clearly assigned responsibilities to manage the utilization of its budget and financial matters. However, some of the SOPs are not signed by the SAI Head to indicate proper approval that these procedures are the valid and updated ones to be followed.

The OPA’s Administrative Officer (AO) is responsible for maintaining the accounting records and producing the required reports on a quarterly, monthly, and annual basis for review and approval by the Head of the SAI or her Deputy. Accounting records are maintained using Quick Book Accounting software. Established SOP are available to and implemented by all staff. OPA submits its annual budget to the Legislature in the same manner as all other departments and agencies for approval. Guam Legislature approves a set budget that provides the OPA with its spending authority for a specific fiscal year. The budget is prepared by the Administrative Officer (AO) along with the assistance of the audit supervisor and approved by the Public Auditor. The AO is also tasked to ensure that budget allotments for the OPA are received as timely as possible and are properly recorded into the OPA’s financial records (via QuickBooks).

OPA is not required by legislation to prepare a separate set of financial statements and therefore has not prepared financial statements of its own, using the government’s financial reporting framework. However, OPA’s financial transactions and operations are included in the Government of Guam’s annual financial statements which are audited annually by a CPA firm as part of the Government of Guam General Fund financial audit. The government of Guam’s annual audit reports are posted on the SAI website. OPA submits quarterly financial reports explaining movements in assets, liabilities, revenue and expenses in relation to the approved budget.

Dimension (ii) – Planning and Effective Use of Assets and Infrastructure

OPA has not developed a long-term plan for its physical infrastructure and IT needs, based on current and anticipated future staffing levels. Additionally, OPA has not reviewed the size, staffing and its location in relation to the location of its audit clients within the past 5 years. OPA has leased its Office space since 2002 with the lease agreement being renewed to year 2021. Given the lease renewal and the fact that staffing level is not expected to increase significantly, OPA is content with its current office space.

Requests on assets and infrastructure needs are made through OPA’s annual budget submission where necessary. The SAI has reviewed the adequacy of its IT infrastructure (including computers, software and IT network) within the past 3 years, which led to OPA purchasing the TeamMate auditing software and having the office move from manual to electronic working

papers in 2016. All staff have access to either a laptop or a desktop computer and have their own assigned workstation.

OPA’s records (manual audit files) are stored in separate locations in the office area and on a different floor (9th floor) of the same building in which OPA’s office is located. Although the SAI has these storage facilities, they need to consider appropriate archiving facilities in a separate location from its Office, so that if anything happens (such as a fire) to the building in which the OPA is located, this will enable all relevant records to be stored securely over several years and accessed when needed.

Dimension (iii) – Administrative Support Services

The responsibility for file management and archiving as well as managing all major categories of assets are assigned to the Administrative Officer, who has appropriate skill set and resources to fulfil assigned tasks. The IT Support function is however contracted to an external but local IT consulting company.

Domain E: Human Resources and Training

SAI-22 Human Resources Management

The INTOSAI Lima declaration (ISSAI 1) recognizes that an effective SAI is dependent on its capacity to recruit, retain, and effectively deploy highly skilled staff. The very nature of a SAI’s core activities makes human resources capabilities crucial to achieve high level performance.

During the period under assessment, human resources function is not within the SAI but human resources matters were handled by the Department of Administration (DOA). However, the SAI has taken steps to address the matter in its 2014 Strategic Plan under Goal: 1, Objective 2 – to obtain authority over human resources and Goal 3: to recruit and retain qualified staffs. Through these efforts, the SAI was granted autonomy on personnel matters effective January 2017 to efficiently recruit in a timely manner and retain personnel critical to supporting its mandates, by passage of Public Law. No. 33-226.

The assessment of this indicator is based on the SAI's implementation of the DOA personnel rules and regulations where applicable.

Indicator Score: 2		
Dimension	Findings	Score
<i>Dimension (i) – Human Resources Functions</i>	The Human Resources function is not established within the SAI. Therefore this dimension is not applicable.	N/A
<i>Dimension (ii) – Human Resources Strategy</i>	All criteria are not met. OPA does not have a formal human resources strategy and policies in place.	0

<i>Dimension (iii) – Human Resources Recruitment</i>	All criteria are met. The SAI is required by law to follow DOA’s personnel rules and regulations regarding recruitments. Internal human resources are supplemented by CPA firms to which financial audits are outsourced.	4
<i>Dimension (iv) – Remuneration, Promotion and Staff Welfare</i>	Criteria a, c, d, e, f, h are met. Criteria b and g are not met. Remuneration and promotion decisions complied with DOA’s personnel rules and regulations. Staff performance appraisals are conducted annually but not against a performance agreement that the SAI and staff have prepared from the previous year.	3
SAI-22 overall score		2

Dimension (i) – Human Resources Function

During the period being assessed, the SAI human resources function was governed by the Government of Guam Department of Administration (DOA) Personnel Rules & Regulations. This means that the recruitment of OPA staff were managed by DOA. A few human resource matters were handled by OPA such as maintaining a performance evaluation appraisal system and scheduling suitable professional development opportunities. In January 2017, passage of Public Law No. 33-226 granted OPA full autonomy over its human resource matters.

Dimension (ii) – Human Resources Strategy

OPA has not developed a human resource strategy. However, considerations for human resources are reflected in OPA’s Strategic Plan 2014-2017, where Goal 1, Objective 2 aims to obtain authority over human resources and Goal 3 aims to recruit and retain qualified staff.

In the absence of a human resources strategy, as a government agency, OPA is required to follow policies and procedures on human resource matters including recruitment, retention, remuneration, performance appraisal and professional development established by Guam’s DOA.

Dimension (iii) – Human Resources Recruitment

Guam OPA adopts and complies with the Government of Guam’s personnel rules and regulations administered by the DOA, which covers recruitment of all staff of government agencies. OPA job announcements are advertised on its website, local newspapers, AGA-Guam website and DOA website. The procedures for recruitment are described in the application packet which is available on OPA’s website. Also available on OPA’s website are specific information about the positions advertised including minimum qualification, required knowledge, skills and attitudes as well as an overview of the duties and responsibilities of the advertised position.

Job announcements are posted by DOA for at least 10 working days on open competitive basis. Interviews of applicants are conducted by members of the management team and the Public Auditor, with the final decision made by the Public Auditor.

Human resources available in OPA are supplemented by external CPA firms to which financial audits are outsourced. OPA's audit manual 2008 described procedures to ensure the quality of deliverables by these external firms.

Although vacancies are evaluated and announced from time to time, OPA's recruitment plans are heavily impacted by its annual budget appropriation.

Dimension (iv) – Remuneration, Promotion and Staff Welfare

As a government agency, OPA follows the policies and procedures for remuneration, promotion and staff welfare described in the DOA Personnel Rules and Regulations. Annual staff performance appraisal is carried out considering a range of knowledge, skills and attitudes including technical knowledge, problem solving, decision making, interview skills, report writing skills, team work, relations with auditee and adaptability. However, the assessment makes no reference to the staff's job description or a performance agreement that defines the staff's expected performance indicators and serves as the basis for the staff's performance appraisal. In the absence of a performance agreement where objective and measurable indicators are identified, staff expectations are not clear and appraisal may be subjective and unclear, whether the staff has improved from the previous year.

The most recent promotions and remuneration decisions were in accordance with established procedures. Based on the satisfactory staff performance appraisal, OPA submits recommendations to DOA for approval and necessary actions. DOA's Human Resource Manager approves and informs OPA accordingly, explaining the final personnel action taken.

OPA embodies an open door policy in which all staff are able to communicate with management or other staff in the office at any time on any issue or topic. Any staff discussions with staff relating to possible improvements to their work environment are brought up during a management meeting and decided upon. All staff are informed of any management decisions during the staff meetings so that everyone will be aware of any changes to internal office policies and procedures. While staff feedback are brought up at both management and staff meeting levels, these discussions and meetings are not always formally documented.

OPA management is very supportive of the staff that it has acted upon issues arising from staff views expressed on their work environment. A recent example of management's support was the establishment of a recreational volleyball team, which started in 2016. This was an idea suggested by several staff members in the interest of team building. OPA management staff participated in the volleyball league with the staff, where OPA won the good sportsmanship award.

SAI-23 Professional Development and Training

OPA scored an overall score of 1 for this indicator mainly because it does not have a professional development and training plan that identifies long-term strategic staffing needs and competency requirements for the different types of audits it is mandated to conduct.

Indicator Score: 1		
Dimension	Findings	Score
<i>Dimension (i) – Plans and Processes for Professional Development and Trainings</i>	Criteria c, d, g are met. Criteria a, b, e, f are not met. SAI does not have a formal professional development and training plan in place. Procedures regarding staff development are contained in the Audit Manual 2008 Part II, Chapter 5 and the 2014 Strategic Plan.	2
<i>Dimension (ii) – Financial Audit Professional Development and Training</i>	Criterion (a) is met. Criteria b, c, d are not met. OPA has not developed competency requirements for different staff grades in financial audit. A plan for professional development and training for financial audit staff is not in place.	1
<i>Dimension (iii) – Performance Audit Professional Development and Training</i>	Criterion (a) is met. Criteria b, c, d, are not met. OPA has not developed competency requirements for different staff grades in performance audit. A plan for professional development and training for performance audit staff is not in place.	1
<i>Dimension (iv) – Compliance Audit Professional Development and Training</i>	Criterion (a) is met. Criteria b, c, d, are not met. Compliance audit is conducted in conjunction with financial audits, which are outsourced to CPA firms and therefore OPA has not developed competency requirements for compliance audit.	1
SAI-23 overall score		1

Dimension (i) – Plans and Processes for Professional Development and Training

Guam OPA does not have a training plan that identifies long-term strategic staffing needs and competency requirements for the different types of audits it is mandated to conduct (e.g. financial audit, compliance audit, performance audit, procurement appeals or other types of audits). However, policies and procedures regarding professional development and trainings are described in the 2008 Audit Manual Part II, Chapter 5. The policy requires that staff should pursue trainings and development courses that will enhance their professional skills, job performance and assist career development. Furthermore, the policy requires that “every auditor receives no less than 20 hours of training in any 12-month period and no less than 80 hours of instruction in any 24-month period. Further, each auditor performing work under GAGAS should complete a minimum of 24 hours of CPE that directly relates to government auditing, the government environment, or the specific or unique environment

in which the audited entities operate”. Additionally, one of OPA’s strategic priorities is to recruit and retain qualified staff and support them in achieving specialised professional skills.

OPA management assessed staff levels and experience and determined the appropriate trainings suitable for them. For example, generally the newly recruited staff are enrolled in APIPA workshops because the courses offered, including performance auditing, are consistent with staff needs. Staff also discussed with management any training and career development plans they may have, with which the office may provide support and/or assistance. These individual staff training plans are documented as part of their annual performance appraisals.

In accordance with Government Auditor Standards, a summary of Continuing Professional Education (CPE) hours is maintained and monitored by the Administrative Officer and OPA management for all trainings attended to ensure staff are meeting the requisite training. The SAI has “standard operating procedures” (SOPs) which describe a step-by-step process for monitoring CPE hours and to ensure timely submission of training reports for any training attended by all staff. The availability of training opportunities vary from year to year, and management ensures that opportunities are rotated amongst staff in consideration of the number of training hours already earned during the year, the types of trainings that staff have previously attended and are schedule to attend in the near future, and any special requests for training.

Dimension (ii)-Financial Audit Professional Development and Training

The policies and procedures for professional development and training prescribed in the Audit Manual 2008 and discussed in dimension (i) of this indicator apply to all staff, regardless of the nature of audit work they are involved with. The audit supervisor, in consultation with the Public Auditor, is responsible for developing, coordinating, and administering individual training for/with the audit staff. All staff are encouraged to keep abreast of available training as well as request and justify the need for training through the audit supervisor.

Furthermore, the structure of OPA does not differentiate between audit streams (ie. compliance, financial and performance) but rather the staff grades. As such, OPA has not developed appropriately tailored competency requirements for different staff grades in financial auditing and has not developed and implemented a separate professional development and training plan for financial audit staff.

However, financial audit is still part of OPA’s mandated responsibilities and therefore it is important to develop appropriate competency requirements for different staff grades in financial auditing especially those who will be assigned oversight responsibilities for the outsourced audits. Currently the oversight responsibilities for outsourced audits are allocated amongst management staff and the Public Auditor. But implementing a training and development plan to develop competencies in financial auditing will ensure that OPA staff are continuously upskilled to keep up with any changes that might impact government entities and their financial affairs.

Dimension (iii) – Performance Audit Professional Development and Training

As explained in dimension (ii) above, the policies and procedures for professional development and training prescribed in the Audit Manual 2008 and discussed in dimension (i) of this indicator apply to all staff, regardless of the nature of audit work they are involved with. Despite the fact that

performance audit is the main type of audits that OPA conducts, it has not developed specific competency requirements for the different staff grades in performance auditing as well as other competencies and skills that auditors need to have to be able to conduct high quality performance audits.

Dimension (iv) – Compliance Audit Professional Development and Training

Guam OPA does not conduct financial and compliance audits but these audits are outsourced to various local CPA firms. Nevertheless as explained in dimension (ii) above, because compliance audit, like financial, is within OPA’s mandate, it is pertinent to identify appropriate competencies and skills and develop staff so that they are able to fulfill OPA’s oversight responsibilities over the outsourced audits. Outsourcing the audits should not relinquish OPA’s full responsibility of ensuring that its staff have the relevant competencies and skills to deliver its mandate effectively and efficiently.

Domain F: Communication and Stakeholder Management

One of the SAI’s main objectives is to demonstrate its relevance to its stakeholders. SAIs should communicate with stakeholders to ensure understanding of the value and benefits of the SAI’s audit work and results to society. This should be done in a manner that increases stakeholders’ knowledge and understanding of the role and responsibilities of the SAI as an independent auditor of the public sector. The SAI must identify its stakeholders and develop a communication strategy to guide the style, language and format used to engage with various groups of stakeholders.

[SAI-24 Communication with the Legislature, Judiciary and Executive](#)

Indicator Score: 1		
Dimension	Findings	Score
<i>Dimension (i) – Communications Strategy</i>	All criteria are not met. The SAI does not have a Communication Strategy. There is no designated person responsible for all communication matters in the SAI – it is everyone’s responsibility.	0
<i>Dimension (ii) – Good Practices Regarding Communication with Legislature</i>	Criteria a, b, f and g are met. Criteria c, d, e and h are not met. The Public Auditor issues opinions and comments on draft laws and other financial regulations in response to request from legislative authorities. Policies and procedures regarding communication with Legislature are established in the Audit Manual 2008. However, all staff handled requests from Legislature rather than	2

	having a designated person to deal specifically with the Legislature.	
<i>Dimension (iii) – Good Practices Regarding Communication with Executive</i>	Criterion (a) is met. Criteria b, c, d are not met All staff sign an impairment statement before the audit starts to ensure there are no issues that may undermine the integrity of the audit process and audit results.	1
<i>Dimension (iv) – Good Practices Regarding Communication with the Judiciary, Prosecuting and Investigating Agencies</i>	Criteria a, c, e are met. Criteria b and d are not met. SAI policies and procedures relate to internal processes on how to handle suspected or illegal acts rather than on how to communicate with the Judiciary and/or prosecuting and investigating agencies. Also, OPA has not established a system to follow-up cases that have been referred to the judiciary or prosecuting agencies.	3
SAI-24 overall score		1

Dimension (i) - Communications Strategy

OPA has not developed a communication strategy that identifies key stakeholders with whom the SAI needs to communicate in order to achieve its organizational objectives, the key messages the SAI wants to communicate and the appropriate tools and approaches for external communication. However, OPA's Audit Manual 2008 prescribes policies on external communication to address how OPA staff should handle sensitive and confidential information they access during the course of the audits. It contains procedures for documenting contacts with, and requests from Legislative Committees, members, and staff; the media and the public; and other Government entities.

Dimension (ii) - Good Practices Regarding Communication with the Legislature

OPA reports its findings annually through its annual report and Citizens Centric Report (CCR) which is a legislative requirement for all government entities to submit to Parliament annually. OPA issues management letters for all audits, explaining audit findings and recommendations which are linked to the causes. Management responses are included in the audit report submitted to legislature. OPA also conducted a special audit on "Status of Audit Recommendations" which follows up corrective actions taken by the entities to address audit recommendations issued in previous audits.

OPA holds regular communication with the Legislature, including annual reporting and meetings between the Public Auditor and newly elected and re-elected officials to raise awareness of the legislature on the SAI's role and mandate. Also, prior to releasing an audit, a meeting is held with the oversight Chair to discuss the audit. Although OPA is actively communicating with the Legislature, there are no documented records of what was discussed during meetings with oversight Committee as well as elected officials.

The Audit Manual 2008 Part II Chapter 4, Section 4.4 Legislative Contacts and Requests established policies and procedures that all staff have to follow if they receive any request from Legislature. They are required to prepare a memorandum to record details of the request. The memo is given to the Public Auditor, who will assign a staff to handle the request. Final response will be signed off by the PA. Although this process is well-documented, all staff share the responsibility to deal with requests from Legislature or from any external party. As the main and very important stakeholder, the SAI should consider having a designated person to deal specifically with requests from Legislature to minimise the risks of responding inappropriately and ensure access to any sensitive requests are kept at a minimum.

Where appropriate, the Public Auditor has issued opinions and comments on draft laws and other financial regulations in response to request from legislative authorities. These official responses are known as Testimonies and are available on OPA's website.

Dimension (iii) – Good Practices Regarding Communication with the Executive

OPA's Audit Manual 2008 prescribes the SAI's policies and procedures to ensure that all staff assigned to audit engagements are independent or seen to be independent from the management of the organizations they audit. Prior to commencement of any audit, all staff assigned to the audit must complete and sign an impairment statement to ensure that all members of the audit team have no or are not aware of any issue that may undermine the integrity of the audit process and audit results.

OPA actively engages with members of the Executive where appropriate throughout the audit process. However, OPA does not provide generic information to auditees on what to expect during an audit, other than the normal information, such as engagement letter, that they are expected to provide as part of the normal audit procedures. For instance, OPA does not produce and disseminate guidance on the SAI's objectives and principles, or better practice guides or tips to improve common issues identified through audits.

Also, OPA has not established a practice to invite senior members of the Executive periodically to discuss issues of concern to both the SAI and the Executive, including common findings, trends and root causes the SAI has identified through analysis of its audit reports. These issues are discussed during the normal course of the audit through exit meetings where the audit findings are discussed with the Executive.

Dimension (iv) - Good practices Regarding communication with the Judiciary, prosecuting and investigating agencies

OPA's policies and procedures established in its Audit Manual 2008 Part II Chapter 6: Audit Referrals to Investigations requires that if fraud or other illegal acts are suspected during the course of an audit, the Senior Auditor and/or Audit Supervisor should discuss these matters with the OPA Investigator or the Attorney General. The referral procedures require that where there is indication of fraud or other illegal acts revealed during the course of an audit, the matter should be discussed promptly and discretely with a Senior Auditor or Audit Supervisor. If the Senior Auditor or Audit Supervisor concurs with the findings, the matter will be discussed with the OPA Investigator, if any, before it is referred to the Public Auditor. The Public Auditor will make a determination as to the proper authority to which

the referral should be directed and will review, approve, record, and process the referral to the appropriate cognizant agency⁹.

When investigations or legal proceedings are initiated or in process, auditors should evaluate the impact on the current audit. In some cases, it may be appropriate for the auditors to work with investigators and/or legal authorities, or withdraw from or defer further work on the audit engagement or a portion of the engagement to avoid interfering with an investigation. The Public Auditor and appropriate staff will discuss the matter with the appropriate agency to ensure that the matter is properly communicated.

During the period being reviewed, there were no cases referred to the Attorney General or investigating agencies. However, OPA does not have a system in place to follow-up cases, if any, that the SAI has transferred to the Judiciary and/or prosecuting and investigating agencies. The policies and procedures prescribed in the 2008 Audit Manual described the internal processes for handling these cases before it is referred to investigating agencies. In June 2017, OPA approved its new Audit Manual which prescribes the policies and procedures rather than a process to monitor any cases being referred to the Attorney General or investigating agencies.

Although meetings have been held with the Attorney General to raise awareness of the SAI’s role and mandate, there are no documentations of such meetings.

SAI-25 Communication with the Media, Citizens and Civil Society organizations

One of the main channels of communication with the public is through the media. It is therefore important that the SAI maintains an effective relationship with the media organizations to maximize public exposure of important audit findings. Communication with the media must be well-managed by the SAI.

Indicator Score: 2		
Dimension	Findings	Score
<i>Dimension (i) – Good Practices Regarding Communication with the Media</i>	Criteria b, c and f are met. Criteria a, d and e are not met. The SAI does not launch its audit report or other major audit reports through press conferences but through press releases that are circulated via online email and OPA’s website. OPA does not monitor the media’s coverage of the SAI and the topics addressed by the SAI’s audits.	2
<i>Dimension (ii) – Good Practices Regarding Communication with Citizens and Civil Society Organizations</i>	Criteria a, b, e, f, g, h are met. Criteria c and d are not met. OPA used its website extensively and adequately to communicate with citizens and members of the public by publishing all its audit reports and	3

⁹ Audit Manual 2008, page 22

	any formal responses (referred to as “Testimonies”) to requests from Government officials.	
SAI-25 overall score		2

Dimension (i) - Good Practices Regarding Communication with the Media

OPA issued press releases for all its audit reports and any official response to formal requests from Government agencies. These press releases are circulated through a mass email to all subscribers to OPA’s press releases. In addition, a summary of audit highlights or executive summary for all audits are circulated to the media via facsimile. OPA does not hold press conferences to launch its annual report or any major audit report nor does it have a system in place to monitor the media’s coverage of the SAI and topics addressed by the SAI’s audits. All organisational plans and audit reports are available on OPA’s website.

OPA does not have a designated person other than the Public Auditor, who is authorized to communicate with the media on behalf of the SAI. OPA’s Audit Manual 2008 requires all OPA staff to refrain from initiating any media contacts related to the Office unless instructed to do so by the Public Auditor. Inquiries from the media or general public, except for routine requests for audit reports, should be reported to the Public Auditor immediately for appropriate actions.

Dimension (ii) - Good Practices Regarding Communication with Citizens and Civil Society Organizations

OPA utilized its website effectively by publishing its mandate, summaries of audit reports, written or otherwise communicated so as to make it easy for citizens to understand the main audit findings. OPA’s website is used extensively to communicate with citizens and any member of the public interested in the work of OPA. A “hotline” facility is available on the website providing an opportunity for citizens to provide input to and/or participate in the SAI’s work, without compromising the SAI’s independence. Moreover other online media such as email and facsimiles are used adequately by OPA where appropriate and consistent with Guam’s culture.

OPA contributes to public sector improvement without compromising its independence through its audit reports and formal testimonies which are also available on its website. In addition, OPA conducted a survey with members of the public to get feedback on its new website which was launched in 2015. As a result of feedback received through the survey, OPA worked on improving the search feature of the website and links to other OPA database to allow for easier access to all the reports.

Despite public access to the reports and information available on the website, OPA does not hold separate activities or forums to encourage citizens to access information on public sector audit and the SAI. Apart from normal meetings held with auditees during the course of the audit, OPA has not established contacts with relevant civil society organizations and encouraged them to read audit reports and share the findings with citizens. The majority of OPA staff are members of the Association of Government Accountants (AGA) who gladly share with the group when audit reports have been published.

Other Activities Carried out by OPA

In addition to the mandated audit responsibilities prescribed in Title 1 GCA Section 1908, OPA is also required by public laws to carry out other responsibilities from time to time, as the government legislates. These additional responsibilities included the following:

- To hear and decide procurement appeals
- To provide oversight, approve or conduct a specific activity
- To be a member of a committee, group or task force
- Requirement for some Government agencies to submit reports and other information to OPA

Among these additional legislated responsibilities, the most significant one was Public Law (PL) 28-68 which transferred the responsibility to hear and decide procurement appeals from the Procurement Appeals Board to OPA.

Procurement Appeals

In addition to OPA's mandate granted by Public Law 21-122 in July 1992 [Title 1 Guam Code Annotated, Chapter 19], OPA is also required, under 1 GCA §1909(k) to hear and decide on Procurement Appeals.

The Public Auditor assigns each OPA procurement appeal to a Hearing Officer. To handle the workload, which is a quasi-judicial hearing following the rules of evidence in Guam law, and preclude potential conflicts of interest, OPA procured the legal services from a pool of three Hearing Officers who are licensed attorneys on Guam. Similar to the independent auditing services, procurement for the legal services is administered through the RFP process.

The process of conducting and handling an appeal is very well documented and is evident in the files that are maintained. For this special practice, OPA solicits the help of an Attorney to assist in the hearings. Judgment and decision on an appeal is based on the documents that the parties (appellant and procuring agency) provide and the oral testimonies given during the hearing. Procurement appeals are predetermined in scope and objective.

OPA maintains a Quality Assurance Review (QAR) of each appeal similar to that of financial and performance audits. The QAR process requires that the final report be referenced to the file containing all supporting documentation of the appeal. Although a QAR is required, there are no guidelines on how differences of opinions are documented and reflected in file. For instance, if the Public Auditor disagrees with the conclusion or wanted to make slight modification, there are no guidelines on what needs to be done and what documentations should be maintained as evidence of the amendments or differences in opinions, and how the final conclusion / decision was arrived at.

The whole process is monitored and managed by the auditor in charge of coordinating procurement appeals. All evidence, or procurement records, are provided by the procuring agency.

The decision is arrived at after hearing both parties' submissions and testimonies on the case. The lawyer presiding over the case, the Public Auditor, assigned senior staff (Supervisor) and Auditor III, carry out a thorough review of the supporting documents as well as hear testimonies to determine whether the issues raised have merit. A decision is issued by the Public Auditor to the parties. The

report itself is easy to understand. OPA releases the decision on the procurement appeals case within the day that it is signed by the Public Auditor.

Although OPA anticipates procurement appeals each year, there is no plan in place to identify the number of staff that will be involved in an appeal. Also, it was evident during the examination of documents that there is an absence of ensuring that audit teams have collective knowledge, skills and experience necessary to participate on an appeal.

Section 5. SAI Capacity Development Process

5.1. Description of Recent and On-going Reforms

In 2014, the Guam Office of Public Accountability (OPA) enlisted the services of Leading Edge Consulting Group to review the positions within and make necessary recommendations on the positions and descriptions to better reflect the actual levels and composition of the tasks within the positions.

The services were requested based on the high level of attrition being experienced by OPA to other individual agencies that actually fall within the realm of their audit oversight and that the Government of Guam Competitive Wage Act 2014 did not address the loss of key personnel. In any organization, a group of professionals with audit oversight defecting to a smaller agency over which they have had oversight indicates a problem. Often, this occurs due to a misalignment of wages to positions or a lack of competitive wages in the marketplace.

As a result, Leading Edge recommended the revision and expansion of the six current audit positions to 10 accountability audit position titles based on the responsibilities and tasks of those employed at OPA.

The recommended job titles reflect OPA's overarching responsibilities for oversight of all Government of Guam agencies. Changes were made to each job description to better reflect the actual task and qualifications required of incumbents and candidates for the position. The recommended positions and organizational structure allow for an auditor's career growth as well as efficient functioning of OPA.

In order to attract and retain highly qualified personnel, Leading Edge also recommended an update to OPA's wage structure in line with the expanded positions. Because of the highly complex nature of the work, OPA needs to be able to recruit and select the candidates independently. Leading Edge also recommended that OPA be given hiring autonomy subject to post review and approval by the Civil Service Commission (CSC). The CSC's post audit responsibility is set forth in G.C.A. S 4403(e).

As a result of the review, Guam Legislature granted OPA the hiring autonomy through the passage of P.L. No. 33-226 in January 2017. Currently, OPA handle's its human resource matters along with its consultant, Leading Edge, as needed.

In 2014, OPA decided to explore the option of converting its manual audit processes to an automated process to increase efficiency. OPA believed the expected result of a successful implementation would be quicker audits and less burden on audit staff and supervisors with time consuming preparation of

work papers, referencing, cross-referencing, etc. The automated audit software would also allow auditors to apply consistent templates and processes to all audits and facilitate supervisory reviews.

The software was procured and all OPA staff went through hours of training on the proper usage of the audit management software to ensure staff fully understands all functions of the audit software. There were challenges during the trial phase of the software, however, the staff were able to operate it and commenced automating their audit works in 2016 for all performance audits commenced after October 2015, and the FY2015 financial audits and subsequent years.

5.2. Use of SAI results by External Providers of Financial Support

The OPA participates in PASAI regional projects and IDI global projects (usually delivered in partnership with PASAI) and APIPA projects. The assessment team is not aware of any use of the OPA audit reports by external providers of support to the Government of Guam.

Annex A: Performance Indicator Summary & Tracking Performance over Time (where applicable)

The following table provides a summary of the OPA performance indicators. For each indicator, the table specifies the scoring assigned by dimensions and the overall score.

Indicator	Indicator Name	(i)	(ii)	(iii)	(iv)	Overall Score
Domain A	Independence and Legal Framework					
SAI-1	Independence of the SAI	1	3	3	3	2
SAI-2	Mandate of the SAI	3	2	2		2
Domain B	Internal Governance and Ethics					
SAI-3	Strategic Planning Cycle	1	0	2	3	1
SAI-4	Organizational Control Environment	0	2	3	3	2
SAI-5	Outsourced Audits	3	2	2		2
SAI-6	Leadership and Internal Communication	3	3			3
SAI-7	Overall Audit Planning	3	1			2
SAI-8	Audit Coverage	4	3	N/A		3
Domain C	Audit Quality and Reporting					
SAI-9	Financial Audit Standards and Quality Management	N/A	N/A	N/A		N/A
SAI-10	Financial Audit Process	N/A	N/A	N/A		N/A
SAI-11	Financial Audit Results	N/A	N/A	N/A		N/A
SAI-12	Performance Audit Standards and Quality Management	3	2	3		3
SAI-13	Performance Audit Process	2	3	2		2
SAI-14	Performance Audit Results	4	3	3		3
SAI-15	Compliance Audit Standards and Quality Management	N/A	N/A	N/A		N/A
SAI-16	Compliance Audit Process	N/A	N/A	N/A		N/A
SAI-17	Compliance Audit Results	N/A	N/A	N/A		N/A
SAI-18	Control and Judgement of Rendered Accounts (<i>for Court Model SAIs</i>)	N/A	N/A	N/A	N/A	N/A
SAI-19	<i>Public Sector Audit Standards and Quality Management (Optional)</i>	N/A	N/A	N/A		N/A
SAI-20	<i>Public Sector Audit Process (Optional)</i>	N/A	N/A	N/A		N/A
Domain D	Financial Management, Assets and Support Services					
SAI-21	Financial Management, Assets and Support Services	3	2	4		3
Domain E	Human Resources and Training					
SAI-22	Human Resource Management	N/A	0	4	3	2
SAI-23	Professional Development and Training	2	1	1	1	1
Domain F	Communication and Stakeholder Management					
SAI-24	Communication with the Legislature, Judiciary and Executive	0	2	1	3	1
SAI-25	Communication with the Media, Citizens & Civil Society Organizations	2	3			2

Annex B: Sources of Information & Evidence to Support Indicator Scoring

General Sources of Information

- *Budget Act FY 2016*
- *Budget Allotment Schedules FY 2016*
- *Citizen Centric Report 2016*
- *Department of Administration Personnel Rules and Regulations*
- *Documents supporting development of Annual Audit Plan*
- *Government of Guam Competitive Wage Act 2014*
- *Guam Organic Act*
- *Guam Code Annotated and Guam Administrative Rules and Regulation*
- *Guam OPA Organisational Chart*
- *Interviews with OPA staff – Yuka Hechanova – Deputy Public Auditor; Rodalyn Gerardo – Special Assistant; Jerrick Hernandez – Auditor III; Clariza Roque – Auditor III; Marisol Andrade – Administrative Officer.*
- *Records, emails, facsimile, website*
- *US Government Auditing Standards*

Evidence to Support Indicator Scoring

- *Association of Government Accountants (AGA) Code of Ethics December 2016*
- *Audit report for Government of Guam financial accounts FY 2016*
- *Audit report on Status of Audit Recommendations December 2016*
- *Ch. 12 of the GAR: Procurement Appeals Rules and Regulations*
- *Contracts with External CPA Firms*
- *Guam OPA AIPA Peer Review Report, October 2014*
- *Job Descriptions*
- *List of Fixed Assets*
- *OPA Annual Audit Plan 2016*
- *OPA Annual Report 2016*
- *OPA Audit Manual (2008)*
- *OPA Audit Manual 2016 (DRAFT)*
- *OPA Budget Presentation for FY 2016*
- *OPA Standard Operating Procedures*
- *OPA Strategic Plan - 2014*
- *OPA Procedures for Financial Audit Review*
- *Performance Audit reports of audit files reviewed*
- *P.L. 33-226 OPA Hiring Autonomy*
- *Quality Assurance Review Checklist*
- *Quarterly Financial Reports FY 2016*
- *Request for Proposal (RFP) Process Guideline*
- *Request for Proposal of Financial Audit*
- *Survey seeking public feedback on OPA website*
- *Testimonies / Official comments on proposed bills and regulations*

Sample of Performance Audit Files reviewed

- *Government of Guam Limited Gaming Tax*
- *Guam Memorial Hospital Authority Trust Fund Fees*