



**Executive Summary**  
**Guam Environmental Protection Agency**  
**Recycling Revolving Fund**  
**OPA Report No. 26-05, May 2026**

Our performance audit of the Guam Environmental Protection Agency's (GEPA) Recycling Revolving Fund (RRF) found that, although GEPA developed and adopted rules and regulations as required by law (which was an audit finding in OPA Report No. 15-05, issued in July 2015), those rules were not fully codified in the Guam Administrative Rules and Regulations (GARR). This created material inconsistencies between statute and regulation and contributed to several compliance and administrative weaknesses. We identified five key deficiencies:

1. RRF Rules and Reversion Requirements Not Fully Codified into the GARR
2. RRF Funds Not Expended Efficiently for the Mayors Council of Guam (MCOG) Island-wide Environmental Clean-up Program (IECP)
3. Inability to Determine Actual RRF Expenditures
4. Non-compliance with Statutory Requirements Prior to Disbursement
5. Missing Board-Approved Expenditure Plans

**RRF Rules and Reversion Requirements Not Fully Codified into the GARR**

In September 2019, Public Law (P.L.) 35-37 formally adopted GEPA's rules and regulations for the RRF. On October 12, 2022, Substitute Bill No. 284-36 (LS) was signed into law as P.L. 36-115, which amended and codified Article 3, Chapter 24, Division 4, Title 22 of the GARR, thereby superseding the prior rules adopted under P.L. 35-37, which the agency has not yet conformed in the GARR. However, the GARR had not been updated to reflect the amendments enacted by P.L. 36-115. As a result, inconsistencies exist between the GARR and current law under P.L. 36-115 and 10 GCA Chapter 51.

GEPA confirmed with the Compiler of Laws that the agency is responsible for initiating rule updates, as legislative enactments do not automatically revise the GARR. Any subsequent amendments must proceed through the Administrative Adjudication Act (AAA) rulemaking process.

**RRF Funds Not Expended Efficiently for the MCOG IECP**

Expenditure data from GEPA showed that contractual services were the largest category of RRF spending from FY 2017 through 2023. Within this category, the MCOG IECP accounted for the largest contractual expenditure, totaling \$6.3M (or 52%) of total RRF expenditures.

***Procurement and Statutory Constraints***

Beginning in FY 2022, Budget Acts authorized MCOG to issue purchase orders (POs) up to specified dollar limits per village. In FY 2022 and FY 2023, the waiver applied on a per-village, per-recyclable-item basis; subsequent Budget Acts increased the per-village dollar limits. Specifically, these Budget Acts included an "Authorization to Waive Statutory Procurement Limit" provision for RRF monies appropriated or allotted to MCOG.

MCOG officials stated that they interpreted the budget-act procurement-limit waivers as increasing allowable per-village spending limits, rather than authorizing streamlined procurement methods, and that MCOG remained subject to applicable procurement requirements. According to MCOG officials, MCOG continued to utilize standard procurement processes for IECF purchases. Combined with delays in fund drawdowns and vendor-related constraints such as bid protests and limited market participation, these factors contributed to delays in expending available RRF monies.

### ***Challenges in Fund Utilization and Performance***

GEPA attributes inefficiencies in RRF expenditure primarily to MCOG's mismanagement and delays. In FY 2025, MCOG initially declined funds, then reversed course and issued a request for proposal (RFP) that failed because no single vendor was capable of handling the scope of work. Historically, MCOG issued its own purchase orders (POs) but submitted Operation and Expenditure Plans late, further extending delays.

Long-standing close-out issues persisted because villages did not consistently provide receipts or maintain adequate accountability. GEPA granted extensions on unspent IECF funds through March 31, 2026, covering FY 2023 through FY 2025, yet unresolved invoices dating back to FY 2022 made vendors reluctant to work, and later reconciliations revealed missing documentation. In addition, despite GEPA's requests, the Department of Administration (DOA) has not consistently provided complete quarterly expenditure reports.

The IECF was not implemented in FY 2017. During FY 2017, the Recycling Industry Economic Stimulus Program, as per P.L. 33-136, was implemented; therefore, there was no funding to the MCOG IECF. In FY 2018, MCOG expended only \$833K (or 38%) of the \$2.2M certified, the lowest utilization rate during the audit period, indicating long-standing implementation challenges not attributable solely to procurement thresholds. Similar underutilization continued in FY 2019, when only \$567K (or 42%) of the \$1.3M certified was expended, leaving a \$782K balance unspent. On August 7, 2024, the MCOG President reported that, of the \$1M allocated from the RRF, only \$235K had been expended. On September 4, 2024, officials further noted that a \$500K drawdown had not yet been received because of coordination delays between GEPA and DOA. For FY 2025, there were no IECF expenditures.

Ongoing implementation challenges ultimately prompted MCOG to vote to withdraw entirely from the IECF. At a special meeting on September 24, 2025, the mayors cited the reasons stemming from procurement constraints, bid protests, limited vendor participation, unpaid vendor invoices dating back to 2022, and the inability to achieve visible results within the fiscal year key as reasons for withdrawal despite available appropriations and flexibility provided by the GCA. MCOG proposed returning the entire RRF program, including tires, white goods, and electronics, to GEPA and the Department of Public Works (DPW), citing limited manpower and unfunded implementation costs, such as fuel, labor, and personal protective equipment.

### **Inability to Determine Actual RRF Expenditures**

GEPA administers the RRF, but DOA maintains the fund's official accounting records in the Guam Financial Management Information System (GFMIS) and is responsible for issuing mandated weekly RRF balance reports to GEPA for posting on GEPA's website. GEPA informed the audit team that its internal RRF Expenditure and Disbursement (ED) and Account Breakdown (AB)

reports, dated December 10, 2025, were generated from historical data extracted from the legacy AS400 financial information system.

We compared GEPA’s internal AS400-based reports with RRF information in the Government of Guam–wide audited financial statements, which were also based on AS400 data, and were unable to reconcile the two sources or determine actual RRF expenditures because of significant discrepancies. Specifically, we noted:

- A \$495K variance between the reports. See Table 1.
- A 225% increase in continuing-account appropriations, from \$2.9M in FY 2023 to \$9.5M in FY 2024, without a documented explanation.
- No DOA-posted weekly RRF balance reports on GEPA’s website after September 23, 2023, despite a DOA report dated May 28, 2024.
- No evidence that FY 2017 - 2023 encumbrances reverted within the required nine-month timeframe.

No utilization of the RRF continuing account from FY 2020 – 2022 in the reports reviewed.

***Discrepancies Between Internal Reports and Government-Wide Audited Financial Statements***

We identified weaknesses in GEPA’s controls over financial reporting, data integrity, and version control related to the ED and AB reports provided during the audit. Key figures for closed fiscal years differed between GEPA’s internal reports and the Government of Guam–wide audited financial statements, and the totals reported in GEPA’s AB and ED reports did not reconcile with the audited financial statements. See Table 1.

**Table 1: GEPA’s Reports vs. Government of Guam-Wide Audited Financial Statements<sup>1</sup>**

Fiscal Year	A Government of Guam-Wide Audited Financial Statement (FS)	B GEPA Expenditure and Disbursement (ED) 12/10/25	C GEPA Account Breakdown (AB) 12/10/25	Variance (B-A)	Variance (C-A)
2017	\$ 1,065,464.00	\$ 1,065,463.81	\$ 1,065,463.81	(\$ 0.19)	(\$ 0.19)
2018	\$ 1,378,390.00	\$ 1,370,390.25	\$ 1,370,390.28	(\$ 7,999.75)	(\$ 7,999.72)
2019	\$ 1,831,138.00	\$ 1,823,750.43	\$ 1,823,750.23	(\$ 7,387.57)	(\$ 7,387.77)
2020	\$ 1,415,254.00	\$ 1,415,254.00	\$ 1,415,254.00	\$ 0.00	\$ 0.00
2021	\$ 1,420,460.00	\$ 1,420,460.50	\$ 1,420,460.50	\$ 0.50	\$ 0.50
2022	\$ 1,931,249.00	\$ 1,931,248.58	\$ 1,931,248.58	(\$ 0.42)	(\$ 0.42)
2023	\$ 1,887,490.00	\$ 1,487,489.49	\$ 1,487,242.20	(\$ 400,000.51)	(\$ 400,247.80)
2024	\$ 1,575,520.00	\$ 1,198,263.90	\$ 1,198,263.90	(\$ 377,256.10)	(\$ 377,256.10)
2025	\$ -	\$ 297,791.74	\$ 297,791.74	\$ 297,791.74	\$ 297,791.74
<b>Total Expenditures</b>	\$ 12,504,965.00	\$ 12,010,112.70	\$ 12,009,865.24	(\$ 494,852.30)	(\$ 495,099.76)

<sup>1</sup> Note: At the time of our analysis, the Government of Guam–Wide financial audit for FY 2024 and FY 2025 had not yet been released, and GEPA noted that FY 2025 had not yet been closed out by the Department of Administration (DOA) and that certain information might still be pending. Accordingly, amounts for FY 2024 and FY 2025 are subject to change once the financial audit and final DOA closeout are completed. For FY 2024, DOA provided the data via email on August 26, 2025.

Comparisons across multiple versions of GEPA's internal reports revealed unexplained changes to expenditure totals for closed fiscal years, in addition to the variances noted against the audited financial statements. For example, FY 2019 expenditures increased from \$972.2K in the April 28, 2025 AB report to \$1.8M in the December 10, 2025 version. Similarly, FY 2024 expenditures increased from \$1M in the September 5, 2025 ED report to \$1.2M in the December 10, 2025, version. These changes show that GEPA's internal reports for closed fiscal years are not static and cannot be relied on as the sole evidence of RRF activity without reconciliation to DOA's official accounting records and the audited financial statements.

### **Non-compliance with Statutory Requirements Prior to Disbursement**

We identified two interrelated areas in which the required preconditions for disbursing RRF monies to MCOG for IECF implementation were not fully met or documented:

1. Required Administrator-approved Operation Plans were missing, lacked evidence of approval, or were submitted after at least 80% of disbursed RRF funds had already been spent (FY 2020–FY 2024). Multi-year Operation Plans (FY 2019 – FY 2021 and FY 2022 – FY 2023) were also submitted, but lacked documented Administrator approval.
2. Required GEPA Board- and Administrator-approved Proposals were not submitted to the audit team for review (FY 2023 – FY 2025).

### ***Preconditions for the Operation Plan***

For FY 2018 and FY 2019, MCOG submitted Operation Plans that the GEPA Administrator approved on March 19, 2018, and May 24, 2019, respectively. These approvals complied with both the GCA and the GARR requirements.

For FY 2020 - 2025, although Operation Plans were submitted, there was no documented evidence of the GEPA Administrator's approval. MCOG submitted a multi-year Operation Plan for FY 2019 – 2021, but it lacked the Administrator's signature, and it is unclear whether multi-year plans are permissible under the statutory and regulatory framework. For FY 2025, the Operation Plan was approved by the GEPA Board through Resolution No. GEPA 25-001 (October 24, 2024), but there was no corresponding Administrator signature.

GEPA and MCOG relied on MOA/MOU language rather than consistently ensuring that all statutory and regulatory preconditions were met. In particular, required Administrator approval of Operation Plans was not consistently completed and documented prior to disbursement.

### ***Preconditions for the Proposal***

A GEPA Board- and Administrator-approved Proposal is required prior to expenditures under 10 GCA § 51303(a)(1)(D)(i), as enacted by P.L. 36-115. This Proposal requirement became effective on October 12, 2022, and was applicable beginning in FY 2023. For FY 2023 – FY 2025, GEPA did not submit any Board- and Administrator-approved Proposals for the audit team's review. Accordingly, we could not verify that the required Proposals were prepared and approved before incurring expenditures subject to this statutory requirement.

### **Missing Board-Approved Expenditure Plans**

No Budget Act provisions specifically applicable to the RRF were identified for FY 2017 - FY 2020. Beginning in FY 2021, however, Budget Acts and related MOAs/MOUs established Expenditure Plan preconditions tied to GEPA Board oversight of RRF-funded activities.

MCOG was required to submit an Expenditure Plan to the GEPA Board for review and approval prior to the use of RRF monies. We found that, with the exception of FY 2023 and FY 2025, Expenditure Plans submitted by MCOG lacked documented GEPA Board approval. As a result, evidence of compliance with these expenditure-plan preconditions was incomplete.

### **Other Matters**

#### ***Unclear Reimbursement Procedures***

The GEPA's Administrator is authorized to annually reimburse Guam Solid Waste Authority (GSWA), as a government entity, up to \$400K in accordance with the Guam Zero Waste Masterplan for expenses that include, but are not limited to, curbside recycling, household hazardous waste, electronic, white goods collection, processing, and marketing/shipping. GSWA shall submit a proposal, including total costs, to the Administrator and Board for approval. The GSWA Board anticipated a \$400K reimbursement before GEPA's formal approval. At the time of the GEPA Board meeting held on February 15, 2024, reimbursement procedures seemed unclear, and the rules did not specify the invoicing frequency. Upon further clarification with GEPA, they mentioned that GSWA has been requesting quarterly invoicing because expenditures must occur before reimbursement.

#### ***DPW Takes Over Responsibility of Abandoned Vehicles***

Subsequent to the RRF audit period, following MCOG's decision to discontinue the IECF, DPW assumed operational responsibility for the Government of Guam's abandoned vehicles. The DPW Director testified before the Guam Legislature on March 19, 2026, that the program will be funded through a \$2M MOU with the GEPA, signed in late January or early February 2026.

### **Conclusion and Recommendations**

Although GEPA promulgated rules to implement the RRF as required by law, significant inconsistencies and non-compliance remain. The RRF rules were not fully codified in the GARR, resulting in conflicts between statutes and regulations and uncertainty regarding key requirements.

Our audit found that GEPA did not consistently establish, document, and follow the legal requirements governing the RRF. This has limited transparency, weakened accountability, and impaired the reliable use of the RRF monies. Although legislative changes expanded and clarified certain authorities, the governing regulations were not updated to reflect the current law, internal reports could not be reliably reconciled to official records, and closed-year figures were subject to unexplained revision.

At the program level, RRF funds for the MCOG IECF were not expended efficiently or consistently in accordance with statutory and budgetary preconditions. Required Operation Plans, Proposals, and Expenditure Plans were missing, incomplete, or lacked documented signatures/approvals before the funds were used. In addition, unresolved questions about the timing and attribution of expenditures, including whether amounts reflected current-year spending or prior-year obligations, made it difficult to determine actual fund utilization.

These conditions reflect material weaknesses in RRF governance, financial accountability, internal controls, and compliance oversight, which can prevent timely service delivery and erode public trust. To address these deficiencies, we recommend that GEPA take charge of updating RRF regulations, clarify the interactions between procurement waivers and the Guam procurement law, and strengthen internal controls and monitoring for compliance.



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