



## OFFICE OF PUBLIC ACCOUNTABILITY

Suite 401 Pacific News Building, 238 Archbishop Flores St., Hagåtña, Guam 96910  
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July 24, 2018

Honorable Benjamin J. F. Cruz  
Speaker and Chairman, Committee on Appropriations and Adjudication  
34<sup>th</sup> Guam Legislature  
Guam Congress Building  
Hagatna, Guam 96910  
senator@senatorbjcruz.com

Speaker Benjamin J.F. Cruz

JUL 26 2018

Time: 1:00 PM [ ] AM [ ] PM File No. \_\_\_\_\_  
Received By: SA

Re: Amended testimony for Bills 323-34 and 237-34 Acts Making Appropriations for the Operations of the Government of Guam for Fiscal Year Ending September 30, 2019

Dear Speaker Cruz:

The FY 2019 budget bills are a testament to the dire financial position of the Government of Guam. The Office of Public Accountability (OPA) is no exception to the cuts proposed by these bills. Bill 323-34 appropriates only \$1,275,876, or \$420,471 less than the \$1,696,347 requested. However, Bill 237-34 as allocated by the Bureau of Budget and Management Research (BBMR) allots \$952,405 to the OPA. This is \$743,942, or **44% less than requested**.

To address the shortfalls in both bills, the OPA will not fund unclassified positions of Deputy Public Auditor, Special Assistant, and Executive Secretary; increments; and certain contractual services. Bill 237-34 will require further cuts to the OPA's procurement appeals function and personnel resources. We ask the Legislature for authority to cover part of the FY 2019 shortfalls with the OPA's remaining cash reserves.

In FY 2018, OPA was appropriated \$1,396,898 and we expect a shortfall of \$170,000, which will be paid with our cash reserves from lapsed funds.

### Bill 323-34

Our ongoing cost cutting measures this past year will continue as we deal with the expected cuts to our budget, but it will not be enough. To reduce our initial request of \$1,696,347 to \$1,275,876, the OPA will **not fund**

- Increments,
- The unclassified Deputy Public Auditor position,
- The Special Assistant and Executive Secretary positions. These unclassified positions will be replaced by the classified Managing Accountability Auditor positions to ensure adequate supervision over all audits.



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- Consulting and legal services, except for IT related services and procurement appeals hearing officers fees,
- Mayors Council of Guam financial audits, and
- Professional publications, dues, and memberships, except for the Pacific Association of Supreme Audit Institutions (PASAI).

These measures will reduce the OPA budget to \$1,441,816. The \$165,940 shortfall can be funded by our remaining cash reserves from lapsed funds. Therefore, we ask for the Legislature's authority to cover these shortfalls with lapsed funds.

In Chapter XIII Part I Spending Controls Administrative Provisions of Bill 323-34, Section 6 proposes to suspend the certification pay differential for the entire fiscal year. This will affect 3 current classified OPA employees (1 Certified Public Accountant, 1 Certified Government Financial Manager, and 1 Certified Fraud Examiner) and 2 vacant Managing Accountability Auditor positions with estimated costs of only \$38,000 per year. Suspending this incentive will cut these staff salaries by 10% - 15% depending on their certification. The potential negative effects far outweigh the \$38,000 benefit to the GovGuam budget.

To my immediate knowledge, there are only two other employees who are CPAs outside of the OPA that are also affected by the proposed suspension of certification pay - one employee at the Office of the Attorney General and one employee at the Department of Administration. The estimated cost to fund the certification pay differential for these individuals is \$24,000. No other certification pay differential is being cut.

The OPA respectfully requests that the certification pay not be suspended. It has proven to be a small investment to ensuring quality work from credible professionals. It has also been an effective motivator amongst the staff who are now committed to obtaining national certifications that are very important to the work we do. We have also been able to retain staff for the past two years. Again, we ask for authority to use cash reserves to fund the certification pay.

### **Bill 237-34**

The significant shortfalls in our funding from Bill 237-34 leave us no choice but to cut much more. This bill cuts \$743,942, or 44%, from our initial request of \$1,696,347. The OPA will have no choice but to further cut personnel costs by 20%. This is in addition to cutting all unclassified positions and increments.



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In addition to our cost cutting measures for Bill 323-34, the OPA will not have funds to accept, hear, and decide any procurement appeals from aggrieved vendors. Cases in court appealing our decisions will also be at a standstill. We will also have to cut PASAI dues although we have ongoing projects with PASAI such as fighting corruption and strategic initiatives that strengthen the OPA and add tremendous value to the work we do for the people of Guam.

These measures will reduce the OPA budget to \$1,115,291. The \$162,886 shortfall can be funded by our remaining cash reserves from lapsed funds.

For FY 2019, one unknown factor is the amount of procurement appeals that will be filed at the OPA. Depending on the subject matters appealed, it is difficult to estimate how much it will cost to administer the appeals. In 2018 to date, only 3 appeals have been filed while last year we had a total of 12 appeals filed.

In closing, the cuts from Bill 323-34 will be manageable with the cost cutting measures outlined earlier and OPA will be able to continue its performance audits and hear and decide procurement appeals. However, the cuts from Bill 237-34 pose a more substantial effect on OPA operations. A reduction in personnel resources will decrease productivity and OPA will not be able to issue all the performance audits in the annual plan. Cutting these core services does the people of Guam a disservice. Our performance audits aim to hold officials accountable to answer to findings in our audit reports. The OPA will also not be able to accept, hear, and decide procurement appeals from aggrieved vendors.

The OPA is requesting 1) authority to use cash reserves from remaining lapsed funds due to the FY 2019 shortfalls we will experience from reduced appropriations, and 2) not suspending the certification pay differential which we can fund without additional appropriations.

Should you have any questions, please contact me at [yhechanova@guamopa.com](mailto:yhechanova@guamopa.com) or 475-0390 extension 210.

Senseramente,

Yukari B. Hechanova, CPA, CIA, CGFM, CGAP, CGMA  
Deputy Public Auditor