

# Auditors Dismayed At GovGuam Records

GovGuam is generally a poor bookkeeper -- in some cases so inadequate that proper auditing procedures could not be performed -- according to a report from an independent accounting firm contracted to audit local balance sheets.

Commenting on its report for fiscal 1973, the firm of Arthur Young & Co. stated: "The respective balance sheets do not present fairly the financial position of those funds for the reasons set forth in the reports."

A departmental synopsis of shortcomings was included. There were few words of praise. The firm has made the same comment on its difficulties the past three years.

The commentary offers several general suggestions to improve the government's financial reporting. The government should undertake a review of all departments and agencies concerned with planning, management or processing of fiscal matters to define the objectives of each department, to clarify responsibility of the

positions, and to specify their interrelationships on fiscal matters.

Revenue estimates should be updated at least quarterly. In fiscal 1973 total government revenue, excluding federal grants, exceeded the executive estimate by \$12.5 million. "No revision of the original estimate was made until the end of the year and even after the revision the estimate was \$6.9 million less than actual," the accountants noted.

A better flow of financial information is needed between the executive and legislative branches. Reports should be provided at regular and established intervals, according to the report. This problem has been alleviated partially by a law which requires the director of the Bureau of Budget to submit monthly reports to the Legislature showing revised revenue estimates as income flows in, the report noted.

There is an urgent need for simplification and improved coordination in handling federal grants. Young's firm recommended that all federal grants be dispersed by the Legislature.

"We have commented in our reports in prior years on the unsatisfactory condition of the accounting records maintained by the Division of Accounts. This year we noted a further

(Continued on page 40)

# Auditors Decry Bookkeeping

0-9-74

(Continued from page 1)  
Some of the problems the accountants discovered are:

-Financial statements on the general fund prepared in late August were not ready until October.

-The government's bank account was not properly reconciled until mid-October for that fiscal year, and even when it was, a difference of \$150,000 between the general fund records and the Neighborhood Youth Corps Fund could not be located.

-Many old and unsupported items were disclosed in the review of encumbrances.

-Normal year-end accruals of revenue totaling more than \$2.5 million were not made.

-There is no system yet developed for accounting for fixed assets.

-The accounting records for federal grants-in-aid deteriorated to a point where we were unable to perform certain auditing procedures."

-The Special Revenue, Trust and Agency Funds, also under the Division of Accounts, were "poorly maintained, as evidenced by the fact that the accounting records of eight of these funds were not in condition for preparing satisfactory financial statements," the accountant noted. A communication gap between the Division of Accounts and the agencies whose funds these are was cited as the major problem.

The condition of accounting records for the Rehabilitation Fund has deteriorated, according to the report, "principally from lack of attention on a timely basis."

At the Department of Revenue and Taxation, the auditors urged an improved form of electronic data processing service be obtained to maintain satisfactory procedures and controls. The department is exploring this suggestion.

Another suggestion was that gross receipts tax returns be filed quarterly instead of monthly to reduce paper work and allow employees to devote more time to checking on compliance with this tax. The auditors felt there are not effective controls to detect non-compliance with the filing requirements.

Delinquent property taxes increased some \$400,000 during 1973 and amounted to \$1.8 million on June 30. The main problem here seems to be the low interest rate on delinquencies, the accountants said.

The Commercial Port received a complimentary statement indicating the recommendations made

in the 1972 Arthur Young report all had been implemented.

A trust deposit fund required by the Guam Housing Corporation's own rules is not currently being maintained, the firm noted. Either a separate bank account for the fund or an amendment of the rules was recommended.

The report questioned expenditures for inventory which significantly increased over the preceding year, despite the fact that issuances of these inventories did not seem to justify this increase. The auditors said the purchasing increase "is apparently due to purchasing in excess of realistic requirements."

At the Guam Housing and Urban Renewal Authority only minor problems were cited and the agency was complimented for having implemented the firm's 1972 recommendations.

Concerning the Guam International Air Terminal, the accountants noted that some of the projects for airport expansion are being financed through the Guam Rehabilitation Act, yet expenditures from the fund were reflected in the air terminal's records. A recommendation to periodically review all major contracts and billings with the Rehabilitation Fund and to reconcile the two accounts was made.

The auditors also noted that although the air terminal was billing airlines at new rates established in new lease agreements as of last March, the lease agreements had not yet been officially executed as of October 1973.

A summary of Public Utility Agency cited by the accountants noted:

-There is lack of coordination between telephone and water service provided and billings rendered.

-Several accounts show lack of timely analyses and reconciliations.

-Duplication of work and records occurs in maintaining separate ledgers for water, sewer and administrative divisions.

-There are inadequate records of property, plant and equipment and segregation of repair and maintenance expenses.

-A voluminous and complicated method for accumulating data for posting to the telephone general ledger exists.

-Some electronic data processing reports appear to be of questionable value.

-Water billings to other GovGuam departments are not currently settled and there is a lack of coordination between divisions and lack of accounting procedures manuals.

Guam Memorial Hospital also failed to correct weaknesses described in the firm's 1972 report, it noted, adding that suggestions made in a preliminary report in August 1973, were unheeded as of the final audit in October.

The preliminary report states "there is no attempt to balance the detail of accounts receivable with the general ledger." It noted the hospital's accounts receivable from patients increased by more than \$2.5 million over last year. The increase in room rates raised hospital revenue by \$176,000 a month, but even this was not enough to keep up with the tremendous increase in unpaid bills, the auditors said.