

**GOVERNMENT OF GUAM**

---

**SINGLE AUDIT REPORTS**

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**YEAR ENDED SEPTEMBER 30, 2004**

**GOVERNMENT OF GUAM**  
**SINGLE AUDIT REPORTS**  
**YEAR ENDED SEPTEMBER 30, 2004**

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Felix P. Camacho  
Governor  
Government of Guam:

We have audited the basic financial statements of the Government of Guam as of and for the year ended September 30, 2004, and have issued our report thereon dated July 11, 2005, which report was qualified due to our inability to audit tax-related balances and to the lack of audited financial statements of the Guam Memorial Hospital Authority and the Guam Visitors' Bureau – Component Units. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Government of Guam's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Government of Guam's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 04-24 through 04-30.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider finding numbers 04-24, 04-28, 04-29, and 04-30 to be material weaknesses.

We also noted other matters involving the internal control over financial reporting, which we have reported to management of the Government of Guam in a separate letter dated July 11, 2005.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Government of Guam's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings and Questioned Costs (pages 30 through 80) as finding numbers 04-01, 04-02, 04-03, 04-04, 04-10, 04-14, and 04-17 through 04-24.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Government of Guam in a separate letter dated July 11, 2005.

This report is intended solely for the information and use of the management of the Government of Guam, the Office of the Public Auditor of Guam, federal awarding agencies, pass-through entities and the cognizant audit and other federal agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

The image shows a handwritten signature in cursive script that reads "Deloitte + Touche LLP". The signature is written in black ink and is positioned above the date.

July 11, 2005

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL  
OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM  
AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Honorable Felix P. Camacho  
Governor  
Government of Guam:

### Compliance

We have audited the compliance of the Government of Guam with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2004. The Government of Guam's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs (pages 29 through 80). Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Government of Guam's management. Our responsibility is to express an opinion on the Government of Guam's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Government of Guam's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Government of Guam's compliance with those requirements.

As described in finding numbers 04-01, 04-03, 04-04, 04-06 through 04-17, and 04-21 through 04-24 in the accompanying Schedule of Findings and Questioned Costs, the Government of Guam did not comply with requirements regarding allowable costs/cost principles; cash management; eligibility; equipment and real property management; matching, level of effort, earmarking; procurement and suspension and debarment; and special tests and provisions that are applicable to its major federal programs described in the accompanying Schedule of Major Federal Award Programs (page 28). Compliance with such requirements is necessary, in our opinion, for the Government of Guam to comply with requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Government of Guam complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2004.

## Internal Control Over Compliance

The management of the Government of Guam is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Government of Guam's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Government of Guam's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 04-01 through 04-25.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider finding numbers 04-03, 04-04, 04-14, 04-19, 04-20, 04-22, 04-23, and 04-24 to be material weaknesses.

## Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the Government of Guam as of and for the year ended September 30, 2004, and have issued our report thereon dated July 11, 2005, which report was qualified due to our inability to audit tax-related balances and due to the lack of audited financial statements of the Guam Memorial Hospital Authority and the Guam Visitors' Bureau – Component Units. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards (pages 5 through 23) is presented for the purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. This schedule is the responsibility of the management of the Government of Guam. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects when considered in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the management of the Government of Guam, the Office of the Public Auditor of Guam, federal awarding agencies, pass-through entities and the cognizant audit and other federal agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

  
July 11, 2005

**GOVERNMENT OF GUAM**

Summary of Schedule of Expenditures of Federal Awards, by Grantor  
Year Ended September 30, 2004

<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2003	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2004
U.S. Department of Agriculture	\$ (2,719,191)	\$ 54,084,623	\$ 57,561,106	\$ 757,292
U.S. Department of Commerce	530,991	1,962,427	1,364,718	(66,718)
U.S. Department of Defense	589,726	1,101,111	1,498,435	987,050
U.S. Department of Housing and Urban Development	217,968	175,460	77,003	119,511
U.S. Department of the Interior	688,308	8,151,562	10,398,563	2,935,309
U.S. Department of Justice	(734,884)	2,658,934	4,355,642	961,824
U.S. Department of Labor	1,419,428	10,049,595	8,835,867	205,700
U.S. Department of Transportation	(967,149)	7,890,221	10,574,002	1,716,632
National Foundation on the Arts and the Humanities	256,601	210,800	243,498	289,299
U.S. Environmental Protection Agency	(859,594)	2,017,361	3,531,037	654,082
U.S. Department of Energy	28,628	268,574	446,768	206,822
U.S. Department of Education	1,238,264	1,224,385	1,367,184	1,381,063
U.S. Department of Health and Human Services	(2,492,553)	24,565,071	32,502,795	5,445,171
Corporation for National and Community Service	126,449	439,078	293,638	(18,991)
Social Security Administration	11,037	14,248	-	(3,211)
U.S. Department of Homeland Security	(660,219)	36,026,029	30,266,795	(6,419,453)
<b>GRAND TOTAL</b>	<b>\$ (3,326,190)</b>	<b>\$ 150,839,479</b>	<b>\$ 163,317,051</b>	<b>\$ 9,151,382</b>

Note: All awards are received direct from the Federal agency.

**GOVERNMENT OF GUAM**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2004

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2003	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2004
U.S. DEPARTMENT OF AGRICULTURE					
10.025	Plant and Animal Disease, Pest Control, and Animal Care	\$ 4,832	\$ 9,917	\$ 515	\$ (4,570)
10.551	Food Stamps	-	48,115,089	48,115,089	-
10.552	Special Food Service Program for Children	-	(80,214)	-	80,214
10.557	Special Supplemental Food Program for Women, Infants and Children	174,502	4,879,059	6,469,512	1,764,955
10.561	State Administrative Matching Grant for Food Stamp Program	(3,211,296)	319,297	2,184,649	(1,345,944)
10.570	Nutrition Services Incentive	-	249,254	249,254	-
10.572	WIC Farmers' Market Nutrition Program (FMNP)	9,741	(2,917)	21,396	34,054
10.664	Cooperative Forestry Assistance	303,030	595,138	507,183	215,075
10.950	Agricultural Statistics Reports	-	-	13,508	13,508
	U.S. DEPARTMENT OF AGRICULTURE TOTAL	<u>\$ (2,719,191)</u>	<u>\$ 54,084,623</u>	<u>\$ 57,561,106</u>	<u>\$ 757,292</u>

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Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2004

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Accrued (Deferred) Balance at September 30, 2003</u>	<u>Cash Receipts and Adjustments</u>	<u>Federal Expenditures</u>	<u>Accrued (Deferred) Balance at September 30, 2004</u>
U.S. DEPARTMENT OF COMMERCE					
11.002	Census Customer Services	\$ 9,533	\$ 7,048	\$ 8,819	\$ 11,304
11.004	Census Intergovernmental Services	(1,102)	(1,102)	-	-
11.307	Special Economic Development and Adjustment Assistance Program - Sudden and Severe Economic Dislocation and Long-Term Economic Deterioration	99,499	-	-	99,499
11.407	Interjurisdictional Fisheries Act of 1986	17,689	21,563	10,590	6,716
11.419	Coastal Zone Management Administration Awards	327,817	1,345,454	984,420	(33,217)
11.426	Financial Assistance for National Centers for Coastal Ocean Science	77,555	336,540	203,077	(55,908)
11.437	Pacific Fisheries Data Program	-	252,924	157,812	(95,112)
	U.S. DEPARTMENT OF COMMERCE TOTAL	<u>\$ 530,991</u>	<u>\$ 1,962,427</u>	<u>\$ 1,364,718</u>	<u>\$ (66,718)</u>

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Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2004

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2003	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2004
U.S. DEPARTMENT OF DEFENSE					
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services (DSMOA)	\$ -	\$ 70,922	\$ 184,099	\$ 113,177
12.401	National Guard Military Operations and Maintenance (O&M) Projects	589,726	1,030,189	1,314,336	873,873
U.S. DEPARTMENT OF DEFENSE TOTAL		<u>\$ 589,726</u>	<u>\$ 1,101,111</u>	<u>\$ 1,498,435</u>	<u>\$ 987,050</u>

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Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2004

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2003	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2004
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
14.235	Supportive Housing Program	\$ 217,968	\$ 175,460	\$ 77,003	\$ 119,511
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT TOTAL	<u>\$ 217,968</u>	<u>\$ 175,460</u>	<u>\$ 77,003</u>	<u>\$ 119,511</u>

**GOVERNMENT OF GUAM**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2004

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Accrued (Deferred) Balance at September 30, 2003</u>	<u>Cash Receipts and Adjustments</u>	<u>Federal Expenditures</u>	<u>Accrued (Deferred) Balance at September 30, 2004</u>
U.S. DEPARTMENT OF THE INTERIOR					
15.000		\$ -	\$ -	\$ -	\$ -
15.601	Animal Damage Control	-	(73,405)	-	73,405
15.605	Sport Fish Restoration	(58,859)	406,037	561,310	96,414
15.611	Wildlife Restoration	(40,091)	222,346	290,774	28,337
15.612	Endangered Species Conservation	-	48,432	185,487	137,055
15.615	Cooperative Endangered Species Conservation Fund	20,976	274,479	278,091	24,588
15.616	Clean Vessel Act	(3,868)	(3,868)	-	-
15.625	Wildlife Conservation and Restoration	-	69,135	18,500	(50,635)
15.634	State Wildlife Grants	-	15,975	15,975	-
15.875	Economic, Social and Political Development of the Territories and the Freely Associated States	483,627	6,694,351	8,626,676	2,415,952
15.904	Historic Preservation Fund Grants-In-Aid	286,523	498,080	421,750	210,193
	U.S. DEPARTMENT OF THE INTERIOR TOTAL	<u>\$ 688,308</u>	<u>\$ 8,151,562</u>	<u>\$ 10,398,563</u>	<u>\$ 2,935,309</u>

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Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2004

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2003	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2004
U.S. DEPARTMENT OF JUSTICE					
16.523	Juvenile Accountability Incentive Block Grants	\$ 64,915	\$ 936,897	\$ 862,516	\$ (9,466)
16.541	Juvenile Justice & Delinquency Prevention - Special Emphasis (Program Grants, Discretionary Grants and Contracts)	147,695	250,109	171,577	69,163
16.547	Victims of Child Abuse	4,765	(1)	96	4,862
16.548	Title V - Delinquency Prevention Program	1,217	14,483	17,874	4,608
16.549	Part E - State Challenge Activities	11,579	15,451	3,787	(85)
16.554	National Criminal History Improvement Program (NCHIP)	-	79,688	79,688	-
16.575	Crime Victim Assistance	50,393	302,716	344,606	92,283
16.576	Crime Victim Compensation	6,094	9,076	2,850	(132)
16.579	Byrne Formula Grant Program	211,476	1,606,272	1,038,428	(356,368)
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	(239,419)	(239,419)	-	-
16.585	Drug Court Discretionary Grant Program	-	112,250	112,250	-
16.588	Violence Against Women Formula Grants	117,293	641,245	564,096	40,144
16.589	Rural Domestic Violence and Child Victimization	116	(9,415)	850	10,381
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders	13,228	13,228	-	-
16.592	Local Law Enforcement Block Grants Program	(917,474)	(51,211)	418,779	(447,484)
16.593	Residential Substance Abuse Treatment for State Prisoners	(19,306)	105,656	155,240	30,278
16.609	Community Prosecution and Project Safe Neighborhoods	-	7,824	12,361	4,537
16.710	Public Safety Partnership and Community Policing Grants	(187,456)	(1,135,915)	570,644	1,519,103
	U.S. DEPARTMENT OF JUSTICE TOTAL	\$ (734,884)	\$ 2,658,934	\$ 4,355,642	\$ 961,824

**GOVERNMENT OF GUAM**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2004

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2003	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2004
U.S. DEPARTMENT OF LABOR					
17.002	Labor Force Statistics	\$ 10,467	\$ 25,518	\$ 29,810	\$ 14,759
17.005	Compensation and Working Conditions Data	11,861	47,445	32,551	(3,033)
17.203	Labor Certification for Alien Workers	33,945	99,068	66,180	1,057
17.207	Employment Service	154,642	645,220	678,829	188,251
17.235	Senior Community Service Employment Program	9,946	1,389,042	1,197,781	(181,315)
17.250	Job Training Partnership Act	178,592	843,367	1,097,068	432,293
17.253	Welfare-to-Work Grants to States and Localities	(76,891)	11,116	-	(88,007)
17.258	WIA Adult Program	257,580	257,580	-	-
17.259	WIA Youth Activities	380,776	1,784,169	1,614,226	210,833
17.260	WIA Dislocated Workers	388,367	4,622,613	3,846,143	(388,103)
17.504	Consultation Agreements	70,143	324,457	273,279	18,965
		<u>70,143</u>	<u>324,457</u>	<u>273,279</u>	<u>18,965</u>
	U.S. DEPARTMENT OF LABOR TOTAL	\$ <u>1,419,428</u>	\$ <u>10,049,595</u>	\$ <u>8,835,867</u>	\$ <u>205,700</u>

**GOVERNMENT OF GUAM**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2004

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2003	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2004
U.S. DEPARTMENT OF TRANSPORTATION					
20.205	Highway Planning & Construction	\$ (1,234,378)	\$ 7,273,450	\$ 9,351,442	\$ 843,614
20.218	Motor Carrier Safety Assistance Program	15,052	87,668	206,581	133,965
20.509	Formula Grants for Other Than Urbanized Areas	-	-	582,939	582,939
20.600	State & Community Highway Safety	252,177	529,103	433,040	156,114
	U.S. DEPARTMENT OF TRANSPORTATION TOTAL	<u>\$ (967,149)</u>	<u>\$ 7,890,221</u>	<u>\$ 10,574,002</u>	<u>\$ 1,716,632</u>

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Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2004

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2003	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2004
	NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES				
45.025	Promotion of the Arts-Partnership Agreements	\$ 50,122	\$ 210,800	\$ 243,498	\$ 82,820
45.310	State Library Program	<u>206,479</u>	<u>-</u>	<u>-</u>	<u>206,479</u>
	NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES TOTAL	<u>\$ 256,601</u>	<u>\$ 210,800</u>	<u>\$ 243,498</u>	<u>\$ 289,299</u>

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Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2004

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2003	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2004
	U.S. ENVIRONMENTAL PROTECTION AGENCY				
66.600	Environmental Protection Consolidated Grants - Program Support	\$ <u>(859,594)</u>	\$ <u>2,017,361</u>	\$ <u>3,531,037</u>	\$ <u>654,082</u>
	U.S. ENVIRONMENTAL PROTECTION AGENCY TOTAL	\$ <u><u>(859,594)</u></u>	\$ <u><u>2,017,361</u></u>	\$ <u><u>3,531,037</u></u>	\$ <u><u>654,082</u></u>

**GOVERNMENT OF GUAM**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2004

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2003	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2004
	U.S. DEPARTMENT OF ENERGY				
81.041	State Energy Program	\$ 26,105	\$ 268,574	\$ 438,477	\$ 196,008
81.119	State Energy Program Special Projects	<u>2,523</u>	<u>-</u>	<u>8,291</u>	<u>10,814</u>
	U.S. DEPARTMENT OF ENERGY TOTAL	<u>\$ 28,628</u>	<u>\$ 268,574</u>	<u>\$ 446,768</u>	<u>\$ 206,822</u>

**GOVERNMENT OF GUAM**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2004

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Accrued (Deferred) Balance at September 30, 2003</u>	<u>Cash Receipts and Adjustments</u>	<u>Federal Expenditures</u>	<u>Accrued (Deferred) Balance at September 30, 2004</u>
U.S. DEPARTMENT OF EDUCATION					
84.009	Education of Children with Disabilities in State Operated or Supported Schools	\$ -	\$ (111,592)	\$ -	\$ 111,592
84.126	Rehabilitation Services-Vocational Rehabilitation Grants to States	861,497	1,268,184	1,147,549	740,862
84.169	Independent Living - State Grants	34,259	1	15,971	50,229
84.177	Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind	59,470	-	440	59,910
84.186	Safe and Drug-Free Schools and Communities - State Grants	251,546	24,788	203,224	429,982
84.187	Supported Employment Services for Individuals with Severe Disabilities (State Supported Employment Services Program)	994	-	-	994
84.265	Rehabilitation Training: State Vocational Rehabilitation Unit	30,498	43,004	-	(12,506)
U.S. DEPARTMENT OF EDUCATION TOTAL		\$ <u>1,238,264</u>	\$ <u>1,224,385</u>	\$ <u>1,367,184</u>	\$ <u>1,381,063</u>

**GOVERNMENT OF GUAM**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2004

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Accrued (Deferred) Balance at September 30, 2003</u>	<u>Cash Receipts and Adjustments</u>	<u>Federal Expenditures</u>	<u>Accrued (Deferred) Balance at September 30, 2004</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
93.041	Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation (Elder Abuse Prevention)	\$ 22,119	\$ 21,436	\$ 21,436	\$ 22,119
93.042	Special Programs for the Aging: Title VII, Chapter 2: Long Term Care Ombudsman Services for Older Individuals	-	-	1,928	1,928
93.043	Special Programs for the Aging-Title III, Part F - Disease Prevention and Health Promotion Services (State Grants for Disease Prevention and Health Promotion)	28,971	36,482	58,593	51,082
93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	(2,682,525)	(519,298)	2,142,138	(21,089)
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services	(1,272,626)	71,496	2,005,700	661,578
93.052	Nation Family Caregiver Support Program	-	319,770	319,770	-
93.053	Nutrition Services Incentive Program	-	(33,748)	-	33,748
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	83,525	691,333	899,387	291,579
93.110	Maternal and Child Health Federal Consolidated Programs (Special Projects of Regional and National Significance (SPRANS))	-	(1,477)	6,097	7,574
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	111,637	513,475	347,287	(54,551)
93.126	Small Business Innovation Research	11,573	41,829	18,683	(11,573)
93.127	Emergency Medical Services for Children (EMS for Children)	203,818	495,675	53,704	(238,153)
93.150	Projects for Assistance in Transition from Homelessness (PATH)	-	-	48,196	48,196
93.217	Family Planning - Services	201,297	281,333	207,647	127,611
93.224	Community Health Centers	357,439	552,544	842,877	647,772
93.235	Abstinence Education	29,623	51,117	12,086	(9,408)
93.243	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	-	21,652	101,808	80,156
	<b>BALANCE FORWARD</b>	<u>\$ (2,905,149)</u>	<u>\$ 2,543,619</u>	<u>\$ 7,087,337</u>	<u>\$ 1,638,569</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

**GOVERNMENT OF GUAM**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2004

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Accrued (Deferred) Balance at September 30, 2003</u>	<u>Cash Receipts and Adjustments</u>	<u>Federal Expenditures</u>	<u>Accrued (Deferred) Balance at September 30, 2004</u>
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
	BALANCE FORWARD	\$ (2,905,149)	\$ 2,543,619	\$ 7,087,337	\$ 1,638,569
93.268	Immunization Grants	(7,936)	320,776	397,848	69,136
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	124,185	1,277,995	1,137,763	(16,047)
93.399	Cancer Control	(14,354)	8,125	22,479	-
93.556	Family Preservation and Support Services	(150,917)	(150,917)	-	-
93.558	Temporary Assistance for Needy Families	(1,624,328)	51,939	2,157,384	481,117
93.563	Child Support Enforcement	-	1,869,751	3,042,468	1,172,717
93.575	Child Care and Development Block Grant	-	1,757,240	2,614,234	856,994
93.597	Grants to States for Access and Visitation Programs	(34,272)	17,697	86,385	34,416
93.630	Developmental Disabilities Basic Support and Advocacy Grants	140,712	425,291	254,551	(30,028)
93.631	Developmental Disabilities Projects of National Significance	35,266	104,196	32,261	(36,669)
93.667	Social Services Block Grant	(279,003)	1,483,688	1,846,917	84,226
93.778	Medical Assistance Program (Medicaid; Title XIX)	1,445,452	10,258,240	10,095,029	1,282,241
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	125,808	58,770	137,842	204,880
93.917	HIV Care Formula Grants	(34,537)	79,670	120,430	6,223
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	102,430	(12,988)	1,850	117,268
93.928	Special Projects of National Significance	20,387	47,770	6,996	(20,387)
93.940	HIV Prevention Activities-Health Department Based (HIV Prevention Program)	64,660	183,971	290,405	171,094
93.943	Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected Population Groups	-	118,974	163,614	44,640
93.945	Assistance Program for Chronic Disease Prevention and Control	76,773	153,571	13,221	(63,577)
	BALANCE FORWARD	\$ (2,914,823)	\$ 20,597,378	\$ 29,509,014	\$ 5,996,813

**GOVERNMENT OF GUAM**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2004

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Accrued (Deferred) Balance at September 30, 2003</u>	<u>Cash Receipts and Adjustments</u>	<u>Federal Expenditures</u>	<u>Accrued (Deferred) Balance at September 30, 2004</u>
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
	BALANCE FORWARD	\$ (2,914,823)	\$ 20,597,378	\$ 29,509,014	\$ 5,996,813
93.952	Improving EMS/Trauma Care in Rural Areas	1,493	11,169	9,213	(463)
93.958	Block Grants for Community Mental Health Services (CMHS Block Grant)	42,550	305,281	219,296	(43,435)
93.959	Block Grants for Prevention and Treatment of Substance Abuse (Prevention and Treatment (SAPT) Block Grant)	-	1,182,955	862,843	(320,112)
93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants	73,434	66,314	70,543	77,663
93.982	Mental Health Disaster Assistance and Emergency Mental Health	-	504,208	504,208	-
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	60,523	329,205	127,860	(140,822)
93.991	Preventive Health and Health Services Block Grant	82,019	211,331	218,571	89,259
93.994	Maternal and Child Health Services Block Grant to the States	162,251	1,357,230	981,247	(213,732)
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
	TOTAL	\$ (2,492,553)	\$ 24,565,071	\$ 32,502,795	\$ 5,445,171

**GOVERNMENT OF GUAM**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2004

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Accrued (Deferred) Balance at September 30, 2003</u>	<u>Cash Receipts and Adjustments</u>	<u>Federal Expenditures</u>	<u>Accrued (Deferred) Balance at September 30, 2004</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE					
94.006	AmeriCorps	\$ 126,449	\$ 446,904	\$ 293,638	\$ (26,817)
94.009	Training and Technical Assistance	<u>-</u>	<u>(7,826)</u>	<u>-</u>	<u>7,826</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE TOTAL					
		<u>\$ 126,449</u>	<u>\$ 439,078</u>	<u>\$ 293,638</u>	<u>\$ (18,991)</u>

**GOVERNMENT OF GUAM**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2004

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Accrued (Deferred) Balance at September 30, 2003</u>	<u>Cash Receipts and Adjustments</u>	<u>Federal Expenditures</u>	<u>Accrued (Deferred) Balance at September 30, 2004</u>
	SOCIAL SECURITY ADMINISTRATION				
96.001	Social Security - Disability Insurance	\$ 11,037	\$ 14,248	\$ -	\$ (3,211)
	SOCIAL SECURITY ADMINISTRATION TOTAL	<u>\$ 11,037</u>	<u>\$ 14,248</u>	<u>\$ -</u>	<u>\$ (3,211)</u>

**GOVERNMENT OF GUAM**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2004

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Accrued (Deferred) Balance at September 30, 2003</u>	<u>Cash Receipts and Adjustments</u>	<u>Federal Expenditures</u>	<u>Accrued (Deferred) Balance at September 30, 2004</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>					
97.004	State Domestic Preparedness Equipment Support Program	\$ 47,782	\$ 603,031	\$ 657,216	\$ 101,967
16.008	State and Local Domestic Preparedness Training Program	-	265,627	325,936	60,309
20.005	Boating Safety Financial Assistance	201,945	(188,045)	81,400	471,390
97.012	Boating Safety Financial Assistance	-	100,863	100,863	-
97.032	Crisis Counseling	(3,546)	(76,252)	-	72,706
83.541	Disaster Unemployment Assistance	123,373	159,908	-	(36,535)
83.542	Fire Suppression Assistance	-	(1,926)	-	1,926
83.543	Individual and Family Grants	-	(54,954)	(54,954)	-
83.544	Public Assistance Grants	(1,121,196)	34,715,880	28,288,374	(7,548,702)
83.548	Hazard Mitigation Grant	-	37,311	44,896	7,585
83.552	Emergency Management Performance Grants	66,559	(188,161)	169,166	423,886
97.042	Emergency Management Performance Grants	-	394,285	394,285	-
97.051	State and Local All Hazards Emergency Operations Planning	-	45,459	28,944	(16,515)
83.563	Emergency Operations Centers	-	144,987	149,500	4,513
97.052	Emergency Operations Centers	-	-	36,555	36,555
83.564	Citizen Corps	24,864	36,310	12,908	1,462
97.053	Citizen Corps	-	31,706	31,706	-
	<b>U.S. DEPARTMENT HOMELAND SECURITY TOTAL</b>	<u>(660,219)</u>	<u>36,026,029</u>	<u>30,266,795</u>	<u>(6,419,453)</u>
	<b>GRAND TOTAL</b>	<u>\$ (3,326,190)</u>	<u>\$ 150,839,479</u>	<u>\$ 163,317,051</u>	<u>\$ 9,151,382</u>

Note: Effective March 1, 2003, certain programs became part of the Department of Homeland Security (CFDA number prefix of 97). However, since funding periods may not coincide with the change in CFDA number, the legacy agency's corresponding CFDA number is presented separately.

# GOVERNMENT OF GUAM

## Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2004

1. Scope of Audit:

The Government of Guam is a governmental entity established by the 1950 Organic Act of Guam, as amended, and has the powers of a body corporate, as defined in the act and local statutes. All significant operations of the Government of Guam are included within the scope of the audit. The U.S. Department of Health and Human Services has been designated as the Government of Guam's cognizant agency for the Single Audit.

Programs Subject to Single Audit:

The Schedule of Expenditures of Federal Awards presents each Federal program related to the following agencies:

- Corporation for National and Community Service
- U.S. Department of Agriculture
- U.S. Department of Commerce
- U.S. Department of Defense
- U.S. Department of Education
- U.S. Department of Energy
- U.S. Department of Health and Human Services
- U.S. Department of Housing and Urban Development
- U.S. Department of the Interior
- U.S. Department of Justice
- U.S. Department of Labor
- U.S. Department of Transportation
- U.S. Environmental Protection Agency
- National Foundation on the Arts and the Humanities
- Social Security Administration
- U.S. Department of Homeland Security

2. Summary of Significant Accounting Policies:

a. Basis of Accounting:

For the purposes of this report, cash receipts relate to all cash derived from the federal agencies for programs within the Catalog of Federal Domestic Assistance. Also, cash receipts include adjustments from the Government of Guam. Cash receipts do not include receipts related to program income. The Government of Guam has not allocated interest income that may have been earned in part from cash received from federal programs. Indirect costs claimed by the Government of Guam from federal agencies are deducted from cash receipts and reimbursements.

All expenditures and capital outlays that represent the federal share are reported as expenditures. Expenditures are recognized on the modified accrual basis of accounting, consistent with the manner in which the Government of Guam maintains its accounting records. This includes earned reimbursements under different formula grants and entitlement programs that are accounted for as revenues in the General Fund of the Government of Guam and the dollar value of food stamp coupons issued during the period.

## GOVERNMENT OF GUAM

### Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2004

2. Summary of Significant Accounting Policies, Continued:

b. Subgrants:

Certain program funds are passed through the Government of Guam to subrecipient organizations. The Schedule of Expenditures of Federal Awards does not contain separate schedules disclosing how the subrecipient outside of the Government of Guam's control utilized the funds. Federal awards provided to subrecipients are treated as expenditures when paid to the subrecipient. The following is a summary of subrecipient organizations to which Federal funds in excess of \$500,000 are passed through:

Subrecipient Organization	CFDA Number	2004 Amount of Pass-through
Guam Power Authority	83.544	\$ <u>13,268,745</u>
Guam Department of Education	83.544 93.575	\$ 9,424,488 <u>243,718</u> \$ <u>9,668,206</u>
GovGuam Association of Retired Persons	93.044  93.043 83.544	\$ 3,586,901  124,713 <u>27,457</u> \$ <u>3,739,071</u>
Guam Memorial Hospital Authority	15.875 83.544	\$ 3,537,084 <u>401,744</u> \$ <u>3,938,828</u>
Catholic Social Services	93.044 93.045 16.588	\$ 2,988,209 335,576 <u>9,011</u> \$ <u>3,332,796</u>
University of Guam	93.052 83.544 11.426 15.612 93.575 10.664 15.611	\$ 470,504 265,778 149,516 92,500 80,897 50,000 <u>32,000</u> \$ <u>1,141,195</u>
Guam International Airport Authority	83.544	\$ <u>912,908</u>

## GOVERNMENT OF GUAM

### Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2004

#### 2. Summary of Significant Accounting Policies, Continued:

##### c. Cost Allocation:

The Government of Guam has a plan for allocation of common costs related to public health and social services federal awards programs. The amounts allocated to 2004 grant programs are based on 2004 actual expenditures and caseloads.

As of the date of this report, for FY 2004, there is no approved indirect cost negotiation agreement.

#### 3. Reporting Entity:

The Government of Guam, for the purposes of the Schedule of Expenditures of Federal Awards, includes all the funds of the primary government as defined by GASB 14. It does not include the following component units of the Government of Guam:

- Government of Guam Retirement Fund
- Guam Community College
- Guam Economic Development and Commerce Authority
- Guam Educational Telecommunications Corporation
- Guam Housing and Urban Renewal Authority
- Guam Housing Corporation
- Guam International Airport Authority
- Guam Memorial Hospital Authority
- Guam Power Authority
- Guam Rental Corporation
- Guam Telephone Authority
- Guam Visitors Bureau
- Guam Waterworks Authority
- Port Authority of Guam
- University of Guam

These component units may receive federal awards. If awards are expended, these entities separately satisfy the audit requirements if applicable.

Also, for the purposes of the Schedule of Expenditures of Federal Awards, it does not include the Guam Department of Education, a component of the Government of Guam's General Fund, which separately satisfies the audit requirements.

The Government of Guam administers certain federal awards programs through subrecipients. Those subrecipients are also not considered part of the Government of Guam reporting entity.

# GOVERNMENT OF GUAM

## Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2004

4. Noncash Awards:

Certain federal awards programs do not involve cash awards to the Government of Guam. These programs generally could include donated commodities, insurance, food stamps, and loans. For the year ended September 30, 2004, the Government of Guam had the following noncash award:

U.S. Department of Agriculture Food Stamps CFDA #10.551	
Food coupons and EBT benefits issued and redeemed	\$ <u>48,115,089</u>
Total Food Stamps reported on the Schedule of Expenditures of Federal Awards	\$ <u>48,115,089</u>

## GOVERNMENT OF GUAM

### Schedule of Major Federal Award Programs Year Ended September 30, 2004

The following lists specific grants selected for detailed compliance testing in accordance with OMB Circular A-133 requirements.

<u>Grantor</u>	<u>CFDA #</u>	<u>Program Name</u>	<u>Fiscal Year 2004 Expenditures</u>
U.S. Department of Agriculture	10.551	Food Stamps	\$ 48,115,089
	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	6,469,512
	10.561	State Administrative Matching Grants for Food Stamp Program	2,184,649
U.S. Department of the Interior	15.875	Economic, Social and Political Development of the Territories and the Freely Associated States	8,626,676
U.S. Department of Labor	17.258	WIA Adult Program	-
	17.259	WIA Youth Activities	1,614,226
	17.260	WIA Dislocated Workers	3,846,143
U.S. Department of Transportation	20.205	Highway Planning and Construction	9,351,442
U.S. Environmental Protection Agency	66.600	Environmental Protection Consolidated Grants: Program Support	3,531,037
U.S. Department of Health and Human Services	93.563	Child Support Enforcement (CSE)	3,042,468
	93.778	Medical Assistance Program (Medicaid)	10,095,029
	93.994	Maternal and Child Health Services Block Grant to the States	981,247
U.S. Department of Homeland Security	83.544/ 97.036	Public Assistance Grants	<u>28,288,374</u>
Total Federal Programs selected for audit			\$ <u>126,145,892</u>
Total Federal Awards program expenditures			\$ <u>163,317,051</u>
Percentage of Federal Awards Programs tested			<u>77%</u>

## GOVERNMENT OF GUAM

### Reconciliation of Schedule of Expenditures of Federal Awards to Basic Financial Statements Year Ended September 30, 2004

		Fiscal Year 2004 <u>Expenditures</u>
Federal contributions, as reported in the 2004 financial statements:		
	Federal grants assistance fund, expenditures, transfers, and other uses	\$ 133,410,549
	Less local match	<u>(19,375,426)</u>
	Federal expenditures, transfers, and other uses	114,035,123
<u>CFDA #</u>		
10.551	Food Stamps	48,115,089
93.224	Community Health Centers	842,878
15.875	Office of the Public Auditor of Guam Economic, Social and Political Development of the Territories and the Freely Associated States	65,831
16.554	Superior Court of Guam National Criminal History Improvement Program (NCHIP)	79,688
16.585	Drug Court Discretionary Program	112,250
16.588	Violence Against Women Formula Grants	38,991
83.544	Public Assistance Grant	<u>27,201</u>
	Total Federal Expenditures Subject to Audit	\$ <u>163,317,051</u>

**GOVERNMENT OF GUAM**

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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**YEAR ENDED SEPTEMBER 30, 2004**

# GOVERNMENT OF GUAM

## Schedule of Findings and Questioned Costs Year Ended September 30, 2004

### Part I - Summary of Auditors' Results

1. The Independent Auditors' Report on the financial statements expressed a qualified opinion.
2. Reportable conditions in internal control over financial reporting were identified, some of which are considered to be material weaknesses.
3. Instances of noncompliance considered material to the financial statements were disclosed by the audit.
4. Reportable conditions in internal control over compliance with requirements applicable to major federal award programs were identified, some of which are considered to be material weaknesses.
5. The independent auditors' report on compliance with requirements applicable to major federal award programs expressed a qualified opinion.
6. The audit disclosed findings required to be reported by OMB Circular A-133.
7. The Government of Guam's major programs were as follows:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Food Stamp Cluster:	
Food Stamps	10.551
State Administrative Matching Grants for Food Stamp Program	10.561
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557
Economic, Social and Political Development of the Territories and the Freely Associated States	15.875
WIA Cluster:	
WIA Adult Program	17.258
WIA Youth Activities	17.259
WIA Dislocated Workers	17.260
Highway Planning and Construction	20.205
Environmental Protection Consolidated Grants: Program Support	66.600
Child Support Enforcement (CSE)	93.563
Medical Assistance Program (Medicaid)	93.778
Maternal and Child Health Services Block Grant to the States	93.994
Public Assistance Grants	83.544/97.036

8. A threshold of \$3,000,000 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.
9. The Government of Guam did not qualify as a low-risk auditee as that term is defined in OMB Circular A-133.

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2004

**Part II – Financial Statement Findings Section**

<u>Finding Number</u>	<u>Findings</u>	<u>Questioned Costs</u>	<u>Guam Agency</u>
04-01	Procurement and Suspension and Debarment	\$ 28,512	GSA, GFD, DOA, BBMR
04-02	Period of Availability of Federal Funds	\$ -	AHRD
04-03	Procurement and Suspension and Debarment	\$ 289,027	AHRD
04-04	Matching, Level of Effort, Earmarking	\$ -	AHRD, DOA
04-10	Procurement and Suspension and Debarment	\$ 21,107	GEPA
04-14	Procurement and Suspension and Debarment	\$ 97,548	Law, GSA
04-17	Procurement and Suspension and Debarment	\$ -	GSA, DPHSS
04-18	Period of Availability	\$ -	DPHSS, DOA
04-19	Matching, Level of Effort, Earmarking	\$ -	DPHSS
04-20	Matching, Level of Effort, Earmarking	\$ -	DPHSS
04-21	Procurement and Suspension and Debarment	\$ 15,700	GSA, DPHSS
04-22	Cash Management	\$ -	DOA
04-23	Allowable Costs/Cost Principles – Indirect Costs	\$ -	DOA, BBMR
04-24	Equipment Management	\$ -	DOA
04-25	Cash	\$ -	DOA
04-26	Accounts Receivable - Other	\$ -	DOA
04-27	Other Receivables – Bounced Checks	\$ -	DOA
04-28	Deposits and Other Liabilities	\$ -	DOA
04-29	Accounts Payable - Trade	\$ -	DOA
04-30	Special Revenue – Accounts Payable and Deferred Revenue	\$ -	DOA

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2004

**Part III - Federal Award Findings and Questioned Cost Section, By Finding Number**

<u>Finding Number</u>	<u>CFDA Number</u>	<u>Findings</u>	<u>Questioned Costs</u>	<u>Guam Agency</u>
04-01	15.875	Procurement and Suspension and Debarment	\$ 28,512	GSA, GFD, DOA, BBMR
04-02	17.258/259/260	Period of Availability of Federal Funds	\$ 0	AHRD
04-03	17.258/259/260	Procurement and Suspension and Debarment	\$ 289,027	AHRD
04-04	17.258/259/260	Matching, Level of Effort, Earmarking	\$ 0	AHRD, DOA
04-05	17.258/259/260	Reporting	\$ 0	AHRD, DOA
04-06	66.600	Special Tests and Provisions	\$ 0	GEPA
04-07	66.600	Special Tests and Provisions	\$ 0	GEPA
04-08	66.600	Special Tests and Provisions	\$ 0	GEPA
04-09	66.600	Allowable Costs/Cost Principles	\$ 0	GEPA
04-10	66.600	Procurement and Suspension and Debarment	\$ 21,107	GEPA
04-11	93.563	Special Tests and Provisions – Locate Absent Parents	\$ 0	Law
04-12	93.563	Special Tests and Provisions – Eligibility	\$ 0	Law
04-13	93.563	Special Tests and Provisions – Provision of Svcs	\$ 0	Law
04-14	93.563	Procurement and Suspension and Debarment	\$ 97,548	Law, GSA
04-15	93.563	Special Tests and Provisions – Provision of Svcs	\$ 0	Law
04-16	93.778	Eligibility	\$ 62,592	DPHSS
04-17	93.778	Procurement and Suspension and Debarment	\$ 0	GSA, DPHSS
04-18	93.994	Period of Availability	\$ 0	DPHSS, DOA
04-19	93.994	Matching, Level of Effort, Earmarking	\$ 0	DPHSS
04-20	93.994	Matching, Level of Effort, Earmarking	\$ 0	DPHSS
04-21	93.994	Procurement and Suspension and Debarment	\$ 15,700	GSA, DPHSS
04-22	All	Cash Management	\$ 0	DOA
04-23	All	Allowable Costs/Cost Principles – Indirect Costs	\$ 0	DOA, BBMR
04-24	All	Equipment Management	\$ 0	DOA
04-25	All	Cash	\$ <u>0</u>	DOA
Total Federal Questioned Costs			\$ <u>514,486</u>	

# GOVERNMENT OF GUAM

## Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-01  
Federal Agency: U.S. Department of the Interior  
CFDA No.: 15.875  
Program Name: Economic, Social and Political Development of the Territories and the Freely Associated States.  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$28,512

### Criteria:

In accordance with applicable procurement requirements, the grantee will maintain records sufficient to detail the significant history of a procurement. These records will include a rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. Furthermore, in accordance with the applicable local procurement law, the Guam General Services Agency shall procure from the United States when the cost is less by ten percent than from other contractors and such cost-savings analysis should be maintained on file.

### Condition:

Of 22 transactions, aggregating \$6,805,567 of \$8,394,823 in total Program non-payroll expenditures, we noted the following conditions:

1. For 1 (or 4%), the sole source method was used; however, the written rationale for the selection of the vendor (equipment standardization and uniformity and previously purchased from vendor) appears insufficient for the following transaction:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>	<u>Grant Award #</u>
09/10/04	007866	W0023504	Fire	P046A01566	\$ 28,512	2003 CIPGUAM2003-1

2. For 2 (or 9%), goods were procured from a vendor with a Federal GSA contract; however, the required cost-savings analysis was not documented for the following transactions:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>	<u>Grant Award #</u>
06/17/04	0002952	G0097192	Administration	P046A02749	\$ 75,833	2003 TA#MCI-11
06/07/04	0002606	G0097192	Administration	P046A02850	\$ 82,530	2003 TA#MCI-11

### Cause:

There appears to be a lack of internal control over ensuring compliance with applicable procurement requirements.

### Effect:

The Government of Guam is in noncompliance with applicable procurement requirements. For Condition 1 above, a questioned cost of \$28,512 exists. For Condition 2 above, no cost is questioned as the procurement files contained evidence that open competition was made.

### Prior Year Status:

The above condition is reiterative of conditions identified in prior years' audits of the Government of Guam.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-01, Continued  
Federal Agency: U.S. Department of the Interior  
CFDA No. 15.875  
Program Name: Economic, Social and Political Development of the Territories and the Freely Associated States.  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$28,512

#### Recommendation:

The procurement officer should establish and implement internal control procedures to ensure that all procurements are documented in sufficient detail in compliance with applicable procurement requirements. The procurement officer should not approve purchase orders to procure goods/services from a particular vendor unless such procurement documents as solicitation ads, bid abstracts, or other written memoranda are documented on file to detail the significant history of the procurement.

#### Auditee Response and Corrective Action Plan:

Claudia S. Acfalle, Chief Procurement Officer, Guam General Services Agency, provided the following response:

[Condition 1]: [We] disagree with this finding. The approved sole source determination indicated that it was for "Items, equipment or materials are standard and uniform to the government." Attached is a justification letter dated December 22, 2003, submitted by the Fire Chief, requesting to procure rescue pumper equipment package through [Vendor # W0023504] for uniformity of the firefighting equipments of the Guam Fire Department.

[Condition 2]: [We] disagree with this finding. The method utilized in the procurement of computers on P046A02749 and P046A02850 was procuring through the 5GCA §5122 U.S. Government. The abstract in the procurement file indicated that the local vendors did not meet the required warranty as requested by the Department of Administration. The Chief Procurement Officer will ensure that the 10% preference is shown on the abstract of each procurement file utilizing the U.S. Contract source method.

GSA will continue to improve the processes and to uphold the integrity within the procurement activities of this government.

#### Auditors' Response:

[Condition 1]: We have reviewed the referenced sole source determination letter, dated December 22, 2003. Based on our review, there is no indication that contemporaneous solicitation procedures were performed during the procurement process to support the justification that the required equipment is exclusively sold by the vendor. Therefore, the finding remains.

[Condition 2]: No cost-savings analysis was documented. Therefore, the finding remains.

# GOVERNMENT OF GUAM

## Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-02  
Federal Agency: U.S. Department of Labor  
CFDA No.: 17.258/17.259/17.260  
Program Name: WIA Cluster  
Area: Period of Availability of Federal Funds  
Questioned Costs: \$0

### Criteria:

In accordance with applicable period of availability requirements, funds allotted to a State for any program year are available for expenditure by the State during that program year and the two succeeding program years.

### Condition:

There were unexpended and un-obligated balances from grant years 2000 and 2001 whose periods of availability ended prior to October 1, 2004. The aggregated total of unexpended balances is \$266,481 as follows:

<u>Grant Year</u>	<u>End of Period of Availability</u>	<u>Unexpended Balance at 9/30/04</u>	<u>Grant Award #</u>
2000	2003	\$ 31,707	2000 AA-10600-0050
2001	2004	234,774	2001 AA112880150M1
		\$ <u>266,481</u>	

### Cause:

There appears to be weak internal control over ensuring that Federal Funds are deappropriated after the period of availability.

### Effect:

Available balances for grant years 2000 and 2001 are overstated. If such balances are not properly deappropriated, the Government of Guam could potentially expend Federal Funds in noncompliance with applicable period of availability requirements. No questioned cost is presented at this finding as expenditures in FY 2004 have been charged to grants within the fund's period of availability.

### Prior Year Status:

The above condition is reiterative of conditions identified in prior years' audits of the Government of Guam.

### Recommendation:

The Government of Guam should strengthen internal controls to ensure that Federal funds are no longer available for obligation or expenditure after the fund's period of availability. When the fund's period of availability ends, the responsible personnel should deappropriate unexpended balances.

### Auditee Response and Corrective Action Plan:

Maria S. Connelley, Director of Labor, Guam Department of Labor, provided the following response:

#### **Auditee Response:**

The agency at the end of FY2004 has yet to close out PY2000 and PY2001 grants as reconciliation with these accounts were still being conducted. Outlays for services that were provided during the grant period were not paid due to lack of invoices and proper invoice processing. As part of our efforts since February 2005, we have been reviewing the accounts to ensure that all payments for services rendered are made to all vendors before closing out these grants.

#### **Corrective Action Plan:**

The agency has begun to strengthen their internal controls by implementing in-house tracking mechanisms for each funding stream (or grant award) to ensure that by the end of each grant period all transactions have been liquidated and de-obligated accordingly. The agency will continue to collaborate with the Department of Administration and the Bureau of Budget and Management Research to make certain that we meet our federal requirements.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-02, Continued  
Federal Agency: U.S. Department of Labor  
CFDA No.: 17.258/17.259/17.260  
Program Name: WIA Cluster  
Area: Period of Availability of Federal Funds  
Questioned Costs: \$0

#### Auditee Response and Corrective Action Plan, Continued:

The agency requested technical assistance from the Department of Administration to provide training to their fiscal staff on current DOA policies and procedures in processing payments, training was conducted on April 29, 2005.

The agency will send a memorandum to DOA requesting all outstanding encumbrances be liquidated after the last day authorized by the federal Grant to pay a vendor. The grantee will send an allotment modification to the Bureau of Budget and Mgmt requesting to remove all existing available funds from the expired grant.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-03  
 Federal Agency: U.S. Department of Labor  
 CFDA No.: 17.258/17.259/17.260  
 Program Name: WIA Cluster  
 Area: Procurement and Suspension and Debarment  
 Questioned Costs: \$289,027

Criteria:

In accordance with applicable procurement requirements, the grantee will maintain records sufficient to detail the significant history of a procurement. These records will include a rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

Condition:

Of 7 transactions, aggregating \$290,776 of \$1,091,181 in total Program non-payroll expenditures, we noted the following conditions:

1. For 4 (or 57%), there is no significant history of the procurement on file for the following transactions:

	<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>	<u>Grant Award #</u>
a.	05/04/04	0000103	P0096101	AHRD	C040600720	\$ 15,000	2002 AA-12047-0250
b.	09/20/04	0009059	G1381601	AHRD	C040601190	56,937	2003 AA-12963-03-50
	09/20/04	0009059	G1381601	AHRD	C040601190	67,561	2002 AA-12047-0250
c.	08/20/04	0007028	G1381601	AHRD	D041500114	70,106	2003 AA-12963-03-50
d.	04/16/04	0109155	G1381601	AHRD	D041500124	12,885	2001 AA112880150M1
	04/16/04	0109155	G1381601	AHRD	D041500124	8,519	2002 AA-12047-0250
						<u>\$231,008</u>	

2. For 2 (or 29%), the Chief Procurement Officer determined the lease of space from the vendor to be an unauthorized procurement, as the lease agreement had expired, for the following transactions:

	<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>	<u>Grant Award #</u>
	04/14/04	108928	P4676701	AHRD	P046A02963	\$ 49,740	2002 AA-12047-0250
	08/20/04	007200	P4676701	AHRD	P046A05891	8,279	2003 AA-12963-03-50
						<u>\$58,019</u>	

Cause:

There is a lack of internal control over ensuring compliance with applicable procurement requirements.

Effect:

The Government of Guam is in noncompliance with applicable procurement requirements. A questioned cost of \$289,027 exists.

Prior Year Status:

The above condition is reiterative of conditions identified in prior years' audits of the Government of Guam.

# GOVERNMENT OF GUAM

## Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-03, Continued  
Federal Agency: U.S. Department of Labor  
CFDA No.: 17.258/17.259/17.260  
Program Name: WIA Cluster  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$289,027

### Recommendation:

The procurement officer should establish and implement internal control procedures to ensure that all procurements are documented in sufficient detail in compliance with applicable procurement requirements. The procurement officer should not approve purchase orders to procure goods/services from a particular vendor unless such procurement documents as solicitation ads, bid abstracts, or other written memoranda are documented on file to detail the significant history of the procurement.

### Auditee Response and Corrective Action Plan:

Maria S. Connelley, Director of Labor, Guam Department of Labor, provided the following response:

#### **Auditee Response:**

1. The Guam Workforce Investment Board, through its authority by statute, approved service providers Guam Community College Vendor#G1381601 and the Pacific Human Resources, Vendor#P0096101 to provide educational and vocational training to WIA participants. A copy of the contract and board minutes is hereby attached for your reference and review.

WIA PL-105-220 Chapter 3 Section 122 and 20 CFR 663.505 provides the governance for certifying an eligible training provider. The Guam Community College is considered "exempt" from the initial certification process as a Post Secondary Education receiving funds under Title IV of the Higher Education Act of 1965. This certification process and exempt status for Post Secondary Institutions allows the Agency to engage in non-competitive awards to Guam Community College pursuant to WIA PL105-220, Chapter 3, Section 122 and 20 CFR 663.505.

WIA PL-105-220 Chapter 3 Section 122 and 20 CFR 663.505 provide the governance for certifying an eligible training provider. The initial certification for new training providers who are not considered "exempt" is established by the Guam Workforce Investment Board. Upon certification of training providers, a Memorandum of Agreement is developed and routed through legal review with the Guam Attorney General's Office.

2. The Agency for Human Resources Development's occupancy of the Sunny Plaza in Tamuning was under the Department of Labor (DOL) Lease Agreement with Sunny Development Corporation at a cost-sharing arrangement to July 31, 2003. Under DOL and AHRD plans in 2002, AHRD was to relocate along with the One-Stop Career Center to DOL's new facility at the Hakobutan Building in Tamuning. This plan, however, was postponed due to the technical issue on DOL's new lease with CALS Corporation. DOL and AHRD's best and only option was to appeal to GSA for a month-to-month lease with Sunny Development Corporation and avoid the additional costs to relocate from one facility to another if the GEDCA Board does not agree to waive the stipulated lease requirements. The following provides the chronological events leading to the closure at the Sunny Plaza:

February 2003      General Service Administration (GSA) notified DOL of the award to lease the Hakubotan facility. DOL Acting Director submits requests for "sole source" procurement to continue the use of Sunny Plaza for the operation of the One-Stop Career Center and the Agency for Human Resources Development.

March 2003      DOL Guam Employment Service, first of DOL's division, relocated to Hakubotan from Guam Premier Outlets.

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2004

Finding No.: 04-03, Continued  
Federal Agency: U.S. Department of Labor  
CFDA No.: 17.258/17.259/17.260  
Program Name: WIA Cluster  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$289,027

Auditee Response and Corrective Action Plan, Continued:

- March – June 2003 Other DOL divisions gradually relocated from Tiyan, Barrigada to Hakubotan facility. Both the AHRD Director and the One-Stop Career Center Executive Director were notified by DOL Director to make preparations for the relocation of their operations to Hakubotan.
- May 2003 AHRD staff solicited quotes for the new workstations and data line installation in preparation for the relocation. Unconfirmed reports circulated among the agencies that DOL has been advised by the Department of Administration and GEDCA that CALS Corporation was in violation of its property lease with GEDCA. DOL was still under the assumption that a resolution to waive CALS stipulated order was being reconsidered.
- June 2003 Still under the assumption that GEDCA Board will waive CALS lease requirements, DOL submitted a Notice of Interest to terminate lease with Sunny Development by June 30, 2004, affecting immediate relocation of the One-Stop Career Center and AHRD. AHRD Director and One-Stop Career Center Executive Director, in joint efforts, appealed to the DOL Director to reconsider its position on the relocations and instead opt to request GSA for a month-to-month arrangement until the technical issue with GEDCA is resolved. DOL Director with no further word from GEDCA Board, reconsidered and delegated the OSCC Executive Director to make the appeal with GSA.
- July 2003 OSCC Executive Director invited the Guam Workforce Investment Board Chair, Maria Connelley to attend the meeting with GSA Acting Chief Procurement Officer, Jose Balajadia. After lengthy deliberations on the Hakubotan and Sunny Plaza lease, and the length of time it will take to process a new RFP, the Acting Chief Procurement Officer agreed that in the best interest of the government, the month-to-month option. U.S. DOL Region VI Federal Officials (Jon Lampman and John Jacobs) during site visit to conduct AHRD WIA training and for AHRD NEG Program review were made aware of the Sunny Plaza Lease expiration on July 31, 2003, and the technical issue on DOL's lease with CALS Corporation. Sunny Plaza Development Corporation consented to the month-to-month at the same lease arrangement with a 30-day termination notice.
- February 2004 GSA under the Department of Mental Health PDN Request for Proposal solicitation to lease included Department of Labor's need for a new facility.
- September 2004 Guam Capital Investment Corporation was awarded a 3-year lease for DOL occupancy at the GCIC facility in Hagatna.
- November 2004 DOL and AHRD Closure at Sunny Plaza.

**Corrective Action Plan:**

1. The Agency will provide copies of the board minutes approving each training or service provider and attach to the contract executed by and between the provider and the agency to detail the significant history of the procurement.
2. The Agency for FY2005 engaged in a contract between the Guam Capital Investment Corporation for lease facilities. As part of our corrective measures, the agency has encumbered all funds necessary to pay for the agency's leased space to prevent any citation for illegal procurement.

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2004

Finding No.: 04-03, Continued  
Federal Agency: U.S. Department of Labor  
CFDA No.: 17.258/17.259/17.260  
Program Name: WIA Cluster  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$289,027

Auditee Response and Corrective Action Plan, Continued:

Claudia S. Acfalle, Chief Procurement Officer, Guam General Services Agency, provided the following response:

On October 30, 1998, the Governor approved contract #C990600870 for the lease of office space with Sunny Plaza and the Department of Labor. Pursuant to Article 11 on page 8, item 11.2, it allowed the government to continue leasing on a month-to-month basis. Therefore, the government chose to continue on a month-to-month.

Due to the late submittal of the funding document GSA had to ratify the invoice for payment since it was for prior months rental. Therefore, the procurement was properly documented.

Bid solicitation number GSA-036-04 was issued and awarded to GCIC Building for lease of office space for the Department of Labor and Agency for Human Resources Development for a period of 1 year with the option to renew for (3) years based upon availability of funds.

GSA will continue to improve the processes and to uphold the integrity within the procurement activities of this government.

# GOVERNMENT OF GUAM

## Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-04  
Federal Agency: U.S. Department of Labor  
CFDA No. 17.258/17.259/17.260  
Program Name: WIA Cluster  
Area: Matching, Level of Effort, Earmarking Requirements  
Questioned Costs: \$0

### Criteria:

The following earmarking requirements apply:

- (1) A State may reserve up to 15 percent of the amounts allotted for Adult, Dislocated Worker, and Youth Activities.
- (2) A State may spend up to five percent of the amount allotted for the State's administrative costs
- (3) The State must reserve for rapid response activities a portion of funds, up to 25 percent, allotted for dislocated workers.
- (4) A local area may expend no more than ten percent of the Adult, Dislocated Worker, and Youth Activities funds allocated to the local area under sections 128(b) and 133(b) of the Act for administrative costs.
- (5) Thirty percent of the Youth Activity funds allocated to the local areas, except for the local area expenditures for administration, must be used to provide services to out-of-school youth (20 CFR section 664.320).
- (6) A minimum of 95 percent of eligible participants in Youth Activities must meet the criteria of disadvantaged low-income youth as defined in 29 USC 2801(25) (20 CFR section 664.220).

### Condition:

The Government of Guam has not provided financial data to substantiate whether earmarking requirements have been met.

### Cause:

There appears to be weak internal control over ensuring compliance with applicable earmarking requirements.

### Effect:

The Government of Guam is in noncompliance with applicable earmarking requirements. No questioned cost is presented at this finding, as we are unable to quantify the noncompliance.

### Recommendation:

The Government of Guam should strengthen internal controls to ensure compliance with applicable earmarking requirements.

### Auditee Response and Corrective Action Plan:

Maria S. Connelley, Director of Labor, Guam Department of Labor, provided the following response:

#### **Auditee Response:**

The agency is attaching copies of ETA Form 9076, which reflects the earmarking requirements of the grant. The agency is in agreement that the Adult, Youth, Dislocated Worker, Rapid Response, Local Administration and Statewide Activities accounts were not established with the Department of Administration (DOA) for FY 2004.

#### **Corrective Action Plan:**

The agency as part of the corrective measures will be establishing the appropriate accounts, which reflect the earmarking requirements of WIA clusters beginning July 1, 2005 or Program Year 2005.

# GOVERNMENT OF GUAM

## Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-05  
Federal Agency: U.S. Department of Labor  
CFDA No. 17.258/17.259/17.260  
Program Name: WIA Cluster  
Area: Reporting  
Questioned Costs: \$0

### Criteria:

In accordance with applicable federal financial reporting requirements, financial data, including earmarked funds and program income, should be accurately reported on such federal financial reports as SF 272 Federal Cash Transactions Report and Form ETA-9076 Series of financial status reports.

### Condition:

The Government of Guam has not provided federal financial reports for program years 2003 & 2002. Furthermore, detailed financial data was not provided to substantiate applicable requirements.

### Cause:

There appears to be weak internal record keeping controls.

### Effect:

The Government of Guam may be in noncompliance with applicable federal financial reporting requirements, earmarking requirements, and program income requirements.

### Recommendation:

The Government of Guam should strengthen internal record keeping controls. Also, the Government of Guam should provide the requested federal financial reports to effect resolution of this finding.

### Auditee Response and Corrective Action Plan:

Maria S. Connelley, Director of Labor, Guam Department of Labor, provided the following response:

#### **Auditee Response:**

The agency is attaching copies of ETA Form 9076, which reflects the earmarking requirements of the grant. The agency is in agreement that the Adult, Youth, Dislocated Worker, Rapid Response, Local Administration and Statewide Activities accounts were not established with the Department of Administration (DOA) for FY 2004.

#### **Corrective Action Plan:**

The agency as part of the corrective measures will be establishing the appropriate accounts, which reflect the earmarking requirements of WIA clusters beginning July 1, 2005 or Program Year 2005. This will allow for the Department of Administration to generate the necessary ETA9076 reports accordingly.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-06  
Federal Agency: U.S. Environmental Protection Agency  
CFDA No. 66.600  
Program Name: Environmental Protection Consolidated Grants: Program Support  
Area: Special Tests and Provisions  
Questioned Costs: \$0

#### Criteria:

In accordance with applicable special tests and provisions requirements and grant terms and conditions, the Government of Guam must ensure that at least 8% of federal funds for prime contracts and subcontracts for supplies, construction, equipment or services are made available to organizations owned or controlled by socially and economically disadvantaged individuals and women (the Fair Share policy).

#### Condition:

The Government of Guam could not provide documentation to support compliance with the Fair Share Policy under 2004 Grant # M-009063-04-0. Bid documents and contracts did not include documentation relating to the Fair Share percentage.

#### Cause:

There appears to be a lack of internal control over ensuring compliance with the Fair Share policy.

#### Effect:

The Government of Guam is in noncompliance with applicable special tests and provisions and grant terms and conditions regarding the Fair Share policy. No questioned cost is presented at this finding, as we are unable to quantify the extent of noncompliance.

#### Recommendation:

The Government of Guam should ensure compliance with the Fair Share policy, by including the Fair Share percentage in bid documents and contracts.

#### Auditee Response and Corrective Action Plan:

Fred M. Castro, Administrator, Guam Environmental Protection Agency, provided the following response:

A copy of bid documents for FY 05 are attached to show that Grantee has since implemented this policy.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-07  
Federal Agency: U.S. Environmental Protection Agency  
CFDA No. 66.600  
Program Name: Environmental Protection Consolidated Grants: Program Support  
Area: Special Tests and Provisions  
Questioned Costs: \$0

#### Criteria:

In accordance with applicable special tests and provisions requirements and grant terms and conditions, the Government of Guam must develop and implement a communications strategy to inform and interact with water systems.

#### Condition:

The Government of Guam has not developed a water systems communications strategy under 2004 Grant # M-009063-04-0.

#### Cause:

There appears to be a lack of internal control over ensuring compliance with this requirement.

#### Effect:

The Government of Guam is in noncompliance with applicable special tests and provisions and grant terms and conditions regarding the development and implementation of a water systems communications strategy.

#### Recommendation:

The Government of Guam should ensure compliance with its grant terms and conditions. A written communications/information strategy should be developed and implemented.

#### Auditee Response and Corrective Action Plan:

Fred M. Castro, Administrator, Guam Environmental Protection Agency, provided the following response:

This will be implemented by September 2005.

# GOVERNMENT OF GUAM

## Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-08  
Federal Agency: U.S. Environmental Protection Agency  
CFDA No. 66.600  
Program Name: Environmental Protection Consolidated Grants: Program Support  
Area: Special Tests and Provisions  
Questioned Costs: \$0

### Criteria:

In accordance with applicable special tests and provisions requirements and grant terms and conditions, all equipment purchases valued at \$5,000 or more may only be purchased if approved by the USEPA project officer.

### Condition:

For one (or 17%) out of six equipment purchase orders tested, the Government of Guam did not obtain prior approval for the following purchase order under 2004 Grant # M-009063-04-0:

<u>PO #</u>	<u>Amount</u>
PO46A06693	\$ 71,444

### Cause:

There appears to be a lack of internal control over ensuring compliance with grant terms and conditions.

### Effect:

The Government of Guam is in noncompliance with applicable special tests and provisions and grant terms and conditions requiring approval of equipment purchases over \$5,000. A total of \$71,444 is questionable; however, no questioned cost is presented at this finding as no drawdown was made, and no expenditure was recorded, in FY 2004.

### Recommendation:

Purchases of equipment over \$5,000 should be approved by the required USEPA Project Officer prior to purchase.

### Auditee Response and Corrective Action Plan:

The Government of Guam has not provided a response.

# GOVERNMENT OF GUAM

## Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-09  
Federal Agency: U.S. Environmental Protection Agency  
CFDA No. 66.600  
Program Name: Environmental Protection Consolidated Grants: Program Support  
Area: Allowable Costs/Cost Principles  
Questioned Costs: \$0

### Criteria:

In accordance with applicable allowable costs/cost principles requirement, fines, penalties, damages, and other settlements resulting from violations (or alleged violations) of, or failure of the governmental unit to comply with Federal or local laws and regulations are unallowable except when incurred as a result of compliance with specific provisions of the Federal award or written instructions by the awarding agency authorizing in advance such payments.

### Condition:

For one (or 6%) out of 17 transactions, aggregating \$382,597 of \$1,181,749 in total Program non-payroll expenditures, the Grantor agency determined that it had overpaid \$28,772 to the grantee for Reimbursement #09 and requested repayment. The grantee repaid EPA Region IX with check number 103210 on January 29, 2004, but charged the Federal program under account number 5101E042298PA107230. There are no written instructions by the awarding agency authorizing such payment from Federal funds under 2004 Grant # M-009063-04-0.

### Cause:

There appears to be weak internal control over ensuring that fines, penalties, damages, and other settlements resulting from violations (or alleged violations) of, or failure of the governmental unit to comply with Federal or local laws and regulations are not charged to the Program.

### Effect:

The Government of Guam is in noncompliance with applicable allowable costs/cost principles requirement. No questioned cost is presented at this finding, as \$28,772 was credited to program expenditures and charged to local funds on June 6, 2005.

### Recommendation:

The Government of Guam should strengthen internal controls to ensure compliance with applicable allowable costs/cost principles over fines, penalties, damages, and other settlements resulting from violations (or alleged violations) of, or failure of the governmental unit to comply with Federal or local laws and regulations.

### Auditee Response and Corrective Action Plan:

Fred M. Castro, Administrator, Guam Environmental Protection Agency, provided the following response:

A journal voucher has been processed to transfer this cost to local funds.

### Auditors' Response:

We reviewed the journal voucher dated June 6, 2005, noting the Government of Guam has credited program expenditures in the amount of \$28,772 and charged local funds.

# GOVERNMENT OF GUAM

## Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-10  
Federal Agency: U.S. Environmental Protection Agency  
CFDA No. 66.600  
Program Name: Environmental Protection Consolidated Grants: Program Support  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$21,107

### Criteria:

In accordance with applicable procurement requirements, the grantee will maintain records sufficient to detail the significant history of a procurement. These records will include a rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

### Condition:

For 1 (or 7%) of 14 transactions, aggregating \$382,597 of \$1,181,749 in total Program non-payroll expenditures, there is no significant history of the procurement on file for the following transactions under 2004 Grant # M-009063-04-0:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>
01/09/04	101905	A0097033	GEPA	D042200012	\$ 21,107

### Cause:

There appears to be a lack of internal control over ensuring compliance with applicable procurement requirements.

### Effect:

The Government of Guam is in noncompliance with applicable procurement requirements. A questioned cost of \$21,107 exists.

### Prior Year Status:

The above condition is reiterative of conditions identified in prior years' audits of the Government of Guam.

### Recommendation:

The procurement officer should establish and implement internal control procedures to ensure that all procurements are documented in sufficient detail in compliance with applicable procurement requirements. The procurement officer should not approve purchase orders to procure goods/services from a particular vendor unless such procurement documents as solicitation ads, bid abstracts, or other written memoranda are documented on file to detail the significant history of the procurement.

### Auditee Response and Corrective Action Plan:

Fred M. Castro, Administrator, Guam Environmental Protection Agency, provided the following response:

Supporting documents are attached.

### Auditors' Response:

We reviewed the supporting documents, noting that in a letter dated December 10, 2003, the U.S. Environmental Protection Agency approved Guam EPA's request to pay the transaction, which was a prior year obligation. However, no procurement records were provided. Therefore, the finding remains.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-11  
Federal Agency: U.S. Department of Health and Human Services  
CFDA No. 93.563  
Program Name: Child Support Enforcement  
Area: Special Tests and Provisions – Locate Absent Parents  
Questioned Costs: \$0

#### Criteria:

In accordance with applicable special tests and provisions requirements and 45 CFR 303, the State IV-D agency must attempt to locate the absent parent or sources of income and/or assets within no more than 75 calendar days. In addition, the State IV-D agency must attempt to establish paternity and a support obligation for children born out of wedlock.

#### Condition:

Of 45 case files tested, we noted the following conditions relative to 2004 Grant # 04-04GU4004:

1. For eleven (or 24%), there is no documentation to evidence that the agency attempted to establish paternity for the following cases: 16025, 16427, 15905, 16284, 16410, 16443, 16314, 16011, 16362, 16098, and 16364.
2. For three (or 7%), the attempt to locate the absent parent occurred after the maximum 75-calendar-day requirement for the following cases: 15863, 15981, and 15874.

#### Cause:

There appears to be weak internal control over ensuring that required services under 45 CFR 303 are provided to eligible individuals.

#### Effect:

There is no known effect on the financial statements as a result of this condition. However, the grantee is in noncompliance with applicable special tests and provisions requirements and 45 CFR 303. No questioned cost is presented at this finding, as we are unable to quantify the noncompliance.

#### Recommendation:

The grantee should strengthen internal controls to ensure that the responsible personnel attempts to locate absent parents within 75 calendar days and properly documents such attempt on file in accordance with applicable special tests and provisions requirements and 45 CFR 303.

#### Auditee Response and Corrective Action Plan:

Barbara P. Cepeda, IV Director, Guam Office of the Attorney General, provided the following response:

[Condition 2]:

Case No. 15863: Agree. CP applied for service 9/21/03. Locate letter sent April 1, 2004. UIFSA package filed in court on 5/11/04.

Case No. 15981: Agree. IV-A referral received 12/18/03. File opened 1/9/04. Locate attempted on 4/2/04.

Case No. 15874: Agree. CP applied for service 10/9/03. Complaint was filed 3/12/04. Service of process attempted 5/4/04 resulted in non-service. NCP served 5/27/04.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-11, Continued  
Federal Agency: U.S. Department of Health and Human Services  
CFDA No. 93.563  
Program Name: Child Support Enforcement  
Area: Special Tests and Provisions – Locate Absent Parents  
Questioned Costs: \$0

#### Auditee Response and Corrective Action Plan:

Since the resignation of the sole process officer assigned to the Locate Unit, individual workers have had to do their own locate. Due to a shortage of staff, nobody is specifically assigned to do locates. For now, each investigator or paralegal is responsible for doing their own locate.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-12  
Federal Agency: U.S. Department of Health and Human Services  
CFDA #: 93.563  
Program Name: Child Support Enforcement  
Area: Special Tests and Provisions – Eligibility of individuals  
Questioned Costs: \$0

#### Criteria:

In accordance with applicable special tests and provisions requirements and 45 CFR 74.53, all programmatic documents, such as birth certificates and social security numbers should be maintained on file for at least three years.

#### Condition:

For 2 (or 4%) out of 45 case files tested relative to 2004 Grant # 04-04GU4004, there was no social security number of the child or children in the file for the following cases: 16401 and 15891.

#### Cause:

There appears to be weak internal control over ensuring that required social security numbers and birth certificates are maintained on file for at least three years.

#### Effect:

There is no known effect on the financial statements as a result of this condition. However, the grantee is in noncompliance with 45 CFR 74.53.

#### Recommendation:

The grantee should establish and implement internal controls to ensure compliance with 45 CFR 74.53.

#### Auditee Response and Corrective Action Plan:

Barbara P. Cepeda, IV Director, Guam Office of the Attorney General, provided the following response:

Case No. 16401: Agree. This is a IV-A referral case. We received only a copy of the birth certificate from Public Health. The case has been dismissed due to CSED inability to locate the NCP and the CP's non-cooperation in assisting us with the locate.

Case No. 15891: Agree. Our office has copies of the birth certificates of all 3 children, however, no copies of social security cards. The CP-dad informed us that NCP-mom has the cards and she currently resides off-island. We are trying to contact CP to provide us with copies of the cards. In the alternative, we will advise CP to apply for new cards at the local Social Security office and provide us copies upon receipt.

In the future, the Records Management Officer will request on all IV-A referrals, a copy of the birth certificate and social security cards from the Department of Public Health and Social Services. In all other cases, the Records Management Officer will require of all applicants for services, a copy of birth certificates and social security cards at the intake stage.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-13  
Federal Agency: U.S. Department of Health and Human Services  
CFDA #: 93.563  
Program Name: Child Support Enforcement  
Area: Special Tests and Provisions – Provision of Services  
Questioned Costs: \$0

#### Criteria:

In accordance with 45 CFR 302.33, the grantee must provide services, such as establishing paternity and/or health insurance and/or enforcing support obligations, to any individual who files an application for services with the IV-D agency.

#### Condition:

Out of 45 case files tested relative to 2004 Grant # 04-04GU4004, we noted the following:

1. For 12 (or 27%), there is no documentation on file to indicate whether any services were provided after the case file was opened for the following cases: 16025, 16427, 15905, 16284, 16410, 16314, 16011, 16362, 16098, 16364, 16443 and 15894.
2. For 4 (or 9%), support obligation has not been established for the following cases: 15863, 16248, 16109, and 16006.

#### Cause:

There appears to be weak internal control over ensuring that required services under 45 CFR 302.33 are provided to eligible individuals.

#### Effect:

There is no known effect on the financial statements as a result of this condition. However, the grantee is in noncompliance with 45 CFR 302.33.

#### Recommendation:

The grantee should establish and implement internal controls to ensure that required services under 45 CFR 302.33 are provided to eligible individuals. Upon receiving an application for services, the responsible personnel should provide the necessary services and document such actions.

#### Auditee Response and Corrective Action Plan:

Barbara P. Cepeda, IV Director, Guam Office of the Attorney General, provided the following response:

#### [Condition 1]:

Case No. 16025: Agree. TANF referral received 1/20/04. NCP in Chuuk. No action taken.

Case No. 16427: Agree. CP applied for services on 9/1/04. NCP left to Rota and then returned. To date, no action has been taken on this case.

Case No. 15905: Agree. CP applied for services 10/21/03. Complaint was prepared 11/03. Since grandmother was guardian, we waited 5 months for her to respond. We again prepared complaint with guardian named. Nothing happened for a year. Then guardian came in for status of case on 5/05. Complaint was filed 6/2/05. Hearing set for 10/4/05.

Case No. 16284: Agree. TANF referral received 5/7/04. On 7/7/04, we left messages for CP to contact us because we needed more information before we can proceed with the case. CP terminated from TANF and we sent her a letter on

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-13, Continued  
Federal Agency: U.S. Department of Health and Human Services  
CFDA #: 93.563  
Program Name: Child Support Enforcement  
Area: Special Tests and Provisions – Provision of Services  
Questioned Costs: \$0

#### Auditee Response and Corrective Action Plan, Continued:

1/5/05 informing her that we will continue services unless she informs us otherwise. We never received acknowledgement from CP.

Case No. 16410: Agree. TANF referral received 8/19/04. We received information through New Hire Directory that NCP was employed at Denny's in South Carolina. We sent letter to Denny's on 9/3/04, but received no response.

Case No. 16314: Agree. TANF referral received 7/1/04. Unable to locate NCP.

Case No. 16011: Agree. TANF referral received 1/20/04. We found out on 1/29/04 that the child no longer with CP. NCP (mom) went to school and took the child. We sent email to DPHSS informing them that child no longer in the household.

Case No. 16362: Agree. TANF referral received 5/11/04. No follow up work was done on the case.

Case No. 16098: Agree. CP applied for services 5/7/04. NCP in active Navy. Unable to locate NCP. No follow up work was done on this case.

Case No. 16364: Agree. TANF referral received 12/29/03. No address listed for NCP. Unable to locate NCP. No follow up work was done on this case.

Case No. 16443: See general response below.

Case No. 15894: Agree. TANF referral received 8/19/03. We attempted to locate NCP. CP didn't want services then CP applied for services on 10/29/04. Complaint sent to court on 6/16/05. Awaiting court hearing.

#### [Condition 2]:

Case No. 15863: Agree. CP applied for service 9/21/03. Locate letter sent April 1, 2004. UIFSA package filed in court on 5/11/04.

Case No. 16248: Agree. A complaint and summons were filed but CSED was unable to serve the NCP because he left to be stationed in Germany. We continue to be in contact with NCP and hope to resolve this matter through a stipulation without NCP having to return to Guam. Our last communication with NCP was on April 11, 2005.

Case No. 16109: Agree. TANF referral received 3/11/04. NCP lives in the Philippines. We need to locate NCP whether he has returned from P.I.

Case No. 16006: Agree. NCP applied for services 12/22/03; CP applied for services 1/20/04. Complaint was prepared 4/04, but then we found out that each child had guardians appointed. We contacted CP and informed her that the guardians need to fill out applications for services. We prepared new complaints naming the guardians as defendants since NCP applied for services first and he is considered the plaintiff.

We agree that in all of the cases cited, we did not obtain a support order. However, we did take action on most of the cases but were faced with several obstacles.

One major problem for failure to take action is that we receive TANF referrals with incomplete or inaccurate information on where to locate NCPs. We simply do not have the staff or the resources to locate people. Since we lost our locate staff, investigators have had to do their own locate, while trying to keep up with daily phone calls, emails, correspondence, and preparing cases for court hearings.

Another problem is that we get TANF referrals where the NCPs are not even on island and reside in places such as Chuuk, CNMI, or Philippines. In cases such as these, we are unable to collect from NCPs since we do not have reciprocity with these nations.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-13, Continued  
Federal Agency: U.S. Department of Health and Human Services  
CFDA #: 93.563  
Program Name: Child Support Enforcement  
Area: Special Tests and Provisions – Provision of Services  
Questioned Costs: \$0

#### Auditee Response and Corrective Action Plan, Continued:

Another problem is that we are waiting for information from CPs and they do not get back to us with the information that we need to proceed with the case. Again, investigators are busy answering phones and responding to emails and correspondence, that they do not have the time to follow up with CPs for the information they requested.

On all of the cases above cited, they have been forwarded to the assigned investigator to take further action or close the cases.

We hope to assign one staff to do locate. For now, each worker is responsible for doing their own locate until we can hire someone to do it full time.

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2004

Finding No.: 04-14  
Federal Agency: U.S. Department of Health and Human Services  
CFDA #: 93.563  
Program Name: Child Support Enforcement  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$97,548

Criteria:

In accordance with applicable procurement requirements, the grantee will maintain records sufficient to detail the significant history of a procurement. These records will include a rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

Condition:

Of 9 transactions tested, aggregating \$2,219,625 of \$2,808,851 in total Program non-payroll expenditures relative to 2004 Grant # 04-04GU4004, we noted the following conditions:

1. For 1 (or 11%), there is no significant history of the procurement on file for the following contract:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>
06/10/04	0002668	A0096883	Law	C010600138	\$ 26,561
07/27/04	0005781	A0096883	Law	C010600138	26,561
10/28/04	0016001	A0096883	Law	C010600138	26,561
12/15/03	0100143	A0096883	Law	C010600138	26,561
02/11/04	0104024	A0096883	Law	C010600138	26,561
					<u>\$132,805</u>

2. For 1 (or 11%), the sole source method was used; however, the required supporting documentation is lacking or insufficient for the following transaction:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>
12/17/03	0100280	I3076001	Law	P036A05012	\$14,995

The written justification for sole sourcing states "Only distributor/agent," and we reviewed certification from Vendor # I3076001 that it is the exclusive dealer for genuine Canon ImageRunner supplies, drum units and accessories, on Guam, the CNMI, and the Micronesian Islands. However, requisitions should not be brand specific, and there is no written justification for the specified brand.

Cause:

There appears to be a lack of internal control over ensuring compliance with applicable procurement requirements.

Effect:

The Government of Guam is in noncompliance with applicable procurement requirements. A questioned cost of \$97,548 exists (66% Federal share of total questionable costs of \$147,800).

Prior Year Status:

The above condition is reiterative of conditions identified in prior years' audits of the Government of Guam.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-14, Continued  
Federal Agency: U.S. Department of Health and Human Services  
CFDA #: 93.563  
Program Name: Child Support Enforcement  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$97,548

#### Recommendation:

The procurement officer should establish and implement internal control procedures to ensure that all procurements are documented in sufficient detail in compliance with applicable procurement requirements. The procurement officer should not approve purchase orders to procure goods/services from a particular vendor unless such procurement documents as solicitation ads, bid abstracts, or other written memoranda are documented on file to detail the significant history of the procurement.

#### Auditee Response and Corrective Action Plan:

Barbara P. Cepeda, IV Director, Guam Office of the Attorney General, provided the following response:

[Condition 1]: Please refer to Exhibit A for Ada's Inc. procurement documentation to satisfy procurement requirements pertaining to this audit finding. Attached at Exhibit A are copies of the following documents:

- 1) Copy of response from Ada's Inc. to the Department of Law Invitation To Bid For Office Space as published in the Pacific Daily News.
- 2) Copy of Invitation To Bid For Office Space as advertised in the Pacific Daily News.
- 3) Copy of Office Space Terms/Conditions and Specifications.
- 4) Copy of Lease Agreement as signed by respective parties, cleared by BBMR, and approved by Chief Procurement Officer.

Please note that [Vendor # A0096883] was the only company that responded to the Department of Law Invitation To Bid For Office Space.

Claudia S. Acfalle, Chief Procurement Officer, Guam Environmental Protection Agency, provided the following response:

[Condition 2]: [We] concur with the finding. However, the current CPO acknowledged this finding and immediately took action by issuing a memorandum on December 18, 2003. The CPO issued a memorandum of instruction that for any sole source procurement for compatibility or uniformity of equipments or supplies, a memorandum must be provided by the requesting agency/department justifying the need for these type requirements.

GSA will continue to improve the processes and to uphold the integrity within the procurement activities of this government.

#### Auditors' Response:

Condition 1: We have reviewed the documents provided by the Program Office. However, there is no contemporaneous procurement document indicating that the selected vendor was the only company that responded to the bid invitation. Therefore, the finding remains.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-15  
Federal Agency: U.S. Department of Health and Human Services  
CFDA #: 93.563  
Program Name: Child Support Enforcement  
Area: Special Tests and Provisions – Provision of Services  
Questioned Costs: \$0

#### Criteria:

In accordance with 45 CFR 303.7, the State IV-D agency must provide the appropriate child support services needed for interstate cases, establish an interstate central registry responsible for receiving, distributing and responding to inquiries on all incoming interstate IV-D cases, and meet required time frames pertaining to provision of interstate services.

#### Condition:

Out of 45 case files tested, we noted the following:

1. For 1 (or 2%) (i.e., case # 16163), case documentation was not sent within 10 days of the inquiry of the IV-D agency where the case was initiated, and the State IV-D agency was not notified within 30 days when the information would be ready.
2. For 4 (or 9%) (i.e., case # 15998, 16337, 15863, and 16282), upon determination of interstate case, IV-D agency did not send initiating documentation to State's interstate central agency within 20 days.
3. For 2 (or 4%) (i.e., case # 16337 and 15863), there was no review documentation on file or review documentation was not sent within 20 days to another State.

#### Cause:

There appears to be weak internal control over ensuring that required services under 45 CFR 303.7 are provided to eligible individuals.

#### Effect:

There is no known effect on the financial statements as a result of this condition. However, the grantee is in noncompliance with 45 CFR 303.7.

#### Recommendation:

The grantee should establish and implement internal controls to ensure that required services under 45 CFR 303.7 are provided to eligible individuals. Upon receiving an application for services, the responsible personnel should provide the necessary services and document such actions.

#### Auditee Response and Corrective Action Plan:

Barbara P. Cepeda, IV Director, Guam Office of the Attorney General, provided the following response:

#### [Condition 1]:

Case No. 16163: Agree. The Child Support Enforcement Division has taken corrective action to ensure that interstate packets received are routed to our records room to establish a physical file and routed to the assigned Investigator who will acknowledgement receipt of the initiating packet to be in compliance with 45 CFR 303.7.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-15, Continued  
Federal Agency: U.S. Department of Health and Human Services  
CFDA #: 93.563  
Program Name: Child Support Enforcement  
Area: Special Tests and Provisions – Provision of Services  
Questioned Costs: \$0

#### Auditee Response and Corrective Action Plan, Continued:

##### [Condition 2]:

Case No. 15998: Agree. The Child Support Enforcement Division has taken corrective action to ensure the timely processing of the case to the initiating state. We currently assigned two Investigators to handle interstate cases and process the interstate packets to the responding state for action which will ensure compliance with 45 CFR 303.7.

Case No. 16337: Agree. The Child Support Enforcement Division has taken corrective action to ensure the timely processing of the case to the initiating state. We currently assigned two Investigators to handle interstate cases and process the interstate packets to the responding state for action which will ensure compliance with 45 CFR 303.7.

Case No. 15863: Agree. The Child Support Enforcement Division has taken corrective action to ensure the timely processing of the case to the initiating state. We currently assigned two Investigators to handle interstate cases and process the interstate packets to the responding state for action which will ensure compliance with 45 CFR 303.7.

Case No. 16282: Agree. The Child Support Enforcement Division has taken corrective action to ensure the timely processing of the case to the initiating state. We currently assigned two Investigators to handle interstate cases and process the interstate packets to the responding state for action which will ensure compliance with 45 CFR 303.7.

##### [Condition 3]:

Case No. 16337: Agree. The Child Support Enforcement Division has taken corrective action to ensure the timely processing of the case to the Initiating state. CSED will ensure that the address information in the applications is complete. The CSED interviewers have been instructed to ensure that the information stated on the applications is complete with all the required information needed to process the interstate packet.

Case No. 15863: Agree. The Child Support Enforcement Division has taken corrective action to ensure the timely processing of the case to the Initiating state. CSED will ensure that the address information in the applications is complete. The CSED interviewers have been instructed to ensure that the information stated on the applications is complete with all the required information needed to process the interstate packet.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-16  
Federal Agency: U.S. Department of Health and Human Services  
CFDA No. 93.778  
Program Name: Medicaid  
Area: Eligibility  
Questioned Costs: \$62,592

#### Criteria:

In accordance with applicable eligibility requirements, eligibility determinations should be documented, including such supporting documents as application worksheets, benefit calculations, social security cards, proof of citizenship, verification of employment, and recertification.

#### Condition:

Of 79 items tested, we noted the following conditions:

1. For 2 (or 3%), the Government of Guam did not provide the case file for the following:
  - a. 10-24286, \$26,002 claimed
  - b. 10-27951, \$14,603 claimed
2. For 3 (or 4%), no social security card(s) are on file for case numbers 33-31045, 33-72140, and 33-26162.
3. For 2 (or 3%), the most recent certification and/or renewal or application is in 2001 for the following:
  - a. 30-71350, \$19,757 claimed
  - b. 30-53262, \$2,230 claimed
4. For 4 (or 5%), re-determination of eligibility took more than six months for case numbers 33-73272, 33-54101, 33-55327, and 33-60031.
5. For all cases, there is no documentation to support that income and eligibility verification system (IEVS) was used to verify eligibility.

#### Cause:

There appears to be weak record keeping controls.

#### Effect:

A questioned cost of \$62,592 exists. The Government of Guam is in noncompliance with applicable eligibility requirements.

#### Prior Year Status:

The above condition is reiterative of conditions identified in our prior year audit of the Government of Guam.

#### Recommendation:

The Department of Public Health and Social Services should strengthen record keeping controls to ensure that case files are maintained on file for at least three years to substantiate expenditures.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-16, Continued  
Federal Agency: U.S. Department of Health and Human Services  
CFDA No. 93.778  
Program Name: Medicaid  
Area: Eligibility  
Questioned Costs: \$62,592

#### Auditee Response and Corrective Action Plan:

Arthur U. San Agustin, Acting Director, Guam Department of Public Health and Social Services, provided the following response:

[Condition 1]: Agree. We are still trying to locate the files.

[Condition 2]: 33-31045 – Agree. Client will request replacement SS card from SSA

[Condition 3]:

30-71350 – Agree. The case file reviewed by the auditor was file #016716N. This file was transferred from Central to Northern on 11/01/01 and contained the 2001 documents. Another case file was opened in Central, file #60-114. Case file #60-114 contains the 2/2004 and 2/2005 Renewal applications and a change report dated 11/30/03 reporting newborn and includes [newborn's] birth certificate and SSN card. This case file is now available for re-review. However, the 8/5/03 application is not in this case file. The 8/5/03 application may be in case file #8862C which could not be located (see attached).

30-53262 – Agree. File #008767 is available for re-review. The October 13, 2004 Renewal application and other 2001 documents are in this file. However the original case file #0305, which contains the 4/08/03 application and supporting documents cannot be located (see attached).

[Condition 4]: Agree.

[Condition 5]: Agree.

# GOVERNMENT OF GUAM

## Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-17  
Federal Agency: U.S. Department of Health and Human Services  
CFDA No. 93.778  
Program Name: Medicaid  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$0

### Criteria:

In accordance with applicable procurement requirements, the grantee will maintain records sufficient to detail the significant history of a procurement. These records will include a rationale for the method of procurement, selection of contract type, contractor selection or rejection, and basis for the contract price. Furthermore, in accordance with the applicable local procurement law, the Guam General Services Agency shall procure from the United States when the cost is less by ten percent than from other contractors and such cost-savings analysis should be maintained on file.

### Condition:

For one (or 1%) out of 72 transactions, aggregating \$14,904,718 of \$18,331,586 in total Program non-payroll expenditures relative to 2004 Grant # 75X0512, goods were procured from a vendor with a Federal GSA contract; however, the required cost-savings analysis was not documented for the following transaction:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>
9/27/2004	0009667	G0097192	DPHSS	P046A04104	\$60,852

### Cause:

There appears to be a lack of internal control over ensuring compliance with applicable procurement requirements.

### Effect:

The Government of Guam is in noncompliance with applicable procurement requirements. No questioned cost exists as the procurement files contained evidence that open competition was made.

### Prior Year Status:

The above condition is reiterative of conditions identified in prior years' audits of the Government of Guam.

### Recommendation:

The procurement officer should establish and implement internal control procedures to ensure that all procurements are documented in sufficient detail in compliance with applicable procurement requirements. The procurement officer should not approve purchase orders to procure goods/services from a particular vendor unless such procurement documents as solicitation ads, bid abstracts, or other written memoranda are documented on file to detail the significant history of the procurement.

### Auditee Response and Corrective Action Plan:

Arthur U. San Agustin, Acting Director, Guam Department of Public Health and Social Services, provided the following response:

We disagree with the finding. As a line agency of the Government of Guam, the Department of Public Health and Social Services (DPHSS) does not have procurement delegation to procure for supplies or services. All request for supplies or services are processed by submitting a requisition form and forwarded to General Service Agency, GSA, where all procurement activities are negotiated and thereafter, awarded. Attached, please find General Services Agency Circular No. 2000-05 dated March 28, 2000 regarding instruction on the submission of requisitions.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-17, Continued  
Federal Agency: U.S. Department of Health and Human Services  
CFDA No. 93.778  
Program Name: Medicaid  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$0

#### Auditee Response and Corrective Action Plan, Continued:

Claudia S. Acfalle, Chief Procurement Officer, Guam General Services Agency, provided the following response:

[We] disagree with this finding. The method utilized in the procurement of computers on [P046A04104] was procuring through the 5GCA §5122 U.S. Government. The abstract in the procurement file indicated that the local vendors did not meet the required warranty as requested by the Department of Administration. The Chief Procurement Officer will ensure that the 10% preference is shown on the abstract of each procurement file utilizing the U.S. Contract source method.

GSA will continue to improve the processes and to uphold the integrity within the procurement activities of this government.

#### Auditors' Response:

No cost-savings analysis was documented. Therefore, the finding remains.

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2004

Finding No.: 04-18  
Federal Agency: U.S. Department of Health and Human Services  
CFDA No. 93.994  
Program Name: Maternal and Child Health Services Block Grant  
Area: Period of Availability of Federal Funds  
Questioned Costs: \$0

Criteria:

In accordance with applicable period of availability requirements, funds available to States from their allotment for any fiscal year are available for obligation by the State in that fiscal year or in the succeeding fiscal year.

Condition:

At the end of fiscal year 2004, unliquidated/unobligated balances remain after the fund's period of availability, as follows:

<u>Grant Year</u>	<u>End of Availability</u>	<u>Unliquidated Balance</u>	<u>Unobligated Balance</u>	<u>Grant Award #</u>
2001	2002	\$949	\$11,815	2B04MC0034805
2002	2003	0	9,210	2B04MC0034806
2003	2004	<u>0</u>	<u>19,165</u>	MC0034807-QI01
		<u>\$949</u>	<u>\$40,190</u>	

Cause:

There appears to be weak internal control over ensuring that available balances are deappropriated/ deencumbered after the fund's period of availability.

Effect:

The available balances for grant years 2001 through 2003 are misstated. If the balances are not properly deappropriated/deencumbered, the grantee could potentially expend Federal funds in noncompliance with applicable period of availability requirements. No questioned cost is presented at this finding as expenditures in FY 2004 have been charged to grants within the fund's period of availability.

Recommendation:

The Government of Guam should strengthen internal controls to ensure that Federal funds are no longer available for obligation or expenditure after the fund's period of availability. When the fund's period of availability ends, responsible personnel should deappropriate/deencumber unexpended balances.

Auditee Response and Corrective Action Plan:

Arthur U. San Agustin, Acting Director, Guam Department of Public Health and Social Services, provided the following response:

As per Section 503 of Title V of the Social Security Act, "funds allocated to States are available for obligation and expenditure over a two-year period. For example, funds appropriated and allocated to the States in FY 1999 (starting October 1, 1998) are available for obligation and expenditure through September 30, 2000.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-19  
Federal Agency: U.S. Department of Health and Human Services  
CFDA No. 93.994  
Program Name: Maternal and Child Health Services Block Grant  
Area: Matching, Level of Effort, Earmarking  
Questioned Costs: \$0

#### Criteria:

In accordance with applicable level of effort – maintenance of effort requirements, the State must maintain the level of funds provided solely by the State for maternal and child health programs at a level at least equal to the level provided in FY 1989 (42 USC 705(a)(4)).

#### Condition:

The Government of Guam did not provide the necessary documents, indicating compliance with the above criteria, relative to 2004 Grant # 1B04MC0243901.

#### Cause:

There appears to be weak internal control over record keeping.

#### Effect:

The Government of Guam may be in noncompliance with applicable level of effort, maintenance of effort requirements. No questioned cost is presented at this finding, as we are unable to quantify the noncompliance.

#### Recommendation:

The Government of Guam should provide the necessary documents to effect resolution of this finding.

#### Auditee Response and Corrective Action Plan:

Arthur U. San Agustin, Acting Director, Guam Department of Public Health and Social Services, provided the following response:

The Program is working with federal counterparts to provide documentation of the Maintenance of Effort provided for in FY 1989.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-20  
Federal Agency: U.S. Department of Health and Human Services  
CFDA No. 93.994  
Program Name: Maternal and Child Health Services Block Grant  
Area: Matching, Level of Effort, Earmarking  
Questioned Costs: \$0

#### Criteria:

In accordance with applicable earmarking requirements,

1. The State must use at least 30 percent of payment amounts for preventive and primary care services for children (42 USC 705(a)(3)(A)).
2. The State must use at least 30 percent of payment amounts for services for children with special health care needs (42 USC 705(a)(3)(B)).
3. A State may not use more than 10 percent of allotted funds for administrative expenses (42 USC 704(d)).

#### Condition:

The Government of Guam did not provide the documents, indicating compliance with the above criteria, relative to 2004 Grant # 1B04MC0243901.

#### Cause:

There appears to be weak internal control over record keeping.

#### Effect:

The Government of Guam may be in noncompliance with applicable earmarking requirements. No questioned cost is presented at this finding, as we are unable to quantify the noncompliance.

#### Recommendation:

The Government of Guam should provide the necessary documents to effect resolution of this finding.

#### Auditee Response and Corrective Action Plan:

Arthur U. San Agustin, Acting Director, Guam Department of Public Health and Social Services, provided the following response:

The audit performed was for year ending September 30, 2004. The MCH Program Guam will be reporting the expenditure related to the "30-30-10" split in the grant application submitted July 15, 2005.

# GOVERNMENT OF GUAM

## Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-21  
Federal Agency: U.S. Department of Health and Human Services  
CFDA No. 93.994  
Program Name: Maternal and Child Health Services Block Grant  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$15,700

### Criteria:

In accordance with applicable procurement requirements, the grantee will maintain records sufficient to detail the significant history of a procurement. These records will include a rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

### Condition:

Of 7 transactions tested, aggregating \$41,746 of \$150,868 in total Program non-payroll expenditures relative to 2004 Grant # 1B04MC0243901, we noted the following conditions:

1. For 1 (or 14%), blanket purchase authority was used; however, the required supporting documentation is lacking or insufficient for the following transaction:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>
01/08/04	0101620	L2926001	DPHSS	P046A00539	\$4,500

The written justification documents the need for pharmacy services for the Central Regional Health Center, but does not specify a rationale for selecting Vendor # L2926001 over any other pharmacist.

2. For 1 (or 14%), informal quotations were solicited from seven medical supply companies, and the vendor was selected for submitting the sole quotation. However, the other vendors were given only one day to respond to the quotation. Therefore, it appears that open competition was limited for the following transaction:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>
07/27/04	0005849	M3896504	DPHSS	P046A03511	\$ 11,200

### Cause:

There appears to be a lack of internal control over ensuring compliance with applicable procurement requirements.

### Effect:

The Government of Guam is in noncompliance with applicable procurement requirements. A questioned cost of \$15,700 exists.

### Prior Year Status:

The above condition is reiterative of conditions identified in prior years' audits of the Government of Guam.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-21, Continued  
Federal Agency: U.S. Department of Health and Human Services  
CFDA No. 93.994  
Program Name: Maternal and Child Health Services Block Grant  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$15,700

#### Recommendation:

The procurement officer should establish and implement internal control procedures to ensure that all procurements are documented in sufficient detail in compliance with applicable procurement requirements. The procurement officer should not approve purchase orders to procure goods/services from a particular vendor unless such procurement documents as solicitation ads, bid abstracts, or other written memoranda are documented on file to detail the significant history of the procurement.

#### Auditee Response and Corrective Action Plan:

Claudia S. Acfalle, Chief Procurement Officer, Guam General Services Agency, provided the following response:

[Condition 2]: [We] disagree with finding. Although the buyer indicated one (1) day turn around time on the request for quotation, the vendors did not respond as requested (1-day), however, the buyer still received some feedback from several of the vendors beyond the (1-day) turn around time as noted on the request for quotation.

The CPO instructed the buyer to re-issue the request for quotation to allow the vendors adequate time to prepare a response. Refer to attached documents.

GSA will continue to improve the processes and to uphold the integrity within the procurement activities of this government.

#### Auditors' Response:

Based on our review of the solicitation documents faxed to the vendors, we noted the reissued requests still indicated a one-day response time. Therefore, the finding remains.

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2004

Finding No.: 04-22  
CFDA No. All  
Area: Cash Management  
Questioned Costs: \$0

Criteria:

In accordance with applicable cash management requirements, the time elapsed between the receipt of Federal funds and the clearance of disbursed checks should be minimized. Based on our review of the Treasury-State Agreement, the specified clearance pattern for Guam is 1 day.

Condition:

For 155 (or 53%) of 291 transactions tested, the time elapsed between the receipt of Federal funds and the clearance of disbursed checks exceeded one day, ranging from 2 to 373 days, as follows:

<u>CFDA #</u>	<u># of Transactions</u>
10.557	4
10.561	2
15.875	22
17.258/259/260	4
20.205	25
66.600	6
83.544	51
93.563	24
93.778	15
93.994	<u>2</u>
	<u>155</u>

Cause:

The Government of Guam lacks a uniform policy of drawing down Federal funds.

Effect:

The Government of Guam may be in noncompliance with applicable cash management requirements.

Recommendation:

The Government of Guam should establish and implement a uniform policy for drawing down Federal funds to ensure that the time elapsed between the receipt of Federal funds and the check disbursement is minimized. The established procedures should be sufficiently detailed so that any given drawdown can be easily traced to the Federal cash receipt date and the check disbursement date(s); likewise, any given check disbursement can be easily traced to the Federal cash receipt date.

Auditee Response and Corrective Action Plan:

Michael D. Cabral, Federal Grants and Compliance Branch, Division of Accounts, Guam Department of Administration, provided the following response:

The Government of Guam received a U.S. Treasury Cash Management Improvement Act Training on April 2005 which was conducted by Mr. Fred Williams. After the training, Department of Administration, The Treasurer of Guam and Mr. William met to amend the CMIA agreement that best suits GovGuam's financial obligations.

The Department of Administration intends to implement the Zero-Based Accounting funding technique by 2006. Check write will slowly be replaced by Electronic Fund Transfer method. This will decrease the lapse time of funds between the receipt of Federal funds to the vendors' bank.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-23  
CFDA No.: All  
Area: Indirect Costs  
Questioned Costs: \$0

#### Criteria:

In accordance with applicable cost principles, only approved rates should be used to calculate indirect costs.

#### Condition:

Indirect costs reported for FY 2004 are based on rates in the Indirect Cost Negotiation Agreement for FY 2003, which was no longer effective for periods after September 30, 2003.

#### Cause:

The Government of Guam has not yet received an approved indirect cost negotiation agreement for FY 2004. Indirect cost rate proposals were submitted to the cognizant agency subsequent to FY 2004.

#### Effect:

The Government of Guam is in noncompliance with applicable cost principles. There is no questioned cost presented at this finding, as indirect costs for FY 2004 have not yet been charged to the Federal Grants Fund. Furthermore, due to the delayed submission of indirect cost rate proposals, the Government of Guam runs the risk of having Federal grants expire and of losing indirect cost recoveries.

#### Recommendation:

Absent an approved indirect cost negotiation agreement for the current fiscal year, the Government of Guam should obtain, in writing, Federal grantor agency approval to apply expired rates. Furthermore, the Government of Guam should strengthen internal controls to ensure that indirect cost rate proposals are submitted to the cognizant agency in a timely manner.

#### Auditee Response and Corrective Action Plan:

Michael D. Cabral, Federal Grants and Compliance Branch, Division of Accounts, Guam Department of Administration, provided the following response:

The Department of Administration shall work closely with the Bureau of Budget and Management to acquire an approved indirect cost rate in a timely manner. In the absence of an approved rate, the department shall request to the grantor for approval to use the latest approved negotiated rate.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-24  
CFDA No.: All  
Area: Equipment management  
Questioned Costs: \$0

#### Criteria:

In accordance with Section 32(d) of the Common Rule, Equipment Management Requirements, governmental agencies that acquire equipment through Federal funds are required to perform a physical inventory and reconcile such to the property records at least once every two years. In addition, adequate maintenance procedures must be established to keep the property in good condition.

#### Condition:

The Government of Guam has not conducted the required comprehensive physical inventories of its equipment.

#### Cause:

The Government is currently in the process of implementing its fixed asset management system. Efforts are being made to tag all equipment with bar code property identification labels. Until the Government completes tagging of all equipment, it will not be able to conduct a physical inventory.

#### Effect:

The Government is in noncompliance with applicable Federal regulations.

#### Prior Year Status:

The above condition is reiterative of conditions identified in our prior year audit of the Government of Guam.

#### Recommendation:

The Government of Guam should complete tagging of all equipment and conduct a physical inventory immediately thereafter.

#### Auditee Response and Corrective Action Plan:

The Government of Guam has begun implementation of adopting GASB34, Basic Financial Statements and Management's Discussion and Analysis, for State and Local Governments. There are two (2) stages in this approach. The first stage is to record all capital assets such as buildings, and infrastructure, which has been completed. The second stage is to compile all fixed asset records, which is ongoing.

Please refer to the Department of Administration's Organizational Circular No 03-004 provided to all line agencies to comply with its procedures (Exhibit B).

The Department of Administration (DOA) has provided a circular to all line agencies in the Government of Guam to provide a comprehensive listing of their assets. DOA's objective is to compare the department's actual inventory records to its existing database for completeness and reconciliation. After this is performed, physical observation of fixed assets can be performed. Prospectively, DOA will also enhance its AS400 Budget and Accounting Information System to ensure all purchases from the accounts payable module are linked into the fixed assets module. The time line for the above procedure is Fiscal Year 2005.

# GOVERNMENT OF GUAM

## Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-24, Continued  
CFDA No.: All  
Area: Equipment management  
Questioned Costs: \$0

### Auditee Response and Corrective Action Plan, Continued:

Since February 26, 2003 when DOA issued DOA Organizational Circular No. 03-004, we have been updating our strategic plan with the help of [a contracted] DOA Consultant on this matter. In addition, we are seeking an amendment to the law increasing the capital outlay threshold from \$500 to \$5,000. This legislative change will greatly reduce the number of assets to be reported in the fixed assets inventory.

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2004

Finding No. 04-25 - Cash

Criteria: Bank reconciliations are to be prepared on a monthly basis and reconciling items investigated in a timely manner.

Condition: At September 30, 2004, combined cash balances for the following governmental funds indicated unreconciled differences:

<u>Fund #</u>	<u>Bank Balance</u>	<u>Outstanding Checks</u>	<u>Deposits In Transit</u>	<u>Expected Book Balance</u>	<u>Actual Book Balance</u>	<u>Variance</u>
100	\$ 34,348,800	\$ (18,644,416)	\$ 1,390,316	\$ 17,094,699	\$ 19,234,834	\$ (2,140,135)
101	2,898,699	(39,334)	-	2,859,365	3,080,388	(221,023)
205	125,199	-	23,686	148,886	(130,122)	279,008
209	583,581	-	660	584,241	237,159	347,082
232	42,565	-	-	42,565	21,074	21,491
416	287,227	-	138,618	425,845	498,251	(72,406)
602	722,654	-	-	722,654	463,937	258,717
Other	<u>6,772,259</u>	<u>-</u>	<u>-</u>	<u>6,772,259</u>	<u>6,766,771</u>	<u>5,488</u>
	<u>\$ 45,780,984</u>	<u>\$ (18,683,750)</u>	<u>\$ 1,553,280</u>	<u>\$ 28,650,514</u>	<u>\$ 30,172,292</u>	<u>\$ 1,521,778</u>

The net variance of \$1,521,778 pertained to various reconciling items not recorded in the general ledger. Audit adjustments were proposed to correct misstatements of cash balances within Fund #s 100, 101, 205, 209, 232, 416 and 602.

Cause: The cause of the above condition is timeliness of the bank reconciliation function, which does not appear to have been monitored.

Effect: The effect of the above condition is a misstatement of cash balances.

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam.

Recommendation: We recommend that bank reconciliations be prepared for all bank accounts on a monthly basis. Items outstanding over one month should be investigated. Monitoring is encouraged to ensure that regular monthly reconciliations occur.

Auditee Response and Corrective Action Plan:

Lourdes M. Perez, Director, Guam Department of Administration, provided the following response:

The DOA generally agrees with the cited condition. Subsequent research and analysis were performed and journal vouchers were prepared accordingly to resolved material reconciling items. The Division of Accounts continually performs research and analysis to resolve bank reconciliation reconciling items.

Bank reconciliation processes are undertaken on a monthly basis, however bank reconciling items resolution require the investment of time and human resources.

The DOA hired an accounting technician to provide the basic need for technical duties and responsibilities for the bank reconciliation section. In addition a senior accountant is tasked to provide the professional assistance to resolve bank reconciliation reconciling items.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

#### Finding No. 04-26 – Accounts Receivable - Other

Criteria: Collectibility of accounts receivable should be monitored. Collection efforts should be enforced at all times to ensure that account balances are current.

Condition: The accounts receivable-other account is comprised mostly of Tenda purchases by both line agencies and autonomous agencies with a balance of \$4.6 million outstanding as of fiscal year end. Three of four samples randomly selected indicated that payments received during the year did not substantially reduce receivable balances. No statements of account were sent to agencies. Therefore, reconciliation with debtors is difficult. There was no specific staff assigned to monitor billing and collection of Tenda account charges. Audit adjustments were proposed to record an allowance for doubtful accounts and reduce accounts receivable to their net realizable value.

Cause: There appears to be a shortage of staff assigned to monitor Tenda account charges.

Effect: There is a potential that only receipts turned in by employees of the various agencies are recorded as liabilities. If left unreconciled, such receivables may ultimately become uncollectible.

Recommendation: It is recommended that DOA staff be assigned responsibility for the billing and collection of Tenda (GSA) charges. Further, statements of account should be sent no less than on a quarterly basis. Purchases should be allowed by only agencies with accounts balances that are not past due.

#### Auditee Response and Corrective Action Plan:

Lourdes M. Perez, Director, Guam Department of Administration, provided the following response:

The following control procedures are currently in place:

1. DOA currently maintains current billings against all Tenda accounts. Billings to autonomous agencies were sent on a monthly basis to these agencies.
2. DOA temporarily suspends accounts from obtaining fuel chits and ordering supplies from GSA if current bills are not paid. Billings prior to 2003 are still in a reconciliation stage. DOA is trying to work with each department to address discrepancies in records between offices.
3. DOA in conjunction with SPPC (76) has implemented the use of gas cards as a means to regulate and record fuel use by department. The implementation stage has taken some time to implement and is slowly being used by government agencies.

DOA has asked DMR to reprogram our current A/R files so that outstanding balances can be flagged by our accounts payable. This reprogramming has been completed and is currently active. The actual implementation of our offset and collection policies are still pending the response from the AG's Office regarding the legalities of offsets to government employees as well as vendors who have outstanding debts to the government.

#### Finding No. 04-27 – Other Receivables – Bounced Checks

##### Criteria:

1. Reconciliation between the general and subsidiary ledgers should occur on a regular basis. Reconciling items should be analyzed and adjusted in a timely manner to ensure the propriety of ledger balances.
2. Accounts receivable should be properly aged to ensure that uncollectible accounts are properly provided for.

# GOVERNMENT OF GUAM

## Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

### Finding No. 04-27 – Other Receivables – Bounced Checks, Continued

#### Conditions:

1. Variances exist between the general ledger (GL) and subledgers. There does not appear to be a concerted effort to ensure that reconciliation occurs. It was further noted that bounced checks entered into the GL system are dependent on how often the Treasurer of Guam furnishes the data for posting. A lag of between one week and one month seems to be the norm.
2. Approximately \$4 million was recommended for write off by the Public Auditor (OPA Report 04-07). However, only \$2.5 million was processed.
3. During fiscal year 2004, an entry to reduce receivables by \$2.5 million was recorded. However, there was no specific identification as to which checks were to be written off. The schedule provided was not properly reflective of the actual bounced check balance as of September 30, 2004. No inventory of bounced checks on hand was performed to support the general ledger balance.
4. The general ledger showed a total of \$5 million of bounced checks for which no allowance for uncollectible accounts was provided. The bounced checks list dates from as far back as fiscal year 1989, an indication that there may not to have been an effort to initiate collection or replacement of such checks.

An audit adjustment was proposed to record an allowance for uncollectible accounts and to reduce receivables to their net realizable value.

#### Causes:

1. There is no designated staff responsible for periodically reconciling the general and subsidiary ledgers. Further, due to staff shortages, a monitoring process does not exist that ensures that all bounced checks are completely and timely recorded.
2. There appears to be confusion in processing the correct write-off.
3. Due to staff shortages, inventory listings of actual bounced checks on hand are not regularly updated.
4. Long outstanding bounced checks have not been collected. No written procedure appears to be in place to document efforts of collection or replacement for bounced checks.

#### Effects:

1. Because bounced checks are not timely recorded in the system, there is a potential that the bounced check GL account may be misstated.
2. Receivable accounts and the related allowance for bad debts account may be materially misstated.
3. No known effect on the financial statements results from this condition.
4. Absent concentrated effort to pursue replacement of bounced checks, long outstanding accounts are likely to be written off, thereby reducing General Fund revenue.

Prior Year Status: The above conditions are reiterative of prior year findings.

# GOVERNMENT OF GUAM

## Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

### Finding No. 04-27 – Other Receivables – Bounced Checks, Continued

#### Recommendations:

1. A set of procedures should be in place to effectively manage collections of bounced checks.
2. A timely and regular reconciliation between the general and subsidiary ledgers should occur.
3. A calculation of the allowance for doubtful accounts should be regularly updated after review by management.
4. On a regular basis, a physical inventory of bounced checks should be performed to validate ledger balances.
5. Regular staff should be assigned responsibility over ensuring these policies and procedures are implemented and enforced.
6. AS400 generated reports should be modified to reflect more meaningful information to assist in reconciliations and to eliminate redundancy in bounced check recordkeeping.

#### Auditee Response and Corrective Action Plan:

Lourdes M. Perez, Director, Guam Department of Administration, provided the following response:

DOA made 2.5 million dollar adjustment to write off bad debts prior to the release of OPA report 04-07. The detail listings of the checks to be written off were being compiled and reviewed by Revenue and Tax. The listing was not yet available at the time account was questioned because Revenue had to be revisited to accommodate the \$4 million write off suggested by the OPA.

Reconciliation efforts between DOA and DRT are ongoing. Progress is slow due to various confidentiality issues surrounding the DRT records. We are confident that our efforts will be more evident in the coming audit.

### Finding No. 04-28 – Deposits and Other Liabilities

#### Criteria:

1. Liability accounts should reflect credit balances.
2. Child support collections/disbursements should be supported by a detailed schedule and be timely reconciled to the general ledger.
3. Timely recording of pass-through accounts should occur.
4. Journal entries should be properly supported.

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2004

Finding No. 04-28 – Deposits and Other Liabilities, Continued

Conditions:

1. The following liability accounts reflect debit balances as of 9/30/04:

<b>GL Account</b>	<b>GL Account Description</b>	<b>GL Amount</b>
110023321	DEPOSIT - PUAG DOI FGIA	\$ 249,966
110023101	UNRECONCILED DEBIT MEMOS	91,802
110023317	DEPOSIT - MIHS CONTRACT ADDEND	37,735
110026153	REISSUANCE ACCT-TAX REFUND	17,426
110023330	GTA COLLECTIONS	14,397
110023310	GPA/PUAG COLLECTIONS	11,363
110023117	DEPOSIT-JUDICIAL COURT PROJ	9,398
110023320	COLLECTIONS FOR PUAG	6,011
110023247	DEPOSIT-DONATION RECEIVED(GC61	1,887
110023261	DEP-GPA TYPH OMAR O/T	1,591
110026152	REISSUANCE ACCT-PAYROLL	1,531
110023331	DEPOSIT - POLICE SERVICES	1,500
110023452	DEP-CD MUSTARD GAS EVACUATION	1,183
110023220	FY88 DEPOSIT & PRIOR YRS	875
110022014	GPD LOCAL ASSET FORFEITURE	830
110023451	DEP-GEPA MUSTARD GAS EVACUATN	<u>114</u>
	Total	\$ <u>447,609</u>

2. The Collections-Child Support has a balance of \$4,360,808. It appears that payments have not been timely made as collections and subsequent payments should keep the account balance at a lower level.

The balance comprises amounts that have never been disbursed and amounts that have been credited from stale dated checks. The value of the undisbursed amount is approximately \$2.3 million. Undisbursed amounts are governed by public law and must be “diligently” investigated either to find the intended recipient or the payee must be found so the monies can be returned. Only after two years can these funds be transferred to a holding different. The Attorney General’s office is unable to diligently investigate the amounts due to a reported lack of manpower and therefore, the money remains in the account indefinitely.

Conditions:

Of the above account balance, approximately \$2 million relates to stale dated checks. Interpreted public law for these checks states that after four years, these balances may be escheated to the Government of Guam. Potentially, part of this money should be paid back to the federal government. If child support payments were not cashed due to the recipient already being on public assistance, 75% of each check should be paid back to the federal government, and the Government of Guam should receive 25%.

Additionally, there is no schedule to support the account entitled Accounts Payable – Unclaimed Checks (Child Support) account amounting to \$1.7 million.

3. Account #110026140 titled “Unidentified Collections” has a balance of \$1,185,237 that is unsupported.
4. Bank of Hawaii checking account – Child Support contains reconciling items that are unsupported.

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2004

Finding No. 04-28 – Deposits and Other Liabilities, Continued

Causes:

1. There appears to be a lack of control as payments are being paid out of accounts that do not contain balances.
2. There appears to be a lack of adequate controls to apply collections to appropriate recipients.
3. It appears that there is inadequate follow up and investigation to identify correct accounts in which funds should be deposited.
4. Documents in support of reconciling items were not kept in the bank reconciliation files.

Effects:

1. Incorrectly applied payments result in debit balances in the liability accounts.
2. This results in a material misstatement of Child Support Collections. There is a potential risk that portions of undistributed child collections may no longer be valid. Deferrals of distributions of collections could result in beneficiary complaints. The Government of Guam may also owe a portion of amounts escheated back to the Federal Government.
3. It is not possible to determine the effect given the absence of support for the account balance.
4. The bank account has been adjusted to clear dated reconciling items; however, the nature of the transactions has not been documented.

Recommendations:

1. Periodic monitoring of accounts should occur to ensure payments are debited to the correct liability account.
2. DOA should require that the Attorney General's office furnish them a schedule of UDC (Undistributed Collections) for each quarter.

The amounts undisbursed in the UDC schedule should then be added to amounts that comprise stale dated checks. The total should then be reconciled to the general ledger balance.

DOA should review and periodically reconcile the account. These amounts may also be a potential source of revenue for the general fund.

3. Staff should be assigned to investigate old collections. If some collections are still unidentified, an aged listing can be created and presented to the appropriate level of management. Management should determine the disposition of dated unidentified balances.
4. Bank credit and debit memos should be reconciled from the bank statement on a monthly basis. Supporting documentation should be filed with the bank reconciliations.

# GOVERNMENT OF GUAM

## Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

### Finding No. 04-28 – Deposits and Other Liabilities, Continued

#### Auditee Response and Corrective Action Plan:

Lourdes M. Perez, Director, Guam Department of Administration, provided the following response:

#### Condition 1:

The Department of Administration provided specific responses to particular findings and generally concurs with the recommendations.

The Department of Administration undertook corrective measures and focused in providing resolutions to prior years' recurring audit findings and audit opinion qualifications. The entire Federal accounts receivable was restructured to reflect accounts receivable by Federal grantor agency instead of individual grantee agency. The Department of Administration also focused on the completion of the fixed assets listing and the resolution of the solid waste landfill issue. As a result, two qualifications were removed.

The Department of Administration hired additional accountants and may need to hire more to have that comport level of efficiency. With these additional accountants, the Department of Administration will aggressively resolve remaining recurring audit findings and prevent the occurrence of any new findings.

The Department of Administration will maintain its focus on any remaining opinion qualification and pursue aggressively for its resolution.

#### Condition 2:

This condition occurred and is recurring and the accounting mechanism is in place to apportion the share of the Federal government (75%) and the Local government of Guam (25%). In Fiscal year 2004, the Child Support Enforcement paid to the Treasurer of Guam (General Fund) an aggregate total of \$600,000 plus and apportioned accordingly to Federal and Local accounts.

Additionally, there was a schedule provided to support the Accounts Payable – Unclaimed Checks (Child Support) amounting to \$1.7M.

#### Condition 3:

This account was questioned last fiscal year 2003 audit, and responses and documentation was provided as to the nature of the account and the transactions posted into this account. The account was used then to accommodate the transferred bank balances of all the accounts of Guam Mass Transit Authority to the General Fund. In fiscal year 2003 audit, the contra account in fund 317 (Public Transit Fund) was accounts receivable, although in the unaudited financial statements it was an interfund receivable.

#### Condition 4:

The DOA agrees with this observation by the auditor. There were old debit and credit memos reflected in the bank statements for immaterial amounts that the Bank Reconciliation section was unable to resolve during the process of reconciliation in the prior years and was recently adjusted. This account is now inactive and a new account from another bank was opened.

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2004

Finding No. 04-29 – Accounts Payable - Trade

Criteria:

1. Accounting transactions should be properly recorded and supported.
2. Accounts payable aging should be regularly reviewed to ensure that only valid accounts are recorded.
3. Accounts payable listings should be regularly reconciled to identify outdated transactions.

Conditions:

1. Of 41 samples tested, two samples were not properly supported by invoices or other information relating to the liability, as follows:

<b>Amount</b>	<b>Check #</b>
\$ 367,590.99	#000015006
\$ 197,721.95	#000015005

2. Accounts payable amounting to \$565,312 aged two or more years remains in the listing while more current balances have been liquidated.
3. Of the nine general ledger liability accounts tested, all nine accounts included invalid accruals as follows:

<b>GL Account #</b>	<b>GL Account Description</b>	<b>GL Amount</b>
110021110	Accounts Payable	\$ 4,403,379
110021120	Contract Retention	893,583
110021131	Bonds Payable	508,443
110021210	Social Security Deduction/Retention	545,928
110021490	Miscellaneous Deductions	353,670
110021590	Accrued Other Expenditures	5,359,120

Audit adjustments were proposed for the above amounts to correctly state these liability accounts as of fiscal year end.

Cause: There appears to be a poor internal control of filing supporting documentation of recorded transactions.

Effect: A potential misstatement of recorded payables result from this condition.

Prior Year Status: The above condition is reiterative of prior year findings.

Recommendation: We recommend that documentation be maintained on file to support recorded transactions.

Auditee Response and Corrective Action Plan:

Lourdes M. Perez, Director, Guam Department of Administration, provided the following response:

Documentation substantiating these findings were retrieved and are pending audit review.

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2004

Finding No. 04-30 – Special Revenue – Accounts Payable and Deferred Revenue

Criteria: Detailed subsidiary ledgers should be maintained and updated to ensure account validity. Furthermore, the subsidiary ledger should be reconciled with the general ledger and be made available for review.

Conditions:

A detailed aged payable ledger was not provided for the following accounts.

<b>Fund</b>	<b>GL Account</b>	<b>Amount</b>
293	129321110	\$10,077,616
293	129321590	<u>1,264,760</u>
	Total	<u>\$11,342,376</u>

Cause: There appears to be weak internal controls over ensuring that a detailed aged subsidiary ledger is maintained and updated and that the subsidiary ledger is reconciled with the general ledger.

Effect: This condition may result in a potential misstatement of accounts payable and deferred revenues.

Recommendation: The auditee should strengthen internal controls to ensure detailed aged subsidiary ledgers are maintained and updated and that the subsidiary ledgers are reconciled with the general ledger.

Auditee Response and Corrective Action Plan:

Lourdes M. Perez, Director, Guam Department of Administration, provided the following response:

The DOA disagrees with the finding. The auditor was provided an analysis and documentation and an explanation as to the nature of the transactions. The general ledger balance of the account as of September 30, 2004 was from a single accrual retroactive to September 30, 2003. The accrual made under this account was a duplication of an accrual under account 110021590. The balance of this account was subsequently adjusted down to zero to basically reverse all transactions that should not have been done and posted. All payments made against this account were transferred to account 110021590, which is the right and other accrual account.

Auditors' Response:

We recommend that detailed subsidiary ledgers be maintained and updated by the Department of Administration to reflect recorded balances in the general ledger. This matter was resolved through alternative audit procedures whereby we obtained a detailed listing of pending medical claims as of September 30, 2004 from the Department of Public Health, and proposed the necessary audit adjustments to the general ledger.

**GOVERNMENT OF GUAM**

Summary of Unresolved Questioned Costs Arising from  
Prior Year Single Audits  
Year Ended September 30, 2004

	<u>Prior Year Listed Unresolved Questioned Costs</u>	<u>Questioned Costs Resolved During the Year</u>	<u>End of Year</u>
Unresolved Questioned Costs FY 98	\$ 2,305,544	\$ 2,305,544	\$ -
Unresolved Questioned Costs FY 99	15,116,122	8,552,795	6,563,327
Unresolved Questioned Costs FY 00	8,858,571	278,495	8,580,076
Unresolved Questioned Costs FY 01	9,817,389	4,290,653	5,526,736
Unresolved Questioned Costs FY 02	4,258,861	1,550,309	2,708,552
Unresolved Questioned Costs FY 03	<u>1,243,982</u>	<u>-</u>	<u>1,243,982</u>
	 \$ <u>41,600,469</u>	 \$ <u>16,977,796</u>	 24,622,673
Add Questioned Costs for FY 2004			<u>514,486</u>
Total Unresolved Questioned Costs at September 30, 2004			\$ <u>25,137,159</u>

**GOVERNMENT OF GUAM**

Summary of Unresolved Questioned Costs Arising from  
Prior Year Single Audits, Continued  
Year Ended September 30, 2004

<u>CFDA #</u>		<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>Total</u>
15.605/ 15.611	Fish and Wildlife Cluster	\$ -	\$ -	\$ -	\$ 339,414	\$ -	\$ -	\$ 339,414
15.875	Compact Impact	28,512	55,665	679,010	380,817	3,526,590	-	4,670,594
16.523	JAIBG	-	-	215,127	-	-	-	215,127
	Byrne Formula							
16.579	Grant	-	277,427	-	-	-	-	277,427
16.710	COPS	-	-	1,721	-	-	-	1,721
17.258/ 17.259/ 17.260	WIA Cluster	289,027	185,584	-	-	-	-	474,611
	Highway Planning							
20.205	and Construction	-	102,231	611,014	36,498	18,365	-	768,108
	Environmental							
66.600	Protection	21,107	224,494	-	192,854	-	-	438,455
83.541	DUA	-	9,855	33,212	-	-	-	43,067
83.543	IFG	-	-	10,588	-	-	-	10,588
	Public Assistance							
83.544	Grants	-	308,538	153,987	2,505,157	2,955,284	6,563,327	12,486,293
	Hazard Mitigation							
83.548	Grant	-	-	-	145,150	17,012	-	162,162
84.186	Safe and Drug-Free							
	Schools/ Communities	-	-	-	-	17,612	-	17,612
93.044	Aging Cluster	-	-	367,958	-	-	-	367,958
93.558	TANF	-	12,000	14,942	543,972	-	-	570,914
	Child Support							
93.563	Enforcement	97,548	66,426	620,993	195,161	-	-	980,128
93.575	CCDF	-	-	-	633,606	-	-	633,606
	Social Services							
93.667	Block Grant	-	-	-	89,865	-	-	89,865
93.778	Medicaid	62,592	1,762	-	464,242	2,045,213	-	2,573,809
	Maternal and Child							
93.994	Health	<u>15,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,700</u>
	Totals	<u>\$ 514,486</u>	<u>\$ 1,243,982</u>	<u>\$ 2,708,552</u>	<u>\$ 5,526,736</u>	<u>\$ 8,580,076</u>	<u>\$ 6,563,327</u>	<u>\$ 25,137,159</u>

## GOVERNMENT OF GUAM

Summary of Unresolved Questioned Costs Arising from  
Prior Year Single Audits, Continued  
Summary Schedule of Resolved Prior Audit Findings as  
Represented by the Government of Guam  
Year Ended September 30, 2004

Finding #	CFDA #	Questioned Costs Resolved In 2004	Responding Office
98-16	15.875	\$ 205,835	U.S. DOI, OIA
98-17	15.875	2,099,709	U.S. DOI, OIA
99-02	15.875	3,147,789	OMB Circular A-133, Section .315(b)(4)
99-07	83.544	4,870,577	OMB Circular A-133, Section .315(b)(4)
99-08	83.544	534,429	OMB Circular A-133, Section .315(b)(4)
2000-12	83.548	278,495	U.S. DHS, July 15, 2005
2001-01	12.401	139,749	OMB Circular A-133, Section .315(b)(4)
2001-02	12.401	16,165	OMB Circular A-133, Section .315(b)(4)
2001-08	15.875	3,881,759	U.S. DOI via Summary Notes from BBMR
2001-19	66.600	30,053	OMB Circular A-133, Section .315(b)(4)
2001-23	83.548	182,889	U.S. DHS, July 15, 2005
2001-30	93.000	11,312	U.S. DHHS, January 28, 2005
2001-31	93.000	28,726	U.S. DHHS, January 28, 2005
2002-04	16.523	381,337	U.S. DOJ, June 20, 2005
2002-05	16.523	90	U.S. DOJ, June 8, 2005
2002-08	17.235	19,594	U.S. DOL, May 24, 2005
2002-10	17.258/259/260	779,472	U.S. DOL, May 24, 2005
2002-11	17.258/259/260	172,704	U.S. DOL, May 24, 2005
2002-15	66.600	83,266	U.S. EPA, February 15, 2005
	66.600	113,846	U.S. EPA, February 15, 2005
Total Resolved		\$ <u>16,977,796</u>	