

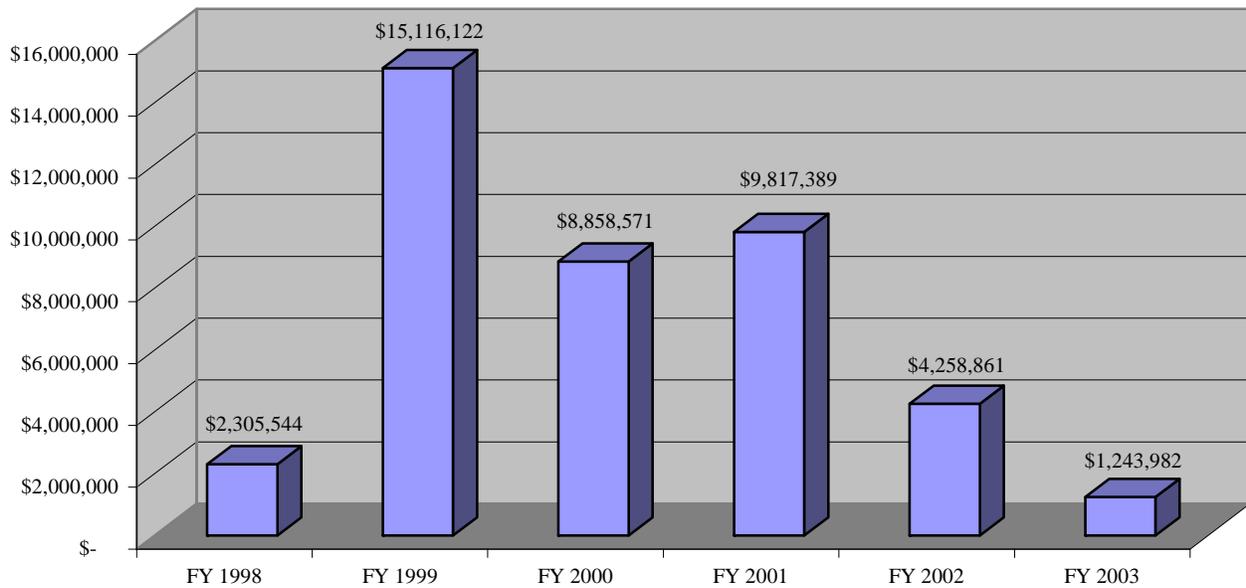
**Government of Guam
Single Audit
Year Ended September 30, 2003**

November 23, 2004

Questioned Costs Decreases

The Single Audit Reports of the Government of Guam (GovGuam) for FY 2003 indicate a continued improvement by the Government of Guam in complying with federal program-related mandates. The Questioned Cost amount for FY 2003 was \$1,243,982, a significant improvement from prior years by several millions. Additionally, the cumulative questioned costs of \$51,340,337 as of FY 2002 decreased to \$41,600,469 in FY 2003. Approximately, \$10,983,850 of prior year Questioned Costs were resolved in FY 2003. In August 2004, the Governor of Guam requested that the \$40 million in questioned costs from FY 2002 and prior be forgiven pursuant to the Compact Impact Debt-relief allowed by P.L. 108-188.

**Government of Guam
Single Audit
Questioned Costs**



Approximately \$994,086 or 80% of all FY 2003 Questioned Costs pertained to procurement. The procurement-related findings indicated in the Single Audit involved the Department of Public Works, Department of Land Management, Superior Court, Guam Environmental Protection Agency, Department of Public Health and Social Services, Department of Law, and General Services Agency.

Late Collection of Receivables

Other significant findings included the late collection of over \$10 million in various types of receivables due to the General Fund. These receivables include \$4,342,188 in returned checks, \$2,201,423 due from GovGuam department and agencies, a loan receivable of \$300,000 from GHURA, and \$1,018,994 in travel advances.

According to the Department of Administration (DOA) travel policy, all travel documentation is to be submitted within 15 days upon the return of the traveler. The Single Audit indicated that 85% of \$1,018,994 in travel advances receivables has been outstanding for over one year. DOA has, however, already issued several circulars to institute better controls over travel expenditures.

Reconciliation Problems

Another finding indicated a \$4 million variance in the disbursements of Child Support collections. The records at the Guam State Disbursement Unit show that around \$12 million in child support collections were disbursed in FY 2003, but only \$8 million in disbursements was reported to the federal government. Furthermore, \$2,918,350 of Child Support monies collected before 1996 have not been distributed and could not be supported.

Proper accountability requires the performance of bank reconciliations on a monthly basis. The external auditors reported that bank reconciliations are not performed on a monthly basis. As a result, a deficiency of \$1,025,613 was noted in the reconciliation of the General Fund bank account. Deficiencies and other unreconciled amounts also exist for other accounts.

Additionally, General Ledger records did not reconcile with DRT's detailed schedules indicating a \$39.9 million in unreconciled variances for Income Tax receivables and \$13.5 million in Gross Receipt Tax receivables. These variances resulted from a general failure to perform timely reconciliations.

Lapsed Appropriations and Late Liquidation of Encumbrances

The external auditors indicated that \$1.14 million in lapsed appropriations since 1995 were used in 2003 to fund an un-allotted appropriation to the Guam Legislature, however, only \$800,000 of this amount was actually paid to the Guam Legislature. The auditors also indicated that approximately \$2.5 million in encumbrances have not been liquidated for over a year.