



Government of Guam FY 2016 Compliance Highlights

June 14, 2017

The Government of Guam's (GovGuam) Fiscal Year (FY) 2016 Single Audit Reports on Compliance and Internal Controls remain problematic. There were nine findings, five of which were material weaknesses. FY 2016 total questioned costs was \$432 thousand (K), a significant increase from \$348 in FY 2015. The questioned costs were primarily due to Department of Public Health and Social Services (DPHSS) and Guam Behavioral Health and Wellness Center's (GBHWC) noncompliance with applicable procurement regulations.

Federal Program Funding

GovGuam and its line agencies expended \$298.8 million (M) in federal awards from 15 grantor agencies. Of the 15 grantor agencies, the largest grant came from the U.S. Department of Agriculture at \$118.8M, of which \$108.7M was for the Supplemental Nutrition Assistance Program (SNAP) or better known as Food Stamps. The second largest grantor was the U.S. Department of Health and Human Services at \$105.4M for the various welfare programs, such as Medicaid at \$44.6M and Child Health Insurance Program at \$25.8M. The third largest grantor was the U.S. Department of the Interior at \$28.5M, of which \$25.8M is for Compact Impact funding. The fourth largest grantor was the U.S. Department of Transportation at \$19.8M, of which \$15.5M is for Highway Planning and Construction.

In addition, GovGuam component units expended over \$195.9M in federal awards. The top three agencies were Guam Department of Education at \$64.3M, Guam Housing and Urban Renewal Authority at \$45.1M, and University of Guam at \$28.8M.

Single Audit Findings

Nine findings were identified in the Single Audit, of which one finding was related to reporting and three were related to procurement. The remaining findings were related to the eligibility, electronic benefits transfer reconciliation, equipment management, subrecipient monitoring, and program income. Of the nine findings, five were material weaknesses and four were significant deficiencies to include the following:

Lack of Management in Fixed Assets, Equipment, and Real Property (2016-009)

In January 2016, GovGuam completed a comprehensive physical inventory of its properties. This was a recurring material weakness since FY 2012. Although this is a significant step forward in demonstrating corrective action for prior years' noncompliance, the auditors found the following:

- The required reconciliation was not completed and the overall cumulative monetary value of this deficiency could not be assessed;
- Construction costs were not easily identifiable by project; and
- Depreciation expenses were not consistently calculated through the life of certain assets.

DPHSS Program Income Requirements and Procurement (2016-005, 2016-006, and 2016-007)

Three of the five noted material weaknesses were from DPHSS relative to noncompliance with applicable program income requirements and no procurement file was provided for three contracts amounting to \$180K. In accordance with program income requirements, health centers must have a schedule of fees for the provision of their health services consistent with locally prevailing rates or charge. In FY 2016, the fee schedule used was based on 2004 rates and at least \$1.1M in operating costs were not billed. Despite efforts by the Program to update its schedule of fees in 2016, the updated fee schedule cannot take effect until the Guam Legislature approves it. Further, guidance over the reporting and treatment of program income was not clear.

In addition, GBHWC used sole source procurement for three purchase orders in the amount of \$24K. However, no written determination was provided to demonstrate that there was only one source for the required television advertisements, hotel venue, and curriculum training.

Management Letter

The auditors issued a separate management letter containing 19 findings from eight GovGuam divisions and agencies to include DOA Division of Accounts, General Service Agency, Customs and Quarantine Agency, Unified Courts (Courts), Child Support Enforcement Division, Guam Fire Department, DOA Data Processing Division, and Guam Election Commission. The top three divisions and agencies were as follows:

- The DOA Division of Accounts were issued nine findings related to lack of enforcement of collection of use tax and bounced checks; federal receipts were not accounted for in the Schedule of Federal Receipts; unreconciled cash; lack of periodic evaluations of Medically Indigent Program and Medicaid accruals; accountability of collateral equipment; recording and reconciliation of capital assets; post-closing entries, including subsequent changes to a previously approved post-closing entry, were not separated by voucher number and not supported by an approved form; overstatement of compensated absences payable; and implementation of GASB Statement 73.
- The DOA Data Processing Division were issued three recurring findings related to the information technology environment.
- The Courts received two findings related to unsupported and uncapitalized fixed assets, and untimely monitoring of probation accounts.

To view the reports in their entirety, visit our website at www.opaguan.org.