

GOVERNMENT OF GUAM

SINGLE AUDIT REPORTS

YEAR ENDED SEPTEMBER 30, 2009

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

Honorable Felix P. Camacho
Governor
Government of Guam:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Government of Guam (GovGuam) as of and for the year ended September 30, 2009, which collectively comprise GovGuam's basic financial statements, and have issued our report thereon dated June 23, 2010. Our report was modified to include a reference to other auditors and an explanatory paragraph regarding a restatement. 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. Other auditors audited the financial statements of the GovGuam Retirement Fund, the Antonio B. Won Pat International Airport Authority, the Port Authority of Guam, the University of Guam, the Guam Housing and Urban Renewal Authority, the Guam Housing Corporation, and the Guam Preservation Trust, as described in our report on GovGuam's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those other auditors.

For purposes of this report, our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants, and other matters did not include the Guam Department of Education, the Guam Power Authority, the Guam Waterworks Authority, the Guam Community College, the Guam Economic Development Authority, the Guam Visitors Bureau, the Guam Memorial Hospital Authority, and the Guam Educational Telecommunications Corporation, which were all audited by us. We have issued separate reports on our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters for these entities. The findings, if any, included in those reports are not included herein.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered GovGuam's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of GovGuam's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of GovGuam's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

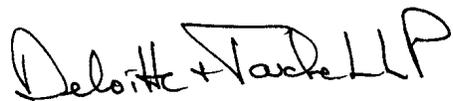
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether GovGuam's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of GovGuam in a separate letter dated June 23, 2010.

This report is intended solely for the information and use of the management of the Government of Guam, others within the entity, the Office of Public Accountability - 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. However, this report is also a matter of public record.

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June 23, 2010

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 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 (GovGuam) 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, 2009. 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 19 through 44). 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.

As discussed in Note 2b to the Schedule of Expenditures of Federal Awards, GovGuam's basic financial statements include the operations of certain entities whose federal awards are not included in the Schedule of Expenditures of Federal Awards for the year ended September 30, 2009. Our audit, described below, did not include the operations of the entities identified in Note 2b as these entities conducted separate audits in accordance with OMB Circular A-133, if required.

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 GovGuam'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 of GovGuam's compliance with those requirements.

As described in items 09-02 through 09-05, 09-07, 09-08, and 09-10 in the accompanying Schedule of Findings and Questioned Costs, the Government of Guam did not comply with requirements regarding eligibility, equipment and real property management, procurement and suspension and debarment, reporting, subrecipient monitoring, and special tests and provisions that are applicable to its major federal programs as described in the Federal Award Findings and Questioned Cost Section of the accompanying Schedule of Findings and Questioned Costs (page 30). 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 CFDA Program 15.875 Economic, Social and Political Development of the Territories; the WIA Cluster; CFDA Program 20.205 Highway Planning and Construction; CFDA Program 66.600 Environmental Protection Consolidated Grants for the Insular Areas - Program Support; CFDA Program 93.558 Temporary Assistance for Needy Families; the CCDF Cluster; CFDA Program 93.778 Medical Assistance Program (Medicaid); CFDA Program 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters); and CFDA Program 97.039 Hazard Mitigation Grant. Also in our opinion, the Government of Guam complied, in all material respects, with the requirements referred to above that are applicable to each of its other major federal programs for the year ended September 30, 2009. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 09-01, 09-06 and 09-09.

Internal Control Over Compliance

The management of GovGuam is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered GovGuam's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of GovGuam's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 09-01 through 09-10 to be significant deficiencies.

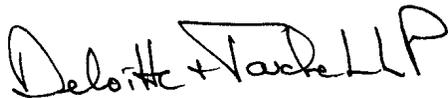
A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider items 09-02 through 09-05, 09-07, 09-08, and 09-10 to be material weaknesses.

GovGuam's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit GovGuam's responses and, accordingly, we express no opinion on them.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Government of Guam (GovGuam) as of and for the year ended September 30, 2009, and have issued our report thereon dated June 23, 2010, which report was modified to include a reference to other auditors and an explanatory paragraph regarding a restatement. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise GovGuam's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (pages 6 through 13) 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 GovGuam. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, 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, others within the entity, the Office of Public Accountability - 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. However, this report is also a matter of public record.

A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is written in a cursive, stylized font.

June 23, 2010

GOVERNMENT OF GUAM

Summary of Schedule of Expenditures of Federal Awards, by Grantor Year Ended September 30, 2009

<u>Agency/Program</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture	\$ 89,741,883
U.S. Department of Commerce	2,440,425
U.S. Department of Defense	3,421,222
U.S. Department of Housing and Urban Development	203,669
U.S. Department of the Interior	17,481,258
U.S. Department of Justice	3,714,046
U.S. Department of Labor	6,142,188
U.S. Department of Transportation	38,834,628
National Foundation on the Arts and the Humanities	518,013
U.S. Environmental Protection Agency	3,631,920
U.S. Department of Energy	336,785
U.S. Department of Education	2,268,803
U.S. Department of Health and Human Services	47,808,408
Corporation for National and Community Service	1,569,273
U.S. Department of Homeland Security	14,240,322
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GRAND TOTAL	\$ <u>232,352,843</u>

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

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards Year Ended September 30, 2009

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE		
10.025	Plant and Animal Disease, Pest Control, and Animal Care	\$ 11,312
10.156	Federal-State Marketing Improvement Program	2,104
10.170	Specialty Crop Block Grant Program - Farm Bill	45,758
10.551	Supplemental Nutrition Assistance Program	78,829,247
10.557	Special Supplemental Food Program for Women, Infants, and Children	9,002,054
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	1,374,337
10.561	ARRA State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	47,651
10.572	WIC Farmers' Market Nutrition Program (FMNP)	62,027
10.664	Cooperative Forestry Assistance	286,261
10.675	Urban and Community Forestry Program	21,140
10.678	Forest Stewardship Program	9,900
10.680	Forest Health Protection	20,000
10.766	Community Facilities Loans and Grants	18,465
10.912	Environmental Quality Incentives Program	3,160
10.914	Wildlife Habitat Incentive Program	8,467
	U.S. DEPARTMENT OF AGRICULTURE TOTAL	\$ <u><u>89,741,883</u></u>
U.S. DEPARTMENT OF COMMERCE		
11.004	Census Intergovernmental Services	\$ 9,907
11.419	Coastal Zone Management Administration Awards	1,319,339
11.426	Financial Assistance for National Centers for Coastal Ocean Science	90,410
11.437	Pacific Fisheries Data Program	67,621
11.463	Habitat Conservation	53,864
11.555	Public Safety Interoperable Communications Grant Program	899,284
	U.S. DEPARTMENT OF COMMERCE TOTAL	\$ <u><u>2,440,425</u></u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards Year Ended September 30, 2009

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF DEFENSE		
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	\$ 137,267
12.401	National Guard Military Operations and Maintenance (O&M) Projects	2,417,512
12.607	Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation	498,081
12.613	Growth Management Planning Assistance	<u>368,362</u>
U.S. DEPARTMENT OF DEFENSE TOTAL		<u>\$ 3,421,222</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
14.235	Supportive Housing Program	<u>\$ 203,669</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT TOTAL		<u>\$ 203,669</u>
U.S. DEPARTMENT OF THE INTERIOR		
15.605	Sport Fish Restoration Program	\$ 1,047,645
15.611	Wildlife Restoration	197,133
15.615	Cooperative Endangered Species Conservation Fund	336,305
15.634	State Wildlife Grants	202,440
15.875	Economic, Social, and Political Development of the Territories	15,159,685
15.904	Historic Preservation Fund Grants-In-Aid	422,392
15.916	Outdoor Recreation-Acquisition, Development and Planning	<u>115,658</u>
U.S. DEPARTMENT OF THE INTERIOR TOTAL		<u>\$ 17,481,258</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards Year Ended September 30, 2009

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF JUSTICE		
16.523	Juvenile Accountability Incentive Block Grants	\$ 264,492
16.532	Part E_National Priority Program Grants	4,986
16.540	Juvenile Justice and Delinquency Prevention-Allocation to States	83,580
16.548	Title V - Delinquency Prevention Program	3,969
16.554	National Criminal History Improvement Program (NCHIP)	23,565
16.575	Crime Victim Assistance	284,741
16.579	Byrne Formula Grant Program	139,306
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	56,664
16.588	Violence Against Women Formula Grants	679,896
16.589	Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	46,598
16.593	Residential Substance Abuse Treatment for State Prisoners	59,737
16.606	State Criminal Alien Assistance Program	378,410
16.609	Community Prosecution and Project Safe Neighborhoods	124,437
16.710	Public Safety Partnership and Community Policing Grants	31,217
16.727	Enforcing Underage Drinking Laws Program	99,868
16.738	Edward Byrne Memorial Justice Assistance Grant Program	1,345,225
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	38,486
16.744	Anti-Gang Initiative	21,912
16.803	Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories	26,957
U.S. DEPARTMENT OF JUSTICE TOTAL		\$ <u><u>3,714,046</u></u>
U.S. DEPARTMENT OF LABOR		
17.002	Labor Force Statistics	\$ 57,913
17.005	Compensation and Working Conditions	41,489
17.207	Employment Service/Wagner-Peyser Funded Activities	458,742
17.207	ARRA Employment Service/Wagner-Peyser Funded Activities	2,592
17.235	Senior Community Service Employment Program	989,431
17.235	ARRA Senior Community Service Employment Program	5,340
17.258	WIA Adult Program	623,342
17.258	ARRA WIA Adult Program	13,443
17.259	WIA Youth Activities	2,395,105
17.259	ARRA WIA Youth Activities	945,599
17.260	WIA Dislocated Workers	312,558
17.260	ARRA WIA Dislocated Workers	14,614
17.266	Work Incentive Grants	2,371
17.273	Temporary Labor Certification for Foreign Workers	35,001
17.504	Consultation Agreements	244,648
U.S. DEPARTMENT OF LABOR TOTAL		\$ <u><u>6,142,188</u></u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards Year Ended September 30, 2009

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF TRANSPORTATION		
20.205	Highway Planning and Construction	\$ 35,824,665
20.218	Motor Carrier Safety Assistance	408,351
20.509	Formula Grants for Other Than Urbanized Areas	722,744
20.600	State and Community Highway Safety	1,878,018
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	<u>850</u>
	U.S. DEPARTMENT OF TRANSPORTATION TOTAL	<u>\$ 38,834,628</u>
NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES		
45.025	Promotion of the Arts-Partnership Agreements	\$ 258,853
45.310	Grants to States	<u>259,160</u>
	NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES TOTAL	<u>\$ 518,013</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY		
66.454	ARRA Water Quality Management Planning	\$ 9,808
66.600	Environmental Protection Consolidated Grants for the Insular Areas - Program Support	3,487,554
66.804	Underground Storage Tank Prevention, Detection and Compliance Program	57,375
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program	44,857
66.818	Brownfields Assessment and Cleanup Cooperative Agreements	<u>32,326</u>
	U.S. ENVIRONMENTAL PROTECTION AGENCY TOTAL	<u>\$ 3,631,920</u>
U.S. DEPARTMENT OF ENERGY		
81.041	State Energy Program	\$ 123,169
81.041	ARRA State Energy Program	<u>213,616</u>
	U.S. DEPARTMENT OF ENERGY TOTAL	<u>\$ 336,785</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards Year Ended September 30, 2009

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Expenditures</u>
 U.S. DEPARTMENT OF EDUCATION		
84.126	Rehabilitation Services-Vocational Rehabilitation Grants to States	\$ 1,894,953
84.169	Independent Living - State Grants	9,918
84.177	Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind	28,739
84.186	Safe and Drug-Free Schools and Communities - State Grants	311,206
84.187	Supported Employment Services for Individuals with Significant Disabilities	<u>23,987</u>
	U.S. DEPARTMENT OF EDUCATION TOTAL	<u>\$ 2,268,803</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	\$ 11,369
93.042	Special Programs for the Aging: Title VII, Chapter 2: Long Term Care Ombudsman Services for Older Individuals	37,101
93.043	Special Programs for the Aging-Title III, Part D-Disease Prevention and Health Promotion Svcs	53,707
93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Ctrs	903,495
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services	1,399,476
93.048	Special Programs for the Aging-Title IV-and Title II-Discretionary Projects	193,644
93.052	National Family Caregiver Support, Title III, Part E	433,873
93.053	Nutrition Services Incentive Program	433,958
93.069	Public Health Emergency Preparedness	653,644
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	175,248
93.110	Maternal and Child Health Federal Consolidated Programs	250,951
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	434,118
93.127	Emergency Medical Services for Children	55,030
93.136	Injury Prevention and Control Research and State and Community Based Programs	16,272
93.150	Projects for Assistance in Transition from Homelessness (PATH)	49,999
93.217	Family Planning - Services	282,809
93.224	Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, Public Housing Primary Care, and School Based Health Centers)	1,081,664
93.243	Substance Abuse and Mental Health Services-Projects of Regional and National Significance	1,412,820
93.268	Immunization Grants	801,389
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	1,185,466
93.399	Cancer Control	<u>4,998</u>
	BALANCE FORWARD	<u>\$ 9,871,031</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards Year Ended September 30, 2009

CFDA#	Agency/Program	Federal Expenditures
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES BALANCE FORWARD	\$ 9,871,031
93.558	Temporary Assistance for Needy Families	3,925,269
93.563	Child Support Enforcement	2,851,682
93.575	Child Care and Development Block Grant	4,819,384
93.597	Grants to States for Access and Visitation Programs	100,017
93.630	Developmental Disabilities Basic Support and Advocacy Grants	220,147
93.667	Social Services Block Grant	2,463,829
93.703	ARRA Health Center Integrated Services Development Initiative	55,288
93.705	ARRA Aging Home-Delivered Nutrition Services for States	80,000
93.713	ARRA Child Care and Development Block Grant	24,666
93.767	Children Health Insurance Program	3,339,742
93.778	Medical Assistance Program	15,474,875
93.778	ARRA Medical Assistance Program	1,400,000
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	240,096
93.917	HIV Care Formula Grants	263,173
93.928	Special Projects of National Significance	599
93.941	HIV Demonstration, Research, Public and Professional Education Projects	32,173
93.943	Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected Population Groups	460,693
93.958	Block Grants for Community Mental Health Services	200,873
93.959	Block Grants for Prevention and Treatment of Substance Abuse	926,000
93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants	83,357
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	161,489
93.991	Preventive Health and Health Services Block Grant	243,482
93.994	Maternal and Child Health Services Block Grant to the States	570,543
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES TOTAL	\$ 47,808,408

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards Year Ended September 30, 2009

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Federal Expenditures</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		
94.003	State Commissions	\$ 128,391
94.006	AmeriCorps	1,374,856
94.006	ARRA AmeriCorps	36,765
94.009	Training and Technical Assistance	<u>29,261</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE TOTAL		<u>\$ 1,569,273</u>
U.S. DEPARTMENT OF HOMELAND SECURITY		
97.004	Homeland Security Grant Program	\$ 107,701
97.012	Boating Safety Financial Assistance	391,151
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	3,098,173
97.039	Hazard Mitigation Grant	7,928,132
97.042	Emergency Management Performance Grants	548,529
97.067	Homeland Security Grant Program	<u>2,166,636</u>
U.S. DEPARTMENT OF HOMELAND SECURITY TOTAL		<u>\$ 14,240,322</u>
GRAND TOTAL		<u>\$ 232,352,843</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2009

1. Scope of Audit

The Government of Guam (GovGuam) 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 the Interior 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 Homeland Security
- 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

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 food stamps electronic benefits transfer (EBT) during the period.

GOVERNMENT OF GUAM

Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2009

2. Summary of Significant Accounting Policies, Continued

b. Reporting Entity:

For purposes of complying with The Single Audit Act of 1984, as amended in 1996, GovGuam’s reporting entity is defined in Note 1A to its September 30, 2009 basic financial statements; except that the Guam Department of Education, the GovGuam Retirement Fund, and all of the discretely presented component units are excluded. Accordingly, the accompanying Schedule of Expenditures of Federal Awards presents the federal award programs administered by GovGuam, as defined above, for the year ended September 30, 2009.

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.

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 2009 grant programs are based on 2009 actual expenditures and caseloads.

d. Matching Costs:

The non-Federal shares of certain programs are not included in the accompanying Schedule of Expenditures of Federal Awards.

3. 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 EBT payments, and loans. For the year ended September 30, 2009, the Government of Guam had the following noncash award:

U.S. Department of Agriculture Food Stamps CFDA #10.551	
Food Stamps EBT benefit payments	\$ <u>78,829,247</u>
Total Food Stamps EBT payments reported on the Schedule of Expenditures of Federal Awards	\$ <u>78,829,247</u>

4. American Recovery and Reinvestment Act of 2009 (ARRA)

In February 2009, the Federal Government enacted the American Recovery and Reinvestment Act of 2009 (ARRA). As of September 30, 2009, GovGuam’s expenditures and grant award notifications are as follows:

GOVERNMENT OF GUAM

Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2009

4. American Recovery and Reinvestment Act of 2009, Continued

<u>CFDA Program</u>	<u>Grant Amount</u>	<u>FY 2009 Expenditures</u>
10.561 ARRA State Administrative Matching Grant for Food Stamp Program	\$ 86,577	\$ 47,651
16.588 ARRA Violence Against Women Formula Grants	661,510	0
16.710 ARRA Public Safety Partnership and Community Policing Grants	1,817,536	0
16.801 Recovery Act – State Victim Assistance Formula Grant Program	212,000	0
16.803 Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program	4,972,500	26,957
17.207 ARRA Employment Service	185,297	2,592
17.235 ARRA Senior Community Service Employment Program	269,887	5,340
17.258 ARRA WIA Adult Program	554,734	13,443
17.259 ARRA WIA Youth Activities	1,383,998	945,599
17.260 ARRA WIA Dislocated Workers	1,608,729	14,614
20.205 ARRA Highway Planning & Construction	18,000,000	0
20.509 ARRA Formula Grants for Other Than Urbanized Areas	921,976	0
45.025 ARRA Promotion of the Arts-Partnership Agreements	25,000	0
66.454 ARRA Water Quality Management Plan	200,000	9,808
66.805 ARRA Leaking Underground Storage Tank Trust Fund Corrective Action Program	138,000	0
81.041 ARRA State Energy Program	20,217,290	213,616
84.397 State Fiscal Stabilization Fund (SFSF)-Government Services, Recovery Act	3,600,000	0
93.703 ARRA Increase Service to Health Center	1,028,379	55,288
93.705 ARRA Home Delivered Meals	80,000	80,000
93.707 ARRA Aging Congregate Nutrition Services for States	162,500	0
93.713 ARRA Child Care Development Fund	3,740,906	24,666
93.778 ARRA Medical Assistance Program (Medicaid; Title XIX)	5,405,000	1,400,000
94.006 ARRA AmeriCorps	<u>340,113</u>	<u>36,765</u>
	<u>\$ 34,937,188</u>	<u>\$ 2,876,339</u>

GovGuam received federal funding from certain programs under ARRA, which are not subject to continuing compliance requirements, and therefore, are not included in the Schedule. For the year ended September 30, 2009, \$39.9 million of federal funds not subject to continuing compliance requirements were received, as follows:

Additional Child Tax Credit	\$ 15,617,257
Making Work Pay Tax Credit	<u>24,300,000</u>
Total ARRA receipts not included in the Schedule	<u>\$ 39,917,257</u>

GOVERNMENT OF GUAM

Reconciliation of Schedule of Expenditures of Federal Awards to Basic Financial Statements Year Ended September 30, 2009

	<u>2009</u> <u>Expenditures</u>
Federal contributions, as reported in the 2009 financial statements:	
Federal Grants Assistance Fund, expenditures	\$ 255,805,826
Less local match and contributions	(30,712,390)
Plus transfers out	<u>7,489,708</u>
Federal expenditures, transfers, and other uses	232,583,144
<u>CFDA #</u>	
11.004 Fund 633 (Census 2010 Fund) Census Intergovernmental Services	9,907
16.554 Superior Court of Guam: National Criminal History Improvement Program (NCHIP)	23,565
93.104 Fund 104 (Community Health Centers Fund) Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	1,314
Unidentified variance	<u>(265,087)</u>
Total Federal Expenditures Subject to Audit	\$ <u>232,352,843</u>

GOVERNMENT OF GUAM

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2009

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs
Year Ended September 30, 2009

Part I - Summary of Auditors' Results Section

Financial Statements

- | | |
|------------------------------------------------------------------------------------------------|---------------|
| 1. Type of auditors' report issued: | Unqualified |
| Internal control over financial reporting: | |
| 2. Material weakness(es) identified? | No |
| 3. Significant deficiency(ies) identified that are not considered to be material weakness(es)? | None reported |
| 4. Noncompliance material to the financial statements noted? | No |

Federal Awards

- | | |
|---------------------------------------------------------------------------------------------------------------------------|-------------|
| Internal control over major programs: | |
| 5. Material weakness(es) identified? | Yes |
| 6. Significant deficiency(ies) identified that are not considered to be material weakness(es)? | Yes |
| 7. Type of auditors' report issued on compliance for major programs: | |
| SNAP Cluster | Unqualified |
| CFDA Number 10.557 | Unqualified |
| CFDA Number 93.767 | Unqualified |
| All other major programs | Qualified |
| 8. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? | Yes |
| 9. Identification of major programs: | |

<u>CFDA</u> <u>Numbers</u>	<u>Name of Federal Program or Cluster</u>
SNAP Cluster:	
10.551	Supplemental Nutrition Assistance Program (SNAP)
10.561	State Administrative Matching Grants for the SNAP
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
15.875	Economic, Social and Political Development of the Territories
WIA Cluster	
17.258	WIA Adult Program
17.259	WIA Youth Activities
17.260	WIA Dislocated Workers
20.205	Highway Planning and Construction
66.600	Environmental Protection Consolidated Grants for the Insular Areas - Program Support
93.558	Temporary Assistance for Needy Families
CCDF Cluster:	
93.575	Child Care and Development Block Grants
93.713	ARRA Child Care and Development Block Grant
93.767	Children's Health Insurance Program
93.778	Medical Assistance Program (Medicaid)
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)
97.039	Hazard Mitigation Grant

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2009

Part I - Summary of Auditors' Results Section, Continued

10. Dollar threshold used to distinguish between Type A and Type B Programs, as those terms are defined in OMB Circular A-133:	\$3,000,000
11. GovGuam qualified as a low-risk auditee, as that term is defined in OMB Circular A-133?	No

Part II – Financial Statement Findings Section

No items are reportable.

Part III - Federal Award Findings and Questioned Cost Section

Reference Number		Finding	Questioned Costs
09-01	10.557	Procurement and Suspension and Debarment	\$ 0
09-02	15.875	Procurement and Suspension and Debarment	0
09-10	15.875	Equipment and Real Property Management	0
09-03	WIA	Subrecipient Monitoring	0
09-04	WIA	Special Tests and Provisions	0
09-09	20.205	Cash Management	0
09-10	20.205	Equipment and Real Property Management	0
09-10	66.600	Equipment and Real Property Management	0
09-05	93.558	Reporting	0
09-08	93.558	Eligibility	0
09-06	CCDF	Period of Availability of Federal Funds	0
09-07	CCDF	Procurement and Suspension and Debarment	0
09-09	93.778	Cash Management	0
09-08	93.778	Eligibility	0
09-10	97.036	Equipment and Real Property Management	0
09-09	97.039	Cash Management	0
09-10	97.039	Equipment and Real Property Management	<u>0</u>
		Total Federal Questioned Costs	\$ <u><u>0</u></u>

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2009

Finding No.: 09-01
Federal Agency: U.S. Department of Agriculture
CFDA Program: 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
Grant Number: 7GU700GU7
Area: Procurement and Suspension and Debarment
Questioned Costs: \$0

Criteria:

In accordance with applicable procurement requirements, the grantee will conduct procurement transactions in a manner providing full and open competition, and 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 84 transactions tested, we noted the following conditions:

1. For one (or 1%), sole source procurement was used for telephone services, based on the rationale that the vendor was the only distributor/agent, but there was no documentation on file to indicate how the grantee determined that no other vendor could provide the required services.

<u>Tran Date</u>	<u>Tran #</u>	<u>Vendor #</u>	<u>Prior Ref</u>	<u>Agency</u>	<u>Amount</u>	<u>Total FY 2009 Expenditures</u>
06/01/09	362431	G0097467	P096A03363	DPHSS	\$ 2,719	\$ 12,212

However, we are aware that the Government of Guam issued a formal bid request for the subsequent procurement of telephone services and equipment. As corrective action has been effected, no questioned costs are presented for this condition.

2. For one (or 1%), the Government of Guam procured directly through the U.S. General Services Agency, but no records were provided to demonstrate how Guam GSA selected one U.S. GSA schedule contractor over any of the other schedule contractors to procure the required goods/services, as follows:

<u>Tran Date</u>	<u>Tran #</u>	<u>Vendor #</u>	<u>Prior Ref</u>	<u>Agency</u>	<u>Amount</u>	<u>Total FY 2009 Expenditures</u>
09/30/09	379866	X0012204	P096A00866	DPHSS	\$ 4,555	\$ 16,559

However, we noted the abovementioned transaction was incurred under a five-year contract that was effective prior to FY 2009, and the Government of Guam has commenced corrective action through the issuance in January 2009 of GSA Circular No. 2009-01 "Utilization of U.S. General Services Administration (GSA) Contract or Schedule," which notifies all governmental departments/agencies of the open competition procedures to be used prior to selecting a vendor from the U.S. GSA contract or schedule. As corrective action has been effected, no questioned costs are presented for this condition.

Cause:

Government of Guam management did not enforce established procurement regulations and in addition for Condition 2, believed, at the time, it could procure directly from any U.S. GSA schedule contractor without the need to demonstrate open competition.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2009

Finding No.: 09-01, Continued
Federal Agency: U.S. Department of Agriculture
CFDA Program: 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
Grant Number: 7GU700GU7
Area: Procurement and Suspension and Debarment
Questioned Costs: \$0

Effect:

The Government of Guam is in noncompliance with applicable procurement requirements. No questioned costs are presented for reasons set forth in the conditions above, respectively.

Recommendation:

Government of Guam management should demonstrate open competition in the selection of any vendor in accordance with applicable procurement requirements.

Auditee Response and Corrective Action Plan:

Condition 1: Guam [General] Services Agency issued a formal bid for the subsequent procurement of telephone services and equipment.

Condition 2: Guam [General] Services Agency has commenced corrective action through the issuance in January 2009 of GSA Circular No.: 2009-01 which notifies all governmental Departments/agencies of open competition procedures to be used prior to selecting a vendor from the U.S. GSA contract or schedule.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2009

Finding No.: 09-02
Federal Agency: U.S. Department of the Interior
CFDA Program: 15.875 Economic, Social, and Political Development of the Territories
Area: Procurement and Suspension and Debarment
Questioned Costs: \$0

Criteria:

In accordance with applicable procurement requirements, the grantee will conduct procurement transactions in a manner providing full and open competition, and 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 local procurement law, the following requirements apply:

- For small purchases of supplies or services between \$500 and \$15,000, no less than three positive written quotations from businesses shall be solicited, recorded and placed in the procurement file.
- Competitive sealed bidding should be used when the procurement exceeds the small purchase threshold of \$14,999, and a minimum of 15 days shall be provided unless a shorter time is deemed necessary for a particular procurement as determined in writing by the procurement officer.
- For professional services, the procurement file should contain a written determination that, among other things, services to be acquired are services specified in Section 3114(a) of Guam's procurement regulations, and Guam has neither the personnel nor resources to perform the services required under the proposed contract.
- Sole source procurement is not permissible unless a requirement is available from only a single supplier. A requirement for a particular proprietary item does not justify a sole source procurement if there is more than one potential bidder or offeror for that item. In cases of reasonable doubt, competition should be solicited.

Condition:

1. In FY 2008, noncompliance with procurement requirements was cited for the purchase order below. The records in the procurement file were not sufficient to demonstrate open competition. The Government of Guam had procured directly through the U.S. General Services Agency, but no records were provided to demonstrate how Guam GSA selected one U.S. GSA schedule contractor over any of the other schedule contractors to procure the required goods/services. Total expenditures in FY 2009 charged to the noncompliant procurement under grant number Guam-COFA-2006-1 is as follows:

<u>Tran Date</u>	<u>Tran #</u>	<u>Vendor #</u>	<u>Prior Ref</u>	<u>Agency</u>	<u>Amount</u>
10/28/08	0320818	X0012204	P086A00219	DVR	\$ 585

However, we noted the abovementioned transaction was incurred under a five-year contract that was effective prior to FY 2009, and the Government of Guam has commenced corrective action through the issuance in January 2009 of GSA Circular No. 2009-01 "Utilization of U.S. General Services Administration (GSA) Contract or Schedule," which notifies all governmental departments/agencies of the open competition procedures to be used prior to selecting a vendor from the U.S. GSA contract or schedule. As corrective action has been effected, no questioned costs are presented for this condition.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2009

Finding No.: 09-02, Continued
Federal Agency: U.S. Department of the Interior
CFDA Program: 15.875 Economic, Social, and Political Development of the Territories
Area: Procurement and Suspension and Debarment
Questioned Costs: \$0

Condition, Continued:

Of 36 transactions tested, we noted the following:

- For one (or 3%) under grant number G-114, professional services were procured through requests for proposals (RFPs), and potential professionals were given the minimum ten days to respond, but the required written determinations for procuring professional services were not provided. Therefore, it would appear that potential professionals should have been given a minimum of fifteen days to respond.

<u>Tran Date</u>	<u>Tran #</u>	<u>Vendor #</u>	<u>Prior Ref</u>	<u>Agency</u>	<u>Amount</u>
12/19/08	355580	G0097681	P086A05041	DOA	\$ 15,210

However, as the procurement file indicates that GovGuam attempted open competition, and the two vendors who picked up RFPs were both able to provide proposals, no questioned cost is presented for this transaction.

- For one (or 3%) under grant number TA-GUAM-GIS-2009-1, sole source procurement was used, based on the rationale that the vendor was the only distributor/agent; however, there was no third-party documentation on file to indicate how the grantee determined that no other vendor could provide the required goods or services.

<u>Tran Date</u>	<u>Tran #</u>	<u>Vendor #</u>	<u>Prior Ref</u>	<u>Agency</u>	<u>Amount</u>
07/17/09	EFT_081109	E0098471	P096A04881	Planning	\$ 317,500

However, we were provided a letter from the grantor specific to this transaction, stating, "OIA will not question costs incurred for eligible items." Since we have determined the items are within the scope of the approved award, no questioned cost is presented for this transaction.

Cause:

Government of Guam management did not enforce established procurement regulations.

Effect:

The Government of Guam may be in noncompliance with applicable procurement requirements. No questioned costs are presented for reasons set forth in the conditions, respectively.

Recommendation:

Government of Guam management should enforce established procurement regulations and should ensure maintenance of records sufficient to detail the significant history of a procurement to substantiate compliance with applicable procurement requirements. Additionally, Government of Guam management should demonstrate open competition in the selection of any vendor in accordance with applicable procurement requirements.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2009

Finding No.: 09-02, Continued
Federal Agency: U.S. Department of the Interior
CFDA Program: 15.875 Economic, Social, and Political Development of the Territories
Area: Procurement and Suspension and Debarment
Questioned Costs: \$0

Auditee Response and Corrective Action Plan:

[Condition 3] Response:

The procurement file does contain evidence that the company was the only company that can provide the required goods and services. An interoffice memorandum was in the procurement file justifying the need to use the method of sole source procurement. The company also provided documents that they were the only company that can provide services or goods.

Corrective Action:

GSA will continue to improve the procurement process. GSA issued Circular No.: 09-003 on June 05, 2009 to all line departments/agencies/autonomous, advising them that if they will recommend sole source procurement method, they would have to submit a cost analysis to show reasonableness prior to issuing a purchase order.

Auditor Response:

According to local procurement regulations, Section 3112(b), *Conditions for use of Sole source Procurement*, "Sole source procurement is not permissible unless a requirement is available from only a single supplier. A requirement for a particular proprietary item does not justify a sole source procurement if there is more than one potential bidder or offeror for that item....In cases of reasonable doubt, competition should be solicited."

The only evidence in the procurement file that the company is the sole provider of the required goods and services is a letter from the company itself. There is no evidence of third-party corroboration. As for the written sole source justification, it contains statements such as, "almost all of the Federal agency partners we work with also utilize the ESRI software," and "the company ...is the leader of GIS software in the world." Such statements indicate that there are potentially other vendors who could provide the goods and services. Based on our reading of the written sole source justification, as well as internet searches, we believe there was more than one potential bidder or offeror and competition should have been solicited in accordance with applicable procurement requirements. Therefore, the finding remains.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2009

Finding No.: 09-03
Federal Agency: U.S. Department of Labor
CFDA Program: 17.258 WIA Adult Program, 17.259 WIA Youth Activities; 17.260 WIA Dislocated Workers
Grant Number: AA-17161-08-55-A-66
Area: Subrecipient Monitoring
Questioned Costs: \$0

Criteria:

In accordance with applicable subrecipient monitoring requirements, the grantee must have a monitoring system which ensures that established policies to achieve program quality and outcomes meet the Workforce Investment Act objectives. Also, the grantee is to determine that each subrecipient has a current Central Contractor Registration (CCR) prior to awarding ARRA funds.

Condition:

Monitoring procedures were not performed to determine compliance with policies relating to services of One-Stop Centers and Services Providers, and the determination of subrecipient CCR was not made prior to awarding ARRA funds.

Cause:

The Retention and Monitoring Unit responsible for monitoring subrecipients was detailed to perform other tasks, and program management was not aware of the requirement to determine CCRs prior to awarding ARRA funds. No questioned cost is presented as we are unable to quantify the extent of noncompliance.

Effect:

The Government of Guam is in noncompliance with applicable subrecipient monitoring requirements.

Recommendation:

The Retention and Monitoring Unit should obtain an understanding of all subrecipient monitoring requirements and ensure compliance.

Auditee Response and Corrective Action Plan:

Point of Contact: Victoria Helen Mafnas, Administrative Service Officer

Date of Corrective Action: Immediately

RESPONSE:

The Department of Labor has one (1) subrecipient under the Recovery Act funds. The [subrecipient] was contracted to perform the "Summer Youth Employment Program" to begin in June 2009 and end September 2009. The contract was signed by the [subrecipient] and the Department of Labor on the 26th of May, 2009 and subsequently signed by the Governor on June 24, 2009.

The Department has in place a Monitoring policy approved by the Guam Workforce Investment Board on December 18, 2006, GWIB-MO-001 (*See Attachment A*). This policy is the tool used by the department to review and monitor all activities funded in whole or in part by Workforce Investment Act dollars.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2009

Finding No.: 09-03, Continued
Federal Agency: U.S. Department of Labor
CFDA Program: 17.258 WIA Adult Program, 17.259 WIA Youth Activities; 17.260 WIA Dislocated Workers
Grant Number: AA-17161-08-55-A-66
Area: Subrecipient Monitoring
Questioned Costs: \$0

Auditee Response and Corrective Action Plan, Continued:

Monitoring ARRA activities: At the time of the Single Audit on-site review, the Retention and Monitoring unit staff were conducting the desk reviews of files for youths who participated in the GCC YES Program. The determination of the CCR may not have been identified at the execution of the contract, it is known as a government of Guam entity that the [subrecipient] is a recipient of federal dollars and is required to have the necessary CCR documentation in place in order to receive federal funding. In addition, the department has indicated in the contract WHEREAS Clause two (2) through six (6) identifies the source of funding and the activities that are permissible under the American Recovery & Reinvestment Act of 2009.

On March 18, 2009, U.S. Department of Labor, Employment and Training Administration issued Training and Employment Guidance (TEGL) Letter 14-08, which provided each state with Guidance for Implementation of the Workforce Investment Act and Wagner-Peyser Funding in the American Recovery and Reinvestment Act of 2009 and State Planning Requirements for Program Year 2009 (*See Attachment B*).

Key guiding principles to the implementation of the ARRA activities:

1. Item Number Six (6) of the guidance provides key recovery act provisions and emphasis of note that the department followed to engage with the [subrecipient], specifically bullet number two (2) and five (5):
 - Contracts with Institutions of Higher Education and Other Training Providers (page 6.)
 - Connections to Other Federal Recovery Act Investments (page 8.)
2. Item Number Sixteen (16) provides guidance on the implementation of the Youth Program, specifically “Summer Employment”.

CORRECTIVE ACTION PLAN:

The department will review its policy and procedures and make modifications to include immediate changes needed as federal requirements are posted.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2009

Finding No.: 09-04
Federal Agency: U.S. Department of Labor
CFDA Program: 17.258 WIA Adult Program; 17.259 WIA Youth Activities; 17.260 WIA Dislocated Workers
Grant Number: AA-17161-08-55-A-66
Area: Special Tests and Provisions
Questioned Costs: \$0

Criteria:

In accordance with applicable special tests and provisions requirements, the grantee is required to identify and document, at the time of the subawards and disbursement of funds, the Federal award number, CFDA number, and the amount of American Recovery and Reinvestment Act (ARRA) funds; and to require each subrecipient to provide appropriate identification in its Schedule of Expenditures of Federal Awards (SEFA) and Data Collection Form (SF-SAC).

Condition:

For subaward GDOL09-ARRA-003, the Government of Guam did not identify and document, at the time of the subaward, the Federal award number and the CFDA number, nor did it require the subrecipient to provide appropriate identification in the SEFA and SF-SAC.

Cause:

The Government of Guam was not aware of the requirement to identify and document the Federal award number, CFDA number, and the amount of ARRA funds or to require the subrecipient to provide appropriate identification in their SEFA and SF-SAC.

Effect:

The Government of Guam is in noncompliance with applicable special tests and provisions requirements. No questioned cost is presented as we are unable to quantify the extent of noncompliance.

Recommendation:

Government of Guam management should identify and document, at the time of the subawards, the Federal award number and CFDA number, and should require the subrecipient to provide appropriate identification in their SEFA and SF-SAC.

Auditee Response and Corrective Action Plan:

Point of Contact: Victoria Helen Mafnas, Administrative Service Officer
Date of Corrective Action: Immediately

RESPONSE:

The Department of Labor has one (1) subrecipient under the Recovery Act funds. The [subrecipient] was contracted to perform the "Summer Youth Employment Program" to begin in June 2009 and end September 2009. The contract was signed by the [subrecipient] and the Department of Labor on the 26th of May, 2009 and subsequently signed by the Governor on June 24, 2009.

On June 22, 2009, the Office and Management Budget issued Memorandum M-09-21 Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009. Therefore, the implementing guidance was received after the contract was executed with the [subrecipient].

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2009

Finding No.: 09-04, Continued
Federal Agency: U.S. Department of Labor
CFDA Program: 17.258 WIA Adult Program; 17.259 WIA Youth Activities; 17.260 WIA Dislocated Workers
Grant Number: AA-17161-08-55-A-66
Area: Special Tests and Provisions
Questioned Costs: \$0

Auditee Response and Corrective Action Plan, Continued:

On March 18, 2009, U.S. Department of Labor, Employment and Training Administration issued Training and Employment Guidance (TEGL) Letter 14-08, which provided each state with Guidance for Implementation of the Workforce Investment Act and Wagner-Peyser Funding in the American Recovery and Reinvestment Act of 2009 and State Planning Requirements for Program Year 2009 (*See Attachment B*).

Key guiding principles to the implementation of the ARRA activities:

1. Item Number Six (6) of the guidance provides key recovery act provisions and emphasis of note that the department followed to engage with the [subrecipient], specifically bullet number two (2) and five (5):

- Contracts with Institutions of Higher Education and Other Training Providers (page 6.)
- Connections to Other Federal Recovery Act Investments (page 8.)

2. Item Number Sixteen (16) provides guidance on the implementation of the Youth Program, specifically “Summer Employment”.

CORRECTIVE ACTION PLAN:

The department will review its policy and procedures and make modifications to include immediate changes needed as federal requirements are posted.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2009

Finding No.: 09-05
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.558 Temporary Assistance for Needy Families Grant Number (TANF)
Area: Reporting
Questioned Costs: \$0

Criteria:

In accordance with applicable reporting requirements, the ACF-196-TR and ACF-204 reports should reflect accurate data. In addition, ACF-199 and ACF 209 reports should be prepared and submitted.

Condition:

- 1) Total outlays reported on the ACF-196-TR as of September 30, 2009, do not reconcile with the expenditures per AS400 or other underlying accounting records as of 9/30/09, as follows:

<u>Grant Year</u>	<u>Grant Award #</u>	<u>Outlays per ACF</u>	<u>Outlays per AS400</u>	<u>Variance</u>
2006-2009	0*01GUTANF	\$ 3,514,139	\$ 3,915,789	\$ (401,650)

- 2) Total outlays reported on the ACF-204 as of September 30, 2009, do not reconcile with the expenditures per AS400 or other underlying accounting records as of 9/30/09, as follows:

<u>Grant Year</u>	<u>Grant Award #</u>	<u>Outlays per ACF</u>	<u>Outlays per AS400</u>	<u>Variance</u>
2006-2009	0*01GUTANF	\$ 4,139,065	\$ 3,915,789	\$ 223,276

- 3) The following reports were not provided for examination:

- a) ACF-199, *TANF Data Report (OMB No. 0970-0309)*
- b) ACF 209, *SSP-MOE Data Report (OMB No. 0970-0309)*

Cause:

Government of Guam management did not maintain underlying accounting records to support reported amounts. Also, it appears that Government of Guam management did not prepare required reports.

Effect:

The Government of Guam is in noncompliance with applicable reporting requirements.

Recommendation:

Government of Guam management should ensure that underlying accounting records are maintained to substantiate reported amounts and that required reports are prepared, submitted, and maintained on file.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2009

Finding No.: 09-05, Continued
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.558 Temporary Assistance for Needy Families Grant Number (TANF)
Area: Reporting
Questioned Costs: \$0

Auditee Response and Corrective Action Plan:

Response:

- 1) Agree. The variance in the reports may have been due to the restructuring of the TANF accounts. In FY 2009, DPHSS collaborated with DOA Accounting to analyze and revise past reports to accurately reflect program requirements, local matching requirements and benefits distribution (both local and federal). By September 2009, further collaboration with the Bureau of Budget and Management Research led to the restructuring of all TANF accounts, separating locally and federally funded benefits; establishing accounts for local matching and maintenance of effort requirements; and classifying accounts as continuing allowing for unspent funds to be carried over each fiscal year until fully expended. Local and federal benefits previously lumped into one miscellaneous account were now set up individually for TANF Adult Cases (Aid to the Blind, Old Age Assistance and Aid to the Partially and Totally Disabled), Public Assistance and General Assistance (100% Local). Expenditures were transferred and the old accounts closed.
- 2) Agree. Administrative costs per AS400 may not reflect costs defined as administrative costs within the allowed cap. Adjustments are made to extract these costs to input into the ACF-204 report.
- 3) To date, the ACF-199 and ACF-209 Reports have been provided for examination.

Corrective Action Plan:

- 1) DPHSS has maintained the new TANF structure for FY 2010 that allows for easier tracking of expenditures and more accurate reporting of the use of funds as well as maintenance of effort and local matching requirements.
- 2) Spreadsheets will be prepared to identify these administrative costs versus the non-administrative costs such as the ES salaries and benefits and other related expenditures to direct services and attached to the ACF-204 reports for future review.
- 3) DPW State Office will maintain copies of all reports filed by the various sections.

Name and job title of responsible personnel:

Bernard D. Cruz, Management Analyst IV
Kimberly C. Camacho, Administrative Officer

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2009

Finding No.: 09-06
 Federal Agency: U.S. Department of Health and Human Services
 CFDA Program: 93.575 Child Care and Development Block Grant
 93.718 ARRA Child Care and Development Block Grant
 Area: Period of Availability of Federal Funds
 Questioned Costs: \$0

Criteria:

In accordance with applicable period of availability requirements, funds must be obligated by the end of the succeeding fiscal year after award, and expended by the end of the third fiscal year after award.

Condition:

At September 30, 2009, there are outstanding encumbrances and available balances recorded in the financial management system for expired grants, as follows:

<u>Grant Year</u>	<u>Award Period</u>	<u>Outstanding Encumbrance</u>	<u>Available Balance</u>	<u>Grant Award #</u>
2003	10/01/02 – 09/30/05	\$ 0	\$ 2,032	G-0301GUCCDF
2004	10/01/03 – 09/30/06	\$ 0	\$ 66,932	G-0401GUCCDF
2005	10/01/04 – 09/30/07	\$ 3,627	\$ 478,257	2005G999003
2006	10/01/05 - 09/30/08	\$ 0	\$ 56,350	G-0601GUCCDF
2007	10/01/06 – 09/30/09	\$ 19,945	\$ 0	G-0701GUCCDF
2008	10/01/07- 09/30/10	\$ 0	\$ 321,940	G-0801GUCCDF

Furthermore, expenditures were obligated to the grant after expiration of the applicable period of availability, as follows:

<u>Grant Year</u>	<u>Award Period</u>	<u>FY 2009 Expenditures</u>	
2007	10/01/06 – 09/30/09	\$ 46,426	Liquidations after 09/30/08

However, no questioned cost results because GovGuam management provided subsequent journal vouchers, transferring expenditures to the 2008 grant, for which the period of availability is not yet expired as of 09/30/09.

Cause:

Government of Guam management did not perform the necessary monitoring procedures to ensure that expired grants are de-encumbered and/or de-appropriated in a timely manner.

Effect:

The Government of Guam is in noncompliance with applicable period of availability requirements. Outstanding encumbrances and/or available balances for grant years 2003 through 2008 are overstated. If such balances are not de-encumbered or de-appropriated, the Government of Guam could potentially expend Federal funds in noncompliance with applicable period of availability requirements.

Recommendation:

Government of Guam management should develop more specific control procedures over monitoring a fund during the period of availability and de-encumbering or de-appropriating expired funds. The responsible accounting personnel should ensure that expired grants are de-encumbered or de-appropriated in a timely manner and that any liquidation of obligations for expired grants is charged to the General Fund.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2009

Finding No.: 09-06, Continued
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.575 Child Care and Development Block Grant
93.718 ARRA Child Care and Development Block Grant
Area: Period of Availability
Questioned Costs: \$0

Auditee Response and Corrective Action Plan:

❖ **Condition:**

As of September 30, 2009, there are outstanding encumbrances and available balances recorded in the financial management system for expired grants.

Response:

After DPHSS review of the financial management system for FY2009, responses are provided as follows:

Grant Years

2003 – 2006	See attached transaction report showing the available balances de-obligated during the close-out period of FY2009. As per DOA Accounting, all outstanding encumbrances are rolled-over as available balances when liquidated in preparation for de-obligation.
2007	See attached transaction report showing the outstanding encumbrance of \$16,964.
2008	See attached transaction report showing available balances of \$321,188.

De-obligations and differences in amounts were due to transactions that took place during the standard Fiscal Year 2009 close-out period of October – December 2009.

Corrective Action Plan:

Mandatory adoption of a Standard Uniform Ledger modeled after the Department of Administration AS-400 system and developed for the proper tracking and reporting of federal grant funds. *Bureau Administrators and Fiscal Staff attended training on the use of the ledger on Monday, 9/19/09 at the WPS Conference Room. Training facilitated by Ben Cruz and AO.*

The ledger will be maintained per account number and is designed with:

- sub-ledgers for each category of funds to be expended;
- a section for tracking outstanding encumbrances, payments to encumbrances, and allotments/appropriations as received;

❖ **Condition:** Expenditures were charged to the grant after the applicable period of availability.

Response:

Agree. CCDF Employees' Salaries/Benefits for FY2009 in the amount of \$46,426 were erroneously charged to FY07 Grant Award funds during the liquidation period.

Corrective Action Plan:

1. Effective Fiscal Year 2010, Salaries/Benefits will only be charged to the current grant year. At the start of the 2nd grant year, accounts will be adjusted to move current employees' pay to the current grant year with remaining available funds are transferred to the Contractual and Miscellaneous categories for encumbrance by the end of the 2nd year and liquidation in the 3rd year. This will result in the maximization of the use of CCDF funds for programs and services.
2. Mandatory adoption of a Standard Uniform Ledger modeled after the Department of Administration AS-400 system and developed for the proper tracking and reporting of federal grant funds. *Bureau Administrators and Fiscal Staff attended training on the use of the ledger on Monday, 9/19 at the WPS Conference Room. Training facilitated by Ben Cruz and AO.*

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2009

Finding No.: 09-07
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.575 Child Care and Development Block Grant
93.718 ARRA Child Care and Development Block Grant
Grant Number: G-0701GUCCDF
Area: Procurement and Suspension and Debarment
Questioned Costs: \$0

Criteria:

In accordance with applicable procurement requirements, the grantee will conduct procurement transactions in a manner providing full and open competition, and 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:

In FY 2008, noncompliance with procurement requirements was cited for the contract below. The records in the procurement file were not sufficient to demonstrate open competition. Specifically, there was no evidence included, such as a request for bid advertisement, the bid specifications, and the bid evaluation worksheet, for us to make a determination as to whether the most responsive bidder was selected on a reasonable basis. Total expenditures charged to the noncompliant procurement are as follows:

<u>Tran Date</u>	<u>Tran #</u>	<u>Vendor #</u>	<u>Prior Ref</u>	<u>Agency</u>	<u>Amount</u>	Total FY 2009 <u>Expenditures</u>
05/13/09	351371	U0226001	C070601800	DPHSS	\$ 245,541	\$245,541

Cause:

Government of Guam management did not enforce established procurement regulations. Also, the contract was awarded without open competition because the grantee specifically stated in its State Plan that it would partner with this vendor to provide training services to its service providers. The grantee believed that the grantor's approval of the State Plan translated into approval of sole sourcing to the specified vendors.

Effect:

The Government of Guam is in noncompliance with applicable procurement requirements. No questioned cost is presented at this finding because the grantee was following its grantor-approved State Plan, and we do not dispute the qualifications of this institution of higher education.

Recommendation:

Government of Guam management should enforce established procurement regulations. Also, the Government of Guam should demonstrate that open competition is applied to the selection of all vendors, including the selection of vendors being named in a grant application or State Plan.

Auditee Response and Corrective Action Plan:

Disagree to an extent. Executive Order No. 2000-25 (copy attached), states "Whenever professional consulting, education, or training programs can be obtained through the current instructional resources of the University of Guam or the Guam Community College, all government departments and agencies shall obtain these services through the University of Guam or the Guam Community College."

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2009

Finding No.: 09-07, Continued
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.575 Child Care and Development Block Grant
93.718 ARRA Child Care and Development Block Grant
Grant Number: G-0701GUCCDF
Area: Procurement and Suspension and Debarment
Questioned Costs: \$0

Auditee Response and Corrective Action Plan, Continued:

Corrective Action Plan:

This is a repeat finding and, as a result, the GSA Chief Procurement Officer, is awaiting an opinion from the Attorney General on this matter.

Due to this repeat audit finding, in FY 2009 DPHSS executed a Request for Proposal through GSA to solicit for interested vendors to provide this service – [a vendor different from U0226001] was awarded the contract. This practice will continue until such time that an official opinion from the AG is provided for guidance on the procurement of future contracts.

Name and job title of responsible personnel: Carmelita Babauta, Program Coordinator II

Auditor response:

The local executive order appears to limit competition, which is contrary to the objective of providing all vendors with the opportunity to participate in a federally funded activity. Moreover, even if the local executive order were an acceptable justification for selection, the grantee would still need to demonstrate how one institute of learning was chosen over the other. Such selection documentation was not provided. Therefore, the finding remains.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2009

Finding No.: 09-08
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.778 Medical Assistance Program
CFDA Program: 93.558 Temporary Assistance for Needy Families
Grant Number: 05-0905GQ5028, 05-0905GQARRA
Area: Eligibility
Questioned Costs: \$0

Criteria:

In accordance with applicable eligibility requirements, such documents as application worksheets, social security cards, proof of citizenship, notice of action, verification of employment forms, and recertification forms should be maintained on file to substantiate eligibility determinations. Furthermore, the income and eligibility verification system (IEVS) shall be used to verify eligibility using wage information available from such sources as the agencies administering State unemployment compensation laws, Social Security Administration (SSA), the Internal Revenue Service, or other alternative sources approved by the grantor to verify income eligibility and the amount of eligible benefits.

Condition:

Of 141 cases, aggregating \$1,749,806 in total claims, we noted the following:

1. For 19 (or 13%), no copy of the social security card is on file for one or more participants associated with the following case numbers:

33-43363-01	30-53072-01	33-28212-04	33-75381-04	33-71073-07	33-50197-08	33-52330-01
33-50122-03	33-78171-01	33-50197-08	30-78352-03	33-25602-08	33-46776-04	33-70903-06
33-76270-03	33-71562-01	33-78924-03	33-60161-05	30-45839-05		

For three (or 2%), the cases were also approved for TANF.

30-53072-01	30-78352-03	30-45839-05
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2. For eight (or 6%), no copy of the birth certificate is on file for one or more participants associated with the following case numbers:

33-28212-04	33-50122-03	33-78171-01	33-71747-01	33-25602-08	33-71562-01	33-78924-03
10-71319-01						

For one (or 1%) (i.e., 10-71319-01), the case was also approved for TANF.

3. For all cases, there is no documentation to indicate that the income and eligibility verification system (IEVS) was used to verify eligibility.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2009

Finding No.: 09-08, Continued
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.778 Medical Assistance Program
CFDA Program: 93.558 Temporary Assistance for Needy Families
Grant Number: 05-0905GQ5028, 05-0905GQARRA
Area: Eligibility
Questioned Costs: \$0

4. For eight (or 6%), the case files lacked certain verification documents, as follows:

33-51400-01 Need documentation of household member's disability
33-38007-08 Need school verification
33-43363-01 Need school verification
30-53072-01 Need work registration
30-73898-01 Need school verification
33-43970-04 Need verification of employment
33-77452-01 Need work registration
33-45314-02 Need school verification

For two (or 1%), the cases were also approved for TANF.

30-53072-01 30-73898-01

5. For four (or 3%), the case files lacked certain residency documents, as follows:

33-43970-04 No mayor's certification of residency
33-35636-07 No mayor's certification of residency
30-73898-01 No mayor's certification of residency
33-48752-08 One household member not included in mayor's certification of residency

For one (or 1%) (i.e., 30-73898-01), the case was also approved for TANF.

6. For nine (or 6%), no notice of action were on file for the following case numbers:

50-26917-01 33-48434-06 50-75983-01 30-56454-03 33-42487-07 33-43363-01 33-43970-04
33-25602-08 33-73192-02

For two (or 1%), the cases were also approved for TANF.

50-75983-01 30-56454-03

7. For one (or 1%) (i.e., 33-50132-06), no signature from Eligibility Specialist was evident.

Cause:

Government of Guam management did not maintain case files in sufficient detail to demonstrate compliance with applicable eligibility requirements.

Effect:

The Government of Guam is in noncompliance with applicable eligibility requirements. No questioned cost is presented for as we are unable to quantify the extent of noncompliance.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2009

Finding No.: 09-08, Continued
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.778 Medical Assistance Program
CFDA Program: 93.558 Temporary Assistance for Needy Families
Grant Number: 05-0905GQ5028, 05-0905GQARRA
Area: Eligibility
Questioned Costs: \$0

Recommendation:

The Program Administrator should strengthen record keeping controls to ensure that complete case files are maintained to substantiate eligibility and that the IEVS is implemented in accordance with applicable eligibility requirements. Furthermore, if the grantee is unable to use the IEVS, then the Program Administrator should consider discussing the issue with the grantor agency and obtaining a written waiver or approved alternative.

Auditee Corrective Action Plan:

Name and job title of responsible personnel:

Bernard D. Cruz, Management Analyst IV

Specific corrective procedures to be performed:

Recommendation:

- (1) The Program Administrator should strengthen record keeping controls to ensure that complete case files are maintained to substantiate eligibility.
- (2) Implement IEVS in accordance with applicable eligibility requirements

Response:

- (1) Certification Supervisors will conduct random supervisory case reviews to ensure documentation substantiating case action is in file.
- (2) The IEVS system is a mandate required by the Administration of Children and Families. Guam is making strides in getting the system in place. Test files have been transmitted, however we are having issues with return files. We are targeting getting this system in place by December 31, 2010.

Date for performance of corrective action:

- (1) Effective July 1, 2010
- (2) Effective December 31, 2010

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2009

Finding No.: 09-09
CFDA Program: 20.205 DOT Highway Planning and Construction Grant Number
CFDA Program: 93.778 HHS Medicaid
CFDA Program: 97.039 DHS Hazard Mitigation Grants
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. Furthermore, any amount of interest from advances over \$100 should be returned to the Federal government.

Condition:

For the following major programs, we noted noncompliance with applicable cash management requirements, as follows:

1. CFDA No. 20.205: For 17 (or 33%) of 51 transactions tested, the time elapsed between the receipt of Federal funds and the clearance of disbursed checks exceeded the approved clearance pattern, ranging from one to 38 days.
2. CFDA No. 93.778: For 94 (or 58%) of 163 transactions tested, the time elapsed between the receipt of Federal funds and the clearance of disbursed checks exceeded the approved clearance pattern, ranging from one day to 45 days.
3. CFDA No. 97.039: For 7 (or 13%) of 52 transactions tested, the time elapsed between the receipt of Federal funds and the clearance of disbursed checks exceeded the approved clearance pattern, ranging from four days to 18 days.

Cause:

Government of Guam management did not fully monitor the timing of drawdowns.

Effect:

The Government of Guam is in noncompliance with applicable cash management requirements. Interest earned on advances and the interest liability for each major program is as follows:

<u>CFDA No.</u>	<u>Interest Earned on Advances</u>	<u>Interest Liability</u>
20.205	\$ 639	\$ 539
93.778	\$ 1,828	\$ 1,728
97.039	\$ 233	\$ 133

No questioned cost exists because the projected interest liability does not exceed \$10,000 for each major program. Although no questioned cost is associated with this finding, the interest earned exceeds \$100 for each major program; therefore, this finding is considered reportable.

Recommendation:

The Controller should more closely monitor the timing of drawdowns to ensure that the time elapsed between the receipt of Federal funds and the clearance of disbursed checks is in accordance with the approved Treasury-State Agreement. Furthermore, interest earned on advances in excess of \$100 should be remitted to the Federal Government.

GOVERNMENT OF GUAM

**Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2009**

Finding No.: 09-09, Continued
CFDA Program: 20.205 DOT Highway Planning and Construction Grant Number
CFDA Program: 93.778 HHS Medicaid
CFDA Program: 97.036 DHS Hazard Mitigation Grants
Area: Cash Management
Questioned Costs: \$0

Auditee Response and Corrective Action Plan:

20.205

Generally, we agree with the audit findings relative to the cash management that some checks have cleared beyond the approved clearance of disbursed checks in accordance with the approved Treasury-State Agreement. The Department of Administration does not control the drawdown request vouchering method. To minimize the lapse between the check clearance and the drawdown request, the Department of Public Works, Department of Administration and Richelle Takara of Federal Highway Administration have been coordinating to improve the existing process and procedures.

93.778 and 97.039

Generally, we agree with the audit findings relative to the cash management that some checks had cleared beyond the approved clearance of disbursed checks in accordance with the approved Treasury-State Agreement. We have adopted the revised Standard Operating Procedure (SOP); however, we do not control as to when these disbursed checks were to be presented for payments at the designated bank; we are encouraging all federal grants vendors to receive their payments electronically, in conformance with our SOPs.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2009

Finding No.: 09-10
 CFDA Program: 15.875 DOI Economic, Social and Political Development of the Territories
 CFDA Program: 20.205 DOT Highway Planning and Construction
 CFDA Program: 66.600 EPA Environmental Protection Consolidated Grants for the Insular Areas-Program Support
 CFDA Program: 97.036 DHS Disaster Grants - Public Assistance (Presidentially Declared Disasters)
 CFDA Program: 97.039 DHS Hazard Mitigation Grant
 Area: Equipment and Real Property Management
 Questioned Costs: \$0

Criteria:

In accordance with the applicable equipment management requirements, grantees that acquire equipment with Federal funds are required to perform a physical inventory of the property and reconcile results with property records at least once every two years. Such property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date and cost of the property, percentage of Federal participation in the cost of the property, the location use and condition of the property, and any ultimate disposition data, including the date of disposal and sale price of the property. In addition, adequate maintenance procedures must be established to keep the property in good condition.

Condition:

The Government of Guam has not performed the required comprehensive physical inventories of its property in FY 2009 or in the two prior years. We are unable to assess the overall cumulative monetary value of this deficiency. However, a summary of total capital outlays over the past five years for the Government of Guam’s FY 2009 major programs is as follows:

	Program CFDA #s	2009 Purchases	2008 Purchases	2007 Purchases	2006 Purchases	2005 Purchases	Total
1.	10.551/10.561	\$ 0	0	153,222	136,679	103,219	393,120
2.	10.557	\$ 17,700	0	0	0	0	17,700
3.	15.875	\$ 701,368	544,666	792,224	2,141,421	5,515,208	9,694,887
4.	17.258/259/260	\$ 0	0	0	0	16,017	16,017
5.	20.205	\$ 3,931,920	2,962,379	1,396,487	2,956,688	2,150,383	13,397,857
6.	66.600	\$ 71,696	64,389	47,436	0	114,831	298,352
7.	93.558	\$ 0	0	0	52,349	0	52,349
8.	93.575	\$ 0	0	0	4,018	675	4,693
9.	93.767	\$ 0	0	0	0	0	0
10.	93.778	\$ 0	0	0	0	21,796	21,796
11.	97.036	\$ 20,995	14,010	9,680	278,240	567,728	890,653
12.	97.039	\$ 0	5,399	142,331	202,522	821,559	1,171,811

Additionally, we noted that for CFDA # 66.600, for all four assets selected for testing, we were unable to physically observe the existence of the following:

<u>Tran Date</u>	<u>PO</u>	<u>Description</u>	<u>Amount</u>
9/25/01	P016A06039	COMPUTER	\$2,250
3/27/03	P036A02391	A/C 12000 BTU	\$1,180
2007	P076A05627	PRINTER	\$1,128
2008	P076A07209	Toughbook Panasonic	\$4,475

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2009

Finding No.: 09-10, Continued
 CFDA Program: 15.875 DOI Economic, Social and Political Development of the Territories
 CFDA Program: 20.205 DOT Highway Planning and Construction
 CFDA Program: 66.600 EPA Environmental Protection Consolidated Grants for the Insular Areas-Program Support
 CFDA Program: 97.036 DHS Disaster Grants - Public Assistance (Presidentially Declared Disasters)
 CFDA Program: 97.039 DHS Hazard Mitigation Grant
 Area: Equipment and Real Property Management
 Questioned Costs: \$0

Cause:

Noncompliance with applicable equipment management requirements has been a continuing finding from prior audits, and Government of Guam management is still in the process of effecting corrective action and of developing an equipment management system that complies with applicable equipment management standards. 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 comprehensive physical inventory.

Effect:

The Government is in noncompliance with applicable equipment management requirements. The underlying capital outlays are not considered questioned costs as corrective action is in progress. This noncompliance applies to the following major programs, for which cumulative capital outlays over the past five years exceeds FY 2009 materiality levels: CFDA numbers 15.875, 20.205, 66.600, 97.036, and 97.039.

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 Corrective Action Plan:

Name and job title of responsible personnel:

On the new organizational chart, the Fixed Asset/ Property Management Section is under the Appropriation Branch. The General Accounting Supervisor for this section is Gaudencio Rosario.

Specific corrective procedures to be performed:

PHYSICAL INVENTORY PROCEDURES

	SUBJECT	PLAN OF ACTION	RESPONSIBLE EMPLOYEE	Performance Date
1	FIXED ASSETS LISTING PER AGENCY (\$5000.00 AND OVER)	DOA - Obtain Fixed Assets listings per agency to predetermine the existence of Fixed assets with at least \$5000.00 in acquisition cost. Computers and vehicles will be included regardless of acquisition cost.	DOA Fixed Assets Staff	06/01 - 05/2010 (See note below.)

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2009

Finding No.: 09-10, Continued
 CFDA Program: 15.875 DOI Economic, Social and Political Development of the Territories
 CFDA Program: 20.205 DOT Highway Planning and Construction
 CFDA Program: 66.600 EPA Environmental Protection Consolidated Grants for the Insular Areas-Program Support
 CFDA Program: 97.036 DHS Disaster Grants - Public Assistance (Presidentially Declared Disasters)
 CFDA Program: 97.039 DHS Hazard Mitigation Grant
 Area: Equipment and Real Property Management
 Questioned Costs: \$0

Auditee Corrective Action Plan, Continued:

PHYSICAL INVENTORY PROCEDURES

	SUBJECT	PLAN OF ACTION	RESPONSIBLE EMPLOYEE	Performance Date
2	PHYSICAL INVENTORY MEETING	DOA Fixed Assets Inventory staff to officially meet with the Director, Property Manager, Division Heads and Supervisors to discuss the undertaking of the physical inventory. (Inventory sheets will be controlled by assigned payroll number of all active employees.)		07/01/2010 - 08/15/2010
3	INVENTORY SHEETS	DOA - to provide customized inventory sheets to the director of departments/agencies.	DOA Fixed Assets Staff	07/01/2010 - 08/15/2010
4	INVENTORY SHEETS	Director - to delegate to the property manager/or equivalent the responsibility of distributing the inventory sheets to the division heads/supervisors & oversight of the physical inventory process.	Director	08/16 - 31/2010
5	INVENTORY SHEETS	Property manager/or equivalent - to distribute inventory sheets to division heads/supervisors.	Property Manager/or equivalent	08/16 - 31/2010
6	INVENTORY SHEETS	Division heads/supervisors - to distribute inventory sheets.	Division Head	08/16 - 31/2010
7	PHYSICAL INVENTORY	Assigned employee - to inventory all items categorized as Fixed asset that they are using and responsible for with at least \$5000.00 in acquisition cost including computers and vehicles. (Inventory sheets will remain with the employee.)	Employee Who has custody	09/01 - 30/2010
8	PHYSICAL INVENTORY	Property manager/or equivalent and Division head/or assigned staff = to inventory all other items (SHARED/COMMON) categorized as Fixed Assets in the division with at least \$5000.00 in acquisition cost including computers and vehicles.	Property Manager/or equivalent AND Division head/or assigned staff	09/01 - 30/2010
8-A	PHYSICAL INVENTORY AUDIT	DOA Fixed Assets Inventory Staff - to conduct ocular review of items physically inventoried in the department.	DOA Fixed Assets Staff	10/01 - 30/2010
9	INVENTORY SHEETS	Division head/supervisor - to accumulate all completed inventory sheets and turn over to property manager.	Division Head/supervisor	11/01 - 30/2010
10	INVENTORY SHEETS & MASTER LISTING	Property manager - to consolidate all inventory sheets. Property manager - to prepare a master listing of all inventory items in excel spreadsheet. Property manger - to submit to DOA Inventory Staff all inventory sheets and the master listing in excel.	Property manager	11/01 - 30/2010

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2009

Finding No.: 09-10, Continued
 CFDA Program: 15.875 DOI Economic, Social and Political Development of the Territories
 CFDA Program: 20.205 DOT Highway Planning and Construction
 CFDA Program: 66.600 EPA Environmental Protection Consolidated Grants for the Insular Areas-Program Support
 CFDA Program: 97.036 DHS Disaster Grants - Public Assistance (Presidentially Declared Disasters)
 CFDA Program: 97.039 DHS Hazard Mitigation Grant
 Area: Equipment and Real Property Management
 Questioned Costs: \$0

Auditee Corrective Action Plan, Continued:

PHYSICAL INVENTORY PROCEDURES

	SUBJECT	PLAN OF ACTION	RESPONSIBLE EMPLOYEE	Performance Date
11	INVENTORY VERIFICATION	DOA Fixed Assets Staff - to cross check the items inventoried by departments against the AS400 INVENTORY LISTING.	DOA Fixed Assets Staff	11/01 - 30/2010
12	RECONCILIATION	DOA Fixed Assets Staff - to provide the departments' property manager a list of all items in the AS400 LIST that was not included in the physical inventory sheets and master listing of the department.	DOA Fixed Assets Staff	12/01 - 01/31/11
13	RECONCILIATION	Property manager - to provide explanation - why items under their custody according to AS400 listing were not physically inventoried.	Property manager	12/01 - 01/31/11
14	RECONCILIATION	DOA Fixed Assets Staff - to investigate items physically inventoried in a department but not showing in the AS400.	DOA Fixed Assets Staff	12/01 - 01/31/11
15	FINAL INVENTORY LISTING	DOA Fixed Assets Staff - to provide the departments' property manager a final list of all items in the AS400 that belong to the Department.	DOA Fixed Assets Staff	02/01 - 03/31/11
16	TAGGING	DOA Fixed Assets Staff/Department Property manager - to tag all Fixed Assets physically inventories and accounted for.	DOA Fixed Assets Staff/Department Property manager	02/01 - 03/31/11

Note: Pilot testing will be done with DOA first, for the period of 06/01-30/10. Subject to the result of this pilot test will determine how we should proceed with the rest of the line agencies.

Date for performance of corrective action:

March 31, 2011

GOVERNMENT OF GUAM

Summary of Unresolved Questioned Costs Arising from
Prior Year Single Audits
Year Ended September 30, 2009

	<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 03	\$ 595,820	\$ 595,820	\$ -
Unresolved Questioned Costs FY 04	15,700	-	15,700
Unresolved Questioned Costs FY 05	93,977	54,236	39,741
Unresolved Questioned Costs FY 06	2,450,590	2,330,475	120,115
Unresolved Questioned Costs FY 07	2,800,197	237,742	2,562,455
Unresolved Questioned Costs FY 08	<u>188,143</u>	<u>3,042</u>	<u>1,878,393</u>
	\$ <u>7,837,719</u>	\$ <u>3,221,315</u>	4,616,404
Add Questioned Costs for FY 2009			<u>0</u>
Total Unresolved Questioned Costs at September 30, 2009			\$ <u>4,616,404</u>

GOVERNMENT OF GUAM

Summary of Unresolved Questioned Costs Arising from
Prior Year Single Audits, Continued
Year Ended September 30, 2009

<u>CFDA #</u>		<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>Total</u>
10.557	WIC	\$ 44,048	\$ -	\$ -	\$ -	\$ -	\$ 44,048
15.875	Compact Impact	192,770	821,288	-	-	-	1,014,058
20.205	Highway Planning & Construction	-	126,170	-	-	-	126,170
66.600	Environmental Protection	151,864	-	-	-	-	151,864
93.283	CDC	-	-	-	39,741	-	39,741
93.575	CCDF	238,166	49,011	-	-	-	287,177
93.778	Medicaid	388,976	-	-	-	-	388,976
93.994	Maternal and Child Health	-	-	-	-	15,700	15,700
97.004/97.067	Homeland Security	809,146	1,455,162	-	-	-	2,264,308
97.039/83.548	Hazard Mitigation	-	-	120,115	-	-	120,115
	Nonmajor Programs	<u>53,423</u>	<u>110,824</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>164,247</u>
	Totals	<u>\$1,878,393</u>	<u>\$2,562,455</u>	<u>\$120,115</u>	<u>\$39,741</u>	<u>\$15,700</u>	<u>\$ 4,616,404</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, 2009

Finding #	CFDA #	Questioned Costs Resolved in 2009	Responding Office
2003-09	16.579	\$ 277,427	U.S. DOJ, June 23, 2009
2003-05	83.541	\$ 9,855	Guam DOL, April 14, 2010
2003-09	83.544	\$ 26,779	U.S. DHS, October 17, 2008
2003-09	83.544	\$ 281,759	U.S. DHS, October 17, 2008
2005-06	15.875	\$ 54,236	OMB Circular A-133, Section .315(b)(4)
2006-11	93.558	\$ 402,764	U.S. DHHS, August 25, 2008
2006-16	93.575	\$ 155,168	U.S. DHHS, November 20, 2008
2006-17	93.575	\$ 101,569	U.S. DHHS, November 20, 2008
2006-19	93.575	\$ 8,587	U.S. DHHS, November 20, 2008
2006-25	93.959	\$ 21,583	U.S. DHHS, August 25, 2008
2006-27	94.006	\$ 53	OMB Circular A-133, Section .315(b)(4)
2006-30	97.004	\$ 1,640,751	OMB Circular A-133, Section .315(b)(4)
2007-01	10.551	\$ 29,400	USDA, March 31, 2010
2007-02	10.557	\$ 34,893	USDA, June 4, 2009
2007-03	10.557	\$ 176	USDA, June 4, 2009
2007-04	15.875	\$ 142,645	Guam DPW, February 22, 2010
2007-11	66.600	\$ 17,503	U.S. EPA, October 1, 2009
2007-18	93.778	\$ 13,125	U.S. DHHS, February 26, 2010
2008-01	10.551	\$ <u>3,042</u>	USDA, April 6, 2010
Total Questioned Costs Resolved \$		<u>3,221,315</u>	