



OFFICE OF PUBLIC ACCOUNTABILITY

Suite 401 DNA Building, 238 Archbishop Flores Street, Hagåtña, Guam 96910

Tel (671) 475-0390 · Fax (671) 472-7951 · Hotline: 47AUDIT (472-8348)

www.opaguam.org

Government of Guam – FY 2019 Compliance Highlights

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Hagåtña, Guam – The Office of Public Accountability has released the Government of Guam’s (GovGuam) fiscal year (FY) 2019 Single Audit Reports on Internal Control over Financial Reporting and Compliance, Report on Compliance for Each Major Federal Programs and Report on Internal Control over Compliance. Independent auditors Deloitte & Touche, LLP rendered qualified opinions on two of the six major federal programs: the Supplemental Nutrition Assistance Program (SNAP) and Economic, Social and Political Development of Territories. The remaining four received unmodified (clean) opinions. This is an improvement from the prior year’s qualified opinions on four major federal programs.

Qualified opinions were due to the ineffective monitoring of compliance with the Automatic Data Processing (ADP) and Electronic Benefit Transfer (EBT) systems’ requirements, non-compliance with bi-annual physical inventory, and untimely reconciliation of capital assets. The auditors identified eight findings in internal controls. FY 2019 findings resulted in questioned costs totaling \$1.1 million (M), which increased from prior years’ unresolved questioned costs of \$549 thousand (K) to \$1.7M.

Federal Program Funding

GovGuam and the line agencies expended \$377.8M in federal awards from 15 grantors in FY 2019. The largest grant came from the U.S. Department of Health and Human Services at \$178.0M for the various welfare programs, such as Medicaid at \$115.8M and Children’s Health Insurance Program at \$29.5M. The second largest was the U.S. Department of Agriculture at \$111.2M, of which \$100.5M was for SNAP, better known as food stamps. The third largest was the U.S. Department of Transportation at \$39.8M of which \$37.8M was for Highway Planning and Construction.

GovGuam component units expended \$192.8M in federal awards. The top three agencies were Guam Department of Education at \$68.0M, Guam Housing and Urban Renewal Authority at \$51.5M and University of Guam at \$30.0M. For FY 2019 GovGuam also received non-cash awards of \$100.5M.

Single Audit Findings

In FY 2019, eight findings were identified in the Single Audit, of which three were repeat findings from the prior year. The findings increased by four from the previous year. Four findings were material weaknesses and four were significant deficiencies. As of FY 2019, total questioned costs of \$1.1M accumulated to \$1.7M.

SNAP-Eligibility and Special Tests and Provisions (2019-001, 2019-002, 2019-003), Questioned Costs \$594K

- Significant deficiencies (2019-001); material weaknesses (2019-002, 2019-003).
- Second consecutive year that GovGuam’s payment error rate exceeded 105% of the national performance measure.
- Department of Public Health and Social Services did not effectively monitor compliance with ADP and EBT systems’ requirements.
- Finding 2019-003 is a repeat from FY 2018.

General Ledger and Schedule of Expenditures and Federal Awards (SEFA) Reconciliations (2019-007)

- Material weakness.
- GovGuam did not perform timely reconciliations and monitoring controls over completeness of SEFA were not effective. Specifically:
 - a) \$4.0M expenditures remain unreconciled and proposed for adjustments; and
 - b) \$4.2M recorded expenditures on sub-recipient transactions were not reconciled in the SEFA.

Economic, Social and Political Development of Territories - Equipment and Real Property Management and Capital Assets (2019-008)

- Continuing material weakness from prior audits.
- GovGuam's processes over inventory, maintenance and reconciliation of capital assets are not routine. Specifically:
 - a) Bi-annual physical inventory and reconciliation were not performed; and
 - b) Untimely reconciliation of capital assets resulted to 32 post-closing adjustments.
- GovGuam requires more funding and human resources to fully develop a reliable equipment management system. Over the years, it is still in the process of effecting corrective actions to develop and fund the system.

Economic, Social, and Political Development of Territories - Procurement and Suspension Debarment (2019-004), Questioned Costs \$517K

- Repeat significant deficiency from FY 2018.
- Emergency procurement was used eight times to procure services for the Medical Referral Assistance Office from the same contractor. Four procurement files did not have sufficient documentation to substantiate existing emergency conditions.

Medical Assistance Program - Eligibility and Reporting (2019-2005 and 2019-006), Questioned Costs \$4K

- Significant deficiencies.
- GovGuam did not effectively manage case files and monitor eligibility determination as such one case file was not available and one household member was not subjected to eligibility verification. GovGuam did not enforce monitoring controls over reconciliations and compliance with reporting requirements as some expenditures did not have accounting records.

Management Letter

The auditors issued a separate management letter identifying 21 findings for nine GovGuam agencies. The findings significantly increased by 17 from four in the prior year. With the highest number of findings, the Department of Administration (DOA) was recommended to: 1) hire experienced personnel to assist in the scrutiny of asset and liability accounts; 2) investigate validity of recorded transactions; 3) perform timely reconciliations; 4) ensure proper recording of all transactions; and 5) coordinate with responsible agencies on the submission of required reports, collections of accounts, and seeking necessary legislation. Other agencies were advised to perform timely recording of transactions, perform reconciliation of accounts, update documentation, and timely submit financial information to DOA. The Department of Revenue and Taxation needs to perform annual analysis of income tax provision and provide timely tax credit information to DOA.

In addition, the auditors issued four findings relative to the information technology environment.

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