



**EXECUTIVE SUMMARY**  
**Government of Guam Oversight of American Recovery and Reinvestment Act Funds**  
**Report No. 11-02, April 2011**

The Department of the Interior's Inspector General Recovery Oversight Office requested the Office of Public Accountability (OPA) to evaluate the system of internal controls developed by the Government of Guam (GovGuam) to monitor the implementation and reporting of programs funded by the American Recovery and Reinvestment Act (ARRA).

We found that ARRA grants awarded to GovGuam are treated the same as regular federal grants, with recipient entities responsible for monitoring the implementation and reporting of ARRA programs without additional oversight. As a result, there is minimal assurance of improved or enhanced compliance, accountability, or transparency of ARRA grants compared to other federal grants. The Single Audit, which is part of the annual Financial Audit, is the primary compliance review for all federal and ARRA programs. However, this review is an after-the-fact determination of compliance. Preventative measures, including risk assessments, are not taken to mitigate noncompliance related to funds or programs. We also found that improvements are needed for the Guam Recovery Website and other entity websites to better promote accountability and transparency.

ARRA was an economic stimulus package enacted by the U.S. Congress in 2009 to create jobs and promote long-term growth and spur economic activity during the most recent recession. An important element of ARRA was an unprecedented commitment by the Congress and Administration to additional public accountability and transparency over the use of these stimulus monies. The Bureau of Budget and Management Research (BBMR), tasked to lead GovGuam's implementation of ARRA, reported that, as of September 30, 2010, GovGuam has received \$234.6 million (M) in ARRA funds and has expended or encumbered only \$82.9M, or 35%. With most ARRA funds having a September 2011 obligation deadline, the need to encumber and expend the remaining \$151.7M, or 65%, becomes essential. Because of the looming time pressures to use these ARRA funds by the obligation deadline, there exists an increased risk of procurement irregularities, errors, omissions, and potential fraud.

**Additional Oversight for the Implementation of ARRA Funds Needed**

Due to insufficient capacity, funding, and training, BBMR limits its role to ensuring compliance with reporting deadlines and compliance with Section 1512 reporting and not necessarily with overseeing the appropriate use of ARRA funds. As a result, recipient entities continue to be internally responsible for monitoring their respective ARRA-funded programs and activities without additional external oversight. Thus, there has been little or no assurance of improved or enhanced compliance, accountability, or transparency.

**ARRA Funds at Risk for Procurement Irregularities, Errors, Omissions and Potential Fraud**

While BBMR and several recipient agencies contend that the regulation requiring Attorney General approval on procurements of \$500,000 or greater hinders timely spending and obligation of funds, this external review acts as an independent control to mitigate the risk of procurement irregularities, errors, omissions and potential fraud. Without a similar control, procurements below \$500,000 are also at risk. Bill 48-31, passed in February 2011, provides temporary expedited procurement protest procedures for the Department of Education's (DOE) ARRA funded acquisitions. Subsequently, Governor's Directive No. 2011-002 engaged an "ARRA Rapid Response Team" to work diligently on ensuring maximum and expeditious usage of ARRA funds. With hurried attempts to encumber the

remaining \$151.7M before the obligation deadline, we believe Guam's procurement laws and regulations currently provide the safeguards to ensure compliance with ARRA's stringent accountability and transparency provisions and should be followed.

### **No Reconciliation of Data between Guam Recovery and Federal Recovery Websites**

As lead agency for ARRA Funds, BBMR established the Guam Recovery Website, [www.recovery.guam.gov](http://www.recovery.guam.gov), "to provide public access to ARRA information and Guam's efforts in putting resources towards the best possible use." We found, however, that the website lacked transparency and sufficient accountability. Namely, BBMR's consolidated quarterly reports do not reconcile to the Federal Recovery Website, [www.recovery.gov](http://www.recovery.gov). According to the federal website, \$281.7M was awarded to Guam between February 17, 2009 and September 30, 2010. GovGuam was awarded \$236.6M and the rest was awarded to private companies and non-profit organizations. However, BBMR's website reports GovGuam's share at \$234.6M, a \$2M difference. BBMR does not track awards to non-government entities.

We reviewed the data that reported the use of ARRA funds for four of the 21 entities that were awarded such funds: the departments of Labor (DOL), Public Works (DPW), DOE, and the Guam Energy Office (GEO). We found variances of \$663,000 and \$1.9M in the total amounts awarded and expended, respectively.

### **Website Improvements Needed to Promote Accountability and Transparency of ARRA Funds**

We also found that the Guam Recovery Website lacked adequate information to track or review the status of projects and activities of the primary recipients, sub-recipients, vendors, and contractors. Review findings on ARRA grant use and management plans to address them are not posted. We found that the Bureau of Statistics and Plans, DOE, DOL, Guam Community College, GEO, Guam Housing and Urban Renewal Authority, and the University of Guam devote sections of their respective websites to their ARRA projects and activities, including such details as to the totals they were awarded, the amounts expended, the types of programs, and names of the granting federal agencies.

### **Conclusion and Recommendations**

Although ARRA was implemented with an unprecedented commitment by the Congress and Administration to provide additional public accountability and transparency over the use of these stimulus monies, we found that ARRA grants awarded to GovGuam are treated the same as regular federal grants, with recipient entities responsible for monitoring the implementation and reporting of ARRA programs. Subsequently, in February 2011, the new GovGuam administration established the "ARRA Rapid Response Team" tasked to work diligently to fund solutions to the government of Guam's financial challenges including maximum and expeditious usage of federal funds, with heightened focus on ARRA funds.

BBMR issued a five-page response elaborating on the various findings and concurrence in principle with the following recommendations:

- (1) Increase oversight responsibilities by performing risk assessments using the findings and questioned costs identified in the annual Single Audit reports and developing appropriate responses to the assessed risks to prevent recurrence of findings and identify other areas of control weaknesses; and
- (2) Work with the Bureau of Information Technology to restructure the Guam Recovery Website to mirror the information on the Federal Recovery Website and consider best practices for website formatting. In addition, monitor or coordinate with agencies to ensure their respective websites comply with ARRA website requirements.

Doris Flores Brooks, CPA, CGFM  
Public Auditor