

GOVERNMENT OF GUAM

SINGLE AUDIT REPORTS

YEAR ENDED SEPTEMBER 30, 2002

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YEAR ENDED SEPTEMBER 30, 2002

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED UPON THE AUDIT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Felix P. Camacho
Governor
Government of Guam:

We have audited the general purpose financial statements of the Government of Guam as of and for the year ended September 30, 2002, and have issued our report thereon dated December 31, 2003, which report was qualified due to our inability to access tax related records; the incomplete inclusion of the Department of Education; the incomplete presentation of capital assets; the absence of an accrual for closure and post-closure costs of a solid waste landfill; the lack of audited financial statements of the Tourist Attraction Fund, the Territorial Highway Fund, the Port Authority of Guam (PAG), and the Guam Waterworks Authority – Component Units, and the Government of Guam Retirement Fund – a Trust Fund; the omission of the Guam Community College, a Business Type Activity and the Guam Visitors Bureau (GVB), Guam Rental Corporation (GRC), Guam Telephone Authority (GTA), Guam Housing Corporation (GHC) and Guam Memorial Hospital Authority (GMHA) - Component Units; and our inability to determine the propriety of the General Fund reserve for continuing appropriations. Except as discussed in the preceding sentence, 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.

Compliance

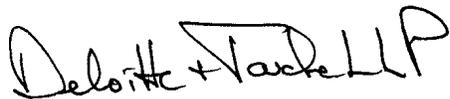
As part of obtaining reasonable assurance about whether the Government of Guam's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings and Questioned Costs (pages 29 through 126) as items 02-01, 02-02, 02-04, 02-05, 02-08, 02-11, 02-12, 02-15 through 02-17, 02-21, 02-23, 02-25, 02-28, 02-32, 02-36 through 02-39, 02-46, 02-57, 02-70, 02-72, 02-84, 02-92, 02-100, 02-101, 02-103, 02-104, and 02-111 through 113.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Government of Guam's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Government of Guam's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 02-01, 02-02, 02-04 through 02-06, 02-08 through 02-12, 02-15 through 02-17, 02-21, 02-23 through 02-25, 02-28, 02-32, and 02-36 through 02-113.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 02-10, 02-24, 02-38, 02-39, 02-40, 02-42 through 45, 02-47, 02-49 through 02-52, 02-54 through 02-61, 02-67, 02-71, 02-75 through 02-77, 02-79, 02-80, 02-83, 02-85 through 02-87, 02-95 through 02-99 and 02-107 through 02-109 to be material weaknesses.

This report is intended solely for the information and use of the management of the Government of 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.

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

December 31, 2003



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL
OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM
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 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, 2002. 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 29 through 126). 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.

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 the Government of Guam'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 on the Government of Guam's compliance with those requirements.

As described in items 02-01, 02-02, 02-04, 02-05, 02-08, 02-11, 02-12, 02-14 through 02-21, 02-23, 02-25 through 02-28, 02-30 and 02-32 through 02-39 in the accompanying Schedule of Findings and Questioned Costs, the Government of Guam did not comply with requirements regarding allowable costs/cost principles; cash management; eligibility; equipment and real property management; matching, level of effort, or earmarking; period of availability of Federal funds; procurement and suspension and debarment; reporting; subrecipient monitoring; and special tests and provisions that are applicable to its major federal programs described in the accompanying Schedule of Major Federal Award Programs (page 27). 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 each of its major federal programs for the year ended September 30, 2002.

Internal Control Over Compliance

The management of the Government of Guam is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Government of Guam's internal control over compliance with 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

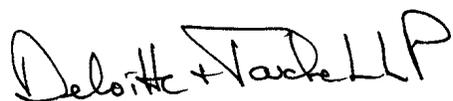
We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Government of Guam's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 02-01 through 02-40, 02-45, 02-48, 02-85 and 02-109.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 02-01, 02-02, 02-04 through 02-06, 02-08, 02-10 through 02-12, 02-15 through 02-20, 02-23 through 02-26, 02-29, 02-31, 02-32, 02-36 through 02-40, 02-45, 02-85 and 02-109 to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the general purpose financial statements of the Government of Guam as of and for the year ended September 30, 2002, and have issued our report thereon dated December 31, 2003, which report was qualified due to our inability to access tax related records; the incomplete inclusion of the Department of Education; the incomplete presentation of capital assets; the absence of an accrual for closure and post-closure costs of a solid waste landfill; the lack of audited financial statements of the Tourist Attraction Fund, the Territorial Highway Fund, the Port Authority of Guam (PAG) and the Guam Waterworks Authority – Component Units, and the Government of Guam Retirement Fund – a Trust Fund; the omission of the Guam Community College, a Business Type Activity and the Guam Visitors Bureau (GVB), Guam Rental Corporation (GRC), Guam Telephone Authority (GTA), Guam Housing Corporation (GHC) and Guam Memorial Hospital Authority (GMHA) - Component Units; and our inability to determine the propriety of the General Fund reserve for continuing appropriations. Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards (pages 5 through 23) is presented for the purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements. This schedule is the responsibility of the management of the Government of Guam. Such information has been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects when considered in relation to the general purpose financial statements taken as a whole.

This report is intended solely for the information and use of the management of the Government of 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.



December 31, 2003

GOVERNMENT OF GUAM

Summary of Schedule of Expenditures of Federal Awards, by Grantor
Year Ended September 30, 2002

<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2001	Cash Receipts and Adjustments	Expenditures	Accrued (Deferred) Balance at September 30, 2002
U.S. Department of Agriculture	\$ 6,849,115	\$ 65,756,226	\$ 62,044,573	\$ 3,137,462
U.S. Department of Commerce	1,214,865	1,160,593	820,180	874,452
U.S. Department of Defense	3,435,213	1,132,427	1,580,949	3,883,735
U.S. Department of Housing and Urban Development	279,320	339,831	94,745	34,234
U.S. Department of the Interior	4,194,014	6,277,685	5,039,443	2,955,772
U.S. Department of Justice	4,259,499	7,016,853	5,417,627	2,660,273
U.S. Department of Labor	2,770,927	4,457,668	5,293,364	3,606,623
U.S. Department of Transportation	4,396,138	21,362,214	18,831,622	1,865,546
National Foundation on the Arts and the Humanities	314,299	558,830	561,371	316,840
U.S. Environmental Protection Agency	1,265,792	2,440,906	3,116,073	1,940,959
U.S. Department of Energy	159,470	(222,598)	537,477	919,545
Federal Emergency Management Agency	5,395,431	26,569,755	31,737,159	10,562,835
U.S. Department of Education	5,282,276	2,155,944	1,543,571	4,669,903
U.S. Department of Health and Human Services	4,698,038	52,125,549	50,757,204	3,329,693
Corporation for National and Community Service	583,185	377,332	294,881	500,734
Social Security Administration	(1,225,693)	(1,252,173)	111,719	138,199
GRAND TOTAL	\$ 43,871,889	\$ 190,257,042	\$ 187,781,958	\$ 41,396,805

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

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2002

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2001	Cash Receipts and Adjustments	Expenditures	Accrued (Deferred) Balance at September 30, 2002
U.S. DEPARTMENT OF AGRICULTURE					
10.072	Wetlands Reserve Program	\$ 891	\$ 891	\$ -	\$ -
10.156	Federal-State Marketing Improvement Program	5,639	5,639	-	-
10.200	Grants for Agricultural Research, Special Research Grants	19,938	19,938	-	-
10.551	Food Stamps	-	51,815,528	51,815,528	-
10.557	Special Supplemental Food Program for Women, Infants and Children	6,408,880	9,443,964	5,743,234	2,708,150
10.561	State Administrative Matching Grant for Food Stamp Program	(727,293)	3,912,103	3,708,597	(930,799)
10.572	WIC Farmers' Market Nutrition Program (FMNP)	237,328	103,437	1,456	135,347
10.664	Cooperative Forestry Assistance	859,585	454,503	769,955	1,175,037
10.769	Rural Development Grants	44,147	223	5,803	49,727
U.S. DEPARTMENT OF AGRICULTURE TOTAL		<u>\$ 6,849,115</u>	<u>\$ 65,756,226</u>	<u>\$ 62,044,573</u>	<u>\$ 3,137,462</u>

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Schedule of Expenditures of Federal Awards
Year Ended September 30, 2002

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Accrued (Deferred) Balance at September 30, 2001</u>	<u>Cash Receipts and Adjustments</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Balance at September 30, 2002</u>
U.S. DEPARTMENT OF COMMERCE					
11.001	Census Bureau Data Products	\$ 30,415	\$ 30,415	\$ -	\$ -
11.004	Census Intergovernmental Services	-	1,102	-	(1,102)
11.307	Special Economic Development and Adjustment Assistance Program - Sudden and Severe Economic Dislocation and Long-Term Economic Deterioration	76,461	76,461	-	-
11.407	Interjurisdictional Fisheries Act of 1986	13,882	32,153	25,866	7,595
11.419	Coastal Zone Management Administration Awards	890,992	992,642	683,071	581,421
11.437	Pacific Fisheries Data Program	203,115	27,820	111,243	286,538
	U.S. DEPARTMENT OF COMMERCE TOTAL	<u>\$ 1,214,865</u>	<u>\$ 1,160,593</u>	<u>\$ 820,180</u>	<u>\$ 874,452</u>

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Schedule of Expenditures of Federal Awards
Year Ended September 30, 2002

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2001	Cash Receipts and Adjustments	Expenditures	Accrued (Deferred) Balance at September 30, 2002
U.S. DEPARTMENT OF DEFENSE					
12.110	Planning Assistance to States	\$ -	\$ 186,262	\$ 186,262	\$ -
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services (DSMOA)	822,602	896,059	132,973	59,516
12.400	Military Construction, National Guard	799,580	137,808	-	661,772
12.401	National Guard Military Operations and Maintenance (O&M) Projects	1,813,031	(87,702)	1,261,714	3,162,447
U.S. DEPARTMENT OF DEFENSE TOTAL		\$ 3,435,213	\$ 1,132,427	\$ 1,580,949	\$ 3,883,735

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Schedule of Expenditures of Federal Awards
Year Ended September 30, 2002

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Accrued (Deferred) Balance at September 30, 2001</u>	<u>Cash Receipts and Adjustments</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Balance at September 30, 2002</u>
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
14.225	Community Development Block Grants/Special Purpose	\$ 279,320	\$ 284,328	\$ 5,008	\$ -
14.235	Supportive Housing Program	<u>-</u>	<u>55,503</u>	<u>89,737</u>	<u>34,234</u>
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT TOTAL	<u>\$ 279,320</u>	<u>\$ 339,831</u>	<u>\$ 94,745</u>	<u>\$ 34,234</u>

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Schedule of Expenditures of Federal Awards
Year Ended September 30, 2002

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2001	Cash Receipts and Adjustments	Expenditures	Accrued (Deferred) Balance at September 30, 2002
U.S. DEPARTMENT OF THE INTERIOR					
15.601	Guam Fish Sport Development	\$ 73,405	\$ 73,405	\$ -	\$ -
15.605	Sport Fish Restoration	(128,542)	565,739	826,070	131,789
15.611	Wildlife Restoration	318,079	550,875	288,241	55,445
15.612	Endangered Species Conservation	(85,000)	655,620	380,809	(359,811)
15.616	Clean Vessel Act	(27,986)	(24,118)	-	(3,868)
15.875	Economic, Social and Political Development of the Territories and the Freely Associated States	3,882,652	4,445,395	3,349,441	2,786,698
15.904	Historic Preservation Fund Grants-In-Aid	138,505	(12,132)	194,882	345,519
15.916	Outdoor Recreation - Acquisition, Development & Planning (Land and Water Conservation Fund Grants)	22,901	22,901	-	-
U.S. DEPARTMENT OF THE INTERIOR TOTAL		<u>\$ 4,194,014</u>	<u>\$ 6,277,685</u>	<u>\$ 5,039,443</u>	<u>\$ 2,955,772</u>

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Schedule of Expenditures of Federal Awards
Year Ended September 30, 2002

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2001	Cash Receipts and Adjustments	Expenditures	Accrued (Deferred) Balance at September 30, 2002
U.S. DEPARTMENT OF JUSTICE					
16.000	Construction of Hagatna Territorial Detention Facility	\$ 39,565	\$ 39,565	\$ -	\$ -
16.523	Juvenile Accountability Incentive Block Grants	1,150,125	870,545	1,057,254	1,336,834
16.540	Juvenile Justice & Delinquency Prevention - Allocation to States (State Formula Grants)	180,805	149,013	-	31,792
16.541	Juvenile Justice & Delinquency Prevention - Special Emphasis (Program Grants, Discretionary Grants and Contracts)	175,087	139,685	163,651	199,053
16.548	Title V - Delinquency Prevention Program	64,900	86,935	38,868	16,833
16.549	Part E - State Challenge Activities	23,371	11,342	13,221	25,250
16.554	National Criminal History Improvement Program (NCHIP)	195,473	441,045	245,572	-
16.575	Crime Victim Assistance	620,521	640,164	351,461	331,818
16.576	Crime Victim Compensation	-	131	131	-
16.579	Byrne Formula Grant Program	876,804	1,322,200	851,841	406,445
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	(808,326)	552	-	(808,878)
16.585	Drug Court Discretionary Grant Program	-	153,400	153,400	-
16.586	Violent Offender Incarceration and Truth in Sentencing Incentive Grants	133,389	133,389	-	-
16.588	Violence Against Women Formula Grants	149,547	420,358	571,817	301,006
16.589	Rural Domestic Violence and Child Victimization	17,997	38,323	29,233	8,907
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders	1,973	4,501	34,193	31,665
16.592	Local Law Enforcement Block Grants Program	(34,011)	54,907	834,212	745,294
16.593	Residential Substance Abuse Treatment for State Prisoners	103,600	259,608	147,408	(8,600)
16.606	State Criminal Alien Assistance Program	7,098	7,098	-	-
16.710	Public Safety Partnership and Community Policing Grants	1,361,581	2,244,092	925,365	42,854
	U.S. DEPARTMENT OF JUSTICE TOTAL	<u>\$ 4,259,499</u>	<u>\$ 7,016,853</u>	<u>\$ 5,417,627</u>	<u>\$ 2,660,273</u>

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2002

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2001	Cash Receipts and Adjustments	Expenditures	Accrued (Deferred) Balance at September 30, 2002
U.S. DEPARTMENT OF LABOR					
17.002	Labor Force Statistics	\$ 14,860	\$ 18,595	\$ 24,173	\$ 20,438
17.005	Compensation and Working Conditions Data	9,828	44,188	57,101	22,741
17.203	Labor Certification for Alien Workers	102,615	(18,121)	80,774	201,510
17.207	Employment Service	1,419,783	160,396	373,841	1,633,228
17.235	Senior Community Service Employment Program	190,335	603,612	937,964	524,687
17.250	Job Training Partnership Act	798,726	1,349	-	797,377
17.253	Welfare-to-Work Grants to States and Localities	69,620	371,922	223,266	(79,036)
17.255	Workforce Investment Act	-	229,170	229,170	-
17.258	WIA Adult Program	-	396,548	396,548	-
17.259	WIA Youth Activities	-	1,298,581	1,298,581	-
17.260	WIA Dislocated Workers	-	875,548	1,308,615	433,067
17.500	Occupational Safety & Health	70,226	225,317	152,781	(2,310)
17.503	Occupational Safety & Health - State Program	4,679	(29,305)	-	33,984
17.504	Consultation Agreements	90,255	279,868	210,550	20,937
	U.S. DEPARTMENT OF LABOR TOTAL	<u>\$ 2,770,927</u>	<u>\$ 4,457,668</u>	<u>\$ 5,293,364</u>	<u>\$ 3,606,623</u>

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2002

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2001	Cash Receipts and Adjustments	Expenditures	Accrued (Deferred) Balance at September 30, 2002
U.S. DEPARTMENT OF TRANSPORTATION					
20.005	Boating Safety Financial Assistance	\$ 459,275	\$ 464,712	\$ 82,759	\$ 77,322
20.205	Highway Planning & Construction	2,627,158	19,733,144	17,994,218	888,232
20.218	Motor Carrier Safety Assistance Program	613,755	545,484	270,716	338,987
20.600	State & Community Highway Safety	631,615	554,539	483,929	561,005
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants (HMTA Training and Planning Grants)	64,335	64,335	-	-
	U.S. DEPARTMENT OF TRANSPORTATION TOTAL	<u>\$ 4,396,138</u>	<u>\$ 21,362,214</u>	<u>\$ 18,831,622</u>	<u>\$ 1,865,546</u>

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2002

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Accrued (Deferred) Balance at September 30, 2001</u>	<u>Cash Receipts and Adjustments</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Balance at September 30, 2002</u>
	NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES				
45.025	Promotion of the Arts-Partnership Agreements	\$ 177,787	\$ 493,243	\$ 443,141	\$ 127,685
45.301	Institute of Museum and Library Services	7,658	(4,348)	-	12,006
45.310	State Library Program	<u>128,854</u>	<u>69,935</u>	<u>118,230</u>	<u>177,149</u>
	NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES TOTAL	<u>\$ 314,299</u>	<u>\$ 558,830</u>	<u>\$ 561,371</u>	<u>\$ 316,840</u>

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2002

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Accrued (Deferred) Balance at September 30, 2001</u>	<u>Cash Receipts and Adjustments</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Balance at September 30, 2002</u>
	U.S. ENVIRONMENTAL PROTECTION AGENCY				
66.600	Environmental Protection Consolidated Grants - Program Support	\$ 1,256,935	\$ 2,432,049	\$ 3,116,073	\$ 1,940,959
66.810	CEPP Technical Assistance Grants Program	8,857	8,857	-	-
	U.S. ENVIRONMENTAL PROTECTION AGENCY TOTAL	<u>\$ 1,265,792</u>	<u>\$ 2,440,906</u>	<u>\$ 3,116,073</u>	<u>\$ 1,940,959</u>

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2002

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2001	Cash Receipts and Adjustments	Expenditures	Accrued (Deferred) Balance at September 30, 2002
	U.S. DEPARTMENT OF ENERGY				
81.041	State Energy Program	\$ 159,470	\$ (222,598)	\$ 537,477	\$ 919,545
	U.S. DEPARTMENT OF ENERGY TOTAL	<u>\$ 159,470</u>	<u>\$ (222,598)</u>	<u>\$ 537,477</u>	<u>\$ 919,545</u>

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2002

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Accrued (Deferred) Balance at September 30, 2001</u>	<u>Cash Receipts and Adjustments</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Balance at September 30, 2002</u>
FEDERAL EMERGENCY MANAGEMENT AGENCY					
83.011	Hazardous Materials Training Program for Implementation of the Superfund Amendment and Reauthorization Act (SARA) of 1986 (SARA Title III Training Program)	\$ 11,771	\$ 11,771	\$ -	\$ -
83.503	Civil Defense-State & Local Emergency Management Assistance	37,710	37,710	-	-
83.505	State Disaster Preparedness Grants	37,395	45,072	-	(7,677)
83.520	Hurricane Program	23,738	23,738	-	-
83.528	Emergency Management Institute - Field Training Program	119	119	-	-
83.534	Emergency Management - State and Local Assistance	67,407	67,407	-	-
83.539	Crisis Counseling	-	82,179	145,412	63,233
83.541	Disaster Unemployment Assistance	36,535	1,797,252	1,797,252	36,535
83.542	Fire Suppression Assistance	1,926	1,926	-	-
83.543	Individual and Family Grants	-	15,749,427	16,073,016	323,589
83.544	Public Assistance Grants	1,404,552	4,294,450	8,635,996	5,746,098
83.548	Hazard Mitigation Grant	3,356,681	4,444,710	4,558,925	3,470,896
83.552	Emergency Management Performance Grants	417,597	13,994	526,558	930,161
FEDERAL EMERGENCY MANAGEMENT AGENCY					
TOTAL					
		<u>\$ 5,395,431</u>	<u>\$ 26,569,755</u>	<u>\$ 31,737,159</u>	<u>\$ 10,562,835</u>

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2002

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Accrued (Deferred) Balance at September 30, 2001</u>	<u>Cash Receipts and Adjustments</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Balance at September 30, 2002</u>
U.S. DEPARTMENT OF EDUCATION					
84.003	Bilingual Education	\$ 304	\$ 304	\$ -	\$ -
84.009	Education of Handicapped Children in State Operated or Supported Schools	111,592	111,592	-	-
84.034	Public Library Services (LSCA - Title I)	8,085	8,085	-	-
84.035	Interlibrary Cooperation and Resource Sharing (LSCA - Title III)	1,832	1,832	-	-
84.041	Impact Aid	387,758	387,758	-	-
84.053	Vocational Education - State Councils	2,104	2,104	-	-
84.073	National Diffusion Network (NDN)	204	204	-	-
84.124	Territorial Teacher Training Assistance Program	4,355	4,355	-	-
84.126	Rehabilitation Services-Vocational Rehabilitation Grants to States	2,545,544	445,185	1,191,652	3,292,011
84.154	Public Library Construction and Technology Enhancement	68,506	83,638	15,132	-
84.161	Rehabilitation Services - Client Assistance Program (CAP)	12,212	12,212	-	-
84.169	Independent Living - State Grants	35,182	-	11,304	46,486
84.173	Special Education - Preschool Grants	15,571	15,571	-	-
84.177	Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind	188,516	79,751	130	108,895
84.181	Special Education - Grants for Infants and Families with Disabilities (Early Intervention Grants)	32,272	32,272	-	-
84.186	Safe and Drug-Free Schools and Communities - State Grants	976,792	89,167	316,106	1,203,731
84.187	Supported Employment Services for Individuals with Severe Disabilities (State Supported Employment Services Program)	9,533	-	-	9,533
84.265	Rehabilitation Training: State Vocational Rehabilitation Unit	-	-	9,247	9,247
84.998	Consolidated Grant	881,914	881,914	-	-
U.S. DEPARTMENT OF EDUCATION TOTAL		\$ <u>5,282,276</u>	\$ <u>2,155,944</u>	\$ <u>1,543,571</u>	\$ <u>4,669,903</u>

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2002

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Accrued (Deferred) Balance at September 30, 2001</u>	<u>Cash Receipts and Adjustments</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Balance at September 30, 2002</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
93.000	Cost Pool Allocation Accounts	\$ -	\$ (433,124)	\$ -	\$ 433,124
93.041	Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation (Elder Abuse Prevention)	5,144	967	-	4,177
93.042	Special Programs for the Aging: Title VII, Chapter 2: Long Term Care Ombudsman Services for Older Individuals	18,970	18,970	30,811	30,811
93.043	Special Programs for the Aging-Title III, Part F - Disease Prevention and Health Promotion Services (State Grants for Disease Prevention and Health Promotion)	59,276	54,768	88,031	92,539
93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	-	4,343,973	4,441,941	97,968
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services	-	1,880,623	1,880,738	115
93.052	Nation Family Caregiver Support Program	275,775	275,775	-	-
93.110	Maternal and Child Health Federal Consolidated Programs (Special Projects of Regional and National Significance (SPRANS))	21,646	23,369	6,073	4,350
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	113,436	501,287	390,873	3,022
93.127	Emergency Medical Services for Children (EMS for Children)	53,501	67,993	192,941	178,449
93.150	Projects for Assistance in Transition from Homelessness (PATH)	51,607	-	57,600	109,207
93.188	Special Project Grants to Schools of Public Health	1,444	1,444	-	-
93.217	Family Planning - Services	280,430	231,526	226,495	275,399
93.224	Community Health Centers	-	1,236,328	1,236,328	-
93.235	Abstinence Education	29,137	18,733	43,024	53,428
93.268	Immunization Grants	422,441	869,853	357,877	(89,535)
	BALANCE FORWARD	<u>\$ 1,332,807</u>	<u>\$ 9,092,485</u>	<u>\$ 8,952,732</u>	<u>\$ 1,193,054</u>

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2002

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Accrued (Deferred) Balance at September 30, 2001</u>	<u>Cash Receipts and Adjustments</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Balance at September 30, 2002</u>
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES BALANCE FORWARD	\$ 1,332,807	\$ 9,092,485	\$ 8,952,732	\$ 1,193,054
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	162,624	410,657	260,660	12,627
93.399	Cancer Control	4,708	30,255	4,345	(21,202)
93.556	Family Preservation and Support Services	69,834	270,970	276,077	74,941
93.558	Temporary Assistance for Needy Families	(1,497,116)	14,048,136	14,713,450	(831,802)
93.563	Child Support Enforcement	332,462	4,588,486	5,320,826	1,064,802
93.575	Child Care and Development Block Grant	211,262	1,902,336	1,607,378	(83,696)
93.597	Grants to States for Access and Visitation Programs	56,913	196,715	89,005	(50,797)
93.600	Head Start	47	47	-	-
93.630	Developmental Disabilities Basic Support and Advocacy Grants	270,443	237,212	194,692	227,923
93.631	Developmental Disabilities Projects of National Significance	60,041	53,521	10,862	17,382
93.667	Social Services Block Grant	622,894	2,420,892	1,568,600	(229,398)
93.778	Medical Assistance Program (Medicaid; Title XIX)	86,801	14,680,403	14,908,510	314,908
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	-	-	29,341	29,341
93.917	HIV Care Formula Grants	(17,026)	133,745	125,602	(25,169)
93.918	Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	-	(8,638)	44,100	52,738
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	206,533	402,754	205,348	9,127
93.940	HIV Prevention Activities-Health Department Based (HIV Prevention Program)	193,148	367,604	397,286	222,830
93.945	Assistance Program for Chronic Disease Prevention and Control	(3,159)	45,501	49,482	822
	BALANCE FORWARD	\$ 2,093,216	\$ 48,873,081	\$ 48,758,296	\$ 1,978,431

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2002

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Accrued (Deferred) Balance at September 30, 2001</u>	<u>Cash Receipts and Adjustments</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Balance at September 30, 2002</u>
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES BALANCE FORWARD	\$ 2,093,216	\$ 48,873,081	\$ 48,758,296	\$ 1,978,431
93.958	Block Grants for Community Mental Health Services (CMHS Block Grant)	167,207	213,483	122,749	76,473
93.959	Block Grants for Prevention and Treatment of Substance Abuse (Prevention and Treatment (SAPT) Block Grant)	872,426	1,135,571	646,598	383,453
93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants	97,857	184,109	97,672	11,420
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	229,390	279,921	132,562	82,031
93.991	Preventive Health and Health Services Block Grant	502,019	425,516	159,280	235,783
93.994	Maternal and Child Health Services Block Grant to the States	<u>735,923</u>	<u>1,013,868</u>	<u>840,047</u>	<u>562,102</u>
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES TOTAL	<u>\$ 4,698,038</u>	<u>\$ 52,125,549</u>	<u>\$ 50,757,204</u>	<u>\$ 3,329,693</u>

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2002

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Accrued (Deferred) Balance at September 30, 2001</u>	<u>Cash Receipts and Adjustments</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Balance at September 30, 2002</u>
	CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
94.006	AmeriCorps	\$ 579,114	\$ 373,261	\$ 294,881	\$ 500,734
94.009	Training and Technical Assistance	4,071	4,071	-	-
	CORPORATION FOR NATIONAL AND COMMUNITY SERVICE TOTAL	<u>\$ 583,185</u>	<u>\$ 377,332</u>	<u>\$ 294,881</u>	<u>\$ 500,734</u>

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2002

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Accrued (Deferred) Balance at September 30, 2001</u>	<u>Cash Receipts and Adjustments</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Balance at September 30, 2002</u>
	SOCIAL SECURITY ADMINISTRATION				
96.001	Social Security - Disability Insurance	\$ <u>(1,225,693)</u>	\$ <u>(1,252,173)</u>	\$ <u>111,719</u>	\$ <u>138,199</u>
	SOCIAL SECURITY ADMINISTRATION TOTAL	\$ <u><u>(1,225,693)</u></u>	\$ <u><u>(1,252,173)</u></u>	\$ <u><u>111,719</u></u>	\$ <u><u>138,199</u></u>
	GRAND TOTAL	\$ <u><u>43,871,889</u></u>	\$ <u><u>190,257,042</u></u>	\$ <u><u>187,781,958</u></u>	\$ <u><u>41,396,805</u></u>

GOVERNMENT OF GUAM

Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2002

1. Scope of Audit:

The Government of Guam 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 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
- Federal Emergency Management Agency
- National Foundation on the Arts and the Humanities
- Social Security Administration

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. Cash receipts do not include matching funds from the Government of Guam or 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 expenses 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 the dollar value of food stamp coupons issued during the period.

GOVERNMENT OF GUAM

Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2002

2. Summary of Significant Accounting Policies, Continued:

b. Subgrants:

Certain program funds are passed through the Government of Guam to subrecipient organizations. The Schedule of Expenditures of Federal Awards does not contain separate schedules disclosing how the subrecipient outside of the Government of Guam's control utilized the funds. Federal awards provided to subrecipients are treated as expenditures when paid to the subrecipient.

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 2002 grant programs are based on 2002 actual expenditures and caseloads. The indirect cost rate is derived by dividing the total indirect costs by the total direct wages expended in fiscal year 2000. The indirect cost negotiation agreement is established at varying rates for various departments and agencies of the Government of Guam.

3. Reporting Entity:

The Government of Guam, for the purposes of the Schedule of Expenditures of Federal Awards, includes all the funds of the primary government as defined by GASB 14. It does not include the following component units of the Government of Guam:

- Guam Community College
- Guam Economic Development Authority
- Guam Educational Telecommunications Corporation
- Guam Housing and Urban Renewal Authority
- Guam Housing Corporation
- Guam International Airport Authority
- Guam Memorial Hospital Authority
- Guam Mass Transit Authority
- Guam Power Authority
- Guam Rental Corporation
- Guam Telephone Authority
- Guam Visitors Bureau
- Guam Waterworks Authority
- Port Authority of Guam
- University of Guam

These component units may receive federal awards. If awards are expended, these entities separately satisfy the audit requirements of OMB Circular A-133.

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.

GOVERNMENT OF GUAM

Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2002

4. 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, and loans. For the year ended September 30, 2002, the Government of Guam had the following noncash award:

U.S. Department of Agriculture Food Stamps CFDA #10.551 Coupons issued and redeemed	\$ <u>51,815,528</u>
Total Food Stamps reported on the Schedule of Federal Financial Assistance	\$ <u>51,815,528</u>

The value of Food Stamps held in custody by the Government of Guam's agent totaled \$12,161,881 at September 30, 2002.

5. Prior Year Accrued Balance:

On the Schedule of Expenditures of Federal Awards, the Accrued (Deferred) Balance at September 30, 2001, has been adjusted to reflect the current year exclusion of component units that had opted to satisfy the audit requirements of OMB Circular A-133 by inclusion in the Government of Guam's compliance audit for fiscal year 2001, as follows:

	<u>Accrued Balance at September 30, 2001</u>
Ending Balance at September 30, 2001	\$44,173,991
Less balance for Guam Mass Transit Authority: CFDA # 20.509, Formula Grants for Other Than Urbanized Areas	(55,368)
Less balance for Guam Waterworks Authority: CFDA # 66.458, Capitalization Grants for State Revolving Funds	<u>(246,734)</u>
Beginning Balance at September 30, 2002	<u>\$43,871,889</u>

GOVERNMENT OF GUAM

Schedule of Major Federal Award Programs Year Ended September 30, 2002

The following lists specific grants selected for detailed compliance testing in accordance with applicable OMB Circular A-133 requirements.

<u>Grantor</u>	<u>CFDA #</u>	<u>Program Name</u>	<u>Fiscal Year 2002 Expenditures</u>
U.S. Department of the Interior	15.875	Economic, Social and Political Development of the Territories and the Freely Associated States	\$ 3,349,441
U.S. Department of Justice	16.523	Juvenile Accountability Incentive Block Grants	1,057,254
	16.710	Public Safety Partnership and Community Policing Grants	925,365
U.S. Department of Labor	17.235	Senior Community Service Employment Program	937,964
	17.258	WIA Adult Program	396,548
	17.259	WIA Youth Activities	1,298,581
	17.260	WIA Dislocated Workers	1,308,615
U.S. Department of Transportation	20.205	Highway Planning and Construction	17,994,218
U.S Environmental Protection Agency	66.600	Environmental Protection Consolidated Grants: Program Support	3,116,073
Federal Emergency Management Agency	83.541	Disaster Unemployment Assistance	1,797,252
	83.543	Individual and Family Grants	16,073,016
	83.544	Public Assistance Grants	8,635,996
	83.548	Hazard Mitigation Grant	4,558,925
U.S. Department of Health and Human Services	93.558	Temporary Assistance for Needy Families	14,713,450
	93.563	Child Support Enforcement (CSE)	5,320,826
	93.778	Medical Assistance Program (Medicaid)	<u>14,908,510</u>
Total Federal Programs selected for audit			\$ <u>96,392,034</u>
Total Federal Awards program expenditures			\$ <u>187,781,958</u>
Percentage of Federal Awards Programs tested			<u>51%</u>

GOVERNMENT OF GUAM

Reconciliation of Schedule of Expenditures of Federal Awards to General Purpose Financial Statements Year Ended September 30, 2002

	Fiscal Year 2002 <u>Expenditures</u>
Federal contributions, as reported in the 2002 financial statements:	
Federal grants assistance fund, expenditures, transfers out, and other uses	\$ 134,948,394
<u>CFDA #</u>	
10.551 Food Stamps	51,815,528
93.224 Community Health Centers	1,236,328
Superior Court of Guam	
16.554 National Criminal History Improvement Program (NCHIP)	245,572
16.585 Drug Court Discretionary Program	153,400
Other unidentified expenditures	<u>(617,264)</u>
Total Federal Expenditures Subject to Audit	\$ <u>187,781,958</u>

GOVERNMENT OF GUAM

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2002

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs
Year Ended September 30, 2002

Part I - Summary of Auditors' Results

1. The Independent Auditors' Report on the financial statements expressed a qualified opinion.
2. Reportable conditions in internal control over financial reporting were identified, some of which are considered to be material weaknesses.
3. Instances of noncompliance considered material to the financial statements were disclosed by the audit.
4. Reportable conditions in internal control over compliance with requirements applicable to major federal award programs were identified, some of which are considered to be material weaknesses.
5. The independent auditors' report on compliance with requirements applicable to major federal award programs expressed a qualified opinion.
6. The audit disclosed findings required to be reported by OMB Circular A-133.
7. The Government of Guam's major programs were as follows:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Economic, Social and Political Development of the Territories and the Freely Associated States	15.875
Juvenile Accountability Incentive Block Grants	16.523
Public Safety Partnership and Community Policing Grants	16.710
Senior Community Service Employment Program	17.235
WIA Cluster:	
WIA Adult Program	17.258
WIA Youth Activities	17.259
WIA Dislocated Workers	17.260
Highway Planning and Construction	20.205
Environmental Protection Consolidated Grants: Program Support	66.600
Disaster Unemployment Assistance	83.541
Individual and Family Grants	83.543
Public Assistance Grants	83.544
Hazard Mitigation Grants	83.548
Temporary Assistance for Needy Families	93.558
Child Support Enforcement (CSE)	93.563
Medical Assistance Program (Medicaid)	93.778

8. A threshold of \$3,000,000 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.
9. The Government of Guam did not qualify as a low-risk auditee as that term is defined in OMB Circular A-133.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2002

Part II – Financial Statement Findings Section

Reference Number	Findings	Questioned Costs	Guam Agency
02-01	Allowable Costs/Cost Principles	\$ 52,520	DOA, BBMR, CSC
02-02	Procurement and Suspension and Debarment	\$ 626,490	GSA, Mental Health, DPW
02-04	Procurement and Suspension and Debarment	\$ 458,405	GSA, DYA
02-05	Period of Availability	\$ 138,149	DOA, DYA
02-06	Allowable Costs/Cost Principles	\$ 1,721	DOA, GPD
02-08	Matching, Level of Effort, Earmarking	\$ 19,594	DOA, Labor
02-09	Period of Availability	\$ -	DOA, AHRD
02-10	Allowable Costs/Cost Principles	\$ 779,472	DOA, AHRD
02-11	Procurement and Suspension and Debarment	\$ 172,704	GSA, AHRD
02-12	Procurement and Suspension and Debarment	\$ 369,584	DPW
02-15	Special Tests and Provisions	\$ 83,266	GEPA
02-16	Special Tests and Provisions	\$ -	GEPA
02-17	Procurement and Suspension and Debarment	\$ 113,846	GEPA
02-21	Allowable Costs/Cost Principles	\$ 10,588	RCO
02-23	Special Tests and Provisions – 44 CFR 13.26	\$ -	RCO
02-24	Allowable Costs/Cost Principles	\$ 153,987	RCO
02-25	Special Tests and Provisions – 44 CFR 13.26	\$ -	RCO
02-28	Special Tests and Provisions – Penalty for Refusal to Work	\$ 14,942	DPHSS
02-32	Procurement and Suspension and Debarment	\$ 620,993	Law
02-36	Equipment Management	\$ -	DOA
02-37	Subrecipient Monitoring	\$ -	DOA
02-38	Cash Management	\$ -	DOA
02-39	Allowable Costs/Cost Principles	\$ 609,388	DOA, DPW, DPHSS
02-40	General Fund – Cash	\$ -	DOA
02-41	General Fund – Cash	\$ -	DOA
02-42	General Fund – Cash	\$ -	DOA
02-43	General Fund – Cash	\$ -	DOA
02-44	General Fund – Cash	\$ -	DOA
02-45	General Fund – Cash	\$ -	DOA
02-46	General Fund - Cash	\$ -	DOA
02-47	General Fund – Post-Closing Entries	\$ -	DOA
02-48	General Fund – Other Receivables	\$ -	DOA
02-49	General Fund – Other Receivables	\$ -	DOA
02-50	General Fund – Other Receivables	\$ -	DOA
02-51	General Fund – Other Receivables	\$ -	DOA
02-52	General Fund – Other Receivables	\$ -	DOA, DRT
02-53	General Fund – Other Receivables	\$ -	DOA
02-54	Taxes Receivable	\$ -	DOA, DRT
02-55	Taxes Receivable	\$ -	DRT
02-56	Taxes Receivable	\$ -	DRT
02-57	Taxes Receivable	\$ -	DOA
02-58	General Fund – Accounts Payable	\$ -	DOA
02-59	General Fund – Accounts Payable	\$ -	DOA
02-60	General Fund – Accounts Payable	\$ -	DOA
02-61	General Fund – Accounts Payable	\$ -	DOA
02-62	General Fund – Other Liabilities	\$ -	DOA

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2002

Part II – Financial Statement Findings Section, Continued

Reference Number	Findings	Questioned Costs	Guam Agency
02-63	General Fund – Other Liabilities	\$	- DOA
02-64	General Fund – Other Liabilities	\$	- DOA
02-65	General Fund – Other Liabilities	\$	- DOA
02-66	Revenue and Receipt Cycle	\$	- DOA
02-67	Outstanding Encumbrances	\$	- DOA
02-68	Encumbrances by Fund	\$	- DOA
02-69	Encumbrances by Fund	\$	- DOA
02-70	General Fund – Appropriations	\$	- DOA
02-71	Fund 507 – Agency Fund	\$	- DOA, DRT
02-72	Special Revenue Funds – Ocean Freight Legal Fund	\$	- DOA
02-73	Special Revenue Funds – Off-Island Treatment Fund	\$	- DOA
02-74	Special Revenue Funds – Various	\$	- DOA
02-75	Special Revenue Funds – Continuing Appropriations	\$	- DOA
02-76	Special Revenue Funds – Continuing Appropriations	\$	- DOA, Law, Legislature
02-77	Special Revenue Funds – Various Bank Reconciliations	\$	- DOA
02-78	Special Revenue Funds – Inactive Accounts	\$	- DOA, Legislature
02-79	Special Revenue Funds – Customs Agriculture and Quarantine Inspection Fund	\$	- DOA
02-80	Special Revenue Funds – DOC Inmate Revolving Fund	\$	- DOA
02-81	Special Revenue Funds – Housing Revolving Fund – Receivables	\$	- DOA
02-82	Special Revenue Funds – Manpower Development Fund – Cash	\$	- DOA
02-83	Special Revenue Funds – Enhanced 911 Emergency Fund	\$	- DOA
02-84	Special Revenue Funds – Typhoon Chata’an-Halong Fund	\$	- DOA
02-85	Special Revenue Funds – Department of Defense Fund	\$	- DOA
02-86	Special Revenue Funds – Real Property Tax	\$	- DOA, DRT
02-87	Special Revenue Funds – Supreme Court	\$	- Supreme Ct
02-88	Special Revenue Funds – Supreme Court	\$	- Supreme Ct
02-89	Special Revenue Funds – Superior Court – Operations	\$	- Superior Ct
02-90	Special Revenue Funds – Superior Court – Operations	\$	- Superior Ct
02-91	Special Revenue Funds – Supreme Court – Operations	\$	- Superior Ct
02-92	Debt Service Funds – All Funds	\$	- DOA
02-93	Debt Service Funds – Accrued Annual Leave	\$	- DOA
02-94	Debt Service Funds – Accrued Annual Leave	\$	- DOA
02-95	Debt Service Funds – Fund 358	\$	- DOA, Law
02-96	Enterprise Funds – Accounts Receivable	\$	- DPW
02-99	Enterprise Funds – Revenue	\$	- DPW
02-100	Travel	\$	- DOA
02-101	Travel	\$	- DOA
02-102	Travel	\$	- DOA
02-103	Travel	\$	- DOA
02-104	Travel	\$	- DOA

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2002

Part II – Financial Statement Findings Section, Continued

Reference Number	Findings	Questioned Costs	Guam Agency
02-105	Travel	\$	- DOA
02-106	Travel	\$	- DOA
02-107	Fixed Assets	\$	- DOA
02-108	Fixed Assets	\$	- DOA
02-109	Fund 101 – Federal Grant Receivables	\$	- DOA
02-110	Payroll	\$	- DOA
02-111	Payroll	\$	- DOA
02-112	Payroll	\$	- DOA
02-113	Payroll	\$	- DOA
		\$	-

Part III - Federal Award Findings and Questioned Cost Section

Reference Number	CFDA Number	Findings	Questioned Costs	Guam Agency
02-01	15.875	Allowable Costs/Cost Principles	\$ 52,520	DOA, BBMR, CSC
02-02	15.875	Procurement and Suspension and Debarment	\$ 626,490	GSA, Mental Health, DPW
02-03	15.875	Reporting	\$ -	DOA, BBMR
02-04	16.523	Procurement and Suspension and Debarment	\$ 458,405	GSA, DYA
02-05	16.523	Period of Availability	\$ 138,149	DOA, DYA
02-06	16.710	Allowable Costs/Cost Principles	\$ 1,721	DOA, GPD
02-07	16.710	Reporting	\$ -	DOA, GPD
02-08	17.235	Matching, Level of Effort, Earmarking	\$ 19,594	DOA, Labor
02-09	17.258/259/260	Period of Availability	\$ -	DOA, AHRD
02-10	17.258/259/260	Allowable Costs/Cost Principles	\$ 779,472	DOA, AHRD
02-11	17.258/259/260	Procurement and Suspension and Debarment	\$ 172,704	GSA, AHRD
02-12	20.205	Procurement and Suspension and Debarment	\$ 369,584	DPW
02-13	20.205	Special Tests and Provisions	\$ -	DPW
02-14	66.600	Special Tests and Provisions	\$ -	GEPa
02-15	66.600	Special Tests and Provisions	\$ 83,266	GEPa
02-16	66.600	Special Tests and Provisions	\$ -	GEPa
02-17	66.600	Procurement and Suspension and Debarment	\$ 113,846	GEPa
02-18	83.541	Eligibility	\$ 9,013	Labor
02-19	83.541	Eligibility	\$ 23,617	Labor
02-20	83.541	Eligibility	\$ 582	Labor
02-21	83.543	Allowable Costs/Cost Principles	\$ 10,588	RCO
02-22	83.543	Eligibility	\$ -	RCO
02-23	83.544	Special Tests and Provisions – 44 CFR 13.26	\$ -	RCO
02-24	83.544	Allowable Costs/Cost Principles	\$ 153,987	RCO
02-25	83.548	Special Tests and Provisions – 44 CFR 13.26	\$ -	RCO
02-26	93.558	Special Tests and Provisions – Income Eligibility and Verification System (IEVS)	\$ -	DPHSS
02-27	93.558/93.778	Eligibility	\$ -	DPHSS
02-28	93.558/93.778	Special Tests and Provisions – Penalty for Refusal to Work	\$ 14,942	DPHSS

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2002

Part III - Federal Award Findings and Questioned Cost Section, Continued

<u>Reference Number</u>	<u>CFDA Number</u>	<u>Findings</u>	<u>Questioned Costs</u>	<u>Guam Agency</u>
02-29	93.558	Earmarking	\$ -	DPHSS
02-30	93.558	Reporting	\$ -	DPHSS
02-31	93.558/93.778	Reporting	\$ -	DPHSS
02-32	93.563	Procurement and Suspension and Debarment	\$ 620,993	Law
02-33	93.563	Eligibility	\$ -	Law
02-34	93.563	Special Tests and Provisions – Location of Noncustodial Parents	\$ -	Law
02-35	93.563	Special Tests and Provisions – Provision of Services	\$ -	Law
02-36	All	Equipment Management	\$ -	DOA
02-37	All	Subrecipient Monitoring	\$ -	DOA
02-38	All	Cash Management	\$ -	DOA
02-39	20.205	Allowable Costs/Cost Principles	\$ 241,430	DOA, DPW
	93.044	Allowable Costs/Cost Principles	\$ 367,958	DOA, DPHSS
	93.045	Allowable Costs/Cost Principles	\$ -	DOA, DPHSS
	93.283	Allowable Costs/Cost Principles	\$ -	DOA, DPHSS
	93.959	Allowable Costs/Cost Principles	\$ -	DOA, DPHSS
	93.988	Allowable Costs/Cost Principles	\$ -	DOA, DPHSS
02-40	All	General Fund – Cash	\$ -	DOA
02-45	All	General Fund – Cash	\$ -	DOA
02-48	10.555	General Fund – Other Receivables	\$ -	DOA
02-85	12.110	Special Revenue Funds – Department of Defense Fund	\$ -	DOA
02-109	All	Fund 101 – Federal Grant Receivables	\$ -	DOA
Total Federal Questioned Costs			\$ <u>4,258,861</u>	

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2002

Finding No.: 02-01
CFDA No.: 15.875
Program Name: Economic, Social and Political Development of the Territories and the Freely Associated States
Area: Allowable Costs/Cost Principles
Questioned Costs: \$52,520

Criteria:

In accordance with OMB Circular A-133 allowable costs/cost principles, only program costs should be charged to the Federal program. Furthermore, in accordance with the Organic Act, General Fund appropriations shall be made by the legislature.

Condition:

Through Grant No. INS-GUAM-99-1, the U.S. Department of the Interior transferred a total of \$4,440,509 to the Government of Guam in FY 2000 as a reimbursement for expenditures incurred by the General Fund (Fund 100) in fiscal year 1999 for services and support related to the detention and care of Chinese migrants.

Upon receipt of the reimbursement, the Government of Guam had not returned the monies to Fund 100 for appropriation by the legislature. Instead, various Fund 101 (Federal Fund) accounts were established. In FY 2002, expenditures were charged to those accounts, as follows:

	<u>Account #</u>	<u>Project</u>	<u>Amount</u>
1.	5101E000400EI110	BBMR Operations	\$ 10,595
2.	5101E000500EI110	CSC Operations	41,925
			<u>\$ 52,520</u>

Cause:

The Department of Administration (DOA) sought opinions from the Guam Department of Law, Office of the Attorney General, and from the U.S. Department of the Interior regarding the accounting and expenditure treatment of the \$4.4M. The Director of the Office of Insular Affairs responded, "The grant No. INS-GUAM-99-1 was strictly a reimbursable instrument and you may use the funds in any way you determine appropriate." Therefore, the reimbursements for both grants were recorded in Fund 101.

Effect:

It appears that the Government of Guam may be in noncompliance with local laws concerning the uses of the reimbursements. At September 30, 2002, Fund 100 expenditures could be understated by \$52,520; and Fund 101 revenues, expenditures, and accounts receivable could be overstated by \$52,520. A questioned cost of \$52,520 exists.

Prior Year Status:

The above condition is reiterative of conditions identified in prior years' audits of the Government of Guam.

Recommendation:

The Government of Guam should obtain the Attorney General's opinion regarding the proper appropriation procedure for the \$4.4M reimbursement.

Auditee Response and Corrective Action Plan:

In a letter dated December 22, 2003, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2002

Finding No.: 02-02
CFDA No.: 15.875
Program Name: Economic, Social and Political Development of the Territories and the Freely Associated States
Area: Procurement and Suspension and Debarment
Questioned Costs: \$626,490

Criteria:

In accordance with OMB Circular A-133 procurement requirements and the Common Rule, the grantee 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:

For 3 (or 12%) out of 25 transactions, aggregating \$2,515,178 of \$3,349,441 in total Program expenditures, there is no significant history of the procurement on file for the following transactions:

	<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>
a.	-	56035	G1424001	Mental Health	P006P01514	\$ 19,758
b.	01/11/02	56652	B0054001	Public Works	C010601601	94,823
c.	08/21/02	J020660583	B0054001	Public Works	C010601600	85,224
	-	58384	B0054001	Public Works	C010601600	116,864
	-	61067	B0054001	Public Works	C010601600	<u>174,135</u>
						<u>\$ 490,804</u>

During fiscal year 2002, additional payments made in relation to the vendors and contracts described above are as follows:

<u>Vendor #</u>		<u>Reference #</u>	<u>Amount</u>
B0054001	Public Works	C010601600	<u>\$ 135,686</u>

Cause:

There appears to be a lack of internal control policies and procedures over ensuring compliance with OMB Circular A-133 procurement requirements and the Common Rule.

Effect:

The Program is in noncompliance with OMB Circular A-133 procurement requirements and the Common Rule. A questioned cost of \$626,490 exists.

Prior Year Status:

The above condition is reiterative of conditions identified in prior years' audits of the Government of Guam.

Recommendation:

The procurement supervisor should establish and implement internal control procedures to ensure that all procurements are documented in sufficient detail in compliance with OMB Circular A-133 procurement requirements and the Common Rule. The procurement officer should not approve purchase orders to procure goods/services from a particular vendor unless such procurement documents as solicitation ads, bid abstracts, or other written memoranda are documented on file to detail the significant history of the procurement.

Auditee Response and Corrective Action Plan:

In a letter dated December 22, 2003, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2002

Finding No.: 02-03
 CFDA No. 15.875
 Program Name: Economic, Social and Political Development of the Territories and the Freely Associated States
 Area: Reporting
 Questioned Costs: \$0

Criteria:

Expenditures reported in SF 272, Federal Cash Transactions Report, should be supported by expenditures recorded in the financial management system.

Condition:

Expenditures per the SF 272 and the financial management system differ, as follows:

<u>Account #</u>	<u>Account Name</u>	<u>Per SF 272</u>	<u>Per FMS</u>	<u>Over (Under) Reported</u>
3163.2001.201.J	FY 2001 Waterline Replacement	\$ 10,800	\$ 10,800	\$ 0
9001.2000.101.				
N	FY 1997 Chalan Pago Sewer Project	35,136	0	35,136
F001010IB102	FY 2000 Road Project Phase I	11,064	297,473	(286,409)
F011010IB107	FY 20001 DPW Road Improvement	197,470	491,111	(293,641)
F981010IB101	FY 1997 DPW Tumon Police Precinct	409,268	305,562	103,706
	FY 1998 DPW Tumon Police Precinct			
F991010IB101	Supplemental	94,823	188,238	(93,415)
H004200SE101	FY 1999 GFD Ambulances	749,990	0	749,990
J009966IB101	FY 2000 GMH Equipment	696,983	518,655	178,328
J009978IB101	FY 2000 Vehicle and Equipment	140,156	0	140,156
J009978IB103	FY 2000 Waterline Extension	78,000	258,109	(180,109)
J009978IB104	FY 2000 Water Project Tract	343,564	0	343,564
J011010IB107	DPW Road Improvement	1,059,510	0	1,059,510
J019966IB102	FY 2001 GMH Equipment Radiology/Orthopedic	605,639	12,500	593,139
Other various		0	1,266,994	(1,266,994)
		<u>\$4,432,403</u>	<u>\$ 3,349,442</u>	<u>\$ 1,082,961</u>

Cause:

There appears to be weak internal controls over ensuring that expenditures per the SF 272 and the financial management system are reconciled.

Effect:

The Government of Guam appears to be in noncompliance with OMB Circular A-133 reporting requirements.

Prior Year Status:

The above condition is reiterative of conditions identified in prior years' audits of the Government of Guam.

Recommendation:

The Government of Guam should strengthen internal controls to ensure that expenditures reported in SF 272 are reconciled with expenditures recorded in the financial management system. Also, the Government of Guam should provide a reconciliation to effect resolution of this finding.

Auditee Response and Corrective Action Plan:

In a letter dated December 22, 2003, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2002

Finding No.: 02-04
 CFDA No. 16.523
 Program Name: Juvenile Accountability Incentive Block Grants
 Area: Procurement
 Questioned Costs: \$458,405

Criteria:

In accordance with OMB Circular A-133 procurement requirements and the Common Rule, the grantee 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, procurement requirements should be followed.

Condition:

Out of 17 transactions, aggregating \$306,167 of \$1,057,204 in total Program expenditures, we noted the following:

- 1) For 8 (or 47%), there is no significant history of the procurement on file for the following transactions:

	<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>
a.	-	63742	A0097359	Youth Affairs	C010600620	\$ 21,521
	05/21/02	65059	A0097359	Youth Affairs	C010600620	12,969
b.	03/01/02	59567	A0097359	Youth Affairs	C010600622	34,200
c.	07/01/02	67771	A0097359	Youth Affairs	C010600623	25,254
d.	06/14/02	66686	A0097359	Youth Affairs	C010600630	46,562
	07/26/02	68709	A0097359	Youth Affairs	C010600630	52,269
e.	10/25/02	75224	A0097359	Youth Affairs	C010600631	21,719
f.	09/30/02	73163	A0097359	Youth Affairs	C010600632	10,800
g.	6/14/2002	66774	I0096229	Youth Affairs	P026A00901	2,092
h.	9/25/2002	72330	M0097776	Youth Affairs	P026A04452	5,000
						<u>\$232,386</u>

- 2) For 1 (or 6%), procurement requirements were not followed:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>
01/02/02	55680	M0096515	Youth Affairs	C020600330	\$ 7,500
-	57351	M0096515	Youth Affairs	C020600330	3,393
02/07/02	58202	M0096515	Youth Affairs	C020600330	1,875
					<u>\$ 12,768</u>

During fiscal year 2002, additional payments made in relation to vendors and purchase orders/contracts described above are as follows:

<u>Vendor #</u>	<u>Reference #</u>	<u>Amount</u>
A0097359	C010600620	\$ 10,535
A0097359	C010600622	35,075
A0097359	C010600623	4,120
A0097359	C010600630	63,200
A0097359	C010600631	23,089
M0096515	C020600330	<u>77,232</u>
		<u>\$213,251</u>

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2002

Finding No.: 02-04, Continued
CFDA No. 16.523
Program Name: Juvenile Accountability Incentive Block Grants
Area: Procurement
Questioned Costs: \$458,405

Cause:

There appears to be a lack of internal control policies and procedures over ensuring compliance with OMB Circular A-133 procurement requirements and the Common Rule.

Effect:

The Program is in noncompliance with OMB Circular A-133 procurement requirements and the Common Rule. A questioned cost of \$458,405 exists.

Prior Year Status:

The above condition is reiterative of conditions identified in prior years' audits of the Government of Guam.

Recommendation:

The procurement supervisor should establish and implement internal control procedures to ensure that all procurements are documented in sufficient detail in compliance with OMB Circular A-133 procurement requirements and the Common Rule. The procurement officer should not approve purchase orders to procure goods/services from a particular vendor unless such procurement documents as solicitation ads, bid abstracts, or other written memoranda are documented on file to detail the significant history of the procurement.

Auditee Response and Corrective Action Plan:

In a letter dated November 10, 2003, the Program Office provided the following response:

Our department is a line agency of the Department of Administration and does not have any procurement authorities. All construction related procurement is the responsibility of Department of Public Works and all others is under General Services Agency (GSA), Department of Administration.

Condition 1a through 1f:

The contact person for this construction is Engineering II from the Department of Public Works. She may be reached for any additional information or concerns.

Condition 1g and 1h:

As mentioned above (all other procurements) is the sole responsibility of GSA, Department of Administration. Our department's responsibility is to submit a requisition for all services of goods needed. We attached a sole source procurement memorandum on our requisition (Condition 1g). The requisition (Condition 1h) was an emergency procurement for Typhoon Chata'an's recovery for food provision for the Department of Youth Affairs' clients and Summer Youth Employment Training Participants involved in the typhoon recovery efforts. Although we recommended [the vendor] on our requisition, it is the responsibility of GSA to outsource. The contact person for GSA is Acting Chief Procurement Officer.

Condition 2:

Our department agrees that the documentations for the Request for Proposal (RFP) procurement requirements were not completely adhered to. However, during FY 2003, we have taken corrective actions on the procurement process for RFP. A checklist for the Attorney General's review of all contracts is now required upon submission of all contracts (attachment #6). For any additional information or concerns on contracts, contact Social Service Supervisor or Administrative Services Officer.

In a letter dated December 22, 2003, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2002

Finding No.: 02-05
CFDA No. 16.523
Program Name: Juvenile Accountability Incentive Block Grants
Area: Period of Availability
Questioned Costs: \$138,149

Criteria:

In accordance with OMB Circular A-133 period of availability requirements and the grant award, the Government of Guam must obligate and expend the grant amount during the 24-month project and budget period.

Condition:

A total of \$159,721 (or 15% of fiscal year 2002 program expenditures aggregating \$1,057,254) in expenditures was incurred after the project and budget period, as follows:

<u>Account Number</u>	<u>Guam Agency</u>	<u>Project</u>	<u>Project/Budget</u>		<u>Expenditures</u>
				<u>End</u>	
5101H002010SE106230	Youth Affairs	FY99 JAIBG PROGRAM		03/30/2002	\$ 138,059
5101H002010SE106363	Youth Affairs	FY99 JAIBG PROGRAM		03/30/2002	90
					\$ <u>138,149</u>

Cause:

There appears to be weak internal controls over ensuring compliance with OMB Circular A-133 period of availability requirements and the grant award.

Effect:

A questioned cost exists, as follows:

Total costs questionable	\$138,149
Less costs already questioned in a previous finding	<u>138,059</u>
Total questioned costs presented at this finding	<u>\$ 90</u>

Prior Year Status:

The above condition is reiterative of conditions identified in prior years' audits of the Government of Guam.

Recommendation:

The Government of Guam should strengthen internal controls to ensure compliance with OMB Circular A-133 period of availability requirements and the grant award.

Auditee Response and Corrective Action Plan:

In a letter dated November 10, 2003, the Program Office provided the following response: Our Department disagrees with your statement with regards to period of availability requirements based on an August 24, 2001, memorandum from U.S. Department of Justice, Office of Justice Programs, Office of Juvenile Justice and Delinquency Prevention (OJJDP) on the subject of JAIBG Program Policy Clarifications (attachment #1). According to this memorandum, the JAIBG 24 month project period begins when the grantee (designated State agency) makes the first drawdown of funds in which, they have 180 days after program funds are made available (award date) or begins at 180 days, even if grantee has not drawn down funds. According to OMB circular A-133 Compliance supplement H, Period of Availability of Federal Funds, Non-Federal entities subject to the A-102 Common Rule shall expend all obligations incurred under the award not later than 90 days after the end of the funding period which is also stipulated in attachment #1.

In regards to the budget period for the FY 1999 JAIBG Program, the JAIBG 24 month period begins when the grantee makes the first draw-down of funds and in this case, the first draw-down was made on June 25, 2001 (attachment #2A). The first draw down was made after the first 180 days; therefore, the project period end date of March 31, 2002 would be applicable (attachment #2B). The update to change the obligation end date to March 31, 2002 and expenditure end date to June 30, 2002 was done in FY 2002 (attachment #2C). OJJDP was to provide Guam with a grant adjustment notice detailing the revised program periods for both the FY 1999 and FY 2000 JAIBG awards. However, the FY 1999 JAIBG was never received. We are currently requesting a copy of the FY 1999 JAIBG grant adjustment notice.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2002

Finding No.: 02-05, Continued
CFDA No. 16.523
Program Name: Juvenile Accountability Incentive Block Grants
Area: Period of Availability
Questioned Costs: \$138,149

Auditee Response and Corrective Action Plan, Continued:

With the above information, our records indicate the [preliminary] \$159,580 in question have been expended within the expenditure end date of June 30, 2002.

Our department, however, agrees that the expenditure of \$90 occurred past the expenditure end date of June 30, 2002. The original purchase order was encumbered in FY 2001 under the FY 1999 JAIBG account. The outstanding encumbrance for this purchase order was carried forward from the Oracle System to the Firm/AS400 System for FY 2002 and onto FY 2003. A delinquency notice for this outstanding balanced was received 10/22/02, which is after the expenditure end date. Because of an outstanding encumbrance in the system, our accounting technician erroneously charged it to the existing purchase order, which was expired.

Our department prepared and forwarded a Journal Voucher on November 4, 2003 to the Department of Administration, Division of Accounts to correct and resolve this incorrect expenditure (attachment #3). The department is now closely monitoring all outstanding encumbrances and is de-obligating encumbrances of all expired accounts. Also, at the closure of FY 2003, the Firm AS/400 was programmed to de-obligate all outstanding encumbrances under expired accounts and were not carried forward to the FY 2004.

In a letter dated December 22, 2003, the Department of Administration provided a general response. See attachment.

Auditors' Response:

We affirm the 24-month period of availability, as clarified by the U.S. Department of Justice, and therefore, consider a total of \$21,521 of the disputed preliminary questioned cost of \$159,580 to be resolved. However, based on our review of the financial management system, a total of \$138,059 remains questioned due to invoice dates and liquidation dates beyond the period of availability, as follows:

<u>Vendor Number</u>	<u>Check Number</u>	<u>Prior Reference</u>	<u>Invoice Date</u>	<u>Check Date</u>	<u>Amount</u>
A0097359	65059	C010600620	05/03/02	05/21/02	\$ 12,969
A0097359	66686	C010600630	06/07/02	06/14/02	46,562
A0097359	68709	C010600630	06/27/02	07/26/02	52,269
S0096216	72408	P016A03595	05/22/02	09/25/02	15,724
A0097359		C010600620	06/27/02	08/13/02	<u>10,535</u>
					<u>\$138,059</u>

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2002

Finding No.: 02-06
 CFDA No.: 16.710
 Program Name: Public Safety Partnership & Community Policing Grants
 Area: Allowable Costs/Cost Principles
 Questioned Costs: \$1,721

Criteria:

- 1) In accordance with the Universal Hiring Program Grant Owner's Manual, salary and fringe benefit payments must be supported by payroll records.
- 2) In accordance with the Universal Hiring Program Grant Owner's Manual, this grant is for the payment of salary and fringe benefits for entry-level law enforcement officer positions.
- 3) In accordance with OMB Circular A-133, only the salaries of 20 officers should be charged to the Federal Program.

Condition:

- 1) Total salaries and fringe benefits per the labor cost distribution registers for fiscal year 2002 were \$1,102,197. This total exceeds the amount charged to the program by \$176,832. Expenditures charged to the program are indicated below.

<u>Account #</u>	<u>Guam Agency</u>	<u>Amount</u>
5101G001240CE102113	Police	\$ 184,076
5101G001240CE102111	Police	<u>741,289</u>
		<u>\$ 925,365</u>

- 2) Of the 44 employees selected for payroll testing, 2 (or 5%) were not law enforcement officers.

<u>Employee #</u>	<u>Title</u>	<u>Amount</u>
586787057	Management Analyst	\$ 1,067
586849201	Clerk I (Uncl)	<u>654</u>
		<u>\$ 1,721</u>

- 3) Based on our review of labor cost distribution registers for fiscal year 2002, salaries and benefits of 47 employees were charged to the program. The grant award did not authorize the funding of salaries and benefits of the following 27 employees:

<u>Employee #</u>	<u>Employee #</u>
1. 541482725	15. 586765367
2. 586863323	16. 586728818
3. 586626386	17. 586787057
4. 586724494	18. 586825336
5. 586743962	19. 586787263
6. 586667423	20. 586765050
7. 586849201	21. 586681818
8. 586036253	22. 586729416
9. 586721228	23. 586724464
10. 586662417	24. 586902077
11. 586764446	25. 453881722
12. 586708662	26. 547117068
13. 586706651	27. 586701032
14. 586787057	

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2002

Finding No.: 02-06, Continued
CFDA No.: 16.710
Program Name: Public Safety Partnership & Community Policing Grants
Area: Allowable Costs/Cost Principles
Questioned Costs: \$1,721

Cause:

- 1) There appears to be weak internal controls over ensuring that program expenditures are reconciled with supporting labor cost distribution registers.
- 2) There appears to be weak internal controls over ensuring that only allowable payroll expenses are charged to the Federal program.
- 3) There appears to be weak internal controls over ensuring that only authorized employees' salaries and benefits are charged to the Federal program.

Effect:

- 1) The Government of Guam may be in noncompliance with the Universal Hiring Program Grant Owner's Manual recordkeeping requirements.
- 2) The Government of Guam may be in noncompliance with the Universal Hiring Program Grant Owner's Manual allowable costs/cost principles requirements.
- 3) The Government of Guam may be in noncompliance with OMB Circular A-133 allowable costs/cost principles requirements.

A questioned cost of \$1,721 exists. Although the known questioned cost is less than \$10,000, the projected questioned cost would be total amounts paid to employees in Conditions 2 and 3 above for fiscal year 2002, which would be in excess of \$10,000.

Recommendation:

- 1) The Government of Guam should strengthen internal controls to ensure that labor cost distribution registers are reconciled with expenditures charged to the Federal program.
- 2) The Government of Guam should strengthen internal controls to ensure that only allowable payroll expenses are charged to the Federal program.
- 3) The Government of Guam should strengthen internal controls to ensure that payroll expenditures charged to the Federal program are for authorized employees only.

Auditee Response and Corrective Action Plan:

In a letter dated November 14, 2003, the Program Office provided the following response.

Condition 1 indicates that the amount expended exceeds the grant amount by \$176,832. As stated below, the 1995 program account number was used as an "umbrella" account for the 1995, 1996 and 1999 programs, each of which authorized the hiring of 20 employees or 60 employees total. The amounts for the additional awards are 1995 for \$1,474,112, 1996 for \$1,452,940 and 1999 for \$1,937,240. If these funds are factored into the expenditures then they are within the authorized funding.

Condition 2 indicates that the salaries of two (2) employees funded by the grant are law enforcement officers. The two (2) employees listed in your memorandum are not law enforcement officers but rather civilians and their salaries are funded by the Recreational Boating Safety (RBS) Grant Program. On numerous occasions employees salaries are charged to the wrong account. When this occurs, GPD initiates a journal voucher to transfer the costs to the proper account.

Condition 3 says that 47 employees' salaries and benefits were charged to the 1995 Grant Program (95-CCWX-507), but only twenty (20) employees were authorized. The 1995 program account number was used as an "umbrella" account for 1995, 1996 and 1999 programs each authorizing the hiring of 20 employees or 60 employees total. Three of the employees listed in your memorandum are the RBS employees addressed about (1 employee is listed twice).

The Cause, Effect and Recommendations sections of your memorandum deal with issues best addressed by the Department of Administration.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2002

Finding No.: 02-06, Continued
CFDA No.: 16.710
Program Name: Public Safety Partnership & Community Policing Grants
Area: Allowable Costs/Cost Principles
Questioned Costs: \$1,721

Auditee Response and Corrective Action Plan, Continued:

In a letter dated December 22, 2003, the Department of Administration provided a general response. See attachment.

Auditors' Response:

- 1) This finding is not considered resolved. Subsequent to this finding, the Program Office provided a reconciliation of labor cost distribution registers to total expenditures charged to the program. The reconciliation provided is shown below. However, the Program Office was unable to provide sufficient detail to support the journal voucher adjustments indicated below.

Total payroll expenditures, per labor cost distribution registers	\$ 1,168,335
Less: journal voucher adjustments	<u>(243,067)</u>
Expenditures charged to program	<u>925,268</u>

- 2) This finding is not considered resolved. The Program Office indicates that the employee's salaries were erroneously charged to this program and that adjusting entries to correct these charges were made via journal vouchers. However, the grantee was unable to provide sufficient detail to support the journal voucher adjustments made.
- 3) This finding is not considered resolved. The labor cost distribution registers and the journal voucher adjustments provided by the Program Office do not provide sufficient detail for us to determine whether all employees' salaries and benefits charged to the program are allowable costs.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2002

Finding No.: 02-07
CFDA No.: 16.710
Program Name: Public Safety Partnership & Community Policing Grants
Area: Reporting
Questioned Costs: \$0

Criteria:

In accordance with OMB Circular A-133 and the Universal Hiring Program Grant Owner's Manual reporting requirements, the Financial Status Report (Form FSR 269) should indicate the actual federal monies spent, unliquidated obligations incurred, local matching contributions, and the unobligated balance of federal funds.

Condition:

Forms FSR 269 for grant award # 95CCWX0507 indicated local matching contributions totaling \$601,604, and federal share of \$323,761 for fiscal year 2002. However, based on our review of the grant award documents, the award was 100% federally funded for fiscal year 2002.

Cause:

There appears to be weak internal controls over ensuring that amounts reported on the Forms are accurate.

Effect:

There is no known effect on the financial statements as a result of this condition. However, there is a potential for future drawdowns or grant awards to be withheld.

Recommendation:

Internal controls should be strengthened to ensure that all reported amounts are verified prior to submission of the reports.

Auditee Response and Corrective Action Plan:

In a letter dated November 14, 2003, the Program Office provided the following response.

The Cause, Effect and Recommendations sections of your memorandum deal with issues best addressed by the Department of Administration.

In a letter dated December 22, 2003, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2002

Finding No.: 02-08
 CFDA No. 17.235
 Program Name: Senior Community Service Employment Program
 Area: Matching, Level of Effort, Earmarking
 Questioned Costs: \$19,594

Criteria:

In accordance with OMB Circular A-133 matching, level of effort, and earmarking requirements, the amount of Federal funds expended for the costs of administration during the program year shall be no more than 13.5 percent of the grant.

Condition:

Administrative costs for program year 2000 exceed the 13.5 percent ceiling, as follows:

Program year 2000 grant expenditures	\$ 544,132
Maximum earmark percentage	<u>13.5</u>
Administrative cost ceiling	73,458
Actual administrative costs	<u>(93,052)</u>
Excess administrative costs	\$ <u>19,594</u>

Cause:

There appears to be weak internal controls over ensuring compliance with OMB Circular A-133 earmarking requirements.

Effect:

The Government of Guam is in noncompliance with OMB Circular A-133 earmarking requirements. A questioned cost of \$19,594 exists.

Prior Year Status:

The above condition is reiterative of conditions identified in prior years' audits of the Government of Guam.

Recommendation:

The Government of Guam should strengthen internal controls to ensure compliance with OMB Circular A-133 matching and earmarking requirements. Prior to charging administrative costs to the program, the responsible personnel should calculate administrative costs to date and ensure that the earmark ceiling has not been exceeded. Furthermore, such calculations should be attached to the payment requests to support the charges.

Auditee Response and Corrective Action Plan:

In a letter dated November 13, 2003, the Program Office provided the following response.

As indicated on the analysis below, you will see that although it has been disclosed that we had exceeded 13.5 percent of our ceiling for administrative costs, total grant amount was actually \$939,440 rather than \$544,132 as reported by your office. In this respect, instead of exceeding the actual administrative costs, there is an amount of \$1,017, which was unexpended. See attached amendment 502(c)(3) (a) of the Older Americans Act (OAA) that the maximum amount that can be used for Administrative cost may be up to 15%.

Total Grant for Program Year:

	Actual	Percent
Program Year 2000 grant expenditures	\$ 939,440	
Maximum earmark percentage	<u>13.5</u>	
Administrative cost ceiling	126,824	
Actual administrative costs	<u>(125,807)</u>	13.39%
Excess administrative costs	0	
Unexpended administrative costs	1,017	

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2002

Finding No.: 02-08, Continued
CFDA No. 17.235
Program Name: Senior Community Service Employment Program
Area: Matching, Level of Effort, Earmarking
Questioned Costs: \$19,594

Auditors' Response:

As of report issuance, we have not received a copy of a written waiver from the U.S. Department of Labor that increases the amount available for paying the costs of administration to 15 percent. Furthermore, we have not received documents to support the amount of actual administrative costs. Based on our review of administrative cost expenditure reports for program year 2000, the cumulative administrative cost total as of September 30, 2002, is at least \$194,841. Therefore, it appears the 13.5% ceiling applies for FY 2002, and the finding remains.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2002

Finding No.: 02-09
CFDA No. 17.258/17.259/17.260
Program Name: WIA Cluster
Area: Period of Availability
Questioned Costs: \$0

Criteria:

In accordance with OMB Circular A-133 period of availability requirements, funds allotted to a State for any program year are available for expenditure by the State during that program year and the two succeeding program years

Condition:

There are unexpended, unobligated balances from grant year 2000, whose period of availability (POA) ended September 30, 2002. The aggregate total of unexpended balances is \$578,804, as follows:

<u>Account</u>	<u>Grant Year</u>	<u>Year POA Ended</u>	<u>Available Balance at 09/30/02</u>
H001520ST103	2000	2002	\$486,658
H001520ST104	2000	2002	19,871
H001520ST105	2000	2002	<u>72,275</u>
			<u>\$578,804</u>

Cause:

There appears to be weak internal controls over ensuring that Federal funds are deappropriated after the period of availability.

Effect:

Available balances for grant year 2000 are overstated. If such balances are not properly deappropriated, the Government of Guam could potentially expend Federal funds in noncompliance with OMB Circular A-133 period of availability requirements.

Prior Year Status:

The above condition is reiterative of conditions identified in prior years' audits of the Government of Guam.

Recommendation:

The Government of Guam should strengthen internal controls to ensure that Federal funds are no longer available for obligation or expenditure after the fund's period of availability. When the fund's period of availability ends, the responsible personnel should deappropriate unexpended balances.

Auditee Response and Corrective Action Plan:

In a letter dated December 22, 2003, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2002

Finding No.: 02-10
 CFDA No. 17.258/17.259/17.260
 Program Name: WIA Cluster
 Area: Allowable Costs/Cost Principles and Eligibility
 Questioned Costs: \$779,472

Criteria:

In accordance with OMB Circular A-133 allowable costs/cost principles and eligibility requirements and the Common Rule, financial and programmatic records, such as Labor Cost Distribution Registers/Reports, journal vouchers, payroll registers, time sheets and/or case files should be maintained on file for at least three years to substantiate expenditures.

Condition:

For 6 (or 16%) out of 37 items tested, aggregating \$1,155,348 of \$2,170,880 in total Program payroll costs, no Labor Cost Distribution Registers/Reports, journal vouchers, payroll registers and/or time sheets were provided to substantiate the following transactions:

<u>Date</u>	<u>Transaction #</u>	<u>Reference #</u>	<u>Transaction Amount</u>
08/07/02	LABOR0810	DPPE08102002	\$ 267,916
08/05/02	J020660512	10/01-07/13	49,140
08/07/02	LABOR0810	DPPE09072002	20,496
08/05/02	J020660512	10/07-07/13	12,341
09/25/02	LABOR0921	DPPE09212002	256,144
09/30/02	LABOR1005	DPPE10052002	<u>21,856</u>
			\$ <u>627,893</u>

For 4 (or 80%) out of 5 employees tested, the employees are WIA participants, but no case files were provided to substantiate eligibility for the following transactions:

<u>Date</u>	<u>Transaction #</u>	<u>Reference #</u>	<u>Employee No.</u>	<u>Transaction Amount</u>
11/08/01	LABOR1103	DPPE110301	586680643	\$ 370
12/06/01	LABOR1201	DPPE120101	586765039	412
07/31/02	LABOR0727	DPPE07272002	586946862	169
07/31/02	LABOR0727	DPPE07272002	604160667	<u>502</u>
				\$ <u>1,453</u>

For 1 (or 8%) out of 12 items tested, aggregating \$281,063 of \$832,864 in total Program non-payroll costs, the documents provided do not readily substantiate the following transaction:

<u>Date</u>	<u>Transaction #</u>	<u>Reference #</u>	<u>Transaction Amount</u>
09/30/02	JB09300038	W021500001	\$ 150,126

Cause:

There appears to be weak record keeping controls.

Effect:

A questioned cost of \$779,472 exists.

Prior Year Status:

The above condition is reiterative of conditions identified in prior years' audits of the Government of Guam.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2002

Finding No.: 02-10, Continued
CFDA No. 17.258/17.259/17.260
Program Name: WIA Cluster
Area: Allowable Costs/Cost Principles and Eligibility
Questioned Costs: \$779,472

Recommendation:

The Department of Administration should strengthen record keeping controls to ensure that such documents as Labor Cost Distribution Registers/Reports are maintained on file to substantiate expenditures. Furthermore, the Program Office should strengthen record keeping controls to ensure that case files are maintained on file to substantiate eligibility.

Auditee Response and Corrective Action Plan:

In a letter dated December 22, 2003, the Department of Administration provided a general response. See attachment.

Auditor's Response:

For transaction #LABOR0810 and LABOR0921, the Department of Administration subsequently provided requested payroll documents. However, unresolved discrepancies exist; therefore, the condition remains.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2002

Finding No.: 02-11
CFDA No. 17.258/17.259/17.260
Program Name: WIA Cluster
Area: Procurement
Questioned Costs: \$172,704

Criteria:

In accordance with OMB Circular A-133 procurement requirements and the Common Rule, the grantee 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:

For 5 (or 45%), out of 11 transactions, aggregating \$281,063 of \$3,003,744 in total Program expenditures, there is no significant history of the procurement on file for the following transactions:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>
06/25/02	67381	C0097932	AHRD	D021500025	\$ 2,208
09/10/02	71364	P0096719	AHRD	P026A04080	14,400
10/02/02	73990	P4676701	AHRD	C990600878	2,580
06/25/02	67331	P4676701	AHRD	D020660873	5,104
06/25/02	67331	P4676701	AHRD	D020660873	5,279
					<u>\$ 29,571</u>

During fiscal year 2002, additional payments made in relation to vendors and purchase orders/contracts described above are as follows:

<u>Vendor #</u>	<u>Reference #</u>	<u>Amount</u>
P4676701	D020660873	\$ 34,692
P4676701	C990600878	<u>108,441</u>
		<u>\$143,133</u>

Cause:

There appears to be a lack of internal control policies and procedures over ensuring compliance with OMB Circular A-133 procurement requirements and the Common Rule.

Effect:

The Program is in noncompliance with OMB Circular A-133 procurement requirements and the Common Rule. A questioned cost of \$172,704 exists.

Prior Year Status:

The above condition is reiterative of conditions identified in prior years' audits of the Government of Guam.

Recommendation:

The procurement supervisor should establish and implement internal control procedures to ensure that all procurements are documented in sufficient detail in compliance with OMB Circular A-133 procurement requirements and the Common Rule. The procurement officer should not approve purchase orders to procure goods/services from a particular vendor unless such procurement documents as solicitation ads, bid abstracts, or other written memoranda are documented on file to detail the significant history of the procurement.

Auditee Response and Corrective Action Plan:

In a letter dated December 22, 2003, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2002

Finding No.: 02-12
CFDA No. 20.205
Program Name: Highway Planning & Construction
Area: Procurement and Suspension and Debarment
Questioned Costs: \$369,584

Criteria:

In accordance with Common Rule Section 36 (9) procurement requirements, grantees and subgrantees may use competitive proposal procedures for qualifications-based procurement of architectural/engineering (A/E) professional services whereby competitors' qualifications are evaluated and the most qualified competitor is selected, subject to negotiation of fair and reasonable compensation. Furthermore, in accordance with Common Rule Section 36 (9) procurement requirements and Guam Procurement Regulation Section 3109 (d), the invitation for bids will be publicly advertised and bids shall be solicited from an adequate number of known suppliers, providing them sufficient time prior to the date set for opening bids 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.

Condition:

For 2 (18%) out of 11 contracts, aggregating \$15,424,315 of \$17,994,218 in total Program expenditures, there is no written rationale on file to indicate why the following vendors were selected:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Ranking</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>
10/24/02	75152	D6544001	No. 3 of 8	Public Works	C020602320	\$ 100,913
10/24/02	75154	J0496001	No. 4 of 8	Public Works	C020602310	44,171
						<u>\$ 145,084</u>

Furthermore, for both contracts referenced above, there is no written determination from the procurement officer indicating why the bid period was only 12 days, instead of the required 15 days.

During fiscal year 2002, additional payments made in reference to vendors and contract numbers described above are as follows:

<u>Vendor #</u>	<u>Reference #</u>	<u>Amount</u>
D6544001	C020602320	\$ 149,500
J0496001	C020602310	75,000
		<u>\$224,500</u>

Cause:

There appears to be weak internal controls over ensuring compliance with procurement requirements.

Effect:

The Government of Guam is in noncompliance with the Common Rule procurement requirements. A questioned cost of \$369,584 exists.

Prior Year Status:

The above condition is reiterative of conditions identified in prior years' audits of the Government of Guam.

Recommendation:

The Government of Guam should establish and implement internal control policies and procedures to ensure compliance with the Common Rule Section 36 (9) procurement requirements.

Auditee Response and Corrective Action Plan:

In a letter dated December 22, 2003, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2002

Finding No.: 02-13
CFDA No. 20.205
Program Name: Highway Planning & Construction
Area: Special Tests and Provisions
Questioned Costs: \$0

Criteria:

In accordance with OMB Circular A-133 sampling program requirements, the grantee must have a sampling and testing program for projects to ensure that materials and workmanship generally conform to approved plans and specifications. Also, the grantee should make price adjustments based on the engineering analysis for failed materials.

Condition:

Out of 6 projects tested, aggregating \$15,424,315 of \$17,994,218 in total Program expenditures, we noted the following:

1. For 1 project (or 17%) – Route 1, Reconstruction and Widening Phase I, Route 10A-16.

- a. A total of 1 (or 4%) out of 25 field density tests indicated failures.
- b. A total of 2 (or 3%) out of 58 letters, aggregate and asphalt material testing did not pass as follows:

<u>Letter No.</u>	<u>Sieve Size No.</u>	<u>Result %</u>	<u>Job Mix Formula Requirement %</u>
282	1-1/2/ inch	94	97 - 100
319	16	24	26 - 36

- c. A total of 43 (or 74%) out of 58 letters were missing in the file.

2. For 1 project (or 17%) – Route 1 Reconstruction & Widening, Route 29 to Route 9, Yigo.

- a. A total of 12 (or 11%) out of 114 field density tests indicated failures.
- b. A total of 6 (or 5%) out of 111 letters, aggregate and asphalt material testing did not pass as follows:

<u>Letter No.</u>	<u>Sieve Size No./Description</u>	<u>Result %</u>	<u>Job Mix Formula Requirement %</u>
161	Voids in mineral aggregate	11.85	13 minimum
175	Voids in mineral aggregate	11.75	13 minimum
176	3/8 inch	61	63 – 75
188	Voids in mineral aggregate	11.06	13 minimum
194	3/8 inch	57	63 – 75
194	Voids in mineral aggregate	11.46	13 minimum
253	8	23	25 – 33

No retesting was done to ensure that the failed materials and missing letters conform to the program. Furthermore, there is no documentation on file to indicate that price adjustments were performed by the state highway agency based on the engineering analysis for failed materials and missing letters.

Cause:

There appears to be a lack of internal control policies and procedures over ensuring that sample reports are maintained on file and that price adjustments are made of nonconforming materials.

Effect:

There is no known effect on the financial statements as a result of this condition. However, the Government of Guam may be in noncompliance with sampling program requirements.

Recommendation:

The Government of Guam should establish and implement internal control policies and procedures to ensure sampling program requirements are performed and maintained on file.

Auditee Response and Corrective Action Plan:

In a letter dated December 22, 2003, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2002

Finding No.: 02-14
CFDA No. 66.600
Program Name: Environmental Protection Consolidated Grants: Program Support
Area: Special Tests and Provisions
Questioned Costs: \$0

Criteria:

In accordance with OMB Circular A-133 special tests and provisions and grant terms and conditions, the Government of Guam must ensure that at least 8% of federal funds for prime contracts and subcontracts for supplies, construction, equipment or services are made available to organizations owned or controlled by socially and economically disadvantaged individuals and women (the Fair Share policy).

Condition:

The Government of Guam could not provide documentation to support compliance with the Fair Share Policy. Bid documents and contracts did not include documentation relating to the Fair Share percentage.

Cause:

There appears to be a lack of internal controls over ensuring compliance with the Fair Share policy.

Effect:

The Government of Guam is in noncompliance with OMB Circular A-133 special tests and provisions and grant terms and conditions regarding the Fair Share policy.

Recommendation:

The Government of Guam should ensure compliance with the Fair Share policy, by including the Fair Share percentage in bid documents and contracts.

Auditee Response and Corrective Action Plan:

In a letter dated October 30, 2003, the Program Office provided the following response:

Guam EPA, specifically the Administrative Services Officer, will ensure that prospective bids submitted in response to the Agency's RFPs are reviewed to ensure compliance with OMB Circular A-133, Fair Share Policy.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2002

Finding No.: 02-15
CFDA No. 66.600
Program Name: Environmental Protection Consolidated Grants: Program Support
Area: Special Tests and Provisions
Questioned Costs: \$83,266

Criteria:

In accordance with OMB Circular A-133 special tests and provisions and grant terms and conditions, no travel shall take place using Federal funds until a training plan for FY-2002 is approved by the USEPA Project Officer.

Condition:

The Government of Guam submitted a fiscal year 2002 draft training plan. The final training plan was not submitted and approved by the USEPA Project Officer. Still, the grantor specifically approved training costs totaling \$22,424. Therefore, of the \$105,690 in total travel expenditures incurred in fiscal year 2002, a total of \$83,266 was not approved.

Cause:

There appears to be a lack of internal controls over ensuring compliance with grant terms and conditions.

Effect:

The Government of Guam is in noncompliance with OMB Circular A-133 special tests and provisions and grant terms and conditions requiring approval of the training plan. A questioned cost of \$83,266 exists.

Recommendation:

Expenditures should not be incurred until the training plan has been approved by the required USEPA Project Officer.

Auditee Response and Corrective Action Plan:

In a letter dated October 30, 2003, the Program Office provided the following response:

Guam EPA has submitted a final FY 03 training plan to the grantor. Please note that although the final training plan was not submitted, most off-island training was approved by the grantor via email.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2002

Finding No.: 02-16
CFDA No. 66.600
Program Name: Environmental Protection Consolidated Grants: Program Support
Area: Special Tests and Provisions
Questioned Costs: \$0

Criteria:

In accordance with OMB Circular A-133 special tests and provisions and grant terms and conditions, the Government of Guam shall submit to the U.S. EPA Project Officer an accounting of all program income funds received and a description of how those funds have been used or will be used to support the overall consolidated environmental program as follows:

<u>Term</u>	<u>Required Submission Date</u>
FY2000	12/31/01
FY2001	12/31/01
10/1/01-5/31/01	06/30/02

Condition:

The Government of Guam could not provide an accounting of all program income funds earned, including a description of how those funds have been used or will be used to support the overall consolidated environmental program.

Cause:

The Government of Guam has not been able to provide an accounting of all program income funds for the terms specified above in a timely manner.

Effect:

The Government of Guam is in noncompliance with OMB Circular A-133 special tests and provisions and the grant terms and conditions.

Prior Year Status:

The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam.

Recommendation:

The Government of Guam should consider establishing manual procedures over accounting for the earning and disbursement of program income.

Auditee Response and Corrective Action Plan:

In a letter dated October 30, 2003, the Program Office provided the following response:

Guam EPA was not able to obtain reports via DOA although numerous requests were made. However, since FY 02, Guam EPA has been receiving reports and submitting them to the grantor, although not in a timely manner.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2002

Finding No.: 02-17
CFDA No. 66.600
Program Name: Environmental Protection Consolidated Grants: Program Support
Area: Procurement and Suspension and Debarment
Questioned Costs: \$113,846

Criteria:

In accordance with OMB Circular A-133 procurement requirements and the Common Rule, the grantee 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:

For 4 (or 31%) out of 13 transactions, aggregating \$222,956 of \$3,116,073 in total Program expenditures, there is no significant history of the procurement on file for the following transactions:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>
12/27/02	78568	P0096378	GEPA	C000601842	\$ 12,460
-	56033	A0097033	GEPA	C000602080	17,213
08/22/02	69928	A0097033	GEPA	C000602081	20,000
05/13/02	64672	P0096972	GEPA	P026A02612	<u>14,500</u>
					\$ <u>64,173</u>

During fiscal year 2002, additional payments made in relation to the vendors and purchase orders/contracts described above are as follows:

<u>Vendor #</u>	<u>Reference #</u>	<u>Amount</u>
P0096378	C000601842	\$12,460
A0097033	C000602081	<u>37,213</u>
		<u>\$49,673</u>

Cause:

There appears to be a lack of internal control policies and procedures over ensuring compliance with OMB Circular A-133 procurement requirements and the Common Rule.

Effect:

The Program is in noncompliance with OMB Circular A-133 procurement requirements and the Common Rule. A questioned cost of \$113,846 exists.

Prior Year Status:

The above condition is reiterative of conditions identified in prior years' audits of the Government of Guam.

Recommendation:

The procurement supervisor should establish and implement internal control procedures to ensure that all procurements are documented in sufficient detail in compliance with OMB Circular A-133 procurement requirements and the Common Rule. The procurement officer should not approve purchase orders to procure goods/services from a particular vendor unless such procurement documents as solicitation ads, bid abstracts, or other written memoranda are documented on file to detail the significant history of the procurement.

Auditee Response and Corrective Action Plan:

In a letter dated October 30, 2003, the Program Office provided the following response:

Copies of contracts in question were submitted to the auditor on October 2, 2003.

Auditors' Response:

We affirm receipt of the contracts. However, the requested procurement documents have not been provided. Therefore, the finding remains.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2002

Finding No.: 02-18
CFDA No.: 83.541
Program Name: Disaster Unemployment Assistance
Area: Eligibility
Questioned Costs: \$9,013

Criteria:

In accordance with OMB Circular A-133 eligibility requirements and 20 CFR 625.4, an individual shall be eligible to receive a payment of DUA with respect to a week of unemployment if, among other requirements, the individual is an unemployed worker or an unemployed self-employed individual, and the individual's unemployment with respect to that week is caused by a major disaster.

Condition:

For 10 (or 22%) out of 45 case files test, there is no documentation on file to indicate that the individual is an unemployed individual and/or the individual's unemployment is caused by a major disaster for the following:

	<u>Vendor #</u>	<u>Benefit Amount</u>	<u>Total FY 2002 Payments</u>
1.	5G704899	\$ 245	\$ 980
2.	5M860261	245	245
3.	5M763769	156	214
4.	5O681002	112	224
5.	5S742074	245	980
6.	5L769115	245	245
7.	5G664037	245	1,960
8.	5V487416	245	2,205
9.	5C014346	245	980
10.	5T018578	<u>245</u>	<u>980</u>
		\$ <u>2,228</u>	\$ <u>9,013</u>

Cause:

There appears to be weak internal controls over ensuring that documentation is maintained in the case file to indicate that the eligible individual is unemployed and that the individual's unemployment is caused by a major disaster.

Effect:

The Government of Guam is in noncompliance with OMB Circular A-133 and 20 CFR 625 eligibility requirements. A questioned cost of \$9,013 exists. Although the known questioned cost is less than \$10,000, the projected questioned cost is \$376,225. Therefore, this finding is considered reportable.

Recommendation:

The Government of Guam should strengthen internal controls to ensure that no payments are made to eligible individuals unless documentation is maintained in the case file to indicate that the eligible individual is unemployed and that the individual's unemployment is caused by a major disaster. The responsible personnel should consider developing a standard form for self-employers/former employers to specifically certify unemployment and cause of unemployment.

Auditee Response and Corrective Action Plan:

In a letter dated November 13, 2003, the Program Office provided the following response.

After carefully reviewing each of the above claimants' files, documentation and information were provided by the claimant; however, some questions and documentation were vague.

The Guam Employment Services has begun to strengthen their internal controls to ensure that no payments are made without complete and proper documentation by implementing specific controls for ensuring accuracy of our application process.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2002

Finding No.: 02-18, Continued
CFDA No.: 83.541
Program Name: Disaster Unemployment Assistance
Area: Eligibility
Questioned Costs: \$9,013

Auditee Response and Corrective Action Plan, Continued:

Implementing a process for the completion of proper documentation:

Example process:

- Distribute forms to applicants for completion
 - When claimant returns completed form, DUA specialist will review form with claimant to ensure all questions have been adequately answered
 - DUA specialist will sign that he/she has reviewed application with claimant and submit to his/her supervisor for review
 - The supervisor will review the document, sign off that it is properly completed and then submit to his/her administrator for final approval
 - The administrator will review completed documentation and sign-off before submission for unemployment benefits
1. Administrators and supervisors will continue to formalize this process and work out specific logistics relating to disasters.
 2. All Employees will be trained on the above process.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2002

Finding No.: 02-19
 CFDA No.: 83.541
 Program Name: Disaster Unemployment Assistance
 Area: Eligibility
 Questioned Costs: \$23,617

Criteria:

In accordance with OMB Circular A-133 eligibility requirements and 20 CFR 625.4, an individual shall be eligible to receive a payment of DUA with respect to a week of unemployment if, among other requirements, (1) the individual is able to work and available for work and (2) the individual has not refused a bona fide offer of employment in a suitable position, or refused without good cause to resume or commence suitable self-employment, if the employment or self-employment could have been undertaken in that week or in any prior week in the Disaster Assistance Period.

Condition:

For 32 (or 71%) out of 45 case files tested, we noted the following noncompliance:

- A. No indication or a negative indication on the application form when asked to certify whether the individual is able to work and available for work.
- B. No indication or a negative indication on the application form when asked whether the individual has refused a bona fide offer of employment or refused to resume or commence suitable self-employment.

	<u>Vendor #</u>	<u>Benefit Amount</u>	<u>Noncompliance</u>	<u>Total FY 2002 Payments</u>
1.	5M457271	\$ 245	A and B	\$ 490
2.	5M881600	245	A and B	490
3.	5W723053	123	A	245
4.	5R964125	123	A and B	1,102
5.	5M033602	245	A and B	2,695
6.	5M860261	245	A and B	245
7.	5P070796	149	A and B	225
8.	5Q585643	65	A	65
9.	5W277696	50	A and B	50
10.	5C091090	245	A and B	980
11.	5H074582	245	A	490
12.	5R010851	245	A and B	980
13.	5S336426	245	B	980
14.	5P760613	245	B	245
15.	5T192467	245	B	980
16.	5O749628	245	B	245
17.	5Q725974	245	B	245
18.	5P370946	245	B	245
19.	5R849592	245	B	490
20.	5Q014282	245	B	980
21.	5B072325	245	B	2,940
22.	5N457028	245	B	2,940
23.	5C052898	245	B	980
24.	5M763769	156	B	214
25.	5O681002	112	B	224
26.	5G664037	245	B	1,960
27.	5V487416	245	B	2,205
28.	5T018578	245	B	980
29.	5I091979	245	B	490
30.	5B395233	245	B	370
31.	5F749964	245	B	735
32.	5P159537	245	B	2,940
		<u>\$ 6,903</u>		<u>\$ 29,445</u>

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2002

Finding No.: 02-19, Continued
CFDA No.: 83.541
Program Name: Disaster Unemployment Assistance
Area: Eligibility
Questioned Costs: \$23,617

Cause:

There appears to be weak internal controls over ensuring that only individuals who meet the requirements of 20 CFR 625.4 are determined eligible for benefits.

Effect:

The Government of Guam is in noncompliance with OMB Circular A-133 and 20 CFR 625 eligibility requirements. A questioned cost exists, as follows:

Total costs questionable	\$29,445
Less costs already questioned in a previous finding	<u>5,828</u>
Total questioned costs presented at this finding	<u>\$23,617</u>

Recommendation:

The Government of Guam should strengthen internal controls to ensure that only individuals who meet the requirements of 20 CFR 625.4 are determined eligible.

Auditee Response and Corrective Action Plan:

In a letter dated November 13, 2003, the Program Office provided the following response.

After carefully reviewing each of the above claimants' files, documentation and information were provided by the claimant; however, some questions and documentation were vague.

The Guam Employment Services has begun to strengthen their internal controls to ensure that no payments are made without complete and proper documentation by implementing specific controls for ensuring accuracy of our application process.

Implementing a process for the completion of proper documentation:

Example process:

- Distribute forms to applicants for completion
 - When claimant returns completed form, DUA specialist will review form with claimant to ensure all questions have been adequately answered
 - DUA specialist will sign that he/she has reviewed application with claimant and submit to his/her supervisor for review
 - The supervisor will review the document, sign off that it is properly completed and then submit to his/her administrator for final approval
 - The administrator will review completed documentation and sign-off before submission for unemployment benefits
1. Administrators and supervisors will continue to formalize this process and work out specific logistics relating to disasters.
 2. All Employees will be trained on the above process.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2002

Finding No.: 02-20
CFDA No.: 83.541
Program Name: Disaster Unemployment Assistance
Area: Eligibility
Questioned Costs: \$582

Criteria:

In accordance with OMB Circular A-133 eligibility requirements, benefit amounts should be accurately calculated.

Condition:

Out of 45 case files tested, we noted the following:

1. For 4 (or 9%), the individual's weekly benefit amount exceeds the amount the individual would have received if the individual had not been unemployed due to the disaster, as follows:

	<u>Vendor #</u>	<u>Regular Weekly Amount</u>	<u>Weekly Benefit Amount</u>	<u>Overpayment</u>
a.	5B703266	\$140	\$ 245	\$105
b.	5K230432	175	245	70
c.	5M457271	128	245	117
d.	5R010851	212	245	<u>33</u>
				<u>\$325</u>

2. For 2 (or 4%), the individual had earned income during the week of unemployment, but was paid full benefits, as follows :

	<u>Vendor #</u>	<u>Weekly Amount Earned</u>	<u>Weekly Benefit Amount</u>	<u>Overpayment</u>
a.	5F749964	\$ 6	\$ 245	\$ 6
b.	5M881600	6	245	<u>6</u>
				<u>\$12</u>

3. For 1 (or 2%), a quality control reviewer of the case file noted that the Program needs to recover \$245 paid to vendor # 5H074582 for the week ended July 20, 2002, due to the individual's income exceeding DUA benefits.

Cause:

There appears to be weak internal controls over ensuring proper calculations of weekly benefit amounts.

Effect:

The Government of Guam overpaid weekly benefits. A questioned cost of \$582 exists. Although the known questioned cost is less than \$10,000, the projected questioned cost is \$98,413. Therefore, this finding is considered reportable.

Recommendation:

The Government of Guam should strengthen internal controls to ensure that weekly benefit amounts are accurately calculated in accordance with OMB Circular A-133 eligibility requirements.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2002

Finding No.: 02-20, Continued
CFDA No.: 83.541
Program Name: Disaster Unemployment Assistance
Area: Eligibility
Questioned Costs: \$582

Auditee Response and Corrective Action Plan:

In a letter dated November 13, 2003, the Program Office provided the following response.

After carefully reviewing each of the above claimants' files, documentation and information were provided by the claimant; however, some questions and documentation were vague.

The Guam Employment Services has begun to strengthen their internal controls to ensure that no payments are made without complete and proper documentation by implementing specific controls for ensuring accuracy of our application process.

Implementing a process for the completion of proper documentation:

Example process:

- Distribute forms to applicants for completion
 - When claimant returns completed form, DUA specialist will review form with claimant to ensure all questions have been adequately answered
 - DUA specialist will sign that he/she has reviewed application with claimant and submit to his/her supervisor for review
 - The supervisor will review the document, sign off that it is properly completed and then submit to his/her administrator for final approval
 - The administrator will review completed documentation and sign-off before submission for unemployment benefits
1. Administrators and supervisors will continue to formalize this process and work out specific logistics relating to disasters.
 2. All Employees will be trained on the above process.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2002

Finding No.: 02-21
CFDA No.: 83.543
Program Name: Individual and Family Grants
Area: Allowable Costs/Cost Principles
Questioned Costs: \$10,588

Criteria:

In accordance with OMB Circular A-133 allowable costs/cost principles requirements, direct and indirect costs must be net of all applicable credits that result from transactions that reduce or offset direct or indirect costs.

Condition:

Small Business Administration reimbursements totaling \$10,588 for fiscal year 2002 were not recorded or reported as credits to the IFG program.

Cause:

There appears to be weak internal controls over ensuring compliance with OMB Circular A-133 allowable costs/cost principles.

Effect:

The Government of Guam is in noncompliance with OMB Circular A-133 allowable costs/cost principles requirements. A questioned cost of \$10,588 exists.

Recommendation:

The Government of Guam should strengthen internal controls to ensure that such credits as reimbursements from the Small Business Administration offset direct or indirect program costs.

Auditee Response and Corrective Action Plan:

In a letter dated November 21, 2003, the Program Office provided the following response.

The IFG Program agrees with the finding. The corrective action plans include procedures that will assist the Program in meeting federal guidelines and will eliminate any potential for recurrence of such finding during future administration of the Program.

Corrective Action: The IFG Program Office and Division of Accounts have coordinated to establish an account to record the credit to expenditures of the Small Business Administration (SBA) reimbursements. The IFG State Administrative Plan will be updated to include detailed procedures for coordination and for establishing the system(s) necessary for recording all transactions occurring within the IFG account.

Preventive Action: The IFG Grant Coordinating Officer and the Program Manager will stay abreast of developments in the administration of the IFG Program, and will coordinate closely with the Division of Accounts to ensure procedures are followed for the recording of transactions that occur within the IFG account.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2002

Finding No.: 02-22
CFDA No.: 83.543
Program Name: Individual and Family Grants
Area: Eligibility
Questioned Costs: \$0

Criteria:

In accordance with OMB Circular A-133 eligibility requirements, program personnel should ensure that only eligible individuals physically receive IFG benefit checks.

Condition:

For 4 (or 9%) out of 45 cases tested (i.e., # 586866819, 489089338, 586627566, and 586242760), the eligible individual signed the Daily Activity Report Log as having received the benefit check. However, there is no accompanying signature of the IFG representative who presented the check to indicate that the eligible individual's identity was physically verified.

Cause:

There appears to be weak internal controls over ensuring compliance with OMB Circular A-133 eligibility requirements.

Effect:

The Government of Guam is in noncompliance with OMB Circular A-133 eligibility requirements.

Recommendation:

The Government of Guam should strengthen internal controls to ensure compliance with OMB Circular A-133 eligibility requirements. Prior to physically distributing a benefit check to an individual, the IFG representative should verify the physical identity of the individual, have the individual sign the Daily Activity Report Log, and should sign the log to indicate that the required verification has occurred.

Auditee Response and Corrective Action Plan:

In a letter dated November 21, 2003, the Program Office provided the following response.

The IFG Program agrees with the finding. The corrective action plans include procedures that will assist the Program in meeting federal guidelines and will eliminate any potential for recurrence of such finding during future administration of the Program.

Corrective Action: Internal procedures had been established to control and record the issuance of the IFG checks, which include the requirement for IFG staff to verify by signature or initials on the Daily Activity Report Log. The IFG staff supervisor(s) for check control neglected to monitor the activities of the staff who were issuing IFG checks. The IFG State Administrative Plan will be updated to include detailed procedures for first line supervisors to better monitor and control the issuance of IFG checks.

Preventive Action: The IFG Grant Coordinating Officer and the Program Manager will stay abreast of developments in the administration of the IFG Program, and will emphasize to first line supervisors, the importance of monitoring activities of IFG staff to ensure procedures for check issuance are followed. First line supervisors will review the Daily Activity Report Log before close of business each day to ensure that all required entries are made.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2002

Finding No.: 02-23
CFDA No.: 83.544
Program Name: Public Assistance Grants
Area: Special Tests and Provisions – 44 CFR 13.26
Questioned Costs: \$0

Criteria:

In accordance with 44 CFR 13.26, State or local governments that provide Federal awards to a subgrantee, which expends \$300,000 or more in Federal awards in a fiscal year, shall determine whether State or local subgrantees have met the audit requirements of the Single Audit Act Amendments of 1996 and revised OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," or OMB Circular A-110, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations," as applicable.

Condition:

The Government of Guam did not obtain Single Audit reports from the following subgrantees, to which it provided more than \$300,000 in Federal fund reimbursements in fiscal year 2002, as follows:

<u>Vendor Number</u>	<u>Department/Division</u>	<u>Amount</u>
A2031601	9812	\$ 2,900,483
21900000	9919	\$ 1,169,287
P0029901	9978	\$ 372,461

Cause:

There appears to be a lack of internal controls over ensuring compliance with 44 CFR 13.26 audit requirements.

Effect:

The Government of Guam is in noncompliance with 44 CFR 13.26 audit requirements. However, we are aware that the vendors above have been, or are currently being, subjected to a Single Audit. Therefore, no questioned cost exists.

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 monitor subgrantees and obtain audits from those subgrantees that expend more than \$300,000 in federal funds.

Auditee Response and Corrective Action Plan:

In a letter dated November 21, 2003, the Program Office provided the following response.

Auditee Response: A letter was sent to a respective Agency's for noncompliance and requested that the Single Audit Report must be conducted and response to the current status of the Single Audit Requirement to the Recovery Coordination Office no later than November 19, 2003.

[Vendor number, A2031601] has responded and provided copies of the Single Audit for FY98, 99 and 00 which was transmitted by your office to the Single Audit Clearinghouse, US Dept. of Commerce on September 22, 2003. The [vendor] is making arrangement to conduct the required audit for FY "01", "02" and "03". Exhibit A.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2002

Finding No.: 02-23, Continued
CFDA No.: 83.544
Program Name: Public Assistance Grants
Area: Special Tests and Provisions – 44 CFR 13.26
Questioned Costs: \$0

Auditee Response and Corrective Action Plan, Continued:

Corrective Action Plan: The following procedure has been implemented for the Federally Declared Disaster Dr-1446 Typhoon Pongsona and applied to all open Federally Declared Disaster:

NOTICE TO PROCEED (NTP): Notification to all eligible Subgrantees upon receipt of Official Approval Notification from FEMA. Exhibit "B"

The Public Assistance Officer (PAO) issued a NTP to all eligible subgrantees to commence on their approved public assistance grant projects upon approval from FEMA. Exhibit "A". All subgrantees have been notified and acknowledge of the Restoration procedures, Single Audit and Record Retention requirements.

FISCAL YEAR-END: Single Audit Report Request Letter

The Public Assistance Officer (PAO) will issue a letter to all subgrantees who have expended \$300,000 in Public Assistance Program (PAP) within the fiscal year of the Single Audit Requirement. Exhibit "A".

SUBMISSION OF SINGLE AUDIT REPORTS

Upon receipt of the Single Audit Reports from the subgrantees, the Public Assistance Officer will forward a copy to FEMA for their review and approval. Upon receipt of FEMA's approval or acceptance letter will be sent to Subgrantee, Department of Administration (DOA) and Bureau of Budget and Management Research (BBMR).

QUARTERLY REPORTS:

Subgrantee who is in noncompliance with the Single Audit Requirement, as applicable at Fiscal Yearend, will be listed on the FEMA's Quarterly Report.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2002

Finding No.: 02-24
CFDA No. 83.544
Program Name: Public Assistance Grants
Area: Allowable Costs/Cost Principles
Questioned Costs: \$153,987

Criteria:

In accordance with OMB Circular A-133 allowable costs/cost principles requirements and the Common Rule, financial and programmatic records, such as employee personnel action forms, timesheets, and sick/annual leave service cards should be maintained on file for at least three years to substantiate expenditures. Furthermore, such supporting records should be signed approved by the employee's supervisor.

Condition:

For 3 (or 16%), out of 19 transactions tested, aggregating \$332,549 of \$2,714,992 in total Program payroll expenditures, the Government of Guam did not provide employee personnel action forms, timesheets, and sick/annual leave service cards for the following:

<u>Reference Number</u>	<u>Date</u>	<u>Amount</u>
J020660588/LABOR0810	08/26/02	81,251
DPPE08242002	08/30/02	27,531
DPPE08242002	08/31/02	45,205
		<u>\$ 153,987</u>

Cause:

There appears to be weak internal controls over record keeping.

Effect:

The Government of Guam is in noncompliance with OMB Circular A-133 allowable costs/cost principles requirements and the Common Rule records retention requirements. A questioned cost of \$153,987 exists.

Prior Year Status:

The above condition is reiterative of conditions identified in prior years' audits of the Government of Guam.

Recommendation:

The Government of Guam should strengthen record keeping controls to ensure that all files are properly stored and accounted for in accordance with OMB Circular A-133 allowable costs/cost principles requirements and the Common Rule. Also, the Government of Guam should locate and provide the requested documents to effect resolution of this finding. Furthermore, the responsible personnel should process only those timesheets that have been certified by the employee's supervisor.

Auditee Response and Corrective Action Plan:

In a letter dated November 21, 2003, the Program Office provided the following response.

Auditee Response: During the incident period and Federal Declaration of Typhoon Chata'an on July 5, 2002, the Government has requested from FEMA an Immediate Needs Funding (INF) for four (4) Agencies as follows: Military Affairs, Department of Public Works, Guam Waterworks Authority and Department of Education and are assigned with DOA accounting code "TC" Typhoon Chata'an.

In reference to Military Affairs (Guam National Guard) and Department of Public Works these costs are associated with personnel labor cost incurred during the emergency respond incident period. These costs are associated with a project worksheet which is currently being reconciled.

Under the Office of the Governor, the DOA assigned code is "TP" for Typhoon Paka. All personnel records were submitted to Department of Administration for processing.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2002

Finding No.:	02-24, Continued
CFDA No.	83.544
Program Name:	Public Assistance Grants
Area:	Allowable Costs/Cost Principles
Questioned Costs:	\$153,987

Auditee Response and Corrective Action Plan, Continued:

Corrective Action Plan: Upon completion of the review of the applicable project worksheets, the Agency's with the coordination with the Recover Coordination Office will prepare the Journal Voucher Entry to clear the General Fund Account Expenditures.

The Department of Administration is the main custodian for all personnel records for line Agencies. The Department of Administration, Military Affairs and Department of Public Works must address and response to this condition.

In a letter dated December 22, 2003, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2002

Finding No.: 02-25
CFDA No.: 83.548
Program Name: Hazard Mitigation Grant
Area: Special Tests and Provisions – 44 CFR 13.26
Questioned Costs: \$0

Criteria:

In accordance with 44 CFR 13.26, State or local governments that provide Federal awards to a subgrantee, which expends \$300,000 or more in Federal awards in a fiscal year, shall determine whether State or local subgrantees have met the audit requirements of the Single Audit Act Amendments of 1996 and revised OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," or OMB Circular A-110, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations," as applicable.

Condition:

The Government of Guam did not obtain Single Audit reports from the following subgrantees, to which it provided more than \$300,000 in Federal fund reimbursements in fiscal year 2002, as follows:

<u>Vendor Number</u>	<u>Department/Division</u>	<u>Amount</u>
G0767401	9967	\$ 2,406,797
G0742101	9966	\$ 1,132,110
P0029901	9978	\$ 568,404
PO747301	9979	\$ 442,162

Cause:

There appears to be a lack of internal controls over ensuring compliance with 44 CFR 13.26 audit requirements.

Effect:

The Government of Guam is in noncompliance with 44 CFR 13.26 audit requirements. However, we are aware that the vendors above have been, or are currently being, subjected to a Single Audit. Therefore, no questioned cost exists.

Prior Year Status:

The above condition is reiterative of conditions identified in our prior years' audits of the Government of Guam.

Recommendation:

The Government of Guam should monitor subgrantees and obtain audits from those subgrantees that expend more than \$300,000 in federal funds.

Auditee Response and Corrective Action Plan:

In a letter dated November 21, 2003, the Program Office provided the following response.

Auditee Response: A letter was sent to a respective Agency's for noncompliance and requested that the Single Audit Report must be conducted and response to the current status of the Single Audit Requirement to the Recovery Coordination Office no later than November 19, 2003.

[Vendor number, A2031601] has responded and provided copies of the Single Audit for FY98, 99 and 00 which was transmitted by your office to the Single Audit Clearinghouse, US Dept. of Commerce on September 22, 2003. The [vendor] is making arrangement to conduct the required audit for FY "01", "02" and "03". Exhibit A.

Corrective Action Plan: The following procedure has been implemented for the Federally Declared Disaster Dr-1446 Typhoon Pongsona and applied to all open Federally Declared Disaster:

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2002

Finding No.: 02-25, Continued
CFDA No.: 83.548
Program Name: Hazard Mitigation Grant
Area: Special Tests and Provisions – 44 CFR 13.26
Questioned Costs: \$0

Auditee Response and Corrective Action Plan, Continued:

NOTICE TO PROCEED (NTP): Notification to all eligible Subgrantees upon receipt of Official Approval Notification from FEMA. Exhibit "B"

The Public Assistance Officer (PAO) issued a NTP to all eligible subgrantees to commence on their approved public assistance grant projects upon approval from FEMA. Exhibit "A". All subgrantees have been notified and acknowledge of the Restoration procedures, Single Audit and Record Retention requirements.

FISCAL YEAR-END: Single Audit Report Request Letter

The Public Assistance Officer (PAO) will issue a letter to all subgrantees who have expended \$300,000 in Public Assistance Program (PAP) within the fiscal year of the Single Audit Requirement. Exhibit "A".

SUBMISSION OF SINGLE AUDIT REPORTS

Upon receipt of the Single Audit Reports from the subgrantees, the Public Assistance Officer will forward a copy to FEMA for their review and approval. Upon receipt of FEMA's approval or acceptance letter will be sent to Subgrantee, Department of Administration (DOA) and Bureau of Budget and Management Research (BBMR).

QUARTERLY REPORTS:

Subgrantee who is in noncompliance with the Single Audit Requirement, as applicable at Fiscal Yearend, will be listed on the FEMA's Quarterly Report.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2002

Finding No.: 02-26
CFDA No.: 93.558
Program Name: Temporary Assistance For Needy Families
Area: Special Tests and Provisions – Income Eligibility and Verification System (IEVS)
Questioned Costs: \$0

Criteria:

In accordance with OMB Circular A-133 special tests and provisions requirements and 45 CFR 205.55, each State shall participate in the Income Eligibility and Verification System (IEVS) required by section 1137 of the Social Security Act, as amended. Under the State Plan the State is required to coordinate data exchanges with other federally assisted benefit programs, request and use income and benefit information when making eligibility determinations, and adhere to standardized formats and procedures in exchanging information with other programs and agencies. Specifically, the State is required to request and obtain information as follows (42 USC 1320b-7; 45 CFR section 205.55):

1. Wage information from the State Wage Information Collection Agency (SWICA) should be obtained for all applicants at the first opportunity following receipt of the application, and for all recipients on a quarterly basis.
2. Unemployment Compensation (UC) information should be obtained for all applicants at the first opportunity, and in each of the first three months in which the individual is receiving aid. This information should also be obtained in each of the first three months following any recipient-reported loss of employment. If an individual is found to be receiving UC, the information should be requested until benefits are exhausted.
3. All available information from the Social Security Administration for all applicants at the first opportunity.
4. Information from the Immigration and Naturalization Service and any other information from other agencies in the State or in other States that might provide income or other useful information.
5. Unearned income from the Internal Revenue Service (IRS).

Condition:

During fiscal year 2002, the Government of Guam did not utilize the Income Eligibility and Verification System

Cause:

It appears to be the Government of Guam's understanding that the data exchange with other federally assisted benefit programs is optional.

Effect:

There is no known effect on the financial statements as a result of this condition. However, there is a potential for the Government of Guam to be providing benefits to participants who would have otherwise been determined ineligible had the required data exchanges been coordinated.

Prior Year Status:

The above condition is reiterative of conditions identified in our prior years' audits of the Government of Guam.

Recommendation:

The Government of Guam should obtain written confirmation from the grantor agency as to whether participation in the Income Eligibility and Verification System is an option.

Auditee Response and Corrective Action Plan:

In a letter dated December 2, 2003, the Program Office provided the following response.

Agree. The Agency recognizes that participation in the Income Eligibility and Verification System (IEVS) is a mandated activity for TANF. However, the Agency was (and still is) unable to comply with this requirement because the current computer system does not have the capability to do IEVS matching. This data match activity was an incomplete deliverable of the Agupa project.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2002

Finding No.: 02-26, Continued
CFDA No.: 93.558
Program Name: Temporary Assistance For Needy Families
Area: Special Tests and Provisions – Income Eligibility and Verification System (IEVS)
Questioned Costs: \$0

Auditee Response and Corrective Action Plan, Continued:

Corrective Action Plan: The Agency is in the process of announcing a Request for Proposal (RFP) to develop an automated system that will support the whole agency. Included in the RFP package is the replacement of Agupa with a reliable computer system. Although plans indicate that the project will start during the current fiscal year, it is not known at this time when the IEVS component of such system will be operational.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2002

Finding No.: 02-27
CFDA No.: 93.558/93.778
Program Name: Temporary Assistance For Needy Families/Medicaid
Area: Eligibility
Questioned Costs: \$0

Criteria:

In accordance with OMB Circular A-133 allowable costs/cost principles requirements and the Common Rule, all programmatic records, such as case files (including copies of birth certificates, social security cards, and application worksheets), should be maintained on file to substantiate eligibility determinations.

Condition:

Out of 45 items tested, we noted the following:

1. For 17 (or 38%), the Government of Guam did not provide the case file.
2. For 1 (or 2%), no social security card is on file for case number 30-49026.
3. For 2 (or 4%), no application worksheet is on file to support the determination of eligibility for case numbers 30-44608 and 30-35243.
4. For 4 (or 9%), no Public Assistance worksheet is on file to support the determination of eligibility for case number 30-09389, 30-71486, 30-35243, and 30-51194.
5. For 2 (or 4%), no appraisal or verification with Guam's DMV was obtained for the individual's personal vehicle is on file to support the determination of eligibility for case number 30-49026 & 30-8219.
6. For 1 (or 2%), appraised amount of recipient's personal vehicle was not included in calculations in the determination of eligibility case number 83-34385.

Cause:

There appears to be weak record keeping controls and controls over ensuring compliance with eligibility requirements.

Effect:

There is no known effect on the financial statements as a result of this condition. However, the Government of Guam is in noncompliance with OMB Circular A-133 eligibility requirements.

Prior Year Status:

The above condition is reiterative of conditions identified in our prior year audit of the Government of Guam.

Recommendation:

The Department of Public Health and Social Services should strengthen record keeping controls to ensure that case files are maintained on file for at least three years to substantiate expenditures.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2002

Finding No.: 02-27, Continued
CFDA No.: 93.558/93.778
Program Name: Temporary Assistance For Needy Families & Medicaid
Area: Eligibility
Questioned Costs: \$0

Auditee Response and Corrective Action Plan:

In a letter dated December 2, 2003, the Program Office provided the following response.

For case numbers 30-09389, 30-51194, 3071486, we agree that there are no PA worksheets in file. However, the eligibility determination and calculation of benefits is programmed on the system and data entry is completed on all cases acted on. This information is available to the reviewer. The case remains eligible.

Corrective Action: It was planned to eliminate the use of program worksheets when the Agupa system was being developed. Until such time as a reliable computer system is in place, the Agency will continue to use the worksheets. Program Management Section will remind staff during their regular monthly staff training, to complete the worksheets. An assessment for the need for PA worksheets will be done.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2002

Finding No.: 02-28
CFDA No.: 93.558/93.778
Program Name: Temporary Assistance For Needy Families/Medicaid
Area: Special Tests and Provisions – Penalty for Refusal to Work
Questioned Costs: \$14,942

Criteria:

In accordance with OMB Circular A-133 special tests and provisions requirements, the State agency must reduce or terminate the assistance payable to the family for refusal to work subject to any good cause or other exemptions established by the State.

Condition:

For 3 (or 7%) out of 45 cases tested (i.e., # 30-80219, 30-24333, and 30-70286), the applicant did not register for work, but was determined eligible. During fiscal year 2002, a total of \$14,942 in Medicaid benefits was paid for those individuals.

Cause:

There appears to be a lack of internal controls over ensuring compliance with OMB Circular A-133 special tests and provisions requirements.

Effect:

The Government of Guam is in noncompliance with OMB Circular A-133 eligibility requirements. The grantor agency may penalize the State by an amount not less than one percent and not more than five percent of the State Family Assistance Grant for violation of this provision. A questioned cost of \$14,942 exists.

Prior Year Status:

The above condition is reiterative of conditions identified in our prior years' audits of the Government of Guam.

Recommendation:

The Government of Guam should establish internal controls to ensure that only applicants registered for work are approved eligible for benefits.

Auditee Response and Corrective Action Plan:

In a letter dated December 2, 2003, the Program Office provided the following response.

Agree. The Agency agrees with the finding for case #30-80219. Although the head of household was work registered on 12/28/2001, the Eligibility Specialist failed to work register the wife when the case changed from a non-assistance Food Stamp case to a Public Assistance and Food Stamp Case. ES thought that the wife was exempt from work registration because she is a full time student.

The Agency disagrees with the findings for case numbers 30-70286, and 30-24333, and the response was submitted under a separate cover memo.

Case no. 30-24333 does not exist and maybe an incorrect case number.

The amount of \$8,202 in questioned costs should decrease to the amount attributable to case number 30-80219.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2002

Finding No.: 02-28, Continued
CFDA No.: 93.558/93.778
Program Name: Temporary Assistance For Needy Families/Medicaid
Area: Special Tests and Provisions – Penalty for Refusal to Work
Questioned Costs: \$14,942

Auditee Response and Corrective Action Plan, Continued:

Corrective Action: Program Management Section shall provide periodic refresher training on work requirements for both TANF and Food Stamps.

In the separate cover memo dated November 21, 2003, the Program Office provided the following response:

The Agency disagrees with the findings for case number 30-70286, and therefore, disagrees with the amount of questioned costs.

For case number 30-70286, head of the household was work registered in July 1999. As long as the TANF case remains active, the household need not be work registered again. Copies of work registration forms attached.

Auditors' Response:

Regarding case number 30-70286, no work registration form was provided. The work registration form provided by the Program Office indicated case number 30-52354, and the registrant's social security number differed from that of case number 30-70286. Therefore, the finding remains.

Regarding case number 30-24333, we provided the individual's name and requested the correct case number. However, as of report issuance, the Program Office did not provide a response. Therefore, the finding remains.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2002

Finding No.: 02-29
CFDA No.: 93.558
Program Name: Temporary Assistance For Needy Families
Area: Earmarking- Public Assistance limitation
Questioned Costs: \$0

Criteria:

In accordance with OMB Circular A-133 earmarking requirements, any family that includes an adult or minor child head of household or a spouse of the head of household who has received assistance under any State program funded by Federal TANF funds for 60 months (whether or not consecutive) is ineligible for additional federally funded TANF assistance. The average monthly number of such ineligible families may not exceed 20 percent of the average monthly number of all families to which the State provided assistance during the fiscal year or the immediately preceding fiscal year (but not both), as the State may elect.

Condition:

The Government of Guam is unable to accurately track recipients and determine for Fiscal Year 2002, the average monthly number of families with a head of household or spouse of a head of household who received assistance for more than 60 months. Furthermore applications processed outside the Agupa System are not reviewed for compliance with the 60-month eligibility period.

Cause:

There appears to be a lack of internal controls over ensuring compliance with OMB Circular A-133 earmarking requirements.

Effect:

The Government of Guam may be in noncompliance with OMB Circular A-133 earmarking requirements. There is a potential for the Government of Guam to be providing benefits to participants who would have otherwise been determined ineligible had the required determination been performed.

Recommendation:

The Government of Guam should modify the Agupa System to enable accurate tracking and reporting of participants receiving monthly benefits. Furthermore, the Government of Guam should establish internal controls to ensure that manually processed applications meet the 60-month eligibility requirement.

Auditee Response and Corrective Action Plan:

In a letter dated December 2, 2003, the Program Office provided the following response.

Agree. The Agupa System does not have the capability to track participation months for cases certified and given benefits through the Direct Payment process. As part of a manual process to track the number of months a household has participated in TANF, Eligibility Specialists update the tracking sheet to determine the number of participation months. These updates are done during times when households make contact with the Agency (i.e., renewal, re-open, change report). However, participation months wherein benefits were issued thru the Direct Payment process are not captured by Agupa.

Corrective Action Plan: The Agency is in the process of announcing a Request for Proposal (RFP) to develop an automated system that will support the whole agency. Included in the RFP package is the replacement of Agupa with a reliable computer system. It is anticipated that the new system will include integration of the Direct Payment module into the main database.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2002

Finding No.: 02-30
CFDA No.: 93.558
Program Name: Temporary Assistance For Needy Families
Area: Reporting
Questioned Costs: \$0

Criteria:

In accordance with OMB Circular A-133 reporting requirements, reports that must be filed quarterly include the following:

1. ACF 199 TANF Data Reports (OMB Control No. 0970-0199)
2. ACF-209 SSP-MOE Data Reports (OMB Control No. 0970-0199)
3. ACF-204s, Annual Report including the Annual Report on State Maintenance-of-Effort Programs (OMB No. 0970-0199)

Condition:

The required reports were not submitted.

Cause:

Based on discussions with Program personnel, the required reports were not submitted due to problems with the Agupa system.

Effect:

The Government of Guam is in noncompliance with OMB Circular A-133 reporting requirements.

Prior Year Status:

The above condition is reiterative of conditions identified in prior year audit of the Government of Guam.

Recommendation:

The Government of Guam should resolve problems with the Agupa system and submit the required reports.

Auditee Response and Corrective Action Plan:

In a letter dated December 2, 2003, the Program Office provided the following response.

Agree. The report module in the Agupa system was not a completed deliverable. Because most of the reports require automated extraction of data elements from various programs and mapping and reformatting such data to prescribed formats before transmitting electronically, the Agency was unable to submit the reports.

Corrective Action Plan: The Agency is in the process of announcing a Request for Proposal (RFP) to develop an automated system that will support the whole agency. This functional requirement is included in the planned development project to replace the existing Agupa system. At this time, the MIS Advisor and Acting Systems Administrator has not identified a time line to initiate programming so that reports can be generated.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2002

Finding No.: 02-31
CFDA #: 93.558/93.778
Program Name: TANF/Medicaid
Area: Reporting
Questioned Costs: \$0

Criteria:

In accordance with OMB Circular A-133 reporting requirements, federal financial reports should be accurate.

Condition:

Expenditures reported in the ACF 196 Report and HCFA 64 Report do not agree with expenditures recorded in the financial management system, as follows:

		<u>Per ACF 196</u>	<u>Per FMS</u>	<u>Underreported</u>
CFDA #93.558	Expenditures	\$ 12,941,791	\$ 14,713,450	\$ 1,771,659
		<u>Per HCFA 64</u>	<u>Per FMS</u>	<u>Underreported</u>
CFDA #93.778	Expenditures	\$ 11,158,050	\$ 12,664,913	\$ 1,506,863

Cause:

There appears to be a lack of controls over ensuring that reconciliations are performed.

Effect:

There is no known effect on the financial statements as a result of this condition. However, expenditures are underreported in the ACF 196 Report and HCFA 64 Report.

Prior Year Status:

The above condition is reiterative of conditions identified in our prior years' audits of the Government of Guam.

Recommendation:

The Government of Guam should establish and implement internal controls to ensure that the responsible personnel perform a reconciliation of expenditures per the ACF 196 Report and HCFA 64 Report and per the financial management system. Any discrepancies should be immediately investigated and resolved before the reports are submitted.

Auditee Response and Corrective Action Plan:

In a letter dated December 22, 2003, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2002

Finding No.: 02-32
 CFDA No. 93.563
 Program Name: Child Support Enforcement (CSE)
 Area: Procurement
 Questioned Costs: \$620,993

Criteria:

In accordance with OMB Circular A-133 procurement requirements and the Common Rule, the grantee 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, procurement requirements should be followed.

Condition:

Out of 14 transactions, aggregating \$2,227,966 of \$5,320,826 in total Program expenditures, we noted the following:

- 1) For 2 (or 14%), except for contract amendments, there is no other significant history of the procurement on file for the following transactions:

	<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>
a.	11/01/01	51574	A7336001	Law	C010600134	\$ 26,561
b.	04/04/02	62070	A7336001	Law	C010600135	105,806
	10/07/02	74101	A7336001	Law	C010600135	<u>26,561</u>
						<u>\$ 158,928</u>

- 2) For 1 (or 7%), in a letter dated March 5, 2002, the chief procurement officer stated the procurement transaction was unauthorized, but indicated concurrence and ratification of the transaction based on a review of the justifications. No other procurement documents were provided for the following transaction:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>
04/03/02	61992	A0096883	Law	P026A03291	\$ 10,523

During fiscal year 2002, additional payments made in relation to the vendor and purchase order/contracts are as follows:

<u>Vendor #</u>	<u>Reference #</u>	<u>Amount</u>
A7336001	C010600134	\$345,296
A7336001	C010600135	<u>106,246</u>
		<u>\$451,542</u>

Cause:

There appears to be a lack of internal control policies and procedures over ensuring compliance with OMB Circular A-133 procurement requirements and the Common Rule.

Effect:

The Program is in noncompliance with OMB Circular A-133 procurement requirements and the Common Rule. A questioned cost of \$620,993 exists.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2002

Finding No.: 02-32, Continued
CFDA No. 93.563
Program Name: Child Support Enforcement (CSE)
Area: Procurement
Questioned Costs: \$620,993

Prior Year Status:

The above condition is reiterative of conditions identified in prior years' audits of the Government of Guam.

Recommendation:

The procurement supervisor should establish and implement internal control procedures to ensure that all procurements are documented in sufficient detail in compliance with OMB Circular A-133 procurement requirements and the Common Rule. The procurement officer should not approve purchase orders to procure goods/services from a particular vendor unless such procurement documents as solicitation ads, bid abstracts, or other written memoranda are documented on file to detail the significant history of the procurement.

Furthermore, the Government of Guam should contact the Grantor agency for a determination as to the necessity and frequency of obtaining competitive bids for such continuing services as office rental space.

Auditee Response and Corrective Action Plan:

In a letter dated November 10, 2003, the Program Office provided the following response.

OAG Acting Chief of Administration has consulted with D&T representative[s] and has provided documents on subject matter.

Auditor Response:

The documents provided to the auditors had resolved certain conditions in preliminary findings. However, no documents were provided to resolve the condition that remains for vendor A7336001 and A0096883 for office rental space.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2002

Finding No.: 02-33
CFDA #: 93.563
Program Name: Child Support Enforcement (CSE)
Area: Eligibility
Questioned Costs: \$0

Criteria:

In accordance with OMB Circular A-133 eligibility requirements and 45 CFR 74.53, all financial and programmatic records, such as social security numbers, should be maintained on file for at least three years.

Condition:

For 9 (or 18%) out of 51 case files tested (i.e., case file # 14533, 14615, 14695, 14757, 14823, 14965, 14981, 15024, 15183), the social security number of the child is not documented.

Cause:

There appears to be weak internal controls over ensuring that social security numbers are maintained on file for at least three years.

Effect:

The Government of Guam is in noncompliance with 45 CFR 74.53.

Prior Year Status:

The above condition is reiterative of conditions identified in our prior years' audits of the Government of Guam.

Recommendation:

The grantee should strengthen internal controls to ensure compliance with 45 CFR 74.53.

Auditee Response and Corrective Action Plan:

In a letter dated November 10, 2003, the Program Office provided the following response:

Case No. 14533: Agree. This case was a welfare referral received December 11, 2001. The referral lacked the necessary documents. NCP resides in Chuuk. We are attempting to get a copy of the child's social security number.

Case No. 14615: Agree. This case was a welfare referral received November 14, 2001. The referral lacked the necessary documents. We are attempting to get a copy of the child's social security number.

Case No. 14695: Agree. This case was a welfare referral received January 14, 2001. The referral lacked the necessary documents. We are attempting to get a copy of the child's social security number.

Case No. 14757: Agree. This case was a welfare referral received February 4, 2002. The referral lacked the necessary documents. The CP did submit a receipt for application for a social security card. We are attempting to get a copy of the child's social security number.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2002

Finding No.: 02-33, Continued
CFDA #: 93.563
Program Name: Child Support Enforcement (CSE)
Area: Eligibility
Questioned Costs: \$0

Auditee Response and Corrective Action Plan, Continued:

Case No. 14823: Agree. This case was a welfare referral received February 26, 2002. The referral lacked the necessary documents. The CP did submit a receipt for application for a social security card. We are attempting to get a copy of the child's social security number.

Case No. 14965: Agree. This case was a welfare referral received April 24, 2002. The referral lacked the necessary documents. We were able to obtain a copy of the child's social security number and it is now on file.

Case No. 14981: Agree. This case was a welfare referral received May 2, 2002. The referral lacked the necessary documents. We are attempting to get a copy of the child's social security number.

Case No. 15024: Agree. This case was a welfare referral received May 16, 2002. The referral lacked the necessary documents. We are attempting to get a copy of the child's social security number.

In a memo dated December 15, 2003, the Program Office provided the following response.

Case No. 15183: There is a birth certificate, but no social security. We are trying to contact the CP to get a copy of the SS card.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2002

Finding No.: 02-34
CFDA #: 93.563
Program Name: Child Support Enforcement (CSE)
Area: Special Tests and Provisions – Location of Noncustodial Parents
Questioned Costs: \$0

Criteria:

In accordance with OMB Circular A-133 special tests and provisions requirements and 45 CFR 303.3, the IV-D agency must attempt to locate all absent parents or sources of income and/or assets within 75 calendar days of determining that such search is necessary.

Condition:

For 13 (or 25%) out of 51 case files tested (i.e., #14533, 14576, 14584, 14734, 14834, 14842, 14868, 14910, 14965, 15106, 15109, 15183, 15197), either there is no documentation on file to indicate an attempt to locate the absent parent or sources of income and/or assets, or the attempt did not occur within 75 calendar days.

Cause:

There appears to be weak internal controls over ensuring compliance with 45 CFR 303.3. Furthermore, based on discussions with program personnel, compliance with the required provisions of services is difficult due to limited staff and increasing caseloads.

Effect:

The Government of Guam is in noncompliance with OMB Circular A-133 special tests and provisions requirements and 45 CFR 303.3.

Prior Year Status:

The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam.

Recommendation:

The grantee should strengthen internal controls to ensure that the responsible personnel attempts to locate absent parents within 75 calendar days and properly documents such attempt on file in accordance with OMB Circular A-133 special tests and provisions requirements and 45 CFR 303.3. Furthermore, the grantee should communicate staffing needs to the Grantor agency.

Auditee Response and Corrective Action Plan:

In a letter dated November 10, 2003, the Program Office provided the following response.

Case No. 14533: Agree. Case file was opened in November 2001. There was no attempt to locate the absent parent within 75 calendar days. The information from custodial parent reveals that the non-custodial parent resides in Chuuk, Federated States of Micronesia. The case file has been forwarded to Locate Section to attempt to locate information on NCP.

Case No. 14576: Agree. There was no attempt to locate the absent parent within 75 calendar days. However, locate attempts were initiated in August 2003.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2002

Finding No.: 02-34, Continued
CFDA #: 93.563
Program Name: Child Support Enforcement (CSE)
Area: Special Tests and Provisions – Location of Noncustodial Parents
Questioned Costs: \$0

Auditee Response and Corrective Action Plan, Continued:

Case No. 14584: Agree. There was no attempt to locate the absent parent within 75 calendar days. However, locate attempts were initiated in August 2003.

Case No. 14734: Agree in part. There was no attempt to locate the absent parent, however, this case was not a locate problem. Welfare referral was received in January 2002. A Complaint and Summons was filed on March 7, 2003. Rather, this case illustrates the problems caused by the shortage of staff and increasing caseloads. Locate information was available on file and the NCP probably could have been located and legal action been taken sooner. This case is active and has an order and a judgment.

Case No. 14834: Agree in part. There was no attempt to locate the absent parent, however, this case was not a locate problem. Welfare referral was received in February 2002. A Complaint and Summons was filed on September 3, 2003. Rather, this case illustrates the problems caused by the shortage of staff and increasing caseloads. Locate information was available on file and the NCP probably could have been located and legal action been taken sooner. This case is active and has a temporary order.

Case No. 14842: Agree in part. Welfare referral was received February 2002, however, referral indicates that non-custodial parent was deceased in Pohnpei in 1999. File was forwarded to Records Section to attempt to obtain a death certificate from CP or Pohnpei.

Case No. 14868: Agree in part. There was no attempt to locate the absent parent, however, this case was not a locate problem. Welfare referral was received in March 2002. The next action in this case took place in March 2003. Complaint and Summons has not yet been filed. Both CP and NCP are receiving TANF. Failure to give attention to this case illustrates the problems caused by the shortage of staff and increasing caseloads. Locate information was available on file and the NCP probably could have been located if she was being sought. The file was forwarded to assigned attorney for next action.

Case No. 14910: Agree in part. There was no attempt to locate the absent parent, however, this case was not a locate problem. Application was received March 28, 2002. Complaint and Summons was filed on November 20, 2002. Rather, this case illustrates the problems caused by the shortage of staff and increasing caseloads. Locate information was available on file and the NCP probably could have been located and legal action been taken sooner. This case is active and has an order, a judgment, and a further hearing.

Case No. 14965: Agree in part. There was no attempt to locate the absent parent, however, this case was not a locate problem. Welfare referral was received April 2002. Complaint and Summons was filed on March 26, 2003. Rather, this case illustrates the problems caused by the shortage of staff and increasing caseloads. Locate information was available on file and the NCP probably could have been located and legal action been taken sooner. The case is active with a hearing on December 18, 2003. The non-custodial parent has been served with notice of the hearing.

Case No. 15106: Agree in part. There was no attempt to locate the absent parent, however, this case was not a locate problem. Application was received June 25, 2002. This case illustrates the problems caused by the shortage of staff and increasing caseloads. Locate information was available on file and the NCP probably could have been located and legal action been taken sooner. This is a domestic case with a child support order. The file has been forwarded to assigned investigator for further action.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2002

Finding No.: 02-34, Continued
CFDA #: 93.563
Program Name: Child Support Enforcement (CSE)
Area: Special Tests and Provisions – Location of Noncustodial Parents
Questioned Costs: \$0

Auditee Response and Corrective Action Plan, Continued:

Case No. 15109: Agree in part. There was no attempt to locate the absent parent, however, this case was not a locate problem. Application was received June 24, 2002. Complaint and Summons was filed on June 9, 2003. Rather, this case illustrates the problems caused by the shortage of staff and increasing caseloads. Locate information was available on file and the NCP probably could have been located and legal action been taken sooner. The case is active and has an order and a judgment.

Case No. 15183: Agree. There was no attempt to locate the absent parent within 75 calendar days. Case file was opened on August 27, 2002. A Locate Data Sheet was sent out on November 19, 2002.

Case No. 15197: Agree in part. There was no attempt to locate the absent parent, however, this case was not a locate problem. Application was received September 3, 2002. A Complaint and Summons was filed on March 18, 2003. This case illustrates the problems caused by the shortage of staff and increasing caseloads. Locate information was available on file and the NCP probably could have been located and legal action been taken sooner. The case is active and a hearing is scheduled for November 25, 2003.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2002

Finding No.: 02-35
CFDA #: 93.563
Program Name: Child Support Enforcement (CSE)
Area: Special Tests and Provisions – Provision of Services
Questioned Costs: \$0

Criteria:

In accordance with 45 CFR 303, the grantee must provide services, such as establishing paternity and/or enforcing support obligations, to any individual who files an application for services with the IV-D agency.

Condition:

For 3 (or 6%) out of 51 case files tested (i.e., # 14422, 14576, and 14584), there is no documentation on file to indicate whether any services were provided after the case file was opened.

Cause:

There appears to be weak internal controls over ensuring compliance with 45 CFR 303. Furthermore, based on discussions with program personnel, compliance with the required provision of services is difficult due to limited staff and increasing caseloads.

Effect:

The Government of Guam is in noncompliance with 45 CFR 303.

Prior Year Status:

The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam.

Recommendation:

The Government of Guam should strengthen internal controls to ensure compliance with 45 CFR 303. Upon receiving an application for services, the responsible personnel should provide the necessary services and document such actions.

Auditee Response and Corrective Action Plan:

In a letter dated November 10, 2003, the Program Office provided the following response.

Case No. 14422: Agree. No services were provided after the case file was opened. The file was opened on October 10, 2001 as a welfare referral. No action was taken after that date. This case illustrates the problems caused by the shortage of staff and increasing caseloads. The file was forwarded to assigned investigator for further action.

Case No. 14576: Agree. No services were provided after the case file was opened. The file was opened on November 27, 2001 as a welfare referral. No action was taken after that date. This case illustrates the problems caused by the shortage of staff and increasing caseloads. The file was forwarded to assigned investigator for further action.

Case No. 14584: Agree. No services were provided after the case file was opened. The file was opened on November 28, 2001 as a welfare referral. No action was taken after that date. This case illustrates the problems caused by the shortage of staff and increasing caseloads. The file was forwarded to assigned investigator for further action.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2002

Finding No.: 02-36
CFDA No.: All
Area: Equipment management
Questioned Costs: \$0

Criteria:

In accordance with Section 32(d) of the Common Rule, Equipment Management Requirements, governmental agencies that acquire equipment through Federal funds are required to perform a physical inventory and reconcile such to the property records at least once every two years. In addition, adequate maintenance procedures must be established to keep the property in good condition.

Condition:

The Government of Guam has not conducted a physical inventory of its equipment. Furthermore, the Government of Guam has not established uniform maintenance procedures designed to keep equipment in good condition.

Cause:

The Government is currently in the process of implementing its fixed asset management system. Efforts are being made to tag all equipment with bar code property identification labels. Until the Government completes its tagging of all equipment, it will not be able to conduct a physical inventory. With respect to uniform maintenance procedures, it is unknown as to why the Government has as of yet not established such procedures.

Effect:

The Government is in noncompliance with Federal regulations. Furthermore, fixed asset balances could be misstated.

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 its tagging of all equipment and conduct a physical inventory immediately thereafter. In addition, uniform maintenance procedures should be made a part of the Government's fixed asset management system.

Auditee Response and Corrective Action Plan:

In a letter dated December 22, 2003, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2002

Finding No.: 02-37
CFDA No.: All
Area: Subrecipient monitoring
Questioned Costs: \$0

Criteria:

In accordance with the Single Audit Act, OMB Circular A-133, and the Common Rule, when in a single year, a recipient of Federal awards passes \$300,000 or more of such assistance in a single subgrant year through to one or more recipients, the primary recipient is responsible for determining whether the subrecipient expends that assistance in accordance with applicable laws and regulations.

Condition:

The Government of Guam does not have procedures to establish the existence of subrecipients and did not ensure that all required independent audits of its subrecipients were performed and did not perform appropriate monitoring procedures to ensure financial and federal compliance with laws and regulations. Our audit of the Government of Guam was not expanded to include testing of subrecipients' records for compliance with the applicable provisions of OMB Circular A-133 compliance requirements.

Cause:

The Government of Guam has not established internal control policies and procedures to identify and monitor its subrecipients and ensure subrecipient compliance with applicable federal laws and regulations.

Effect:

The effect of this condition is potential noncompliance with the Single Audit Act, OMB Circular A-133, and the Common Rule.

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 establish internal control policies and procedures to ensure that subrecipients are specifically identified. The Government should design procedures that are sufficient to determine a subrecipient's compliance with applicable federal laws and regulations. Financial operations of subrecipients related to the federal awards should be subjected to timely and periodic audits, including OMB Circular A-133. If such procedures are not designed, the Government should develop alternative procedures for identifying and monitoring its subrecipients.

Auditee Response and Corrective Action Plan:

In a letter dated December 22, 2003, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2002

Finding No.: 02-38
CFDA No.: All
Area: Cash Management
Questioned Costs: \$0

Criteria:

In accordance with OMB Circular A-133 cash management requirements, the time elapsed between the transfer of funds from the grantor and the disbursement of funds by the Government of Guam must be minimized.

Condition:

A total of \$10,072,718 in cash advances related to grant years 1990 through 2001 is recorded as the beginning balance in the FGIA (Federal Grants In-Aid) Advances-Governor's Office account and was not applied to expenditures in FY 2002, as follows:

<u>Government of Guam Agency/Department</u>	<u>Balance</u>
Office of the Governor	\$ 20,159
Bureau of Budget & Management Research	21,586
Civil Service Commission	11,716
Administration	174,789
Revenue and Taxation	85,921
Bureau of Planning	1,382,902
Public Works	2,236,135
Law	820,597
Police/Public Safety	458,456
Corrections	150,307
Commerce	114,416
Agriculture	167,373
Public Health and Social Services	121,957
Library and Museum	108,996
Education	1,503,694
Youth Affairs Bureau	130,891
Guam Environmental Protection Agency	19,356
Mental Health & Substance Abuse	88,313
Labor	131,409
Parks and Recreation	437,837
Vocational Rehabilitation	42,421
Civil Defense	124,687
Mayor's Council	1,427,386
Land Management	38,336
Customs and Quarantine	13,266
Guam Museum	11,754
Military Affairs	112,206
Guam Council on the Arts & Humanities	2,778
Guam Fire Department	199,400
Not-For-Profit Organizations	16,035
Miscellaneous Entities (Autonomous)	<u>335,578</u>
Total Advances at October 1, 2001	<u>\$10,510,657</u>

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2002

Finding No.: 02-38, Continued
CFDA No.: All
Area: Cash Management
Questioned Costs: \$0

Cause:

There appears to be a lack of internal controls over ensuring that the time elapsed between the transfer of funds from the grantor and the disbursement of funds by the Government of Guam is minimized.

Effect:

Accounts receivable from Federal agencies could be overstated. Also, the Government of Guam may be in noncompliance with OMB Circular A-133 cash management requirements and may be required to remit the advances to the respective grantor agencies.

Prior Year Status:

The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam.

Recommendation:

The Government of Guam should establish internal controls to ensure that the time elapsed between the transfer of funds from the grantor and the disbursement of funds by the Government of Guam is minimized. For existing advances, the responsible personnel should prepare a detailed listing of all balances and corresponding grant programs. Furthermore, the responsible personnel should analyze the schedule of accounts receivable from Federal agencies and determine whether the existing advances should be applied against the recorded receivables. Moreover, for future receipts of Federal cash advances, the responsible personnel should notify the respective program coordinator of such receipt to ensure immediate expenditure of such advances in accordance with OMB Circular A-133 cash management requirements.

Auditee Response and Corrective Action Plan:

In a letter dated December 22, 2003, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2002

Finding No.: 02-39
 CFDA No.: 20.205, 93.044, 93.045, 93.283, 93.959, 93.988
 Area: Allowable Costs/Cost Principles
 Questioned Costs: \$609,388

Criteria:

In accordance with OMB Circular A-133 allowable costs/cost principles, costs must conform to any limitations or exclusions set forth in the circulars, Federal laws, State or local laws, sponsored agreements or other governing regulations as to types or amounts of cost items.

Condition:

For 7 (or 13%) out of 53 grant awards tested, current year Federal program costs exceed the grant award total, as follows:

<u>CFDA #</u>	<u>Program Name</u>	<u>Program Costs Billed</u>	<u>Grant Award Total</u>	<u>Overbilling</u>	<u>Overbillin g Received</u>
20.205	Highway Planning & Construction	\$13,960,203	\$12,681,760	\$ 1,278,443	\$ 241,430
93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	2,723,074	889,666	1,833,408	367,958
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services	1,429,043	1,411,818	17,225	0
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	260,660	92614	168,046	0
93.959	Block Grants for Prevention and Treatment of Substance Abuse (Prevention and Treatment (SAPT) Block Grant)	471,974	407,817	64,157	0
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	132,562	115161	17,401	0
				<u>\$ 3,378,680</u>	<u>\$ 609,388</u>

Cause:

There appears to be weak internal controls over ensuring that program costs billed to the grantor agency are limited to the grant award total.

Effect:

A questioned cost of \$609,388 exists.

Recommendation:

The Government of Guam should strengthen internal controls to ensure that program costs billed to the grantor agency are limited to the grant award total in accordance with OMB Circular A-133 allowable costs/cost principles. For each grant award, the responsible personnel should maintain a detailed schedule of expenditures charged to the grant award. Once the grant award is fully expended, excess program costs should be either ceased or locally funded.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2002

Finding No.: 02-39, Continued
CFDA No.: 20.205, 93.044, 93.045, 93.283, 93.959, 93.988
Area: Allowable Costs/Cost Principles
Questioned Costs: \$609,388

Auditee Response and Corrective Action Plan:

In a letter dated January 19, 2004, the Department of Administration provided the following response.

Audit Finding No. 02-39: 20.205: Highway Planning and Construction: \$241,430

The Department of Administration disagrees with this finding. According to the Federal Highway Program – Project Status Report dated September 30, 2002, prepared by the U.S. Department of Transportation, it reports that none of Guam's construction projects reflect a balance indicating that Guam received more funds than the grant award. In other words, no overbilling amounts were received. The Division of Accounts will be conducting Sub-ledger reconciliations to ensure the total receipts match with those in the FHWA Project Status Report.

Audit Finding no. 02-39, \$367,958

The Department of Administration disagrees with this finding. According to the Federal Cash Transaction Report (PMS272) for the period ending September 30, 2003, it denotes that DOA drew down the amount of the grant which is \$889,666.

Auditors' Response:

The referenced reports were not provided for review. Therefore, the finding remains.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2002

Finding Number 02-40 - General Fund – Cash

Criteria: Bank account reconciling items should be investigated and resolved in a timely manner.

Condition: Reconciling items in the amount of \$2,180,440 are present on the September 30, 2002 General Fund bank reconciliation and appear to represent unreported credit memos and duplicate reversal of Federal credit memos. Documentation has not been provided supporting these items. Management has now proposed post-closing adjustments for these amounts. However, these items have remained reconciling items since May 2000.

Cause: There appears to be a lack of internal controls over ensuring the timely investigation and resolution of reconciling items.

Effect: This condition may result in a misstatement of the affected accounts in the General Fund and the Federal Grants Fund.

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam (Finding 2001-76).

Recommendation: The reconciling items should be resolved in a timely manner.

Auditee Response and Corrective Action Plan: We concur. We have reconciled the adjustment on the financial statements but still need to identify which federal accounts should be applied to. On FY2000, there was no federal grants sub-ledger established on the Oracle FMS. Federal Grants staff were not maintaining a manual log until July 2001, therefore numerous research were done including obtaining history files of the smartlink, ASAP, PAPRS as well as communicating to the grantors and reconciling with the SF 272 cash reports. This task took almost two years to complete.

Finding Number 02-41 - General Fund – Cash

Criteria: Bank account reconciling items should be investigated and resolved in a timely manner.

Condition: Reconciling items appear to be unrecorded “offset transactions” on the bank reconciliation in the amount of \$148,626, which have been outstanding at various dates from October 2000 to December 2000.

Cause: There appears to be a lack of internal controls over ensuring the immediate investigation and resolution of reconciling items.

Effect: Cash accounts may be misstated by an immaterial amount.

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam (Finding 2001-77).

Recommendation: The Division of Accounts (DOA) should establish internal controls to ensure that reconciling items on bank reconciliations are timely investigated and resolved.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2002

Finding Number 02-42 - General Fund – Cash

Criteria: Closed bank accounts should properly reflect a zero balance in the general ledger.

Condition: The following bank accounts, closed as of September 30, 2001, still reflect balances in the general ledger:

Acct Name	Bank Acct No.	Balance	G/L No.
Payroll Account	101-014583	\$ <127,242>	110010220
Income Tax Refund Account	101-014608	<918,044>	110010240
Public Assistance Account	101-014617	<421,372>	110010230
BOG TDOA	Savings	<652,648>	110010530
CSB Child Support Account	Savings	223,321	110010560
CSB Child Support Account	Checking	<128,644>	110010260

Cause: It appears that the cash accounts are not monitored on a regular basis.

Effect: No known effect on income or expenditure accounts results from this condition. However, cash and liabilities may be misstated. These matters were corrected through proposed adjustments in the audit process.

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam (Finding 2001-80).

Recommendation: The Division of Accounts (DOA) should properly clear all closed bank account balances.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

Finding Number 02-43 - General Fund – Cash

Criteria: Outstanding check lists should be reviewed for staledated checks to afford adjustment on a consistent basis.

Condition: Review of the outstanding check lists for General Fund and Child Support accounts indicate that checks totaling \$4,183,627 are dated one year and older.

Cause: There appears to be a lack of internal controls over ensuring that outstanding checks lists are reviewed for staledated checks.

Effect: Cash accounts may be materially misstated.

Recommendation: The Division of Accounts (DOA) should establish internal controls to ensure that outstanding check lists are reviewed for checks that are greater than one year old for possible adjustment.

Auditee Response and Corrective Action Plan: Bank reconciliations for each bank account were being prepared but may not be on a timely manner. Analyses were performed to resolve reconciling items. However, due to the lack of professional personnel the division of accounts was not in a position to resolve all reconciling items in a timely manner.

Recognizing the seriousness of the situation regarding bank reconciliation not being done in a timely manner and bank reconciling items not being resolve promptly, management realigned the duties and responsibilities of two senior accountants. These two senior accountants were requested to give priority and allocate enough time to resolve these issues including closed accounts and stale dated checks.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2002

Finding Number 02-44 - General Fund – Cash

Criteria: Outstanding check lists should not include voided checks.

Condition: The General Fund outstanding check list included a voided check (no. 57864) in the amount of \$4.1M.

Cause: There appears to be a lack of internal controls over ensuring that outstanding check lists are reviewed.

Effect: Cash accounts may be materially misstated.

Recommendation: The Division of Accounts (DOA) should establish internal controls to ensure that outstanding check lists are reviewed.

Auditee Response and Corrective Action Plan: The Department of Administration disagreed with this finding. The voided check (no. 57864) in the amount of \$4.1M was canceled. However, the journal entry (J030610498), see attached, to actually cancel it was done five (5) months after the end of fiscal year 2002. The check is outstanding.

Finding Number 02-45 - General Fund – Cash

Criteria: Federal monies received directly by the bank through electronic deposits should be immediately identified and recorded in the proper federal grant accounts.

Condition: Federal monies totaling \$1,493,383 are recorded as an unidentified collection in the general fund (a liability account) per the post closing schedule.

Cause: There appears to be weak internal controls over ensuring that electronic deposits received from Federal agencies are immediately identified and recorded in the proper account.

Effect: The condition may result in a misstatement of the affected accounts in the General Fund and the Federal Grants Fund.

Prior Year Status: The above condition is reiterative of conditions identified in prior years' audits of the Government of Guam.

Recommendation: The Federal Grants Division should assign responsible personnel to properly identify and record Federal monies received electronically. This person should consider contacting all Federal Grantor agencies and identifying which agencies send funds electronically. From those agencies, the responsible personnel should obtain codes that the agency can use, and that the bank can disclose on bank statements, to identify specific grant awards to which reimbursement/advances apply. Such codes should be disseminated to all Federal Grants Division staff.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

Finding Number 02-46 - General Fund – Cash

Criteria: Deposits in banks are required by local statute to be secured by qualified collateral in the amount of 120% or more of the deposit balance.

Condition: Collateralization requirements do not appear to be enforced or appear insufficient.

Cause: There appears to be a lack of internal controls over ensuring the collateralization of bank deposits.

Effect: This finding has no financial statement impact. However, it appears that noncompliance with the criteria results.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2002

Finding Number 02-46 - General Fund – Cash, Continued

Recommendation: The Division of Accounts (DOA) should establish internal controls to ensure compliance with the criteria.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

Finding Number 02-47 - General Fund – Post Closing Entries

Criteria: All manual entries should be properly documented and be reviewed and approved by higher levels of management.

Condition: There are no approvals for post closing entries and the entries are not recorded in the books on a timely basis. Post closing required entries occur after the books are closed and after the trial balances are presented to the auditors. However, more than one hundred post closing entries were made to the 2002 general purpose financial statements and such represent material adjustments. The post closing entries are merely recorded in the financial statements and are not necessarily recorded in the books of account.

Cause: Post closing entries are being made in material amounts, as monthly reconciliations were not prepared. Rather, the accounts appear to be primarily reconciled as of year end.

Effect: The effected accounts can be materially misstated until the year end reconciliations occur.

Recommendation: Management should strengthen recordkeeping controls to ensure that post closing entries are properly approved and are recorded in the books.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

Finding Number 02-48 - General Fund – Other Receivables

Criteria: The account “A/R Federal/School Lunch” should be monitored and reconciled on a regular basis. This account represents school breakfast and lunch expenses incurred by the Guam Department of Education, which should ultimately be reimbursed by the U.S. Department of Agriculture in the amount of \$791,324.

Condition: The account had no movement during the year. The nature of the account is such that it should clear within a short period of time, as the money is readily available for drawdown from the National School Lunch Program. Collections for this account may have been credited against the wrong general ledger account. No audit adjustment was proposed in the audit process.

Cause: There appears to be weak internal controls over ensuring that collections from the U.S. Department of Agriculture are first applied to the A/R Federal/School Lunch account before the funds are transferred out to the Guam Department of Education.

Effect: Accounts receivable balances may be overstated.

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam (Finding 2001-89).

Recommendation: Management should determine whether the account represents a valid receivable.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2002

Finding Number 02-49 - General Fund – Other Receivables

Criteria: Accounts receivable from GTA should be recorded based on the amount of fuel issued.

Condition: The cost of fuel issued was mistakenly recorded as gallons issued. Therefore, accounts receivable from GTA is overstated in the GSA control # 4361 by \$504,313.

Cause: The cause of this condition is unknown.

Effect: The condition causes accounts receivable from GTA to be overstated.

Recommendation: Data should be recorded accurately and verification should be performed.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

Finding Number 02-50 - General Fund – Other Receivables

Criteria: Account balances should be analyzed and reconciled on a regular basis.

Condition:

- 1) The accounts receivable subsidiary ledger contains several accounts with negative balances, totaling \$353,331.
- 2) Accounts receivable due from the Guam Telephone Authority (GTA) have not been reconciled on a timely basis.

Cause:

- 1) There appears to be weak internal controls over ensuring that payments received from various departments are properly recorded.
- 2) There appears to be weak internal controls over ensuring that the receivable balance from GTA is reconciled on a timely manner.

Effect: The condition causes the specific receivable balances to be understated by an immaterial amount.

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam (Finding 2001-86).

Recommendation:

- 1) The Division of Accounts should assign an individual to monitor and reconcile negative balances in the receivable accounts. Procedures should be established and implemented to prevent cash receipts from being applied to nonexistent receivable accounts.
- 2) The Division of Accounts and the appropriate agency should assign individuals to reconcile accounts on a regular basis.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

Finding Number 02-51 - General Fund – Other Receivables

Criteria: Procedures to record an allowance for doubtful accounts should be established and implemented.

Condition: An accounts receivable subledger is not maintained to track accounts receivable aging. The aging report spreadsheet is only aged by year. Eight of the eighteen accounts tested had no supporting schedule indicating age. No set criteria were established that addresses the periodic evaluation of doubtful accounts.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2002

Finding Number 02-51 - General Fund – Other Receivables, Continued

Cause: No procedures have been established to properly calculate and record an allowance for doubtful accounts.

Effect: Accounts receivable could be misstated.

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam (Finding 2001-87).

Recommendation: The aging of accounts receivables should be prepared and analyzed based on the collectibility of outstanding accounts. A policy should be established and implemented to analyze the adequacy of the allowance on a regular basis.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

Finding Number 02-52 - General Fund – Other Receivables

Criteria: Bad Checks – Misc (maintained by the Division of Revenue and Taxation (DRT)) and Bad Checks – GRT (DRT) should be monitored and reconciled on a regular basis.

Condition: Reconciliations between the Division of Accounts (DOA) and the DRT have not been performed as of September 30, 2002.

	<u>Per DRT</u>	<u>Per DOA</u>	<u>Difference</u>
A/R Bad Checks (Income Tax)	\$84,626	\$3,538,698	\$(3,454,072)
A/R Bad Checks (GRT)	\$715,604	\$361,683	\$353,921

Cause: DRT is responsible for the accounting for bad checks related to tax payments due to the confidentiality of taxpayer records.

Effect: The above accounts may be misstated.

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam (Finding 2001-88).

Recommendation: A reconciliation between DOA and DRT should be performed on a regular basis.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

Finding Number 02-53 - General Fund – Other Receivables

Criteria: In accordance with accounts receivable collection policies, the following collection efforts apply to writers of bad checks or outstanding travel advances.

- 1) If the person is a Government of Guam employee, the amount is garnished from wages.
- 2) Tax refunds are held by the Government of Guam until that person clears the balance.
- 3) For travel advances, employee paychecks are held until the account has been cleared.

Condition: An aging report is not maintained to determine the aging of the account.

Cause: It appears that the Government of Guam is not enforcing existing collection policies.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2002

Finding Number 02-53 - General Fund – Other Receivables, Continued

Effect: Receivable balances could be overstated and cash flows could be negatively impacted.

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam (Finding 2001-85).

Recommendation: The Government of Guam should strictly enforce collection policies to ensure prompt receipt of overdue amounts.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

Finding Number 02-54 - Taxes Receivable

Criteria: Balances recorded in general ledger control accounts at the Division of Accounts (DOA) should agree with balances reported in detailed subsidiary schedules maintained at line agencies.

Condition: Differing balances of taxes and gross receipts tax receivables for various fiscal years are recorded in the general ledger at DOA and in detailed schedules at the Department of Revenue and Taxation. The differences aggregated some \$65.4 million for taxes receivable, some \$9.1 million for gross receipts tax receivable, some \$8.2 million for the effects of GAS 33 and some \$75 million for the provision for tax refunds.

Cause: A reconciliation between the general ledger and detailed subsidiary schedules was not performed.

Effect: The affected accounts may be misstated as the balances do not reconcile to the detailed schedules provided by the Department of Revenue & Taxation.

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam (Finding 2001-90).

Recommendation: An annual or periodic reconciliation of the respective records should occur.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

Finding Number 02-55 - Taxes Receivable

Criteria: The Public Law 22-140 reference to Title 11 Chapter 50 of the Guam Code Annotated requires the Department of Revenue and Taxation (DRT) to establish a formula for reserving income tax receipts to pay income tax refunds. Additionally, DRT should readily provide documentation supporting the calculation of doubtful tax accounts.

Condition:

1. While DRT appears to have established the required formula, the DRT is unable to provide sufficient data to support the accuracy of the established formula.
2. The accuracy of percentages used by DRT in calculating uncollectible taxes could not be verified.

Cause: DRT is prevented by the Guam Territorial Income Tax Code Section 6103 Title II from allowing the review of tax information by parties other than those authorized within DRT.

Effect: The reserve to pay income tax refunds and the allowance for doubtful tax receivable accounts may be materially misstated.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2002

Finding Number 02-55 - Taxes Receivable, Continued

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam (Finding 2001-91).

Recommendation: DRT should establish a documented methodology supporting the computation of the reserve for income tax refund payments and the allowance for uncollectible taxes.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

Finding Number 02-56 - Taxes Receivable

Criteria: Detailed subsidiary schedules should be reviewed for accuracy.

Condition: The detailed gross receipts tax receivable schedule prepared by the Department of Revenue & Taxation (DRT) contained abatement entries that were double posted. This condition created credit balances in the receivable accounts.

Cause: The cause of this condition is unknown.

Effect: The detailed subsidiary schedule may be misstated, which could cause the general ledger (G/L) balances to be misstated if the G/L is adjusted before the detailed schedule is reviewed for errors.

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam (Finding 2001-92).

Recommendation: DRT should review the detailed schedules for accuracy before forwarding them to the Division of Accounts.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

Finding Number 02-57 - Taxes Receivable

Criteria: Public Law 22-140 requires that the Director of Administration shall deposit in the income tax refund reserve fund all money reserved for income tax refunds from income tax receipts based on an established formula.

Condition: During testing of the reserve for income tax refunds, it was noted that the amount calculated by the established formula was not deposited into Fund 303 (505) as mandated by law.

Cause: The cause of this condition is that insufficient resources appear to have been collected to allow for the required deposit to occur.

Effect: The affected funds and accounts may be misstated and noncompliance with the public law may result.

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam (Finding 2001-91).

Recommendation: Deposits should be made to appropriate funds to ensure that compliance with public law occurs. If this is not feasible, the Guam Legislature should be petitioned to amend the law.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2002

Finding Number 02-58 - General Fund – Accounts Payable

Criteria: General ledger and detail supporting subledgers should be in agreement.

Condition: The general ledger balance for account #110021110 (Accounts Payable) does not agree with the balance on the supporting subledger. An unexplained variance of \$949,165 exists. Also, the general ledger account #110021111 (Vendor Upload) does not agree with the balance per the supporting subledger. An unexplained variance of \$889,184 exists.

Cause: The cause of this condition is unknown. The variance relates to the absence of timely reconciliations.

Effect: Accounts payable and Vendor Upload accounts may be overstated.

Recommendation: The Division of Accounts should reconcile the accounts payable and vendor upload subledgers on a monthly basis with the general ledger totals.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

Finding Number 02-59 - General Fund – Accounts Payable

Criteria: The account “Dep-Fica EFTS Payroll Deductions” should be monitored and reconciled on a regular basis.

Condition: The account currently reflects a debit balance of \$4,350,147. This amount should be offset and reconciled with the accrued payroll general ledger account.

Cause: It appears that the account is not monitored on a regular basis.

Effect: The effect of this condition may be an understatement of accounts payable and an overstatement of accrued payroll.

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam (Finding 2001-71).

Recommendation: The Division of Accounts should review and reconcile this account.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

Finding Number 02-60 - General Fund – Accounts Payable

Criteria: The accounts payable trial balance should be periodically reviewed and monitored.

Condition: Review of the accounts payable trial balance indicates that payables older than 120 days constitute 31% or \$8,117,246 of the total balance of \$26,402,789.

Cause: It appears that the accounts payable trial balance is not monitored on a regular basis.

Effect: This condition may result in a misstatement of accounts payable.

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam (Finding 2001-75).

Recommendation: The Division of Accounts should review the accounts payable trial balance on a regular basis to ensure that the schedule contains valid liabilities.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2002

Finding Number 02-60 - General Fund – Accounts Payable, Continued

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

Finding Number 02-61 - General Fund – Accounts Payable

Criteria: Reconciliations should be performed of the Income Tax Refund account and returned checks should be investigated and cancelled after a certain period of time. Unclaimed checks should be cancelled promptly after six months of issuance and custody of these checks should be strictly monitored.

Condition: There is \$2,048,160 of prior year refund checks that have been sitting in this liability account for several years. A significant portion of them (approximately \$1.7M) is older than three years and date back to as long ago as 1987. Also, out of 15 cancelled checks tested, 14 were cancelled many months after the 6 month period elapsed. Additionally, the cancelled checks are forwarded to storage and their whereabouts are difficult to ascertain.

Cause: It appears that reconciliations of this account are not performed and dated checks are not timely cancelled.

Effect: This condition may result in a misstatement of accounts payable.

Recommendation: The Division of Accounts should review and reconcile the Income Tax Refund account, promptly cancel staledated checks and strictly monitor access to these cancelled checks. Additionally, a formal opinion from the Attorney General should be obtained that will explain when and if the contents of this account revert to income.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

Finding Number 02-62 - General Fund – Other Liabilities

Criteria: Amounts should be posted to the proper account.

Condition: Unreconciled credit memos of \$228,627 were erroneously posted to account #110023155 - Political Signs when the proper account credited should have been account #110023115 – Unreconciled Credit Memos.

Cause: A keying error was made and went undetected.

Effect: The affected accounts may be misstated.

Recommendation: The Division of Accounts should review journal entries to ensure posting to the proper account.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

Finding Number 02-63 - General Fund – Other Liabilities

Criteria: Liabilities recorded on the books should be properly supported by detail documentation (i.e. vendor invoices, approved journal vouchers, etc.)

Condition: Supporting documentation for the following liabilities could not be obtained.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2002

Finding Number 02-63 - General Fund – Other Liabilities, Continued

Condition, Continued:

<u>Journal Voucher</u>	<u>Amount</u>
JD01121801	\$238,820
JD01012902	\$ 75,794
JB03310018	\$ 52,284
JD01040902	\$ 69,093

Cause: The detailed supporting documentation could not be located.

Effect: The amount recorded could be misstated.

Prior Year Status: The above condition is reiterative of conditions identified in prior years’ audits of the Government of Guam (2001-74).

Recommendation: The Division of Accounts should maintain detailed supporting documentation for other accrued expenditure transactions and file them in order (i.e., sequentially, and chronologically) to ensure that the transactions are properly supported, and that such support can be readily located.

Auditee Response and Corrective Action Plan: We disagree. We were able to pull out source documents for JD01121801, JD010102902, JB03310018, and JD01040902.

Finding Number 02-64 - General Fund – Other Liabilities

Criteria: Debit balances in the liability accounts should be reviewed for proper reclassification to receivable accounts.

Condition: The “Deposit – Child Support Tax Refund” account, a liability account, reflects a debit balance of \$767,259.

Cause: It appears that disbursements exceeded recorded liabilities.

Effect: The affected accounts may be misstated.

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam (Finding 2001-71).

Recommendation: The Division of Accounts should review this account to determine whether the amount represents a valid and collectible receivable and ensure proper reclassification.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

Finding Number 02-65 - General Fund – Other Liabilities

Criteria: Transactions should be posted to the proper accounts.

Condition: “Contract Retention,” a liability account, contains a misposting of \$234,491.

Cause: The misposting occurred and went undetected and uncorrected.

Effect: The affected account may be overstated.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2002

Finding Number 02-65 - General Fund – Other Liabilities, Continued

Recommendation: The Division of Accounts should post amounts to the proper accounts and review the accounts to ascertain that proper postings have been made.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

Finding Number 02-66 - Revenue and Receipt Cycle

Criteria: A clear separation of duties and functions should be defined and implemented to reduce the risk of fraud and embezzlement.

Condition: While documenting the understanding of the revenue cycle, we noted that the collection of cash and recording of revenue are performed by the Treasurer of Guam. This represents the combination of incompatible duties (custody and recording), which increases the risk of fraud.

Cause: A change in the operational policy was implemented on December 4, 2001.

Effect: There is a heightened possibility that fraudulent transactions and/or embezzlement of funds might occur if duties are not properly segregated.

Recommendation: A policy should be implemented to clearly separate incompatible areas of duty and function.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

Finding Number 02-67 - Outstanding Encumbrances

Criteria: Purchase orders, contracts, work orders and other items that are part of outstanding encumbrances should be liquidated on a timely basis.

Condition: Detailed testing of outstanding encumbrances revealed that approximately \$13M of the approximately \$65.9M of outstanding encumbrances were three years and older.

Cause: It appears that the cause of this condition is due to the detail outstanding encumbrance listing not being reviewed.

Effect: Outstanding encumbrances may be overstated if the amounts over three years are cancelable or are not considered valid.

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam.

Recommendation: A detailed schedule listing all outstanding encumbrances over three years should be reviewed and explanation for detail balances should be sufficient or the encumbrance should be deleted.

Auditee Response and Corrective Action Plan: We disagree. We have a system to place to liquidate encumbrances after closing of the year end. For FY2002, we liquidated FY98 and prior Purchase Orders for General Fund and for all other funds FY97 and prior. We are in no condition to liquidate contracts due to the fact of the legal obligation we have to the vendors. Most of these contracts relate to long term projects for the continuing accounts. We carried the same procedure on liquidation of encumbrances on FY2003.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2002

Finding Number 02-68 - Encumbrances by Fund

Criteria: Encumbrances balance recorded in the general ledger should be properly supported by a detailed schedule.

Condition: Variances between the general ledger and a detailed schedule of encumbrances approximated \$390K for the Federal Grant Assistance Fund, Territorial Highway Fund, G.O Bond 1993 Series A and GSA Inventory Revolving Fund.

Cause: It appears that the cause of this condition is due to the lack of reconciliations between the general ledger and detail schedules.

Effect: Outstanding encumbrances may be misstated as a result of this condition.

Recommendation: The Divisions of Accounts should ensure that the aforementioned accounts are reconciled.

Auditee Response and Corrective Action Plan: We disagree. We ran a detailed schedule of encumbrances for the four funds cited and were able to balance the Detail schedules with the general ledger balance for all four funds.

Finding Number 20-69 - Encumbrances by Fund

Criteria: Amendments to contract agreements should be properly monitored and recorded.

Condition: Contract agreement no. C990602981 between the Government of Guam and a vendor, totaled \$2,857,000. This contract is recorded in the amount of \$2,705,032 a (difference of \$151,968).

Cause: It appears that the contract was amended and the amendment was not properly recorded.

Effect: Outstanding encumbrances may be misstated by an immaterial amount.

Recommendation: The Divisions of Account should ensure that contract amendments are properly recorded.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

Finding Number 02-70 – General Fund – Appropriations

Criteria: Reporting requirements established by public statute should be reviewed and enforced by agencies identified as the receiving entity within the statute.

Condition: Tests indicated noncompliance with reporting requirements contained in the following sections of public law 26-35:

- Chapter III, Section 4
- Chapter III, Section 22, Sub-section d
- Chapter III, Section 28, Sub-section d
- Chapter III, Section 1, Sub-section d
- Chapter III, Section 15, Sub-section d
- Chapter III, Section 17, Sub-section e
- Chapter III, Section 18
- Chapter III, Section 21, Sub-section d
- Chapter IV, Section 5, Sub-section 8
- Chapter IV, Section 6, Sub-section 4
- Chapter V, Section 8, Sub-section d
- Chapter V, Section 18, Paragraph 2

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2002

Finding Number 02-70 – General Fund – Appropriations, Continued

Cause: The cause of this condition appears to be related to staffing shortages as individuals tasked with the update and monitoring of continuing appropriations and encumbrances left the department or were re-assigned based on departmental priorities.

Effect: The affect of this condition is that it is not possible to substantiate the adequacy of continuing appropriations.

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam (Finding 2001-95).

Recommendation: Periodic reconciliation of the continuing appropriations should occur.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

Finding Number 02-71 – Fund 507 – Agency Fund

Criteria: A listing of securities prepared by the Treasurer of Guam (TOG) should be reconciled with that prepared by the Department of Revenue and Taxation (DRT).

Condition: A listing of securities supporting the general ledger balance prepared by the TOG does not agree with that provided by DRT.

Per TOG	\$ 12,011,469
Per DRT	<u>12,721,987</u>
	\$ <u><u>710,518</u></u>

Cause: Reconciliations between the TOG and DRT are not performed on a timely basis.

Effect: The carrying value of securities may be misstated.

Recommendation: Reconciliations between the TOG’s listing of securities against that prepared by DRT should be performed monthly.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

Finding Number 02-72 – Special Revenue Funds – Ocean Freight Legal Fund

Criteria: Funds that have been repealed and designated as transferable to the general fund should be recorded in this manner.

Condition: The Ocean Freight Legal Fund was repealed by PL23-128. However, the account balances have not yet been transferred to the general fund.

Cause: There appears to be weak record keeping controls via ensuring compliance with the requirements of PL23-128.

Effect: Noncompliance with public law results from this condition.

Recommendation: Compliance with the criteria should occur.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2002

Finding Number 02-73 – Special Revenue Funds – Off Island Treatment Fund

Criteria: Recorded liabilities should be properly supported by detailed documentation (i.e. vendor invoices, approved journal vouchers, etc.).

Condition: Documentation supporting an accrual of \$148,354 could not be obtained.

Cause: The detailed supporting documentation could not be located.

Effect: The amount recorded could be misstated.

Recommendation: The Division of Accounts should maintain detailed supporting documentation for other accrued expenditure transactions and file them in order (i.e., sequentially, and chronologically) to ensure that the transactions are properly supported, and that such support can be readily located.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

Finding Number 02-74 – Special Revenue Funds - Various

Criteria: Transactions should be properly supported by such documents as journal vouchers, official receipts, check copies, purchase order, contracts and invoices.

Condition: Supporting documents were not provided to substantiate the following transactions:

<u>Transactions #</u>	<u>Amount</u>	<u>Documents Not Provided</u>
12/5/01 J020660280	\$17,527	(no contract)
05/3/02 J020660233	\$84,410	(no journal voucher)
06/3/02 Labor0518	\$14,999	(net pay of 348 hours of overtime and night differential for which time sheet was not provided)
01/3/02 Labor1229	\$1,940	(net pay of 80 hours of regular time for which time sheet was not provided)
12/21/01 Labor1215	\$5,314	net pay for which neither payroll register nor the time sheet were provided)
12/21/01 Labor1215	\$3,309	(net pay for which neither payroll register nor the time sheet were provided)
08/24/02 Labor0824	\$209,012	(total reported wages for the 8/24/02 pay period for which the labor cost distribution report was not provided to verify amount nor to make selection for testing)
12/1/01 Labor1201	\$13,672	(total reported wages for the 8/24/02 pay period for which the labor cost distribution report was not provided to verify amount nor to make selection for testing)

Cause: The supporting documentation could not be located.

Effect: Expenditures could be misstated in the amount specified above.

Prior Year Status: The above condition is reiterative of conditions identified in prior years' audits of the Government of Guam.

Recommendation: The Division of Accounts should maintain documentation such as journal vouchers, official receipts, check copies and invoices to substantiate financial transactions.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2002

Finding Number 02-75 – Special Revenue Funds – Continuing Appropriations

Criteria: According to an opinion from the Office of the Attorney General, the public laws creating the following funds imply the existence of a continuing appropriation. Therefore, no unreserved fund balances should exist for the following:

- Taguac Memorial Cemetery Fund
- Wildlife Conservation Fund
- Land Survey Revolving Fund
- DOC Inmates Revolving Fund
- Individuals with Disabilities Disaster Recovery Fund
- Recreation Revolving Fund
- Dededo Buffer Strip Revolving Fund

Condition: The above funds all reflect unreserved fund balances.

Cause: The cause of this condition is unknown.

Effect: Continuing appropriations could be understated.

Recommendation: Unreserved fund balances should be reclassified as continuing appropriations in accordance with the Attorney General's interpretation. If further clarification is required, specific legislation should be requested from the Legislature.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

Finding Number 02-76 – Special Revenue Funds – Continuing Appropriations

Criteria: Continuing appropriations recorded in the general ledger should be substantiated by underlying public laws. Federal funds received are designated for a specific program by the Federal government and, thus, may not necessarily be subject to appropriation by the Guam Legislature.

Condition: No underlying public laws substantiate the continuing appropriations recorded for the following funds:

- Stripper Well Fuel Overcharge Fund
- Exxon Fuel Overcharge Fund
- Community Health Centers Fund
- Village Streets Fund
- Housing Revolving Fund
- GSA Liquidated Damage Fund
- DPW Building and Design Fund
- Plant Nursery Revolving Fund
- Safe Streets Act Fund
- Consumer Protection Fund
- Air Pollution Control Fund
- Manpower Development Fund
- Government House Revolving Fund
- Accessible Parking Fund
- Aquaculture Development & Training Fund
- Health Professional Licensure Fund
- Health & Human Services Fund
- Controlled Substance Diversion Fund
- Customs, Agriculture, and Quarantine Inspection Services Fund
- Financial Management Revolving Fund
- Firefighter Equipment Replacement Fund

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2002

Finding Number 02-76 – Special Revenue Funds – Continuing Appropriations, Continued

Condition, Continued:

- Public Service Recovery Fund
- CAHA, OET & CEF Fund
- Board of Accountancy Fund
- Human Resources Services Revolving Fund
- Rabies Prevention Fund

Cause: There appears to be weak internal controls over ensuring that accounts are monitored and that this issue is addressed.

Effect: Continuing appropriations may be overstated and unreserved fund balances for the above funds may be understated.

Recommendation: The Division of Accounts should work with the Guam Legislature and the Office of the Attorney General to resolve this matter.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

Finding Number 02-77 – Special Revenue Funds – Various Bank Reconciliations

Criteria: A bank reconciliation is to be prepared properly on a monthly basis.

Condition: Differences were noted between book and bank reconciliation amounts for the following accounts.

<u>Account Name</u>	<u>Balance Per Book</u>	<u>Balance Per Reconciliation</u>	<u>Difference</u>
Custom, Agriculture & Quarantine (BOG)	\$2,168,814	\$1,376,629	(\$792,185)
Custom, Agriculture & Quarantine (BOH)	(\$828,121)	(\$16,609)	\$811,512
Stripper Well Fuel Overcharge (BOG)	\$648,309	\$618,852	(\$29,757)
Exxon Fuel Overcharge (BOG)	\$1,291,864	\$1,221,003	(\$70,861)
Manpower Development (BOH)	\$11,986	\$25,724	\$13,738
1999 SPG Revolving (CSB)	\$92,012	\$93,284	\$1,272
Territorial Education Facilities (BOH)	\$1,416,981	\$102,512	(\$1,314,469)
Department of Defense Contract (BOH)	\$1,112,584	\$112,584	(\$1,000,000)

Cause: Bank reconciliations are not being prepared properly on a monthly basis.

Effect: Cash could be misstated. Either adjustments were proposed in the audit process to resolve the differences, or such was deemed immaterial to the financial statements.

Prior Year Status: The above condition is reiterative of conditions identified in prior years' audits of the Government of Guam (2001-82).

Recommendation: We recommend that bank reconciliations be prepared for all bank accounts on a monthly basis.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2002

Finding Number 02-78 – Special Revenue Funds – Inactive Funds

Criteria: Funds that have been inactive for several years should be brought to the attention of the legislative body of the Government of Guam (Guam Legislature) to determine whether such funds may be revoked by public law.

Condition: The following funds have no account balances or transactions:

<u>Fund #</u>	<u>Fund</u>	<u>Fund Type</u>
Fund 210	Summer School Fund	Special Revenue
Fund 216	Individuals with Disabilities Disaster Recovery Fund	Special Revenue
Fund 220	Chamoru Language Commission Fund	Special Revenue
Fund 230	Vocational Rehab Revolving Fund	Special Revenue
Fund 231	GFD Capital Outlay Revolving Fund	Special Revenue
Fund 246	Guam Beautification Fund	Special Revenue
Fund 247	Municipal Litter Defacement Fund	Special Revenue
Fund 260	Controlled Substance Diversion Fund	Special Revenue
Fund 262	Autonomous Agency Infrastructure Collections Fund	Special Revenue
Fund 267	Public Transit Fund	Special Revenue
Fund 272	Land Acquisition Fund	Special Revenue
Fund 271	District Improvement Fund	Special Revenue
Fund 305	CAHA, OET, CEF Fund	Special Revenue

Cause: There appears to be weak internal controls over ensuring that accounts are monitored and that inactive accounts are addressed.

Effect: There is no known material effect on the financial statements as a result of this condition. However, there appears to be weak controls over ensuring that funds remain active.

Recommendation: The Division of Accounts should forward a listing of such inactive funds to the Guam Legislature for review to evaluate whether such funds may be revoked by legislative action.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

Finding Number 02-79 – Special Revenue Funds – Customs Agriculture and Quarantine Inspection Fund

Criteria: An accounts receivable aging schedule is to be prepared on a monthly basis and reconciled against the book balance and also with the balance maintained by the Guam International Airport Authority (Airport).

Condition: An accounts receivable aging schedule was not provided for the passenger fee receivable account, nor did the book balance agree to the balance maintained by the Airport for the receivable from the Airport (balance per book \$3,611,229 versus balance per the Airport account of \$2,122,167).

Cause: Details of transactions are not provided by the airport to facilitate preparation of an aging schedule. Also, reconciliations against the balance per the Airport are not being prepared.

Effect: Receivables could be misstated.

Recommendation: Aging accounts receivable schedules should be prepared and reconciled against the book balance and also with the balance maintained by the airport, consistently on a monthly basis.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2002

Finding Number 02-80 – Special Revenue Funds – DOC Inmate Revolving Fund

Criteria: Special revenue funds are established for specific purposes.

Condition: The DOC Inmates Revolving Fund was established to purchase clothing, food, equipment, medical supplies and medicines for prisoners and detainees. However, overtime from the DOC regular appropriations was transferred to the DOC Inmates Revolving Fund.

Cause: We were unable to establish the basis for this transfer.

Effect: Transactions may be recorded in an incorrect fund.

Recommendation: Transactions for special revenue funds should be accounted for in accordance with the purpose of the respective fund.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

Finding Number 02-81 – Special Revenue Funds – Housing Revolving Fund - Receivables

Criteria: Receivables should be reviewed for collectibility to address bad debts for receivables from former tenants and those awarded free rent.

Condition: Neither an allowance for doubtful accounts nor a bad debt expense is recorded for potential uncollectible accounts.

Cause: Receivables were not reviewed for collectibility.

Effect: Receivables may be overstated by approximately \$463,000.

Prior Year Status: The above condition is reiterative of conditions identified in prior years' audits of the Government of Guam (2001-87).

Recommendation: Receivables should be reviewed on a monthly basis to properly reflect collectible accounts.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

Finding Number 02-82 – Special Revenue Funds – Manpower Development Fund - Cash

Criteria: Closed bank accounts should be written off from the books.

Condition: A bank account that was closed in the prior year is still recorded in the general ledger.

Cause: A lack of controls exists over ensuring that a correct reconciliation of this account was made.

Effect: Cash may be understated by \$10,404.

Prior Year Status: The above condition is reiterative of conditions identified in prior years' audits of the Government of Guam (2001-80).

Recommendation: Bank reconciliations should be prepared and adjustments made to the books on a timely basis.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2002

Finding Number 02-83 – Special Revenue Funds – Enhanced 911 Emergency Fund

Criteria: Accounting records should be maintained in a manner to facilitate the identification of transaction dates.

Condition: Collections of \$1.9 million recorded in the AS400 system in fiscal year 2003 are not identified as to the fiscal year they pertain to. Therefore, we cannot determine how much of the balance should be recorded as 2002 fund revenues.

Cause: A lack of controls exists over ensuring that revenues are recorded in the prior year.

Effect: Revenues may be understated by an undeterminable amount.

Recommendation: Accounting transactions should be recorded in sufficient detail to allow for recordation in the appropriate year.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

Finding Number 02-84 – Special Revenue Funds – Typhoon Chata'an-Halong Fund

Criteria: Expenditures should not exceed appropriations.

Condition: Expenditures exceeded appropriations by \$603,301 in the Typhoon Chata'an-Halong Fund.

Cause: Management appears to believe that the overexpenditure is expected to be reimbursed by a FEMA grant. However, no such reimbursement has occurred and we were not able to determine the basis for the overexpenditure of existing appropriations.

Effect: Noncompliance with public law may result from this condition.

Prior Year Status: The above condition is reiterative of conditions identified in prior years' audits of the Government of Guam (2001-99).

Recommendation: Expenditures should be recorded within limits set by public law. Additionally, this matter should be reviewed to determine the reason for the overexpenditure of available resources.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

Finding Number 02-85 – Special Revenue Funds – Department of Defense Fund

Criteria: Transfers are to be initiated by either a public law, executive order or some other directive.

Condition: A \$1,000,000 transfer out of the Department of Defense Compact Fund was made to the Department of Education. The basis of this transaction was not provided us.

Cause: Documentation sufficient to allow us to determine the cause of this condition has yet to be provided us.

Effect: The effect of this condition is that the basis of the transfer is not yet documented.

Recommendation: Management should ensure that transfers are supported by a valid directive.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2002

Finding Number 02-86 – Special Revenue Funds – Real Property Tax

Criteria: Real property tax collections by the Treasurer of Guam should agree to that reported by the Department of Revenue and Taxation.

Condition: Real property tax collections by the Treasurer of Guam do not agree to that reported by the Department of Revenue and Taxation.

Cause: A lack of reconciliation efforts contributes to the condition.

Effect: The effect of this condition is unknown.

Recommendation: Receipts prepared for collections received by the Treasurer of Guam should be recorded by the Department of Revenue and Taxation in a manner that is consistent with that of the Treasurer of Guam.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

Finding Number 02-87 – Special Revenue Funds – Supreme Court

Criteria: Financial statements and bank reconciliations should be prepared on a monthly basis.

Condition: The Supreme Court does not prepare financial statements or bank reconciliations.

Cause: Lack of manpower and lack of personnel knowledgeable of accounting principles appears to be the cause of this condition.

Effect: The effect of this condition is that financial statements are not presented until the end of the fiscal year.

Recommendation: Existing personnel should be trained in basic accounting principles to enable the preparation of financial statements and bank reconciliations.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

Finding Number 02-88 – Special Revenue Funds – Supreme Court

Criteria: Accounts of the Supreme Court and the Office of the Public Guardian should be maintained separately.

Condition: Funds of the Supreme Court and the Office of the Public Guardian were commingled.

Cause: The cause of this condition is unknown.

Effect: Misstatement of funds for the Supreme Court and the Office of the Public Guardian.

Recommendation: Funds should be maintained separately for the Supreme Court and the Office of the Public Guardian. A reconciliation of the two accounts should be performed then funds should be transferred from the debtor account.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2002

Finding Number 02-89 – Special Revenue Funds – Superior Court - Operations

Criteria: Annual leave in excess of 480 hours should not be accrued in the financial statements.

Condition: Excess annual leave in the amount of \$99,385 is recorded and included in the financial statements.

Cause: The cause of this condition is unknown.

Effect: Expenditures and liabilities may be overstated.

Recommendation: Excess annual leave should be adjusted out of the year end financial statements.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

Finding Number 02-90 – Special Revenue Funds – Superior Court - Operations

Criteria: Checks outstanding for more than six months should be recorded as accounts payable.

Condition: Certain stale dated checks are included in the outstanding checklist.

Cause: The cause of this condition is unknown.

Effect: There is no effect of this matter on the financial statements.

Recommendation: Stale dated checks should be removed from the outstanding checklist and be recorded as accounts payable.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

Finding Number 02-91 – Special Revenue Funds – Superior Court - Operations

Criteria: Accounts receivable set up on behalf of the victims and corresponding due to client account should reflect amounts based on court orders.

Condition: At September 30, 2002, accounts receivable and due to clients are overstated by \$136,764. An additional amount of \$170,576 was recorded in fiscal year 03, thereby overstating receivables and due to clients by the same amount.

Cause: The cause of this condition is unknown.

Effect: Accounts receivable and due to clients appear to be overstated by \$136,764.

Recommendation: Accounts receivable and due to clients should be adjusted to reflect the correct amount of the judgment or court order.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2002

Finding Number 02-92 - Debt Service Funds – All Funds

Criteria: Bond covenants stipulate that the “Government must furnish to each major national investment rating service which initially rated the bonds and to each bondholder, within one year after the close of the fiscal year, complete financial statements with respect to the General fund and funds established pursuant to the bond agreement, prepared in accordance with GAAP.”

Condition: The Government of Guam has not yet furnished their bond rating agency with the latest copy their financial statements prepared in accordance with GAAP.

Cause: The cause of this condition is due to the fact that the financial statements have yet to be completed.

Effect: No material financial statement impact results from this condition. However, the Government may be in violation of bond covenants.

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam (Finding 2001-66).

Recommendation: The terms and conditions of the bond indenture should be complied with. Financial statements should be compiled and provided to investment rating services responsible for rating the bonds of the general government in conjunction with the bond indenture agreements.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

Finding Number 02-93 - Debt Service Funds – Accrued Annual Leave

Criteria: Approval to carryover annual leave in excess of established policy should be delivered to the payroll department in a timely manner.

Condition: Four employees obtained approval from the Governor to carry over excess leave. However the payroll department did not receive such authorization until several months after September 30, 2002.

Cause: The cause of this condition is that there was a delay in transmitting the authorization to the payroll department.

Effect: The accrual for annual leave may be understated at year-end if the authorization to carry over the excess is not received in a timely manner by the payroll department.

Recommendation: Authorization to carry over excess annual leave should be forwarded to the payroll department in a timely manner to ensure that such amounts are accounted and accrued for properly.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

Finding Number 02-94 - Debt Service Funds – Accrued Annual Leave

Criteria: Established policy allows for the carryover of annual leave of 720 hours. Any excess leave is forfeited/eliminated. Only when approval is requested and obtained from the Governor can excess leave be carried forward to subsequent fiscal years.

Condition: Employees with excess annual leave duly requested and obtained approval from the Governor to carry over excess leave. While this matter does not violate established policy, management may wish to consider eliminating this portion of the policy, as it appears that every request is approved.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2002

Finding Number 02-94 - Debt Service Funds – Accrued Annual Leave, Continued

Cause: The cause of this condition appears to be that a blanket approval was performed for all requests.

Effect: No material effect on the financial statements appears to result from this condition. However, cash flows may be adversely affected when the excess leave is paid.

Recommendation: If the authorization is continually approved, then management may wish to consider if such should be eliminated from the payroll policy or if an alternative policy should be formulated.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

Finding Number 02-95 – Debt Service Funds – Fund 358

Criteria: If there is no further obligation with regard to bond covenants, an Attorney General's opinion should be obtained to determine if the transfer of the remaining fund balance to the general fund violates any laws.

Condition: The Government of Guam has not yet obtained an Attorney General's opinion on the disposition of the remaining fund balance for debt service fund 358 - 1994 GOB Series A of approximately \$2M.

Cause: The cause of this condition appears to be that an Attorney General's opinion has not yet been requested or obtained.

Effect: There is no material financial statement impact as a result of this condition however; the remaining balance in this fund may continue to be carried forward as a reserve when such may not be necessary.

Prior Year Status: This matter was brought to management's attention in the 2001 audit.

Recommendation: An Attorney General opinion should be sought to determine the disposition of the balance remaining in this fund.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

Finding Number 02-96 - Enterprise Funds - Accounts Receivable

Criteria: An accounts receivable aging schedule is to be prepared on a monthly basis and reconciled against the general ledger balance.

Condition: An accounts receivable aging schedule for residential and commercial account approximating \$3.7M was not provided.

Cause: The cause of this condition is that an aging schedule was not prepared.

Effect: Receivables could be misstated.

Recommendation: We recommend that an accounts receivable aging schedule be prepared on a monthly basis.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

The Next Finding Number Used is 02-99

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2002

Finding Number 02-99 - Enterprise Funds - Revenue

Criteria: Procedures to record an allowance for doubtful accounts should be established and implemented.

Condition: Receivables outstanding in excess of 120 days constitute 58% of gross accounts receivable as of September 30, 2002 (\$1,846,229 out of \$3,168,401). We could not determine that management had formulated a response to this matter.

Cause: No procedures have been established to properly calculate and record an allowance for doubtful accounts.

Effect: Accounts receivable could be misstated.

Prior Year Status: The above condition is reiterative of conditions identified in prior years' audits of the Government of Guam (2001-87).

Recommendation: The aging of accounts receivables should be analyzed based on the collectibility of outstanding accounts. A policy should be established and implemented to regularly analyze the adequacy of the allowance on a regular basis.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

Finding Number 02-100 – Travel

Criteria: In accordance with Government of Guam's travel policies and regulations, travelers must submit travel vouchers within fifteen days of the arrival date.

Condition: For seven out of twenty-five travel transactions tested, the following did not clear travel vouchers in a timely manner or at all.

Travel Authorization No.

T0206TPR0006
T0206P0049
T0206P0069
T0206TP0079
T0206TP0189
T0206TPR0313
T0206TPR0485

Cause: There appears to be weak internal control procedures to ensure that the traveler clears the travel voucher.

Effect: There is no known effect on the financial statements as a result of this condition. However, noncompliance with the policy increases the risk of not identifying potential problems or abuse in a timely manner.

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam.

Recommendation: The Government of Guam should consider strengthening internal controls to ensure that travel vouchers are submitted in a timely manner to determine if the traveler performed the travel as authorized.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2002

Finding Number 20-101 – Travel

Criteria: In accordance with Government of Guam travel policies and regulations, at least three price quotations must be obtained prior to contract award.

Condition: For thirteen of twenty-five travel transactions tested, the following did not evidence at least three price quotations.

Travel Authorization No.

T0206P0049
T0206TP0105
T0206TP0109
T0206TP0168
T0206TPR0171
T0206TPR0174
T0206TPR0184
T0206PR0255
T0206TPR0313
T0206TPR0485
T0206TP0113
T0206TP0327
T0206TP0336

Cause: There appears to be weak internal control procedures to ensure that at least three price quotations are obtained.

Effect: There is no known effect on the financial statements as a result of this condition. However, noncompliance with the policy increases the risk of not obtaining the lowest price and the risk of showing preference or favoritism to certain travel agencies. In addition, noncompliance increases the risk of collusion between agencies and employees.

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam (Finding 2001-107).

Recommendation: The Government of Guam should consider strengthening internal controls to ensure that at least three price quotations are obtained and travel agencies are rotated.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

Finding Number 02-102 – Travel

Criteria: In accordance with the Government of Guam’s travel policies and regulations, travel costs should be supported by travel authorizations and travel vouchers.

Condition: For four out of twenty-five travel transactions tested, the travel authorization and travel voucher could not be located for the following:

Travel Authorization No.

T0206TP0113
T0206TPR0313
T0206TP0327
T0206TP0336

Cause: There appears to be weak recordkeeping controls.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2002

Finding Number 02-102 – Travel, Continued

Effect: There is no known effect on the financial statements as a result of this condition. However, noncompliance with the policy increases the risk of unauthorized travel.

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam (Finding 2001-106).

Recommendation: The Government of Guam should strengthen recordkeeping controls to ensure that case files are maintained on file for at least three years to substantiate travel expenditures.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

Finding Number 02-103 – Travel

Criteria: In accordance with Government of Guam travel policies and regulations, travelers must submit boarding passes as proof of travel.

Condition: For four out of twenty-five travel transactions tested, the following submissions did not contain boarding passes.

Travel Authorization No.

T0206TP0113
T0206TPR0313
T0206TP0327
T0206TP0336

Cause: There appears to be weak internal control procedures over ensuring that boarding passes are submitted.

Effect: There is no known effect on the financial statements as a result of this condition. However, noncompliance with the policy increases the risk of unauthorized travel.

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam (Finding 2001-106).

Recommendation: The Government of Guam should strengthen recordkeeping controls to ensure that boarding passes are filed.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

Finding Number 02-104 – Travel

Criteria: The travelers should reimburse the Government for destinations not included or approved in travel authorization.

Condition: For two out of twenty-five travel transactions tested, the following contained trips not mentioned in the travel authorization.

Travel Authorization No.

T0206TP0070
T0206TPR0184

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2002

Finding Number 02-104 – Travel, Continued

Cause: There appears to be weak internal control procedures over preventing potential manipulation of the travel itinerary. If deviating trips are made, a documentation of the reasons for the deviation should be on file. If personal trips are made with the official trip, a reimbursement of the airfare for that specific route should be considered.

Effect: The monetary effect of this condition on the financial statements has not been determined. However, noncompliance with the policy increases the risk of unauthorized airfare cost.

Recommendation: The Government of Guam should agree the travel authorization with the itinerary and boarding passes to determine that appropriate travel occurred.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

Finding Number 02-105 – Travel

Criteria: Travelers who time an official trip with a personal trip should reimburse the Government for the airfare on a prorated basis for the personal trip.

Condition: For one out of twenty-five travel transactions tested (travel authorization number T0206TPR0171), the traveler departed on 1-24-02 to attend a conference, which was held for two days, but returned on 3-4-02.

Cause: There appears to be no formal written policy on reimbursement or acceptability of timing a personal trip with an official trip.

Effect: The monetary effect on the financial statements has not been determined. However, the lack of a policy increases the risk of absorbing airfare cost that could possibly not be borne by the Government.

Recommendation: The Government of Guam should agree the travel authorization to the itinerary and boarding passes to determine that appropriate travel has been performed. In addition, a formal written policy should be considered relative to timing official trips with personal trips.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

Finding Number 02-106 – Travel

Criteria: Invoices and cancelled checks should be maintained on file to substantiate expenditures.

Condition: For five out of twenty-five travel transactions tested, cancelled checks and vendor invoices could not be located for the following:

Travel Authorization No.

T0206P0049
T0206TP0117
T0206PR0255
T0206T0647
T0206TPR0534

Cause: There appears to be weak recordkeeping controls.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2002

Finding Number 02-106 – Travel, Continued

Effect: There is no known effect on the financial statements as a result of this condition. However, weak recordkeeping controls increases the risk of unauthorized payments.

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam.

Recommendation: The Government of Guam should strengthen recordkeeping controls to ensure that files are maintained for at least three years to substantiate travel expenditures.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

Finding Number 02-107 – Fixed Assets

Criteria: A listing of fixed assets should be maintained and updated for additions and disposals in a timely manner.

Condition: A fixed asset module has been installed. However, the listing of assets input in the system is incomplete.

Cause: The fixed asset module was recently installed but information has not been recorded.

Effect: Fixed assets are not maintained in a comprehensive manner.

Recommendation: The Government of Guam should strengthen recordkeeping controls to ensure that fixed asset records are maintained in a comprehensive manner.

Auditee Response and Corrective Action Plan: The Division of Accounts is working on this task, as the Fixed Assets System was the last module to be installed.

Finding Number 02-108 – Fixed Assets

Criteria: Land should be recorded at historical cost and should not be depreciated.

Condition: Land is being depreciated in the fixed asset module.

Cause: The fixed asset module is depreciating land, as it appears to assume that it represents a depreciable asset.

Effect: Depreciation expense and accumulated depreciation are misstated.

Recommendation: The Government of Guam should request the vendor to review the program and to modify the program to ensure that depreciation of land does not occur.

Auditee Response and Corrective Action Plan: The Division of Accounts will meet with Data Division to clarify the program logic so that Land is excluded from depreciation calculations.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2002

Finding Number 02-109 – Fund 101 – Accounts Receivable

Criteria: The Federal grant accounts receivable subsidiary ledger should be reconciled with the general ledger on a periodic basis.

Condition: No reconciliation occurred during fiscal year 2002. As of September 30, 2002, Federal grant receivables per the subsidiary ledger is \$41M, whereas the general ledger balance is \$38M. Furthermore, individual receivable balances by CFDA (catalog of federal domestic assistance) program in the subsidiary ledger differ from the audited subsidiary balances, ranging from \$(4.9M) to \$2.6M.

Cause: There appears to be a lack of internal controls over ensuring that the necessary reconciliations occur.

Effect: Receivable balances per CFDA program are misstated.

Recommendation: The Division of Accounts should establish and implement internal controls to ensure that the Federal grant accounts receivable subsidiary ledger is reconciled with the general ledger on a periodic basis.

Auditee Response and Corrective Action Plan: We concur. We have implemented standard operating procedures for FY2002 drawdowns. There was no federal subledger established on the Oracle FMS until FY2001. It wasn't until July 2001 when Federal Branch staff started to do their manual log of drawdowns. As a result of that numerous research had to be done to determine which accounts belong to which drawdowns. DOA has a current system to capture all drawdowns. After logging the drawdown request on the log book, they would coordinate with the Treasury Staff to provide account number once the money is deposited in General Fund. DOA would then browse the Treasury Menu and reconcile it to the log book and then post to the sub-ledger.

Finding Number 02-110 – Payroll

Criteria: In accordance with Government of Guam payroll policies and regulations, overtime charges should be properly authorized and approved.

Condition: For 14 out of 25 (56%) of overtime transactions tested, we were unable to review the supporting time sheets for the following:

<u>Employee No.</u>	<u>PPE</u>	<u>OT Amount</u>
586628050	05/18/02	\$ 30,917
586743307	10/19/02	23,981
586027331	09/21/02	15,785
586077377	02/09/02	14,470
586050170	12/15/02	14,017
586647142	02/09/02	12,797
586076070	12/15/02	12,349
253083407	05/18/02	11,491
586647874	07/13/02	9,047
586689145	09/21/02	7,150
586628050	05/04/02	6,476
586090631	08/24/02	4,878
586090449	07/13/02	3,171
586074702	07/13/02	563
Total		\$ <u>167,092</u>

Cause: There appears to be weak internal control procedures over ensuring overtime charges are properly approved and documented.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2002

Finding Number 02-110 – Payroll, Continued

Effect: There is a possibility that expenses are overstated as a result of this condition. However, noncompliance with the policy increases the risk of not identifying potential problems or abuse in a timely manner.

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam.

Recommendation: The Government of Guam should consider strengthening internal controls to ensure that overtime charges are properly authorized, approved, and supported.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

Finding Number 02-111 – Payroll

Criteria: In accordance with Government of Guam payroll policies and regulations, all overtime charges should be properly authorized and approved.

Condition: For 3 out of 25 (12%) overtime transactions tested, the supporting time sheets did not support overtime charges for the following:

<u>Employee No.</u>	<u>PPE</u>	<u>Per Time Sheet (Hrs)</u>	<u>Variance</u>	<u>Per Labor Cost (Hrs)</u>
586625041	8/24/02	117	22	139
586608870	8/24/02	234	42	276
586702031	8/24/02	270	<u>29</u>	299
		Total variance hours	<u>93</u>	

Cause: There appears to be weak internal control procedures over ensuring overtime charges are properly approved and documented.

Effect: There is a possibility that expenses are overstated as a result of this condition. However, noncompliance with the policy increases the risk of not identifying potential problems or abuse in a timely manner.

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam.

Recommendation: The Government of Guam should consider strengthening internal controls to ensure that overtime charges are properly authorized, approved, and supported.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

Finding Number 02-112 – Payroll

Criteria: In accordance with Government of Guam payroll policies and regulations, all overtime charges should be properly approved.

Condition: For 2 out of 25 or 8% of overtime transactions tested, the personnel action forms indicated that the employee was suspended during the period of overtime hours reported.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2002

Finding Number 02-112 – Payroll, Continued

<u>Employee No.</u>	<u>PPE</u>	<u>OT Amount</u>
586647874	7/13/02	\$ 9,047
586689145	9/21/02	<u>7,150</u>
Total		\$ <u>16,197</u>

Cause: There appears to be weak internal control procedures over ensuring overtime charges are properly approved.

Effect: There is a possibility that expenses are overstated as a result of this condition. However, noncompliance with the policy increases the risk of not identifying potential problems or abuse in a timely manner.

Recommendation: The Government of Guam should consider strengthening internal controls to ensure that overtime charges are properly authorized, approved, and supported.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

Finding Number 02-113 – Payroll

Criteria: In accordance with Government of Guam payroll policies and regulations, all overtime charges should be properly authorized and approved.

Condition: For 6 out of 25 (24%) of overtime transactions tested, timesheets were either not signed, dated, or signed in a timely manner by the employee, timekeeper, or supervisor.

<u>Employee No.</u>	<u>PPE</u>	<u>OT Amount</u>
586647874	07/13/02	\$ 9,047
586074702	09/07/02	563
586623572	12/29/01	3,194
586660584	09/07/02	1,102
586608344	08/24/02	9,123
304562776	08/24/02	<u>5,287</u>
Total		\$ <u>28,316</u>

Cause: There appears to be weak internal control procedures over ensuring overtime charges are properly authorized and approved.

Effect: There is a possibility that expenses are overstated as a result of this condition. However, noncompliance with the policy increases the risk of not identifying potential problems or abuse in a timely manner.

Recommendation: The Government of Guam should consider strengthening internal controls to ensure that overtime charges are properly authorized, approved, and supported.

Auditee Response and Corrective Action Plan: In a letter dated January 22, 2004, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Summary of Unresolved Questioned Costs Arising from
Prior Year Single Audits
Year Ended September 30, 2002

Report Title/Assignment No.	Issue Date	Recommendation/Questioned Costs			
		<u>Beginning</u>	<u>Resolved</u>	<u>End</u>	<u>Amount</u>
Federal Grants Management N-IN-GUA-020-89	06-28-90	7	1	6	\$ -
Charges to Federal Grant DPHSS Program, N-IN-GUA-020-89A	10-26-89	7	6	1	-
Asses. & Collection of Property Taxes, DRT, GovGuam N-TG-GUA-021-89	01-04-90	9	6	3	-
U.S. Department of Defense Contract Funds, Department of Education, GovGuam N-IN-GUA-004-97-(E)-R	01-10-00	0	0	4	<u>9,721,901</u>
Total Questioned Costs per Office of the Inspector General					\$ <u>9,721,901</u>

GOVERNMENT OF GUAM

Summary of Unresolved Questioned Costs Arising from
Prior Year Single Audits, Continued
Year Ended September 30, 2002

	<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 98	\$ 2,327,015	\$ 21,471	\$ 2,305,544
Unresolved Questioned Costs FY 99	24,838,023	-	24,838,023
Unresolved Questioned Costs FY 00	10,062,663	-	10,062,663
Unresolved Questioned Costs FY 01	<u>9,875,246</u>	<u>-</u>	<u>9,875,246</u>
	<u>\$ 47,102,947</u>	<u>\$ 21,471</u>	47,081,476
Add Questioned Costs for FY 2002			<u>4,258,861</u>
Total Unresolved Questioned Costs at September 30, 2002			<u>\$ 51,340,337</u>

GOVERNMENT OF GUAM

Summary of Unresolved Questioned Costs Arising from Prior Year Single Audits, Continued Year Ended September 30, 2002

<u>CFDA #</u>		<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>Total</u>
12.110	DOD/DOE	\$ -	\$ -	-	\$ 9,721,901	\$ -	\$ 9,721,901
12.401	National Guard	-	155,914	-	-	-	155,914
15.605/ 15.611	Fish and Wildlife Cluster	-	339,414	-	-	-	339,414
15.875	Compact Impact	679,010	4,262,576	3,526,590	3,147,789	2,305,544	13,921,509
16.523	JAIBG	596,554	-	-	-	-	596,554
16.710	COPS	1,721	-	-	-	-	1,721
17.235	Senior Community Service	19,594	-	-	-	-	19,594
17.258/ 17.259/ 17.260	WIA Cluster	952,176	-	-	-	-	952,176
	Highway Planning and Construction	611,014	36,498	18,365	-	-	665,877
66.600	Environmental Protection	197,112	222,907	-	-	-	420,019
83.541	FEMA DUA	33,212	-	-	-	-	33,212
83.543	FEMA IFG	10,588	-	-	-	-	10,588
83.544	FEMA Public Assistance Grants	153,987	2,505,157	2,955,284	11,968,333	-	17,582,761
83.548	FEMA Hazard Mitigation Grant	-	328,039	295,507	-	-	623,546
84.126	Vocational Rehabilitation	-	57,857	-	-	-	57,857
84.186	Safe and Drug-Free Schools/Communities	-	-	17,612	-	-	17,612
93.000	Cost Pool Allocation Accounts	-	40,038	-	-	-	40,038
93.044	Aging Cluster	367,958	-	-	-	-	367,958
93.558	TANF	14,942	543,972	163,827	-	-	722,741
93.563	Child Support Enforcement	620,993	195,161	235,340	-	-	1,051,494
93.575	CCDF	-	633,606	804,925	-	-	1,438,531
93.667	Social Services Block Grant	-	89,865	-	-	-	89,865
93.778	Medicaid	-	464,242	2,045,213	-	-	2,509,455
	Totals	<u>\$4,258,861</u>	<u>\$9,875,246</u>	<u>\$10,062,663</u>	<u>\$24,838,023</u>	<u>\$2,305,544</u>	<u>\$51,340,337</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, 2002

<u>Finding #</u>	<u>CFDA #</u>	<u>Questioned Costs Resolved In 2001</u>	<u>Responding Office</u>
98-30	83.541	\$ <u>21,471</u>	OMB Circular A-133, Section .315(b)(4)
	Total Resolved	\$ <u>21,471</u>	



Felix P. Camacho
Governor
Kaleo S. Moylan
Lieutenant Governor

Department of Administration
(DIPATTAMENTON ATEMENSTRASION)
DIRECTOR'S OFFICE
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Lourdes M. Perez
Director
Joseph C. Manibusan
Deputy Director

December 22, 2003

Mr. Daniel Fitzgerald
Audit Partner
Deloitte Touche Tohmatsu
361 South Marine Drive

RE: Response to Schedule of Findings and Questioned Costs-
For Fiscal Year Ended – September 30, 2002

Dear Mr. Fitzgerald:

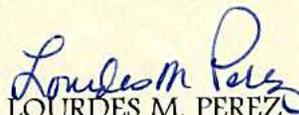
Hafa Adai!

Transmitted herewith are the responses and corrective action plans for the Findings and Questioned Costs for Fiscal Year Ended - September 30, 2002.

Should you require additional information or clarification, please do not hesitate to contact the Department of Administration, Division of Accounts' Accounting Manager, Mr. Noe F. Bilgera, at 475-1226.

Si Yu'os Ma'ase.

Sincerely


LOURDES M. PEREZ
Director

Attachment

cf: Director, Bureau of Budget & Management Research

Government of Guam
Department of Administration
Division of Accounts

General Responses to all findings related to the Fiscal Year Ended September 30, 2002

The Department of Administration concurs with the attached findings and recommendations. However, during the fiscal year, DOA encountered challenges.

Effects of the Early Retirement and Buy-Out Program:

In Fiscal Year 2000 the Government of Guam implemented the Early Retirement and Buy-Out Program and as a result the Department of Administration lost senior employees. Thereafter, due to financial constraints the Government of Guam, in particular the Department of Administration was not able to hire new employees to replace lost senior employees with the exception of a few employees that were transferred from other government agencies. However, these transferred employees were just barely enough to cover additional employees lost afterward due to retirement and resignation. Therefore, the Department of Administration, in particular the Division of Accounts, continues to face the demands with the limited number of employees.

Corrective Action Plan:

Management will consider and comply with the recommendations. Management will institute better internal control procedures to drastically reduce if not entirely eliminate these deficiencies. Management has taken steps to strengthen the Division of Accounts by creating an Internal Audit Section and joint personnel training with Line Agencies will be conducted to achieve a level of total compliance to OMB Circular A-133. A Chief Procurement Officer has been hired to strengthen the procurement function under the General Services Agency. Management is looking forward to appoint a new Chief Financial Officer who will oversee and implement changes toward better compliance to full compliance to OMB Circular A-133. Additionally, the Division of Accounts has acquired more storage space to improve record keeping.



Felix P. Camacho
Governor
Kaleo S. Moylan
Lieutenant Governor

Department of Administration
(DIPATTAMENTON ATEMENSTRASION)
DIRECTOR'S OFFICE
(UFISINAN DIREKTOT)

Post Office Box 884 Hagatña Guam 96932
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Lourdes M. Perez
Director

January 22, 2004

Mr. Daniel Fitzgerald
Audit Partner
Deloitte Touch Tohmatsu
361 South Marine Drive
Tamuning, Guam 96911

Re: Response to Schedule of Findings & Questioned Costs
Fiscal Year Ended September 30, 2002

Dear Mr. Fitzgerald:

Hafa Adai!

Submitted herewith is our general response pertaining to the financial statement findings of the audit of Fiscal Year Ended September 30, 2002.

- The Department of Administration concurs with most of the findings and recommendations.
- To the extent that this audit covers and reflects activities of the period October 1, 2001 through September 30, 2002 and that it is now January 2004, the findings obviously do not reflect any corrective actions initiated since January 2003 (the month the FY 2001 audit was issued) to deflect recurring deficiencies from again appearing in subsequent audits.
- The Department has already taken some corrective actions intended to correct recurring findings from appearing in subsequent audits. For example, an Internal Audit section has been created in order to improve internal control process with the objective of achieving a higher level of compliance with OMB Circular A-133 and other audit recommendations. To strengthen the procurement function and ensure compliance with procurements laws, rules and regulations, a permanent Chief Procurement Officer was hired in November 2003, along with additional procurement staff. The Department is also contemplating creating a new position in the Division of Accounts, that of a Chief Financial Officer, who will oversee and implement changes toward full compliance with OMB Circular A-133, institute periodic reconciliations now presently lacking, and address current audit qualifications for purposes of eliminating them in future audits, among others. The Department has also begun to fill accountant positions. To improve recording keeping, the Division has acquired more storage space.
- Although the Department does not wish to belabor again the impact certain factors had on its ability to perform required accounting and financial reporting activities in a timely manner, the Department refers to its general response to the Government of Guam FY 2001 Financial Audit. It is the Department's contention that the findings of FY 2001 and FY 2002 are directly attributable to the following factors:

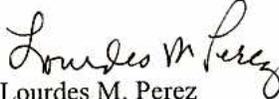
1. Changes in the financial management system (software & hardware) created much chaos, confusion and resistance from end users, resulting in untimely and incomplete reconciliations and reporting. Some of these reconciliation and interface issues arising from the movement from the old FMS to the new FMS (FY 2000 & FY 2001) and then back to the old system (FY 2002) were still issues in FY 2003, with a few still unresolved in this current fiscal year. However, it is expected that full reconciliation (and/or interfaces) between the two systems will be completed in FY 2004.
2. The Early Buy-Out and the Early Retirement Programs of FY 2000 wherein ten senior accounting personnel separated from the Division of Accounts impacted the Division negatively, and continues to do so to this day. Exacerbating this was Guam's shrinking economy resulting in severe cash shortfalls necessitating tightening of the government's operational costs, making hiring of additional staff unattainable.

Again, the Department of Administration does not wish to belabor any further the effects these factors have had on the accounting for the financial activities of the Government during those years. Obviously, their effects have manifested themselves in the findings.

The Department wishes to move forward with noticeable improvements in the years to come. It is the Department's position that positive corrective actions will begin to become evident beginning with the audit of the Government of Guam financials of FY 2003.

Thank you for this opportunity to respond to the findings.

Sincerely,


Lourdes M. Perez