

GOVERNMENT OF GUAM

SINGLE AUDIT REPORTS

YEAR ENDED SEPTEMBER 30, 2003

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

Honorable Felix P. Camacho
Governor
Government of Guam:

We have audited the basic financial statements of the Government of Guam as of and for the year ended September 30, 2003, and have issued our report thereon dated November 1, 2004, which report was qualified due to our inability to audit tax-related records; our inability to determine the propriety of capital assets and related amounts for accumulated depreciation and depreciation expense; the absence of an accrual for closure and post-closure costs of a solid waste landfill; and the lack of audited financial statements of the Government of Guam Retirement Fund – a Fiduciary Fund Type – Pension Trust Fund, the Guam Memorial Hospital Authority, the Guam Housing Corporation, the Guam Community College, the Guam Economic Development and Commerce Authority, and the Guam Visitors' Bureau – Component Units. 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.

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 an opinion 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 number 03-01 through 03-03, 03-05, 03-06, 03-08 through 03-10, 03-14, 03-15, and 03-22 through 03-30.

A material weakness is a reportable 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 caused by error or fraud 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 03-02, 03-06, 03-09, 03-22 through 03-24, 03-26, and 03-29 to be material weaknesses.

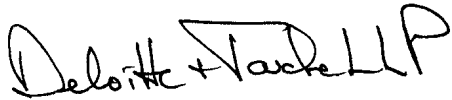
We also noted other matters involving the internal control over financing reporting that we have reported to management of the Government of Guam in a separate letter dated November 1, 2004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Government of Guam's basic 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 90) as items number 03-01, 03-03, 03-05, 03-06, 03-08, 03-09, 03-14, and 03-30.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Government of Guam in a separate letter dated November 1, 2004.

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.

November 1, 2004

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, 2003. 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 90). 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 number 03-01 through 03-21 and 03-25 in the accompanying Schedule of Findings and Questioned Costs, the Government of Guam did not comply with requirements regarding activities allowed or unallowed; allowable costs/cost principles; cash management; eligibility; equipment and real property management; matching, level of effort, 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, 2003.

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.

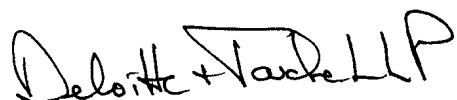
We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance 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 03-01 through 03-22 and 03-25.

A material weakness is a reportable 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 caused by error or fraud 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 03-02, 03-06, 03-08, 03-09, 03-11, 03-16, and 03-22 to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the Government of Guam as of and for the year ended September 30, 2003, and have issued our report thereon dated November 1, 2004, which report was qualified due to our inability to audit tax-related records; our inability to determine the propriety of capital assets and related amounts for accumulated depreciation and depreciation expense; the absence of an accrual for closure and post-closure costs of a solid waste landfill; and the lack of audited financial statements of the Government of Guam Retirement Fund – a Fiduciary Fund Type – Pension Trust Fund, the Guam Memorial Hospital Authority, the Guam Housing Corporation, the Guam Community College, the Guam Economic Development and Commerce Authority, and the Guam Visitors' Bureau – Component Units. Our audit was performed for the purpose of forming an opinion on the basic 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 basic 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 basic financial statements and, in our opinion, is fairly stated, in all material respects when considered in relation to the basic financial statements taken as a whole.

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



November 1, 2004

GOVERNMENT OF GUAM

Summary of Schedule of Expenditures of Federal Awards, by Grantor
Year Ended September 30, 2003

<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2002	Cash Receipts and Adjustments	Expenditures	Accrued (Deferred) Balance at September 30, 2003
U.S. Department of Agriculture	\$ 3,137,462	\$ 69,209,331	\$ 63,352,678	\$ (2,719,191)
U.S. Department of Commerce	874,452	1,507,905	1,164,444	530,991
U.S. Department of Defense	3,883,735	4,821,489	1,527,480	589,726
U.S. Department of Housing and Urban Development	34,234	10,000	193,734	217,968
U.S. Department of the Interior	2,955,772	9,219,225	6,951,761	688,308
U.S. Department of Justice	2,660,273	8,892,248	5,497,091	(734,884)
U.S. Department of Labor	3,606,623	19,021,563	16,834,368	1,419,428
U.S. Department of Transportation	1,788,224	12,256,559	9,501,186	(967,149)
National Foundation on the Arts and the Humanities	316,840	622,022	561,783	256,601
U.S. Environmental Protection Agency	1,940,959	6,085,627	3,285,074	(859,594)
U.S. Department of Energy	919,545	1,113,189	222,272	28,628
U.S. Department of Education	4,669,903	5,008,100	1,576,461	1,238,264
U.S. Department of Health and Human Services	3,329,693	50,409,460	44,587,214	(2,492,553)
Corporation for National and Community Service	500,734	516,839	142,554	126,449
Social Security Administration	138,199	135,944	8,782	11,037
U.S. Department of Homeland Security	10,640,157	50,449,192	39,148,816	(660,219)
GRAND TOTAL	\$ 41,396,805	\$ 239,278,693	\$ 194,555,698	\$ (3,326,190)

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

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2003

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2002	Cash Receipts and Adjustments	Expenditures	Accrued (Deferred) Balance at September 30, 2003
U.S. DEPARTMENT OF AGRICULTURE					
10.025	Plant and Animal Disease, Pest Control, and Animal Care	\$ -	\$ -	\$ 4,832	\$ 4,832
10.551	Food Stamps	-	53,437,307	53,437,307	-
10.557	Special Supplemental Food Program for Women, Infants and Children	2,708,150	8,244,029	5,710,381	174,502
10.561	State Administrative Matching Grant for Food Stamp Program	(930,799)	5,755,640	3,475,143	(3,211,296)
10.572	WIC Farmers' Market Nutrition Program (FMNP)	135,347	129,884	4,278	9,741
10.664	Cooperative Forestry Assistance	1,175,037	1,592,744	720,737	303,030
10.769	Rural Development Grants	49,727	49,727	-	-
	U.S. DEPARTMENT OF AGRICULTURE TOTAL	<u>\$ 3,137,462</u>	<u>\$ 69,209,331</u>	<u>\$ 63,352,678</u>	<u>\$ (2,719,191)</u>

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Schedule of Expenditures of Federal Awards
Year Ended September 30, 2003

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2002	Cash Receipts and Adjustments	Expenditures	Accrued (Deferred) Balance at September 30, 2003
U.S. DEPARTMENT OF COMMERCE					
11.002	Census Customer Services	\$ -	\$ -	\$ 9,533	\$ 9,533
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	-	(19,120)	80,379	99,499
11.407	Interjurisdictional Fisheries Act of 1986	7,595	4,246	14,340	17,689
11.419	Coastal Zone Management Administration Awards	581,421	1,144,655	891,051	327,817
11.426	Financial Assistance for National Centers for Coastal Ocean Science	-	-	77,555	77,555
11.437	Pacific Fisheries Data Program	286,538	378,124	91,586	-
U.S. DEPARTMENT OF COMMERCE TOTAL		<u>\$ 874,452</u>	<u>\$ 1,507,905</u>	<u>\$ 1,164,444</u>	<u>\$ 530,991</u>

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Schedule of Expenditures of Federal Awards
Year Ended September 30, 2003

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2002	Cash Receipts and Adjustments	Expenditures	Accrued (Deferred) Balance at September 30, 2003
U.S. DEPARTMENT OF DEFENSE					
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services (DSMOA)	\$ 59,516	\$ 88,215	\$ 28,699	\$ -
12.400	Military Construction, National Guard	661,772	661,772	-	-
12.401	National Guard Military Operations and Maintenance (O&M) Projects	3,162,447	4,071,502	1,498,781	589,726
U.S. DEPARTMENT OF DEFENSE TOTAL		<u>\$ 3,883,735</u>	<u>\$ 4,821,489</u>	<u>\$ 1,527,480</u>	<u>\$ 589,726</u>

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Schedule of Expenditures of Federal Awards
Year Ended September 30, 2003

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Accrued (Deferred) Balance at September 30, 2002</u>	<u>Cash Receipts and Adjustments</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Balance at September 30, 2003</u>
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
14.235	Supportive Housing Program	\$ 34,234	\$ 10,000	\$ 193,734	\$ 217,968
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT TOTAL	<u>\$ 34,234</u>	<u>\$ 10,000</u>	<u>\$ 193,734</u>	<u>\$ 217,968</u>

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Schedule of Expenditures of Federal Awards
Year Ended September 30, 2003

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Accrued (Deferred) Balance at September 30, 2002</u>	<u>Cash Receipts and Adjustments</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Balance at September 30, 2003</u>
U.S. DEPARTMENT OF THE INTERIOR					
15.605	Sport Fish Restoration	\$ 131,789	\$ 750,126	\$ 559,478	\$ (58,859)
15.611	Wildlife Restoration	55,445	95,706	170	(40,091)
15.612	Endangered Species Conservation	(359,811)	(359,811)	-	-
15.615	Cooperative Endangered Species Conservation Fund	-	837,913	858,889	20,976
15.616	Clean Vessel Act	(3,868)	-	-	(3,868)
15.875	Economic, Social and Political Development of the Territories and the Freely Associated States	2,786,698	7,550,266	5,247,195	483,627
15.904	Historic Preservation Fund Grants-In-Aid	345,519	345,025	286,029	286,523
	U.S. DEPARTMENT OF THE INTERIOR TOTAL	<u>\$ 2,955,772</u>	<u>\$ 9,219,225</u>	<u>\$ 6,951,761</u>	<u>\$ 688,308</u>

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Schedule of Expenditures of Federal Awards
Year Ended September 30, 2003

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2002	Cash Receipts and Adjustments	Expenditures	Accrued (Deferred) Balance at September 30, 2003
U.S. DEPARTMENT OF JUSTICE					
16.523	Juvenile Accountability Incentive Block Grants	\$ 1,336,834	\$ 2,328,999	\$ 1,057,080	\$ 64,915
16.540	Juvenile Justice & Delinquency Prevention - Allocation to States (State Formula Grants)	31,792	31,792	-	-
16.541	Juvenile Justice & Delinquency Prevention - Special Emphasis (Program Grants, Discretionary Grants and Contracts)	199,053	230,978	179,620	147,695
16.547	Victims of Child Abuse	-	(4,765)	-	4,765
16.548	Title V - Delinquency Prevention Program	16,833	51,233	35,617	1,217
16.549	Part E - State Challenge Activities	25,250	26,854	13,183	11,579
16.554	National Criminal History Improvement Program (NCHIP)	-	112,665	112,665	-
16.575	Crime Victim Assistance	331,818	599,312	317,887	50,393
16.576	Crime Victim Compensation	-	(131)	5,963	6,094
16.579	Byrne Formula Grant Program	406,445	1,729,813	1,534,844	211,476
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	(808,878)	(569,459)	-	(239,419)
16.585	Drug Court Discretionary Grant Program	-	333,908	333,908	-
16.588	Violence Against Women Formula Grants	301,006	845,613	661,900	117,293
16.589	Rural Domestic Violence and Child Victimization	8,907	50,124	41,333	116
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders	31,665	34,961	16,524	13,228
16.592	Local Law Enforcement Block Grants Program	745,294	2,055,666	392,898	(917,474)
16.593	Residential Substance Abuse Treatment for State Prisoners	(8,600)	202,934	192,228	(19,306)
16.710	Public Safety Partnership and Community Policing Grants	42,854	831,751	601,441	(187,456)
	U.S. DEPARTMENT OF JUSTICE TOTAL	<u>\$ 2,660,273</u>	<u>\$ 8,892,248</u>	<u>\$ 5,497,091</u>	<u>\$ (734,884)</u>

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2003

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Accrued (Deferred) Balance at September 30, 2002</u>	<u>Cash Receipts and Adjustments</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Balance at September 30, 2003</u>
U.S. DEPARTMENT OF LABOR					
17.002	Labor Force Statistics	\$ 20,438	\$ 41,300	\$ 31,329	\$ 10,467
17.005	Compensation and Working Conditions Data	22,741	66,605	55,725	11,861
17.203	Labor Certification for Alien Workers	201,510	212,575	45,010	33,945
17.207	Employment Service	1,633,228	1,793,710	315,124	154,642
17.235	Senior Community Service Employment Program	524,687	1,346,902	832,161	9,946
17.250	Job Training Partnership Act	797,377	665,689	46,904	178,592
17.253	Welfare-to-Work Grants to States and Localities	(79,036)	-	2,145	(76,891)
17.258	WIA Adult Program	-	80,526	338,106	257,580
17.259	WIA Youth Activities	-	1,130,026	1,510,802	380,776
17.260	WIA Dislocated Workers	433,067	13,427,416	13,382,716	388,367
17.500	Occupational Safety & Health	(2,310)	(2,310)	-	-
17.503	Occupational Safety & Health - State Program	33,984	33,984	-	-
17.504	Consultation Agreements	20,937	225,140	274,346	70,143
	U.S. DEPARTMENT OF LABOR TOTAL	<u>\$ 3,606,623</u>	<u>\$ 19,021,563</u>	<u>\$ 16,834,368</u>	<u>\$ 1,419,428</u>

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2003

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Accrued (Deferred) Balance at September 30, 2002</u>	<u>Cash Receipts and Adjustments</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Balance at September 30, 2003</u>
	U.S. DEPARTMENT OF TRANSPORTATION				
20.205	Highway Planning & Construction	\$ 888,232	\$ 10,884,622	\$ 8,762,012	\$ (1,234,378)
20.218	Motor Carrier Safety Assistance Program	338,987	568,119	244,184	15,052
20.600	State & Community Highway Safety	<u>561,005</u>	<u>803,818</u>	<u>494,990</u>	<u>252,177</u>
	U.S. DEPARTMENT OF TRANSPORTATION TOTAL	<u>\$ 1,788,224</u>	<u>\$ 12,256,559</u>	<u>\$ 9,501,186</u>	<u>\$ (967,149)</u>

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2003

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2002	Cash Receipts and Adjustments	Expenditures	Accrued (Deferred) Balance at September 30, 2003
	NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES				
45.025	Promotion of the Arts-Partnership Agreements	\$ 127,685	\$ 531,931	\$ 454,368	\$ 50,122
45.301	Institute of Museum and Library Services	12,006	12,006	-	-
45.310	State Library Program	<u>177,149</u>	<u>78,085</u>	<u>107,415</u>	<u>206,479</u>
	NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES TOTAL	<u>\$ 316,840</u>	<u>\$ 622,022</u>	<u>\$ 561,783</u>	<u>\$ 256,601</u>

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2003

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2002	Cash Receipts and Adjustments	Expenditures	Accrued (Deferred) Balance at September 30, 2003
	U.S. ENVIRONMENTAL PROTECTION AGENCY				
66.600	Environmental Protection Consolidated Grants - Program Support	\$ 1,940,959	\$ 6,085,627	\$ 3,285,074	\$ (859,594)
	U.S. ENVIRONMENTAL PROTECTION AGENCY TOTAL	<u>\$ 1,940,959</u>	<u>\$ 6,085,627</u>	<u>\$ 3,285,074</u>	<u>\$ (859,594)</u>

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2003

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2002	Cash Receipts and Adjustments	Expenditures	Accrued (Deferred) Balance at September 30, 2003
	U.S. DEPARTMENT OF ENERGY				
81.041	State Energy Program	\$ 919,545	\$ 1,102,439	\$ 208,999	\$ 26,105
81.119	State Energy Program Special Projects	-	10,750	13,273	2,523
	U.S. DEPARTMENT OF ENERGY TOTAL	<u>\$ 919,545</u>	<u>\$ 1,113,189</u>	<u>\$ 222,272</u>	<u>\$ 28,628</u>

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2003

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Accrued (Deferred) Balance at September 30, 2002</u>	<u>Cash Receipts and Adjustments</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Balance at September 30, 2003</u>
U.S. DEPARTMENT OF EDUCATION					
84.126	Rehabilitation Services-Vocational Rehabilitation Grants to States	\$ 3,292,011	\$ 3,691,855	\$ 1,261,341	\$ 861,497
84.169	Independent Living - State Grants	46,486	22,313	10,086	34,259
84.177	Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind	108,895	62,925	13,500	59,470
84.186	Safe and Drug-Free Schools and Communities - State Grants	1,203,731	1,230,470	278,285	251,546
84.187	Supported Employment Services for Individuals with Severe Disabilities (State Supported Employment Services Program)	9,533	9,533	994	994
84.265	Rehabilitation Training: State Vocational Rehabilitation Unit	9,247	(8,996)	12,255	30,498
	U.S. DEPARTMENT OF EDUCATION TOTAL	<u>\$ 4,669,903</u>	<u>\$ 5,008,100</u>	<u>\$ 1,576,461</u>	<u>\$ 1,238,264</u>

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2003

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Accrued (Deferred) Balance at September 30, 2002</u>	<u>Cash Receipts and Adjustments</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Balance at September 30, 2003</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)	4,177	4,193	22,135	22,119
93.042	Special Programs for the Aging: Title VII, Chapter 2: Long Term Care Ombudsman Services for Older Individuals	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)	92,539	119,348	55,780	28,971
93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	97,968	5,987,770	3,207,277	(2,682,525)
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services	115	4,153,389	2,880,648	(1,272,626)
93.052	Nation Family Caregiver Support Program	-	429,475	429,475	-
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	-	400,450	483,975	83,525
93.110	Maternal and Child Health Federal Consolidated Programs (Special Projects of Regional and National Significance (SPRANS))	4,350	5,421	1,071	-
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	3,022	255,446	364,061	111,637
93.126	Small Business Innovation Research	-	500	12,073	11,573
93.127	Emergency Medical Services for Children (EMS for Children)	178,449	208,005	233,374	203,818
93.150	Projects for Assistance in Transition from Homelessness (PATH)	109,207	125,207	16,000	-
93.217	Family Planning - Services	275,399	300,220	226,118	201,297
93.224	Community Health Centers	-	574,236	931,675	357,439
93.235	Abstinence Education	53,428	67,203	43,398	29,623
93.268	Immunization Grants	(89,535)	236,842	318,441	(7,936)
	BALANCE FORWARD	\$ 1,193,054	\$ 13,331,640	\$ 9,225,501	\$ (2,913,085)

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2003

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Accrued (Deferred) Balance at September 30, 2002</u>	<u>Cash Receipts and Adjustments</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Balance at September 30, 2003</u>
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
	BALANCE FORWARD	\$ 1,193,054	\$ 13,331,640	\$ 9,225,501	\$ (2,913,085)
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	12,627	586,733	698,291	124,185
93.399	Cancer Control	(21,202)	-	6,848	(14,354)
93.556	Family Preservation and Support Services	74,941	225,858	-	(150,917)
93.558	Temporary Assistance for Needy Families	(831,802)	5,373,736	4,581,210	(1,624,328)
93.563	Child Support Enforcement	1,064,802	5,994,606	4,929,804	-
93.575	Child Care and Development Block Grant	(83,696)	2,123,161	2,206,857	-
93.597	Grants to States for Access and Visitation Programs	(50,797)	53,586	70,111	(34,272)
93.630	Developmental Disabilities Basic Support and Advocacy Grants	227,923	284,562	197,351	140,712
93.631	Developmental Disabilities Projects of National Significance	17,382	-	17,884	35,266
93.667	Social Services Block Grant	(229,398)	1,908,129	1,858,524	(279,003)
93.778	Medical Assistance Program (Medicaid; Title XIX)	314,908	15,517,587	16,648,131	1,445,452
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	29,341	6,743	103,210	125,808
93.917	HIV Care Formula Grants	(25,169)	114,517	105,149	(34,537)
93.918	Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	52,738	52,738	-	-
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	9,127	(34,297)	59,006	102,430
93.928	Special Projects of National Significance	-	131,313	151,700	20,387
93.940	HIV Prevention Activities-Health Department Based (HIV Prevention Program)	222,830	775,713	617,543	64,660
93.945	Assistance Program for Chronic Disease Prevention and Control	822	13,910	89,861	76,773
	BALANCE FORWARD	\$ 1,978,431	\$ 46,460,235	\$ 41,566,981	\$ (2,914,823)

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2003

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Accrued (Deferred) Balance at September 30, 2002</u>	<u>Cash Receipts and Adjustments</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Balance at September 30, 2003</u>
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
	BALANCE FORWARD	\$ 1,978,431	\$ 46,460,235	\$ 41,566,981	\$ (2,914,823)
93.952	Improving EMS/Trauma Care in Rural Areas	-	10,698	12,191	1,493
93.958	Block Grants for Community Mental Health Services (CMHS Block Grant)	76,473	183,415	149,492	42,550
93.959	Block Grants for Prevention and Treatment of Substance Abuse (Prevention and Treatment (SAPT) Block Grant)	383,453	1,029,140	645,687	-
93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants	11,420	33,107	95,121	73,434
93.982	Mental Health Disaster Assistance and Emergency Mental Health	-	750,000	750,000	-
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	82,031	180,034	158,526	60,523
93.991	Preventive Health and Health Services Block Grant	235,783	340,241	186,477	82,019
93.994	Maternal and Child Health Services Block Grant to the States	562,102	1,422,590	1,022,739	162,251
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
	TOTAL	\$ 3,329,693	\$ 50,409,460	\$ 44,587,214	\$ (2,492,553)

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2003

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Accrued (Deferred) Balance at September 30, 2002</u>	<u>Cash Receipts and Adjustments</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Balance at September 30, 2003</u>
	CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
94.006	AmeriCorps	\$ 500,734	\$ 516,839	\$ 142,554	\$ 126,449
	CORPORATION FOR NATIONAL AND COMMUNITY SERVICE TOTAL	\$ <u>500,734</u>	\$ <u>516,839</u>	\$ <u>142,554</u>	\$ <u>126,449</u>

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2003

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Accrued (Deferred) Balance at September 30, 2002</u>	<u>Cash Receipts and Adjustments</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Balance at September 30, 2003</u>
	SOCIAL SECURITY ADMINISTRATION				
96.001	Social Security - Disability Insurance	\$ <u>138,199</u>	\$ <u>135,944</u>	\$ <u>8,782</u>	\$ <u>11,037</u>
	SOCIAL SECURITY ADMINISTRATION TOTAL	\$ <u><u>138,199</u></u>	\$ <u><u>135,944</u></u>	\$ <u><u>8,782</u></u>	\$ <u><u>11,037</u></u>

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2003

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Accrued (Deferred) Balance at September 30, 2002</u>	<u>Cash Receipts and Adjustments</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Balance at September 30, 2003</u>
U.S. DEPARTMENT OF HOMELAND SECURITY					
97.004/ 16.007	State Domestic Preparedness Equipment Support Program	\$ -	\$ (47,782)	\$ -	\$ 47,782
97.007/ 83.505	State and Local Domestic Preparedness Technical Assistance	(7,677)	1,021,895	1,029,572	-
97.012/ 20.005	Boating Safety Financial Assistance	77,322	240,454	365,077	201,945
97.032/ 83.539	Crisis Counseling	63,233	391,298	324,519	(3,546)
97.034/ 83.541	Disaster Unemployment Assistance	36,535	10,551,437	10,638,275	123,373
97.035/ 83.543	Individual and Family Grants	323,589	1,210,199	886,610	-
97.036/ 83.544	Public Assistance Grants	5,746,098	29,915,446	23,048,152	(1,121,196)
97.039/ 83.548	Hazard Mitigation Grant	3,470,896	5,739,449	2,268,553	-
97.042/ 83.552	Emergency Management Performance Grants	930,161	1,346,171	482,569	66,559
97.051/ 83.562	State and Local All Hazards Emergency Operations Planning	-	16,515	16,515	-
97.052/ 83.563	Emergency Operations Centers	-	48,681	48,681	-
97.053/ 16.007	Citizen Corps	-	15,429	40,293	24,864
	U.S. DEPARTMENT OF HOMELAND SECURITY TOTAL	<u>10,640,157</u>	<u>50,449,192</u>	<u>39,148,816</u>	<u>(660,219)</u>
	GRAND TOTAL	<u>\$ 41,396,805</u>	<u>\$ 239,278,693</u>	<u>\$ 194,555,698</u>	<u>\$ (3,326,190)</u>

GOVERNMENT OF GUAM

Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2003

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. Effective May 2003, the U.S. Department of Health and Human Services 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
- National Foundation on the Arts and the Humanities
- Social Security Administration
- U.S. Department of Homeland Security

2. Summary of Significant Accounting Policies:

a. Basis of Accounting:

For the purposes of this report, cash receipts relate to all cash derived from the federal agencies for programs within the Catalog of Federal Domestic Assistance. Also, cash receipts include matching funds and other contributions from the Government of Guam. Cash receipts do not include receipts related to program income. The Government of Guam has not allocated interest income that may have been earned in part from cash received from federal programs. Indirect costs claimed by the Government of Guam from federal agencies are deducted from cash receipts and reimbursements.

All expenditures and capital outlays that represent the federal share are reported as expenditures. Expenditures are recognized on the modified accrual basis of accounting, consistent with the manner in which the Government of Guam maintains its accounting records. This includes earned reimbursements under different formula grants and entitlement programs that are accounted for as revenues in the General Fund of the Government of Guam and 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, 2003

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 subrecipients 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 2003 grant programs are based on 2003 actual expenditures and caseloads.

As of the date of this report, for FY 2003, there is no approved indirect cost negotiation agreement.

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:

- Government of Guam Retirement Fund
- Guam Community College
- Guam Economic Development and Commerce Authority
- Guam Educational Telecommunications Corporation
- Guam Housing and Urban Renewal Authority
- Guam Housing Corporation
- Guam International Airport Authority
- Guam Memorial Hospital 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 if applicable.

Also, for the purposes of the Schedule of Expenditures of Federal Awards, it does not include the Guam Department of Education, a component of the Government of Guam's General Fund, which separately satisfies the audit requirements.

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, 2003

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, 2003, the Government of Guam had the following noncash award:

U.S. Department of Agriculture Food Stamps CFDA #10.551	
Coupons issued and redeemed	\$ <u>53,437,307</u>
Total Food Stamps reported on the Schedule of Federal Financial Assistance	\$ <u>53,437,307</u>

The value of Food Stamps held in custody by the Government of Guam's agent totaled \$22,436,130 at September 30, 2003.

GOVERNMENT OF GUAM

Schedule of Major Federal Award Programs Year Ended September 30, 2003

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

<u>Grantor</u>	<u>CFDA #</u>	<u>Program Name</u>	<u>Fiscal Year 2003 Expenditures</u>
U.S. Department of Agriculture	10.551	Food Stamps	\$ 53,437,307
	10.561	State Administrative Matching Grants for Food Stamp Program	3,475,143
U.S. Department of the Interior	15.875	Economic, Social and Political Development of the Territories and the Freely Associated States	5,247,195
U.S. Department of Justice	16.579	Byrne Formula Grant Program	1,534,844
U.S. Department of Labor	17.258	WIA Adult Program	338,106
	17.259	WIA Youth Activities	1,510,802
	17.260	WIA Dislocated Workers	13,382,716
U.S. Department of Transportation	20.205	Highway Planning and Construction	8,762,012
U.S Environmental Protection Agency	66.600	Environmental Protection Consolidated Grants: Program Support	3,285,074
U.S. Department of Health and Human Services	93.044	Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	3,207,277
	93.045	Special Programs for the Aging_Title III, Part C_Nutrition Services	2,880,648
	93.558	Temporary Assistance for Needy Families	4,581,210
	93.563	Child Support Enforcement (CSE)	4,929,804
	93.778	Medical Assistance Program (Medicaid)	16,648,131
U.S. Department of Homeland Security	97.034/ 83.541	Disaster Unemployment Assistance	10,638,275
	97.036/ 83.544	Public Assistance Grants	<u>23,048,152</u>
Total Federal Programs selected for audit			\$ <u>156,906,696</u>
Total Federal Awards program expenditures			\$ <u>194,555,698</u>
Percentage of Federal Awards Programs tested			<u>81%</u>

GOVERNMENT OF GUAM

Reconciliation of Schedule of Expenditures of Federal Awards to Basic Financial Statements Year Ended September 30, 2003

		Fiscal Year 2003 <u>Expenditures</u>
Federal contributions, as reported in the 2003 financial statements:		
Federal grants assistance fund, expenditures, transfers, and other uses		\$ 139,761,133
<u>CFDA #</u>		
10.551	Food Stamps	53,437,307
93.224	Community Health Centers	931,675
	Superior Court of Guam	
16.554	National Criminal History Improvement Program (NCHIP)	112,665
16.585	Drug Court Discretionary Program	333,908
	Other unidentified expenditures	<u>(20,990)</u>
	Total Federal Expenditures Subject to Audit	\$ <u>194,555,698</u>

GOVERNMENT OF GUAM

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2003

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs
Year Ended September 30, 2003

Part I - Summary of Auditors' Results

1. The Independent Auditors' Report on the financial statements expressed a qualified opinion due to our inability to audit tax-related records; our inability to determine the propriety of capital assets and related amounts for accumulated depreciation and depreciation expense; the absence of an accrual for closure and post-closure costs of a solid waste landfill; and the lack of audited financial statements of the Government of Guam Retirement Fund – a Fiduciary Fund Type – Pension Trust Fund, the Guam Memorial Hospital Authority, the Guam Housing Corporation, the Guam Community College, the Guam Economic Development and Commerce Authority, and the Guam Visitors' Bureau – Component Units.
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>
Food Stamp Cluster:	
Food Stamps	10.551
State Administrative Matching Grants for Food Stamp Program	10.561
Economic, Social and Political Development of the Territories and the Freely Associated States	15.875
Byrne Formula Grant Program	16.579
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
Aging Cluster:	
Special Programs for the Aging_ Title III, Part B_ Grants for Supportive Services and Senior Centers	93.044
Special Programs for the Aging_ Title III, Part C_ Nutrition Services	93.045
Temporary Assistance for Needy Families	93.558
Child Support Enforcement (CSE)	93.563
Medical Assistance Program (Medicaid)	93.778
Disaster Unemployment Assistance	97.034/83.541
Public Assistance Grants	97.036/83.544

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, 2003

Part II – Financial Statement Findings Section

<u>Page Number</u>	<u>Finding Number</u>	<u>Findings</u>	<u>Questioned Costs</u>	<u>Guam Agency</u>
34	03-01	Activities Allowed or Unallowed Allowable Costs/Cost Principles	\$ 82,761	DOA and various
40	03-02	Cash Management	\$ 0	DOA
41	03-03	Eligibility	\$ 30,733	AHRD
45	03-05	Eligibility	\$ 9,855	Labor
49	03-06	Equipment Management	\$ 0	DOA and various
52	03-08	Period of Availability	\$ 150,747	DOA
54	03-09	Procurement	\$ 953,221	DPW, GSA & various
65	03-10	Reporting	\$ 0	DOA, AHRD, DPHSS
70	03-14	Special Tests and Provisions – Prior Approval	\$ 16,665	GEPA
71	03-15	Special Tests and Provisions – Program Income	\$ 0	GEPA, DOA
81	03-22	Federal Grants Fund – Reconciliations	\$ 0	DOA
81	03-23	General Fund – Cash	\$ 0	DOA
82	03-24	General Fund – Other Receivable	\$ 0	DOA
85	03-25	Other Liabilities – Child Support Collection	\$ 0	DOA
86	03-26	General Fund – Appropriations	\$ 0	DOA, BBMR
87	03-27	Special Revenue Funds	\$ 0	DOA, GSA
88	03-28	Overview of Application Systems – Revenue and Receipt Cycle	\$ 0	DOA
88	03-29	Accounts Payable	\$ 0	DOA
90	03-30	Fund Transfers In & Out and Other Sources and Uses	\$ 0	DOA

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2003

Part III - Federal Award Findings and Questioned Cost Section, By Finding Number

<u>Page Number</u>	<u>Finding Number</u>	<u>CFDA Number</u>	<u>Findings</u>		<u>Questioned Costs</u>	<u>Guam Agency</u>
34	03-01	15.875	Allowable Costs/Cost Principles	\$	28,865	DOA, Land Mgmt
34	03-01	17.258/259/260	Allowable Costs/Cost Principles	\$	4,104	DOA, AHRD
34	03-01	93.558	Allowable Costs/Cost Principles	\$	12,000	DOA, DPHSS
34	03-01	93.563	Allowable Costs/Cost Principles	\$	9,251	DOA, Law
34	03-01	93.778	Allowable Costs/Cost Principles	\$	1,762	DOA, DPHSS
34	03-01	97.036/83.544	Activities Allowed or Unallowed	\$	26,779	DOA, DMA, GFD
40	03-02	All	Cash Management	\$	0	All
41	03-03	17.258/259/260	Eligibility	\$	30,733	AHRD
43	03-04	93.558 & 93.778	Eligibility	\$	0	DPHSS
45	03-05	97.034/83.541	Eligibility	\$	9,855	Labor
49	03-06	All	Equipment Management	\$	0	DOA
51	03-07	17.258/259/260	Matching, Level of Effort, Earmarking	\$	0	DOA, AHRD
52	03-08	17.258/259/260	Period of Availability	\$	150,747	DOA
52	03-08	66.600	Period of Availability	\$	0	DOA
52	03-08	93.044/93.045	Period of Availability	\$	0	DOA
54	03-09	15.875	Procurement	\$	26,800	DPW, GSA, Land Mgmt
54	03-09	16.579	Procurement	\$	277,427	GSA, Superior Court, Planning
54	03-09	20.205	Procurement	\$	102,231	DPW
54	03-09	66.600	Procurement	\$	207,829	GEPA, GSA
54	03-09	93.558	Procurement	\$	0	DPHSS
54	03-09	93.563	Procurement	\$	57,175	GSA, Law
54	03-09	97.036/83.544	Procurement	\$	281,759	DPW
65	03-10	17.258/259/260	Reporting	\$	0	DOA, AHRD
65	03-10	93.044/93.045	Reporting	\$	0	DOA, DPHSS
65	03-10	97.036/83.544	Reporting	\$	0	DOA
66	03-11	97.036/83.544	Subrecipient Monitoring	\$	0	RCO
66	03-11	All	Subrecipient Monitoring	\$	0	DOA
68	03-12	20.205	Special Tests and Provisions	\$	0	DPW
69	03-13	66.600	Special Tests and Provisions – Fair Share Policy	\$	0	GEPA
70	03-14	66.600	Special Tests and Provisions – Prior Approval	\$	16,665	GEPA
71	03-15	66.600	Special Tests and Provisions – Program Income	\$	0	GEPA, DOA
72	03-16	93.558	Special Tests and Provisions – IEVS	\$	0	DPHSS
74	03-17	93.563	Special Tests and Provisions – Eligibility	\$	0	Law
75	03-18	93.563	Special Tests and Provisions – Locate Absent Parents	\$	0	Law
76	03-19	93.563	Special Tests and Provisions – Provision of Svcs	\$	0	Law
77	03-20	93.563	Special Tests and Provisions – Securing Medical Health Obligations	\$	0	Law
79	03-21	93.778	Special Tests and Provisions	\$	0	DPHSS
81	03-22	20.205	Federal Grants Fund - Reconciliations	\$	0	DPW, DOA
81	03-22	All	Federal Grants Fund - Reconciliations	\$	0	DOA
85	03-25	93.563	Reporting	\$	<u>0</u>	DOA, Law
Total Federal Questioned Costs				\$	<u>1,243,982</u>	

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2003

Part III - Federal Award Findings and Questioned Cost Section, By CFDA Number

Page Number	Finding Number	CFDA Number	Findings	Questioned Costs	Guam Agency
34	03-01	15.875	Allowable Costs/Cost Principles	\$ 28,865	DOA, Land Mgmt
54	03-09	15.875	Procurement	\$ 26,800	DPW, GSA, Land Mgmt
54	03-09	16.579	Procurement	\$ 277,427	GSA, Superior Court, Planning
34	03-01	17.258/259/260	Allowable Costs/Cost Principles	\$ 4,104	DOA, AHRD
41	03-03	17.258/259/260	Eligibility	\$ 30,733	AHRD
51	03-07	17.258/259/260	Matching, Level of Effort, Earmarking	\$ 0	DOA, AHRD
52	03-08	17.258/259/260	Period of Availability	\$ 150,747	DOA
65	03-10	17.258/259/260	Reporting	\$ 0	DOA, AHRD
54	03-09	20.205	Procurement	\$ 102,231	DPW
68	03-12	20.205	Special Tests and Provisions	\$ 0	DPW
81	03-22	20.205	Federal Grants Fund Reconciliations	\$ 0	DOA, DPW
52	03-08	66.600	Period of Availability	\$ 0	DOA
54	03-09	66.600	Procurement	\$ 207,829	GEPA, GSA
69	03-13	66.600	Special Tests and Provisions – Fair Share Policy	\$ 0	GEPA
70	03-14	66.600	Special Tests and Provisions – Prior Approval	\$ 16,665	GEPA
71	03-15	66.600	Special Tests and Provisions – Program Income	\$ 0	GEPA, DOA
52	03-08	93.044/93.045	Period of Availability	\$ 0	DOA
65	03-10	93.044/93.045	Reporting	\$ 0	DOA, DPHSS
34	03-01	93.558	Allowable Costs/Cost Principles	\$ 12,000	DOA, DPHSS
54	03-04	93.558	Eligibility	\$ 0	DPHSS
72	03-09	93.558	Procurement	\$ 0	DPHSS
43	03-16	93.558	Special Tests and Provisions – IEVS	\$ 0	DPHSS
34	03-01	93.563	Allowable Costs/Cost Principles	\$ 9,251	DOA, Law
54	03-09	93.563	Procurement	\$ 57,175	GSA, Law
74	03-17	93.563	Special Tests and Provisions – Eligibility	\$ 0	Law
75	03-18	93.563	Special Tests and Provisions – Locate Absent Parents	\$ 0	Law
76	03-19	93.563	Special Tests and Provisions – Provision of Svcs	\$ 0	Law
77	03-20	93.563	Special Tests and Provisions – Securing Medical Health Obligations	\$ 0	Law
85	03-25	93.563	Reporting	\$ 0	DOA, Law
34	03-01	93.778	Allowable Costs/Cost Principles	\$ 1,762	DOA, DPHSS
43	03-04	93.778	Eligibility	\$ 0	DPHSS
79	03-21	93.778	Special Tests and Provisions	\$ 0	DPHSS
45	03-05	97.034/83.541	Eligibility	\$ 9,855	Labor
34	03-01	97.036/83.544	Activities Allowed or Unallowed	\$ 26,779	DOA, DMA, GFD
54	03-09	97.036/83.544	Procurement	\$ 281,759	DPW
65	03-10	97.036/83.544	Reporting	\$ 0	DOA
66	03-11	97.036/83.544	Subrecipient Monitoring	\$ 0	RCO
40	03-02	All	Cash Management	\$ 0	All
49	03-06	All	Equipment Management	\$ 0	DOA
66	03-11	All	Subrecipient Monitoring	\$ 0	DOA
81	03-22	All	Federal Grants Fund - Reconciliations	\$ 0	DOA
Total Federal Questioned Costs				\$ <u>1,243,982</u>	

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2003

Finding No.: 03-01
Area: Activities Allowed or Unallowed; Allowable Costs/Cost Principles

<u>CFDA No.</u>	<u>Program Name</u>	<u>Questioned Costs</u>
15.875	Economic, Social and Political Development of the Territories and the Freely Associated States	\$ 28,865
17.258/17.259/17.260	WIA Cluster	\$ 4,104
93.558	Temporary Assistance for Needy Families	\$ 12,000
93.563	Child Support Enforcement	\$ 9,251
93.778	Medicaid	\$ 1,762
97.036/83.544	Public Assistance Grant	\$ 26,779

Criteria:

In accordance with applicable allowable costs/cost principles requirements and the Common Rule (short name for Office of Management and Budget’s “Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments”), the following requirements apply:

- (1) Financial records, such as vendor invoices, receiving reports, employee personnel action forms, timesheets, leave service cards, and project worksheets (as applicable), should be maintained on file for at least three years to substantiate expenditures.
- (2) Only approved rates should be used to calculate indirect costs.
- (3) For the Medicaid program, the State is required to credit the Medicaid program for overpayments made to providers of medical services. Also, Medicaid costs for medical services must be: (a) covered by the State plan and waivers; (b) for an allowable service rendered (including supported by medical records or other evidence indicating that the service was actually provided and consistent with the medical diagnosis); (c) properly coded; and, (d) paid at the rate allowed by the State plan.

CFDA #97.036/83.544

In accordance with applicable activities allowed or unallowed requirements, the allowed activities for the Public Assistance program are for the approved project as described on the project worksheet and supporting documentation.

Condition:

CFDA No. 15.875

For one (or 3%) out of 31 transactions, aggregating \$2,204,988 of \$4,980,456 in total Program non-payroll expenditures, the Government of Guam did not provide the vendor invoice and receiving report for the following:

<u>Ck Date</u>	<u>Trans #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>
10/09/02	074243	I0096272	Land Mgmt	D022900026	\$ 28,865

CFDA No. 17.258/17.259/17.260

For 6 (or 22%) out of 72 transactions, aggregating \$75,884 of \$14,282,600 in total Program payroll expenditures, the Government of Guam did not provide personnel action forms for the following:

<u>Date</u>	<u>Reference Number</u>	<u>Guam Agency</u>	<u>Employee</u>	<u>Amount</u>
8/13/03	DPPE 08092003	AHRD	JAP	\$ 412
8/13/03	DPPE 08092003	AHRD	AJPA	412
11/7/02	DPPE 11022002	AHRD	ES	704
12/4/02	DPPE 11302002	AHRD	MEE	1,024
12/4/02	DPPE 11302002	AHRD	CJB	752
9/10/03	DPPE 09062003	AHRD	MJAP	800
				<u>\$4,104</u>

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2003

Finding No.: 03-01, Continued
Area: Activities Allowed or Unallowed; Allowable Costs/Cost Principles

<u>CFDA No.</u>	<u>Program Name</u>	<u>Questioned Costs</u>
15.875	Economic, Social and Political Development of the Territories and the Freely Associated States	\$ 28,865
17.258/17.259/17.260	WIA Cluster	\$ 4,104
93.558	Temporary Assistance for Needy Families	\$ 12,000
93.563	Child Support Enforcement	\$ 9,251
93.778	Medicaid	\$ 1,762
97.036/83.544	Public Assistance Grant	\$ 26,779

Condition, Continued:

CFDA No. 93.558

For 1 (or 4%) out of 26 transactions, aggregating \$3,238,936 of \$3,862,969 in total Program non-payroll expenditures, the Government of Guam did not provide the vendor invoice and receiving report for the following transaction:

<u>Check Date</u>	<u>Trans #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>
10/23/03	096746	U0091232	Public Health	D031756633	\$ 12,000

CFDA No. 93.563

For 19 (or 95%) out of 20 transactions tested, aggregating \$28,508 of \$438,854 in total Program payroll expenditures, the Superior Court of Guam did not provide supporting time sheets for the following transactions:

<u>Pay Period End</u>	<u>Guam Agency</u>	<u>Employee</u>	<u>Amount</u>
10/19/02	Law	JR	\$ 1,524
11/16/02	Law	JT	1,417
08/09/03	Law	RC	1,713
09/06/03	Law	RQ	977
12/14/02	Law	JE	1,393
12/28/02	Law	RC	768
01/11/03	Law	WM	1,725
06/14/03	Law	FC	1,275
05/31/03	Law	JN	1,147
06/28/03	Law	TC	768
09/20/03	Law	AM	<u>1,310</u>
			\$ 14,017
		X Federal Rate	<u>66%</u>
		Total Federal Share	\$ <u>9,251</u>

CFDA No. 93.778

For the one returned check we tested, aggregating \$52,747 of \$93,775 in total returned checks from medical service providers, the Government of Guam did not credit the Medicaid program. The cash receipt was credited to General Fund deposit account number 110026140, Unidentified Collections. As the General Fund was charged a total of \$2,369,754 in excess of its 50% local match of \$6,004,217, no questioned cost results.

For 1 (or 2%) out of 45 claims reports reviewed, we noted no evidence (i.e. physician certification) indicating that medical services were actually provided to patients for the following case numbers:

<u>Case Number</u>	<u>Guam Agency</u>	<u>Case Name</u>	<u>Claim</u>
30-72258-03	DPHSS	KL	\$ 1,762

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2003

Finding No.: 03-01, Continued
Area: Activities Allowed or Unallowed; Allowable Costs/Cost Principles

<u>CFDA No.</u>	<u>Program Name</u>	<u>Questioned Costs</u>
15.875	Economic, Social and Political Development of the Territories and the Freely Associated States	\$ 28,865
17.258/17.259/17.260	WIA Cluster	\$ 4,104
93.558	Temporary Assistance for Needy Families	\$ 12,000
93.563	Child Support Enforcement	\$ 9,251
93.778	Medicaid	\$ 1,762
97.036/83.544	Public Assistance Grant	\$ 26,779

Condition, Continued:

CFDA No. 97.036/83.544

For 8 (or 80%) out of 10 transactions, aggregating \$38,580 of \$2,798,272 in total Program payroll expenditures, the Government of Guam did not provide project worksheets for the following:

<u>Date</u>	<u>Reference Number</u>	<u>Guam Agency</u>	<u>Employee</u>	<u>Amount</u>
06/9/03		DMA	JMR	\$ 1,737
06/9/03		DMA	JSP	1,791
06/9/03		DMA	JRT	1,794
06/9/03	LABOR01214	DMA	JMR	4,349
06/9/03	LABOR01214	DMA	JSP	3,445
9/30/03	DPPE09202003	GFD	APR	5,167
9/30/03	DPPE09202003	GFD	JPS	4,740
9/30/03	DPPE09202003	GFD	MFU	<u>6,731</u>
				\$29,754
			X Federal Rate	<u>90%</u>
			Total Federal Share	<u>\$26,779</u>

All

Indirect costs charged to programs in FY 2003 are based on rates in the Indirect Cost Negotiation Agreement for FY 2002, which was no longer effective for periods after September 30, 2002.

Cause:

There appears to be weak internal controls over record keeping and over ensuring that returned checks from medical service providers are credited to the Medicaid program. Regarding indirect costs, the Government of Guam has not yet received an approved indirect cost negotiation agreement for FY 2003. Indirect cost rate proposals were submitted to the cognizant agency subsequent to FY 2003.

Effect:

The Government of Guam is in noncompliance with applicable allowable costs/cost principles requirements and the Common Rule records retention requirements.

<u>CFDA No.</u>	<u>Questioned Cost</u>
15.875	\$28,865
17.258/17.259/17.260	\$ 4,104
93.558	\$12,000
93.563	\$ 9,251
93.778	\$ 1,762
97.036/83.544	\$26,779

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2003

Finding No.: 03-01, Continued
Area: Activities Allowed or Unallowed; Allowable Costs/Cost Principles

<u>CFDA No.</u>	<u>Program Name</u>	<u>Questioned Costs</u>
15.875	Economic, Social and Political Development of the Territories and the Freely Associated States	\$ 28,865
17.258/17.259/17.260	WIA Cluster	\$ 4,104
93.558	Temporary Assistance for Needy Families	\$ 12,000
93.563	Child Support Enforcement	\$ 9,251
93.778	Medicaid	\$ 1,762
97.036/83.544	Public Assistance Grant	\$ 26,779

Effect, Continued:

Although the known questioned cost for certain individual major programs is less than \$10,000, the projected questioned cost exceeds the threshold. Therefore, the finding is considered reportable.

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 all files are properly stored and accounted for and that overpayments to medical service providers are credited to the Medicaid program in accordance with applicable allowable costs/cost principles requirements and the Common Rule. Furthermore, absent an approved indirect cost negotiation agreement for the current fiscal year, the Government of Guam should obtain, in writing, Federal grantor agency approval to apply expired rates.

Auditee Response and Corrective Action Plan:

The Government of Guam has not provided a response for conditions affecting CFDA numbers 15.875 and 17.258/17.259/17.260

CFDA No. 93.558

In a letter dated September 20, 2004, the Program Office provided the following response.

Agree. There is no vendor's invoice, receiving report, and cash receipt documents to fill postage for Meter #8305295.

In a letter dated October 12, 2004, the Program Office provided the following response.

Pending confirmation letter from vendor.

CFDA No. 93.563

In a letter dated September 20, 2004, the Superior Court of Guam provided the following response.

Auditee Response:

Every employee clocks in and out under the AS400 payroll system. The employees under the Child Support Division work 100% for that respective Division. The assignment of the marshals to the Child Support Division, however, is documented via memo assignment and clock in and out under the Child Support Division instead of the Marshals' Division. Documentation is available through the Labor Distribution Report, which identifies the names of the employees and also identifies total charges to the Child Support Division.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2003

Finding No.: 03-01, Continued
Area: Activities Allowed or Unallowed; Allowable Costs/Cost Principles

<u>CFDA No.</u>	<u>Program Name</u>	<u>Questioned Costs</u>
15.875	Economic, Social and Political Development of the Territories and the Freely Associated States	\$ 28,865
17.258/17.259/17.260	WIA Cluster	\$ 4,104
93.558	Temporary Assistance for Needy Families	\$ 12,000
93.563	Child Support Enforcement	\$ 9,251
93.778	Medicaid	\$ 1,762
97.036/83.544	Public Assistance Grant	\$ 26,779

Auditee Response and Corrective Action Plan, Continued:

CFDA No. 93.563, Continued

In our submission to the AG’s Office for grant reimbursement, the Superior Court of Guam was never denied payment due to the absence of these time sheets.

Corrective Action Plan:

Beginning February 2004, at the request of the AG’s Office, the Marshals began submitting their time sheets.

The Financial Management Division will ensure that the time sheets for the assigned marshals are included in our submission to the AG’s office for reimbursement.

CFDA No. 93.778

In a letter dated September 22, 2004, the Program Office provided the following response.

The Medicaid Program disagrees that the cash receipt was not credited to the Medicaid program. Although the program acknowledges that Department of Administration (DOA) posted the credit to the wrong account, the credit amount was deducted from fourth quarter Medicaid expenditures prior to calculating the Federal Financial Participation (FFP) and reported to the federal government as follows:

4 th qtr. Medicaid & CN Expansion Expenditures:	\$ 6,335,258.48
- Medicaid Children Expense to CHIP	(3,036,123.00)
- 4 th qtr refund credit (Kapiolani Medical)	(52,747.12)
- 4 th qtr refund credit (other)	(2,278.08)
- credit under-reported in prior quarters related to the overall \$93,775.40 overpayment	<u>(899.95)</u>
Adjusted Medicaid (CMS-64 Report)	\$ <u>3,243,210.33</u>

Attached is the 4th quarter Medicaid expenditures breakdown reflecting the credits totaling \$55,925.15 to the Medicaid program and the 4th quarter CMS-64 Report, Form CMS 64 F, reporting the adjusted Medical Assistance Payments in the amount of \$3,243,211.00 (rounded) after credits were deducted. A journal voucher is requested of DOA to transfer the credit from account 110026140 to 5101B021723MA102290 as reflected on the DOA official receipt.

CFDA No. 97.036/83.544

In a letter dated September 20, 2004, the Program Office provided the following response.

[JMR, JSP, and JRT] are employees of Military Affairs; [APR, JPS, and MFU] are employees of Guam Fire Department. [The Governor’s Authorized Representative] has sent a letter to the Director, Department of Administration, to perform corrective procedures in the Personnel/Payroll Division.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2003

Finding No.: 03-01, Continued
Area: Activities Allowed or Unallowed; Allowable Costs/Cost Principles

<u>CFDA No.</u>	<u>Program Name</u>	<u>Questioned Costs</u>
15.875	Economic, Social and Political Development of the Territories and the Freely Associated States	\$ 28,865
17.258/17.259/17.260	WIA Cluster	\$ 4,104
93.558	Temporary Assistance for Needy Families	\$ 12,000
93.563	Child Support Enforcement	\$ 9,251
93.778	Medicaid	\$ 1,762
97.036/83.544	Public Assistance Grant	\$ 26,779

Auditors' Response:

CFDA No. 93.558

The requested vendor invoice, receiving report, and significant history of the procurement have not been provided. Therefore, the finding remains.

CFDA No. 93.778

The financial management system shows a credit to General Fund account number 110026140 "Unidentified Collections," which is not the Medicaid Program account number. Therefore, the finding remains.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2003

Finding No.: 03-02
CFDA No.: All
Area: Cash Management
Questioned Costs: \$0

Criteria:

In accordance with applicable cash management requirements, the time elapsed between the receipt of Federal funds and the disbursement of checks should be minimized.

Condition:

Cash management procedures are not uniform within the Division of Accounts. Each accounting technician within the Federal Grants Branch is designated specific Federal programs and is responsible for drawing down funds for the assigned programs. Some accounting technicians draw down funds based on the Federal Grants Fund expenditure subsidiary ledgers, while others base their drawdowns on accounts payable subsidiary ledgers.

For each major program, we selected check payments and tried to determine the corresponding receipt date of Federal funds. For some transactions, the Federal cash receipt date could be vouched, and we noted that check payments were made within a week of the cash receipt. However, for a majority of the transactions, there is no readily available trail for determining the Federal cash advance or cash reimbursement date. Therefore, we cannot determine whether the Government of Guam is in overall compliance with applicable cash management requirements.

Cause:

The Government of Guam lacks a uniform policy of drawing down Federal funds.

Effect:

The Government of Guam may be in noncompliance with applicable cash management requirements.

Recommendation:

The Government of Guam should establish and implement a uniform policy for drawing down Federal funds to ensure that the time elapsed between the receipt of Federal funds and the check disbursement is minimized. The established procedures should be sufficiently detailed so that any given drawdown can be easily traced to the Federal cash receipt date and the check disbursement date(s); likewise, any given check disbursement can be easily traced to the Federal cash receipt date.

Auditee Response and Corrective Action Plan:

In a letter dated November 1, 2004, the Department of Administration provided the following response.

DOA's response to Audit Findings 2003-02, part I: The Federal Grants Branch's internal controls in requesting for federal funds requires a computation using the FGIA ledger balance and the current charges reported in the appropriation records. The FGIA ledger must be reconciled with the payment records from the grantor. This reconciliation is required for accounts open during the time DOA was using the FMS-Oracle.

DOA's response [to part II]: Effective August 2, 2004, the Federal Grants Branch keeps a log to document the time federal draw downs are received in the bank and when Federal Grants Branch requests Accounts Payable to process the payments. The data elements in the log book include: (a) bank statement date, (b) department name, (c) DOA account number, (d) date inter-memorandum sent to accounts payable, and (e) accountant's initials making the entry. In a separate folder, the log book attachments are copies of account payable transactions and current month transactions. These records indicate invoice nos. or check nos. which would allow for tracking from the time the federal funds are received in the bank and when DOA processed the check. For your information the Treasurer of Guam is in charge of mailing vendor checks after processing by the Division of Accounts.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2003

Finding No.: 03-03
 CFDA No. 17.258/17.259/17.260
 Program Name: WIA Cluster
 Area: Eligibility
 Questioned Costs: \$30,733

Criteria:

In accordance with applicable eligibility requirements, the following requirements apply: (1) an adult or dislocated worker must receive at least one intensive service prior to receiving training, (2) applicants must be U.S. citizens, (3) applicants must be registered under Section 3 of the Military Service Act, and (4) eligible applicants for the Subtitle B Program must be at least 18 years of age.

Condition:

For 37 (or 82%) out of the 45 case files reviewed, there is no documentation, such as service summaries, passports, birth certificates, and/or Selective Service registration cards to evidence intensive service (IS) provided, citizenship, Selective Service registration (Reg) and/or age for the following participants:

		<u>No Documentation for</u>			
	<u>Applicant</u>	<u>Service Cost</u>	<u>IS</u>	<u>Citizenship</u>	<u>Reg</u> <u>Age</u>
1.	ESA	\$ 800	X		
2.	AOA	2,040	X		
3.	PAAA	800	X		
4.	CVB	752	X	X	
5.	JSAC	720	X		
6.	RVC	800	X		X
7.	HPC	800	X	X	
8.	NC	800	X		
9.	CCC	800	X		
10.	SCD	768	X	X	X
11.	MEE	1,024	X	X	X
12.	JSF	800	X		
13.	MCG	640	X	X	X
14.	MJCG	1,024	X	X	X
15.	WFH	800	X		
16.	JGJ	800	X	X	X
17.	MMM	800	X	X	X
18.	TJLGN	704	X	X	X
19.	JMN	800	X		X
20.	TAO	800	X		
21.	DJO	800	X		
22.	MJCP	640	X	X	
23.	MJAP	800	X		X
24.	RFP	864	X	X	
25.	MAMP	800	X		
26.	BTR	1,040	X		
27.	RJR	800	X	X	

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2003

Finding No.: 03-03, Continued
CFDA No. 17.258/17.259/17.260
Program Name: WIA Cluster
Area: Eligibility
Questioned Costs: \$30,733

Condition, Continued:

			<u>No Documentation for</u>			
	<u>Applicant</u>	<u>Service Cost</u>	<u>IS</u>	<u>Citizenship</u>	<u>Reg</u>	<u>Age</u>
28.	THR	\$ 933	X	X		X
29.	LAS	800	X			
30.	LASN	800	X	X		X
31.	EES	800	X	X		X
32.	MQS	640	X	X		X
33.	EDRS	704	X	X		
34.	MWS	800	X			
35.	PDS	800	X			
36.	ATY	800	X	X	X	
37.	DWY	<u>640</u>	X	X		X
		<u>\$ 30,733</u>				

Cause:

There appears to be weak record keeping controls to ensure compliance with applicable eligibility requirements.

Effect:

The Government of Guam may be in noncompliance with applicable eligibility requirements. A questioned cost of \$30,733 exists.

Recommendation:

The Government of Guam should strengthen internal record keeping controls. Also, the Government of Guam should provide the necessary documents to effect resolution of this finding.

Auditee Response and Corrective Action Plan:

The Government of Guam has not provided a response.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2003

Finding No.: 03-04
CFDA No. 93.558 and 93.778
Program Name: Temporary Assistance for Needy Families and Medicaid
Area: Eligibility
Questioned Costs: \$0

Criteria:

In accordance with applicable eligibility requirements, eligibility determinations should be documented; including such supporting documents as application worksheets, social security cards, proof of citizenship, verification of employment, and recertification.

Condition:

Out of 45 items tested, we noted the following:

1. For 4 (or 9%), the Government of Guam did not provide the case file for the following: 10-37907 / 50-02394 / 30-71058 / 50-00360.
2. For 3 (or 7%), no social security card(s) are on file for the following case numbers: 33-45895 / 30-49779 / 30-60524.
3. For 2 (or 4%), no application worksheet and/or Public Assistance worksheet on file to support the determination of eligibility for the following: 33-54016 / 30-34497.
4. For 1 (or 2%), no proof of US citizenship is on file for case number 33-45895.
5. For 5 (or 11%), there is no certification and/or renewal or application for the period selected for the following: 30-52093 / 30-49779 / 30-50016 / 30-60524 / 33-45895.
6. For 1 (or 2%), there is no documentation that verification of employment was obtained for case number 30-54388.

Cause:

There appears to be weak record keeping controls.

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 applicable 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 eligibility determinations.

Auditee Response and Corrective Action Plan:

With a letter dated November 1, 2004, the Program Office provided the following response:

1. We agree with the following 1 case as we are *unable to locate* the case file: 50-00360. We request additional time to locate the following 3 cases as they are *inactive files* and have been boxed for storage: 10-37907 / 50-02394 / 30-71058.
2. We agree with the following 3 cases as we are still *unable to locate* the social security card: 33-45895 / 30-49779 / 30-60524.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2003

Finding No.: 03-04, Continued
CFDA No. 93.558 and 93.778
Program Name: Temporary Assistance for Needy Families and Medicaid
Area: Eligibility
Questioned Costs: \$0

Auditee Response and Corrective Action Plan, Continued:

3. We request additional time to locate the following 1 case as the worksheet has been "volumed" and boxed for storage: 30-34497.
We disagree with the following [1 case] as the [worksheet has] been located: 33-54016.
4. We agree with the following case as the proof of US citizenship still *has not been located: 33-45895*.
5. We agree with the following case as the application *has not been located: 30-49779*.
We disagree with the following [1 case] as the [application has] been located: 30-52093.
6. We agree with this citation as the verification of employment has not been located: 30-54388.

NOTES:

- 1) Central cases are underlined. *Northern cases are italicized.*
- 2) Case files and/or documents indicated as "located" have either already been reviewed by the auditor or are now available for the auditor's review.

Auditors' Response:

For case files #33-54016 and 30-52093, documents for the FY 2003 period of audit concern were not provided. Therefore, the finding remains.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2003

Finding No.: 03-05
CFDA No.: 97.034 /83.541
Program Name: Disaster Unemployment Assistance
Area: Eligibility
Questioned Costs: \$9,855

Criteria:

In accordance with applicable eligibility requirements, 20 CFR 625.4, and 20 CFR 625.8, 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 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.
- (2) The individual is able to work and available for work.
- (3) 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.
- (4) The individual filed an initial application with the State agency within 30 days after the announcement date of the major disaster. For the Typhoon Chata'an Disaster, the initial application period ended on August 17, 2002. For the Typhoon Pongsona Disaster, the initial application period ended on January 24, 2003. An initial application filed later than 30 days after the announcement date of the major disaster shall be accepted as timely by the State agency if the applicant had good cause for the late filing.

Furthermore, benefit amounts should be calculated accurately.

Condition:

Out of 49 case files tested, we noted noncompliance, as follows:

- a. For 28 (or 57%), 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.

For 34 (or 69%), we noted the following noncompliance:

- 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.

For 12 (or 24%), we noted the following noncompliance:

- C. 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:

	<u>Vendor #</u>	<u>Benefit Amount</u>	<u>Noncompliance</u>
1	5H622395	\$ 245	B
2	5J748954	245	B
3	5W827339	245	A and B
4	5A707198	250	A, B and C
5	5B498430	125	A and B
6	5E984589	250	A and B
7	5H783241	250	A and B
8	5T050629	250	A and B
9	5T780041	250	A and B
10	5W740542	250	A and B
11	5Q628074	250	A and B
12	5A669598	250	A and B
13	5C019545	250	A and B
14	5C826187	250	A and B

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2003

Finding No.: 03-05, Continued
 CFDA No.: 97.034 /83.541
 Program Name: Disaster Unemployment Assistance
 Area: Eligibility
 Questioned Costs: \$9,855

Condition, Continued:

<u>Vendor #</u>	<u>Benefit Amount</u>	<u>Noncompliance</u>
15 5F034743	\$ 250	A and B
16 5F823796	250	A and B
17 5P822837	250	A and B
18 5S888327	250	B
19 5T661878	250	B and C
20 5A743711	250	A and B
21 5E074826	250	A and B
22 5K351569	250	A and B
23 5R722642	250	A and B
24 5T746238	250	A
25 5V414200	250	A and B
26 5C760895	250	A and B
27 5G926639	250	A and B
28 5A947856	250	A, B, and C
29 5G076342	250	A, B, and C
30 5C709195	250	B and C
31 5C030361	250	B
32 5A907392	250	B
33 5F907528	250	A and B
34 5R100511	250	A, B, and C
35 5P183082	250	A, B, and C
26 5B784325	245	C
27 5B701519	250	C
38 5M781602	250	C
39 5K881842	250	C
40 5A016413	<u>250</u>	C
	<u>\$ 9,855</u>	

b. For 7 (or 14%), 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>
1. 5E984589	\$ 162	\$ 250	\$ 88
2. 5H783241	206	250	44
3. 5C826187	165	250	85
4. 5P822837	206	250	44
5. 5V414200	214	250	36
6. 5A907392	220	250	30
7. 5F907528	210	250	<u>40</u>
			<u>\$367</u>

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2003

Finding No.: 03-05, Continued
CFDA No.: 97.034 /83.541
Program Name: Disaster Unemployment Assistance
Area: Eligibility
Questioned Costs: \$9,855

Condition, Continued:

c. For 1 (or 2%), 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>
5A707198	\$ 206	\$ 250	\$ 206

d. For 2 (or 4%), the applicant's initial application was filed after the initial application period, and there is no documentation in the case file to indicate whether the applicant had good cause for the late filing, as follows:

	<u>Vendor #</u>	<u>Application Date</u>	<u>Benefit Amount</u>
1.	5A016413	01/26/03	\$ 250
2.	5F907528	01/26/03	<u>250</u>
			<u>\$ 500</u>

Cause:

There appears to be weak internal controls over ensuring that only individuals who meet the requirements of 20 CFR 625.4 and 20 CFR 625.8 are determined eligible for benefits and that benefit amounts are calculated accurately.

Effect:

The Government of Guam is in noncompliance with applicable eligibility requirements and 20 CFR 625. A questioned cost of \$9,855 exists. Overpayments associated with conditions "b," "c," and "d" above are already questioned in condition "a" above. Although the known questioned cost is less than \$10,000, the projected questioned cost exceeds the threshold. Therefore, this finding is considered reportable.

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:

The Program Office provided the following response.

After carefully reviewing files tested by your office, documentation and information needed to determine eligibility for each claimant is available on file. The Guam Employment Service prepared a manual to address existing eligibility issues that surround Guam's uniqueness – specifically guidelines under the UI Program which currently Guam does not have. This manual is pending final regional approval for the Disaster Unemployment Assistance Program.

After the two major disasters, Typhoon Chata'an and Typhoon Pongsona, the Guam Employment Service 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 the accuracy of our application process.

Implementing a process for the completion of proper documentation has been identified in the draft Standard Operating Procedures.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2003

Finding No.: 03-05, Continued
CFDA No.: 97.034 /83.541
Program Name: Disaster Unemployment Assistance
Area: Eligibility
Questioned Costs: \$9,855

Auditee Response and Corrective Action Plan, Continued:

Example Process:

- Distribute forms to applicants for completion.
- When claimant returns application, 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 approval.
- The administrator will review completed documentation and sign-off before submission for unemployment benefits are processed.
- Administrators and supervisors will continue to formalize this process and work out specific logistics relating to disasters.
- All employees will be trained on the above process.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2003

Finding No.: 03-06
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.

Furthermore, the provisions of Governmental Accounting Standards Board Statement No. 34 (GAS 34) require the capitalization and depreciation of all long-lived assets, including infrastructure.

Condition:

The Government of Guam has not conducted the required physical inventories of its equipment, has not established uniform maintenance procedures designed to keep equipment in good condition, and has not made substantive progress in detailing an inventory of capital assets, inclusive of infrastructure, to allow for the financial presentation required by GAS 34.

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 applicable Federal regulations. Furthermore, the Government of Guam's financial statements do not conform to the GAS 34 presentation and disclosure requirements.

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. Furthermore, the Government of Guam should develop and implement a strategic plan for complying with GAS 34 capital asset provisions.

Auditee Response and Corrective Action Plan:

In a letter date November 1, 2004, the Department of Administration provided the following response.

The Government of Guam is in the implementation stage of adopting GASB34, Basic Financial Statements and Management's Discussion and Analysis, for State and Local Governments. There are two (2) stages in this approach. The first stage is to record all capital assets such as buildings, and infrastructure; while the second stage is to compile all fixed asset records.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2003

Finding No.: 03-06, Continued
CFDA No.: All
Area: Equipment management
Questioned Costs: \$0

Auditee Response and Corrective Action Plan, Continued:

Please refer to the Department of Administration's Organizational Circular No 03-004 provided to all line agencies to comply with its procedures (Exhibit B).

The Department of Administration (DOA) has provided a circular to all line agencies in the Government of Guam to provide a comprehensive listing of their assets. DOA's objective is to compare the department's actual inventory records to its existing database for completeness and reconciliation. After this is performed, physical observation of fixed assets can be performed. Prospectively, DOA will also enhance its AS400 Budget and Accounting Information System to ensure all purchases from the accounts payable module are linked into the fixed assets module. The time line for the above procedure is Fiscal Year 2005.

Since February 26, 2003 when DOA issued DOA Organizational Circular No. 03-004, we have been updating our strategic plan with the help of [a contracted] DOA Consultant on this matter. We are anticipating in revising our plan by December 2004. In addition, we are seeking an amendment to the law increasing the capital outlay threshold from \$500 to \$5,000. This legislative change will greatly reduce the number of assets to be reported in the fixed assets inventory.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2003

Finding No.: 03-07
CFDA No.: 17.258/17.259/17.260
Program Name: WIA Cluster
Area: Matching, Level of Effort, Earmarking
Questioned Costs: \$0

Criteria:

The following earmarking requirements apply:

- (1) A State may reserve up to 15 percent of the amounts allotted for Adult, Dislocated Worker, and Youth Activities.
- (2) A State may spend up to five percent of the amount allotted for the State's administrative costs
- (3) The State must reserve for rapid response activities a portion of funds, up to 25 percent, allotted for dislocated workers.
- (4) A local area may expend no more than ten percent of the Adult, Dislocated Worker, and Youth Activities funds allocated to the local area under sections 128(b) and 133(b) of the Act for administrative costs.
- (5) Thirty percent of the Youth Activity funds allocated to the local areas, except for the local area expenditures for administration, must be used to provide services to out-of-school youth (20 CFR section 664.320).
- (6) A minimum of 95 percent of eligible participants in Youth Activities must meet the criteria of disadvantaged low-income youth as defined in 29 USC 2801(25) (20 CFR section 664.220).

Condition:

The Government of Guam has not provided financial data to substantiate whether earmarking requirements have been met.

Cause:

There appears to be weak internal controls over ensuring compliance with applicable level of effort and earmarking 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 applicable earmarking.

Recommendation:

The Government of Guam should strengthen internal controls to ensure compliance with applicable earmarking requirements. On a periodic basis, the responsible personnel should review the applicable earmarking requirements. Any deficiencies should be immediately investigated and resolved.

Auditee Response and Corrective Action Plan:

The Government of Guam has not provided a response.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2003

Finding No.: 03-08
Area: Period of Availability

<u>CFDA No.</u>	<u>Program Name</u>	<u>Questioned Costs</u>
17.258/17.259/17.260	WIA Cluster	\$ 150,747
66.600	Environmental Protection Consolidated Grants: Program Support	\$ 0
93.044/93.045	Aging Cluster	\$ 0

Criteria:

CFDA No. 17.258/17.259/17.260

In accordance with applicable 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.

CFDA No. 66.600

In accordance with applicable period of availability requirements, grant funds are available for expenditure during the grant year, unless otherwise authorized by the grantor for carry forward.

CFDA No. 93.044/93.045

In accordance with applicable period of availability requirements, grant funds are available for obligation during the grant year, and all obligations must be liquidated within two years.

Condition:

CFDA No. 17.258/17.259/17.260

Expenditures were charged to grant years 1996 and 2000 after the funds' periods of availability (POA). Furthermore, there are unexpended, unobligated balances from grant year 1996, 1998, 1999, 2000, and 2001 whose periods of availability (POA) ended prior to September 30, 2003. The aggregate total of unexpended balances is \$1,233,176, as follows:

<u>Grant Year</u>	<u>Year POA Ended</u>	<u>2003 Expenditures</u>	<u>Available Balance at 09/30/03</u>
2001	2003	\$ -	\$ 361,704
2000	2002	129,057	865,152
1999	2001	-	5,090
1998	2000	-	1,228
1996	1998	21,690	2
		\$ <u>150,747</u>	\$ <u>1,233,176</u>

CFDA No. 66.600

The financial management system maintains an unexpended balance, totaling \$991,749, which should be deappropriated, as follows:

<u>Grant Year</u>	<u>Year POA Ended</u>	<u>Available Balance at 09/30/03</u>
2003	2003	\$ 624,386
2002	2002	133,595
2001	2001	59,084
2000	2000	60,744
1999	1999	113,656
1998	1998	284
		\$ <u>991,749</u>

CFDA No. 93.044/93.045

There are unexpended, unobligated balances from grant years 1998 to 2003, whose POA ended prior to September 30, 2003. The aggregate total of unexpended balances is \$826,082, as follows:

<u>Grant Year</u>	<u>Year POA Ended</u>	<u>Available Balance at 09/30/03</u>
2003	2003	\$ 70,299
2002	2002	1,180
2001	2001	5,070
2000	2000	744,154
1999	1999	660
1998	1998	4,719
		\$ <u>826,082</u>

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2003

Finding No.: 03-08, Continued
Area: Period of Availability

<u>CFDA No.</u>	<u>Program Name</u>	<u>Questioned Costs</u>
17.258/17.259/17.260	WIA Cluster	\$ 150,747
66.600	Environmental Protection Consolidated Grants: Program Support	\$ 0
93.044/93.045	Aging Cluster	\$ 0

Cause:

There appears to be weak internal controls over ensuring that Federal funds are deappropriated after the period of availability and that expenditures are not charged to expired grants.

Effect:

A questioned cost of \$150,747 exists. Furthermore, available balances for grant years 1996 and 1998 through 2003 are overstated. If such balances are not properly deappropriated, the Government of Guam could potentially expend Federal funds in noncompliance with applicable 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:

The Government of Guam has not provided a response.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2003

Finding No.: 03-09
Area: Procurement

<u>CFDA No.</u>	<u>Program Name</u>	<u>Questioned Costs</u>
15.875	Economic, Social and Political Development of the Territories and the Freely Associated States	\$ 26,800
16.579	Byrne Formula Grant	\$ 277,427
20.205	Highway Planning and Construction	\$ 102,231
66.600	Environmental Protection Consolidated Grants: Program Support	\$ 207,829
93.558	Temporary Assistance for Needy Families	\$ 0
93.563	Child Support Enforcement	\$ 57,175
97.036/83.544	Public Assistance Grant	\$ 281,759

Criteria:

In accordance with applicable procurement requirements, 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. When purchasing from a vendor with an existing Federal General Services Agency contract, the cost to the General Services Agency must be less by ten percent (10%) than from other contractors. Furthermore, procurement requirements should be followed.

Condition:

CFDA No. 15.875

For 2 (or 11%) out of 18 transactions, aggregating \$4,278,910 of \$4,980,456 in total Program non-payroll 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>
10/09/02	074243	I0096272	Land Mgmt	D022900026	\$ 28,865
03/19/03	082547	F0096297	DPW	D031011001	<u>26,800</u>
					<u>\$ 55,665</u>

CFDA No. 16.579

1) For 4 (or 40%) of 10 transactions at the Superior Court of Guam, aggregating \$73,639 of \$345,506 in total Program expenditures, there is no significant history of the procurement on file for the following transactions:

<u>Check Date</u>	<u>PO/Contract #</u>	<u>Reference #</u>	<u>Amount</u>
01/03/03	PO20000607	102600	\$ 6,012
09/30/03	PO30000479	111162	11,595
01/24/03	PO20000549	103233	13,454
03/26/03	PO30000003	105209	<u>6,993</u>
			<u>\$38,054</u>

2) Out of 39 transactions at the Department of Administration, aggregating \$391,954 of \$1,409,802 in total Program subgrant expenditures, we noted the following:

a) For 2 (or 5%), there is no significant history of the procurement on file for the following transactions:

<u>Tran Date</u>	<u>PO/Contract #</u>	<u>Tran #</u>	<u>Vendor #</u>	<u>Amount</u>
09/30/03	P036A04435	JB09300046	N0096410	\$ 37,980
09/30/03	P036A05274	JB09300006	N0096410	<u>38,000</u>
				<u>\$ 75,980</u>

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2003

Finding No.: 03-09, Continued
Area: Procurement

<u>CFDA No.</u>	<u>Program Name</u>	<u>Questioned Costs</u>
15.875	Economic, Social and Political Development of the Territories and the Freely Associated States	\$ 26,800
16.579	Byrne Formula Grant	\$ 277,427
20.205	Highway Planning and Construction	\$ 102,231
66.600	Environmental Protection Consolidated Grants: Program Support	\$ 207,829
93.558	Temporary Assistance for Needy Families	\$ 0
93.563	Child Support Enforcement	\$ 57,175
97.036/83.544	Public Assistance Grant	\$ 281,759

Condition, Continued:

CFDA No. 16.579, Continued

- b) For 2 (or 5%), although the Chief Procurement Officer (CFO) ultimately ratified the transaction for payment, the CFO determined that procurement procedures were not followed, or the purchase order was approved after the services were provided, as follows:

<u>Tran Date</u>	<u>PO/Contract #</u>	<u>Tran #</u>	<u>Vendor #</u>	<u>Amount</u>
07/31/03	P036A04270	JB07310025	W5946501	\$ 3,900
06/30/03	P036A02696	JB06300020	N0096410	<u>36,480</u>
				<u>\$ 40,380</u>

- c) For 4 (or 10%) a Federal General Services Agency contract is referenced on the purchase order to indicate that the terms of the existing Federal contract were applied. However, there is no cost analysis on file to show that the cost under such Federal contract is lower by 10% than from other contractors for the following:

<u>Tran Date</u>	<u>PO/Contract #</u>	<u>Tran #</u>	<u>Vendor #</u>	<u>Amount</u>
01/31/03	P026A05074	JB01310021	A4973004	\$ 7,505
09/30/03	P026A05394	JB09300005	D0341504	14,182
09/30/03	P036A05272	JB09300054	D0341504	6,777
09/30/03	P036A05397	JB09300023	D0341504	<u>94,549</u>
				<u>\$123,013</u>

CFDA No. 20.205

For 2 (or 12%) out of 16 transactions, aggregating \$7,970,856 of \$8,548,588 in total Program expenditures, the written rationale for the selected vendor is not sufficient for the following transactions:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Rating</u>	<u>Amount</u>
04/21/03	084680	J0496001	DPW	C020601460	4 th of 6	\$ 64,390
05/07/03	085777	D6544001	DPW	C020602320		<u>37,841</u>
						<u>\$ 102,231</u>

For transaction #84680, vendors were rated; however, the vendor selected did not receive the highest rating, and there is no documentation on file as to why the highest rated vendor was not selected. For transaction #85777, the bid request was for five separate projects, and qualified bidders were assigned a project; however, there is no documentation on file as to how assignments were determined.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2003

Finding No.: 03-09, Continued
Area: Procurement

<u>CFDA No.</u>	<u>Program Name</u>	<u>Questioned Costs</u>
15.875	Economic, Social and Political Development of the Territories and the Freely Associated States	\$ 26,800
16.579	Byrne Formula Grant	\$ 277,427
20.205	Highway Planning and Construction	\$ 102,231
66.600	Environmental Protection Consolidated Grants: Program Support	\$ 207,829
93.558	Temporary Assistance for Needy Families	\$ 0
93.563	Child Support Enforcement	\$ 57,175
97.036/83.544	Public Assistance Grant	\$ 281,759

Condition, Continued:

CFDA No. 66.600

Out of 15 transactions, aggregating \$436,358 of \$972,914 in total Program non-payroll expenditures, we noted the following:

- 1) For 4 (or 27%), 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>
03/19/03	082566	S0097692	GEPA	D032200028	\$ 74,773
04/25/03	085044	A0698104	GEPA	C030601050	72,000
05/04/03	085861	P0096009	GEPA	T0306T0315	3,536
08/05/03	091209	C0807201	GEPA	T0306T0543	3,617
					<u>\$153,926</u>

- 2) For 1 (or 7%), procurement procedures were not followed for the following transaction:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>
03/26/03	083177	S0097558	GEPA	P036A01322	\$ <u>33,175</u>

- 3) For 1 (or 7%), there is no documentation of either other vendor quotations, or sole source justification, on file for the following:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>
1/8/03	079147	P0096378	GEPA	C000601841	\$ <u>20,000</u>

- 4) For 1 (or 7%), the lowest bid was not selected for the following:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>
9/22/03	094276	T4306901	GEPA	T0306T0644	\$ 3,646
				Quotation	2,918
					\$ <u>728</u>

CFDA No. 93.558

For 1 (or 4%) out of 26 transactions, aggregating \$3,238,936 of \$3,862,969 in total Program non-payroll expenditures, the Government of Guam did not provide the significant history of the procurement for the following transaction:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>
10/23/03	096746	U0091232	Public Health	D031756633	\$ 12,000

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2003

Finding No.: 03-09, Continued
Area: Procurement

<u>CFDA No.</u>	<u>Program Name</u>	<u>Questioned Costs</u>
15.875	Economic, Social and Political Development of the Territories and the Freely Associated States	\$ 26,800
16.579	Byrne Formula Grant	\$ 277,427
20.205	Highway Planning and Construction	\$ 102,231
66.600	Environmental Protection Consolidated Grants: Program Support	\$ 207,829
93.558	Temporary Assistance for Needy Families	\$ 0
93.563	Child Support Enforcement	\$ 57,175
97.036/83.544	Public Assistance Grant	\$ 281,759

Condition, Continued:

CFDA No. 93.563

Out of 12 transactions, aggregating \$1,938,774 of \$3,062,235 in total Program non-payroll expenditures, we noted the following:

- 1) For 1 (or 8%), procurement documents were provided. However, the documents provided did not include a written rationale for the selection of the vendor for the following transactions:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>
12/24/02	078504	A0096883	Law	C010600137	\$ 26,561
09/12/03	093324	A0096883	Law	C010600137	26,561
09/16/03	094073	A0096883	Law	C010600137	<u>26,561</u>
					\$ 79,683
				X Federal Rate	<u>66%</u>
				Total Federal Share	\$ <u>52,591</u>

- 2) For 1 (or 8%), the sole source rationale did not sufficiently justify why no other vendor would be suitable or acceptable to meet the need for the following transaction:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>
10/08/03	095923	I3076001	Law	P036A05294	\$ 6,945
				X Federal Rate	<u>66%</u>
				Total Federal Share	\$ <u>4,584</u>

CFDA No. 97.036/83.544

Out of 42 transactions, aggregating \$ 13,384,692 of \$ 20,249,880 in total Program expenditures, we noted the following conditions:

1. For 2 (or 5%), work was performed by the vendor prior to the commencement of procurement procedures for the following transactions:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>
04/29/03	085339	T0092649	Public Works	C030600980	90,000
04/29/03	085319	I3864001	Public Works	C030601000	<u>96,800</u>
					\$ 186,800
				X Federal Rate	<u>90%</u>
				Total Federal Share	\$ <u>168,120</u>

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2003

Finding No.: 03-09, Continued
Area: Procurement

<u>CFDA No.</u>	<u>Program Name</u>	<u>Questioned Costs</u>
15.875	Economic, Social and Political Development of the Territories and the Freely Associated States	\$ 26,800
16.579	Byrne Formula Grant	\$ 277,427
20.205	Highway Planning and Construction	\$ 102,231
66.600	Environmental Protection Consolidated Grants: Program Support	\$ 207,829
93.558	Temporary Assistance for Needy Families	\$ 0
93.563	Child Support Enforcement	\$ 57,175
97.036/83.544	Public Assistance Grant	\$ 281,759

Condition, Continued:

CFDA No. 97.036/83.544, Continued

During fiscal year 2003, additional payments made in relation to the vendors and contracts described above are as follows:

<u>Vendor #</u>		<u>Reference #</u>	<u>Amount</u>
T0092649	Public Works	C030600980	\$ 113,678
		X Federal Rate	<u>90%</u>
		Total Federal Share	\$ <u>102,310</u>

2. For 1 (or 2%), competitive procurement procedures were not followed to procure the rental of dump trucks for the following transaction:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>
11/04/02	075700	J2976001	Public Works	P026A0481	
				4	\$ 11,342
				X Federal Rate	<u>90%</u>
				Total Federal Share	\$ <u>10,208</u>

During fiscal year 2003, additional payments made in relation to the transaction above total \$1,246, of which the Federal share of 90% is \$1,121.

Cause:

There appears to be a lack of internal controls over ensuring compliance with applicable procurement requirements.

Effect:

The Government of Guam is in noncompliance with applicable procurement requirements. A questioned cost exists, as follows:

<u>CFDA No.</u>	<u>Questioned Cost</u>	
15.875	\$ 26,800	Only \$26,800 is presented at this finding as transaction # 074243 in the amount of \$28,865 is already questioned at previous finding number 03-01.
16.579	\$ 277,427	
20.205	\$ 102,231	
66.600	\$ 207,829	
93.563	\$ 57,175	
97.036/83.544	\$ 281,759	

CFDA No. 93.558

No questioned cost is presented at this finding as \$12,000 is already questioned at previous finding number 03-01.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2003

Finding No.: 03-09, Continued
Area: Procurement

<u>CFDA No.</u>	<u>Program Name</u>	<u>Questioned Costs</u>
15.875	Economic, Social and Political Development of the Territories and the Freely Associated States	\$ 26,800
16.579	Byrne Formula Grant	\$ 277,427
20.205	Highway Planning and Construction	\$ 102,231
66.600	Environmental Protection Consolidated Grants: Program Support	\$ 207,829
93.558	Temporary Assistance for Needy Families	\$ 0
93.563	Child Support Enforcement	\$ 57,175
97.036/83.544	Public Assistance Grant	\$ 281,759

Prior Year Status:

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

Recommendation:

The procurement officer should establish and implement internal control procedures to ensure that all procurements are documented in sufficient detail in compliance with applicable procurement requirements. 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:

The Government of Guam has not provided a response for conditions affecting CFDA number 15.875.

CFDA No. 16.579

In a letter dated September 20, 2004, the Superior Court of Guam provided the following response.

Subject finding was reviewed by the Procurement & Facilities Mgt Administrator, and provides the following information:

(A) P02-607 / P03-479 / P02-462 / P02-549

Discussion:

Above purchases were from GSA vendors. Total amount of the questionable cost for this group is \$46,577.00. Contracts awarded by Federal GSA have been competed and price reasonableness determined prior its federal GSA award of a contract. These contracts are issued to federal agencies. State governments are also permitted to order against the contracts. Purchases against federal GSA contracts are not contracts by delivery orders against existing competed federal contracts. As long as federal or state agencies comply with GSA contractor terms and conditions, agencies (federal /state) may place delivery orders. Short of Court Procurement Officers (CPO's) documenting each procurement thoroughly, there is no question that the items purchased from GSA vendors were competed by federal GSA and that the prices are fair and reasonable. Therefore, the amount of \$46,577 should not be a questionable item. Recommend that the finding be focused on improved documentation procedures instead.

Corrective Action:

Court Procurement Officer checklist (internal control) which is placed in the folder for all procurement will incorporate GSA procurement requirements as follows: (1) add GSA purchases to the checklist, (2) CPO's will be required to review two additional GSA contracts for the same or similar items prior to placing a delivery order with selecting the vendor that meets the Judiciary's requirements in terms of price, deliver, and other factors, and (3) properly document the purchase.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2003

Finding No.: 03-09, Continued
Area: Procurement

<u>CFDA No.</u>	<u>Program Name</u>	<u>Questioned Costs</u>
15.875	Economic, Social and Political Development of the Territories and the Freely Associated States	\$ 26,800
16.579	Byrne Formula Grant	\$ 277,427
20.205	Highway Planning and Construction	\$ 102,231
66.600	Environmental Protection Consolidated Grants: Program Support	\$ 207,829
93.558	Temporary Assistance for Needy Families	\$ 0
93.563	Child Support Enforcement	\$ 57,175
97.036/83.544	Public Assistance Grant	\$ 281,759

Auditee Response and Corrective Action Plan, Continued:

CFDA No. 16.579, Continued

Corrective Action, Continued:

Additionally, supervisors within the procurement division will conduct their own review of the procurement and take appropriate action (internal control). These actions if followed will ensure GSA procurement is documented and properly acted upon.

(B) P03-03 / P03-184

Discussion:

A review of the procurement file and interview of the CPO indicated that for years there was only one vendor that provided the items that were purchased. The CPO indicated that she had documented this fact. However, she was not able to locate the documentation. Further review of subject procurement indicated favorable actions. As of this report additional vendors (local and stateside) have been added to the vendors list. As a result of the additional vendors to the list, the CPO is now competing the procurement. Because the CPO cannot locate the documents to support her decision to issue a sole source, this office will accept the finding for this particular instance.

Corrective Action:

No action required. As noted in discussion above, purchases are now being competed and documented.

In a letter dated November 1, 2004, the General Services Agency provided the following response.

Response:

[For Condition 2.a.] I agree with the finding.

Corrective Action:

Corrective action was implemented since November 2003. GSA requires a letter of justification that will suffice the test for sole source procurement. A letter submitted by a Director or Agency Head is no longer accepted as justification for sole source requirement. A letter from the vendor is required to justify the statement of the department head.

Response:

[For Condition 2.b.] I agree with the finding.

Corrective Action:

Please note that for vendor #N0096410 the corrective action is the same with 16.579 2.a. On vendor #W5946501, GSA has issued circular #2005-001 regarding unauthorized procurement transactions and that GSA will no longer ratify any unauthorized procurement transaction after the issuance of this circular.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2003

Finding No.: 03-09, Continued
Area: Procurement

<u>CFDA No.</u>	<u>Program Name</u>	<u>Questioned Costs</u>
15.875	Economic, Social and Political Development of the Territories and the Freely Associated States	\$ 26,800
16.579	Byrne Formula Grant	\$ 277,427
20.205	Highway Planning and Construction	\$ 102,231
66.600	Environmental Protection Consolidated Grants: Program Support	\$ 207,829
93.558	Temporary Assistance for Needy Families	\$ 0
93.563	Child Support Enforcement	\$ 57,175
97.036/83.544	Public Assistance Grant	\$ 281,759

Auditee Response and Corrective Action Plan, Continued:

CFDA No. 20.205

In a letter dated September 29, 2004, the Program Office provided the following response.

The procedure in place at the time of selection allows for the Director of Public Works to make the final selection from a list of highly qualified contractor. The recommendation of the selection committee to the Director of Public Works does not include a ranking order of preference. The Federal Highway Administration approved the procedure in 1998; however, it has been recently rescinded for the reason that it violates procurement rules and regulations. The current procedure is being revised to afford the first rank firm to have the first opportunity to negotiate a contract. Also, the attorney general has ruled the procedure will need to go through the adjudication process before its adoption.

The Acting Chief Engineer is revising the procedure and will be responsible for the adjudication process.

In a letter dated October 29, 2004, the Program Office provided the following response.

The following are our responses to the audit findings by Deloitte and Touche regarding the two transactions #84680 and #85777 with contract numbers C020601460 and C020602320, respectively:

[For #84680] The selection of the consultant was based on the approved Engineer-Architect Service Procurement Procedure that was approved and signed [sic] by the Department of Public Works and Federal Highway Administration. Please refer to the attached copy.

The evaluation board submitted four firms that evaluated to be the highly qualified firms without a ranking order of preference, where in the Director of Public Works can make a final selection.

Under the approved procedures, Section IV, Selection, item B.10., it clearly stipulated that the evaluation board shall submit to the director of Public Works, no less than three firms (short list) without a ranking order of preference, that are considered most highly qualified to perform the required services. The report shall include in sufficient detail the extent of the evaluation and review and the consideration upon which the recommendation were based.

Also, Section IV, Item C.1., states "The Director of Public Works shall review the recommendation of the E-A Evaluation Board and shall, in concert with the appropriate technical and stall representatives, make the final selection.

[For #85777] The procedures use in the selection was again based on the approved E-A Procedures as mentioned above. Since, there were five separate projects being solicited, the Evaluation Board submitted the six most highly qualified engineering firms without a ranking order of preference, to which the Director of Public Works can make final selection. Attached is the Board Evaluation for reference.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2003

Finding No.: 03-09, Continued
Area: Procurement

<u>CFDA No.</u>	<u>Program Name</u>	<u>Questioned Costs</u>
15.875	Economic, Social and Political Development of the Territories and the Freely Associated States	\$ 26,800
16.579	Byrne Formula Grant	\$ 277,427
20.205	Highway Planning and Construction	\$ 102,231
66.600	Environmental Protection Consolidated Grants: Program Support	\$ 207,829
93.558	Temporary Assistance for Needy Families	\$ 0
93.563	Child Support Enforcement	\$ 57,175
97.036/83.544	Public Assistance Grant	\$ 281,759

Auditee Response and Corrective Action Plan, Continued:

CFDA No. 20.205, Continued

Please be advised that the Department of Public Works has amended the E-A Procurement Procedures to incorporate the Guam Local Laws for evaluation and selection process. The approval of the E-A procurement procedures by the federal Highway Administration is a requirement for federal-aid highway projects. The amended procedures have been submitted to FHWA for review and approval.

We hope that above responses have satisfied the audit findings. If you have any questions, please call [the] Chief Engineer.

CFDA No. 66.600

In a letter dated September 20, 2004, the Program Office provided the following response.

The ASO will ensure that all procurement transactions are in compliance with all applicable local and federal procurement regulations.

In a letter dated November 1, 2004, the General Services Agency provided the following response.

Response:

[For Condition 2] I agree with the finding.

Corrective Action:

GSA has issued circular #2005-01 regarding unauthorized procurement transactions and that GSA will no longer ratify any unauthorized procurement transaction after the issuance of this circular.

CFDA No. 93.558

In a letter dated September 20, 2004, the Program Office provided the following response.

Disagree. DPHSS does maintain records to detail the significant history of the above procurement to fill postage for Meter #8305295. See attached Request for Direct Payment, Document # D031756633 and copy of Check # 0096746. Documents are with Work Programs Section, Division of Public Welfare.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2003

Finding No.: 03-09, Continued
Area: Procurement

<u>CFDA No.</u>	<u>Program Name</u>	<u>Questioned Costs</u>
15.875	Economic, Social and Political Development of the Territories and the Freely Associated States	\$ 26,800
16.579	Byrne Formula Grant	\$ 277,427
20.205	Highway Planning and Construction	\$ 102,231
66.600	Environmental Protection Consolidated Grants: Program Support	\$ 207,829
93.558	Temporary Assistance for Needy Families	\$ 0
93.563	Child Support Enforcement	\$ 57,175
97.036/83.544	Public Assistance Grant	\$ 281,759

Auditee Response and Corrective Action Plan, Continued:

CFDA No. 93.563

In a letter dated November 1, 2004, the General Services Agency provided the following response.

Response:

[For Condition 2] I agree with finding.

Corrective Action:

Same response as noted under corrective action for 16.579.

The Program Office provided the following response.

Finding 03-09, CFDA 93.563 #2 indicates that the sole source rationale for Transaction #095923 (scanner) did not sufficiently justify why no other vendor was acceptable to meet the needs of the government.

Our records (copies attached) reflect that our office did not request this particular item to be purchased using the sole source method. Rather this procurement was pursuant to 5 GCA, [Section] 5213, Small Purchases. Consequently, we submitted only one quote as was the practice at that time in August 2003 for small purchases, with GSA acquiring the other two estimates to fulfill the legal requirement of three estimates. Later, as you know, GSA issued Circular No. 2004-06 formalizing this procedure for small purchases.

CFDA No. 97.036/83.544

In a letter dated September 20, 2004, the Program Office provided the following response.

The Governor's Authorized Representative sent a letter to Department of Public Works concerning the audit report and corrective measures to be taken for noncompliance of procurement procedures.

In a letter dated November 1, 2004, the General Services Agency provided the following response.

Response:

[For Condition 2] I disagree with the finding. GSA established a contract with rental of heavy equipment through competitive sealed bid procedure. An award was issued under bid GSA-033-01. Therefore, award was made appropriately.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2003

Finding No.: 03-09, Continued
Area: Procurement

<u>CFDA No.</u>	<u>Program Name</u>	<u>Questioned Costs</u>
15.875	Economic, Social and Political Development of the Territories and the Freely Associated States	\$ 26,800
16.579	Byrne Formula Grant	\$ 277,427
20.205	Highway Planning and Construction	\$ 102,231
66.600	Environmental Protection Consolidated Grants: Program Support	\$ 207,829
93.558	Temporary Assistance for Needy Families	\$ 0
93.563	Child Support Enforcement	\$ 57,175
97.036/83.544	Public Assistance Grant	\$ 281,759

Auditors' Response:

CFDA No. 16.579 and 93.558

No procurement documents, such as the written rationale for the vendor selection or the federal GSA vendor listing, have been provided to detail the significant history of the procurement. Therefore, the questioned cost remains.

CFDA No. 97.036/83.544

No files evidencing competitive sealed bid procedures have been provided. The procurement documents included only a written rationale for sole source procurement, for which the indicated justification was Executive Order 2002-15 declaring an emergency in order to expedite island-wide recovery from Typhoon Chata'an. There are no documents evidencing the solicitation of quotations from other vendors. Therefore, the finding remains.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2003

Finding No.: 03-10
Area: Reporting

<u>CFDA No.</u>	<u>Program Name</u>	<u>Questioned Costs</u>
17.258/17.259/17.260	WIA Cluster	\$ 0
93.044/93.045	Aging Cluster	\$ 0
97.036/83.544	Public Assistance Grant	\$ 0

Criteria:

In accordance with applicable federal financial reporting requirements, financial data, including earmarked funds (as applicable), should be accurately reported on such federal financial reports as SF 272 Federal Cash Transactions Report, Form ETA-9076 Series of financial status reports, OCSE-34A and OCSE –396A reports (as applicable).

Condition:

CFDA No. 17.258/17.259/17.260

The Government of Guam has not provided federal financial reports.

CFDA No. 93.044/93.045

An unlocated difference of \$997,546 exists between the recipient outlay reported on the SF-269 report (\$4,789,222) and the actual expenditures reported by the Government of Guam Division of Accounts (\$3,791,676).

CFDA No. 97.036/83.544

Net disbursements reported in PSC 272 are supported by draw down records, but do not reconcile with cash receipts recorded in the financial management system, as follows:

	<u>Earthquake</u>	<u>Chata'an</u>	<u>Pongsona</u>	<u>Paka</u>	<u>Totals</u>
PSC 272 Net Disbursement in FY 2003	\$ 465,145	\$ 4,363,744	\$ 16,682,429	\$ 1,689,256	\$ 23,200,574
Variance	<u>(10,104)</u>	<u>1,064,464</u>	<u>331,473</u>	<u>(159,653)</u>	<u>1,226,180</u>
FMS Recorded Receipts in FY 2003	\$ <u>455,041</u>	\$ <u>5,428,208</u>	\$ <u>17,013,902</u>	\$ <u>1,529,603</u>	\$ <u>24,426,754</u>

Cause:

There appears to be weak internal record keeping controls and weak internal controls over ensuring that required federal financial reports are submitted and reconciled with the underlying accounting records.

Effect:

The Government of Guam may be in noncompliance with applicable federal financial reporting requirements.

Recommendation:

The Government of Guam should strengthen internal record keeping controls and should submit all required federal financial reports. Prior to submission, the responsible personnel should reconcile reported amounts with balances recorded in the financial management system. Any discrepancies should be immediately investigated and resolved.

Auditee Response and Corrective Action Plan:

The Government of Guam has not provided a response for conditions affecting CFDA numbers 17.258/17.259/17.260 and 93.044/93.045.

CFDA No. 97.036/83.544

In a letter dated September 20, 2004, the Program Office provided the following response.

The Governor's Authorized Representative sent a letter to the Director, Department of Administration, concerning the internal audit controls and to perform corrective procedures in the Federal Grants Division.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2003

Finding No.: 03-11
Area: Subrecipient Monitoring

<u>CFDA No.</u>	<u>Program Name</u>	<u>Questioned Costs</u>
97.036/83.544	Public Assistance Grants	\$ 0
All		\$ 0

Criteria:

CFDA No. 97.036/83.544

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.

All

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:

CFDA No. 97.036/83.544

The Government of Guam's Program Office did not monitor its subgrantees for compliance with applicable audit requirements. Subgrantees to which it provided more than \$300,000 in Federal fund reimbursements in fiscal year 2003 are as follows:

<u>Department/Division</u>	<u>Amount</u>
9967	11,575,856
9919	1,910,556
9978	1,629,488
9812	1,050,782
9979	945,287
9966	669,460
9970	407,064
9968	361,346
9973	322,290

All

The Government of Guam 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 applicable compliance requirements.

Cause:

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

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2003

Finding No.: 03-11, Continued
Area: Subrecipient Monitoring

<u>CFDA No.</u>	<u>Program Name</u>	<u>Questioned Costs</u>
97.036/83.544	Public Assistance Grants	\$ 0
All		\$ 0

Effect:

The Government of Guam is in noncompliance with 44 CFR 13.26 audit requirements, the Single Audit Act, OMB Circular A-133, and the Common Rule.

CFDA No. 97.036/83.544

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. Furthermore, 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:

CFDA No. 97.036/83.544

In a letter dated September 20, 2004, the Program Office provided the following response.

The Governor's Authorized Representative sent letters [dated September 14, 2004] to respective Agencies for noncompliance and requested that the Single Audit Report be conducted and a written response to the current status of the Single Audit Requirement to the Recovery Coordination Office.

All

In a letter dated November 1, 2004, the Department of Administration provided the following response.

The Department of Administration (DOA) disagrees in part with this Audit finding. The DOA does have procedures to identify sub-recipients and keeps the accounting records but for line agencies only who are sub-recipients. DOA's Accounting System, BACIS - AS400, has an object class 280 to record sub-recipient expenditures. In addition, DOA processes sub-grants to Line Agencies using a work request. For Autonomous Agencies & Non-Profits a contract is charged to the 280 object class. Regarding sub-recipient monitoring, it is the responsibility of the Grantee to conduct this task and to request for a copy of the audit report from its sub-recipients. Line Agencies are audited every year under the Single Audit. As a corrective action, DOA will send a memorandum annually, reminding Grantees of their responsibility. In this memo, DOA will request a list of their sub-grantees to include information of whether or not the Grantee has a copy of the audit report. When we receive the Grantee's response to our memo, we will compare the their sub-grantee' list with the DOA list using the 280 object category in the AS400 accounting system. Discrepancy's will be referred to the Office of the Public Auditor for further action.

Auditors' Response:

If DOA were to generate a schedule of all subrecipients by using object class 280, the schedule would be incomplete as we are aware that certain subrecipient agreements with not-for-profit organizations are recorded under object class 230 with other vendor contracts.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2003

Finding No.: 03-12
CFDA No. 20.205
Program Name: Highway Planning & Construction
Area: Special Tests and Provisions
Questioned Costs: \$0

Criteria:

In accordance with applicable 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 10 projects, aggregating \$7,921,291 of \$8,548,588 in total Program non-payroll expenditures, we noted the following:

- 1) For 1 (or 10%) a total of 7 out of 11 field density tests for the Route 4 Reconstruction and Widening project indicated failure.
- 2) For 1 (or 10%), a total of 2 out of 200 field density tests for the Route 1 Reconstruction and Widening Phase II project indicated failure.

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

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 is 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 October 12, 2004, the Program Office provided the following response.

The Government of Guam already has established and adopted the requirements under the U.S. Department of Transportation Standard Specifications for Construction of Roads and Bridges on Federal Highway Projects (FP-96), Sections 153 – **Contractor Quality Control** (Supplement to FAR Clause 52.246-12. Inspection of Construction) and Section 154 – **Contractor Sampling and Testing**. The Engineering Division will herewith implement full enforcement of the requirements with ongoing and future projects.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2003

Finding No.: 03-13
CFDA No. 66.600
Program Name: Environmental Protection Consolidated Grants: Program Support
Area: Special Tests and Provisions – Fair Share Policy
Questioned Costs: \$0

Criteria:

In accordance with applicable special tests and provisions requirements 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 applicable special tests and provisions requirements and grant terms and conditions regarding the Fair Share policy.

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 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 September 20, 2004, the Program Office provided the following response.

As stated in the previous audit resolution for FY 02, the ASO serves as the Contracts Administrator and reviews all Affidavits of Disclosure submitted to ensure that minority and women-owned businesses are included in the evaluation process. A memo to file effectuating this was not recorded.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2003

Finding No.: 03-14
CFDA No. 66.600
Program Name: Environmental Protection Consolidated Grants: Program Support
Area: Special Tests and Provisions – Prior Approval
Questioned Costs: \$16,665

Criteria:

In accordance with applicable special tests and provisions requirements and grant terms and conditions, all equipment purchases valued at \$5,000 or more may only be purchased if approved by the USEPA project officer.

Condition:

For one (or 25%) out of four equipment purchases tested, aggregating \$205,840 of \$226,434 in total program capital outlays, the Government of Guam did not obtain approval for the purchase of a John Deere Auger for \$16,665.

Cause:

There appears to be a lack of internal controls over ensuring compliance with applicable special tests and provisions requirements and grant terms and conditions.

Effect:

The Government of Guam is in noncompliance with applicable special tests and provisions requirements and grant terms and conditions requiring approval of equipment purchases over \$5,000. A questioned cost of \$16,665 exists.

Recommendation:

The responsible personnel should obtain prior grantor approval for the procurement of equipment over \$5,000.

Auditee Response and Corrective Action Plan:

In a letter dated September 20, 2004, the Program Office provided the following response.

The ASO will ensure that this applies to all procurement transactions with a value of \$5,000 and over.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2003

Finding No.: 03-15
CFDA No. 66.600
Program Name: Environmental Protection Consolidated Grants: Program Support
Area: Special Tests and Provisions – Program Income
Questioned Costs: \$0

Criteria:

In accordance with applicable special tests and provisions requirements 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	12/31/02
FY2001	12/31/02
FY2002	12/31/02
10/1/02-5/31/03	06/30/03

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:

There appears to be a lack of internal controls over accounting for the earning and disbursement of program income.

Effect:

The Government of Guam is in noncompliance with applicable special tests and provisions requirements 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 September 20, 2004, the Program Office provided the following response.

This issue has since been resolved and summaries of program income are provided to the grantor on a quarterly basis. The ASO continues to work with DOA to ensure that internal reports and DOA reports are synchronized.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2003

Finding No.: 03-16
CFDA No. 93.558
Program Name: Temporary Assistance for Needy Families
Area: Special Tests and Provisions - IEVS
Questioned Costs: \$0

Criteria:

In accordance with applicable 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 2003, the Government of Guam did not utilize the Income Eligibility and Verification System.

Cause:

The existing computer system (AGUPA) does not have the capability to do IEVS matching. The data match activity was an incomplete deliverable of the AGUPA project.

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 year audit of the Government of Guam.

Recommendation:

The Government of Guam should participate in the Income Eligibility and Verification System (IEVS) as required.

Auditee Response and Corrective Action Plan:

In a letter dated September 27, 2004, the Program Office provided the following response.

The Department had issued an RFP for automation and a notice of award to one offeror determined to be most responsive. However, until the new development to replace the existing AGUPA is completed and implemented, [this finding] will unfortunately continue to remain open.

With a letter dated November 1, 2004, the Program Office provided the following response.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2003

Finding No.: 03-16, Continued
CFDA No. 93.558
Program Name: Temporary Assistance for Needy Families
Area: Special Tests and Provisions - IEVS
Questioned Costs: \$0

Auditee Response and Corrective Action Plan, Continued:

The finding in this area was that the Government of Guam did not utilize the Income Eligibility and Verification System (IEVS) during fiscal year 2003.

We agree with this finding. However, as indicated in the auditor's findings, the cause of this condition is that our existing computer system does not have the capability to do IEVS matching. The data match activity was an incomplete deliverable of the AGUPA project.

As per our letter dated September 27, 2004, the Department has issued an RFP for automation and a notice of award to one offeror determined to be most responsive. Until the new development to replace the existing AGUPA system is completed and implemented, this finding will remain open.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2003

Finding No.: 03-17
CFDA #: 93.563
Program Name: Child Support Enforcement
Area: Special Tests and Provisions – Eligibility of individuals
Questioned Costs: \$0

Criteria:

In accordance with applicable special tests and provisions requirements and 45 CFR 303, all programmatic documents, such as birth certificates and social security numbers should be maintained on file for at least three years.

Condition:

For 4 (or 8%) out of 51 case files tested (i.e., Case No. 15325, 15527, 15767, and 15775), there is no social security number and/or birth certificate of the child(ren) in the file.

Cause:

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

Effect:

There is no known effect on the financial statements as a result of this condition. However, the grantee is in noncompliance with 45 CFR 74.53.

Recommendation:

The grantee should establish and implement internal controls to ensure compliance with 45 CFR 74.53.

Auditee Response and Corrective Action Plan:

In a letter dated October 6, 2004, the Program Office provided the following response.

CID#15325: This case was dismissed.

CID#15527: Social security numbers as well as birth certificates are in file. The social security numbers were stated on the TANF referral and birth certificates were attached from DPHSS.

CID#15767: Social security numbers is stated in the application for services and the copies of the birth certificates are in file.

CID#15775: CSED is unable to locate file at this time.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2003

Finding No.: 03-18
CFDA No. 93.563
Program Name: Child Support Enforcement
Area: Special Tests and Provisions – Locate Absent Parents
Questioned Costs: \$0

Criteria:

In accordance with applicable special tests and provisions requirements, the State IV-D agency must attempt to locate the absent parent or sources of income and/or assets within no more than 75 calendar days (45CFR303.3). In addition, the State IV-D agency must attempt to establish paternity and a support obligation for children born out of wedlock.

Condition:

Out of 51 case files reviewed, we noted the following:

1. For one (or 2%), there is no documentation to evidence that the agency attempted to establish paternity for Case No. 15257.
2. For one (or 2%), the attempt to locate the absent parent occurred after the maximum 75 calendar days requirement for Case No. 15311.

Cause:

There appears to be weak internal controls over ensuring that required services under 45 CFR 302.33 are provided to eligible individuals.

Effect:

There is no known effect on the financial statements as a result of this condition. However, the grantee is in noncompliance with applicable special tests and provisions requirements and 45 CFR 303.3.

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 applicable special tests and provisions requirements and 45 CFR 303.3.

Auditee Response and Corrective Action Plan:

In a letter dated October 6, 2004, the Program Office provided the following response.

CID#15311: This case has been referred to our locate unit to initiate locate efforts on the alleged father.

CID#15257: This case has been referred to our locate unit to initiate locate efforts on the alleged father.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2003

Finding No.: 03-19
CFDA #: 93.563
Program Name: Child Support Enforcement
Area: Special Tests and Provisions – Provision of Services
Questioned Costs: \$0

Criteria:

In accordance with 45 CFR 302.33, 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:

Out of 51 case files tested, we noted the following:

1. For 6 (or 12%) (i.e., Case No. 15349, 15438, 15620, 15624, 15654, and 15716), there is no documentation on file to indicate whether any services were provided after the case file was opened.
2. For 1 (or 2%), support obligation has not been established for Case No. 15366.

Cause:

There appears to be weak internal controls over ensuring that required services under 45 CFR 302.33 are provided to eligible individuals.

Effect:

There is no known effect on the financial statements as a result of this condition. However, the grantee is in noncompliance with 45 CFR 302.33.

Recommendation:

The grantee should establish and implement internal controls to ensure that required services under 45 CFR 302.33 are provided to eligible individuals. 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 October 6, 2004, the Program Office provided the following response.

CID#15349: This case has been referred to our interstate unit to initiate the action to the responding state where the non-custodial parent last known address.

CID#15438: This case has been referred to the attorney for review and disposition.

CID#15620: Locate efforts have been initiated to confirm the non-custodial parent's whereabouts.

CID#15624: The alleged father is a minor and we are unable to pursue the case until he reaches the age of majority. This case has been routed to the attorney for review and disposition.

CID#15654: This case has been referred to the assigned Investigator/Paralegal to make contact with the custodial parent and to prepare the summons and complaint.

CID#15716: This case has been referred to the assigned Investigator/Paralegal to initiate locate efforts and to prepare the summons and complaint upon positive location of the alleged father and if the custodial parent wishes to continue the services of the CSED.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2003

Finding No.: 03-20
CFDA No. 93.563
Program Name: Child Support Enforcement
Area: Special Tests and Provisions – Securing Medical Health Obligations
Questioned Costs: \$0

Criteria:

In accordance with 45 CFR 303.33 the agency must determine whether the custodial parent and child have satisfactory health insurance other than Medicaid. If not, the agency must petition the court or administrative authority to include medical support in the form of health insurance coverage in all new or modified orders for support.

Condition:

For 7 (or 14%) out of 51 cases tested (i.e., Case No. 15257, 15273, 15567, 15576, 15680, 15812, and 15839), there is no documentation in the case file to evidence that the required health coverage for the child or children was either petitioned or obtained.

Cause:

There appears to be weak internal controls over ensuring that required services under 45 CFR 303.33 are provided to eligible individuals.

Effect:

There is no known effect on the financial statements as a result of this condition. However, the grantee is in noncompliance with 45 CFR 303.33.

Recommendation:

The grantee should establish and implement internal controls to ensure that required services under 45 CFR 303.33 are provided to eligible individuals.

Auditee Response and Corrective Action Plan:

In a letter dated October 6, 2004, the Program Office provided the following response.

CID#15257: Re: No documentation on stated in the case file. During the review period, the issue of paternity, health insurance, child support and child support arrears have not been established. Service on the non-custodial parent has been unsuccessful. Locate efforts are on going. Upon successful service on the non-custodial parent, the issues will be addressed.

CID#15273: Re: No documentation stated in the case file. The case file is on going for child support arrears only. The plaintiff was the guardian of the child. The child is currently residing with the biological mother in the mainland. No other issues were addressed.

CID#15567: Re: No documentation in the case file. Paternity, child support, arrears, and health insurance were pending issues before the court during the review period. Since the review period, child support, arrears and health insurance was ordered by the court.

CID#15576: Re: No documentation in the case file on health insurance. An order was obtained and child support, arrears and paternity were ordered. Corrective action: a findings and court order will be filed with the court to address the health insurance.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2003

Finding No.: 03-20, Continued
CFDA No. 93.563
Program Name: Child Support Enforcement
Area: Special Tests and Provisions – Securing Medical Health Obligations
Questioned Costs: \$0

Auditee Response and Corrective Action Plan, Continued:

CID#15680: Re: No documentation on health insurance in the case file. An order was established on child support, arrears and paternity. Corrective action: The case will be set for hearing to address the health insurance.

CID#15812: Re: An order establishing paternity was entered. The non-custodial parent is currently unemployed and was court ordered on a job search. The case remains on the court calendar. Corrective action: the issues of child support, arrears and paternity will be addressed at the hearing once the non-custodial parent is located and served the notice.

CID#15839: Re: No documentation in the case file on health insurance. Since the review period, the issue of paternity, child support, and arrears were addressed. Corrective action: The case will be set for hearing to address the health insurance.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2003

Finding No.: 03-21
CFDA No. 93.778
Program Name: Medicaid
Area: Special Tests and Provisions – ADP Risk Analysis
Questioned Costs: \$0

Criteria:

In accordance with applicable special tests and provisions requirements for ADP risk analyses, State agencies must establish and maintain a program for conducting periodic risk analyses to ensure that appropriate, cost effective safeguards are incorporated into new and existing systems. State agencies must perform risk analyses whenever significant system changes occur. State agencies shall review the ADP system security installations involved in the administration of HHS programs on a biennial basis. At a minimum, the reviews shall include an evaluation of physical and data security operating procedures, and personnel practices. The State agency shall maintain reports on its biennial ADP system security reviews, together with pertinent supporting documentation, for HHS onsite reviews.

Condition:

During FY 2003, the Government of Guam did not conduct an ADP system security review.

Cause:

There appears to be a lack of internal controls over ensuring compliance with applicable special tests and provisions requirements for ADP risk analyses.

Effect:

The Government of Guam is in noncompliance with applicable special tests and provisions requirements for ADP risk analyses.

Recommendation:

The Government of Guam should implement policies and regulations to ensure compliance with applicable special tests and provisions requirements for ADP risk analyses.

Auditee Response and Corrective Action Plan:

The Program Office provided the following response.

The Guam Medicaid disagrees with the auditor's findings. A corrective action plan to perform periodic risk analyses was already in place since FY2002. The Centers for Medicare and Medicaid Services (CMS) is cognizant of this plan and has recently requested for a Standard Operating Procedure to formally address this issue so we can prevent similar citations from re-occurring in the future. Accordingly, an Automated Data Processing (ADP) System Security Review Standard Operating Procedure (SOP) was established in August 2004 and signed by Mr. Benigno Camacho, MS Director/Acting Administrator, Systems and Programming Group. Mr. Eddie Martin, CMS, was provided a copy of the SOP on September 28, 2004.

The periodic risk analyses was being performed during FY2003 by the Department of Public Health and Social Services (DPHSS), Systems and Programming Group (SPG). The acting SPG Manager describes the process in the following manner:

In an effort to safeguard the system, monitoring of the department's computer network is performed daily. When necessary, technical staff troubleshoots the computer systems. SPG provides and supports an inter-departmental network security. In addition, the Division of Public Welfare utilizes an Oracle database with a three (3) tiered architecture utilizing Pentium II.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2003

Finding No.: 03-21, Continued
CFDA No. 93.778
Program Name: Medicaid
Area: Special Tests and Provisions – ADP Risk Analysis
Questioned Costs: \$0

Auditee Response and Corrective Action Plan, Continued:

Other database systems include, but are not limited to SQL and MS Office Access. SPG staff received intense training in the aforementioned fields.

Operations Production of our AGUPA system entails that all back-up logs are recorded as completed successfully without warning. A detailed review of the list is then performed in order to identify those tables that may not have copied successfully. Once critical tables and a percentage of completion are completed, staff immediately makes a call as to whether a complete backup or partial back up (of only those sectors affected) must be performed. Once this determination is made, the back up is either executed immediately or an assurance is made to set the scheduler to normal in order that the back up runs automatically.

In an effort to free up space on the production service, the back up is then copied to another server, computer or compact disks. This is accomplished by performing a “copy” command from the production server directly to the destination server/computer and the back-up unit. A separate folder is established for each day and contains all copies from both a 12:00p and 6:00p back up. These folders may also contain special copies as required.

The standard system “up-time” is from 8:00a to 5:00p daily, unless otherwise requested. All testing and implementation activities are scheduled for and performed outside of this time frame in order that user work time is optimized. Deviations from this schedule may occur in the case of system failure.

The department also provides for monthly benefit processing. This is an off-line procedure, which calculates client benefits after an established cut off date. Should the system not be able to accomplish this task automatically, AGUPA users are informed immediately in order that a manual calculation may be performed. This task is accomplished as such:

- An immediate database back-up is performed
- All active users to the system are temporarily terminated
- Necessary parameters for the monthly run are entered
- The Command is executed
- The job is monitored from start to finish beginning with Welfare and ending with the Buy-in process
- All out files are extracted and copies to their respective folders
- A file transfer is established through the Department of Administration (DOA) for benefits printing
- A Certification Summary Report is performed successfully, AGUPA is made available to all users

The SPG ensures Data Security by storing back ups on the AGUPA server with alternate copies being stored on designated workstations. These workstations are password protected at the workstation itself, in addition to the network being protected under a specific workgroup. Passwords are modified frequently on the workstations. These workstations are placed on lock down whenever a user leaves the station, and are shut down at the end of the workday.

Confidentiality of data used for review or program testing is not disclosed in any manner. All hard copies of this information are shredded prior to disposal. Staff is educated on policies and procedures regarding issues of confidentiality of data and the dissemination of information. A business and partnership agreement are in place for, and must be signed off by all staff including student interns provided by the Guam Community College, indicating that they are aware of the issues of confidentiality.

Auditors' Response:

No reports or other documentation have been provided on the Government of Guam's FY 2003 biennial ADP system security reviews. Therefore, the finding remains.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2003

Finding Number 03-22 – Federal Grants Fund Reconciliations

Criteria: The Federal Grants in Aid (FGIA) subsidiary ledger should be reconciled with the general ledger on a periodic basis. Furthermore, Federal expenditures reported to grantor agencies should be reconciled with Federal expenditures recorded in the Federal Grants Fund.

Condition: No reconciliation occurred during fiscal year 2003. As of September 30, 2003, Federal grant receivables per the subsidiary ledger is \$45M, whereas the general ledger balance is \$24M. Furthermore, Federal grant advances per the subsidiary ledger is \$7.5M, whereas the general ledger balance is \$9.6M. Also, a total of \$471,538 in Federal expenditures for the Highway Planning and Construction program (CFDA #20.205) is recorded as General Fund expenditures.

Cause: There appears to be a lack of internal controls over ensuring that the necessary reconciliations occur. Regarding receivables, the Division of Accounts performed detailed analyses of subledger account balances, obtained confirmations of balances from grantor agencies, and adjusted the general ledger control account to reflect collectible receivables. However, the subsidiary ledgers were not subsequently adjusted to agree with the general ledger control account.

Effect: FGIA subsidiary receivable balances are misstated, and FGIA advances per the general ledger could be misstated. Also, Federal Grants Fund expenditures and General Fund expenditures are understated and overstated, respectively, by \$471,538.

Recommendation: The Division of Accounts should establish and implement internal controls to ensure that the FGIA subsidiary ledger is reconciled with the general ledger on a periodic basis. Also, the Division of Accounts should establish and implement internal controls to ensure that Federal expenditures reported to grantor agencies are reconciled with Federal expenditures recorded in the Federal Grants Fund. Any discrepancies should be immediately investigated and resolved.

Auditee Response and Corrective Action Plan:

In a letter dated September 29, 2004, the Program Office provided the following response.

We do not have an explanation as to why the amount in the PR-20's and the AS400 does not agree. Special Projects Coordinator for Federal Projects will work with DOA to reconcile the amounts.

In a letter dated November 1, 2004, the Department of Administration provided the following response.

The variance of \$13.0M is due to prior years write-off in the General Ledger by the auditor and regular adjustments made by the Division of Accounts in the General Ledger.

The write-offs were compiled from list of CFDA's and not by grant number. DOA maintains its sub-ledgers by account number. At the advise of the OPA and the auditor, DOA will apply the write-offs to the oldest grants first and then to the ones that were awarded later. DOA will adjust the sub-ledgers to effectuate the regular adjustments made to the General Ledger.

Finding Number 03-23 - General Fund – Cash

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

Condition: The following closed bank accounts, as of September 30, 2003, still reflect balances in the general ledger and though the accounts were closed, substantial movement was registered in these accounts during fiscal year 2003.

<u>Account Name</u>	<u>G/L No</u>	<u>Bank Acct No.</u>	<u>PY Balance</u>	<u>CY Balance</u>	<u>Change</u>
Income Tax Refund Account	110010240	101-014608	\$ 918,044	\$ 6,106	\$ (911,938)
Child Support CSB	110010260	Checking	(128,644)	115,603	244,247

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2003

Finding Number 03-23 - General Fund – Cash, Continued

Cause: It appears that cash accounts are not monitored on a regular basis. In reference to the Income Tax Refund Account, the computer automatically generates an entry into the account when the Department of Revenue and Taxation receives or disburses a check payment.

Effect: There is no known effect on income or expenditure accounts; however, cash and liabilities may be misstated.

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

Recommendation: The Division of Accounts (DOA) should properly clear all closed bank accounts. Automatic computer postings on closed accounts should be rerouted to proper accounts.

Auditee Response and Corrective Action Plan: In a letter dated November 1, 2004, the Department of Administration provided the following response.

The substantial movements in these accounts were transactions to effectuate the clearance of the existing balances of both accounts including the rerouting of the automatic computer postings to the BOG-Income Tax Refund Account, a closed account. These were explained clearly to the auditor.

Research and analysis will be continued to come up with the proper resolution of these remaining balances of both accounts.

Finding Number 03-24 - General Fund – Other Receivable

Criteria:

1. Accounts receivables and advances should be cleared in a timely manner.
2. The provisions of the Travel and Transportation Manual Section 1712.02 Recovery of Advances, require the following:
 - The Director of Administration or his/her designee shall assure travelers account for advances by filing travel vouchers within fifteen (15) days upon return from travel as prescribed in Section 1715 Travel Voucher.
3. Department of Administrations collection policies and procedures require the following:
 - Government of Guam Employees-Amount is garnished from wages.
 - Non Government of Guam Employees-Tax refunds are held by the Government of Guam until the taxpayer clears the balance.

Condition: The following receivable accounts, totaling \$10,170,663 have been outstanding over 120 days.

	GL Account No.	Account Name	Outstanding over 120 days
1	110016001	A/R Federal School Lunch	\$791,324*
2	110012367	A/R GPA	\$241,293*
3	110012125	A/R Others	\$240,922*
4	110012139	Reserve Uncoll. Rec. DOE	\$136,392*
5	110011498	A/R Use Tax	\$768,043*
6	110012210	Loan Receivable GHURA	\$300,000*
7	110012319	A/R DOE	\$273,010*

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2003

Finding Number 03-24 - General Fund – Other Receivable, Continued

Condition, Continued:

	GL Account No.	Account Name	Outstanding over 120 days
8	110012361	A/R Guam Airport Auth	\$200,318
9	110012368	A/R GTA	\$666,557*
10	110012378	A/R PUAG	\$459,301*
11	110012379	A/R Port Authority	\$376,125
12	110012366	A/R GMH	\$226,112*
13	110012111	A/R Bad Checks (DOA)	\$486,223*
14	110012116	A/R Bad Checks GRT (R&T)	\$760,539*
15	110012112	A/R Bad Checks (R&T)	\$3,095,426*
16	110012120	Travel Advances	\$1,018,994*
17	110015017	A/R SPIMA	\$130,084*

* Over 85% of balance is outstanding over a year

Cause: Accounts receivable and advance accounts are not reconciled in a timely manner, partially due to constant shifting of responsibilities in the reconciliation and collection efforts on the bad check DOA accounts. In addition, the Government of Guam is not enforcing its clearance policies on travel and lacks enforcement of collection policies for outstanding receivables.

Effect: Receivable balances could be overstated, and cash flows of the Government of Guam are negatively impacted.

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 enforce collection policies and stabilize the responsibilities of reconciliation and collections to ensure prompt receipts of overdue amounts.

Auditee Response and Corrective Action Plan: In a letter dated November 1, 2004, the Department of Administration provided the following response.

Travel

We concur with the findings of the auditor and have already implemented the following steps to insure that government travelers submit clearance documentation within 15 days of their return. Additionally, all financial records, such as case files, are being maintained on file to substantiate travel expenditures.

The following corrective actions have been implemented.

1. Department of Administration Circular No. 04-006 dated Dec. 19, 2003 regarding the requirements for travel request and Authorization has been sent to all departments and agency heads. (copy attached)
2. Department of Administration Circular No. 04-020 dated July 30, 2004 regarding the requirements for travel request and Authorization has been sent to all departments and agency heads. (copy attached)
3. An interdepartmental memo dated August 20, 2004 pertaining to the enforcement of travel policies between Treasurer of Guam and the Division of Accounts has been sent along with revised memorandum for advanced per diem and miscellaneous expense has been issued. (attached)

Through the aforementioned corrective measures DOA has informed government travelers of the importance of clearing travel within 15 days and of the proper documentation needed for clearance of their records. Additionally, the memorandum of advance per diem allows DOA to withhold payroll checks and/ or suspend travel privileges until all travel is cleared.

DOA has also sent a request for Attorney General's Opinion regarding the legality of other options for enforcement that have been considered. (Copy attached)

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2003

Finding Number 03-24 - General Fund – Other Receivable, Continued

Auditee Response and Corrective Action Plan, Continued:

Other Receivables

DOA concurs with the auditors findings and is currently exploring various options to address our growing outstanding accounts receivables. A memorandum requesting for an AG’s opinion on various options currently being considered has been forwarded to the Attorney General’s Office. A copy of the memo is attached.

Although the most ideal scenario to address the current shortfall of reducing outstanding accounts receivables would be to establish a specific section whose sole purpose would be the collections, or outsourcing the collection of these receivables, our current departmental budget and staffing is not enough to make this option a reality at this time. However DOA has made steps to strengthening our internal controls in the hopes of preventing our outstanding receivables from growing.

Specific controls that have been implemented are as follows:

Travel Advances 110012120

1. Various memos to department and agency heads have been sent to inform government travelers of current procedures currently being enforced regarding travel.
2. A new form establishing a binding agreement between the traveler and the DOA regarding the payroll offsets and suspension of travel privileges is now in place to address outstanding travel advances.
3. Training for department and agency ASO and support staff on Travel procedures have been conducted to educate the various participants about travel rules and regulations and of current changes implemented.
4. DOA is will send to Department ASO and support staff a detailed listing per department of all outstanding travel advances. The purpose is to reduce the amount of outstanding records per department using records each department currently maintains. Any travel advances not cleared by the department will be addressed by the individual traveler.
5. DOA has improved the recording of travel documents and is currently working with key departments to include BBMR and the Governor’s Office in streamlining the process to screening travel advances and allowing for more time for DOA to properly scrutinize and record Travel documents.

Tenda (Fuel and Supplies)

110012367 GPA
110012319 DOE
110012361 GIAA
110012368 GTA
110012378 PUAG
110012379 PORT AUTH.
110012366 GMH
110015017 SPIMA

1. DOA currently maintain current billing against all Tenda accounts.
2. DOA temporarily suspends accounts from obtaining fuel chits and ordering supplies from GSA if current bills are not paid. Billing prior to 2003, are in a reconciliation stage. DOA is trying to work with each department to address discrepancies in records between offices.
3. DOA is currently meeting with GTA and GWA in an effort to reconcile and bring current fuel records and payments.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2003

Finding Number 03-24 - General Fund – Other Receivable, Continued

Auditee Response and Corrective Action Plan, Continued:

Other Receivables

A/R Bad Checks (DOA) 110012111

DOA is currently working on implementing the various suggestions made by the OPA in their single audit report of the Bounce Checks. Our office has implemented many controls to prevent the further growth of our A/R. We have already started with the new POS (Point of Sale) system which will reduce the amount of bounced checks written to the Government of Guam. Additionally, The Bank of Guam now automatically tries to redeposit checks that register as NFS.

In-house operational controls such as written SOP and other procedural controls are currently being worked on and should be completed by the end of November.

Finding Number 03-25 - Other Liabilities - Child Support Collection

Criteria: Liability accounts should have credit balances and should be properly reconciled with the records of the State Disbursement Unit (SDU), as reported in Form OCSE-34A.

Condition:

- (1) Account “Deposit – Child Support Tax Refund,” a liability account, reflects a debit balance of \$643,693.
- (2) There is a difference in the total collections and disbursements per DOA and the State Disbursement Unit, summarized as follows:

	<u>Collections</u>	<u>Disbursements</u>
Per DOA	\$ 9,985,519	\$ 12,305,459
Variance	<u>479,881</u>	<u>9,680</u>
Per SDU	9,505,638	12,295,779
Variance	<u>456,414</u>	<u>3,975,191</u>
Per OCSE-34A	\$ <u>9,049,224</u>	\$ <u>8,320,588</u>

- (3) While collections are aged by year, certain disbursements are not properly matched against the period collected. This improper matching process resulted in positive balances (debits) in liability accounts for certain years. The FY03 Child Support liability account had a recorded debit balance of about \$2.3 million.
- (4) The Child Support Enforcement Program (CSEP) under the Attorney General’s Office ceased remitting recovered welfare payments to the Treasurer of Guam due to insufficient information in support of the remittances. Starting in fiscal year 2002, the SDU, a private entity that functions as a collection and disbursement unit of the CSEP, restarted the disbursement process to the TOG. However, documents in support of these disbursements were unavailable for review.

Cause: There appears to be weak internal controls over (1) monitoring the liability account, Deposit – Child Support Tax Refund, and (2) reconciling balances with the State Disbursement Unit.

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.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2003

Finding Number 03-25 - Other Liabilities - Child Support Collection, Continued

Recommendation: DOA should strengthen internal controls to ensure that the responsible personnel monitors the cited liability account, reconciles collections with the State Disbursement Unit, and properly ages and matches accounts at the time of collection and disbursement. Any unusual balances or variances should be immediately investigated and resolved.

Auditee Response and Corrective Action Plan: In a letter dated November 1, 2004, the Department of Administration provided the following response.

Condition: Account “Deposit – Child Support Tax Refund”, a liability account, reflects a debit balance of \$643,693.

Response and Corrective Action Plan:

The Department of Administration agrees with the finding. This account in fiscal year 2001 has already a debit balance of \$515,424.

Research and analysis will be conducted to come up with the proper resolution of the issue presented.

Condition: There is a difference in the total collections per DOA and Chase Global.

Response and Corrective Action Plan:

The numbers cannot be conclusive and it may be due to a possible effect of timing difference.

Research and analysis will be conducted to determine the validity of the numbers presented in this issue and periodic monitoring and reconciliation will be implemented.

Research and analysis will be conducted to come up with the proper resolution of the issue presented.

[Conditions 3 and 4:] The Department of Administration agrees with the findings. At the request of the Child Support's Grantor, DOA, BBMR and the AG are in the process of reconciling prior years child support collections and revising federal child support financial reports so that collections and expenditures are reported in the proper prior fiscal years. As soon as prior years reconciliations are complete, DOA will make the necessary adjustments to the accounts, accordingly. To date, Chase Global has remitted prior year child support collections to the Treasurer of Guam.

Finding Number 03-26 - Fund 100 - Appropriations

Criteria: Only appropriations defined by related Public Laws as continuing should comprise the Continuing Appropriations account.

Condition:

- a) \$6,995,708 of annual appropriations (Code ‘A’) prior to FY2003 are still outstanding in the general ledger. Since these are considered lapsed, they should be cancelled.

	A-Annual Local	B-Annual Match	Total
FY 2002	\$ 2,268,318	\$ 878,909	\$ 3,147,227
FY 2001	1,322,720	58,237	1,380,957
FY 2000	1,642,164	-	1,642,164
FY 1999	1,410,265	-	1,410,265
FY98&prior	<u>352,241</u>	<u>-</u>	<u>352,241</u>
Total	\$ <u>6,995,708</u>	\$ <u>937,146</u>	\$ <u>7,932,854</u>

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2003

Finding Number 03-26 - Fund 100 – Appropriations, Continued

Condition, Continued:

- b) Our review indicated that negative balances in excess of \$3,900,000 of Funds Available were carried into the Continuing Appropriations account balance as of September 30, 2003.

Cause: The cause of these conditions 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 effect of this condition is that it is not possible to substantiate the validity of continuing appropriation balances.

Recommendation: Periodic reconciliation of continuing appropriations should occur.

Auditee Response and Corrective Action Plan: The Department of Administration provided the following response.

Our policy for the annual accounts is to carry over encumbrances relating to contracts. DOA would evaluate these annual account contracts and prepare letters to Agencies advising them of the status of contracts. Effective fiscal year 2004, DOA no longer carry over annual accounts that are two (2) years or older regardless of contract status.

Finding Number 03-27 - Special Revenue Funds

Criteria: Official Government receipts, field receipts and Treasurer of Guam receipts are issued through the Government of Guam General Services Agency Tenda Department. Such issuance should be maintained under management control, as to the receipt numbers issued to Government of Guam agencies, and reconciliations of issued receipts should be performed. Furthermore, the reconciliation should be documented and maintained on file.

Condition: For 69 (or 100%) of 69 items tested, there appears to be no control over receipt issuances. Reconciliations of the issued receipts and documentation of such issuances of receipts to Government of Guam agencies is not performed.

Cause: There appears to be weak internal controls over issuance of receipts, reconciliations of issuances, and documentation indicating accountability over the receipts.

Effect: This condition may result in a potential misstatement of revenues.

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

Recommendation: The auditee should strengthen internal control over ensuring receipts are issued and reconciled under management's control and such issuance is properly documented.

Auditee Response and Corrective Action Plan: The Department of Administration provided the following response.

There are established internal control procedures for field/official receipts from issuance to usage reports. However, we do agree that these internal control procedures were not implemented in its entirety.

We will revisit such internal control procedures and make sure that they are implemented at its current form or with changes and/or improvements.

DOA will issue Organizational circulars to all agencies using field/official receipts. The Division of Accounts will perform monthly monitoring of usage and reconciliation to ensure accountability.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2003

Finding Number 03-28 - Overview of Application Systems - Understanding of Revenue and Receipt Cycle

Criteria: A clear separation of duties and function 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 each performed by the Treasurer of Guam. This represents a combination of incompatible duties (custody and recording), which increases the risk of fraud.

Cause: A change in the operational policy was implemented during FY2002.

Effect: There is a heightened possibility of fraudulent transactions and/or embezzlement of funds that might occur if duties are not properly segregated.

Recommendation: A policy should be implemented to clearly separate incompatible areas of duty and function of receiving and recording of cash transactions within the Cashiering Section.

Auditee Response and Corrective Action Plan: The Department of Administration provided the following response.

During fiscal year 2004, DOA has implemented the "POS" which would eliminate the recording of transactions performed by the Treasurer of Guam. The recording of revenue would be done immediately upon the collection of cash, which would automatically generate a receipt and post to the general ledger subsequently.

Finding Number 03-29 - Accounts Payable

Criteria: General ledger records should be periodically reviewed and reconciled to subsidiary ledgers to ensure they are properly reported and presented. Any necessary adjustments or reclassifications should be promptly recorded with appropriate supporting schedules and an explanatory record describing the reason and basis for the adjustment.

Conditions:

- (1) Several liability accounts, including others that are not listed below, have unusual debit balances or are carry-overs from prior fiscal years.

<u>Account No.</u>	<u>Description</u>	<u>Amount</u>
110023101	Unreconciled Debit Memos	\$ 1,884,794
110023113	Real Property Tax	263,262
110023321	Deposit – PUAG DOI FGIA	249,966
11002156*	Various plug	125,822
110023893	Unknown	52,145
110023115	Unreconciled Credit Memos	(1,483,161)
110026140	Unidentified Collections	(4,337,387)

- (2) The Schedule of Unclaimed Checks, Acct. No 110021511, does not agree with the general ledger by \$38,149.

	<u>Amount</u>
09-30-03 per schedule	\$ 821,012
Difference	<u>38,149</u>
09-30-03 per GL	\$ <u>859,162</u>

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2003

Finding Number 03-29 - Accounts Payable, Continued

Conditions, Continued:

- (3) The Schedule of Post-closing entries for Accounts Payables and Other Liabilities disclosed amounts without proper reference to source documents (i.e., journal voucher number, invoice no. etc.).

<u>Account No.</u>	<u>Amount</u>	<u>Description</u>
110021590	\$ (1,490,403.11)	Audit Adj 2000
110021590	\$ 2,118,001.02	No reference

- (4) The Accounts Payable (AP) Division reported a charge-off of amounts due a vendor. Documentation evidencing the charge-off was not made available for our review. The invoices remain outstanding in AP detail schedules.

<u>Vendor</u>	<u>Amount</u>
Guam Waterworks Authority	\$4,271,879

- (5) We inquired and have not received a response on the payment status on the outstanding amounts due to the following vendors which are over 3 years past due.

<u>Vendor</u>	<u>Amount</u>
Guam Power Authority	\$1,073,945
Guam Waterworks Authority	4,182,191

Cause: There appears to be a lack of controls to adequately monitor account balances. The cause of the "Vendor Upload" may be that adjustments to payables may be made in the general ledger but not in the subsidiary ledger.

Effect: The propriety of underlying account balances may be questioned and may materially affect the financial statements.

Recommendation: Management should establish and implement policies and procedures for quality control monitoring purposes to ensure account balances are properly reported and presented.

Auditee Response and Corrective Action Plan: In a letter dated November 1, 2004, the Department of Administration provided the following response.

Condition: Several liability accounts, including others that are not listed below, have unusual debit balances or are carry-overs from prior fiscal years.

Response and Corrective Action Plan, Continued:

Account 110021215 – Dep-FICA EFTS Payrl Deductions has only an adjusted balance of \$85,111 and account 110026140-Unidentified Collections has an adjusted balance of \$2.1M.

The reported balances should reflect adjusted amounts.

Research and analysis is ongoing and will be continued to find resolution for these accounts.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2003

Finding Number 03-30 - Fund Transfers In & Out and Other Sources and Uses

Criteria: Public Law 26-152, Chapter V Section 17, provides that “the Department of Education (DOE) is authorized to use Fiscal Year 2002 lapsed funds in Fiscal Year 2003. Such carryover authorization shall be used only for teacher salaries and benefits, and collateral supplies, classroom supplies and nursing supplies....”

Condition: Lapsed annual appropriations in 2002 amounting to \$2.5 million were applied against the Revenue and Taxation levy of DOE. The tax levy pertains to fiscal year 2002 withholding tax payments and penalties.

Cause: It appears that specific provisions provided by the public law in applying the appropriation may not have been followed.

Effect: There is no known material effect on the financial statements that results from this condition. However, noncompliance with the public law could result from this finding.

Recommendation: Compliance with public law provisions should be strictly followed.

Auditee Response and Corrective Action Plan: The Guam Department of Administration provided the following response.

We disagree with the finding. Per Public Law 26-152, Ch. V, Section 17, DOE is authorized to utilize FY02 lapses for teachers salaries and benefits, thus the tax levy relating to the withholding tax of the teachers does represent a portion of the teachers salaries and benefits.

Auditors' Response: We appreciate the thought process of the Guam Department of Administration and recommend that this matter be resolved in consultation with legal counsel.

GOVERNMENT OF GUAM

Summary of Unresolved Questioned Costs Arising from Prior Year Single Audits Year Ended September 30, 2003

	Prior Year Listed Unresolved <u>Questioned Costs</u>	Questioned Costs Resolved <u>During the Year</u>	End of <u>Year</u>
Unresolved Questioned Costs FY 98	\$ 2,305,544	\$ -	\$ 2,305,544
Unresolved Questioned Costs FY 99	24,838,023	9,721,901	15,116,122
Unresolved Questioned Costs FY 00	10,062,663	1,204,092	8,858,571
Unresolved Questioned Costs FY 01	9,875,246	57,857	9,817,389
Unresolved Questioned Costs FY 02	<u>4,258,861</u>	<u>-</u>	<u>4,258,861</u>
	\$ <u>51,340,337</u>	\$ <u>10,983,850</u>	40,356,487
Add Questioned Costs for FY 2003			<u>1,243,982</u>
Total Unresolved Questioned Costs at September 30, 2003			\$ <u>41,600,469</u>

GOVERNMENT OF GUAM

Summary of Unresolved Questioned Costs Arising from
Prior Year Single Audits, Continued
Year Ended September 30, 2003

<u>CFDA #</u>		<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>Total</u>
12.401	National Guard	\$ -	\$ -	\$ 155,914	\$ -	\$ -	\$ -	\$ 155,914
15.605/ 15.611	Fish and Wildlife Cluster	-	-	339,414	-	-	-	339,414
15.875	Compact Impact	55,665	679,010	4,262,576	3,526,590	3,147,789	2,305,544	13,977,174
16.523	JAIBG	-	596,554	-	-	-	-	596,554
16.579	Byrne Formula Grant	277,427	-	-	-	-	-	277,427
16.710	COPS	-	1,721	-	-	-	-	1,721
17.235	Senior Community Svc	-	19,594	-	-	-	-	19,594
17.258/ 17.259/ 17.260	WIA Cluster	185,584	952,176	-	-	-	-	1,137,760
20.205	Highway Planning and Construction	102,231	611,014	36,498	18,365	-	-	768,108
66.600	Environmental Protection	224,494	197,112	222,907	-	-	-	644,513
83.541/ 97.034	DUA	9,855	33,212	-	-	-	-	43,067
83.543	IFG	-	10,588	-	-	-	-	10,588
83.544/ 97.036	Public Assistance Grants	308,538	153,987	2,505,157	2,955,284	11,968,333	-	17,891,299
83.548	Hazard Mitigation Grant	-	-	328,039	295,507	-	-	623,546
84.186	Safe and Drug-Free Schools/Communities Cost Pool Allocation	-	-	-	17,612	-	-	17,612
93.000	Accounts	-	-	40,038	-	-	-	40,038
93.044	Aging Cluster	-	367,958	-	-	-	-	367,958
93.558	TANF	12,000	14,942	543,972	-	-	-	570,914
93.563	Child Support Enforcement	66,426	620,993	195,161	-	-	-	882,580
93.575	CCDF	-	-	633,606	-	-	-	633,606
93.667	Social Services Block Grant	-	-	89,865	-	-	-	89,865
93.778	Medicaid	<u>1,762</u>	<u>-</u>	<u>464,242</u>	<u>2,045,213</u>	<u>-</u>	<u>-</u>	<u>2,511,217</u>
							<u>\$2,305,54</u>	
	Totals	<u>\$1,243,982</u>	<u>\$4,258,861</u>	<u>\$9,817,389</u>	<u>\$8,858,571</u>	<u>\$15,116,122</u>	<u>4</u>	<u>\$41,600,469</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, 2003

Finding #	CFDA #	Questioned Costs Resolved In 2003	Responding Office
1999	12.110	\$ 9,721,901	OMB Circular A-133, Section .315(b)(4)
2000-26	93.575	54,561	U.S. DHHS, September 8, 2004
2000-29	93.575	523,116	U.S. DHHS, September 8, 2004
2000-87	93.558	163,827	U.S. DHHS, September 8, 2004
2000-87	93.563	235,340	U.S. DHHS, September 8, 2004
2000-87	93.575	227,248	U.S. DHHS, September 8, 2004
2001-27	84.126	20,699	U.S. DOE, April 6, 3004
2001-28	84.126	32,683	U.S. DOE, April 6, 3004
2001-29	84.126	<u>4,475</u>	U.S. DOE, April 6, 3004
Total Resolved \$		<u><u>10,983,850</u></u>	