



Government of Guam FY 2015 Compliance Highlights

July 1, 2016

The Government of Guam's (GovGuam) Fiscal Year (FY) 2015 Single Audit Reports on Compliance and Internal Controls continue to reflect material weaknesses that emphasize the need for training and investment in a new financial management system. The current system is antiquated, which was acquired in the late 1980s. Independent auditors Deloitte and Touche, LLP rendered a qualified opinion on 4 of 15 major programs. There were nine findings, three of which were material weaknesses. FY 2015 total questioned costs was \$348, a significant decrease by \$45.9 thousand (K) from \$46K in FY 2014. The questioned cost was due to Department of Public Health and Social Service's (DPHSS) noncompliance with applicable eligibility requirements.

Federal Program Funding

GovGuam and its line agencies expended \$294.8 million (M) in federal awards from 16 grantor agencies. Of the 16 grantor agencies, the largest grant came from the U.S. Department of Agriculture at \$121.4M, of which \$110.8M was for the Supplemental Nutrition Assistance Program (SNAP) or better known as Food Stamps. The second largest grantor was the U.S. Department of Health and Human Services at \$87.0M for the various welfare programs, such as Medicaid at \$47.8M and Child Health Insurance Program at \$6.1M. The third largest grantor was the U.S. Department of the Interior at \$29.7M, of which \$27.7M is for Compact Impact funding. The fourth largest grantor was the U.S. Department of Transportation at \$26.2M, of which \$23.6M is for Highway Planning and Construction.

In addition, GovGuam component units expended over \$256.9M in federal awards. The top four agencies were Port Authority of Guam at \$66.7M, Guam Department of Education at \$65.5M, Guam Housing and Urban Renewal Authority at \$43.4M, and University of Guam at \$35.0M.

Single Audit Findings

Nine findings were identified in the Single Audit, of which two findings were related to eligibility and two were related to procurement. The remaining findings were related to the Schedule of Expenditures of Federal Awards, electronic benefits transfer reconciliation, equipment management, reporting, and cash management. Of the nine findings, three were material weaknesses and six were significant deficiencies to include the following:

Lack of Management in Fixed Assets, Equipment, and Real Property (2015-007)

For this material weakness, GovGuam has not performed a comprehensive physical inventory of its properties in FY 2015 or since 2000. However, a required inventory was completed subsequently in January 2016, which is a significant step forward in demonstrating corrective action for prior years' noncompliance. Equipment management has been a continuing finding in prior audits and GovGuam is still in the process of effecting corrective action to develop and fund an equipment management system. The processes over fixed assets inventory, maintenance, and

reconciliation are not routine. Construction project accounting for all associated costs, such as construction management and allocating such by project is not performed.

DPHSS Eligibility and Procurement (2015-003, 2015-004, and 2015-005)

Two of the three noted material weaknesses were from DPHSS relative to the Income Eligibility and Verification System (IEVS) and eligibility. The IEVS was not used to make eligibility determinations for Temporary Assistance for Needy Families and Medicaid program applicants. In April 2015, DPHSS implemented the IEVS to determine the income and resource eligibility of its welfare program applicants. Although the IEVS implementation is a step forward in demonstrating corrective action for 15 years of noncompliance, there was no documentation to demonstrate eligibility redeterminations were performed subsequent to the IEVS. In addition, benefits to several applicants in the Medicaid programs were questionable due to a missing case file and the lack of required documentation to include social security cards, birth certificates, and supporting applications.

In this significant deficiency, DPHSS used sole source procurement to award a \$219K contract to a not-for-profit organization for services to individuals and/or families in need of emergency shelter. However, there are services for the homeless that are available from other not-for-profit organizations on Guam. GovGuam management believed the sole source procurement was justified because the specific services were needed for trial use or testing, and the vendor was selected during a competitive procurement process in 2008. The \$29K was not questioned as subsequent telephonic inquiries to three other homeless shelter providers corroborated that their services did not meet specific criteria of the pilot project.

Veterans Affairs Office (VAO) – Allowable Costs and Procurement (2015-009)

When the Office of Public Accountability (OPA) began its audit of VAO in April 2015, OPA learned of a \$3.2M grant VAO was administering on its own. VAO acted independently and did not communicate with the Department of Administration (DOA) and the Guam State Clearinghouse. VAO incurred expenditures and directly received federal funding for the expansion and improvement of the Guam Veterans Cemetery. Although there were available procurement documentation, VAO did not provide sufficient documentation, such as vendor invoices, receiving reports, and/or payment requests to substantiate \$730K in program costs. However, the \$730K was not a questioned cost as the VAO received grantor approval of the costs. Further, in one of three procurement transactions, no proposals and no selection analysis was provided other than the proposal and evaluation sheet of the selected contractor. However, documentation indicated there was competition as five companies picked up request-for-proposal packets.

Management Letter

The auditors issued a separate management letter containing 16 findings from seven GovGuam divisions and agencies to include DOA Division of Accounts, General Service Agency, Customs and Quarantine, Unified Courts (Courts), Child Support Enforcement Division, and Guam Fire Department. The top three divisions and agencies were as follows:

- The DOA Division of Accounts were issued six findings related to unreconciled cash; post-closing adjustments approved over six months after fiscal year end; post-closing entries, including subsequent changes to a previously approved post-closing entry, were not separated by nature of transaction and journal voucher number; lack of periodic evaluations

of Medically Indigent Program and Medicaid accruals; incomplete journal vouchers; preapproved timesheets; no enforcement of collection of import and use taxes, customs and quarantine service fees; and bounced checks.

- The DOA Data Processing Division were issued three recurring findings related to the information technology environment.
- The Courts received three findings related to delayed financial statements, unsupported fixed assets, and untimely monitoring of probation accounts.

Child Support Enforcement Division (CSED)

The CSED was issued a recurring finding regarding reconciliation between the AS400 and the APASI system to support unclaimed checks and reconcile aged balances, which date back more than 15 years. The unreconciled difference between CSED's schedule and DOA's financial statement was \$749K as of FY 2015. This is a \$217K increase from the \$532K difference in FY 2014. There are continuing efforts and communications between DOA and CSED to reconcile based on the December 2011 Collaborative Action Plan.

The Collaborative Action Plan also includes seeking legislation to establish a period after which unclaimed child support payments will escheat to the Government. According to OPA Report No. 16-03, the CSED Deputy Attorney General indicated that in order to begin a diligent escheatment process, an analysis by an independent contractor will be conducted to ensure that the funds cannot rightfully be identified. The Attorney General noted that to address these aging accounts, they plan to engage an independent financial expert to advise them on how they might return the monies to the proper parties, and if not, to recommend options on how to proceed.

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