

GOVERNMENT OF GUAM

SINGLE AUDIT REPORTS

YEAR ENDED SEPTEMBER 30, 2015

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C O N T E N T S

	<u>PAGE</u>
Part I. Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	1
Part II. Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	3
Part III. Schedule of Expenditures of Federal Awards:	
Summary of Schedule of Expenditures of Federal Awards, by Grantor	7
U.S. Department of Agriculture	8
U.S. Department of Commerce	8
U.S. Department of Defense	8
U.S. Department of Housing and Urban Development	8
U.S. Department of the Interior	9
U.S. Department of Justice	9
U.S. Department of Labor	10
U.S. Department of Transportation	10
National Foundation on the Arts and the Humanities	10
U.S. Department of Veterans Affairs	10
U.S. Environmental Protection Agency	11
U.S. Department of Energy	11
U.S. Department of Education	11
U.S. Department of Health and Human Services	11
Corporation for National and Community Service	13
U.S. Department of Homeland Security	14
Notes to Schedule of Expenditures of Federal Awards	15
Reconciliation of Schedule of Expenditures of Federal Awards to Basic Financial Statements	18
Schedule of Findings and Questioned Costs	19
Part IV. Summary of Unresolved and Resolved Questioned Costs	41

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Eddie B. Calvo
Governor
Government of Guam:

We have audited, 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, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Government of Guam (GovGuam) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise GovGuam's basic financial statements, and have issued our report thereon dated June 29, 2016. Our report includes an explanatory paragraph concerning a reference to other auditors and a reference for the adoption of new accounting standards. Other auditors audited the financial statements of the GovGuam Retirement Fund, the Antonio B. Won Pat International Airport Authority, the Guam Housing and Urban Renewal Authority, the Guam Housing Corporation, and the Guam Preservation Trust, as described in our report on GovGuam's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those other auditors.

For purposes of this report, our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants, and other matters did not include the Guam Community College, the Guam Department of Education, the Guam Economic Development Authority, the Guam Educational Telecommunications Corporation, the Guam Memorial Hospital Authority, the Guam Power Authority, the Guam Visitors Bureau, the Guam Waterworks Authority, the Port Authority of Guam, the Solid Waste Operations Fund, the Territorial Highway Fund, the Tourist Attraction Fund, and the University of Guam, which were all audited by us. We have issued separate reports on our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters for these entities. Other auditors issued separate reports on their consideration of internal control over financial reporting and their tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters for the GovGuam Retirement Fund, the Antonio B. Won Pat International Airport Authority, the Guam Housing and Urban Renewal Authority, the Guam Housing Corporation, and the Guam Preservation Trust. The findings, if any, included in those reports are not included herein.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered GovGuam's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of GovGuam's internal control. Accordingly, we do not express an opinion on the effectiveness of GovGuam's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2015-007 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2015-008 to be significant deficiencies.

Compliance and Other Matters

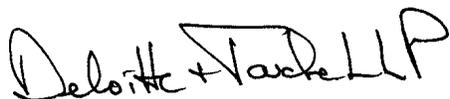
As part of obtaining reasonable assurance about whether GovGuam's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

GovGuam's Responses to Findings

GovGuam's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. GovGuam's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



June 29, 2016

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

Honorable Eddie B. Calvo
Governor
Government of Guam:

Report on Compliance for Each Major Federal Program

We have audited the Government of Guam's (GovGuam's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of GovGuam's major federal programs for the year ended September 30, 2015. GovGuam's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

As discussed in Note 2b to the Schedule of Expenditures of Federal Awards, GovGuam's basic financial statements include the operations of certain entities whose federal awards are not included in the Schedule of Expenditures of Federal Awards for the year ended September 30, 2015. Our audit, described below, did not include the operations of the entities identified in Note 2b as these entities conducted separate audits in accordance with OMB Circular A-133, if required.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of GovGuam's major federal programs based on our audit of the types of compliance requirements referred to above. 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 GovGuam'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 on compliance for each major federal program. However, our audit does not provide a legal determination of GovGuam's compliance.

Basis for Qualified Opinion on Certain Major Federal Programs

As described in Findings 2015-003, 2015-005, and 2015-007 in the accompanying Schedule of Findings and Questioned Costs, GovGuam did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2015-007	15.875	Economic, Social and Political Development of the Territories	Equipment and Real Property Management
2015-007	20.205	Highway Planning and Construction	Equipment and Real Property Management
2015-003	93.558	Temporary Assistance for Needy Families	Special Tests and Provisions
2015-005	93.778	Medical Assistance Program	Eligibility

Compliance with such requirements is necessary, in our opinion, for the Government of Guam to comply with the requirements applicable to those programs.

Qualified Opinion on Certain Major Federal Programs

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, GovGuam complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 15.875 Economic, Social and Political Development of the Territories, CFDA 20.205 Highway Planning and Construction, CFDA 93.558 Temporary Assistance for Needy Families, and CFDA 93.778 Medical Assistance Program for the year ended September 30, 2015.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, GovGuam complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs for the year ended September 30, 2015.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2015-001, 2015-002, 2015-004, 2015-006, and 2015-009. Our opinion on each major federal program is not modified with respect to these matters.

GovGuam's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. GovGuam's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of GovGuam is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered GovGuam's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of GovGuam's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2015-003, 2015-005, and 2015-007 to be material weaknesses.

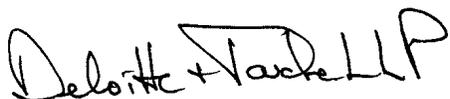
A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned costs as items 2015-001, 2015-002, 2015-004, 2015-006, and 2015-009 to be significant deficiencies.

GovGuam's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. GovGuam's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Government of Guam as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise GovGuam's basic financial statements. We issued our report thereon dated June 29, 2016, which contained unmodified opinions on those financial statements and which report included a reference to other auditors and a reference for the adoption of new accounting standards. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

June 29, 2016

GOVERNMENT OF GUAM

Summary of Schedule of Expenditures of Federal Awards, by Grantor Year Ended September 30, 2015

<u>Agency</u>	<u>Expenditures</u>
U.S. Department of Agriculture	\$ 121,412,821
U.S. Department of Commerce	1,709,175
U.S. Department of Defense	4,897,253
U.S. Department of Housing and Urban Development	107,153
U.S. Department of the Interior	29,684,164
U.S. Department of Justice	4,493,449
U.S. Department of Labor	5,191,490
U.S. Department of Transportation	26,224,380
National Foundation on the Arts and the Humanities	420,120
U.S. Department of Veterans Affairs	-
U.S. Environmental Protection Agency	4,239,399
U.S. Department of Energy	431,928
U.S. Department of Education	1,353,755
U.S. Department of Health and Human Services	87,019,488
Corporation for National and Community Service	1,367,065
U.S. Department of Homeland Security	<u>6,206,933</u>
 GRAND TOTAL	 \$ <u><u>294,758,573</u></u>

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

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2015

<u>CFDA#</u>	<u>Agency/Program Title</u>	<u>Expenditures</u>	<u>Amounts Passed Through To Subrecipients</u>
U.S. DEPARTMENT OF AGRICULTURE			
SNAP Cluster:			
10.551	Supplemental Nutrition Assistance Program (SNAP)	\$ 109,151,921	\$ -
10.561	State Administrative Matching Grants for the SNAP	1,678,401	\$ 81,692
	Subtotal SNAP Cluster	<u>110,830,322</u>	
10.025	Plant and Animal Disease, Pest Control, and Animal Care	176,343	
10.170	Specialty Crop Block Grant Program-Farm Bill	255,284	
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	10,077,302	\$ -
10.572	WIC Farmers' Market Nutrition Program (FMNP)	55,432	
10.579	Child Nutrition Discretionary Grants Limited Availability	16,329	
10.664	Cooperative Forestry Assistance	<u>1,809</u>	
	U.S. DEPARTMENT OF AGRICULTURE TOTAL	<u>\$ 121,412,821</u>	
U.S. DEPARTMENT OF COMMERCE			
11.407	Interjurisdictional Fisheries Act of 1986	\$ 2,127	
11.419	Coastal Zone Management Administration Awards	621,095	\$ 11,548
11.437	Pacific Fisheries Data Program	235,445	
11.441	Regional Fishery Management Councils	250,000	
11.454	Unallied Management Projects	2,058	
11.463	Habitat Conservation	-	
11.467	Meteorologic and Hydrologic Modernization Development	201,279	
11.482	Coral Reef Conservation Program	327,761	\$ 211,836
11.549	State and Local Implementation Grant Program	<u>69,410</u>	
	U.S. DEPARTMENT OF COMMERCE TOTAL	<u>\$ 1,709,175</u>	
U.S. DEPARTMENT OF DEFENSE			
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	\$ 154,843	
12.401	National Guard Military Operations and Maintenance (O&M) Projects	2,700,646	
12.607	Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation	1,957,033	
12.613	Growth Management Planning Assistance	<u>84,731</u>	
	U.S. DEPARTMENT OF DEFENSE TOTAL	<u>\$ 4,897,253</u>	
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
14.235	Supportive Housing Program	\$ 70,278	
14.251	Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants	36,875	
14.854	Public and Indian Housing Drug Elimination Program	<u>-</u>	
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT TOTAL	<u>\$ 107,153</u>	

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards Year Ended September 30, 2015

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Expenditures</u>	<u>Amounts Passed Through To Subrecipients</u>
	U.S. DEPARTMENT OF THE INTERIOR		
	Fish and Wildlife Cluster:		
15.605	Sport Fish Restoration Program	\$ 761,730	
15.611	Wildlife Restoration and Basic Hunter Education	387,591	
	Subtotal Fish and Wildlife Cluster	1,149,321	
15.612	Endangered Species Conservation	-	
15.615	Cooperative Endangered Species Conservation Fund	448,002	
15.622	Sportsfishing and Boating Safety Act	20,591	
15.634	State Wildlife Grants	80,236	
15.808	U.S. Geological Survey-Research and Data Acquisition	3,188	
15.875	Economic, Social, and Political Development of the Territories	27,696,497	\$ 8,639,062
15.904	Historic Preservation Fund Grants-In-Aid	286,329	
	U.S. DEPARTMENT OF THE INTERIOR TOTAL	\$ 29,684,164	
	U.S. DEPARTMENT OF JUSTICE		
16.013	Violence Against Women Act Court Training and Improvement Grants	\$ 26,763	
16.017	Sexual Assault Services Formula Program	20,741	
16.523	Juvenile Accountability Block Grants	181,765	
16.527	Supervised Visitation, Safe Havens for Children	100,998	
16.532	Part E-National Priority Program Grants	13,116	
16.540	Juvenile Justice and Delinquency Prevention-Allocation to States	5,018	
16.541	Part E-Developing, Testing and Demonstrating Promising New Programs	-	
16.549	Part E-State Challenge Activities	-	
16.554	National Criminal History Improvement Program (NCHIP)	163,974	
16.575	Crime Victim Assistance	383,747	
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	1,459	
16.585	Drug Court Discretionary Grant Program	138,450	
16.588	Violence Against Women Formula Grants	674,706	
16.589	Rural Domestic Violence, Dating Violence, Sexual Assault, & Stalking Asst Prog	-	
16.593	Residential Substance Abuse Treatment for State Prisoners	69,478	
16.606	State Criminal Alien Assistance Program	690,083	
16.609	Project Safe Neighborhoods	12,294	
16.710	Public Safety Partnership and Community Policing Grants	753,539	
16.710	ARRA Public Safety Partnership and Community Policing Grants	92,398	
16.727	Enforcing Underage Drinking Laws Program	53,264	
16.738	Edward Byrne Memorial Justice Assistance Grant Program	671,054	
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	106,335	
16.750	Support for Adam Walsh Act Implementation Grant Program	311,942	
16.803	ARRA Recovery Act-Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories	8,325	
16.816	John R. Justice Prosecutors and Defenders Incentive Act	14,000	
	U.S. DEPARTMENT OF JUSTICE TOTAL	\$ 4,493,449	

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2015

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Expenditures</u>	<u>Amounts Passed Through To Subrecipients</u>
U.S. DEPARTMENT OF LABOR			
Employment Service Cluster:			
17.207	Employment Service/Wagner-Peyser Funded Activities	\$ 544,239	
17.801	Disabled Veterans' Outreach Program (DVOP)	<u>36,052</u>	
	Subtotal Employment Service Cluster	580,291	
WIA Cluster:			
17.258	WIA/WIOA Adult Program	1,067,081	\$ -
17.259	WIA/WIOA Youth Activities	180,516	\$ -
17.278	WIA/WIOA Dislocated Worker Formula Grant	<u>1,807,236</u>	\$ -
	Subtotal WIA Cluster	3,054,833	
17.002	Labor Force Statistics	67,037	
17.005	Compensation and Working Conditions	44,788	
17.235	Senior Community Service Employment Program	968,720	
17.273	Temporary Labor Certification for Foreign Workers	10,183	
17.277	WIOA National Dislocated Worker Grants / WIA National Emergency Grants	195,653	
17.504	Consultation Agreements	<u>269,985</u>	
	U.S. DEPARTMENT OF LABOR TOTAL	<u>\$ 5,191,490</u>	
U.S. DEPARTMENT OF TRANSPORTATION			
20.205	Highway Planning and Construction	\$ 23,589,202	\$ -
20.218	National Motor Carrier Safety	291,022	
20.509	Formula Grants for Other Than Urbanized Areas	670,102	
20.509	ARRA Formula Grants for Other Than Urbanized Areas	726,028	
20.600	State and Community Highway Safety	535,118	
20.616	National Priority Safety Programs	379,391	
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	<u>33,517</u>	
	U.S. DEPARTMENT OF TRANSPORTATION TOTAL	<u>\$ 26,224,380</u>	
NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES			
45.025	Promotion of the Arts-Partnership Agreements	\$ 291,471	
45.310	Grants to States	<u>128,649</u>	
	NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES TOTAL	<u>\$ 420,120</u>	
U.S. DEPARTMENT OF VETERANS AFFAIRS			
64.203	State Cemetery Grants	<u>\$ -</u>	
	U.S. DEPARTMENT OF VETERANS AFFAIRS TOTAL	<u>\$ -</u>	

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards Year Ended September 30, 2015

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Expenditures</u>	<u>Amounts Passed Through To Subrecipients</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY			
66.454	ARRA Water Quality Management Planning	\$ -	
66.600	Environmental Protection Consolidated Grants for the Insular Areas- Program Support	4,171,287	
66.804	Underground Storage Tank Prevention, Detection and Compliance Program	<u>68,112</u>	
	U.S. ENVIRONMENTAL PROTECTION AGENCY TOTAL	<u>\$ 4,239,399</u>	
U.S. DEPARTMENT OF ENERGY			
81.041	State Energy Program	\$ 336,732	
81.041	ARRA State Energy Program	(11,478)	
81.042	Weatherization Assistance for Low-Income Persons	106,674	
81.042	ARRA Weatherization Assistance for Low-Income Persons	-	
81.128	ARRA Energy Efficiency and Conservation Block Grant Program (EECBG)	<u>-</u>	
	U.S. DEPARTMENT OF ENERGY TOTAL	<u>\$ 431,928</u>	
U.S. DEPARTMENT OF EDUCATION			
84.126	Rehabilitation Services-Vocational Rehabilitation Grants to States	\$ 1,290,217	
84.169	Independent Living-State Grants	13,125	
84.177	Rehab Services-Independent Living Services for Older Individuals Who are Blind	3,449	
84.186	Safe and Drug-Free Schools and Communities-State Grants	7,554	
84.187	Supported Employment Svcs for Individuals with the Most Significant Disabilities	39,410	
84.265	Rehabilitation Training-State Vocational Rehabilitation Unit In-Service Training	<u>-</u>	
	U.S. DEPARTMENT OF EDUCATION TOTAL	<u>\$ 1,353,755</u>	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Aging Cluster:			
93.044	Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers	\$ 815,876	
93.045	Special Programs for the Aging-Title III, Part C-Nutrition Services	1,550,403	
93.053	Nutrition Services Incentive Program	<u>363,241</u>	
	Subtotal Aging Cluster	2,729,520	
93.041	Special Programs for the Aging-Title VII, Chapter 3-Programs for Prevention of Elder Abuse, Neglect, and Exploitation	13,155	
93.042	Special Programs for the Aging: Title VII, Chapter 2: Long Term Care Ombudsman Services	42,015	
93.043	Special Programs for the Aging-Title III, Part D-Disease Prevention and Health Promotion Services	28,594	
93.048	Special Programs for the Aging-Title IV-and Title II-Discretionary Projects	168,445	
93.052	National Family Caregiver Support, Title III, Part E	<u>383,674</u>	
	BALANCE FORWARD	<u>\$ 3,365,403</u>	

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards Year Ended September 30, 2015

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Expenditures</u>	<u>Amounts Passed Through To Subrecipients</u>
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
	BALANCE FORWARD	\$ 3,365,403	
93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	784,715	
93.077	Family Smoking Prevention and Tobacco Control Act Regulatory Research	166,647	
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	1,054,433	
93.110	Maternal and Child Health Federal Consolidated Programs	17,778	
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Prog	843,658	
93.127	Emergency Medical Services for Children	197,258	
93.136	Injury Prevention and Control Research and State and Community Based Prog	30,341	
93.150	Projects for Assistance in Transition from Homelessness (PATH)	37,867	
93.163	Health Services in the Pacific Basin	-	
93.217	Family Planning-Services	264,507	
93.224	Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	1,801,593	
93.235	Affordable Care Act (ACA) Abstinence Education Program	43,854	
93.243	Substance Abuse and Mental Health Services-Projects of Regional and National Significance	2,331,633	
93.268	Immunization Cooperative Agreements	1,108,187	
93.283	The Affordable Care Act: Centers for Disease Control and Prevention- Investigations and Technical Assistance	603,435	
93.292	National Public Health Improvement Initiative	198,581	
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	55,909	
93.324	State Health Insurance Assistance Program	26,261	
93.336	Behavioral Risk Factor Surveillance System	26,313	
93.505	Affordable Care Act Maternal, Infant, and Early Childhood Home Visiting Prog	894,695	
93.521	The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information System Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease and Emerging Infections Program	232,680	
93.556	Promoting Safe and Stable Families	-	
93.558	Temporary Assistance for Needy Families	3,877,156	\$ -
93.560	Family Support Payments to States Assistance Payments	1,467	
93.563	Child Support Enforcement	4,213,927	
93.575	Child Care and Development Block Grant	4,533,911	\$ -
93.597	Grants to States for Access and Visitation Programs	82,587	
93.617	Voting Access for Individual with Disabilities Grants to States	4,512	
93.630	Developmental Disabilities Basic Support and Advocacy Grants	267,048	
93.667	Social Services Block Grant	<u>3,211,851</u>	\$ -
	BALANCE FORWARD	<u>\$ 30,278,207</u>	

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2015

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Expenditures</u>	<u>Amounts Passed Through To Subrecipients</u>
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES BALANCE FORWARD	\$ 30,278,207	
93.707	ARRA Aging Congregate Nutrition Services for States	-	
93.735	State Public Health Approaches for Ensuring Qitline Capacity Funded in part by Prevention and Public Health Funds (PPHF)	40,071	
93.758	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	246,057	
93.767	Children Health Insurance Program	6,102,582	\$ -
93.778	Medical Assistance Program	47,841,275	\$ -
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	66	
93.815	Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC).	12,236	
93.817	Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	87,652	
93.917	HIV Care Formula Grants	293,272	
93.945	Assistance Program for Chronic Disease Prevention and Control	441,626	
93.958	Block Grants for Community Mental Health Services	151,211	
93.959	Block Grants for Prevention and Treatment of Substance Abuse	901,389	
93.977	Preventive Health Services-Sexually Transmitted Diseases Control Grants	-	
93.988	Cooperative Agreements for State-Based Diabetes Control Program and Evaluation of Surveillance System	71,170	
93.991	Preventive Health and Health Services Block Grant	9,618	
93.994	Maternal and Child Health Services Block Grant to the States	<u>543,056</u>	
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES TOTAL	<u>\$ 87,019,488</u>	
	CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		
94.003	State Commissions	\$ 260,539	
94.006	AmeriCorps	<u>1,106,526</u>	
	CORPORATION FOR NATIONAL AND COMMUNITY SERVICE TOTAL	<u>\$ 1,367,065</u>	

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2015

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Expenditures</u>	<u>Amounts Passed Through To Subrecipients</u>
	U.S. DEPARTMENT OF HOMELAND SECURITY		
97.004	Homeland Security Grant Program	\$ -	
97.012	Boating Safety Financial Assistance	205,177	
97.036	Disaster Grants-Public Assistance (Presidentially Declared Disasters)	728,813	
97.039	Hazard Mitigation Grant	1,981,889	
97.041	National Dam Safety Program	-	
97.042	Emergency Management Performance Grants	1,271,246	
97.044	Assistance to Firefighters Grant	330,228	
97.047	Pre-Disaster Mitigation	620,172	
97.052	Emergency Operations Centers	204,340	
97.053	Citizens-Community Resilience Innovation Challenge	-	
97.067	Homeland Security Grant Program	865,068	
97.089	Driver's License Security Grant Program	-	
	U.S. DEPARTMENT OF HOMELAND SECURITY TOTAL	<u>\$ 6,206,933</u>	
	TOTAL FEDERAL AWARDS	<u>\$ 294,758,573</u>	

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2015

1. Scope of Audit

The Government of Guam (GovGuam) is a governmental entity established by the 1950 Organic Act of Guam, as amended, and has the powers of a body corporate, as defined in the Act and local statutes. All significant operations of the Government of Guam are included within the scope of the audit. The U.S. Department of the Interior has been designated as the Government of Guam's cognizant agency for the Single Audit.

Programs Subject to Single Audit:

The Schedule of Expenditures of Federal Awards presents each Federal program related to the following agencies:

- Corporation for National and Community Service
- National Foundation on the Arts and the Humanities
- 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 Homeland Security
- 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. Department of Veterans Affairs
- U.S. Environmental Protection Agency

2. Summary of Significant Accounting Policies

a. Basis of Accounting:

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 Supplemental Nutrition Assistance Program (SNAP) electronic benefits transfer (EBT) during the period.

GOVERNMENT OF GUAM

Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2015

2. Summary of Significant Accounting Policies, Continued

b. Reporting Entity:

For purposes of complying with The Single Audit Act of 1984, as amended in 1996, GovGuam's reporting entity is defined in Note 1A to its September 30, 2015 basic financial statements; except that the Guam Department of Education, the GovGuam Retirement Fund, and all of the discretely presented component units are excluded. Accordingly, the accompanying Schedule of Expenditures of Federal Awards presents the federal award programs administered by GovGuam, as defined above, for the year ended September 30, 2015.

The federal award totals for the excluded departments and component units as of September 30, 2015, are as follows:

<u>Department or Component Unit</u>	<u>Federal Award Total</u>
Antonio B. Won Pat International Airport Authority	\$ 19,268,664
GovGuam Retirement Fund	\$ -
Guam Community College	\$ 16,635,567
Guam Department of Education	\$ 65,523,019
Guam Economic Development Authority	\$ 73,334
Guam Educational Telecommunications Corporation	\$ -
Guam Housing and Urban Renewal Authority	\$ 43,371,296
Guam Housing Corporation	\$ Undetermined
Guam Memorial Hospital Authority	\$ 3,420,528
Guam Power Authority	\$ 3,091,299
Guam Preservation Trust	\$ -
Guam Visitors Bureau	\$ 215,561
Guam Waterworks Authority	\$ 3,586,637
Port Authority of Guam	\$ 66,729,182
University of Guam	\$ 34,992,971

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.

c. Cost Allocation:

The Government of Guam has a plan for the allocation of common costs related to public health and social services federal awards programs. The amounts allocated to 2015 federal awards programs are based on 2015 actual expenditures and caseloads.

d. Matching Costs:

The non-Federal shares of programs are not included in the accompanying Schedule of Expenditures of Federal Awards.

3. Amounts Passed-Through to Subrecipients

Expenditures include amounts passed through to subrecipients during the fiscal year, and such amounts are identified for each program which was audited as a major program.

GOVERNMENT OF GUAM

Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2015

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, electronic benefit payments under the Supplemental Nutrition Assistance Program (SNAP), and loans. For the year ended September 30, 2015, the Government of Guam had the following noncash award:

U.S. Department of Agriculture CFDA #10.551	
SNAP EBT payments	\$ <u>109,149,210</u>
Total SNAP EBT payments reported on the Schedule of Expenditures of Federal Awards	\$ <u>109,149,210</u>

The reported expenditures for benefits under the Supplemental Nutrition Assistance Program (SNAP) (CFDA No. 10.551) are supported by both regularly appropriated funds and incremental funding made available under section 101 of the American Recovery and Reinvestment Act of 2009. The portion of total expenditures for SNAP benefits that is supported by Recovery Act funds varies according to fluctuations in the cost of the Thrifty Food Plan, and to changes in participating households' income, deductions, and assets. This condition prevents USDA from obtaining the regular and Recovery Act components of SNAP benefits expenditures through normal program reporting processes. As an alternative, USDA has computed a weighted average percentage to be applied to the national aggregate SNAP benefits provided to households in order to allocate an appropriate portion thereof to Recovery Act funds. This methodology generates valid results at the national aggregate level but not at the individual State level. Therefore, we cannot validly disaggregate the regular and Recovery Act components of our reported expenditures for SNAP benefits. At the national aggregate level, however, Recovery Act funds account for 0.64 percent of USDA's total expenditures for SNAP benefits in the Federal fiscal year ended September 30, 2014.

5. American Recovery and Reinvestment Act of 2009 (ARRA)

In February 2009, the Federal Government enacted the American Recovery and Reinvestment Act of 2009 (ARRA). As of September 30, 2015, GovGuam's expenditures during the fiscal year are as follows:

<u>CFDA</u>		<u>FY 2015 Expenditures</u>
16.710	\$	92,398
16.803		8,325
20.509		<u>726,028</u>
	\$	<u>826,751</u>

GovGuam received federal funding from certain programs under ARRA, which are not subject to continuing compliance requirements, and therefore, are not included in the Schedule. For the year ended September 30, 2015, \$18.1 million of federal funds not subject to continuing compliance requirements were received, as follows:

Additional Child Tax Credit	\$ 15,846,681
American Opportunity Tax Credit	<u>2,268,642</u>
Total ARRA receipts not included in the Schedule	\$ <u>18,115,323</u>

GOVERNMENT OF GUAM

Reconciliation of Schedule of Expenditures of Federal Awards to
Basic Financial Statements
Year Ended September 30, 2015

	<u>2015 Expenditures</u>
Federal contributions, as reported in the 2015 financial statements:	
Federal Grants Assistance Fund, expenditures	\$ 324,932,896
Less local match and contributions	(33,758,511)
Plus transfers out	<u>7,100,000</u>
Federal expenditures, transfers, and other uses	298,274,385
 <u>CFDA #</u>	
15.875 Economic, Social, and Political Development of the Territories	(7,100,000)
Superior Court of Guam:	
15.875 Economic, Social, and Political Development of the Territories	169,599
16.013 Violence Against Women Act Court Training and Improvement Grants	26,763
16.554 National Criminal History Improvement Program (NCHIP)	163,974
16.585 Drug Court Discretionary Grant Program	138,450
16.750 Support For Adam Walsh Act Implementation Grant Program	190,326
20.205 Highway Planning and Construction adjustments	1,579,488
Fund 105:	
93.224 Consolidated Health Centers	1,801,593
Variance	<u>(486,005)</u>
Total Federal Expenditures Subject to Audit	\$ <u>294,758,573</u>

GOVERNMENT OF GUAM

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2015

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs
Year Ended September 30, 2015

Section I - Summary of Auditors' Results

Financial Statements

- | | |
|--|------------|
| 1. Type of auditors' report issued: | Unmodified |
| Internal control over financial reporting: | |
| 2. Material weakness(es) identified? | Yes |
| 3. Significant deficiency(ies) identified? | Yes |
| 4. Noncompliance material to financial statements noted? | No |

Federal Awards

Internal control over major federal programs:

- | | |
|--|------------|
| 5. Material weakness(es) identified? | Yes |
| 6. Significant deficiency(ies) identified? | Yes |
| 7. Type of auditors' report issued on compliance for major federal programs: | |
| CFDA # 15.875 | Qualified |
| CFDA # 20.205 | Qualified |
| CFDA # 93.558 | Qualified |
| CFDA # 93.778 | Qualified |
| All other major programs | Unmodified |
| 8. Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133? | Yes |
| 9. Identification of major federal programs: | |

<u>CFDA</u>	<u>Name of Federal Program or Cluster</u>
<u>Numbers</u>	
10.551	SNAP Cluster: Supplemental Nutrition Assistance Program (SNAP)
10.561	SNAP Cluster: State Administrative Matching Grants for the SNAP
10.557	Special Supplemental Nutrition Program for Women, Infants and Children
11.419	Coastal Zone Management Administration Awards
11.482	Coral Reef Conservation Program
15.875	Economic, Social and Political Development of the Territories
17.258	WIA Cluster: WIA Adult Program
17.259	WIA Cluster: WIA Youth Activities
17.278	WIA Cluster: WIA Dislocated Worker Formula Grants
20.205	Highway Planning and Construction
93.558	Temporary Assistance for Needy Families
93.575	Child Care and Development Block Grant
93.667	Social Services Block Grant
93.767	Children's Health Insurance Program
93.778	Medical Assistance Program

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2015

Section I - Summary of Auditors' Results, Continued

10. Dollar threshold used to distinguish between Type A and Type B Programs:	\$3,000,000
11. Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

<u>Reference Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
2015-007	Capital Assets	\$ -
2015-008	Schedule of Expenditures of Federal Awards	-

Section III - Federal Award Findings and Questioned Costs

<u>Reference Number</u>	<u>CFDA Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
2015-001	10.551/10.561	Special Tests and Provisions – EBT Reconciliation	\$ -
2015-007	15.875	Equipment Management	-
2015-002	17.258/17.259/17.278	Reporting	-
2015-007	20.205	Equipment Management	-
2015-003	93.558	Special Tests and Provisions - IEVS	-
2015-004	93.667	Procurement and Suspension and Debarment	-
2015-005	93.778	Eligibility	348
2015-006	All Major Programs	Cash Management	-
2015-009	64.203	Allowable Costs/Cost Principles and Procurement	-
Total Federal Questioned Costs			\$ <u>348</u>

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2015

Finding No.: 2015-001
Federal Agency: U.S. Department of Agriculture
CFDA Program: 10.551/10.561 SNAP Cluster
Federal Award No.: 2015 7GU400GU4
Area: Special Tests and Provisions – EBT Reconciliation
Questioned Costs: \$0

Criteria:

In accordance with applicable special tests and provisions requirements, States must have systems in place to reconcile all of the funds entering into, exiting from, and remaining in the system each day with the State's benefit account with Treasury and electronic benefits transfer (EBT) contractor records. This includes a reconciliation of the State's issuance files of postings to recipient accounts with the EBT contractor.

Condition:

The required EBT reconciliation was not provided.

Cause:

Government of Guam management did not effectively monitor compliance with EBT reconciliation requirements. The responsible personnel who had performed the required reconciliations in prior years had taken a leave of absence, and the assignment was not delegated to a knowledgeable employee.

Effect:

The Government of Guam is in noncompliance with applicable special tests and provisions requirements for the EBT reconciliation. A potential misstatement of federal expenditures within the Schedule of Expenditures of Federal Awards and basic financial statements or related disclosures could exist.

Recommendation:

Government of Guam management should more closely monitor the reconciliation process so that the required reconciliation is completed in accordance with applicable special tests and provisions requirements.

Auditee Response and Corrective Action Plan:

We disagree that there no daily reconciliation done on the EBT. Although, we are receiving files from JP Morgan, the unlinked benefits that are not listed in the files are not matching the State's pending with JP Morgan. Which means that we are unable to provide the auditors with the daily reconciliation that is required of us. What was done though was staff went to the our PHPro eligibility system and identify the monthly issuances and then take JP Morgan's daily reconciliation to get the monthly totals. Then the amount was verified with JP Morgan's draw from ASAP that the ending balance matches the ending balance in ASAP.

This methodology was approved by the granting agency. (see attached).
[Attachment is available upon request from the auditee.]

Effective Fiscal Year 2016, the Issuance Unit has conducted daily EBT reconciliations. This process has begun three (3) months ago. The reconciliation process involves accounting of benefits coming in and exiting from, and ensuring that the remaining balance in the system each day reflects the same balance with Guam's benefit account with the Treasury and that of the contractor.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2015

Finding No.: 2015-001, Continued
Federal Agency: U.S. Department of Agriculture
CFDA Program: 10.551/10.561 SNAP Cluster
Federal Award No.: 2015 7GU400GU4
Area: Special Tests and Provisions – EBT Reconciliation
Questioned Costs: \$0

Auditor Response:

The EBT reconciliation using the approved methodology was not provided to us.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2015

Finding No.: 2015-002
Federal Agency: U.S. Department of Labor
CFDA Program: 17.258/17.259/17.278 WIA Cluster
Federal Award No.: 2014 AA-25393-14-55-A-66
Area: Reporting
Questioned Costs: \$0

Criteria:

In accordance with applicable reporting requirements, administrative expenditures should be correctly reported on ETA-9130, Financial Report.

Condition:

Administrative costs were incorrectly reported on ETA-9130 for the quarter ended September 30, 2015, and no reconciliation was provided for the following:

<u>Year</u>	<u>Federal Award - Program</u>	<u>Administrative Costs</u>		
		<u>Reported per ETA-9130</u>	<u>Recorded per AS400</u>	<u>Over Reported</u>
FY 2015	AA25393VJ0- Dislocated Worker	\$ 97,947	\$ 46,247	\$ 51,700

Cause:

Government of Guam management did not consistently monitor reporting of administrative costs.

Effect:

The Government of Guam is in noncompliance with applicable reporting requirements. No questioned costs exist as total actual administrative costs did not exceed the allowable limits.

Recommendation:

Government of Guam management should strengthen monitoring controls over compliance with applicable reporting requirements. The responsible personnel should not approve reports for submission unless amounts are substantiated by underlying accounting records.

Auditee Response and Corrective Action Plan:

The variance between the ETA 9130 report and actual expenditures is due to a typographical error under Line f - Total Administrative expenditures. Instead of entering the amount of \$46,247.22, the total authorized amount of administrative funds was entered in lieu of actual expenditures. On ETA9130 the total expenditures reported Line e is an accurate amount, therefore total expenditures reported does not vary from actual with the AS400.

In lieu of the reorganization between the Department of Labor and the Agency for Human Resources Development the Administration Division of the Department has restructured the process in submission of the ETA9130 reports (see attached).

[Attachment is available upon request from the auditee.]

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2015

Finding No.: 2015-003
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.558 Temporary Assistance for Needy Families
Federal Award No.: 2015 1501GUTANF
Area: Special Tests and Provisions – Income Eligibility and Verification System
Questioned Costs: \$0

Criteria:

In accordance with applicable special tests and provisions requirements, 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:

- a. 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.
- b. Unemployment Compensation (UC) information should be obtained for all applicants at the first opportunity, and in each of the first 3 months in which the individual is receiving aid.
- c. All available information from the Social Security Administration (SSA) for all applicants at the first opportunity, except for restricted Federal tax return information.
- d. Information from the U.S. Citizenship and Immigration Services and any other information from other agencies in the State or in other States that might provide income or other useful information.
- e. Unearned income from the Internal Revenue Service (IRS), except for restricted Federal tax return information.

The State is required to review and compare the information obtained from each data exchange against information contained in the case record to determine whether it affects the individual's eligibility or level of assistance, benefits or services under the TANF program.

Condition:

For 41 (or 91%) of 45 case files tested, we noted that the IEVS was not used to make eligibility determinations. On April 25, 2015, the IEVS was implemented, and eligibility specialists subsequently subjected the 41 case files to the IEVS. However, there is no documentation to demonstrate that eligibility re-determinations were performed using the available data subsequently generated by the IEVS.

Cause:

Given the volume of applications processed prior to April 25, 2015, the Government of Guam did not require eligibility specialists to make eligibility re-determinations.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2015

Finding No.: 2015-003, Continued
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.558 Temporary Assistance for Needy Families
Federal Award No.: 2015 1501GUTANF
Area: Special Tests and Provisions – Income Eligibility and Verification System
Questioned Costs: \$0

Effect:

The Government of Guam is in noncompliance with applicable special tests and provisions requirements for the IEVS. Although implementation of the IEVS in April 2015 is a step forward in demonstrating corrective action for prior years' noncompliance, the finding is reportable because only partial implementation occurred during FY 2015.

Recommendation:

The Government of Guam should enforce policies and procedures over the use of the IEVS on all applications in accordance with applicable special tests and provisions requirements.

Auditee Response and Corrective Action Plan:

We agree that eligibility was processed without the benefit of IEVS prior to 4/25/2015. Thus, the Eligibility Specialists (ESs), at that time, were left with no alternative but to accept whatever information provided by the applicants or recipients during the interview process. However, when IEVS was implemented on 4/25/2015, the ESs, after trainings were conducted, and as a matter of eligibility procedure were required to visit Ph/pro's panel on IEVS to verify income and other eligibility requirements.

On June 11, 2015, the OnBase Document Imaging System was deployed. Staff were trained and instructed to "Scan, Batch, Dip and Index" all documents that are received. The system was deployed in an effort to avoid citations due to missing case files or missing documents such as birth certificate, SSNs, etc. These resulted in our agency not creating new case files. Any case that is touched by the eligibility for any purposes are to be scanned into the OnBase System.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2015

Finding No.: 2015-004
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.667 Social Services Block Grant
Federal Award No.: Fiscal Year 2014 Grant
Area: Procurement and Suspension and Debarment
Questioned Costs: \$0

Criteria:

In accordance with applicable procurement requirements, a State will follow the same policies and procedures it uses for procurements from its non-Federal funds. In accordance with Government of Guam procurement regulations, sole source procurement is not permissible unless a requirement is available from only a single supplier. A requirement for a particular proprietary item does not justify a sole source procurement if there is more than one potential bidder or offeror for that item.

Condition:

For one (or 20%) of five transactions tested, aggregating \$32,356 of \$637,054 in total non-payroll program costs, sole source procurement was used to award a contract to a not-for-profit organization for services to individuals and/or families in need of emergency shelter. However, we are aware that services for the homeless are available from other not-for-profit organizations on Guam.

<u>Tran#</u>	<u>Vendor#</u>	<u>Prior Ref#</u>	<u>Amount Tested</u>	<u>Total FY 2015 Contract Costs</u>
0575623	C2408101	P156A00133	\$ 17,040	\$ 218,768

Cause:

Government of Guam management believed that procuring directly from the vendor 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 under RFP-DPHSS-DPW-BOSSA-2008-047.

Effect:

The Government of Guam is in technical noncompliance with applicable procurement requirements. No questioned cost is presented as the Government of Guam subsequently performed telephonic inquiries to three other homeless shelter providers to corroborate that their services did not meet specific criteria of the pilot project.

Recommendation:

Government of Guam management should more closely monitor sole source justifications and should approve the use of sole source procurement only when written documentation demonstrates that the required goods or services are available from only a single supplier in compliance with applicable procurement requirements.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2015

Finding No.: 2015-004, Continued
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.667 Social Services Block Grant
Federal Award No.: Fiscal Year 2014 Grant
Area: Procurement and Suspension and Debarment
Questioned Costs: \$0

Auditee Response and Corrective Action Plan:

The department acknowledges the auditor recommendation that Government of Guam should closely monitor sole source justifications and should approve the use of sole source procurement only when written documentation demonstrates that the required goods or services are available from only a single supplier in compliance with applicable procurement requirements. The department acknowledges that sole source procurement is not permissible unless a requirement is available from only a single supplier, and is not permissible if there is more than one potential bidder or offeror to provide the requirement for the particular proprietary item.

In procuring sole source for the expanded emergency homeless shelter trial project, it was the intent of the Government of Guam to extend the stay at the current emergency shelter for homeless families with children who require more intensive assistance and tailored interventions. It is a program for families who have been accepted into the main homeless shelter, or are already staying at the shelter. As the trial project meets the SSBG national goal, as well as align with the Goals of the National Alliance to End Homelessness, and the U.S. Interagency Council on Ending Homelessness, federal SSBG funds were used. The main shelter program was procured through RFP-DPHSS-BOSSA-008-047, and the current vendor was the sole offeror. The trial project launched off of this shelter program.

The other reasons for the trial project was to address the urgency of services and lack of shelter space at the main shelter for vulnerable families.

During the planning stages of the procurement, due diligence and caution were taken as the department made inquiries to 3 potential offerors of emergency shelters, to which it was determined that two of the organizations were treatment centers that required clients to have a drug and alcohol disorder, while the third organization provided emergency shelter only to youths ages 12-18 whose parents or caretakers consented to the shelter stay. These shelters had stated that homeless individuals or families who walked in or called for services and did not meet their aforementioned criteria would be referred to [Vendor C2408101] who operates the main homeless shelter program.

The sole source procurement and purchase order was approved by the General Services Agency.

In response to the draft audit finding, the BOSSA shall have in place the following:

Corrective Action Plan

1. Since the onset of the trial project, quarterly monitoring by the department indicate that the project has benefited vulnerable families with children who need more time in an emergency shelter in order to have the conditions in place that will allow families to get permanent housing and exit homelessness. As a result, components of the emergency homeless shelter trial project have been integrated into an expanded scope of work for homeless emergency shelter services to be effective October 1, 2016. This Invitation for Bid (IFB) procurement packet was completed by the department and submitted to the General Services Agency (GSA), and received by GSA on February 11, 2016. The GSA then forwarded the IFB procurement to the Office of the Attorney General (AG) for review and approval. Upon approval by the Office of AG, the IFB procurement will be announced to the general public by the GSA.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2015

Finding No.: 2015-004, Continued
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.667 Social Services Block Grant
Federal Award No.: Fiscal Year 2014 Grant
Area: Procurement and Suspension and Debarment
Questioned Costs: \$218,768

Auditee Response and Corrective Action Plan:

2. Since receipt of the draft audit finding and questioned costs, the BOSSA has communicated with the grantor agency, the Administration for Children and Families, U.S. Department of Health and Human Services, in order to apprise them of the audit. We await response from the grantor agency.
3. Procurement for emergency and urgent social services, and for trial projects that are launched off of existing social service programs, shall follow the Government of Guam procurement regulations and shall be made available through the six procurement methods as stated in 5 GCA §5210(a).
4. Procurement for sole source which meets the test for sole source as contained in 2 GAR §3112, and as long as the Chief Procurement Officer determines in writing that there is only 1 supplier for the goods or services, and which is funded through federal grants, shall have written or documented correspondence or pre-approval from grantor agency, with specific information on the name of the sole source vendor.
5. Sole source procurement shall have material documentation and correspondence to justify a single supplier of goods or services. Material documentation shall include statements from potential suppliers or offerors that indicate their ability or inability to meet specific requirements of any proprietary item.

Should you have any questions or need clarification on the above Corrective Action Plan, please call Ms. Elizabeth I. Ignacio or myself [Linda Rodriguez, Human Services Administrator, BOSSA] at 475-2653/2672. We thank you for your kind attention and support.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2015

Finding No.: 2015-005
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.778 Medical Assistance Program
Federal Award No.: 1505GQ5MAP
Area: Eligibility
Questioned Costs: \$348

Criteria:

In accordance with applicable eligibility requirements, such documents as application worksheets, social security cards, proof of citizenship, proof of residency, notice of action, verification of employment forms, and recertification forms should be maintained on file to substantiate eligibility determinations. Furthermore, information should be requested from other agencies in the State and other State and Federal programs in verifying the financial eligibility of an individual.

Condition:

Of 75 case files tested, we noted deficiencies, as follows:

1. For one (or 1%), we noted no documentation to demonstrate that information was requested from other agencies or programs in verifying financial eligibility. No questioned cost is presented as we are unable to quantify the extent of noncompliance.
2. For 74 (or 99%), we noted that information was not requested from other agencies or programs in verifying financial eligibility and making eligibility determinations. On April 25, 2015, the Income Eligibility and Verification System (IEVS) was implemented, and eligibility specialists subsequently subjected the 74 case files to the IEVS, whereby data from other agencies or programs was obtained. However, there is no documentation to demonstrate that eligibility re-determinations were performed using the available data subsequently generated by the IEVS. No questioned cost is presented as we are unable to quantify the extent of noncompliance.
3. For four (or 5%), the social security card was not on file for all household members for the following case numbers: 330072285-9, 330057141-2, 330072532-1, and 201304010-3. No questioned cost results because the household members were not named as patients in the claim tested.
4. For three (or 4%), the birth certificate or equivalent record was not documented to substantiate the citizenship of a certain household member for each of the following case numbers: 330050065-12, 330073164-5, and 300091059-4. No questioned cost results because the household members were not named as patients in the claim tested.
5. For two (or 3%), the supporting application and Notice for Action for the certification period were not on file for the following case numbers:

	<u>Case #</u>	<u>Begin Date</u>	<u>End Date</u>	<u>Medicaid Claim Paid</u>
1	330038303-2	07/01/2013	06/30/2014	\$ 352
2	300070086-6	07/01/2014	06/30/2015	<u>184</u>
			Questioned Cost	\$ <u>536</u>

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2015

Finding No.: 2015-005, Continued
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.778 Medical Assistance Program
Federal Award No.: 1505GQ5MAP
Area: Eligibility
Questioned Costs: \$348

Condition, Continued:

6. For one (or 1%), the case file was not provided for examination:

<u>Case #</u>	<u>Service Date</u>	<u>Medicaid Claim Paid</u>
330077498-3	09/12/2013	\$ <u>97</u>
	Questioned Cost	\$ <u>97</u>

Cause:

The Government of Guam did not effectively manage files containing participant personal data. There is no system in place to track usage and location of participant files.

Effect:

The Government of Guam is in noncompliance with applicable eligibility requirements. Projected questioned costs exceed \$10,000, and known questioned costs of \$348 exist, as follows:

Costs Questioned Above	\$ 633
X Federal Share	<u>55%</u>
Total Questioned Cost	\$ <u>348</u>

Recommendation:

The Program Administrator should implement monitoring and recordkeeping controls over maintaining compliance with applicable eligibility requirements.

Auditee Response and Corrective Action Plan:

We agree that eligibility was processed without the benefit of IEVS prior to 4/25/2015. Thus, the Eligibility Specialists (ESs), at that time, were left with no alternative but to accept whatever information provided by the applicants or recipients during the interview process. However, when IEVS was implemented on 4/25/2015, the ESs, after trainings were conducted, and as a matter of eligibility procedure were required to visit Ph/pro's panel on IEVS to verify income and other eligibility requirements.

On June 11, 2015, the OnBase Document Imaging System was deployed. Staff were trained and instructed to "Scan, Batch, Dip and Index" all documents that are received. The system was deployed in an effort to avoid citations due to missing case files or missing documents such as birth certificate, SSNs, etc. These resulted in our agency not creating new case files. Any case that is touched by the eligibility for any purposes are to be scanned into the OnBase System.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2015

Finding No.: 2015-006
Federal Agency: U.S. Department of the Treasury
CFDA Program: All Major Programs
Area: Cash Management
Questioned Costs: \$0

Criteria:

In accordance with applicable cash management requirements, a State must submit an Annual Report accounting for State and Federal interest liabilities of the State's most recently completed fiscal year. The authorized State official must certify the accuracy of a State's Annual Report. A signed original of the Annual Report must be received by December 31 of the year in which the State's fiscal year ends.

Condition:

The required Annual Report was not prepared. No written waiver was provided.

Cause:

Government of Guam management believed that the Annual Report was not required since the interest liability owed to or by the Federal Government is \$0.

Effect:

The Government of Guam is in noncompliance with applicable cash management requirements relative to the Annual Report. No questioned cost is presented as we are unable to quantify the extent of noncompliance.

Recommendation:

Government of Guam management should seek clarification from the U.S. Department of the Treasury regarding requirements of the Annual Report and applicable waivers therefor.

Auditee Response and Corrective Action Plan:

DOAs General Accounting Supervisor has been in communication with GovGuam's POC from the US Department of the Treasury and has obtained information regarding requirements of the Annual Report. POC also provided the link to the Cash Management Improvement Act System (CMIAS) to complete and be able to submit the Annual Report. Applicable waiver will be requested if interest calculations results to interest liability owed to or by Federal Government is \$0.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2015

Finding No.: 2015-007
CFDA Program: 15.875 DOI Economic, Social and Political Development of the Territories
CFDA Program: 20.205 DOT Highway Planning and Construction
Area: Equipment and Real Property Management
Area: Capital Assets
Questioned Costs: \$0

Criteria:

1. In accordance with the applicable equipment management requirements, grantees that acquire equipment with Federal funds are required to perform a physical inventory of the property and reconcile results with property records at least once every two years. Such property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data, including the date of disposal and sale price of the property. In addition, adequate maintenance procedures must be established to keep the property in good condition.
2. Capital assets of the primary government should be reconciled with other non-component unit government agencies, departments or divisions.
3. Capital assets should be reviewed for ongoing pertinence to avoid overstatement of assets transferred to and reported by component units, and to identify retired assets that have been replaced, disposed of or that have no further value or use.
4. Construction costs should be organized by project to include allocated design, engineering and construction management services applicable to the respective project. Such should be recorded as construction in progress and upon completion, the projects should be transferred and depreciated.
5. Reconciliation with inventory records, capital asset ledgers and the general ledger should be timely performed.
6. Capitalized assets should be recorded in accordance with the applicable capitalization policy.

Condition:

1. The Government of Guam did not perform the required comprehensive physical inventories of its property during FY 2015 or in the two prior years. However, subsequently in January 2016, the Government of Guam completed the required inventory.

We are unable to assess the overall cumulative monetary value of this deficiency. However, a summary of total capital outlays over the past five years for the Government of Guam's FY 2015 major programs is as follows:

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2015

Finding No.: 2015-007, Continued
 CFDA Program: 15.875 DOI Economic, Social and Political Development of the Territories
 CFDA Program: 20.205 DOT Highway Planning and Construction
 Area: Equipment and Real Property Management
 Area: Capital Assets
 Questioned Costs: \$0

Condition, Continued:

		<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>Total</u>
	<u>Program CFDA #s</u>	<u>Purchases</u>	<u>Purchases</u>	<u>Purchases</u>	<u>Purchases</u>	<u>Purchases</u>	
1.	10.551/10.561	\$ 0	0	0	14,995	14,500	29,495
2.	10.557	\$ 0	0	14,990	0	0	14,990
3.	11.419	\$ 0	0	9,998	0	0	9,998
4.	11.482	\$ 0	0	0	0	0	0
5.	15.875	\$ 4,744,016	2,420,836	2,853,009	573,017	564,249	11,155,127
6.	17.258/17.259/17.278	\$ 0	70,403	22,490	0	0	92,893
7.	20.205	\$ 204,102	625,334	5,557,352	538,071	6,064,230	12,989,089
8.	93.558	\$ 0	0	0	0	0	0
9.	93.575	\$ 0	0	0	0	0	0
10.	93.667	\$ 11,289	0	0	0	0	11,289
11.	93.767	\$ 0	0	0	0	0	0
12.	93.778	\$ 0	0	0	0	12,550	12,550

2. Capital assets of the Guam Department of Education and Unified Courts were not timely reconciled. An audit adjustment was proposed to reconcile related schedules.
3. Capital assets included \$2M of project costs for the Northern Pool Dededo Complex that were also reported by the Guam Housing Urban and Renewable Authority. An audit adjustment was proposed to correct this overstatement.
4. \$3.6M of fully depreciated vehicles and equipment were scrapped and disposed of. Related acquisition costs and accumulated depreciation were reported as of September 30, 2015.
 - An audit adjustment was proposed to remove \$1.2M of the assets.
 - Survey reports supporting \$668k of these assets were not available.
5. We were unable to verify the existence of \$897k of capital assets. The asset listing did not include sufficient information to identify locations or descriptions.
6. Construction in progress (CIP) included \$1.171M of generators installed at the Department of Corrections. The following related exceptions were identified:
 - Capital assets of \$498k were recorded in excess of actual costs.
 - The project cost was additionally overstated by \$428k and an audit adjustment was proposed to correct this matter.
7. Construction costs were not easily identifiable by project and such were not timely transferred and depreciated upon completion. A \$6M audit adjustment was proposed to transfer completed projects from construction in progress to depreciable assets.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2015

Finding No.: 2015-007, Continued
CFDA Program: 15.875 DOI Economic, Social and Political Development of the Territories
CFDA Program: 20.205 DOT Highway Planning and Construction
Area: Equipment and Real Property Management
Area: Capital Assets
Questioned Costs: \$0

Condition, Continued:

8. A \$15M construction project was completed at the end of fiscal year 2015. \$3M of the \$15M was not capitalized and \$724K of related depreciation was recorded incorrectly in the prior year.
9. A \$7M audit adjustment was proposed to correct an understatement of accumulated depreciation.
10. Asset acquisitions aggregating \$2.1M were less than the \$50,000 threshold per the applicable capitalization policy. An audit adjustment was proposed to remove these assets.
11. Approximately \$207K of assets were identified within the \$50,000 threshold policy which were not capitalized. An audit adjustment was proposed to include these assets.

Cause:

Equipment management has been a continuing finding in prior audits, and Government of Guam management is still in the process of effecting corrective action to develop and fund an equipment management system.

The processes over inventory, maintenance and reconciliation of capital assets are not routine. Construction project accounting for all associated costs, such as construction management and allocating such by project is not performed.

Effect:

The Government of Guam is in noncompliance with applicable equipment management requirements. The underlying capital outlays are not considered questioned costs as corrective action is in progress. This noncompliance applies to the following major programs, for which cumulative capital outlays over the past five years exceed FY 2015 materiality levels: CFDA numbers 15.875 and 20.205. Furthermore, a potential misstatement of capital assets within the financial statements or related disclosures could exist.

Completion of the required inventory in January 2016 is a significant step forward in demonstrating corrective action for prior years' noncompliance.

Prior Year Status:

The lack of properly recording capital assets was reported as finding 2014-001.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2015

Finding No.: 2015-007, Continued
CFDA Program: 15.875 DOI Economic, Social and Political Development of the Territories
CFDA Program: 20.205 DOT Highway Planning and Construction
Area: Equipment and Real Property Management
Area: Capital Assets
Questioned Costs: \$0

Recommendation:

The Government of Guam should continue implementing controls over timely tagging all equipment and over performing the required future inventories and reconciliations in accordance with applicable equipment management requirements.

Capital assets should be recorded in accordance with the Government's capitalization policy. We recommend a policy be implemented to monitor replacements, disposals, transfers of assets and construction in progress by project.

The Division of Accounts should investigate whether additional personnel well versed in accounting reconciliations and processes may be required to allow for timely review and recordation of capital assets, especially given the substantial capital asset construction that is undertaken by the Government of Guam. Furthermore, coordination with DPW and other engineering firms must occur at project commencement so that accounts are established to track capital costs and to allow for the preparation of periodic reports documenting a project's percentage of completion.

Auditee Response and Corrective Action Plan:

The Fixed Assets division continues to be proactive in training personnel to maintain consistency in the understanding of the Government of Guam's fixed assets policy through DOA's bi-annual training. This training is currently on going for equipment/property custodians and those responsible for the accountability of such equipment such as the heads of the respective agencies as well as their certifying officers. Training agenda includes familiarity of compliance of federal requirements to include all procedures for accountability in order for equipment can be located accordingly during physical inventory. The Fixed Assets team is also working on developing a revised policy that addresses all the phases in the fixed assets process to include transfers, disposals, replacements as well as construction in progress by project.

Physical inventory from previous years to FY 2015 was completed as of Jan 2016 and is a continuing process to ensure that tagging of equipment is timely for proper accountability. The Fixed Assets Division will be working with DOA's Financial Management division and DPW to ensure that Capital Improvement Projects are monitored and recorded accordingly to reconcile with the fixed assets register.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2015

Finding No.: 2015-008
Area: Schedule of Expenditures of Federal Awards (SEFA)

Criteria:

In accordance with OMB Circular A-133, the SEFA shall provide total Federal awards expended for each individual Federal program.

Conditions:

For fiscal year 2015, the Government of Guam provided a final SEFA on June 27, 2016.

Cause:

Reconciliation of federal expenditures and federal receipts was not timely performed.

Effect:

No net impact on the financial statements results from this condition.

Recommendation:

The Division of Accounts should investigate whether additional personnel well-versed in accounting reconciliations and processes may be required to allow for timely review and reconciliation of the SEFA.

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, 2015

Finding No.: 2015-009
Federal Agency: U.S. Department of Veterans Affairs
CFDA Program: 64.203 State Cemetery Grants
Federal Award No.: GU-11-03
Area: Allowable Costs/Cost Principles
Questioned Costs: \$0
Area: Procurement and Suspension and Debarment
Questioned Costs: \$0

Background:

CFDA Program 64.203 State Cemetery Grants was tested as a major program during the FY 2014 Single Audit of the Government of Guam. In the FY 2014 Single Audit, testing resulted in a qualified compliance opinion and material weaknesses due to a lack of documentation, such as invoices, receiving reports, procurement files, and evidence of a physical inventory.

Subsequent to our report dated on June 29, 2015, the Office of Public Accountability – Guam became aware that documents were located and requested that we test the available documents. Therefore, we performed follow-up procedures on the available documentation for CFDA 64.203, which is a non-major program with \$0 expenditures in FY 2015.

Criteria:

In accordance with applicable allowable costs/cost principles requirements, costs must be adequately documented to be allowable under Federal awards.

Furthermore, in accordance with applicable procurement requirements, grantees and subgrantees will maintain records sufficient to detail the significant history of a procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

Condition:

- 1. For 5 (or 45%) of 11 expenditure transactions, the Government of Guam did not provide sufficient documentation, such as vendor invoices (INV), receiving reports (RECV), and/or payment requests (REQ) to substantiate the following program costs:

	<u>Date</u>	<u>Check No.</u>	<u>Reference</u>	<u>Amount</u>	<u>Documents Not Provided</u>
(a)	04/21/14	1216	RFP OVA 13-001	\$ 17,641	RECV, REQ
(b)	12/18/14	1243	RFP OVA 13-001	\$ 56,812	RECV, REQ
(c)	04/17/15	1250	GU-11-03	\$ 278,028	REQ

No questioned cost is presented as we examined evidence of the contractor’s performance of contract terms and conditions and of the grantor’s approval of costs reported in the SF 271 Outlay Report and Request for Reimbursement for Construction Programs, including ancillary communications between the grantor and grantee that provide a sufficient level of assurance that the grantor had reviewed the supporting invoices and receiving reports prior to approval.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2015

Finding No.: 2015-009, Continued
Federal Agency: U.S. Department of Veterans Affairs
CFDA Program: 64.203 State Cemetery Grants
Federal Award No.: GU-11-03
Area: Allowable Costs/Cost Principles
Questioned Costs: \$0
Area: Procurement and Suspension and Debarment
Questioned Costs: \$0

Condition, Continued:

	<u>Date</u>	<u>Check No.</u>	<u>Reference</u>	<u>Amount</u>	<u>Documents Not Provided</u>
(d)	03/06/14	1215	GU-11-04	\$ 130,500	INV, RECV, REQ

The vendor invoice was dated 12/20/13 and totaled \$104,920 for 72.02% work completed, whereas the vendor was paid more than 2 months later for 90% of the contract price. The unsupported difference of \$25,580 is not presented as a questioned cost as we examined the grantor's approval for costs of \$145,000 reported in the SF 271 Outlay Report and Request for Reimbursement for Construction Programs, including ancillary communications between the grantor and grantee that provide a sufficient level of assurance that the grantor had reviewed the supporting invoices and receiving reports prior to approval.

	<u>Date</u>	<u>Check No.</u>	<u>Reference</u>	<u>Amount</u>	<u>Documents Not Provided</u>
(e)	04/22/14	1219	N/A	\$ 246,653	INV, RECV, REQ

This payment appears to be for services received in fiscal year 2013; however, such expenditures were not presented in the Schedule of Expenditures of Federal Awards for FY 2013, and full reporting is effected in FY 2014. No questioned cost is presented as we examined evidence of the contractor's performance of contract terms and conditions, such as designs and drawings, and the grantor's approval of costs for \$246,653 reported in the SF 271 Outlay Report and Request for Reimbursement for Construction Programs, including ancillary communications between the grantor and grantee that provide a sufficient level of assurance that the grantor had reviewed the supporting invoices and receiving reports prior to approval.

- For 1 (or 33%) of 3 procurement transactions, procurement documentation was incomplete. For RFP OVA 13-001, no proposals and no selection analysis was provided other than the proposal and evaluation sheet of the selected contractor. No questioned cost is presented as available documentation shows that five companies picked up request-for-proposal packets, evidencing competition, and we are not aware of any related procurement appeals.

Cause:

Program transactions were not centrally processed at the Government of Guam's Division of Accounts, and the then Program Administrator represented that the program office was burglarized prior to commencement of their audit. Therefore, complete documentation was not available.

Effect:

The Government of Guam is in noncompliance with applicable allowable costs/cost principles requirements and with applicable procurement requirements. No questioned cost is presented as the Government of Guam was able to correspond with the grantor to obtain evidence of approved costs.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2015

Finding No.: 2015-009, Continued
Federal Agency: U.S. Department of Veterans Affairs
CFDA Program: 64.203 State Cemetery Grants
Federal Award No.: GU-11-03
Area: Allowable Costs/Cost Principles
Questioned Costs: \$0
Area: Procurement and Suspension and Debarment
Questioned Costs: \$0

Recommendation:

Government of Guam management should coordinate further with the grantor agency, contractors and the financial institution to obtain copies of such supporting documentation as payment requests, purchase orders, contracts, invoices, receiving reports, and procurement records to substantiate costs in accordance with applicable allowable costs/cost principles requirements and with applicable procurement requirements.

Auditee Response and Corrective Action Plan:

The General Accounting Supervisor(GAS), Federal Branch of DOA will continue to actively coordinate with the contractors, financial institution, treasurer/secretary of the Guam Veterans Commission and grantor agency to obtain copies of supporting documentation to substantiate costs in accordance with applicable procurement requirements as well as with applicable allowable costs/cost principles. A new Administrator for the GVAO was recently appointed to oversee the operations of the GVAO; DOAs Director together with the GAS, Federal Branch will be meeting with the new Administrator to address current issues such as bank reconciliations, lack of management of accounting records, reconciliation of petty cash funds, reconciliation of cash receipts, little to no control of checks issued by GVAO due to pre-signed checks, non-compliance of procurement laws and regulations , etc. and to provide recommendations to ensure future compliance with all federal grant requirements and accounting policies and procedures. In addition, they will coordinate with the new Administrator to help obtain documentation from contractors that have yet to provide DOA with supporting documents needed.

DOA will work closely with the Administrator and staff to assist in the implementation of immediate internal controls to comply with accounting policies and procedures as well as records management requirements. DOAs GAS, Federal Branch will assist the Administrator and assigned staff to develop standard operating procedures to comply with federal requirements as well as proper record keeping for accountability and adherence to policy for all staff members to maintain consistency and understanding of all requirements in procurement, cash management, etc.

GOVERNMENT OF GUAM

Summary of Unresolved and Resolved Questioned Costs Arising from
Prior Year Single Audits
Year Ended September 30, 2015

	<u>Prior Year Listed Unresolved Questioned Costs</u>	<u>Questioned Costs Resolved During the Year</u>	<u>End of Year</u>
Unresolved Questioned Costs FY 12	\$ 35,293	\$ 35,293	\$ -
Unresolved Questioned Costs FY 13	18,178	3,728	14,450
Unresolved Questioned Costs FY 14	<u>46,293</u>	<u>46,293</u>	<u>-</u>
	\$ <u>99,764</u>	\$ <u>85,314</u>	14,450
 Add Questioned Costs for FY 2015			<u>348</u>
 Total Unresolved Questioned Costs at September 30, 2015			\$ <u>14,798</u>

Unresolved Questioned Costs by CFDA Program:

<u>CFDA #</u>	<u>Program Name</u>	<u>2015</u>	<u>2013</u>	<u>Total</u>
93.778	Medicaid	\$ 348	\$ -	\$ 348
97.078	Buffer Zone Protection Program	<u>-</u>	<u>14,450</u>	<u>14,450</u>
	Totals	\$ <u>348</u>	\$ <u>14,450</u>	\$ <u>14,798</u>