



**Government of Guam
FY 2017 Compliance Highlights**

July 2, 2018

The Government of Guam's (GovGuam) fiscal year (FY) 2017 Single Audit Reports on Compliance and Internal Controls reported seven findings, three of which were material weaknesses and four were significant deficiencies. Total questioned costs were \$135 thousand (K) in FY 2017, a 69% decrease from \$432K in FY 2016. Of the \$135K in questioned costs, \$127K or 94% were in the area of procurement for Department of the Interior, Environmental Protection Agency, and Substance Abuse and Mental Health Services programs. The remaining \$8K or 6% was related to non-compliance with Medicaid eligibility requirements.

Independent auditors Deloitte & Touche, LLP issued a qualified opinion on four major federal programs due to material weaknesses for the Supplemental Nutrition Assistance Program (SNAP) better known as Food Stamps Cluster; Economic, Social and Political Development of the Territories (Compact Impact); Highway Planning and Construction Cluster; and the Environmental Protection Consolidation Grants for the Insular Areas.

Federal Program Funding

GovGuam and its line agencies expended \$288.8 million (M) in federal awards from 15 grantor agencies. Of the 15 grantor agencies, the largest grant came from the U.S. Department of Agriculture at \$114.1M, of which \$102.9M was for SNAP. The second largest grantor was the U.S. Department of Health and Human Services at \$113.9M for the various welfare programs, such as Medicaid at \$54.7M and Children's Health Insurance Program at \$27.8M. The third largest grantor was the U.S. Department of the Interior at \$18.9M, of which \$16.1M was for Compact Impact funding. The fourth largest grantor was the U.S. Department of Transportation at \$17.9M, of which \$15.7M was for Highway Planning and Construction.

In addition, GovGuam component units expended \$201.3M in federal awards. The top three agencies were Guam Department of Education at \$66.3M, Guam Housing and Urban Renewal Authority at \$42.2M, and University of Guam at \$28.4M.

Single Audit Findings

In FY 2017, seven findings were identified in the Single Audit, of which five were repeat findings from the prior year. Three of the seven findings were related to procurement. The remaining findings pertained to reporting, special tests and provisions, eligibility, and equipment management and capital assets. These findings were as follows:

Procurement Findings (2017-003, 2017-004, and 2017-005)

- A sole source procurement was followed based on a change order to an existing contract to build six additional bus stop locations that were not part of the scope of the existing contract. However, the procurement file did not contain a written determination as to why there was only one source for the bus stops despite the existing contract showing there had been eight bidders. Questioned costs amounted to \$62K.

- The sole source method was used to procure water-testing supplies based on a vendor's self-certification that it was the sole provider of the required supplies. However, there was no written documentation on file from independent research or independent sources that substantiates the vendor's claim. Questioned cost amounted to \$11K.
- Expenditures were charged to a contract for which no procurement file was provided. Questioned cost amounted to \$54K.

SNAP Reporting and Special Tests and Provisions (2017-001 and 2017-002)

- Reconciliation of SNAP benefits issuances were inaccurately reported.
- Not all daily Electronic Benefits Transfer reconciliations performed by the State were provided. In addition, some reconciliations were performed less frequently than daily, and the reconciliation documentation was revised several times during the course of the audit.

Medical Assistance Program Eligibility (2017-006)

- Two case files containing \$15K in claims were not provided for examination. Questioned cost amounted to \$8K.

Equipment and Real Property Management and Capital Assets (2017-007)

This area is a recurring material weakness finding since FY 2012. Although there was a significant step forward in demonstrating corrective actions, the auditors found the following:

- Required property inventory reconciliation was not completed.
- Inventory records, capital asset ledgers, and the general ledger were not reconciled or updated.
- Capital assets were not recorded in accordance with the applicable capitalization policy.
- Construction costs were not easily identifiable by project.

Management Letter

The independent auditors issued a separate management letter containing 11 findings from the following GovGuam divisions and agencies:

- a) Department of Administration (DOA) Division of Accounts – (1) lack of enforcement of collection of use tax, bounced checks, and annuities due from component units totaling \$2.4M; (2) \$2.2M collections not allocated to correct revenue accounts; (3) \$2.4M in overstated accrual for compensated absences; (4) no periodic evaluation of MIP/Medicaid accruals; and (5) reconciliation issues on journal voucher adjustments.
- b) General Service Agency – (6) no inventory records available for \$5.4M recorded fuel and supplies.
- c) Guam Fire Department – (7) recording and reconciliation issues on ambulance services.
- d) Customs and Quarantine – (8) \$3.1M in rental and administrative fees not supported with signed lease agreement.
- e) Child Support Enforcement Division/Division of Accounts – (9) \$2M in unreconciled unclaimed checks dated over 15 years back.
- f) Unified Courts – (10) untimely monitoring of probation accounts.
- g) Guam Legislature – (11) untimely reconciliation of general ledger accounts.

The DOA Data Processing Division were issued five findings related to the information technology environment.

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