

GOVERNMENT OF GUAM

SINGLE AUDIT REPORTS

YEAR ENDED SEPTEMBER 30, 2005

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

Honorable Felix P. Camacho
Governor
Government of Guam:

We have audited the basic financial statements of the Government of Guam as of and for the year ended September 30, 2005, and have issued our report thereon dated June 9, 2006, which report was qualified due to our inability to audit tax-related balances and to the lack of audited financial statements of the Guam Memorial Hospital Authority (GMHA) – Component Unit. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Government of Guam's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Government of Guam's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 05-31 through 05-33.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider finding numbers 05-31 and 05-33 to be material weaknesses.

We also noted other matters involving the internal control over financial reporting, which we have reported to management of the Government of Guam in a separate letter dated June 9, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Government of Guam's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 05-30.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Government of Guam in a separate letter dated June 9, 2006.

This report is intended solely for the information and use of the management of the Government of Guam, the Office of the Public Auditor of Guam, federal awarding agencies, pass-through entities and the cognizant audit and other federal agencies and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is also a matter of public record.



June 9, 2006

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL
OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM
AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Honorable Felix P. Camacho
Governor
Government of Guam:

Compliance

We have audited the compliance of the Government of Guam with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2005. The Government of Guam's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs (pages 29 through 79). Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Government of Guam's management. Our responsibility is to express an opinion on the Government of Guam's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Government of Guam's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Government of Guam's compliance with those requirements.

As described in finding numbers 05-01 through 05-30 in the accompanying Schedule of Findings and Questioned Costs, the Government of Guam did not comply with requirements regarding allowable costs/cost principles; cash management; eligibility; equipment and real property management; period of availability of Federal funds; procurement and suspension and debarment; and special tests and provisions that are applicable to its major federal programs described in the Federal Award Findings and Questioned Cost Section of the accompanying Schedule of Findings and Questioned Costs (page 32). Compliance with such requirements is necessary, in our opinion, for the Government of Guam to comply with requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Government of Guam complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2005.

Internal Control Over Compliance

The management of the Government of Guam is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Government of Guam's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Government of Guam's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 05-01 through 05-30.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider finding numbers 05-04, 05-05, 05-09, 05-15, 05-19, 05-23, 05-27, 05-29 and 05-30 to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the Government of Guam as of and for the year ended September 30, 2005, and have issued our report thereon dated June 9, 2006, which report was qualified due to our inability to audit tax-related balances and to the lack of audited financial statements of the Guam Memorial Hospital Authority (GMHA) – Component Unit. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards (pages 5 through 23) is presented for the purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. This schedule is the responsibility of the management of the Government of Guam. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects when considered in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the management of the Government of Guam, the Office of the Public Auditor of Guam, federal awarding agencies, pass-through entities and the cognizant audit and other federal agencies and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is also a matter of public record.



June 9, 2006

GOVERNMENT OF GUAM

Summary of Schedule of Expenditures of Federal Awards, by Grantor
Year Ended September 30, 2005

Agency/Program	Accrued (Deferred) Balance at September 30, 2004	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2005
U.S. Department of Agriculture	\$ 757,292	\$ 66,929,672	\$ 63,161,789	\$ (3,010,591)
U.S. Department of Commerce	(66,718)	689,733	1,337,760	581,309
U.S. Department of Defense	987,050	1,064,997	1,543,329	1,465,382
U.S. Department of Housing and Urban Development	119,511	143,361	402,304	378,454
U.S. Department of the Interior	2,935,309	20,729,205	20,296,300	2,502,404
U.S. Department of Justice	1,036,153	4,016,842	3,695,409	714,720
U.S. Department of Labor	205,700	3,264,343	5,389,242	2,330,599
U.S. Department of Transportation	1,716,632	4,652,511	4,152,148	1,216,269
National Foundation on the Arts and the Humanities	289,299	269,138	273,904	294,065
U.S. Environmental Protection Agency	654,082	4,364,239	3,088,926	(621,231)
U.S. Department of Energy	206,822	572,754	461,168	95,236
U.S. Department of Education	1,381,063	2,600,882	1,743,852	524,033
U.S. Department of Health and Human Services	5,445,171	32,093,393	32,181,875	5,533,653
Corporation for National and Community Service	(18,991)	368,868	418,476	30,617
Social Security Administration	(3,211)	(3,211)	-	-
U.S. Department of Homeland Security	(6,419,453)	15,785,848	16,368,637	(5,836,664)
GRAND TOTAL	\$ 9,225,711	\$ 157,542,575	\$ 154,515,119	\$ 6,198,255

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

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2005

CFDA#	Agency/Program	Accrued (Deferred) Balance at September 30, 2004	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2005	Amounts Passed Through to Subrecipients by Major Programs
U.S. DEPARTMENT OF AGRICULTURE						
10.025	Plant and Animal Disease, Pest Control, and Animal Care	\$ (4,570)	\$ (4,701)	\$ -	131	\$ -
10.551	Food Stamps	-	53,633,227	53,633,227	-	0
10.552	Special Food Service Program for Children	80,214	-	-	80,214	-
10.557	Special Supplemental Food Program for Women, Infants and Children	1,764,955	7,304,924	6,811,607	1,271,638	(358,003)
10.560	State Administrative Expenses for Child Nutrition	-	358,003	-	(358,003)	-
10.561	State Administrative Matching Grant for Food Stamp Program	(1,345,944)	5,419,581	1,869,579	(4,895,946)	\$ 0
10.570	Nutrition Services Incentive	-	-	-	-	-
10.572	WIC Farmers' Market Nutrition Program (FMNP)	34,054	4,687	77,585	106,952	-
10.664	Cooperative Forestry Assistance	215,075	178,325	749,827	786,577	-
10.766	Community Facilities Loans and Grants	-	18,889	14,892	(3,997)	-
10.950	Agricultural Statistics Reports	13,508	15,750	5,072	2,830	-
10.960	Technical Agricultural Assistance	-	987	-	(987)	-
U.S. DEPARTMENT OF AGRICULTURE TOTAL		\$ 757,292	\$ 66,929,672	\$ 63,161,789	\$ (3,010,591)	

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Schedule of Expenditures of Federal Awards
Year Ended September 30, 2005

CFDA#	Agency/Program	Accrued (Deferred) Balance at September 30, 2004	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2005	Amounts Passed Through to Subrecipients by Major Programs
U.S. DEPARTMENT OF COMMERCE						
11.002	Census Customer Services	\$ 11,304	\$ 13,457	\$ 19,561	\$ 17,408	
11.004	Census Intergovernmental Services	-	1,102	-	(1,102)	
11.300	Grants for Public Works and Economic Development Facilities	-	13,867	-	(13,867)	
11.307	Economic Adjustment Assistance	99,499	-	-	99,499	
11.407	Interjurisdictional Fisheries Act of 1986	6,716	4,218	13,654	16,152	
11.419	Coastal Zone Management Administration Awards	(33,217)	657,510	1,010,488	319,761	\$ 157,983
11.426	Financial Assistance for National Centers for Coastal Ocean Science	(55,908)	58,149	147,685	33,628	
11.427	Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	-	4,692	-	(4,692)	
11.437	Pacific Fisheries Data Program	(95,112)	(80,484)	92,536	77,908	
11.454	Unallied Management Projects	-	17,222	40,439	23,217	
11.463	Pacific Fisheries Data Program	-	-	13,397	13,397	
	U.S. DEPARTMENT OF COMMERCE TOTAL	\$ (66,718)	\$ 689,733	\$ 1,337,760	\$ 581,309	

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Schedule of Expenditures of Federal Awards
Year Ended September 30, 2005

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2004	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2005
	U.S. DEPARTMENT OF DEFENSE				
12.110	Planning Assistance to States	\$ -	\$ 158,735	\$ -	\$ (158,735)
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services (DSMOA)	113,177	208,585	69,438	(25,970)
12.401	National Guard Military Operations and Maintenance (O&M) Projects	<u>873,873</u>	<u>697,677</u>	<u>1,473,891</u>	<u>1,650,087</u>
	U.S. DEPARTMENT OF DEFENSE TOTAL	<u>\$ 987,050</u>	<u>\$ 1,064,997</u>	<u>\$ 1,543,329</u>	<u>\$ 1,465,382</u>

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Schedule of Expenditures of Federal Awards
Year Ended September 30, 2005

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2004	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2005
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
14.235	Supportive Housing Program	\$ 119,511	\$ 142,874	\$ 402,304	\$ 378,941
14.854	Public and Indian Housing Drug Elimination Program	-	487	-	(487)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT TOTAL	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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Schedule of Expenditures of Federal Awards
Year Ended September 30, 2005

CFDA#	Agency/Program	Accrued (Deferred) Balance at September 30, 2004	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2005	Amounts Passed Through to Subrecipients by Major Programs
U.S. DEPARTMENT OF THE INTERIOR						
15.601	Animal Damage Control	\$ 73,405	\$ 73,405	\$ -	\$ -	
15.605	Sport Fish Restoration	96,414	714,664	655,648	37,398	
15.611	Wildlife Restoration	28,337	211,559	192,882	9,660	
15.612	Endangered Species Conservation	137,055	205,014	58,764	(9,195)	
15.615	Cooperative Endangered Species Conservation Fund	24,588	346,455	375,284	53,417	
15.622	Sportfishing and Boating Safety Act	-	(1,952)	-	1,952	
15.625	Wildlife Conservation and Restoration	(50,635)	(50,635)	-	-	
15.634	State Wildlife Grants	-	145,576	173,251	27,675	
15.875	Economic, Social, and Political Development of the Territories	2,415,952	18,665,833	18,489,722	2,239,841	\$ 8,264,263
15.904	Historic Preservation Fund Grants-In-Aid	210,193	419,286	299,018	89,925	
15.916	Outdoor Recreation-Acquisition, Development and Planning	-	-	51,731	51,731	
	U.S. DEPARTMENT OF THE INTERIOR TOTAL	\$ 2,935,309	\$ 20,729,205	\$ 20,296,300	\$ 2,502,404	

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Schedule of Expenditures of Federal Awards
Year Ended September 30, 2005

CFDA#	Agency/Program	Accrued (Deferred) Balance at September 30, 2004	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2005
U.S. DEPARTMENT OF JUSTICE					
16.523	Juvenile Accountability Incentive Block Grants	\$ (9,466)	\$ 680,172	\$ 652,490	\$ (37,148)
16.540	Juvenile Justice and Delinquency Prevention-Allocation to States	-	(49,120)	-	49,120
16.541	Developing, Testing and Demonstrating Promising New Programs	69,163	245,387	151,104	(25,120)
16.547	Victims of Child Abuse	4,862	4,862	-	-
16.548	Title V - Delinquency Prevention Program	4,608	8,428	11,407	7,587
16.549	Part E - State Challenge Activities	(85)	13,031	17,908	4,792
16.554	National Criminal History Improvement Program (NCHIP)	44,389	193,361	271,021	122,049
16.575	Crime Victim Assistance	92,283	315,282	250,802	27,803
16.576	Crime Victim Compensation	(132)	(106,722)	-	106,590
16.579	Byrne Formula Grant Program	(356,368)	337,005	693,373	-
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	-	156,162	-	(156,162)
16.585	Drug Court Discretionary Grant Program	29,940	127,893	117,343	19,390
16.588	Violence Against Women Formula Grants	40,144	327,033	455,474	168,585
16.589	Rural Domestic Violence and Child Victimization Enforcement Grant Program	10,381	10,265	-	116
16.592	Local Law Enforcement Block Grants Program	(447,484)	(502,795)	299,248	354,559
16.593	Residential Substance Abuse Treatment for State Prisoners	30,278	137,394	138,318	31,202
16.609	Community Prosecution and Project Safe Neighborhoods	4,537	12,575	8,038	-
16.710	Public Safety Partnership and Community Policing Grants	1,519,103	2,106,629	628,883	41,357
U.S. DEPARTMENT OF JUSTICE TOTAL		\$ 1,036,153	\$ 4,016,842	\$ 3,695,409	\$ 714,720

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Schedule of Expenditures of Federal Awards
Year Ended September 30, 2005

CFDA#	Agency/Program	Accrued (Deferred) Balance at September 30, 2004	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2005	Amounts Passed Through to Subrecipients by Major Programs
U.S. DEPARTMENT OF LABOR						
17.002	Labor Force Statistics	\$ 14,759	\$ 45,924	\$ 39,393	\$ 8,228	
17.005	Compensation and Working Conditions Data	(3,033)	21,532	28,168	3,603	
17.203	Labor Certification for Alien Workers	1,057	36,294	55,033	19,796	
17.207	Employment Service	188,251	486,009	470,616	172,858	
17.235	Senior Community Service Employment Program	(181,315)	617,625	903,253	104,313	
17.250	Job Training Partnership Act	432,293	(1,168,751)	-	1,601,044	0
17.253	Welfare-to-Work Grants to States and Localities	(88,007)	(88,007)	-	-	0
17.258	WIA Adult Program	-	901,576	901,576	-	0
17.259	WIA Youth Activities	210,833	576,850	1,089,910	723,893	0
17.260	WIA Dislocated Workers	(388,103)	1,582,846	1,642,174	(328,775)	0
17.504	Consultation Agreements	18,965	252,445	259,119	25,639	
	U.S. DEPARTMENT OF LABOR TOTAL	\$ 205,700	\$ 3,264,343	\$ 5,389,242	\$ 2,330,599	

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Schedule of Expenditures of Federal Awards
Year Ended September 30, 2005

CFDA#	Agency/Program	Accrued (Deferred) Balance at September 30, 2004	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2005	Amounts Passed Through to Subrecipients by Major Programs
U.S. DEPARTMENT OF TRANSPORTATION						
20.205	Highway Planning & Construction	\$ 843,614	\$ 3,288,964	\$ 3,440,238	\$ 994,888	
20.218	Motor Carrier Safety Assistance Program	133,965	248,577	225,589	110,977	
20.509	Formula Grants for Other Than Urbanized Areas	582,939	582,939	-	-	
20.600	State & Community Highway Safety	156,114	532,031	433,140	57,223	\$ 122,548
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	-	-	53,181	53,181	
	U.S. DEPARTMENT OF TRANSPORTATION TOTAL	\$ 1,716,632	\$ 4,652,511	\$ 4,152,148	\$ 1,216,269	

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Schedule of Expenditures of Federal Awards
Year Ended September 30, 2005

CFDA#	Agency/Program	Accrued (Deferred) Balance at September 30, 2004	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2005
NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES					
45.025	Promotion of the Arts-Partnership Agreements	\$ 82,820 \$	269,138 \$	273,904 \$	87,586
45.310	State Library Program	206,479	-	-	206,479
		<u>\$ 289,299 \$</u>	<u>269,138 \$</u>	<u>273,904 \$</u>	<u>294,065</u>
NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES TOTAL					

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Schedule of Expenditures of Federal Awards
Year Ended September 30, 2005

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2004	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2005	Amounts Passed Through to Subrecipients by Major Programs
	U.S. ENVIRONMENTAL PROTECTION AGENCY					
66.600	Environmental Protection Consolidated Grants - Program Support	\$ 654,082	\$ 4,364,239	\$ 3,088,926	\$ (621,231)	\$ 226,486
	U.S. ENVIRONMENTAL PROTECTION AGENCY TOTAL	<u>\$ 654,082</u>	<u>\$ 4,364,239</u>	<u>\$ 3,088,926</u>	<u>\$ (621,231)</u>	

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Schedule of Expenditures of Federal Awards
Year Ended September 30, 2005

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2004	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2005
	U.S. DEPARTMENT OF ENERGY				
81.041	State Energy Program	\$ 196,008 \$	541,936 \$	419,150 \$	73,222
81.117	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	-	13,464	14,788	1,324
81.119	State Energy Program Special Projects	10,814	17,354	27,230	20,690
	U.S. DEPARTMENT OF ENERGY TOTAL	\$ 206,822 \$	572,754 \$	461,168 \$	95,236

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Schedule of Expenditures of Federal Awards
Year Ended September 30, 2005

CFDA#	Agency/Program	Accrued (Deferred) Balance at September 30, 2004	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2005	Amounts Passed Through to Subrecipients by Major Programs
U.S. DEPARTMENT OF EDUCATION						
84.009	Education of Children with Disabilities in State Operated or Supported Schools	\$ 111,592	\$ -	\$ -	111,592	
84.029	Special Education-Personnel Development and Parent Training	-	65	-	(65)	
84.126	Rehabilitation Services-Vocational Rehabilitation Grants to States	740,862	2,509,964	1,470,028	(299,074)	\$ 0
84.169	Independent Living - State Grants	50,229	50,993	23,814	23,050	
84.177	Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind	59,910	61,362	8,678	7,226	
84.186	Safe and Drug-Free Schools and Communities - State Grants	429,982	-	191,292	621,274	
84.187	Supported Employment Services for Individuals with Severe Disabilities	994	-	50,040	51,034	
84.265	Rehabilitation Training: State Vocational Rehabilitation Unit In-Service Training	(12,506)	(21,502)	-	8,996	
U.S. DEPARTMENT OF EDUCATION TOTAL		\$ 1,381,063	\$ 2,600,882	\$ 1,743,852	\$ 524,033	

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Schedule of Expenditures of Federal Awards
Year Ended September 30, 2005

CFDA#	Agency/Program	Accrued (Deferred) Balance at September 30, 2004	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2005	Amounts Passed Through to Subrecipients by Major Programs
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
93.041	Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	\$ 22,119	\$ 14,334	\$ 4,223	\$ 12,008	
93.042	Special Programs for the Aging: Title VII, Chapter 2: Long Term Care Ombudsman Services for Older Individuals	1,928	35,334	50,456	17,050	
93.043	Special Programs for the Aging-Title III, Part D-Disease Prevention and Health Promotion Services	51,082	61,767	53,046	42,361	
93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	(21,089)	1,865,652	1,892,636	5,895	
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services	661,578	2,624,956	2,145,118	181,740	
93.048	Special Programs for the Aging-Title IV-and Title II-Discretionary Projects	-	3,072	3,072	-	
93.052	Nation Family Caregiver Support Program	-	380,304	380,304	-	
93.053	Nutrition Services Incentive Program	33,748	139,409	143,164	37,503	
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	291,579	1,222,716	1,223,165	292,028	\$ 0
93.110	Maternal and Child Health Federal Consolidated Programs	7,574	34,646	27,523	451	
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	(54,551)	256,431	332,174	21,192	
93.126	Small Business Innovation Research (NIAAA, NIDA, NIMH)	(11,573)	(11,573)	-	-	
93.127	Emergency Medical Services for Children	(238,153)	(182,339)	62,016	6,202	
93.150	Projects for Assistance in Transition from Homelessness (PATH)	48,196	60,196	44,000	32,000	
93.217	Family Planning - Services	127,611	285,133	346,487	188,965	
93.224	Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, Public Housing Primary Care, and School Based Health Centers)	647,772	1,681,093	1,033,321	-	
93.234	Traumatic Brain Injury State Demonstration Grant Program	-	3,115	3,865	750	
93.235	Abstinence Education Program	(9,408)	(42,339)	8,814	41,745	
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	80,156	519,570	516,236	76,822	
	BALANCE FORWARD	\$ 1,638,569	\$ 8,951,477	\$ 8,269,620	\$ 956,712	

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2005

CFDA#	Agency/Program	Accrued (Deferred) Balance at September 30, 2004	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2005	Amounts Passed Through to Subrecipients by Major Programs
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
	BALANCE FORWARD	\$ 1,638,569	\$ 8,951,477	\$ 8,269,620	\$ 956,712	
93.256	State Planning Grants Health Care Access for the Uninsured	-	118,349	168,430	50,081	
93.259	Rural Access to Emergency Devices Grant	-	36,366	37,270	904	
93.268	Immunization Grants	69,136	636,910	617,589	49,815	
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	(16,047)	679,334	859,755	164,374	\$ 0
93.399	Cancer Control	-	11,963	16,665	4,702	
93.556	Promoting Safe and Stable Families	-	150,917	-	(150,917)	
93.558	Temporary Assistance for Needy Families	481,117	2,188,381	2,106,858	399,594	
93.563	Child Support Enforcement	1,172,717	2,237,877	2,735,939	1,670,779	
93.575	Child Care and Development Block Grant	856,994	2,984,999	2,940,340	812,335	
93.597	Grants to States for Access and Visitation Programs	34,416	98,823	69,187	4,780	
93.630	Developmental Disabilities Basic Support and Advocacy Grants	(30,028)	178,610	233,624	24,986	
93.631	Developmental Disabilities Projects of National Significance	(36,669)	(19,669)	17,000	-	
93.667	Social Services Block Grant	84,226	1,895,969	2,074,555	262,812	
93.778	Medical Assistance Program (Medicaid; Title XIX)	1,282,241	9,588,300	8,803,991	497,932	\$ 0
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	204,880	212,662	302,652	294,870	
93.917	HIV Care Formula Grants	6,223	103,356	107,562	10,429	
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	117,268	-	-	117,268	
93.928	Special Projects of National Significance	(20,387)	(19,788)	-	(599)	
93.940	HIV Prevention Activities-Health Department Based	171,094	(68,000)	-	239,094	
93.943	Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected Population Groups	44,640	491,099	490,360	43,901	
	BALANCE FORWARD	\$ 6,060,390	\$ 30,457,935	\$ 29,851,397	\$ 5,453,852	

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2005

CFDA#	Agency/Program	Accrued (Deferred) Balance at September 30, 2004	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2005
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	\$ 6,060,390	\$ 30,457,935	\$ 29,851,397	\$ 5,453,852
	BALANCE FORWARD				
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	-	-	4,822	4,822
93.945	Assistance Program for Chronic Disease Prevention and Control	(63,577)	(57,667)	5,987	77
93.952	Trauma Care Systems Planning and Development	(463)	3,849	4,312	-
93.958	Block Grants for Community Mental Health Services	(43,435)	97,156	196,822	56,231
93.959	Block Grants for Prevention and Treatment of Substance Abuse	(320,112)	500,988	719,842	(101,258)
93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants	77,663	83,728	81,753	75,688
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	(140,822)	(13,547)	149,856	22,581
93.991	Preventive Health and Health Services Block Grant	89,259	351,618	297,750	35,391
93.994	Maternal and Child Health Services Block Grant to the States	(213,732)	669,333	869,334	(13,731)
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	\$ 5,445,171	\$ 32,093,393	\$ 32,181,875	\$ 5,533,653
	TOTAL				

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2005

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2004	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2005
	CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
94.006	AmeriCorps	\$ (26,817)	\$ 361,042	\$ 418,476	\$ 30,617
94.009	Training and Technical Assistance	7,826	7,826	-	-
	CORPORATION FOR NATIONAL AND COMMUNITY SERVICE TOTAL	<u>\$ (18,991)</u>	<u>\$ 368,868</u>	<u>\$ 418,476</u>	<u>\$ 30,617</u>

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2005

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2004	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2005
	SOCIAL SECURITY ADMINISTRATION				
96.001	Social Security - Disability Insurance	\$ (3,211) \$	(3,211) \$	- \$	-
	SOCIAL SECURITY ADMINISTRATION TOTAL	<u>\$ (3,211) \$</u>	<u>(3,211) \$</u>	<u>- \$</u>	<u>-</u>

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2005

CFDA#	Agency/Program	Accrued (Deferred) Balance at September 30, 2004	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2005	Amounts Passed Through to Subrecipients by Major Programs
U.S. DEPARTMENT OF HOMELAND SECURITY						
97.004	Homeland Security Grant Program	\$ 101,967	\$ 1,560,350	\$ 1,573,934	\$ 115,551	\$ 0
97.007	Homeland Security Preparedness Technical Assistance	-	7,676	-	(7,676)	
16.008	State and Local Homeland Security Training Program	60,309	60,309	-	-	
20.005	Boating Safety Financial Assistance	471,390	471,390	-	-	
97.012	Boating Safety Financial Assistance	-	(78,890)	194,948	273,838	
97.032	Crisis Counseling	72,706	72,706	-	-	
83.541	Disaster Unemployment Assistance	(36,535)	(36,535)	-	-	
83.542	Fire Suppression Assistance	1,926	1,926	-	-	
83.543	Individual and Family Grants	-	315,681	-	(315,681)	
83.544	Public Assistance Grants	(7,548,702)	10,797,956	11,654,358	(6,692,300)	
83.548	Hazard Mitigation Grant	7,585	7,585	-	-	
97.039	Hazard Mitigation Grant	-	1,552,548	2,046,296	493,748	
83.552	Emergency Management Performance Grants	423,886	423,886	-	-	
97.042	Emergency Management Performance Grants	-	(2,906)	153,451	156,357	
97.041	National Dam Safety Program	-	(1,926)	-	1,926	
97.047	Pre-Disaster Mitigation	-	24,484	62,120	37,636	
97.051	State and Local All Hazards Emergency Operations Planning	(16,515)	(16,515)	-	-	
83.563	Emergency Operations Centers	4,513	4,513	-	-	
97.052	Emergency Operations Centers	36,555	299,974	284,111	20,692	
83.564	Citizen Corps	1,462	1,462	-	-	
97.053	Citizen Corps	-	(26,640)	-	26,640	
97.067	Homeland Security Grant Program	-	346,814	399,419	52,605	\$ 0
U.S. DEPARTMENT OF HOMELAND SECURITY TOTAL		(6,419,453)	15,785,848	16,368,637	(5,836,664)	
GRAND TOTAL		\$ 9,225,711	\$ 157,542,575	\$ 154,515,119	\$ 6,198,255	

Note: Effective March 1, 2003, certain programs became part of the Department of Homeland Security (CFDA number prefix of 97). However, since funding periods may not coincide with the change in CFDA number, the legacy agency's corresponding CFDA number is presented separately.

GOVERNMENT OF GUAM

Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2005

1. Scope of Audit:

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

Programs Subject to Single Audit:

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

- Corporation for National and Community Service
- U.S. Department of Agriculture
- U.S. Department of Commerce
- U.S. Department of Defense
- U.S. Department of Education
- U.S. Department of Energy
- U.S. Department of Health and Human Services
- U.S. Department of 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. Environmental Protection Agency
- National Foundation on the Arts and the Humanities
- Social Security Administration

2. Summary of Significant Accounting Policies:

a. Basis of Accounting:

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

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

GOVERNMENT OF GUAM

Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2005

2. Summary of Significant Accounting Policies, Continued:

b. Subgrants:

Certain program funds are passed through the Government of Guam to subrecipient organizations. The Schedule of Expenditures of Federal Awards does not contain separate schedules disclosing how the subrecipient outside of the Government of Guam's control utilized the funds. Federal awards provided to subrecipients are treated as expenditures when paid to the subrecipient. In the Schedule of Expenditures of Federal Awards, the Government of Guam has identified the total amount provided to subrecipients from each Type A program and from each Type B program which is audited as a major program.

c. Cost Allocation:

The Government of Guam has a plan for allocation of common costs related to public health and social services federal awards programs. The amounts allocated to 2005 grant programs are based on 2005 actual expenditures and caseloads.

For FY 2005, there is no approved indirect cost negotiation agreement.

3. Reporting Entity:

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

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

These component units may receive federal awards. If awards are expended, these entities separately satisfy the audit requirements if applicable.

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

GOVERNMENT OF GUAM

Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2005

3. Reporting Entity, Continued:

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.

4. Noncash Awards:

Certain federal awards programs do not involve cash awards to the Government of Guam. These programs generally could include donated commodities, insurance, food stamps EBT payments, and loans. For the year ended September 30, 2005, the Government of Guam had the following noncash award:

U.S. Department of Agriculture Food Stamps CFDA #10.551	
Food Stamps EBT benefit payments	\$ <u>53,633,227</u>
Total Food Stamps EBT payments reported on the Schedule of Expenditures of Federal Awards	\$ <u>53,633,227</u>

GOVERNMENT OF GUAM

Schedule of Major Federal Award Programs
Year Ended September 30, 2005

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

<u>Grantor</u>	<u>CFDA #</u>	<u>Program Name</u>	<u>Fiscal Year 2005 Expenditures</u>
U.S. Department of Agriculture	10.551	Food Stamps	\$ 53,633,227
	10.561	State Administrative Matching Grants for Food Stamp Program	1,869,579
U.S. Department of Commerce	11.419	Coastal Zone Management Administration Awards	1,010,488
U.S. Department of the Interior	15.875	Economic, Social and Political Development of the Territories	18,489,722
U.S. Department of Labor	17.258	WIA Adult Program	901,576
	17.259	WIA Youth Activities	1,089,910
	17.260	WIA Dislocated Workers	1,642,174
U.S. Department of Transportation	20.600	State & Community Highway Safety	433,140
U.S. Environmental Protection Agency	66.600	Environmental Protection Consolidated Grants: Program Support	3,088,926
U.S. Department of Education	84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States	1,470,028
U.S. Department of Health and Human Services	93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	1,223,165
	93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	859,755
	93.778	Medical Assistance Program (Medicaid)	8,803,991
U.S. Department of Homeland Security	97.004	Homeland Security Grant Program	1,573,934
	97.067	Homeland Security Grant Program	<u>399,419</u>
Total Federal Programs selected for audit			\$ <u>96,489,034</u>
Total Federal Awards program expenditures			<u>\$154,515,119</u>
Percentage of Federal Awards Programs tested			<u>62%</u>

GOVERNMENT OF GUAM

Reconciliation of Schedule of Expenditures of Federal Awards to
Basic Financial Statements
Year Ended September 30, 2005

	<u>Fiscal Year 2005 Expenditures</u>
Federal contributions, as reported in the 2005 financial statements:	
Federal grants assistance fund, expenditures, transfers, and other uses	\$ 123,851,452
Less local match	<u>(25,776,720)</u>
Federal expenditures, transfers, and other uses	98,074,732
<u>CFDA #</u>	
10.551 Food Stamps	53,633,227
93.224 Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, Public Housing Primary Care, and School Based Health Centers)	1,033,321
15.875 Office of the Public Auditor of Guam Economic, Social and Political Development of the Territories	57,139
16.554 Superior Court of Guam National Criminal History Improvement Program (NCHIP)	271,021
16.585 Drug Court Discretionary Program	117,343
Indirect Costs not charged to the Federal grants fund	<u>1,328,336</u>
Total Federal Expenditures Subject to Audit	<u>\$ 154,515,119</u>

GOVERNMENT OF GUAM

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2005

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs
Year Ended September 30, 2005

Part I - Summary of Auditors' Results

1. The Independent Auditors' Report on the financial statements expressed a qualified opinion due to our inability to audit tax-related balances and to the lack of audited financial statements of the Guam Memorial Hospital Authority (GMHA) – Component Unit.
2. Reportable conditions in internal control over financial reporting were identified, some of which are considered to be material weaknesses.
3. An instance of noncompliance considered material to the financial statements was disclosed by the audit.
4. Reportable conditions in internal control over compliance with requirements applicable to major federal award programs were identified, some of which are considered to be material weaknesses.
5. The independent auditors' report on compliance with requirements applicable to major federal award programs expressed a qualified opinion.
6. The audit disclosed findings required to be reported by OMB Circular A-133.
7. The Government of Guam's major programs were as follows:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Food Stamp Cluster:	
Food Stamps	10.551
State Administrative Matching Grants for Food Stamp Program	10.561
Coastal Zone Management Administration Awards	11.419
Economic, Social and Political Development of the Territories and the Freely Associated States	15.875
WIA Cluster:	
WIA Adult Program	17.258
WIA Youth Activities	17.259
WIA Dislocated Workers	17.260
State & Community Highway Safety	20.600
Environmental Protection Consolidated Grants: Program Support	66.600
Rehabilitation Services – Vocational Rehabilitation Grants to States	84.126
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104
Centers for Disease Control and Prevention – Investigations and Technical Assistance	93.283
Medical Assistance Program (Medicaid)	93.778
Homeland Security Cluster:	
Homeland Security Grant Program	97.004
Homeland Security Grant Program	97.067

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

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2005

Part II – Financial Statement Findings Section

Finding <u>Number</u> <u>Findings</u>	Questioned <u>Costs</u>
05-30 Allowable Costs/Cost Principles	\$ 0
05-31 External Financial Reporting	\$ 0
05-32 Receivables	\$ 0
05-33 Deposit Liabilities	\$ 0

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

<u>Finding Number</u>	<u>CFDA Number</u>	<u>Findings</u>	Questioned <u>Costs</u>	<u>Guam Agency</u>
05-01	10.551/10.561	Procurement	\$ 127,680	DPHSS
05-02	10.551/10.561	Period of Availability	\$ 0	DPHSS, DOA
05-03	11.419	Procurement	\$ 18,041	Planning, GSA
05-04	11.419	Period of Availability	\$ 35,437	Planning, DOA
05-05	11.419	Allowable Costs/Cost Principles	\$ 0	Planning
05-06	15.875	Procurement	\$ 54,236	GFD, GPD, DMHSA, GSA
05-07	17.258/17.259/17.260	Procurement	\$ 26,434	AHRD, GSA
05-08	17.258/17.259/17.260	Period of Availability	\$ 21,978	AHRD, DOA
05-09	20.600	Procurement	\$ 26,284	DPW, Public Safety, GSA
05-10	20.600	Period of Availability	\$ 0	DPW, DOA
05-11	66.600	Procurement	\$ 12,808	GEPA, GSA
05-12	66.600	Period of Availability	\$ 0	GEPA, DOA
05-13	66.600	Special Tests and Provisions – Strategy	\$ 0	GEPA
05-14	66.600	Special Tests and Provisions – Fair Share Policy	\$ 0	GEPA
05-15	84.126	Procurement	\$ 57,607	DISID, GSA
05-16	84.126	Period of Availability	\$ 0	DISID, DOA
05-17	93.104	Procurement	\$ 0	DMHSA, GSA
05-18	93.104	Period of Availability	\$ 0	DMHSA, DOA
05-19	93.283	Procurement	\$ 19,413	DPHSS, GSA
05-20	93.283	Period of Availability	\$ 0	DPHSS, DOA
05-21	93.283	Special Tests and Provisions	\$ 0	DPHSS
05-22	93.283	Eligibility	\$ 0	DPHSS
05-23	93.283	Allowable Costs/Cost Principles	\$ 20,328	DPHSS
05-24	93.778	Eligibility	\$ 25,671	DPHSS
05-25	93.778	Special Tests and Provisions – ADP Risk Analysis	\$ 0	DPHSS
05-26	93.778	Special Tests and Provisions – Provider Eligibility	\$ 0	DPHSS
05-27	97.004/97.067	Procurement	\$ 138,431	Gov. Office, GSA
05-28	All major programs, except 97.004/97.067	Cash Management	\$ 0	DOA
05-29	All major programs	Equipment Management	\$ 0	DOA
05-30	All major programs	Allowable Costs/Cost Principles	\$ 0	DOA
Total Federal Questioned Costs			\$ <u>584,348</u>	

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2005

Finding No.: 05-01
CFDA No. 10.551/10.561
Program Name: Food Stamp Cluster
Grant Number: 7GU400GU4
Area: Procurement
Questioned Costs: \$127,680

Criteria:

In accordance with applicable procurement requirements, the grantee will maintain records sufficient to detail the significant history of a procurement. These records will include a rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

Condition:

For 1 (or 50%) of 2 transactions, aggregating \$110,184 of \$1,347,908 in total Program non-payroll expenditures, no procurement documents were provided for the following transaction:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>
06/17/05	0057375	C0098250	Public Health	C030602682	\$ 25,184

In fiscal year 2005, a total of \$255,360 in Program expenditures was charged under this contract.

Cause:

Government of Guam management did not enforce established procurement regulations.

Effect:

The Government of Guam is in noncompliance with applicable procurement requirements. A questioned cost of \$127,680 exists (50% Federal share of total questionable costs of \$255,360).

Recommendation:

Government of Guam management should enforce established procurement regulations. Prior to preparing a purchase order or contract, the responsible personnel should ensure the rationale for selecting each vendor is documented in accordance with applicable procurement regulations. To effect resolution of this finding, the requested procurement documents should be provided.

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, 2005

Finding No.: 05-02
CFDA No. 10.551/10.561
Program Name: Food Stamp Cluster
Grant Number: 7GU400GU4
Area: Period of Availability
Questioned Costs: \$0

Criteria:

In accordance with applicable period of availability requirements, where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless a carryover of unobligated balances is permitted.

Condition:

At September 30, 2005, there are unexpended balances for expired grants, as follows:

<u>Grant Year</u>	<u>Budget Period</u>	<u>Unexpended Balances</u>
2003	10/01/02-09/30/04	\$ 96,173
2004	10/01/03-09/30/05	<u>356,299</u>
		<u>\$ 452,472</u>

Cause:

Government of Guam management did not enforce internal controls over ensuring that expired grants are deappropriated in a timely manner.

Effect:

Available balances for grant years 2003 and 2004 are overstated. If such balances are not properly deappropriated, the Government of Guam could potentially expend Federal funds in noncompliance with applicable period of availability requirements.

Recommendation:

Government of Guam management should develop more specific internal control procedures over monitoring a fund during the period of availability and deappropriating expired funds in a timely manner.

Auditee Response and Corrective Action Plan:

The Government of Guam provided the following response.

Effective in the first quarter of Fiscal Year 2006, the corrective action to address this [finding] regarding the period of availability will be resolved.

In September 2005, at the request of the Department of Administration (DOA), Data Management Resource (DMR) made a system change on the BACIS-AS400 to resolve this audit finding. The system will automatically transfer the amount of funds unavailable to the unallotted funds or funds in reserved status after the federal grant period expires. The funds will be reclassified after the month-end processing is completed on the AS400. When the grantor approves a "No cost grant extension," the grantee will need to prepare the necessary paperwork to have the funds released a second time by BBMR.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2005

Finding No.: 05-03
CFDA No. 11.419
Program Name: Coastal Zone Management Administration Awards
Grant Number: NA03NOS4190081, NA170Z1120
Area: Procurement
Questioned Costs: \$18,041

Criteria:

In accordance with applicable procurement requirements, the grantee will maintain records sufficient to detail the significant history of a procurement. These records will include a rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

Condition:

For 2 (or 11%) of 18 transactions, aggregating \$366,266 of \$503,901 in total non-payroll Program costs, the request for quotation specified a brand name for the following:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>	<u>Grant Award #</u>
04/06/05	JZA033105	21600000	Planning	W050900012	\$ 14,263	NA03NOS4190081
01/06/05	JZA123104	21600000	Planning	W050900012	3,778	NA170Z1120
					<u>\$ 18,041</u>	

Cause:

Government of Guam management did not enforce applicable procurement regulations.

Effect:

The Government of Guam is in noncompliance with applicable procurement requirements. A questioned cost of \$18,041 exists.

Recommendation:

The procurement officer should enforce internal controls to ensure that all procurement transactions are documented in sufficient detail in compliance with applicable procurement requirements. Furthermore, the responsible accounting personnel should not charge costs to the Program unless the procurement officer's approval of the significant history of the procurement has been reviewed.

Auditee Response and Corrective Action Plan:

The Government of Guam provided the following response.

Buyers have been instructed to always indicate "or equal" on the request for quotation in referencing a brand name or part numbers.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2005

Finding No.: 05-04
CFDA No.: 11.419
Program Name: Coastal Zone Management Administration Awards
Grant Number: NA17OZ1120; NA17OZ2332
Area: Period of Availability
Questioned Costs: \$35,437

Criteria:

In accordance with applicable period of availability requirements, the grantee shall not incur costs or obligate funds for any purpose pertaining to the operation of the project, program, or activities beyond the expiration stipulated in the award. The only costs which are authorized for a period up to 90 days following the award expiration date are those strictly associated with closeout activities.

Condition:

1. There are unexpended balances from grant years 2001, 2002 and 2003, whose periods of availability expired prior to March 31, 2004. The aggregated total of unexpended balances is \$25,509 as follows:

<u>Grant Year</u>	<u>Award Period</u>	<u>Unexpended Balance</u>	<u>Grant Award #</u>
2001	10/01/00 – 03/31/02	\$ 2,530	
2002	10/01/01 – 03/31/03	13,023	NA17OZ1120
2003	10/01/02 – 09/30/05	9,956	NA17OZ2332
		<u>\$ 25,509</u>	

2. Costs were incurred beyond the expiration stipulated for grant year 2002, as follows:

<u>Grant Year</u>	<u>Budget Period</u>	<u>Amount Expended</u>	<u>Grant Award #</u>
2002	10/01/01 – 09/30/04	\$ 35,437	NA17OZ1120

Cause:

Government of Guam management did not enforce internal controls over ensuring that funds are deappropriated after the fund's period of availability and that no funds are obligated or expended beyond the expiration stipulated in the award.

Effect:

Available balances for grant years 2001, 2002, and 2003 are overstated. If such balances are not properly deappropriated, the Government of Guam could potentially expend Federal funds in noncompliance with applicable period of availability requirements. For costs incurred beyond the expiration stipulated in the award, a questioned cost of \$35,437 exists.

Recommendation:

Government of Guam management should develop more specific internal control procedures over monitoring a fund during the period of availability and deappropriating expired funds. The responsible accounting personnel should ensure that expired grants are deappropriated in a timely manner and that any liquidation of obligations for expired grants is charged to the General Fund.

GOVERNMENT OF GUAM

**Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2005**

Finding No.: 05-04, Continued
CFDA No. 11.419
Program Name: Coastal Zone Management Administration Awards
Grant Number: NA17OZ1120; NA17OZ2332
Area: Period of Availability
Questioned Costs: \$35,437

Auditee Response and Corrective Action Plan:

The Government of Guam provided the following response.

Effective in the first quarter of Fiscal Year 2006, the corrective action to address this [finding] regarding the period of availability will be resolved.

In September 2005, at the request of the Department of Administration (DOA), Data Management Resource (DMR) made a system change on the BACIS-AS400 to resolve this audit finding. The system will automatically transfer the amount of funds unavailable to the unallotted funds or funds in reserved status after the federal grant period expires. The funds will be reclassified after the month-end processing is completed on the AS400. When the grantor approves a "No cost grant extension," the grantee will need to prepare the necessary paperwork to have the funds released a second time by BBMR.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2005

Finding No.: 05-05
CFDA No. 11.419
Program Name: Coastal Zone Management Administration Awards
Grant Number: NA17OZ1120
Area: Allowable Costs/Cost Principle
Questioned Costs: \$0

Criteria:

In accordance with applicable allowable costs/cost principles requirements, capital expenditures for equipment, including replacement equipment, other capital assets, and improvements which materially increase the value of useful life of equipment or other capital assets are allowable as a direct cost when approved by the awarding agency.

Condition:

For 1 (or 6%) of 18 transactions, aggregating \$366,266 of \$503,901 in total non-payroll Program costs, no prior grantor approval was obtained for the following purchase of a vehicle:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>
01/10/05	0027862	T8766001	Planning	P046A06093	\$28,895

Cause:

Government of Guam management did not enforce internal controls over ensuring that prior approval is obtained for capital expenditures.

Effect:

The Government of Guam is in noncompliance with applicable allowable costs/cost principles. No questioned cost is presented at this finding as the amount is already included in the questioned costs at Finding 05-04.

Recommendation:

The Government of Guam should enforce internal controls to ensure that the required prior approval is obtained for all capital expenditures in accordance with allowable costs/cost principles requirements. The responsible accounting personnel should not charge capital expenditures to the Program unless the payment request is supported by written prior grantor approval. Capital expenditures without prior grantor approval should be charged to the General Fund until such time that written prior grantor approval is obtained.

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, 2005

Finding No.: 05-06
CFDA No. 15.875
Program Name: Economic, Social and Political Development of the Territories
Grant Number: P.L. 99-239; CIP-Guam-2003-1; Guam-COFA-2005-1
Area: Procurement
Questioned Costs: \$54,236

Criteria:

In accordance with applicable procurement requirements, the grantee will maintain records sufficient to detail the significant history of a procurement. These records will include a rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. Furthermore, in accordance with the applicable local procurement law, the Guam General Services Agency shall procure from the United States when the cost is less by ten percent than from other contractors.

Condition:

Of 37 transactions, aggregating \$14,214,159 of \$18,140,600 in total Program non-payroll expenditures, we noted the following conditions:

1. For 3 (or 8%), proper procurement procedures were not followed (i.e., informal quotations were obtained, and vendors were given only three or four days to respond) for the following transactions:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>	<u>Grant Award #</u>
09/27/05	0077251	G1116024	Fire Dept	P046A01511	\$ 61,999	P.L. 99-239
09/27/05	0077251	G1116024	Fire Dept	P046A03360	\$ 355,000	P.L. 99-239
08/12/05	0067880	G1116024	Police Dept	P046A03654	\$ 164,236	CIP-Guam-2003-1

However, based on our review of the procurement documents, it appears that competition was maintained, and the Government of Guam realized cost savings in excess of ten percent by procuring through the selected Federal agency; therefore, no questioned cost results from this condition.

2. For 1 (or 3%), emergency procurement was cited; however, based on our review of procurement documents provided, the required informal solicitations from at least three private entities were lacking for the following transaction:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>	<u>Grant Award #</u>
6/22/2005	0061250	U0576004	DMHSA	D052300001	\$ 15,496	Guam-COFA-2005-1

In fiscal year 2005, a total of \$54,236 in Program expenditure was charged under this agreement.

Cause:

Government of Guam management did not enforce established procurement regulations.

Effect:

The Government of Guam is in noncompliance with applicable procurement requirements. A questioned cost of \$54,236 exists.

Prior Year Status:

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

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2005

Finding No.: 05-06, Continued
CFDA No. 15.875
Program Name: Economic, Social and Political Development of the Territories
Grant Number: P.L. 99-239; CIP-Guam-2003-1; Guam-COFA-2005-1
Area: Procurement
Questioned Costs: \$54,236

Recommendation:

Government of Guam management should enforce established procurement regulations. Prior to preparing a purchase order or contract, the responsible personnel should ensure the rationale for selecting each vendor is documented in accordance with applicable procurement regulations. Furthermore, competitive sealed bids should be obtained for procurement transactions in excess of the small purchase threshold prior to attempting procurement from the United States General Services Administration. To effect resolution of this finding, the requested procurement documents should be provided.

Auditee Response and Corrective Action Plan:

The Government of Guam provided the following response:

[Condition 1]

Disagree with finding.

For Transaction #0077251 and #0067880 contains evidence wherein request for quotations were issued not because it was required by 5GCA Section 5122, however GSA used the response to comply with the 10% calculation as required by 5GCA Section 5122. Calculations were indicated on the abstract for each of the transaction numbers noted above. Therefore, proper procurement procedures were followed in the processing of these requests.

In addition, I disagree with the recommendations noted: *Furthermore, competitive sealed bids should be obtained for procurement transactions in excess of the small purchase threshold prior to attempting procurement from the United States General Services Administration..* Disagreement is due to unnecessary cost to be incurred by the government to issue competitive sealed bids for purposes of price evaluation. The government is liable to pay for bid cost to bidders due to improper cancellations of sealed bids. The government will also be incurring advertisement cost, copying of bid packages, labor hours in preparing sealed bid packages, etc. Therefore, it is improper to mislead the prospective bidders that the government will be making awards when actually the government is only issuing sealed bids for price comparison purposes. In closing, the United States General Services Administration has issued a competitive sealed bid to establish the existing GSA Federal Schedule which means that the established GSA Schedule is an existing contract that has been pre-solicited prior to the issuance of the annual GSA Federal Schedule.

[Condition 2]

Please find attached a copy of the written determination in support of procuring these services through Purchase Order No.: P056E00062 and P066E00001. Selection of this vendor was through the U.S. Department of Health & Human Services, Substance Abuse and Mental Health Services Administration's (SAMHSA) Public Health Advisor Mikiko Stebbing, ACSW, JD to provide technical assistance (TA) to Guam.

Auditors' Response:

Regarding Condition 1, according to the Government of Guam procurement regulations, except for applicable use of the procurement methods of small purchases, sole source, or emergency, all contracts shall be procured by competitive sealed bidding. The intent of the General Services Agency should be to afford all vendors the opportunity to respond to a bid. Application of 5GCA Section 5122 should occur only after the results of the competitive sealed bidding process indicates that a cost savings of at least 10% would result. Therefore, as the transactions at Condition 3 exceed the small purchases threshold of \$15,000, and competitive sealed bidding was not applied, the finding remains.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2005

Finding No.: 05-07
 CFDA No. 17.258/17.259/17.260
 Program Name: WIA Cluster
 Grant Number: AA-12963-03-50; AA-13836-04-50
 Area: Procurement
 Questioned Costs: \$26,434

Criteria:

In accordance with applicable procurement requirements, the grantee will maintain records sufficient to detail the significant history of a procurement. These records will include a rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. Furthermore, for section 3111(c) of local procurement regulations, no less than three positive written quotations from businesses shall be solicited, recorded and placed in the procurement file.

Condition:

For 2 (or 12%) of 16 transactions, aggregating \$492,568 of \$1,605,459 in total Program non-payroll expenditures, section 3111(b) of local procurement regulations was applied, but less than three positive quotations were obtained for the following transactions:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>	<u>Grant Award #</u>
01/18/05	0028423	I0096294	AHRD	P056A00531	\$ 14,119	AA-13836-04-50
01/21/05	0028689	P7816001	AHRD	P046A06136	<u>12,315</u>	AA-12963-03-50
					<u>\$ 26,434</u>	

Cause:

Government of Guam management did not enforce established procurement regulations.

Effect:

The Government of Guam is in noncompliance with applicable procurement requirements. A questioned cost of \$26,434 exists.

Prior Year Status:

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

Recommendation:

Government of Guam management should enforce established procurement regulations. Prior to preparing a purchase order or contract, the responsible personnel should ensure the rationale for selecting each vendor is documented in accordance with applicable procurement regulations. Furthermore, for small purchases, the responsible personnel should obtain and document at least three positive quotes from which to make a vendor selection. To effect resolution of this finding, the requested procurement documents should be provided.

GOVERNMENT OF GUAM

**Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2005**

Finding No.: 05-07, Continued
CFDA No. 17.258/17.259/17.260
Program Name: WIA Cluster
Grant Number: AA-12963-03-50; AA-13836-04-50
Area: Procurement
Questioned Costs: \$26,434

Auditee Response and Corrective Action Plan:

The Program office provided the following response.

The Agency defers response to this finding to the Chief Procurement Officer for the General Services Agency (GSA). The items in question were submitted to GSA via a standard requisition. A corrective action plan, if any, should be addressed by the Chief Procurement Officer, General Services Agency.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2005

Finding No.: 05-08
Federal Agency: U.S. Department of Labor
CFDA No.: 17.258/17.259/17.260
Program Name: WIA Cluster
Grant Number: AA-11288-01-50M1; AA-12047-02-50
Area: Period of Availability of Federal Funds
Questioned Costs: \$21,978

Criteria:

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

Condition:

There were unexpended and un-obligated balances aggregating \$661,543 from grant years 2001, 2002, and 2003 whose periods of availability ended prior to October 1, 2005. Furthermore, expenditures aggregating \$2,240 were charged to the Program after the fund's period of availability, as follows:

<u>Grant Year</u>	<u>End of Period of Availability</u>	<u>Unexpended Balance at 9/30/05</u>	<u>FY 2005 Expenditures</u>	<u>Grant Award #</u>
2001	2004	\$ 75,967	\$ 2,240	AA-11288-01-50M1
2002	2005	<u>202,492</u>	<u>0</u>	AA-12047-02-50
		\$ <u>278,459</u>	\$ <u>2,240</u>	

Furthermore, grant year 2004 funds were over expended by \$19,738.

Cause:

Government of Guam management did not enforce internal controls over ensuring that expired grants are deappropriated in a timely manner and that expenditures are not charged to expired grants.

Effect:

Available balances for grant years 2001 and 2002 are overstated. If such balances are not properly deappropriated, the Government of Guam could potentially expend Federal Funds in noncompliance with applicable period of availability requirements. Furthermore, grant year 2004 funds are over expended. A questioned cost of \$21,978 exists.

Prior Year Status:

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

Recommendation:

Government of Guam management should develop more specific internal control procedures over monitoring a fund during the period of availability and deappropriating expired funds in a timely manner. On a periodic basis, the responsible program personnel should monitor funds for unliquidated obligations and should follow up with the responsible accounting personnel to ensure that the liquidations occur before the funds expire. The responsible accounting personnel should ensure that expired grants are deappropriated in a timely manner, that any unliquidated obligations for expired grants are charged to the General Fund, and that grant funds are not over expended.

Auditee Response and Corrective Action Plan:

The Government of Guam provided the following response.

Effective in the first quarter of Fiscal Year 2006, the corrective action to address this [finding] regarding the period of availability will be resolved.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2005

Finding No.: 05-08, Continued
Federal Agency: U.S. Department of Labor
CFDA No.: 17.258/17.259/17.260
Program Name: WIA Cluster
Grant Number: AA-11288-01-50M1; AA-12047-02-50
Area: Period of Availability of Federal Funds
Questioned Costs: \$21,978

Auditee Response and Corrective Action Plan, Continued:

In September 2005, at the request of the Department of Administration (DOA), Data Management Resource (DMR) made a system change on the BACIS-AS400 to resolve this audit finding. The system will automatically transfer the amount of funds unavailable to the unallotted funds or funds in reserved status after the federal grant period expires. The funds will be reclassified after the month-end processing is completed on the AS400. When the grantor approves a "No cost grant extension," the grantee will need to prepare the necessary paperwork to have the funds released a second time by BBMR.

Additionally, the Program office provided the following response.

Auditee Response:

Questioned Cost \$2,240 and Questioned Cost \$19,738 – By the close of FY2005 accounts for program year 2004 were overall over expended in the amount of \$19,738. The agency received prior approval from the Grantor (reference Attachment A) to reconcile accounts and execute journal vouchers using the "first-in first-out" methodology. The grantor allowed the agency to perform the necessary transactions needed to submit a final close out report for PY2000, PY2001 and PY2002 accordingly by November 30, 2005. This process provided the agency the opportunity to reclassify expenditures and increase the availability of funding for program years PY2003 and PY2004.

Corrective Action:

The agency will ensure that all journal vouchers allowing reclassification of expenditures to perform first-in first-out processes are prepared accordingly and in a timely manner. AHRD will also continue to work with the Department of Administration to prepare all final grant close-out documents in a timely manner.

GOVERNMENT OF GUAM

**Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2005**

Finding No.: 05-09
CFDA No. 20.600
Program Name: State and Community Highway Safety
Grant Number: OP-2005-00-00-00; 2004 Data Program
Area: Procurement
Questioned Costs: \$26,284

Criteria:

In accordance with applicable procurement requirements, the grantee will maintain records sufficient to detail the significant history of a procurement. These records will include a rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

Condition:

Of 16 transactions, aggregating \$149,604 of \$333,810 in total Program non-payroll costs, we noted the following conditions:

- 1. For 1 (or 6%), section 3111(c) of local procurement regulations was applied, but less than three positive quotations were obtained for the following transaction:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>	<u>Grant Award #</u>
08/12/05	0067839	C5521001	Public Works	P056A04067	\$12,598	OP-2005-00-00-00

- 2. For 1 (or 6%), competition was limited due to brand specification in the request for quotation for the following transaction:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>	<u>Grant Award #</u>
01/06/05	0027566	G7411501	Public Safety	P046A06526	\$13,686	2004 Data Program

Cause:

Government of Guam management did not enforce established procurement regulations.

Effect:

The Government of Guam is in noncompliance with applicable procurement requirements. A questioned cost of \$26,284 exists.

Recommendation:

Government of Guam management should enforce established procurement regulations. Prior to preparing a purchase order or contract, the responsible personnel should ensure the rationale for selecting each vendor is documented in accordance with applicable procurement regulations. Furthermore, for small purchases, the responsible personnel should obtain and document at least three positive quotes from which to make a vendor selection. To effect resolution of this finding, the requested procurement documents should be provided.

Auditee Response and Corrective Action Plan:

The Government of Guam provided the following response.

Buyers have been instructed to always indicate "or equal" on the request for quotation in referencing a brand name or part numbers.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2005

Finding No.: 05-10
CFDA No. 20.600
Program Name: State and Community Highway Safety
Area: Period of Availability
Questioned Costs: \$0

Criteria:

In accordance with applicable period of availability requirements, Federal funds appropriated for a fiscal year remain available for obligation in the succeeding fiscal year.

Condition:

There were un-obligated balances aggregating \$780,775 from grant years 2001 through 2005 whose periods of availability ended prior to October 1, 2005, as follows:

<u>Grant Year</u>	<u>End of Period of Availability</u>	<u>Unexpended Balance at 9/30/05</u>
2001	2002	\$ 28,968
2002	2003	183,904
2003	2004	348,341
2004	2005	219,562
		<u>\$780,775</u>

Cause:

Government of Guam management did not enforce internal controls over ensuring that expired grants are deappropriated in a timely manner.

Effect:

Available balances for grant years 2001 through 2004 are overstated. If such balances are not properly deappropriated, the Government of Guam could potentially expend Federal Funds in noncompliance with applicable period of availability requirements.

Prior Year Status:

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

Recommendation:

Government of Guam management should develop more specific internal control procedures over monitoring a fund during the period of availability and deappropriating expired funds in a timely manner. On a periodic basis, the responsible program personnel should monitor funds for unliquidated obligations and should follow up with the responsible accounting personnel to ensure that the liquidations occur before the funds expire. The responsible accounting personnel should ensure that expired grants are deappropriated in a timely manner, that any unliquidated obligations for expired grants are charged to the General Fund, and that grant funds are not over expended.

Auditee Response and Corrective Action Plan:

The Government of Guam provided the following response.

Effective in the first quarter of Fiscal Year 2006, the corrective action to address this [finding] regarding the period of availability will be resolved.

In September 2005, at the request of the Department of Administration (DOA), Data Management Resource (DMR) made a system change on the BACIS-AS400 to resolve this audit finding. The system will automatically transfer the amount of funds unavailable to the unallotted funds or funds in reserved status after the federal grant period expires. The funds will be reclassified after the month-end processing is completed on the AS400. When the grantor approves a "No cost grant extension," the grantee will need to prepare the necessary paperwork to have the funds released a second time by BBMR.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2005

Finding No.: 05-11
CFDA No. 66.600
Program Name: Environmental Protection Consolidated Grants
Grant Number: M-00906304
Area: Procurement
Questioned Costs: \$12,808

Criteria:

In accordance with applicable procurement requirements, the grantee will maintain records sufficient to detail the significant history of a procurement. These records will include a rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. Furthermore, in accordance with the applicable local procurement law, the Guam General Services Agency shall procure from the United States when the cost is less by ten percent than from other contractors.

Condition:

For 1 (or 7%) of 15 transactions, aggregating \$487,070 of \$969,419 in total Program non-payroll expenditures, there was brand specification on the request for quotation for the following transaction:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>
11/24/04	0021456	I1371001	Agriculture	P046A07016	\$ 12,808

Cause:

Government of Guam management did not enforce established procurement regulations.

Effect:

The Government of Guam is in noncompliance with applicable procurement requirements. A questioned cost of \$12,808 exists.

Prior Year Status:

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

Recommendation:

Government of Guam management should enforce established procurement regulations. Prior to preparing a purchase order or contract, the responsible personnel should ensure the rationale for selecting each vendor is documented in accordance with applicable procurement regulations. To effect resolution of this finding, the requested procurement documents should be provided.

Auditee Response and Corrective Action Plan:

The Government of Guam provided the following response.

Buyers have been instructed to always indicate "or equal" on the request for quotation in referencing a brand name or part numbers.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2005

Finding No.: 05-12
CFDA No. 66.600
Program Name: Environmental Protection Consolidated Grants
Grant Number: M-00906304; M-00906303; M-00906302; M-00906301
Area: Period of Availability
Questioned Costs: \$0

Criteria:

In accordance with applicable period of availability requirements, the grantee shall not incur or obligate funds for any purpose pertaining to the operations of the project, program, or activities beyond the expiration stipulated in the award.

Condition:

There are unexpended balances from grant years 2001 through 2004, whose periods of availability expired prior to October 1, 2005. The aggregated total of unexpended balances is \$3,211,113, as follows:

<u>Grant Year</u>	<u>Period Available</u>	<u>Unexpended Balance</u>	<u>Grant Award #</u>
2001	10/01/00 – 09/30/01	\$ 27,748	M-00906301
2002	10/01/01 – 09/30/02	240,633	M-00906302
2003	10/01/02 – 09/30/03	128,714	M-00906303
2004	10/01/03 – 09/30/05	2,814,018	M-00906304
		<u>\$3,211,113</u>	

Cause:

Government of Guam management did not enforce internal controls over ensuring that funds are deappropriated after the fund's period of availability.

Effect:

Available balances for grant years 2001 through 2004 are overstated. If such balances are not properly deappropriated, the Government of Guam could potentially expend Federal funds in noncompliance with applicable period of availability requirements.

Recommendation:

Government of Guam management should develop more specific internal control procedures over monitoring a fund during the period of availability and deappropriating expired funds. The responsible accounting personnel should ensure that expired grants are deappropriated in a timely manner and that any liquidations of obligations for expired grants are charged to the General Fund.

Auditee Response and Corrective Action Plan:

The Government of Guam provided the following response.

Effective in the first quarter of Fiscal Year 2006, the corrective action to address this [finding] regarding the period of availability will be resolved.

GOVERNMENT OF GUAM

**Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2005**

Finding No.: 05-12, Continued
CFDA No. 66.600
Program Name: Environmental Protection Consolidated Grants
Grant Number: M-00906304; M-00906303; M-00906302; M-00906301
Area: Period of Availability
Questioned Costs: \$0

Auditee Response and Corrective Action Plan, Continued:

In September 2005, at the request of the Department of Administration (DOA), Data Management Resource (DMR) made a system change on the BACIS-AS400 to resolve this audit finding. The system will automatically transfer the amount of funds unavailable to the unallotted funds or funds in reserved status after the federal grant period expires. The funds will be reclassified after the month-end processing is completed on the AS400. When the grantor approves a "No cost grant extension," the grantee will need to prepare the necessary paperwork to have the funds released a second time by BBMR.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2005

Finding No.: 05-13
CFDA No. 66.600
Program Name: Environmental Protection Consolidated Grants
Grant Number: M-00906304
Area: Special Tests and Provisions
Questioned Costs: \$0

Criteria:

In accordance with applicable special tests and provisions requirements and grant terms and conditions, the Government of Guam must develop and implement a communications strategy to inform and interact with water systems.

Condition:

The Government of Guam has not developed a water systems communications strategy.

Cause:

Government of Guam management did not enforce internal controls over ensuring that a water systems communications strategy is developed in accordance with the grant award.

Effect:

The Government of Guam is in noncompliance with applicable special tests and provisions requirements and grant terms and conditions regarding the development and implementation of a water systems communications strategy.

Recommendation:

Government of Guam management should develop and implement a communications strategy to inform and interact with water systems in accordance with grant terms and conditions.

Auditee Response and Corrective Action Plan:

The Government of Guam provided the following response.

The written communications strategy workplan will be drafted by July 2006.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2005

Finding No.: 05-14
Federal Agency: U.S. Environmental Protection Agency
CFDA No. 66.600
Program Name: Environmental Protection Consolidated Grants: Program Support
Grant Number: M-00906304
Area: Special Tests and Provisions
Questioned Costs: \$0

Criteria:

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

Condition:

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

Cause:

The inclusion of the Fair Share Policy in the procurement documents was implemented only towards the end of fiscal year 2005 in response to a prior year finding. As such, the grantee is in noncompliance with the requirement during most of FY 2005.

Effect:

The Government of Guam is in noncompliance with applicable special tests and provisions and grant terms and conditions regarding the Fair Share policy. No questioned cost is presented at this finding, as we are unable to quantify the extent of noncompliance.

Recommendation:

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

Auditee Response and Corrective Action Plan:

No response is necessary as corrective action has occurred at the end of FY 2005.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2005

Finding No.: 05-15
 CFDA No.: 84.126
 Program Name: Vocational Rehabilitation Grants
 Grant Number: H126A040077, H126A050077
 Area: Procurement
 Questioned Costs: \$57,607

Criteria:

In accordance with applicable procurement requirements, the grantee will maintain records sufficient to detail the significant history of a procurement. These records will include a rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

Condition:

Of 25 transactions, aggregating \$220,054 of \$895,943 in total Program non-payroll costs, we noted the following conditions:

- For 2 (or 8%), the brand name was specified in the request for quotations, thereby limiting competition for the following transactions:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>	<u>Grant Award #</u>
09/09/05	0072814	D0097023	Voc Rehab	P056A05633	\$ 5,295	H126A050077
03/31/05	0044499	A0098076	Voc Rehab	P056A01083	4,275	H126A040077
				TOTAL	\$ <u>9,570</u>	

- For 11 (or 44%), there is no written rationale for the selection of the following vendors:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount Tested</u>	<u>Total Charged in FY 2005</u>	<u>Grant Award #</u>
04/22/05	0050273	G0802201	Voc Rehab	C052600019	\$ 2,775	\$ 13,000	H126A040077
09/30/05	0078276	G0802201	Voc Rehab	C052600005	3,600	10,058	H126A040077
06/24/05	0061616	G0802201	Voc Rehab	C052600063	2,331	2,964	H126A040077
05/09/05	0051648	G0802201	Voc Rehab	C052600120	7,200	11,430	H126A040077
05/09/05	0051648	G0802201	Voc Rehab	C052600120	4,230	4,230	H126A040077
04/19/05	0049354	G0802201	Voc Rehab	C052600140	5,618	5,618	H126A040077
10/21/05	0079850	G0802201	Voc Rehab	C052600184	7,448	11,048	H126A050077
10/21/05	0079850	G0802201	Voc Rehab	C052600282	<u>5,280</u>	<u>5,280</u>	H126A050077
					\$ <u>38,482</u>	\$ <u>63,628</u>	

Cause:

Government of Guam management did not enforce established procurement regulations.

Effect:

The Government of Guam is in noncompliance with applicable procurement requirements. A questioned cost of \$57,607 is presented at this finding (78.7% Federal share of total questionable costs of \$73,198).

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2005

Finding No.: 05-15, Continued
CFDA No. 84.126
Program Name: Vocational Rehabilitation Grants
Grant Number: H126A040077, H126A050077
Area: Procurement
Questioned Costs: \$57,607

Recommendation:

Government of Guam management should enforce established procurement regulations. Prior to preparing a purchase order or contract, the responsible personnel should ensure the rationale for selecting each vendor is documented in accordance with applicable procurement regulations. To effect resolution of this finding, the requested procurement documents should be provided.

Auditee Response and Corrective Action Plan:

The Government of Guam provided the following response.

[Condition 1]

For Transaction #0072814 and #0044499, although the "or equal" was not indicated on the request for quotation, the vendors solicited from are good in offering other brand names if they can supply a particular item comparable to the item requested. The other vendors did respond with no quote and N/A.

Corrective Action:

Buyers have been instructed to always indicate "or equal" on the request for quotation in referencing a brand name or part numbers.

[Also, the consumer] is a transition consumer from DOE Special Education. [He] has a communication impairment that required assistive devices. DOE provided the initial communications brand including the specific training to [him] for effective use. Unfortunately, all devices purchased by Special Education remains the property of DOE and is returned to DOE upon graduation. It was critical that DVR purchase a replacement model to continue his Communication Board with VR. DVR had to purchase the exact brand model. To purchase a different model, it would set back six months to one year of re-training and added frustration by the consumer.

[For transaction #0044499], attached you will find a copy of an email in which I based the purchasing of the AT [assistive technology] for a consumer. The specifications for the purchase came from Mr. David Andrews, Chief Technology Officer from the Minnesota State Services for the Blind. Because it is my job as per 34CFR 361.13 to provide the nature and scope of services to our consumers and I consulted a technology professional who works for the blind, is why the purchasing was made with brand name. Please note that the two specific softwares (JAWS and KURZWEIL) required these specifications. The purchase was made to meet the consumer's needs.

Reference #C05260063 (case 6-7639) is a consumer with DVR whose Individualized Plan for Employment (IPE) was developed in May 2001 with a vocational goal to be determined after certain vocational exploration and work evaluations have been completed with Goodwill Industries which is presently named the Guam Rehabilitation and Workshop Center (GRWC). Being that GRWC was readily available to accept this consumer and provide the required expectations given in his vocational exploration and work evaluation. During his initial vocational training period, a major typhoon devastated the island of Guam in the end of 2002 (Super Typhoon Pongsona). Because of the major damage and devastated state of the island, vocational training with GRWC was terminated until such time that the facility was fully functioning again then they will commence with the training for this consumer. In September of 2004 a VR Counselor met with GRWC representative who informed her that the facility is functioning to its fullest and can now accept this consumer back for vocational training. As a result of this meeting VR Counselor met with the consumer and his guardian and together amended his IPE for him to continue his training where he left off, with room for readjustment and other

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2005

Finding No.: 05-15, Continued
CFDA No. 84.126
Program Name: Vocational Rehabilitation Grants
Grant Number: H126A040077, H126A050077
Area: Procurement
Questioned Costs: \$57,607

Auditee Response and Corrective Action Plan, Continued:

[Condition 2], Continued

vocational preparation that is needed to have him get back on track vocationally. With all documents prepared and submitted, and Authorization For Service was prepared and approved with the funding available, hence the justification of the continuation of his vocational training.

[Transaction # 0078276, 0051648, and 0079850]

Case Number 2-7619: Prior to choosing [the vendor] as the vendor to provide services to consumer, other vendors given the vocational goal and taking into consideration the consumer's disabling condition, were explored. Consumer was not comfortable with the other facility and therefore chose this vendor. Again, consumer and her guardian were involved in the decision and choosing of the vendor. The services provided to consumer is enabling her to independence at the worksite and this vendor will assist in the competitive employment placement.

[Transaction #0021608, 0039516, 0049332, 0038258, and 0044905]

Consumer Number 2-7670: Consumer left off island to receive physical restoration services and, prior to said service saw the need for personal care attendant to help consumer get stable on an outpatient basis. Consumer did search to provide her the service and vendor was chosen by consumer. Prior to finalizing the selection, consumer was communicating with VRC during her search.

[Transaction #0049354]

Reference #CO52600140 (case 1-7648), was an inherited case from a former VR Counselor and was on-hand when I arrived to the division in August 2004. This consumer's Individualized Plan for Employment (IPE) was written for his vocational goal to be listed as a Sorter (for a nonprofit organization). A nonprofit organization readily available to take on this consumer for vocational training was listed and identified as the Guam Rehabilitation and Workshop Center (GRWC), which was adequate justification to choose this vendor being that they are, at any time, ready to pick up new clients. GRWC was responsible for providing Personal and vocational adjustment training for consumer for him to be exposed to an actual work site and learn the necessary skills in order for him to properly succeed in the job as a sorter. During his initial vocational training period, a major typhoon devastated the island of Guam in the end of 2002 (Super Typhoon Pongsona). Because of the major damage and devastated state of the island, vocational training with GRWC was terminated until such time that the facility was fully functioning again then they will commence with the training for this consumer. In January 2005 I met with GRWC representative who informed me that the facility is functioning to its fullest and can now accept this consumer back for vocational training. As a result of this meeting I met with the consumer and his guardian and together we amended his IPE for him to continue his training where he left off, with room for readjustment and other vocational preparation that is needed to have him get back on track vocationally. With all documents prepared and submitted, and Authorization For Service was prepared and approved with the funding available, hence the justification of the continuation of his vocational training.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2005

Finding No.: 05-16
CFDA No. 84.126
Program Name: Vocational Rehabilitation Grants
Grant Number: H126A030077; H126A040077
Area: Period of Availability
Questioned Costs: \$0

Criteria:

In accordance with applicable period of availability requirements, Federal funds appropriated for a fiscal year remain available for obligation in the succeeding fiscal year.

Condition:

There are unexpended balances from grant years 2003 and 2004, whose periods of availability expired prior to October 1, 2005. The aggregated total of unexpended balances is \$745,257 as follows:

<u>Grant Year</u>	<u>Period Available</u>	<u>Unexpended Balance</u>	<u>Grant Award #</u>
2003	10/01/02 – 09/30/04	\$104,496	H126A030077
2004	10/01/03 – 09/30/05	<u>640,761</u>	H126A040077
		<u>\$745,257</u>	

Cause:

Government of Guam management did not enforce internal controls over ensuring that funds are deappropriated after the fund's period of availability.

Effect:

Available balances for grant years 2003 and 2004 are overstated. If such balances are not properly deappropriated, the Government of Guam could potentially expend Federal funds in noncompliance with applicable period of availability requirements.

Recommendation:

Government of Guam management should develop more specific internal control procedures over monitoring a fund during the period of availability and deappropriating expired funds. The responsible accounting personnel should ensure that expired grants are deappropriated in a timely manner and that any liquidations of obligations for expired grants are charged to the General Fund.

Auditee Response and Corrective Action Plan:

The Government of Guam provided the following response.

Effective in the first quarter of Fiscal Year 2006, the corrective action to address this [finding] regarding the period of availability will be resolved.

In September 2005, at the request of the Department of Administration (DOA), Data Management Resource (DMR) made a system change on the BACIS-AS400 to resolve this audit finding. The system will automatically transfer the amount of funds unavailable to the unallotted funds or funds in reserved status after the federal grant period expires. The funds will be reclassified after the month-end processing is completed on the AS400. When the grantor approves a "No cost grant extension," the grantee will need to prepare the necessary paperwork to have the funds released a second time by BBMR.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2005

Finding No.: 05-17
CFDA No. 93.104
Program Name: Comprehensive Community Mental Health Services for Children with (SED)
Grant Number: 5 U79 SM54487-03
Area: Procurement
Questioned Costs: \$0

Criteria:

In accordance with applicable procurement requirements, the grantee will maintain records sufficient to detail the significant history of a procurement. These records will include a rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

Condition:

For 3 (or 18%) of 17 transactions, aggregating \$407,225 of \$738,708 in total Program expenditures, the procurement cited is sole source; however, there is no documentation on file to evidence that other vendors do not exist for the following transactions:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>
01/06/05	0027543	C0098342	Mental Health	P056A00462	\$ 17,500
03/24/05	0043966	C0098342	Mental Health	P056A03636	17,500
06/24/05	0061767	C0098342	Mental Health	P056A05614	<u>18,500</u>
					<u>\$ 53,500</u>

Program management represented that no other source is available due to the nature of the training requirements. We reviewed certification from the vendor that no other source on Guam is available and examined correspondence from the grantor indicating that use of such sole source method for this transactions is fully justified and cost effective. Therefore, no questioned cost results from this condition. However, the condition is reportable as noncompliance with applicable local procurement requirements exists.

Cause:

Government of Guam management did not enforce established procurement regulations.

Effect:

The Program is in noncompliance with applicable procurement requirements. For reasons provided in the condition above, no questioned cost is presented at this finding.

Recommendation:

Government of Guam management should enforce established procurement regulations. Prior to preparing a purchase order or contract, the responsible personnel should ensure the rationale for selecting each vendor is documented in accordance with applicable procurement regulations. To effect resolution of this finding, the requested procurement documents should be provided.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2005

Finding No.: 05-17, Continued
CFDA No. 93.104
Program Name: Comprehensive Community Mental Health Services for Children with (SED)
Grant Number: 5 U79 SM54487-03
Area: Procurement
Questioned Costs: \$0

Auditee Response and Corrective Action Plan:

The Government of Guam provided the following response:

The [files contain] evidence that the letter provided by the vendor indicated that at present, no similar curriculum or videotape materials and explained that she was the sole available wraparound training on Guam. The requisition submitted by the department indicated: To conduct Wraparound training continuing system community analysis and assessment. Therefore, this is an indication that this program has been in existence and is needed to continue as required by the department. The rationale for sole source was properly justified.

Auditors' Response:

There appears to be a conflict of interest for the sole source rationale to be partially based on the certifications of the selected vendor. Therefore, the finding remains.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2005

Finding No.: 05-18
CFDA No. 93.104
Program Name: Comprehensive Community Mental Health Services for Children with SED
Grant Number: 5 U79 SM54487-01; 5 U79 SM54487-02; 5 U79 SM54487-03
Area: Period of Availability
Questioned Costs: \$0

Criteria:

In accordance with applicable period of availability requirements, where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless a carryover of unobligated balances is permitted.

Condition:

At fiscal year end 2005, there are unexpended balances for grants with which period of availability had expired, as follows:

<u>Grant Year</u>	<u>Budget Period</u>	<u>Unencumbered Balances</u>	<u>Grant Award #</u>
2002	9/30/02 – 9/29/03	\$ 58,945	5 U79 SM54487-01
2003	9/30/03 – 9/29/04	183,909	5 U79 SM54487-02
2004	9/30/04 – 9/29/05	<u>1,578,913</u>	5 U79 SM54487-03
		<u>\$ 1,821,767</u>	

Cause:

Government of Guam management did not enforce internal controls over ensuring that expired grants are deappropriated in a timely manner.

Effect:

Available balances for grant years 2002, 2003, and 2004 are overstated. If such balances are not properly deappropriated, the Government of Guam could potentially expend Federal funds in noncompliance with applicable period of availability requirements.

Recommendation:

Government of Guam management should develop more specific internal control procedures over monitoring a fund during the period of availability and deappropriating expired funds in a timely manner.

Auditee Response and Corrective Action Plan:

The Government of Guam provided the following response.

Effective in the first quarter of Fiscal Year 2006, the corrective action to address this [finding] regarding the period of availability will be resolved.

In September 2005, at the request of the Department of Administration (DOA), Data Management Resource (DMR) made a system change on the BACIS-AS400 to resolve this audit finding. The system will automatically transfer the amount of funds unavailable to the unallotted funds or funds in reserved status after the federal grant period expires. The funds will be reclassified after the month-end processing is completed on the AS400. When the grantor approves a "No cost grant extension," the grantee will need to prepare the necessary paperwork to have the funds released a second time by BBMR.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2005

Finding No.: 05-19
CFDA No. 93.283
Program Name: Centers for Disease Control and Prevention
Grant Number: U58/CCU922934-02
Area: Procurement
Questioned Costs: \$19,413

Criteria:

In accordance with applicable procurement requirements, the grantee will maintain records sufficient to detail the significant history of a procurement. These records will include a rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

Condition:

Out of 20 transactions, aggregating \$58,927 of \$348,413 in total Program expenditures, we noted the following:

1. For 3 (or 15%), there was no history of procurement for the following:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>
06/24/05	0061655	K0276601	Public Health	P056A04933	\$ 5,000
03/03/05	0038588	K0276601	Public Health	P056A02580	\$ 2,400
02/04/05	0033359	K0276601	Public Health	P056A02397	\$ 2,430

However, as transaction number 0061655 and #0038588 were for advertisements on television in conjunction with the only television local news station on Guam, and transaction number 0033359 was for radio advertisements in conjunction with the radio broadcast of the only local news program, no questioned costs result from these transactions.

2. For 1 (or 5%), competition was restricted by specifying a brand name on the request for quotation for the following:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>
07/08/05	0062852	J6768204	Public Health	P056A05154	\$ 3,444

3. For 2 (or 10%), no procurement documents were provided for the following:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>
10/28/04	0016251	E2534001	Public Health	P046P00024	\$ 14,850
12/28/04	0027422	D6022102	Public Health	D051740073	<u>1,119</u>
					\$ <u>15,969</u>

Cause:

Government of Guam management did not enforce established procurement regulations.

Effect:

The Program is in noncompliance with applicable procurement requirements. A questioned cost of \$19,413 exists.

Recommendation:

Government of Guam management should enforce established procurement regulations. Prior to preparing a purchase order or contract, the responsible personnel should ensure the rationale for selecting each vendor is documented in accordance with applicable procurement regulations. To effect resolution of this finding, the requested procurement documents should be provided.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2005

Finding No.: 05-19, Continued
CFDA No. 93.283
Program Name: Centers for Disease Control and Prevention
Grant Number: U58/CCU922934-02
Area: Procurement
Questioned Costs: \$19,413

Auditee Response and Corrective Action Plan:

The Government of Guam provided the following response.

Buyers have been instructed to always indicate "or equal" on the request for quotation in referencing a brand name or part numbers.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2005

Finding No.: 05-20
 CFDA No. 93.283
 Program Name: Center for Disease Control and Prevention - Investigations and Tech Asst
 Grant Number: U58/CCU922934-01; U58/CCU922934-02; U58/CCU922934-03
 Area: Period of Availability
 Questioned Costs: \$0

Criteria:

In accordance with applicable period of availability requirements, where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless a carryover of unobligated balances is permitted.

Condition:

At fiscal year end 2005, there are unexpended grant balances for which the period of availability had expired, as follows:

<u>Grant Number</u>	<u>Account Number</u>	<u>Grant Year</u>	<u>Budget Period</u>	<u>Available Balance</u>
U58/CCU922934-01	5101H031712EI110	2003	06/30/03 – 06/29/04	\$ 5,685
U58/CCU922934-01	5101H031712SE114	2003	06/30/03 – 06/29/04	11,272
U58/CCU922934-02	5101H041712EI110	2004	06/30/04 – 06/29/05	73,374
U58/CCU922934-02	5101H041712SE114	2004	06/30/04 – 06/29/05	26,796
U58/CCU922934-02	5101H041713EI109	2004	08/31/03 – 08/30/04	8,064
U58/CCU922934-03	5101H051713EI109	2005	08/31/04 – 08/30/05	<u>291,019</u>
				<u>\$ 416,210</u>

Cause:

Government of Guam management did not enforce internal controls over ensuring that expired grants are deappropriated in a timely manner.

Effect:

Available balances for grant years 2003, 2004, and 2005 are overstated. If such balances are not properly deappropriated, the Government of Guam could potentially expend Federal funds in noncompliance with applicable period of availability requirements.

Recommendation:

Government of Guam management should develop more specific internal control procedures over monitoring a fund during the period of availability and deappropriating expired funds. The responsible accounting personnel should ensure that expired grants are deappropriated in a timely manner and that any liquidations of obligations for expired grants are charged to the General Fund.

Auditee Response and Corrective Action Plan:

The Government of Guam provided the following response.

Effective in the first quarter of Fiscal Year 2006, the corrective action to address this [finding] regarding the period of availability will be resolved.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2005

Finding No.: 05-20, Continued
CFDA No. 93.283
Program Name: Center for Disease Control and Prevention - Investigations and Tech Asst
Grant Number: U58/CCU922934-01; U58/CCU922934-02; U58/CCU922934-03
Area: Period of Availability
Questioned Costs: \$0

Auditee Response and Corrective Action Plan, Continued:

In September 2005, at the request of the Department of Administration (DOA), Data Management Resource (DMR) made a system change on the BACIS-AS400 to resolve this audit finding. The system will automatically transfer the amount of funds unavailable to the unallotted funds or funds in reserved status after the federal grant period expires. The funds will be reclassified after the month-end processing is completed on the AS400. When the grantor approves a "No cost grant extension," the grantee will need to prepare the necessary paperwork to have the funds released a second time by BBMR.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2005

Finding No.: 05-21
CFDA No. 93.283
Program Name: Centers for Disease Control and Prevention
Grant Number: U58/CCU922934-02; U58/CCU922934-03
Area: Special Tests and Provisions
Questioned Costs: \$0

Criteria:

In accordance with applicable grant terms and conditions, the grantee must respond to the weaknesses noted in the Technical Review within 60 days after the receipt of the Notice of Cooperative Agreement.

Condition:

For grant years 2004 (U58/CCU922934-02) and 2005 (U58/CCU922934-03) of the Chronic Disease Prevention and Health Promotion Programs, and grant year 2004 of the National Cancer Prevention and Control Program, no response was prepared and submitted to the grantor agency as stated in the award terms and conditions.

Cause:

Government of Guam management did not enforce compliance with applicable grant terms and conditions over responding to weaknesses noted in the Technical Review.

Effect:

The Government of Guam is in noncompliance with applicable grant terms and conditions over responding to weaknesses noted in the Technical Review. Future funding may be decreased or withheld.

Recommendation:

The responsible personnel should promptly respond to the weaknesses noted in the Technical Review.

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, 2005

Finding No.: 05-22
CFDA No. 93.283
Program Name: Centers for Disease Control and Prevention
Grant Number: U58/CCU922934-03
Area: Eligibility
Questioned Costs: \$0

Criteria:

Acceptance into the Guam Breast and Cervical Cancer Early Detection Program (BCCEDP) must be in conformity with applicable eligibility guidelines.

Condition:

Of 25 samples tested, we noted the following:

1. For all samples, there were no copies of official documents in file to verify the applicant's age.
2. For 2 (or 8%), the individual is not within the Priority Group and was covered under MIP during FY 2005, for the following: 66001000000160 and 66001000001067.
3. For all samples, there were no copies of official documents in file to verify the applicant's citizenship.
4. For 13 (or 52%), there were no copies of official documents, or certification by a Program Staff in file, that Guam residency was verified for the following:

66001000000160, 66001000000307, 66001000000343, 66001000000428, 66001000000652, 66001000000697, 66001000000700, 66001000000890, 66001000000999, 66001000001038, 66001000001063, 66001000001067, 66001000001080.

5. For 22 (or 88%), there was no indication that the income reported by the applicant was verified for the following:

66001000000160, 66001000000307, 66001000000336, 66001000000343, 66001000000428, 66001000000558, 66001000000652, 66001000000697, 66001000000700, 66001000000873, 66001000000890, 66001000000904, 66001000000942, 66001000000999, 66001000001004, 66001000001038, 66001000001053, 66001000001063, 66001000001067, 66001000001080, 66001000001195, 66001000001229.

6. For 7 (or 28%), reevaluation took more than one year for the following:

66001000000307, 66001000000343, 66001000000428, 66001000000558, 66001000000652, 66001000000697, 66001000000942

Cause:

There appears to be weak internal controls over record keeping. In addition, applicants were not required to submit supporting documents for verification.

Effect:

Without requiring applicants to submit supporting documents, the Government of Guam may be providing services to otherwise ineligible individuals. No questioned cost is presented at this finding because we are unable to determine the specific cost associated with each case file.

GOVERNMENT OF GUAM

**Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2005**

Finding No.: 05-22, Continued
CFDA No. 93.283
Program Name: Centers for Disease Control and Prevention
Grant Number: U58/CCU922934-03
Area: Eligibility
Questioned Costs: \$0

Recommendation:

The Government of Guam should provide the requested case files to effect resolution of this finding.

Auditee Response and Corrective Action Plan:

The Government of Guam has not provided a response.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2005

Finding No.: 05-23
CFDA No. 93.283
Program Name: Centers for Disease Control and Prevention
Grant Number: U58/CCU922934-03
Area: Allowable Costs/Cost Principles
Questioned Costs: \$20,328

Criteria:

In accordance with applicable grant terms and conditions, the grantee is prohibited from incurring expenditures for cellular phones, except as approved by the grantor.

Condition:

For 3 (or 15%) of 20 transactions, aggregating \$58,927 of \$348,143 in total Program non-payroll expenditures, we noted expenditures for cell phone services specifically prohibited by the grantor, as follows:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>
03/23/05	0043747	I0096229	Public Health	P056A03401	\$ 346
03/23/05	0043747	I0096229	Public Health	P056A03400	563
06/17/05	0057429	I0096229	Public Health	P056A03403	680
					<u>\$1,589</u>

Total payments to the vendor per the two check number references above amount to \$20,328.

Cause:

The Government of Guam did not enforce internal controls over ensuring that grantor approval is obtained for cellular phone services.

Effect:

The Government of Guam is in noncompliance with applicable allowable costs/cost principles. A questioned cost of \$20,328 exists.

Recommendation:

The Government of Guam should enforce internal controls over ensuring that grantor approval is obtained for cellular phone services and that such written approval is maintained to substantiate expenditures.

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, 2005

Finding No.: 05-24
Federal Agency: U.S. Department of Health and Human Services
CFDA No. 93.778
Program Name: Medicaid
Grant Number: 75X0512
Area: Eligibility
Questioned Costs: \$25,671

Criteria:

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

Condition:

Of 121 cases tested, we noted the following conditions:

- 1. For 1 sample, the Government of Guam did not provide the case file for the following:

Table with 5 columns: Claim #, Patient #, Case #, SS #, Amount Claimed. Row 1: 50809200001, H714006707, 33-73533-03, 3394, \$51,341

- 2. For 4 cases, the household member's social security card is not in the case file for the following case numbers:

- a. 33-29357-11
b. 33-45496-02
c. 33-45683-01
d. 33-71093-02

- 3. For all cases, there is no documentation to support that income and eligibility verification system (IEVS) was used to verify eligibility.

Cause:

There appears to be weak internal controls over record keeping. Furthermore, Government of Guam management believes that use of the IEVS is voluntary.

Effect:

The Government of Guam is in noncompliance with applicable eligibility requirements. A questioned cost of \$25,671 exists (50% Federal share of total questionable costs of \$51,341).

Prior Year Status:

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

Recommendation:

The Department of Public Health and Social Services should strengthen record keeping controls to ensure that case files are maintained on file for at least three years to substantiate eligibility and that IEVS is implemented in accordance with applicable eligibility requirements.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2005

Finding No.: 05-24, Continued
Federal Agency: U.S. Department of Health and Human Services
CFDA No. 93.778
Program Name: Medicaid
Grant Number: 75X0512
Area: Eligibility
Questioned Costs: \$25,671

Auditee Response and Corrective Action Plan:

The Program Office provided the following response:

[For Condition 1,] we *agree* with the following case as we are *unable to locate* the case file: 33-73533-03.

[For Condition 2,] we *agree* with the following 3 citations as we are *unable to locate* the social security card: 33-45496-02/
33-45683-01/ 33-71093-02. We request additional time to locate the social security card for the following citation: 33-
29357-11.

[For Condition 3,] we *agree* to this finding. However, a new "PAGU" computer system is being implemented that will correct this deficiency.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2005

Finding No.: 05-25
Federal Agency: U.S. Department of Health and Human Services
CFDA No. 93.778
Program Name: Medicaid
Grant Number: 75X0512
Area: Special Tests and Provisions – ADP Risk Analysis and System Security Review
Questioned Costs: \$0

Criteria:

In accordance with applicable requirements, the grantee must establish and maintain a program for conducting periodic risk analyses to ensure that appropriate, cost effective safeguards are incorporated into new and existing systems.

Condition:

The Government of Guam did not provide reports to evidence that an analysis and a review were performed.

Cause:

There appears to be weak internal controls over compliance with the ADP risk analysis and system security review.

Effect:

The Government of Guam is in noncompliance with the above requirements.

Recommendation:

The Government of Guam should perform and document the necessary analysis and review as stated in the Program requirements.

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, 2005

Finding No.: 05-26
Federal Agency: U.S. Department of Health and Human Services
CFDA No. 93.778
Program Name: Medicaid
Grant Number: 75X0512
Area: Special Tests and Provisions – Provider Eligibility
Questioned Costs: \$0

Criteria:

In order to receive Medicaid payments, providers of medical services furnishing services must be licensed in accordance with Federal, State, and local laws and regulations to participate in the Medicaid program.

Condition:

The Government of Guam did not provide the medical provider's license for the following:

- a. Loma Linda University Physician
- b. Long Beach Memorial Medical Center
- c. Packards Children's Hospital

Cause:

There appears to be weak internal controls over recordkeeping

Effect:

The Government of Guam is in noncompliance with the above requirements. No questioned cost is presented at this finding because we are unable to determine the actual cost associated with the condition.

Recommendation:

The Government of Guam should strengthen recordkeeping controls to ensure that pertinent documents are maintained.

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, 2005

Finding No.: 05-27
 CFDA No. 97.004/97.067
 Program Name: Homeland Security Grant Program Cluster
 Grant Number: 2003-TE-TX-0207; 2003-MU-T3-0054; 2005-GE-T5-0036
 Area: Procurement
 Questioned Costs: \$138,431

Criteria:

In accordance with applicable procurement requirements, the grantee will maintain records sufficient to detail the significant history of a procurement. These records will include a rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

Condition:

Out of 17 transactions, aggregating \$935,818 of \$1,158,251 in total Program expenditures, we noted the following:

- For 2 (or 12%), the prospective vendors were not given the minimum 15 days to respond to the request for proposal/quotation for the following:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>	<u>Grant Award #</u>
03/03/05	0038543	C0097139	Office of the Gov	P056A00475	\$ 49,678	2003-TE-TX-0207
03/03/05	0038543	C0097139	Office of the Gov	P056A00785	45,995	2003-TE-TX-0207
					<u>\$ 95,673</u>	

- For 1 (or 6%), the request for quotation specified a brand name for the following:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>	<u>Grant Award #</u>
09/16/05	0073444	R3961401	Office of the Gov	P056A04984	\$ 2,051	2003-MU-T3-0054

- For 1 (or 6%), improper procurement procedures were followed (i.e., the competitive sealed bidding method was not applied) for the following:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>	<u>Grant Award #</u>
07/08/05	0062730	D0096987	Office of the Gov	P056A02942	\$ 35,707	2003-MU-T3-0054

- For 2 (or 12%), no procurement documents were provided for the following:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>	<u>Grant Award #</u>
04/19/05	0049327	H0097062	Office of the Gov	D050280006	\$ 5,000	2003-MU-T3-0054
10/07/05	0079083		Office of the Gov	P056A08068	\$11,000	2005-GE-T5-0036

However, as transaction number 0079083 was for advertisements on television in conjunction with the only television local news station on Guam, no questioned costs result from this transaction.

Cause:

Government of Guam management did not enforce established procurement regulations.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2005

Finding No.: 05-27, Continued
CFDA No. 97.004/97.067
Program Name: Homeland Security Grant Program Cluster
Grant Number: 2003-TE-TX-0207; 2003-MU-T3-0054; 2005-GE-T5-0036
Area: Procurement
Questioned Costs: \$138,431

Effect:

The Government of Guam is in noncompliance with applicable procurement requirements. A questioned cost of \$138,431 exists.

Recommendation:

Government of Guam management should enforce established procurement regulations. Prior to preparing a purchase order or contract, the responsible personnel should ensure the rationale for selecting each vendor is documented in accordance with applicable procurement regulations. To effect resolution of this finding, the requested procurement documents should be provided.

Auditee Response and Corrective Action Plan:

The Government of Guam provided the following response.

[For Condition 2,] Buyers have been instructed to always indicate "or equal" on the request for quotation in referencing a brand name or part numbers.

[For Condition 3,] Disagree with finding.

For Transaction #0077251 and #0067880 contains evidence wherein request for quotations were issued not because it was required by 5GCA Section 5122, however GSA used the response to comply with the 10% calculation as required by 5GCA Section 5122. Calculations were indicated on the abstract for each of the transaction numbers noted above. Therefore, proper procurement procedures were followed in the processing of these requests.

In addition, I disagree with the recommendations noted: *Furthermore, competitive sealed bids should be obtained for procurement transactions in excess of the small purchase threshold prior to attempting procurement from the United States General Services Administration.* Disagreement is due to unnecessary cost to be incurred by the government to issue competitive sealed bids for purposes of price evaluation. The government is liable to pay for bid cost to bidders due to improper cancellations of sealed bids. The government will also be incurring advertisement cost, copying of bid packages, labor hours in preparing sealed bid packages, etc. Therefore, it is improper to mislead the prospective bidders that the government will be making awards when actually the government is only issuing sealed bids for price comparison purposes. In closing, the United States General Services Administration has issued a competitive sealed bid to establish the existing GSA Federal Schedule which means that the established GSA Schedule is an existing contract that has been pre-solicited prior to the issuance of the annual GSA Federal Schedule.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2005

Finding No.: 05-27, Continued
CFDA No. 97.004/97.067
Program Name: Homeland Security Grant Program Cluster
Grant Number: 2003-TE-TX-0207; 2003-MU-T3-0054; 2005-GE-T5-0036
Area: Procurement
Questioned Costs: \$138,431

Auditors' Response:

Regarding Condition 3, according to the Government of Guam procurement regulations, except for applicable use of the procurement methods of small purchases, sole source, or emergency, all contracts shall be procured by competitive sealed bidding. The intent of the General Services Agency should be to afford all vendors the opportunity to respond to a bid. Application of 5GCA Section 5122 should occur only after the results of the competitive sealed bidding process indicates that a cost savings of at least 10% would result. Therefore, as the transaction at Condition 3 exceeds the small purchases threshold of \$15,000, and competitive sealed bidding was not applied, the finding remains.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2005

Finding No.: 05-28
CFDA No. All major programs, except 97.004/97.067
Area: Cash Management
Questioned Costs: \$0

Criteria:

In accordance with applicable cash management requirements, the time elapsed between the receipt of Federal funds and the clearance of disbursed checks should be minimized. Based on our review of the Treasury-State Agreement, the specified clearance pattern for Guam is 1 day.

Condition:

For 102 (or 33%) of 312 transactions tested, the time elapsed between the receipt of Federal funds and the clearance of disbursed checks exceeded one day, ranging from 2 to 284 days, as follows:

<u>CFDA #</u>	<u># of Transactions</u>
10.551/10.561	2
11.419	8
15.875	36
17.258/17.259/17.260	5
20.600	5
66.600	4
84.126A	2
93.104	5
93.283	8
93.778	<u>27</u>
	<u>102</u>

Cause:

The Government of Guam lacks a uniform policy of drawing down Federal funds. Furthermore, it appears that no clearance pattern study was conducted prior to submitting a proposed 1-day clearance pattern for the Treasury-State Agreement.

Effect:

The Government of Guam may be in noncompliance with applicable cash management requirements. There is no net liability for FY 2005, as determined in writing by the U.S. Department of Treasury.

Recommendation:

The Government of Guam should establish and implement a uniform policy for drawing down Federal funds to ensure that the time elapsed between the receipt of Federal funds and the check disbursement is minimized. The established procedures should be sufficiently detailed so that any given drawdown can be easily traced to the Federal cash receipt date and the check disbursement date(s); likewise, any given check disbursement can be easily traced to the Federal cash receipt date. Furthermore, prior to submitting proposed clearance patterns for future Treasury-State Agreements, Government of Guam management should perform a detailed study of actual clearance periods for categories of payments (i.e., payroll, welfare, local vendors, non-local vendors, etc.).

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, 2005

Finding No.: 05-29
CFDA No. All major programs
Area: Equipment Management
Questioned Costs: \$0

Criteria:

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

Condition:

The Government of Guam has not conducted the required comprehensive physical inventories of its equipment.

Cause:

The Government is currently in the process of implementing its fixed asset management system. Efforts are being made to tag all equipment with bar code property identification labels. Until the Government completes tagging of all equipment, it will not be able to conduct a physical inventory.

Effect:

The Government is in noncompliance with applicable Federal regulations.

Prior Year Status:

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

Recommendation:

The Government of Guam should complete tagging of all equipment and conduct a physical inventory immediately thereafter.

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, 2005**

Finding No.: 05-30
CFDA No. All major programs
Area: Allowable Costs/Cost Principles
Questioned Costs: \$0

Criteria:

In accordance with applicable cost principles, only approved rates should be used to calculate indirect costs.

Condition:

Indirect costs reported for FY 2005 are based on rates in the Indirect Cost Negotiation Agreement for FY 2004, which was no longer effective for periods after September 30, 2004.

Cause:

The Government of Guam has not yet received an approved indirect cost negotiation agreement for FY 2005. Indirect cost rate proposals were submitted to the cognizant agency subsequent to FY 2005.

Effect:

The Government of Guam is in noncompliance with applicable cost principles. There is no questioned cost presented at this finding, as indirect costs for FY 2005 have not yet been charged to the Federal Grants Fund. Furthermore, due to the delayed submission of indirect cost rate proposals, the Government of Guam runs the risk of having Federal grants expire and of losing indirect cost recoveries.

Recommendation:

Absent an approved indirect cost negotiation agreement for the current fiscal year, the Government of Guam should obtain, in writing, Federal grantor agency approval to apply expired rates. Furthermore, the Government of Guam should strengthen internal controls to ensure that indirect cost rate proposals are submitted to the cognizant agency in a timely manner.

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, 2005

Finding No. 05-31

External Financial Reporting

Criteria: Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, requires that the financial statements of the reporting entity include component units for which the primary government is either financially accountable, or for which exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Condition: The following autonomous agencies that are considered to be component units of GovGuam were unable to produce audited financial statements in time for inclusion into GovGuam's financial statements for 2005:

1. Guam Memorial Hospital Authority
2. Ancestral Land Trust Commission
3. Guam Public Utilities Commission
4. Department of Chamorro Affairs Chamorro Village
5. Department of Chamorro Affairs Guam Museum
6. Guam Council on the Arts and Humanities Agency
7. Various Mayors' offices on Guam

For item # 1, unaudited financial statements were provided for inclusion into GovGuam's financial statements; however, since this entity was considered a material component unit of GovGuam, exclusion of audited financial statements resulted in a qualification of GovGuam's audit opinion.

For item #s 2 through 7, although these entities were not considered material to GovGuam's financial statements, such should be included for a full and complete presentation. A request was made by DOA for unaudited financial statements; however, no response was received by DOA from these respective agencies.

Cause: The cause of the above condition is the lack of audited financial statements for the respective entities.

Effect: The effect of the above condition is nonconformity with GASB Statement No. 14 resulting in a qualification in the opinion on the financial statements of GovGuam.

Recommendation: We recommend that GovGuam conform to GASB Statement No. 14 by obtaining audited financial statements of the above entities for inclusion within the financial statements.

Auditee Response and Corrective Action Plan: The Department of Administration (DOA) concurs with the findings of the auditor. As a corrective action, DOA will send a memorandum prior to the end of the fiscal year reminding the autonomous agencies of their responsibility to provide their financial statements.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2005

Finding No. 05-32

Receivables

Criteria: Collectibility of receivables should be monitored. Furthermore, collection efforts should be enforced at all times to ensure that account balances are current.

Condition: At September 30, 2005, GovGuam recorded the following significant accounts receivable and travel advance balances with amounts owing that are greater than 90 days old as follows:

<u>G/L Account #</u>	<u>Account Description</u>	<u>Amount</u>	<u>% > 90 Days Old</u>
110011498	A/R – Use Tax	\$ 2,391,628	\$ 2,266,812
110012111	Bad Checks – Misc.	\$ 619,442	\$ 611,936
110012112	Bad Checks – Misc.	\$ 1,530,674	\$ 1,530,674
110012120	Travel Advances	\$ 1,134,250	\$ 1,117,107

Due to the uncertainty of collection, GovGuam has recorded a corresponding allowance for uncollectible receivables for the entire receivable balances.

Cause: The cause of the above condition is the lack of timely collection efforts to ensure that accounts receivable and travel advance balances are current.

Effect: There is no effect on the financial statements as these receivable balances have been fully provided for within the allowance for uncollectible receivables.

Recommendation: We recommend that GovGuam increase collection efforts on receivable balances that are greater than 90 days old. Furthermore, we recommend that GovGuam adhere to established revenue recognition criteria wherein revenues be recognized on the modified accrual basis of accounting. For travel advances, we recommend that GovGuam increase collection efforts via payroll allotment procedures.

Auditee Response and Corrective Action Plan: The Department of Administration (DOA) concurs with the findings of the auditor. We had concentrated our efforts in implementing controls to the prevention of the growth of our current Accounts Receivables. The Department of Customs and Quarantine currently holds the release of shipments until the vendor is current with outstanding receivables. This helps to prevent the current Use Tax receivable from growing and helps to reduce the current outstanding balance. DOA has implemented various control and collection policies for the recordation and collection of bad checks. These improvements will be fully realized by our Fiscal Year 2007 audit. Travel Advances will record a significant decrease in the rate of growth of outstanding clearances for the following audit due to the current practice of offsetting payment against payroll for government employees with outstanding travel records.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2005

Finding No. 05-32, Continued

Auditee Response and Corrective Action Plan, Continued: Management continues to explore legal remedies and possible legislation in the form of tax offsets for the recovery of outstanding receivables. Additionally, the feasibility of outsourcing collections is still actively being discussed.

Finding No. 05-33

Deposit Liabilities

Criteria: Child support collections and disbursements should be supported by a detailed subsidiary ledger and be reconciled to the general ledger in a timely manner.

Condition: At September 30, 2005, GovGuam recorded a liability with a general ledger balance of \$4,981,831 (G/L Account # 110027000) relating to child support collections payable to recipients. GovGuam maintains a separate bank account within the general ledger (G/L Account # 110010415) specifically for child support collections. As of September 30, 2005, GovGuam recorded a bank balance amount within this account of \$2,838,042. No supporting subsidiary ledger was made available to support the liability account. Furthermore, no explanation was made available to explain the difference of \$2,143,789 between the liability account and the recorded bank balance amount.

Cause: The cause of the above condition is the lack of adequate internal control procedures over the reconciliation of child support collections and disbursements.

Effect: The effect of the above condition is the potential misstatement of child support liability balances.

Recommendation: We recommend that GovGuam establish procedures to ensure the timely reconciliation of general ledger balances relating to child support collections and disbursements.

Auditee Response and Corrective Action Plan: The statement – “No supporting subsidiary ledger was made available to support the liability account” – is not entirely a true and correct statement. Subsidiary ledgers do exist in the “APASI” system of the Child Support Enforcement Division. What was not made available was a schedule/listing extracted out of the “APASI” system because only “COVANSYS” staff have the access to extract such information. The question was referred to their mainland office and they referred it back to CSED. Had “COVANSYS” been able to generate/print the schedule/listing, it would have an estimate of twelve thousand (12,000) account balances only for active clients. Currently, there are more than fourteen thousand (14,000) accounts in the “APASI” system.

We agree that an explanation for the difference between the liability account and the recorded bank balance was not provided. We recognized the materiality of the issue and therefore, management of the Child Support Enforcement Division and the Department of Administration agreed to partner in the endeavor to pursue the resolution to this issue.

GOVERNMENT OF GUAM

Summary of Unresolved Questioned Costs Arising from
Prior Year Single Audits
Year Ended September 30, 2005

	<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 99	\$ 6,563,327	\$ 6,563,327	\$ -
Unresolved Questioned Costs FY 00	8,580,076	5,671,616	2,908,460
Unresolved Questioned Costs FY 01	5,526,736	1,349,360	4,177,376
Unresolved Questioned Costs FY 02	2,708,552	929,070	1,779,482
Unresolved Questioned Costs FY 03	1,243,982	410,078	833,904
Unresolved Questioned Costs FY 04	<u>514,486</u>	<u>289,027</u>	<u>225,459</u>
	<u>\$ 25,137,159</u>	<u>\$ 15,212,478</u>	9,924,681
Add Questioned Costs for FY 2005			<u>584,348</u>
Total Unresolved Questioned Costs at September 30, 2005			<u>\$ 10,509,029</u>

GOVERNMENT OF GUAM

Summary of Unresolved Questioned Costs Arising from
Prior Year Single Audits, Continued
Year Ended September 30, 2005

CFDA #	2005	2004	2003	2002	2001	2000	Total
10.551/ 10.561	\$ 127,680	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 127,680
11.419	53,478	-	-	-	-	-	53,478
15.875	54,236	28,512	55,665	-	378,178	-	516,591
16.579	-	-	277,427	-	-	-	277,427
17.258/ 17.259/ 17.260	48,412	-	-	-	-	-	48,412
20.205	-	-	102,231	611,014	36,498	18,365	768,108
20.600	26,284	-	-	-	-	-	26,284
66.600	12,808	21,107	-	-	-	-	33,915
83.541	-	-	9,855	-	-	-	9,855
83.543	-	-	-	10,588	-	-	10,588
83.544	-	-	308,538	153,987	2,505,157	2,873,083	5,840,765
83.548	-	-	-	-	145,150	17,012	162,162
84.126	57,607	-	-	-	-	-	57,607
93.044	-	-	-	367,958	-	-	367,958
93.283	39,741	-	-	-	-	-	39,741
93.558	-	-	12,000	14,942	543,972	-	570,914
93.563	-	97,548	66,426	620,993	-	-	784,967
93.575	-	-	-	-	568,421	-	568,421
93.778	25,671	62,592	1,762	-	-	-	90,025
93.994	-	15,700	-	-	-	-	15,700
97.004/ 97.067	138,431	-	-	-	-	-	138,431
Totals	\$ 584,348	\$ 225,459	\$ 833,904	\$ 1,779,482	\$ 4,177,376	\$ 2,908,460	\$ 10,509,029

GOVERNMENT OF GUAM

Summary of Unresolved Questioned Costs Arising from
Prior Year Single Audits, Continued
Summary Schedule of Resolved Prior Audit Findings as
Represented by the Government of Guam
Year Ended September 30, 2005

Finding #	CFDA #	Questioned Costs Resolved in 2005	Responding Office
99-10	83.544	\$ 6,563,327	OMB Circular A-133, Section .315(b)(4)
2000-04	15.875	3,249,240	OMB Circular A-133, Section .315(b)(4)
2000-05	15.875	88,287	OMB Circular A-133, Section .315(b)(4)
2000-06	15.875	38,380	OMB Circular A-133, Section .315(b)(4)
2000-11	83.544	6,330	OMB Circular A-133, Section .315(b)(4)
2000-87	83.544	75,871	OMB Circular A-133, Section .315(b)(4)
2000-87	15.875	150,683	OMB Circular A-133, Section .315(b)(4)
2000-87	84.186	17,612	OMB Circular A-133, Section .315(b)(4)
2000-87	93.778	2,045,213	OMB Circular A-133, Section .315(b)(4)
2001-03	15.605/15.611	61,712	USFWS Pacific Region, April 20, 2006
2001-07	15.605/15.611	277,702	USFWS Pacific Region, April 20, 2006
2001-15	15.875	2,639	OMB Circular A-133, Section .315(b)(4)
2001-17	66.600	128,752	U.S. EPA, February 23, 2004
2001-18	66.600	64,102	U.S. EPA, February 23, 2004
2001-41	93.563	103,593	OMB Circular A-133, Section .315(b)(4)
2001-42	93.563	45,497	OMB Circular A-133, Section .315(b)(4)
2001-47	93.563	46,071	OMB Circular A-133, Section .315(b)(4)
2001-50	93.575	65,185	OMB Circular A-133, Section .315(b)(4)
2001-54	93.667	21,826	OMB Circular A-133, Section .315(b)(4)
2001-56	93.667	27,160	OMB Circular A-133, Section .315(b)(4)
2001-57	93.667	40,879	OMB Circular A-133, Section .315(b)(4)
2001-60	93.778	464,242	OMB Circular A-133, Section .315(b)(4)
2002-01	15.875	52,520	OMB Circular A-133, Section .315(b)(4)
2002-02	15.875	626,490	OMB Circular A-133, Section .315(b)(4)
2002-04	16.523	77,068	U.S. Dept. of Justice, March 26, 2006
2002-05	16.523	138,059	U.S. Dept. of Justice, March 26, 2006
2002-06	16.710	1,721	U.S. Dept. of Justice, March 26, 2006
2002-18	83.541	9,013	U.S. Dept. of Labor, March 14, 2006
2002-19	83.541	23,617	U.S. Dept. of Labor, March 14, 2006
2002-20	83.541	582	U.S. Dept. of Labor, March 14, 2006
2003-01	17.258/259/290	4,104	U.S. Dept. of Labor, April 7, 2006
2003-03	17.258/259/290	30,733	U.S. Dept. of Labor, April 7, 2006
2003-08	17.258/259/290	150,747	U.S. Dept. of Labor, April 7, 2006
2003-09	66.600	207,829	U.S. EPA, July 12, 2005
2003-14	66.600	16,665	U.S. EPA, July 12, 2005
2004-03	17.258/259/260	289,027	U.S. Dept. of Labor, April 7, 2006
Total Questioned Costs Resolved \$		<u>15,212,478</u>	