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Government of Guam – FY 2020 Compliance Highlights

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Hagåtña, Guam – The Government of Guam (GovGuam) questioned costs for federal awards continue to grow, from \$432 thousand (K) at the beginning of the fiscal year (FY) 2016 to \$1.3 million (M) in FY 2020. While the number of findings has fluctuated over the same period, the lowest in FY 2018 with four findings, it has increased substantially in FY 2020. Independent auditors Deloitte & Touche, LLP identified 18 findings in FY 2020, 16 of which relate to the ten major federal programs. Eight of these did not comply with applicable requirements rendering them material weakness, four of which are over \$200K in questioned costs.

Federal Program Funding

GovGuam and its line agencies expended \$837.5M in federal awards from 16 grantors in FY 2020. The largest grant came from the U.S. Department of Labor at \$384M, of which \$378.5M was for the Pandemic Unemployment Assistance (PUA) and Federal Pandemic Unemployment Compensation (FPUC). The second-largest grantor was the U.S. Department of Health and Human Services with \$184.7M for various programs such as Medicaid at \$112.8M and Children's Health Insurance Program at \$28.7M. The third-largest grantor was the U.S. Department of Agriculture at \$124.5M for which \$116.5M was for the Supplemental Nutrition Assistance Program (SNAP) or better known as food stamps.

In addition, GovGuam component units expended \$279.4M in federal awards. The top three agencies were the Guam Department of Education at \$75.4M, Guam Waterworks Authority at \$72.5M, and Guam Housing and Urban Renewal Authority at \$49.8M. GovGuam also received non-cash awards of \$114.6M in FY 2020 for food stamps.

Single Audit Findings

Of the 18 findings in FY 2020, eight had a total questioned cost of \$1.3M, which is \$202K more than the previous year. The independent auditors identified four findings with questioned costs surpassing \$200K, which relate to the following:

Federal Share of Medicaid Overpayments Not Reported (2020-018)

GovGuam did not report a \$413K collection of overpayments to refund the federal share, which is considered as a question cost. Although there was no disagreement with this finding, the Department of Public Health and Social Services (DPHSS) will submit a report to the Department of Administration (DOA) to reconcile overpayment records and account for the federal share.

No Analytics to Support COVID-19 Expenditures (2020-011)

GovGuam did not have an analysis done on absorbing credit card fees and hotel reservations for unoccupied hotel rooms. While these may have been necessary expenditures to stimulate payments of taxes and other fees to the government and help minimize the hotels' costs during the pandemic, no analytics supported these charges. As a result, a \$400K questioned cost remains.

Records Lacking to Determine Medicaid Eligibility (2020-016)

DPHSS did not have records of a recertification form for a Medicaid beneficiary who may have been ineligible for coverage. Accordingly, a prior certification was extended rather than being recertified to determine eligibility but was lacking. For this reason, a questioned cost of \$226K resulted. The independent auditors also noted this as a repeat finding.

Noncompliance with Guam Procurement Law (2020-006)

The independent auditors found noncompliance with Guam procurement law for an emergency procurement method and small purchase solicitations. These findings relate to the procurement of three ambulances and construction services to upgrade a gym's interior lighting, public restrooms, and recreational facilities. This resulted in a total questioned cost of \$218K and noted as a repeat finding.

Aging GovGuam Accounting System

GovGuam's AS400 is overdue for a replacement. DOA Division of Accounts could not facilitate a timely and periodic closing of the accounting system and generate financial information. Consequently, the independent auditors required additional time and effort to complete the FY 2020 financial audit. GovGuam is currently procuring a replacement.

Management Letter

The independent auditors issued a management letter for seven GovGuam entities with 13 comments on deficiencies related to internal control over financial reporting. The majority of the identified deficiencies were for the DOA Division of Accounts and Department of Corrections (DOC) as follows:

- The DOA Division of Accounts received six comments relative to (1) missing receipts number sequence; (2) reconciliation of fund balance before year end closing, (3) uncollected \$1.5M receivables, (4) General Fund absorption of certain special revenue funds expenditures, (5) timely completion of general ledger reconciliations, and (6) pensions annuities for retired governors, lieutenant governors, and judges are not recognized liabilities.
- DOC received two comments related to timely submission of reimbursement that caused a deficit for the DOC Inmates Revolving Fund of \$850K and unrecorded medical liabilities incurred by inmates of \$2.9M.

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