

GOVERNMENT OF GUAM

SINGLE AUDIT REPORTS

YEAR ENDED SEPTEMBER 30, 2019

GOVERNMENT OF GUAM
SINGLE AUDIT REPORTS
YEAR ENDED SEPTEMBER 30, 2019

C O N T E N T S

	<u>PAGE</u>
Part I. Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	1
Part II. Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3
Part III. Schedule of Expenditures of Federal Awards:	
Summary of Schedule of Expenditures of Federal Awards, by Grantor	7
U.S. Department of Agriculture	8
U.S. Department of Commerce	8
U.S. Department of Defense	9
U.S. Department of Housing and Urban Development	9
U.S. Department of the Interior	9
U.S. Department of Justice	10
U.S. Department of Labor	10
U.S. Department of Transportation	11
National Foundation on the Arts and the Humanities	11
U.S. Environmental Protection Agency	12
U.S. Department of Energy	12
U.S. Department of Education	12
U.S. Department of Health and Human Services	12
Corporation for National and Community Service	15
U.S. Department of Homeland Security	15
Notes to Schedule of Expenditures of Federal Awards	16
Reconciliation of Schedule of Expenditures of Federal Awards to Basic Financial Statements	18
Schedule of Findings and Questioned Costs	19
Part IV. Summary of Unresolved and Resolved Questioned Costs	34
Corrective Action Plan	35

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

Honorable Lourdes A. Leon Guerrero
Governor
Government of Guam:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Government of Guam (GovGuam) as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise GovGuam's basic financial statements, and have issued our report thereon dated August 26, 2020. Our report includes a reference to other auditors and emphasis-of-matters paragraphs for the restatement of beginning net position of the aggregate discretely presented component units and for the impact of COVID-19. Other auditors audited the financial statements of the GovGuam Retirement Fund, the Antonio B. Won Pat International Airport Authority, the Guam Housing Corporation, the Guam Economic Development Authority, and the Guam Preservation Trust, as described in our report on GovGuam's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those other auditors.

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

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2019-007 and 2019-008 that we consider to be material weaknesses.

Compliance and Other Matters

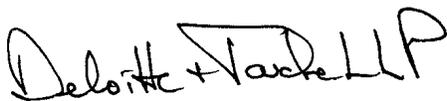
As part of obtaining reasonable assurance about whether GovGuam's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

GovGuam's Responses to Findings

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

Purpose of this Report

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



August 26, 2020

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Honorable Lourdes A. Leon Guerrero
Governor
Government of Guam:

Report on Compliance for Each Major Federal Program

We have audited the Government of Guam's (GovGuam's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of GovGuam's major federal programs for the year ended September 30, 2019. GovGuam's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

As discussed in Note 3b to the Schedule of Expenditures of Federal Awards, GovGuam's basic financial statements include the operations of certain entities whose federal awards are not included in the Schedule of Expenditures of Federal Awards for the year ended September 30, 2019. Our audit, described below, did not include the operations of the entities identified in Note 3b as these entities conducted separate audits in accordance with the Uniform Guidance, if required.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of GovGuam's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about GovGuam's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of GovGuam’s compliance.

Basis for Qualified Opinion on Certain Major Federal Programs

As described in Findings 2019-002, 2019-003 and 2019-008 in the accompanying Schedule of Findings and Questioned Costs, GovGuam did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2019-002		SNAP Cluster	Special Tests and Provisions
2019-003		SNAP Cluster	Special Tests and Provisions
2019-008	15.875	Economic, Social and Political Development of the Territories	Equipment and Real Property Management

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

Qualified Opinion on the SNAP Cluster and CFDA 15.875 Economic, Social and Political Development of the Territories

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, GovGuam complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the SNAP Cluster and CFDA 15.875 Economic, Social and Political Development of the Territories for the year ended September 30, 2019.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, GovGuam complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors’ results section of the accompanying Schedule of Findings and Questioned Costs for the year ended September 30, 2019.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001, 2019-004, 2019-005, and 2019-006. Our opinion on each major federal program is not modified with respect to these matters.

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

GovGuam is responsible for preparing a corrective action plan to address each audit finding included in our auditors’ report. GovGuam’s corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2019-002, 2019-003, and 2019-008 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned costs as items 2019-001, 2019-004, 2019-005, and 2019-006 to be significant deficiencies.

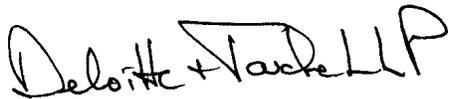
GovGuam's response to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. GovGuam's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion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

GovGuam is responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. GovGuam's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of GovGuam as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise GovGuam's basic financial statements. We issued our report thereon dated August 26, 2020, which contained unmodified opinions on those financial statements and which report included a reference to other auditors and emphasis-of-matters paragraphs for the restatement of beginning net position of the aggregate discretely presented component units and for the impact of COVID-19. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



August 26, 2020

GOVERNMENT OF GUAM

Summary of Schedule of Expenditures of Federal Awards, by Grantor
Year Ended September 30, 2019

<u>Federal Agency</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture	\$ 111,220,065
U.S. Department of Commerce	2,985,404
U.S. Department of Defense	5,054,844
U.S. Department of Housing and Urban Development	230,298
U.S. Department of the Interior	18,476,675
U.S. Department of Justice	5,031,309
U.S. Department of Labor	5,557,943
U.S. Department of Transportation	39,805,240
National Foundation on the Arts and the Humanities	458,921
U.S. Environmental Protection Agency	3,008,258
U.S. Department of Energy	503,446
U.S. Department of Education	2,022,436
U.S. Department of Health and Human Services	177,988,592
Corporation for National and Community Service	1,306,015
U.S. Department of Homeland Security	<u>4,120,163</u>
 GRAND TOTAL	 \$ <u><u>377,769,609</u></u>

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

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2019

Federal CFDA Number	Federal Grantor/Program or Cluster Title	Federal Expenditures	Amounts Passed Through To Subrecipients
U.S. DEPARTMENT OF AGRICULTURE			
10.025	Plant and Animal Disease, Pest Control, and Animal Care	\$ 108,050	\$ 54,065
10.170	Specialty Crop Block Grant Program - Farm Bill	190,158	190,158
10.535	Snap Fraud Framework Implementation Grant	21,911	
SNAP Cluster:			
10.551	Supplemental Nutrition Assistance Program	100,532,157	
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	1,917,121	239,932
	Subtotal SNAP Cluster	<u>102,449,278</u>	<u>239,932</u>
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	8,129,189	
10.572	WIC Farmers' Market Nutrition Program (FMNP)	32,604	
10.579	Child Nutrition Discretionary Grants Limited Availability	(3,785)	
10.664	Cooperative Forestry Assistance	277,661	14,579
Community Facilities Loans and Grants Cluster:			
10.766	Community Facilities Loans and Grants	14,999	
	Subtotal Community Facilities Loans and Grants Cluster	<u>14,999</u>	
U.S. DEPARTMENT OF AGRICULTURE TOTAL		<u>\$ 111,220,065</u>	<u>\$ 498,734</u>
U.S. DEPARTMENT OF COMMERCE			
Economic Development Cluster			
11.307	Economic Adjustment Assistance	\$ 84,207	\$ 84,207
	Subtotal Economic Development Cluster	<u>84,207</u>	<u>84,207</u>
11.407	Interjurisdictional Fisheries Act of 1986	11,962	
11.419	Coastal Zone Management Administration Awards	1,072,591	21,058
11.427	Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	68,934	34,156
11.437	Pacific Fisheries Data Program	84,120	
11.441	Regional Fishery Management Councils	-	
11.454	Unallied Management Projects	-	
11.467	Meteorologic and Hydrologic Modernization Development	929,319	
11.472	Unallied Science Program	111,928	
11.482	Coral Reef Conservation Program	425,258	224,460
11.549	State and Local Implementation Grant Program	197,085	
U.S. DEPARTMENT OF COMMERCE TOTAL		<u>\$ 2,985,404</u>	<u>\$ 363,881</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2019

Federal CFDA Number	Federal Grantor/Program or Cluster Title	<u>Expenditures</u>	<u>Amounts Passed Through To Subrecipients</u>
U.S. DEPARTMENT OF DEFENSE			
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	\$ 120,428	
12.401	National Guard Military Operations and Maintenance (O&M) Projects	3,253,107	
12.600	Community Investment	667,753	
12.607	Community Economic Adjustment Assistance for Realignment or Closure of Military Installation	4,308	
12.610	Community Economic Adjustment Assistance for Compatible Use and Joint Land Use Studies	216,047	
12.618	Community Economic Adjustment Assistance for Establishment or Expansion of a Military Installation	793,201	\$ 411,996
	U.S. DEPARTMENT OF DEFENSE TOTAL	<u>\$ 5,054,844</u>	<u>\$ 411,996</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
14.267	Continuum of Care Program	\$ 230,298	
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT TOTAL	<u>\$ 230,298</u>	
U.S. DEPARTMENT OF THE INTERIOR			
	Fish and Wildlife Cluster:		
15.605	Sport Fish Restoration	\$ 1,021,702	
15.611	Wildlife Restoration and Basic Hunter Education	856,328	
	Subtotal Fish and Wildlife Cluster	<u>1,878,030</u>	
15.615	Cooperative Endangered Species Conservation Fund	447,337	
15.622	Sportsfishing and Boating Safety Act	5,354	
15.634	State Wildlife Grants	34,339	
15.875	Economic, Social, and Political Development of the Territories	15,684,569	\$ 9,914,968
15.904	Historic Preservation Fund Grants-In-Aid	427,046	
	U.S. DEPARTMENT OF THE INTERIOR TOTAL	<u>\$ 18,476,675</u>	<u>\$ 9,914,968</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2019

Federal CFDA Number	Federal Grantor/Program or Cluster Title	Expenditures	Amounts Passed Through To Subrecipients
U.S. DEPARTMENT OF JUSTICE			
16.017	Sexual Assault Services Formula Program	\$ 39,341	\$ 35,179
16.527	Supervised Visitation, Safe Havens for Children	-	
16.528	Enhanced Training and Services to End Violence and Abuse of Women Later in Life	-	
16.540	Juvenile Justice and Delinquency Prevention Program	49,641	
16.554	National Criminal History Improvement Program (NCHIP)	788,284	
16.575	Crime Victim Assistance	1,107,870	361,582
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	(6,284)	
16.582	Crime Victim Assistance/Discretionary Grants	-	
16.585	Drug Court Discretionary Grant Program	186,449	
16.586	Violent Offender Incarceration and Truth in Sentencing Incentive Grants	-	
16.588	Violence Against Women Formula Grants	572,147	424,775
16.589	Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	23,133	
16.593	Residential Substance Abuse Treatment for State Prisoners	46,916	42,595
16.606	State Criminal Alien Assistance Program	242,449	
16.710	Public Safety Partnership and Community Policing Grants	500,417	
16.727	Combating Underage Drinking	-	
16.738	Edward Byrne Memorial Justice Assistance Grant Program	557,384	482,095
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	105,087	97,913
16.750	Support for Adam Walsh Act Implementation Grant Program	138,822	
16.751	Edward Byrne Memorial Competitive Grant Program	20,720	20,720
16.754	Harold Rogers Prescription Drug Monitoring Program	203,989	
16.812	Second Chance Act Reentry Initiative	221,213	
16.828	Innovative Responses to Behavior in the Community: Swift, Certain, and Fair Supervision Program	112,624	
16.922	Equitable Sharing Program	121,107	
	U.S. DEPARTMENT OF JUSTICE TOTAL	<u>\$ 5,031,309</u>	<u>\$ 1,464,859</u>
U.S. DEPARTMENT OF LABOR			
17.002	Labor Force Statistics	\$ 55,081	
17.005	Compensation and Working Conditions	67,696	
	Employment Service Cluster:		
17.207	Employment Service/Wagner-Peyser Funded Activities	390,276	
17.801	Jobs for Veterans State Grants	121,097	
	Subtotal Employment Service Cluster	<u>511,373</u>	
17.235	Senior Community Service Employment Program	851,606	
	WIOA Cluster:		
17.258	WIOA Adult Program	674,867	
17.259	WIOA Youth Activities	777,845	
17.278	WIOA National Dislocated Worker Formula Grants	718,808	
	Subtotal WIOA Cluster	<u>2,171,520</u>	
	BALANCE FORWARD	<u>\$ 3,657,276</u>	

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2019

Federal CFDA Number	Federal Grantor/Program or Cluster Title	Expenditures	Amounts Passed Through To Subrecipients
	U.S. DEPARTMENT OF LABOR		
	BALANCE FORWARD	\$ 3,657,276	
17.273	Temporary Labor Certification for Foreign Workers	70,220	
17.277	WIOA National Dislocated Worker Grants / WIA National Emergency Grants	864,142	
17.281	WIOA Dislocated Worker National Reserve Technical Assistance and Training	-	
17.285	Apprenticeship USA Grants	654,493	
17.504	Consultation Agreements	311,812	
17.604	Safety and Health Grants	-	
	U.S. DEPARTMENT OF LABOR TOTAL	<u>\$ 5,557,943</u>	
	U.S. DEPARTMENT OF TRANSPORTATION		
	Highway Planning and Construction Cluster:		
20.205	Highway Planning and Construction	\$ 37,768,550	
	Subtotal Highway Planning and Construction Cluster	<u>37,768,550</u>	
20.218	Motor Carrier Safety Assistance	295,626	
20.237	Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements	78,892	
	Federal Transit Cluster:		
20.500	Federal Transit Capital Investment Grants	<u>5,778</u>	
	Subtotal Federal Transit Cluster	5,778	
20.509	Formula Grants for Rural Areas and Tribal Transit Program	745,527	
	Highway Safety Cluster:		
20.600	State and Community Highway Safety	556,105	\$ 40,995
20.602	Occupant Protection Incentive Grants	65,171	
20.610	State Traffic Safety Information System Improvement Grants	110,703	
20.616	National Priority Safety Programs	<u>102,809</u>	
	Subtotal Highway Safety Cluster	834,788	
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	<u>76,079</u>	
	U.S. DEPARTMENT OF TRANSPORTATION TOTAL	<u>\$ 39,805,240</u>	<u>\$ 40,995</u>
	NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES		
45.025	Promotion of the Arts Partnership Agreements	\$ 282,073	\$ 117,475
45.310	Grants to States	<u>176,848</u>	
	NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES TOTAL	<u>\$ 458,921</u>	<u>\$ 117,475</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2019

Federal CFDA Number	Federal Grantor/Program or Cluster Title	Expenditures	Amounts Passed Through To Subrecipients
	U.S. ENVIRONMENTAL PROTECTION AGENCY		
66.040	State Clean Diesel Grant Program	\$ 70,685	\$ 70,685
66.600	Environmental Protection Consolidated Grants for the Insular Areas-Program Support	2,937,573	
66.804	Underground Storage Tank (UST) Prevention, Detection and Compliance Program	-	
	U.S. ENVIRONMENTAL PROTECTION AGENCY TOTAL	<u>\$ 3,008,258</u>	<u>\$ 70,685</u>
	U.S. DEPARTMENT OF ENERGY		
81.041	State Energy Program	\$ 246,335	
81.042	Weatherization Assistance for Low-Income Persons	254,472	
81.119	State Energy Program Special Projects	2,639	
	U.S. DEPARTMENT OF ENERGY TOTAL	<u>\$ 503,446</u>	
	U.S. DEPARTMENT OF EDUCATION		
84.034	Public Library Services	\$ -	
84.053	Vocational Education_State Councils	-	
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States	1,508,013	
84.177	Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	120	
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities	11,609	
84.403	Consolidated Grant to the Outlying Areas	502,694	
	U.S. DEPARTMENT OF EDUCATION TOTAL	<u>\$ 2,022,436</u>	
	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	\$ -	
93.042	Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	30,496	
93.043	Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	69,161	\$ 69,161
	Aging Cluster:		
93.044	Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	684,147	
93.045	Special Programs for the Aging, Title III, Part C, Nutrition Services	1,353,060	
93.053	Nutrition Services Incentive Program	394,817	
	Subtotal Aging Cluster	<u>2,432,024</u>	<u>-</u>
	BALANCE FORWARD	<u>\$ 2,531,681</u>	<u>\$ 69,161</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2019

Federal CFDA Number	Federal Grantor/Program or Cluster Title	Expenditures	Amounts Passed Through To Subrecipients
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
	BALANCE FORWARD	\$ 2,531,681	\$ 69,161
93.048	Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	117,453	
93.052	National Family Caregiver Support, Title III, Part E	379,297	
93.069	Public Health Emergency Preparedness	61,073	
93.073	Birth Defects and Developmental Disabilities - Prevention and Surveillance		
93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	262,626	
93.077	Family Smoking Prevention and Tobacco Control Act Regulatory Research	88,154	
93.103	Food and Drug Administration Research	2,196	
93.110	Maternal and Child Health Federal Consolidated Programs	33,056	
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Program	887,862	
93.127	Emergency Medical Services for Children	84,514	
93.136	Injury Prevention and Control Research and State and Community Based Programs	1,422	
93.150	Projects for Assistance in Transition from Homelessness (PATH)	38,663	
93.189	Health Education Training Centers Continuing Educational Support for Health Professionals Serving in Underserved Communities	-	
93.217	Family Planning Services	167,304	
	Health Center Program Cluster:		
93.224	Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	2,405,719	
	Subtotal Health Center Program Cluster	<u>2,405,719</u>	
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	1,992,527	16,400
93.268	Immunization Cooperative Agreements	1,193,622	10,000
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance		
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	930,937	
93.324	State Health Insurance Assistance Program	66,750	
93.369	ACL Independent Living State Grants	15,536	
93.377	Prevention and Control of Chronic Disease and Associated Risk Factors in the U.S. Affiliated Pacific Islands, U.S. Virgin Islands, and P.R.	162,466	
93.504	Family to Family Health Information Centers	69,130	
93.521	The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements;PPHF	177,403	
	BALANCE FORWARD	<u>\$ 11,669,391</u>	<u>\$ 95,561</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2019

Federal CFDA Number	Federal Grantor/Program or Cluster Title	Expenditures	Amounts Passed Through To Subrecipients
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES BALANCE FORWARD	\$ 11,669,391	\$ 95,561
	TANF Cluster:		
93.558	Temporary Assistance for Needy Families	1,114,903	
	Subtotal TANF Cluster	<u>1,114,903</u>	
93.560	Family Support Payments to States Assistance Payments	1,197,752	
93.563	Child Support Enforcement	3,852,133	
	CCDF Cluster:		
93.575	Child Care and Development Block Grant	6,973,914	
	Subtotal CCDF Cluster	<u>6,973,914</u>	
93.597	Grants to States for Access and Visitation Programs	62,641	
93.630	Developmental Disabilities Basic Support and Advocacy Grants	276,230	
93.667	Social Services Block Grant	2,618,886	
93.735	State Public Health Approaches for Ensuring Quitline Capacity - Funded in part by Prevention and Public Health Funds (PPHF)	10,663	
93.745	PPHF: Health Care Surveillance/Health Statistics – Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed in Part by Prevention and Public Health Fund	210,125	
93.758	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	1,862	
93.767	Children's Health Insurance Program	29,516,130	
	Medicaid Cluster:		
93.778	Medical Assistance Program	115,843,414	
	Subtotal Medicaid Cluster	<u>115,843,414</u>	
93.788	Opioid STR	140,490	
93.815	Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for the Infectious Diseases (ELC)	128,024	
93.817	Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	-	
93.870	Maternal, Infant and Early Childhood Home Visiting Grant Program	931,581	
93.898	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	119,940	
93.917	HIV Care Formula Grants	285,794	
93.945	Assistance Programs for Chronic Disease Prevention and Control	792,158	
93.958	Block Grants for Community Mental Health Services	346,664	
93.959	Block Grants for Prevention and Treatment of Substance Abuse	993,579	11,050
93.991	Preventive Health and Health Services Block Grant	243,346	
93.994	Maternal and Child Health Services Block Grant to the States	<u>658,972</u>	
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES TOTAL	<u>\$ 177,988,592</u>	<u>\$ 106,611</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2019

Federal CFDA Number	Federal Grantor/Program or Cluster Title	Expenditures	Amounts Passed Through To Subrecipients
	CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		
94.003	State Commissions	\$ 250,367	
94.006	AmeriCorps	884,227	\$ 884,227
94.009	Training and Technical Assistance	<u>171,421</u>	
	CORPORATION FOR NATIONAL AND COMMUNITY SERVICE TOTAL	<u>\$ 1,306,015</u>	<u>\$ 884,227</u>
	U.S. DEPARTMENT OF HOMELAND SECURITY		
97.012	Boating Safety Financial Assistance	\$ 497,614	
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	901,056	
97.042	Emergency Management Performance Grants	887,623	
97.047	Pre-Disaster Mitigation	627,828	\$ 575,156
97.067	Homeland Security Grant Program	<u>1,206,042</u>	
	U.S. DEPARTMENT OF HOMELAND SECURITY TOTAL	<u>\$ 4,120,163</u>	<u>\$ 575,156</u>
	TOTAL EXPENDITURES OF FEDERAL AWARDS	<u>\$ 377,769,609</u>	<u>\$ 14,449,587</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2019

1. Scope of Audit

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

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of GovGuam under programs of the federal government for the year ended September 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of GovGuam, it is not intended to and does not present the financial positions or changes in financial positions of GovGuam.

3. Summary of Significant Accounting Policies

a. Basis of Accounting:

All expenditures and capital outlays that represent the federal share are reported as expenditures. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, consistent with the manner in which GovGuam 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 GovGuam and Supplemental Nutrition Assistance Program (SNAP) electronic benefits transfer (EBT) during the period. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. GovGuam does not elect to use the de minimis indirect cost rate allowed under the Uniform Guidance.

b. Reporting Entity:

For purposes of complying with The Single Audit Act of 1984, as amended in 1996, GovGuam's reporting entity is defined in Note 1A to its September 30, 2019 basic financial statements; except that the Guam Department of Education, the GovGuam Retirement Fund, and all of the discretely presented component units are excluded. Accordingly, the accompanying Schedule of Expenditures of Federal Awards presents the federal award programs administered by GovGuam, as defined above, for the year ended September 30, 2019.

GOVERNMENT OF GUAM

Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2019

3. Summary of Significant Accounting Policies, Continued

The federal expenditure totals for the excluded departments and component units as of September 30, 2019, are as follows:

<u>Department or Component Unit</u>	<u>Federal Expenditure Total</u>
Antonio B. Won Pat International Airport Authority	\$ 8,181,494
GovGuam Retirement Fund	\$ -
Guam Community College	\$ 10,506,657
Guam Department of Education	\$ 67,980,510
Guam Economic Development Authority	\$ -
Guam Educational Telecommunications Corporation	\$ -
Guam Housing and Urban Renewal Authority	\$ 51,529,564
Guam Housing Corporation	\$ -
Guam Memorial Hospital Authority	\$ 478,806
Guam Power Authority	\$ 1,385,472
Guam Preservation Trust	\$ -
Guam Visitors Bureau	\$ -
Guam Waterworks Authority	\$ 21,801,439
Port Authority of Guam	\$ 1,049,444
University of Guam	\$ 29,865,717

GovGuam administers certain federal awards programs through subrecipients. Those subrecipients are also not considered part of the GovGuam reporting entity.

c. Cost Allocation:

GovGuam has a plan for the allocation of common costs related to public health and social services federal awards programs. The amounts allocated to 2019 federal awards programs are based on 2019 actual expenditures and caseloads.

d. Matching Costs:

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

4. Noncash Awards

Certain federal award programs do not involve cash awards to GovGuam. These programs generally could include donated commodities, insurance, electronic benefit payments under the Supplemental Nutrition Assistance Program (SNAP), and loans. For the year ended September 30, 2019, GovGuam had the following noncash award:

U.S. Department of Agriculture CFDA #10.551	
SNAP EBT payments	\$ <u>100,532,157</u>
Total SNAP EBT payments reported on the Schedule of Expenditures of Federal Awards	\$ <u>100,532,157</u>

GOVERNMENT OF GUAM

Reconciliation of Schedule of Expenditures of Federal Awards to
Basic Financial Statements
Year Ended September 30, 2019

	<u>2019</u> <u>Expenditures</u>
Federal Grants Assistance Fund:	
Total expenditures	\$ 381,652,814
Less transfers in from other funds	(17,848,170)
Plus transfers out to other funds	<u>9,184,284</u>
Federal expenditures, transfers, and other uses	372,988,928
<u>CFDA #</u>	
Superior Court of Guam:	
16.554 National Criminal History Improvement Program (NCHIP)	788,284
16.585 Drug Court Discretionary Grant Program	186,449
16.750 Support for Adam Walsh Act Implementation Grant Program	135,059
16.812 Second Chance Act Reentry Initiative	221,213
16.828 Swift Certain and Fair Sanctions Program	112,624
16.922 Equitable Sharing Program	121,107
84.403 Consolidated Grant to the Outlying Areas	502,694
93.243 Substance Abuse and Mental Health Services Projects of Regional and National Significance	307,532
Fund 105 Community Health Centers:	
93.224 Health Centers Program	<u>2,405,719</u>
Total Federal Expenditures Subject to Audit	\$ <u>377,769,609</u>

GOVERNMENT OF GUAM

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2019

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs
Year Ended September 30, 2019

Section I - Summary of Auditors' Results

Financial Statements

1. Type of report the auditors issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

2. Material weakness(es) identified? Yes
 3. Significant deficiency(ies) identified? None reported
 4. Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

5. Material weakness(es) identified? Yes
 6. Significant deficiency(ies) identified? Yes
 7. Type of auditors' report issued on compliance for major federal programs:
 SNAP Cluster Qualified
 15.875 Qualified
 All other major programs Unmodified
 8. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes
 9. Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.551	SNAP Cluster: Supplemental Nutrition Assistance Program (SNAP)
10.561	State Administrative Matching Grants for the SNAP
11.467	Meteorologic and Hydrologic Modernization Development
15.875	Economic, Social and Political Development of the Territories
20.205	Highway Planning and Construction Cluster: Highway Planning and Construction
93.563	Child Support Enforcement
93.778	Medicaid Cluster: Medical Assistant Program

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2019

Section I - Summary of Auditors' Results, Continued

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

Section II - Financial Statement Findings

<u>Reference Number</u>	<u>Finding</u>
2019-007	General Ledger and SEFA Reconciliations
2019-008	Capital Assets

Section III - Federal Award Findings and Questioned Costs

<u>Reference Number</u>	<u>CFDA Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
2019-001	10.551/10.561	Eligibility	\$ 589,871
2019-002	10.551/10.561	Special Tests and Provisions - ADP System	3,935
2019-003	10.551/10.561	Special Tests and Provisions - EBT Reconciliation	-
2019-004	15.875	Procurement and Suspension and Debarment	517,250
2019-008	15.875	Equipment and Real Property Management	-
2019-005	93.778	Eligibility	2,312
2019-006	93.778	Reporting	-
			<hr/>
Total Federal Questioned Costs			\$ <u>1,113,368</u>

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2019

Finding No.: 2019-001
Federal Agency: U.S. Department of Agriculture (USDA)
CFDA Program: 10.551/10.561 SNAP Cluster
Federal Award No.: 197GUGU4S2514
Area: Eligibility
Liability Amount: \$589,871

Criteria:

A State's eligibility and benefit amount determinations, both underpayment and overpayment, and the correctness of actions to deny, terminate, or suspend benefits must be accurate. The payment error rate is the combined value of overpayments and under payments to participating households, and any State with a payment error rate greater than 6 percent is required to effect corrective action. A State with persistently high error rates is assessed fiscal liabilities based on the amount of benefits issued in error. A liability amount shall be established when, for the second or subsequent consecutive fiscal year, the Food and Nutrition Service (FNS) determines that there is a 95 percent statistical probability that a State's payment error rate exceeds 105 percent of the national performance measure for payment error rates, which is 7.36 percent for FY 2019.

Condition:

On July 6, 2020, FNS determined that Guam's payment error rate for FY 2019 is 11.89% and that FY 2019 is the second consecutive year that Guam exceeded 105 percent of the national performance measure.

Cause:

FNS determined that DPHSS management failed to act upon updated information reported by households on their wages and salaries, and further, that many errors are the result of information not being reported by households (e.g., incomplete applications).

Effect:

FNS established a FY 2019 Guam liability of \$589,871. GovGuam's check payment to USDA-FNS for the full amount is dated August 7, 2020.

Recommendation:

FNS recommends that Guam (1) adopts the best practices shared in the Keys to Payment Accuracy, (2) considers modernization efforts, and (3) evaluates the application, interview process and household notices to ensure requirements are communicated to applicants in clear understandable terms.

Views of Responsible Officials:

Department of Public Health and Social Services provided a corrective action plan to (1) implement case review on all cases processed by Eligibility Specialists (ESs) every day under the direct supervision of the Social Service Supervisor (SSS) I and monitoring by Bureau of Economic Security (BES) Program Administrator. SSS I will require all Eligibility Specialist Supervisors (ESSs) to conduct 90% to 100% supervisory reviews of ES eligibility determinations before case finalization, and (2) create and recruit additional four ESS positions, recruit the six vacant ES positions in the current staffing pattern, and request for additional new four ES positions for recruitment. BES will ensure that all new recruits will be trained especially in the interpretation of policies, manuals, and most importantly, in the navigation of the Ph/pro eligibility system.

GovGuam's Corrective Action Plan provides details to address the finding and recommendation.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2019

Finding No.: 2019-002
Federal Agency: U.S. Department of Agriculture
CFDA Program: 10.551/10.561 SNAP Cluster
Federal Award No.: 197GUGU4S2514
Area: Special Tests and Provisions – ADP System for SNAP
Questioned Costs: \$3,935

Criteria:

In accordance with applicable special tests and provisions requirements, the State’s Automated Data Processing (ADP) system for SNAP must: (1) accurately and completely process and store all case file information for eligibility determination and benefit calculation; (2) automatically cut off households at the end of their certification period unless recertified; and, (3) provide data necessary to meet Federal issuance and reconciliation reporting requirements.

Condition:

Of 25 case files tested, we noted the following:

- 1. For 1 (or 4%), the case file was not provided for examination:

<u>Case #</u>	<u>Issue Date</u>	<u>Amount Issued</u>	<u>FY2019 Issuances and Questioned Cost</u>
201803451	12/2018	\$520	\$2,756

- 2. For 2 (or 8%), the ADP benefit calculations exceeded the expected benefits based on USDA guidelines:

<u>Case #</u>	<u>Issue Date</u>	<u>Amount Overpaid</u>	<u>FY2019 Issuances and Questioned Cost</u>
201702791	02/2019	\$23	\$276
300080728	07/2019	\$88	\$88

- 3. For 1 (or 4%), the household exceeded income limits and was terminated in the prior year through a Notice of Action dated 03/14/2018; however, the ADP system continued to process issuances during FY 2019 from 10/2018 through 02/2019:

<u>Case #</u>	<u>Issue Date</u>	<u>Amount Overpaid</u>	<u>FY2019 Issuances and Questioned Cost</u>
201701873	12/2018	\$163	\$815

Cause:

DPHSS management did not effectively monitor the ADP System for compliance with applicable special tests and provisions.

Effect:

GovGuam is in noncompliance with applicable special tests and provisions requirements for the ADP System. Projected questioned costs exceed \$25,000, and the known questioned cost is \$3,935.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2019

Finding No.: 2019-002
Federal Agency: U.S. Department of Agriculture
CFDA Program: 10.551/10.561 SNAP Cluster
Federal Award No.: 197GUGU4S2514
Area: Special Tests and Provisions – ADP System for SNAP
Questioned Costs: \$3,935

Recommendation:

Responsible personnel should enforce monitoring and recordkeeping controls over compliance with applicable special tests and provisions requirements. Responsible personnel should assess the ADP system to identify and correct any system-related processing errors.

Views of Responsible Officials:

GovGuam’s Corrective Action Plan provides details to address the finding and recommendation.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2019

Finding No.: 2019-003
Federal Agency: U.S. Department of Agriculture
CFDA Program: 10.551/10.561 SNAP Cluster
Federal Award No.: 197GUGU4S2514
Area: Special Tests and Provisions – EBT Reconciliation
Questioned Costs: \$0

Criteria:

In accordance with applicable special tests and provisions requirements, States must have systems in place to reconcile all of the funds entering into, exiting from, and remaining in the system each day with the State's benefit account with Treasury and electronic benefits transfer (EBT) contractor records. This includes a reconciliation of the State's issuance files of postings to recipient accounts with the EBT contractor. The State must reconcile the financial and management data that comes from the EBT contractor to the SNAP issuance files and settlement data to ensure that benefits are authorized by the State and funds have been properly drawn down.

Condition:

Of fifty-four reconciliation dates tested, the reconciliation data contained no dates relative to signoffs, system extractions, or printing, etc., to substantiate whether the daily reconciliation occurred.

Cause:

DPHSS management did not effectively monitor compliance with applicable EBT reconciliation requirements.

Effect:

GovGuam is in noncompliance with applicable special tests and provisions requirements for the EBT reconciliation. A potential misstatement of federal expenditures within the Schedule of Expenditures of Federal Awards and basic financial statements or related disclosures could exist undetected and uncorrected for as long as 5 months. No questioned cost is presented, as ending year balances between the State and the EBT contractor are reconciled.

Identification as a Repeat Finding: Finding 2018-002

Recommendation:

DPHSS management should more closely monitor the EBT reconciliation process so that the required daily reconciliations are completed in accordance with applicable special tests and provisions requirements. If reconciliations are not feasible on a daily basis, responsible personnel should consider seeking approval from the Grantor agency for an alternative reconciliation schedule.

Views of Responsible Officials:

GovGuam's Corrective Action Plan provides details to address the finding and recommendation.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2019

Finding No.: 2019-004
Federal Agency: U.S. Department of the Interior
CFDA Program: 15.875 Economic, Social, and Political Development of the Territories
Area: Procurement and Suspension and Debarment
Questioned Costs: \$517,250

Criteria:

In accordance with applicable procurement and suspension and debarment requirements, emergency procurement is allowable when there exists a threat to public health, welfare, or safety under emergency conditions as declared or approved by the Governor. Furthermore, only costs resulting from proper procurements should be charged to Federal awards.

Condition:

For four (or 13%) of 31 transactions tested, aggregating \$6.7 million out of \$14.4 million in total non-payroll program expenditures, emergency procurement was used either monthly or bimonthly to procure services for the Guam Medical Referral Assistance Office relative to serving families who have to travel for medical care. However, the procurement file does not contain sufficient documentation to substantiate existing emergency conditions that prevented formal bid procedures in advance of the known contract expiration dates. Furthermore, the procurement authority documented on the purchase orders indicate that the Chief Procurement Officer ratified a solicitation or award of a contract that was determined to be in violation of the law. Federal expenditures associated with the noncompliant procurement method are questioned costs.

<u>Federal Award</u> <u>No.</u>	<u>Transaction</u> <u>No.</u>	<u>Check</u> <u>No.</u>	<u>Contract</u> <u>Month</u>	<u>Vendor</u> <u>No.</u>	<u>Prior</u> <u>Reference</u>	<u>Amount</u> <u>Tested</u>
D17AF00038	J190620311	664478	Nov 2018	T0093612	P196A00926	\$ 59,800
D17AF00038	J190620469	670582	Jan/Feb 2019	F0096108	P196A02431	119,600
D17AF00038	J190620529	671986	Mar 2019	T0093612	P196A02575	59,800
D18AF00045	J190320819	675973	May/Jun 2019	T0093612	P196A03680/1	<u>91,250</u>
						\$ <u>330,450</u>

During FY 2019, GovGuam charged the Federal program a total of \$517,250 under eight such noncompliant procurements with the same contractor for the months of October 2018 through June 2019.

Cause:

GovGuam did not effectively plan for the expiration of existing contracts and did not enforce compliance with applicable procurement requirements.

Effect:

GovGuam is in noncompliance with applicable procurement requirements. The total questioned cost is \$517,250.

Identification as a Repeat Finding: 2018-003

Recommendation:

Responsible personnel should closely monitor the expiration dates of existing contracts and should commence procurement procedures in sufficient time to allow for formal bid procedures accordingly. Furthermore, the responsible procurement personnel should enforce compliance with applicable procurement requirements. If noncompliant procurement methods are subsequently ratified by the Chief Procurement Officer and are to be charged to Federal awards, the responsible personnel should consider seeking prior approval from the Grantor agency.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2019

Finding No.: 2019-004, Continued
Federal Agency: U.S. Department of the Interior
CFDA Program: 15.875 Economic, Social, and Political Development of the Territories
Area: Procurement and Suspension and Debarment
Questioned Costs: \$517,250

Views of Auditee and Planned Corrective Actions:

GovGuam's Corrective Action Plan provides details to address the finding and recommendation.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2019

Finding No.: 2019-005
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.778 Medical Assistance Program
Federal Award No.: 1905GQ5MAP
Area: Eligibility
Questioned Costs: \$2,312

Criteria:

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

Conditions:

Of 60 case files tested, aggregating \$5 million out of \$128.2 million in total program expenditures for benefits to participants, we noted the following:

1. For 1 (or 2%), the case file was not provided for examination.

<u>Case #</u>	<u>Service Date</u>	<u>FY 2019 Claim Amount</u>
33007226103	02/10/2018	\$2,312

2. For 1 (or 2%), the social security number of one household member was incorrectly entered in the PHPro system, and therefore, the household member was not subjected to the Income Eligibility Verification System (IEVS). The PHPro system did not automatically generate an error report to notify the eligibility specialist of the incorrect social security number.

<u>Case #</u>	<u>Service Date</u>	<u>FY 2019 Claim Amount</u>
20190076301	04/23/2019	\$4,236

Subsequently, in response to the finding, GovGuam corrected the social security number in the PHPro system and regenerated an IEVS report that substantiated the eligibility of the household. Therefore, no questioned cost is presented for this finding.

Cause:

GovGuam did not effectively manage case files and monitor eligibility determinations for compliance with applicable eligibility requirements. Furthermore, GovGuam was not aware of the PHPro system issue.

Effect:

GovGuam is in noncompliance with applicable eligibility requirements. Projected questioned costs exceed \$25,000, and the total known questioned cost is \$2,312.

Recommendation:

Responsible personnel should enforce recordkeeping and monitoring controls over maintaining compliance with applicable eligibility requirements. Furthermore, responsible personnel should assess the PHPro system to identify and correct any system-related processing weaknesses relative to edit checks and error notifications.

Views of Responsible Officials:

GovGuam's Corrective Action Plan provides details to address the finding and recommendation.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2019

Finding No.: 2019-006
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.778 Medical Assistance Program
Federal Award No.: 1905GQ5MAP
Area: Reporting
Questioned Costs: \$0

Criteria:

In accordance with applicable reporting requirements, amounts reported in CMS-64, Quarterly Statement of Expenditures for the Medical Assistance Program, should be supported by underlying accounting records.

Conditions:

Reported expenditures are not supported by underlying accounting records, as follows:

	<u>FY 2019 Expenditures</u>	<u>Federal Share</u>	<u>Local Share</u>
CMS-64	\$ 118,670,685	\$ 111,269,461	\$ 7,401,224
AS400 financial management system	<u>118,660,294</u>	<u>115,843,414</u>	<u>2,816,880</u>
Variances	\$ <u>10,391</u>	\$(<u>4,573,953</u>)	\$ <u>4,584,344</u>

Cause:

GovGuam did not enforce monitoring controls over reconciliations and over compliance with reporting requirements.

Effect:

GovGuam is in noncompliance with applicable reporting requirements. No questioned cost is presented as reported expenditures represent allowable costs.

Recommendation:

GovGuam should enforce monitoring controls over compliance with reporting requirements. Responsible personnel should review underlying accounting records, perform reconciliations, and retain such documents to substantiate reported amounts. Responsible personnel should also coordinate with the centralized accounting division to identify changes and make adjustments to the CMS-64 reports or underlying records accordingly prior to the submission of the CMS-64 reports.

Views of Responsible Officials:

GovGuam’s Corrective Action Plan provides details to address the finding and recommendation.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2019

Finding No: 2019-007
Area: General Ledger and Schedule of Expenditures of Federal Awards
Reconciliations

Criteria:

General ledger balances should be timely reconciled to the subsidiary ledger or supporting details and reviewed for ongoing pertinence. The Schedule of Expenditures of Federal Awards (SEFA) should present all amounts passed through to subrecipients.

Condition:

1. Reconciliation between the general ledger and the subsidiary ledgers should be timely performed.
 - A post-closing adjustment was provided on July 16, 2020, to reconcile \$13M of Medicaid expenditures in the general ledger. Approximately \$4M of Medicaid expenditures were still unreconciled between the general ledger and the SEFA. An adjustment was proposed to correct the misstatement.
 - An updated SEFA was provided on July 16, 2020, increasing the previously reported expenditures by \$7.4M in Medicaid costs.
2. Approximately \$4.2M in recorded expenditures related to subrecipient transactions were not reconciled in the SEFA until July 16, 2020, for CFDA 15.875.

Cause:

Timely reconciliations were not performed, and monitoring controls over the completeness of the SEFA were not effective in detecting and correcting understatements relative to expenditures and subrecipient transactions.

Effect:

The aforementioned accounts and SEFA amounts were misstated.

Recommendation:

GovGuam management should reconcile general ledger accounts with corresponding subsidiary ledgers at least monthly or quarterly. Furthermore, the Division of Accounts should assess whether additional personnel well versed in accounting reconciliations and in SEFA preparation may be required to allow for accurate and complete financial reporting.

Views of Responsible Officials:

GovGuam's Corrective Action Plan provides details to address the finding and recommendation.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2019

Finding No.: 2019-008
 CFDA Program: 15.875 DOI Economic, Social and Political Development of the Territories
 Area: Equipment and Real Property Management
 Area: Capital Assets
 Questioned Costs: \$0

Criteria:

1. In accordance with the applicable equipment management requirements, grantees that acquire equipment with Federal funds are required to perform a physical inventory of the property and reconcile results with property records at least once every two years. Such property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data, including the date of disposal and sale price of the property. In addition, adequate maintenance procedures must be established to keep the property in good condition.
2. Reconciliation with inventory records, capital asset ledgers and the general ledger should be timely performed.
3. Capital assets should be reviewed for ongoing pertinence to minimize the opportunity for misstatements and to identify retired assets that have been replaced, disposed, or that have no further value or use.
4. Capital assets should be recorded in accordance with the applicable capitalization policy.

Condition:

Equipment and Real Property Management

1. GovGuam performed the required comprehensive physical inventory of its property in January 2016; however, the required reconciliation was not completed. As of September 30, 2019, the required biannual physical inventory and reconciliation were not performed.

We are unable to assess the overall cumulative monetary value of this deficiency. However, the table below summarizes each Government of Guam FY 2019 major program that has a level of total capital outlays over the past five years that is material to the major program.

<u>Program</u> <u>CFDA #s</u>		<u>2019</u> <u>Purchases</u>	<u>2018</u> <u>Purchases</u>	<u>2017</u> <u>Purchases</u>	<u>2016</u> <u>Purchases</u>	<u>2015</u> <u>Purchases</u>	<u>Total</u>
15.875	\$	843,717	1,886,709	2,338,541	4,704,637	4,744,016	\$14,517,620

Capital Assets

2. Reconciliation of capital assets was continuously ongoing 8 months after fiscal year end with thirty-two post-closing adjustments were recorded to adjust capital assets.
 - a. Construction in progress included projects of approximately \$47.7M with no additional expenditures related to the projects in FY2019 or were identified to be substantially completed as of 09/30/19. An adjustment was subsequently recorded to transfer these assets as depreciable as of 09/30/19.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2019

Finding No.: 2019-008, Continued
CFDA Program: 15.875 DOI Economic, Social and Political Development of the Territories
Area: Equipment and Real Property Management
Area: Capital Assets
Questioned Costs: \$0

Condition, Continued:

- b. One asset was not made available for verification of physical existence.

<u>Description</u>	<u>Cost</u>
P056A01742-Portable Astro Digital W/ENH Software	\$ 550,000

- c. Capital assets were not recorded in accordance with the applicable capitalization policy. \$345K in assets were less than the \$50,000 threshold per the applicable capitalization policy or were not capitalizable expenses. A subsequent adjustment was recorded to correct this misstatement.

<u>Description</u>	<u>Cost</u>
1 P156A03634-2016 FORD EXPLORER	\$ 49,290
2 P156A03634-2016 FORD EXPLORER	49,290
3 P166A04872-2016 FORD TRANSIT VAN (VIN: 1FBZX2YM7GKB26591)	48,698
4 P166A04872-2016 FORD TRANSIT VAN (VIN: 1FBZX2YM9GKB26592)	48,698
5 P166A02867-2016 DODGE DURANGO (VIN: 1C4RDJGF1GC460444)	49,779
6 P166A02867-2016 DODGE DURANGO (VIN: 1C4RDJFGGC480394)	49,779
7 P166A02867-2016 DODGE DURANGO (VIN: 1C4RDJGF1GC460443)	49,779
	<u>\$ 345,313</u>

- 3. Construction costs are not easily identifiable by project. The capital asset subsidiary ledger included details of transactions from the general ledger and were not organized in a manner that can be identified by project.

Cause:

The processes over inventory, maintenance and reconciliation of capital assets are not routine. GovGuam requires more funding and human resources to fully develop a reliable equipment management system.

Effect:

GovGuam is in noncompliance with applicable equipment management requirements. The underlying capital outlays are not considered questioned costs, as we are unable to quantify the extent of noncompliance. This noncompliance applies to CFDA 15.875, for which cumulative capital outlays over the past five years exceed the FY 2019 materiality level.

Furthermore, depreciable assets and amounts reported as construction in progress may be materially misstated. Such potential misstatements were mitigated through the proposed audit adjustment.

Identification as a Repeat Finding: 2018-004

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2019

Finding No.: 2019-008, Continued
CFDA Program: 15.875 DOI Economic, Social and Political Development of the Territories
Area: Equipment and Real Property Management
Area: Capital Assets
Questioned Costs: \$0

Recommendation:

GovGuam should complete the required biannual physical inventory and reconciliations during FY 2020 and should consider developing a more detailed corrective action plan with timetables for completing planned actions, such as requesting Federal assistance, processing required reconciliations and reports, training personnel, and coordinating with other governmental units on property management requirements.

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

GovGuam should record capital assets in accordance with the Government's capitalization policy and should implement a policy to monitor replacements, disposals, transfers of assets and construction in progress by project.

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

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

Views of Responsible Officials:

GovGuam's Corrective Action Plan provides details to address the finding and recommendation.

GOVERNMENT OF GUAM

Summary of Unresolved and Resolved Questioned Costs Arising from
Prior Year Single Audits
Year Ended September 30, 2019

	<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 16	\$ 64,351	\$ 64,351	\$ -
Unresolved Questioned Costs FY 17	81,051	81,051	-
Unresolved Questioned Costs FY 18	<u>549,023</u>	<u>-</u>	<u>549,023</u>
	\$ <u>694,425</u>	\$ <u>145,402</u>	549,023
Add Questioned Costs for FY 2019			<u>1,113,368</u>
Total Unresolved Questioned Costs at September 30, 2019			\$ <u>1,662,391</u>

Unresolved Questioned Costs by CFDA Program:

<u>CFDA #</u>	<u>Program Name</u>	<u>2019</u>	<u>2018</u>	<u>Total</u>
10.551	SNAP	\$ 593,806	\$ -	\$ 593,806
15.875	DOI	517,250	549,023	1,066,273
93.778	Medicaid	<u>2,312</u>	<u>-</u>	<u>2,312</u>
	Totals	\$ <u>1,113,368</u>	\$ <u>549,023</u>	\$ <u>1,662,391</u>



EDWARD M. BIRN
Director (Direktot)

EDITH C. PANGELINAN
Deputy Director (Sigundo Direktot)

**DEPARTMENT OF
ADMINISTRATION**
DIPATTAMENTON ATMENESTRASION

DIRECTOR'S OFFICE
(Ufisinan Direktot)

Telephone (Telifon): (671) 475-1101/1250 • Fax (Faks): (671) 477-6788



LOURDES A. LEON GUERRERO
Governor (Maga'håga)

JOSHUA F. TENORIO
Lt. Governor (Sigundo Maga'låhi)

August 26, 2020

Deloitte & Touche LLP
361 South Marine Corps Drive
Tamuning, GU 96913

Provided below is the Government of Guam's Corrective Action Plan for Findings noted on Government of Guam's Single Audit Report for Year Ended September 30, 2019.

Finding No.: 2019-001

Responding Agency: Department of Administration

Responsible personnel: Director, Department of Public Health & Social Services

DOA is in the process of recruiting and internal auditors and this staffs will undertake an internal audit review of the processes as part of the program to ensure that the corrective action plan provided is implemented. DOA/HR will also make certain that DPHSS improves their training on the responsibilities of all Eligibility Specialists Supervisors (ESSs) to effectively review ES eligibility determinations for completeness prior to case finalization.

Finding No.: 2019-002

Responding Agency: Department of Public Health and Social Services
Department of Administration

Responsible personnel: Director, Department of Public Health & Social Services

DPHSS:

Mandatory scanning of documents will be imposed upon checking of clients at the front desk area to ensure that all documents are included in the case files. Any additional documents provided by the clients during the interview will be scanned by the eligibility specialists into the electronic record. This will ensure that there will be no delay in the scanning of documents. Recruit clerical personnel to support the supervisors of the program.

Mandate 100% supervisory reviews will prevent errors from occurring.

DOA:

DPHSS management will provide Standard Operating Procedures (SOP) to address each condition noted on report and submit to DOA/Accounting no later than September 30, 2020 to enforce monitoring and recordkeeping controls for compliance of program requirements. DPHSS must complete the following items by end of September 2020:

- Responsible personnel must immediately conduct a review of all files and correct any deficiencies found.

Create a log of errors found to determine frequency and establish needed areas for refresher training.
- Must conduct an initial/ annual/refresher training for staff responsible for the calculation of benefits and to document training received.

Finding No.: 2019-003

Responding Agency: Department of Public Health and Social Services
Department of Administration

Responsible personnel: Director of the Department of Public Health and Social Services or Designee

DOA will require DPHSS to submit an internal daily reconciliation to DOA. In addition, DOA will perform the following no later than 30 September 2020:

- Review of 30 June-Aug 31 2020 daily reconciliations performed by the Bureau of Economic Security's Issuance Unit.
- Conduct internal audit of current procedures and provide a report for any processes not being followed as written in current Standard Operating Procedure for EBT deficiencies reconciliation.

Finding No.: 2019-004

Responding Agency: Department of Administration

Responsible personnel: Director, Department of Corrections/ Director,
Department of Administration

Chief Procurement Officer will compile information and report regarding expired contracts and renewal conditions. In this, Agencies will be requested to respond noting their plan of action to address contracts nearing expiration. In addition, each agency will also conduct a review of procurement records to ensure completeness and provide DOA with findings and measures taken to correct deficiencies by 31 Aug 20. Procurement personnel will continue to ensure that applicable procurement requirements are followed fully and timely.

Finding No.: 2019-005

Responding Agency: Department of Administration

Responsible personnel: Director, Department of Public Health and Social Services

DOA:

DPHSS will submit Standard Operating Procedures (SOP) to address each condition noted on report and submit to DOA/Accounting no later than September 30, 2020 to enforce management of case files and to monitor eligibility determinations for compliance of program requirements.

DPHSS must complete the following items by end of September 30, 2020:

- Administrator of the program must identify and correct weaknesses found with the PHPro system and to ensure that staff are trained to report any system related issues they come upon.
- Complete an inventory of current case files that are in the Eligibility Verification System and submit a record of survey for any case files not found if any. Report inventory results to DOA.
- Responsible personnel will develop a checklist and immediately conduct a review of current case files for completeness utilizing checklist requirements and correct all deficiencies found.
- Conduct improved initial/ annual/refresher training for staff responsible for intake and posting of information to IEVS to document training received.

Finding No.: 2019-006

Responding Agency: Department of Administration

Responsible personnel: Director, Department of Public Health and Social Services

DPHSS responsible personnel will submit a draft of CMS-64 report for review to DOA/Accounting 15 days prior to submission deadline to ensure amounts reported reconcile with accounting records.

DPHSS must provide the following items for each report submitted for review:

- Accounting records supporting reported amounts

Finding No.: 2019-007

Responding Agency: Department of Administration

Responsible personnel: Director of Administration

Management will perform monthly reconciliations for the general ledger and the subsidiary receivables from federal agencies, payables to federal agencies and income from federal grants. The first quarterly reconciliation will be for the quarter ending June 30, 2020 and must be available for review by 31 Aug 20. Management will conduct additional training to staff assigned in SEFA preparation.

Finding No.: 2019-008

Responding Agency: Department of Administration

Responsible personnel: Director of Administration

Government of Guam Department of Administration's Division of Accounts obtained funding assistance from the U.S. Department of Interior, Office of Insular Affairs Technical Assistance Program to upgrade current Fixed Asset Software and Hardware and/or procure an Asset Management Program to better track construction projects by percentage of completion and capital assets. Funding will provide additional resources i.e., computers/ dual screens to enhance efficiency in providing necessary reports required, transportation requirements, and training for Fixed Asset personnel as it pertains to compliance with federal and state regulations so that personnel assigned are well versed on providing guidance to agencies.

Post-closing adjustments recorded to adjust capital balances were necessary and will continue to be necessary to ensure reconciliation of capital assets with the general ledger. Before September 2020 perform quarterly review / reconciliation of capital assets to ensure assets are recorded in accordance with applicable capitalization policy beginning with quarter ended 30 June 2020.

Biannual physical inventory to be completed by end of FY20. Instructions will be provided to agencies for the appropriate treatment of asset disposals to update asset ledgers.

DOA will conduct an initial/annual refresher training to all assigned property custodians.

DOA will work with government agencies, departments, or divisions to obtain their capital assets reports timely to so that it will be included in the Capital Asset report and reconciliation. DOA Accounting will issue an accounting policy regarding this matter.



EDWARD M. BIRN
Director



EDWARD M. BIRN
Director (Direktot)

EDITH C. PANGELINAN
Deputy Director (Sigundo Direktot)

**DEPARTMENT OF
ADMINISTRATION**
DIPATTAMENTON ATMENESTRASION

DIRECTOR'S OFFICE
(Ufisinan Direktot)

Telephone (Telifon): (671) 475-1101/1250 • Fax (Faks): (671) 477-6788



LOURDES A. LEON GUERRERO
Governor (Maga'haga)

JOSHUA F. TENORIO
Lt. Governor (Sigundo Maga'låhi)

June 26, 2020

Mizpah C Weigand
Deloitte & Touche LLP
361 S Marine Corps Drive
Tamuning, GU 96913-3911

SUBJECT : FY19 Single Audit Report's – Schedule of Prior Years Single Audit Findings

Hafa adai Ms. Weigand :

Department of Administration is actively pursuing resolution matters reported on the Schedule of Findings and questioned costs for year ended September 30, 2018.

To ensure that federal funds do not have to be refunded, that Department of Administration (and sub-recipient agencies where applicable) resolve remaining questioned costs. We do not intend to pursue findings for FY17 because the basis to recommend for closure has been met in compliance with 2 CFR §200.511 (b) (3) and/or noted as a repeat findings and a corrective action plan has been developed and implemented.

Enclosed with this memorandum is our responses to the audit findings for FY17 and FY18.

If you should have any questions or concerns, please do not hesitate to call Accounting division. Si Yu'os Ma'ase.

Senseramente,

Digitally signed by
Edward M Birn
Date: 2020.07.31
12:18:40 +10'00'

Edward M Birn
Director

Enclosure

<u>AUDIT FINDING NUMBER:</u> 2015-002	<u>STATUS:</u> DOA: This finding is considered resolved in accordance with 2 CFR §200.511 (b)(3) and is no longer valid and does not warrant further action.
---	---

<u>AUDIT FINDING NUMBER:</u> 2016-001	<u>STATUS:</u> DOA: This finding is considered resolved in accordance with 2 CFR §200.511 (b)(3) and is no longer valid and does not warrant further action.
<u>AUDIT FINDING NUMBER:</u> 2016-002	<u>STATUS:</u> DOA: This finding is considered resolved in accordance with 2 CFR §200.511 (b)(3) and is no longer valid and does not warrant further action.
<u>AUDIT FINDING NUMBER:</u> 2016-003	<u>STATUS:</u> DOA: This finding is considered resolved in accordance with 2 CFR §200.511 (b)(3) and is no longer valid and does not warrant further action.
<u>AUDIT FINDING NUMBER:</u> 2016-004	<u>STATUS:</u> DOA: This finding is considered resolved in accordance with 2 CFR §200.511 (b)(3) and is no longer valid and does not warrant further action.
<u>AUDIT FINDING NUMBER:</u> 2016-005	<u>STATUS:</u> DOA: This finding is considered resolved in accordance with 2 CFR §200.511 (b)(3) and is no longer valid and does not warrant further action.
<u>AUDIT FINDING NUMBER:</u> 2016-006	<u>STATUS:</u> DOA: This finding is considered resolved in accordance with 2 CFR §200.511 (b)(3) and is no longer valid and does not warrant further action.
<u>AUDIT FINDING NUMBER:</u> 2016-009	<u>STATUS:</u> DOA: This finding is considered resolved in accordance with 2 CFR §200.511 (b)(3) and is no longer valid and does not warrant further action.

<u>AUDIT FINDING NUMBER:</u> 2017-001	<u>STATUS:</u> DOA: This finding is considered resolved in accordance with 2 CFR §200.511 (b)(3) and is no longer valid and does not warrant further action.
<u>AUDIT FINDING NUMBER:</u> 2017-002	<u>STATUS:</u> DOA: This finding is considered resolved in accordance with 2 CFR §200.511 (b)(3) and is no longer valid and does not warrant further action.
<u>AUDIT FINDING NUMBER:</u> 2017-003	<u>STATUS:</u> DOA: This finding is considered resolved in accordance with 2 CFR §200.511 (b)(3) and is no longer valid and does not warrant further action.
<u>AUDIT FINDING NUMBER:</u> 2017-004	<u>STATUS:</u> DOA: This finding is considered resolved in accordance with 2 CFR §200.511 (b)(3) and is no longer valid and does not warrant further action.
<u>AUDIT FINDING NUMBER:</u> 2017-006	<u>STATUS:</u> DOA: This finding is considered resolved in accordance with 2 CFR §200.511 (b)(3) and is no longer valid and does not warrant further action.
<u>AUDIT FINDING NUMBER:</u> 2017-007	<u>STATUS:</u> DOA: This finding is considered resolved in accordance with 2 CFR §200.511 (b)(3) and is no longer valid and does not warrant further action.

<p><u>AUDIT FINDING NUMBER:</u></p> <p>2018-001</p>	<p><u>STATUS:</u></p> <p>DOA: Management continues to conduct on-going training to assigned Division of Accounts personnel in the preparation of SEFA. Management will continue to perform quarterly reconciliations for the general ledger and the subsidiary receivables from federal agencies, payables to federal agencies and income from federal grants.</p> <p>ON GOING</p>
<p><u>AUDIT FINDING NUMBER:</u></p> <p>2018-002</p>	<p><u>STATUS:</u></p> <p>DPHSS To ensure that documents on eligibility requirements are available/scanned upon request by the auditors, DPHSS will:</p> <p>As recommended by the Program Specialists from the Food and Nutrition Service (FNS) during their Annual State Agency Management Evaluation (SAME) held in May 2019, the Bureau of Economic Security should hire full-time clerks whose main responsibility will be to scan and dip all documents submitted by applicants and recipients in the front desk or at the time of their appointment or before the application is forwarded to the eligibility specialists (ES). According to the recommendation, all other related matching activities should also be done by the clerk and should be scanned and dipped before being forwarded to the ES. FNS findings also noted that the Eligibility Specialists are overwhelmed with the number of applicants and recipients seen every day coupled with the tasks associated with eligibility determination process and therefore, the possibility of lapses in scanning and dipping of documents may occur. DPHSS has concurred and will implement the recommendation immediately.</p> <p>Anticipating a citation regarding Electronic Benefit Transfer (EBT) cards reconciliation, the Bureau of Economic Security's Issuance Unit has started conducting a daily reconciliation of EBT cards issued and returned since May 2019. The need for a daily reconciliation of EBT cards was clarified with FNS Program Specialists during their SAME visit; therefore, the daily reconciliation has been done since then. Additionally, the SOP for EBT Reconciliation was updated and is now being reviewed.</p> <p>Department of Administration's management will perform periodic assessments on the EBT reconciliation process to ensure that mandated daily reconciliations are completed and if not feasible, assist agency in obtaining approval from Grantor agency for an alternative reconciliation schedule.</p> <p>ON GOING</p>
<p><u>AUDIT FINDING NUMBER:</u></p> <p>2018-003</p>	<p><u>STATUS:</u></p> <p>DOA: Management will perform a review of all existing contracts and closely monitor expiration dates to assist program personnel to ensure timely commencement of procurement procedures to allow for formal bid procedures. Procurement personnel will continue to enforce compliance with applicable procurement requirements.</p> <p>A Legislative bill has been introduced which defines more clearly what constitutes an emergency procurement for the Government of Guam. Department of Administration supports this bill, but notes that certain emergency procurements in FY2019 may be the subject of Findings in the Single Audit for that period. The Procurement Policy Office, reactivated by the Governor under Executive Order 2019-10 is also considering this issue, particularly for circumstances when delays are attributable to administrative processes.</p> <p>ON GOING</p>
<p><u>AUDIT FINDING NUMBER:</u></p> <p>2018-004</p>	<p><u>STATUS:</u></p> <p>DOA: Government of Guam Department of Administration's Division of Accounts obtained funding assistance from the U.S. Department of Interior, Office of Insular Affairs Technical Assistance Program to upgrade current Fixed Asset Software and Hardware and/or procure an Asset Management Program to better track construction projects by percentage of completion and capital assets. Funding will provide additional resources i.e, computers/ dual screens to enhance efficiency in providing necessary reports required, transportation requirements, and training for Fixed Asset personnel as it pertains to compliance with federal and state regulations so that personnel assigned are well versed on providing guidance to agencies.</p> <p>Post-closing adjustments recorded to adjust capital balances were necessary to ensure reconciliation of capital assets with the general ledger. Perform quarterly review / reconciliation of capital assets to ensure assets are recorded in accordance with applicable capitalization policy.</p> <p>Biannual physical inventory was not completed by FY19 but will be completed by end of FY20.</p> <p>*Agencies will be required to provide DOA with the following by end of FY 20. A follow up letter/memorandum will be sent NLT July 30, 2020 to ensure compliance.</p> <ul style="list-style-type: none"> i. Assigned Property Custodian ii. Confirm/Verify accountable assets iii. Personnel assigned to the asset iv. Location v. Current condition vi. Maintenance documentation as applicable vii. Identify retired assets viii. Provide supporting documents of disposition <p>DOA to ensure mandatory training is completed during biannual training to all assigned property custodians</p> <ul style="list-style-type: none"> *Initial and annual refresher training will be documented <p>DOA will work with non-component unit government agencies, departments, or divisions to obtain their capital assets reports timely to so that it will be included in the Capital Asset report.</p> <p>ON GOING</p>