

GOVERNMENT OF GUAM

SINGLE AUDIT REPORTS

YEAR ENDED SEPTEMBER 30, 2013

GOVERNMENT OF GUAM
SINGLE AUDIT REPORTS
YEAR ENDED SEPTEMBER 30, 2013

C O N T E N T S

	<u>PAGE</u>
Part I. Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	1
Part II. Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	3
Part III. Schedule of Expenditures of Federal Awards:	
Summary of Schedule of Expenditures of Federal Awards, by Grantor	6
U.S. Department of Agriculture	7
U.S. Department of Commerce	7
U.S. Department of Defense	7
U.S. Department of Housing and Urban Development	7
U.S. Department of the Interior	8
U.S. Department of Justice	8
U.S. Department of Labor	9
U.S. Department of Transportation	9
National Foundation on the Arts and the Humanities	9
U.S. Environmental Protection Agency	10
U.S. Department of Energy	10
U.S. Department of Education	10
U.S. Department of Health and Human Services	11
Corporation for National and Community Service	12
U.S. Department of Homeland Security	13
State Justice Institute	13
Notes to Schedule of Expenditures of Federal Awards	14
Reconciliation of Schedule of Expenditures of Federal Awards to Basic Financial Statements	18
Schedule of Findings and Questioned Costs	20
Part IV. Summary of Unresolved and Resolved Questioned Costs	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 Eddie B. Calvo
Governor
Government of Guam:

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Government of Guam (GovGuam) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise GovGuam's basic financial statements, and have issued our report thereon dated June 30, 2014. Our report includes explanatory paragraphs concerning the implementation of new accounting pronouncements and correction of an error, and a reference to other auditors. Other auditors audited the financial statements of the GovGuam Retirement Fund, the Antonio B. Won Pat International Airport Authority, the Guam Housing and Urban Renewal Authority, the Guam Housing Corporation, and the Guam Preservation Trust, as described in our report on GovGuam's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those other auditors.

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

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2013-001, 2013-006 and 2013-008 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2013-007 to be a significant deficiency.

Compliance and Other Matters

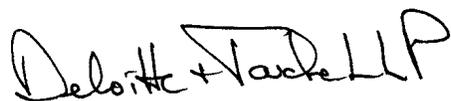
As part of obtaining reasonable assurance about whether GovGuam's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 Response to Findings

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

Purpose of this Report

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



June 30, 2014

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

Honorable Eddie B. Calvo
Governor
Government of Guam:

Report on Compliance for Each Major Federal Program

We have audited the Government of Guam's (GovGuam's) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of GovGuam's major federal programs for the year ended September 30, 2013. GovGuam's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

As discussed in Note 2b to the Schedule of Expenditures of Federal Awards, GovGuam's basic financial statements include the operations of certain entities whose federal awards are not included in the Schedule of Expenditures of Federal Awards for the year ended September 30, 2013. Our audit, described below, did not include the operations of the entities identified in Note 2b as these entities conducted separate audits in accordance with OMB Circular A-133, if required.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of GovGuam's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about GovGuam's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of GovGuam’s compliance.

Basis for Qualified Opinion on Certain Major Federal Programs

As described in Findings 2013-001 and 2013-003 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
2013-001	15.875	Economic, Social and Political Development of the Territories	Equipment and Real Property Management
2013-001	20.205	Highway Planning and Construction	Equipment and Real Property Management
2013-003	93.558	Temporary Assistance for Needy Families	Eligibility
2013-003	93.778	Medical Assistance Program	Eligibility

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

Qualified Opinion on Certain Major Federal Programs

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, GovGuam complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the SNAP Cluster, CFDA 15.875 Economic, Social and Political Development of the Territories, CFDA 20.205 Highway Planning and Construction, 93.558 Temporary Assistance for Needy Families, and CFDA 93.778 Medical Assistance Program for the year ended September 30, 2013.

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, 2013.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2013-002, 2013-004, and 2013-005. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2013-001 and 2013-003 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 2013-002, 2013-004, and 2013-005 to be significant deficiencies.

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

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

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

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Government of Guam as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise GovGuam's basic financial statements. We issued our report thereon dated June 30, 2014, which contained unmodified opinions on those financial statements and which report included explanatory paragraphs concerning the implementation of new accounting pronouncements and correction of an error, and a reference to other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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.



June 30, 2014

GOVERNMENT OF GUAM

Summary of Schedule of Expenditures of Federal Awards, by Grantor Year Ended September 30, 2013

<u>Agency</u>	<u>Expenditures</u>
U.S. Department of Agriculture	\$ 130,072,893
U.S. Department of Commerce	1,341,014
U.S. Department of Defense	5,385,818
U.S. Department of Housing and Urban Development	380,620
U.S. Department of the Interior	28,441,392
U.S. Department of Justice	4,563,150
U.S. Department of Labor	5,687,191
U.S. Department of Transportation	48,630,278
National Foundation on the Arts and the Humanities	454,977
U.S. Environmental Protection Agency	3,300,005
U.S. Department of Energy	7,143,899
U.S. Department of Education	5,953,582
U.S. Department of Health and Human Services	67,413,227
Corporation for National and Community Service	1,317,049
U.S. Department of Homeland Security	3,845,185
State Justice Institute	<u>42,050</u>
 GRAND TOTAL	 \$ <u><u>313,972,330</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, 2013

CFDA#	Agency/Program Title	Expenditures	Amounts Passed- Through to Subrecipients per Major Program
U.S. DEPARTMENT OF AGRICULTURE			
SNAP Cluster:			
10.551	Supplemental Nutrition Assistance Program (SNAP)	\$ 118,956,507	
10.561	State Administrative Matching Grants for the SNAP	1,456,653	
	Subtotal SNAP Cluster	120,413,160	
10.025	Plant and Animal Disease, Pest Control, and Animal Care	101,188	
10.170	Specialty Crop Block Grant Program - Farm Bill	235,958	
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	9,015,362	
10.572	WIC Farmers' Market Nutrition Program (FMNP)	49,562	
10.578	WIC Grants to States (WGS)	900	
10.664	Cooperative Forestry Assistance	256,763	
	U.S. DEPARTMENT OF AGRICULTURE TOTAL	\$ 130,072,893	
U.S. DEPARTMENT OF COMMERCE			
11.407	Interjurisdictional Fisheries Act of 1986	\$ 2,043	
11.419	Coastal Zone Management Administration Awards	907,899	
11.426	Financial Assistance for National Centers for Coastal Ocean Science	27,074	
11.437	Pacific Fisheries Data Program	76,521	
11.454	Unallied Management Projects	9,285	
11.467	Meteorologic and Hydrologic Modernization Development	84,021	
11.482	Coral Reef Conservation Program	234,171	
	U.S. DEPARTMENT OF COMMERCE TOTAL	\$ 1,341,014	
U.S. DEPARTMENT OF DEFENSE			
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	\$ 66,913	
12.401	National Guard Military Operations and Maintenance (O&M) Projects	3,116,784	
12.607	Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation	2,202,121	
	U.S. DEPARTMENT OF DEFENSE TOTAL	\$ 5,385,818	
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
14.225	Community Development Block Grant/Special Purpose Grant/Insular Area	\$ 49,841	
14.235	Supportive Housing Program	269,096	
14.251	Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants	61,683	
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT TOTAL	\$ 380,620	

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards Year Ended September 30, 2013

CFDA#	Agency/Program	Expenditures	Amounts Passed- Through to Subrecipients per Major Program
U.S. DEPARTMENT OF THE INTERIOR			
Fish and Wildlife Cluster:			
15.605	Sport Fish Restoration Program	\$ 2,200,732	
15.611	Wildlife Restoration and Basic Hunter Education	382,413	
	Subtotal Fish and Wildlife Cluster	2,583,145	
15.615	Cooperative Endangered Species Conservation Fund	214,273	
15.634	State Wildlife Grants	81,302	
15.808	U.S. Geological Survey Research and Data Acquisition	13,064	
15.875	Economic, Social, and Political Development of the Territories	25,159,343	\$ 18,759,881
15.904	Historic Preservation Fund Grants-In-Aid	290,465	
15.916	Outdoor Recreation Acquisition, Development and Planning	99,800	
	U.S. DEPARTMENT OF THE INTERIOR TOTAL	\$ 28,441,392	
U.S. DEPARTMENT OF JUSTICE			
JAG Program Cluster			
16.738	Edward Byrne Memorial Justice Assistance Grant Program	\$ 851,818	
16.803	ARRA Recovery Act - Edward Byrne Memorial JAG Program/Grants to States and Territories	346,745	
	Subtotal JAG Program Cluster	1,198,563	
16.013	Violence Against Women Act Court Training and Improvement Grants	87,518	
16.017	Sexual Assault Services Formula Program	4,053	
16.523	Juvenile Accountability Block Grants	176,258	
16.527	Supervised Visitation, Safe Havens for Children	9,481	
16.532	Part E National Priority Program Grants	26,039	
16.540	Juvenile Justice and Delinquency Prevention Allocation to States	8,232	
16.554	National Criminal History Improvement Program (NCHIP)	27,272	
16.575	Crime Victim Assistance	381,636	
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	188,049	
16.588	Violence Against Women Formula Grants	713,697	
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Prog	150,009	
16.593	Residential Substance Abuse Treatment for State Prisoners	42,648	
16.606	State Criminal Alien Assistance Program	341,733	
16.609	Project Safe Neighborhoods	57,749	
16.710	Public Safety Partnership and Community Policing Grants	280,975	
16.710	ARRA Public Safety Partnership and Community Policing Grants	494,676	
16.727	Enforcing Underage Drinking Laws Program	45,877	
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	108,953	
16.750	Support for Adam Walsh Act Implementation Grant Program	219,732	
	U.S. DEPARTMENT OF JUSTICE TOTAL	\$ 4,563,150	

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards Year Ended September 30, 2013

CFDA#	Agency/Program	Expenditures	Amounts Passed- Through to Subrecipients per Major Program
U.S. DEPARTMENT OF LABOR			
Employment Service Cluster:			
17.207	Employment Service/Wagner-Peyser Funded Activities	\$ 463,709	
17.801	Disabled Veterans' Outreach Program (DVOP)	43,622	
	Subtotal Employment Service Cluster	507,331	
WIA Cluster:			
17.258	WIA Adult Program	1,906,254	
17.259	WIA Youth Activities	1,186,286	
17.278	WIA Dislocated Worker Formula Grants	652,727	
	Subtotal WIA Cluster	3,745,267	
17.002	Labor Force Statistics	71,090	
17.005	Compensation and Working Conditions	57,272	
17.235	Senior Community Service Employment Program	957,203	
17.260	WIA Dislocated Workers	8,954	
17.273	Temporary Labor Certification for Foreign Workers	87,004	
17.504	Consultation Agreements	253,070	
	U.S. DEPARTMENT OF LABOR TOTAL	\$ 5,687,191	
U.S. DEPARTMENT OF TRANSPORTATION			
20.205	Highway Planning and Construction	\$ 42,339,909	
20.205	ARRA Highway Planning and Construction	4,036,253	
20.218	National Motor Carrier Safety	333,605	
20.500	Federal Transit Capital Investment Grants	10,699	
20.509	Formula Grants for Other Than Urbanized Areas	493,331	
20.509	ARRA Formula Grants for Other Than Urbanized Areas	56,788	
20.600	State and Community Highway Safety	1,178,283	
20.616	National Priority Safety Programs	104,379	
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	77,031	
	U.S. DEPARTMENT OF TRANSPORTATION TOTAL	\$ 48,630,278	
NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES			
45.025	Promotion of the Arts-Partnership Agreements	\$ 258,709	
45.310	Grants to States	196,268	
	NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES TOTAL	\$ 454,977	

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards Year Ended September 30, 2013

CFDA#	Agency/Program	Expenditures	Amounts Passed- Through to Subrecipients per Major Program
U.S. ENVIRONMENTAL PROTECTION AGENCY			
66.454	ARRA Water Quality Management Planning	\$ 12,866	
66.600	Environmental Protection Consolidated Grants for the Insular Areas - Program Support	3,124,796	
66.804	Underground Storage Tank Prevention, Detection and Compliance Program	75,929	
66.818	Brownfields Assessment and Cleanup Cooperative Agreements	86,414	
	U.S. ENVIRONMENTAL PROTECTION AGENCY TOTAL	\$ 3,300,005	
U.S. DEPARTMENT OF ENERGY			
81.041	State Energy Program	\$ 121,480	
81.041	ARRA State Energy Program	1,372,450	
81.042	Weatherization Assistance for Low-Income Persons	22,216	
81.042	ARRA Weatherization Assistance for Low-Income Persons	337,972	\$ 307,788
81.128	ARRA Energy Efficiency and Conservation Block Grant Program (EECBG)	5,289,781	\$ 4,992,054
	U.S. DEPARTMENT OF ENERGY TOTAL	\$ 7,143,899	
U.S. DEPARTMENT OF EDUCATION			
84.126	Rehabilitation Services-Vocational Rehabilitation Grants to States	\$ 1,376,414	
84.149	Migrant Education-College Assistance Migrant Program	746	
84.169	Independent Living State Grants	22,363	
84.177	Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind	2,506	
84.394	ARRA State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery	4,483,972	\$ 4,483,972
84.403	Consolidated Grants to the Outlying Areas	67,581	
	U.S. DEPARTMENT OF EDUCATION TOTAL	\$ 5,953,582	

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards Year Ended September 30, 2013

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Expenditures</u>	<u>Amounts Passed- Through to Subrecipients per Major Program</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Aging Cluster:			
93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	\$ 856,161	
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services	1,574,247	
93.053	Nutrition Services Incentive Program	309,967	
	Subtotal Aging Cluster	2,740,375	
93.041	Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	11,754	
93.042	Special Programs for the Aging: Title VII, Chapter 2: Long Term Care Ombudsman Services	39,546	
93.043	Special Programs for the Aging-Title III, Part D-Disease Prevention and Health Promotion Services	70,853	
93.048	Special Programs for the Aging-Title IV-and Title II-Discretionary Projects	186,501	
93.052	National Family Caregiver Support, Title III, Part E	406,422	
93.069	Public Health Emergency Preparedness	115,251	
93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	455,033	
93.077	Family Smoking Prevention and Tobacco Control Act Regulatory Research	32,324	
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	1,514,286	
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Prog	662,470	
93.127	Emergency Medical Services for Children	128,465	
93.136	Injury Prevention and Control Research and State and Community Based Prog	15,000	
93.150	Projects for Assistance in Transition from Homelessness (PATH)	49,999	
93.217	Family Planning - Services	308,125	
93.224	Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	1,378,085	
93.235	Affordable Care Act (ACA) Abstinence Education Program	43,046	
93.243	Substance Abuse and Mental Health Services-Projects of Regional and National Significance	789,729	
93.268	Immunization Cooperative Agreements	1,220,808	
93.283	The Affordable Care Act: Centers for Disease Control and Prevention - Investigations and Technical Assistance	1,342,819	
93.296	State Partnership Grant Program to Improve Minority Health	134,094	
93.505	Affordable Care Act Maternal, Infant, and Early Childhood Home Visiting Prog	724,429	
93.507	PPHF 2012 National Public Health Improvement Initiative	256,526	
93.511	Affordable Care Act (ACA) Grants to States for Health Insurance Premium Rvw	441	
93.520	Centers for Disease Control and Prevention - Affordable Care Act (ACA) Communities Putting Prevention to Work	18,942	
93.544	The Patient Protection and Affordable Care Act of 2010 authorizes Coordinated Chronic Disease prevention and Health Promotion Program	72,700	
	BALANCE FORWARD	\$ 12,718,023	
See accompanying notes to Schedule of Expenditures of Federal Awards.			

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards Year Ended September 30, 2013

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Expenditures</u>	<u>Amounts Passed- Through to Subrecipients per Major Program</u>
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
	BALANCE FORWARD	\$ 12,718,023	
93.558	Temporary Assistance for Needy Families	3,575,445	
93.563	Child Support Enforcement	3,444,083	\$ 296,430
93.575	Child Care and Development Block Grant	2,860,292	
93.597	Grants to States for Access and Visitation Programs	58,895	
93.630	Developmental Disabilities Basic Support and Advocacy Grants	236,707	
93.667	Social Services Block Grant	2,405,758	
93.719	ARRA State Grants to Promote Health Information Technology	111,107	
93.735	State Public Health Approaches for Ensuring Quitline Capacity Funded in part by 2012 Prevention and Public Health Funds (PPHF-2012)	51,020	
93.767	Children Health Insurance Program	4,520,909	
93.778	Medical Assistance Program	34,790,594	
93.778	ARRA Medical Assistance Program	102,541	
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	22,345	
93.912	Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program	85,000	
93.917	HIV Care Formula Grants	283,423	
93.940	HIV Prevention Activities Health Department Based	158,604	
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	8,140	
93.958	Block Grants for Community Mental Health Services	200,926	
93.959	Block Grants for Prevention and Treatment of Substance Abuse	997,080	
93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants	40,728	
93.991	Preventive Health and Health Services Block Grant	142,218	
93.994	Maternal and Child Health Services Block Grant to the States	<u>599,389</u>	
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES TOTAL	<u>\$ 67,413,227</u>	
	CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		
94.003	State Commissions	\$ 188,867	
94.006	AmeriCorps	1,078,504	
94.007	Program Development and Innovation Grants	41,612	
94.009	Training and Technical Assistance	<u>8,066</u>	
	CORPORATION FOR NATIONAL AND COMMUNITY SERVICE TOTAL	<u>\$ 1,317,049</u>	

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards Year Ended September 30, 2013

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Expenditures</u>	<u>Amounts Passed- Through to Subrecipients per Major Program</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
97.001	Pilot Demonstration or Earmarked Projects	\$ 70,238	
97.012	Boating Safety Financial Assistance	492,084	
97.042	Emergency Management Performance Grants	758,063	
97.052	Emergency Operations Centers	2,380	
97.067	Homeland Security Grant Program	1,755,187	
97.078	Buffer Zone Protection Program (BZPP)	388,623	
97.082	Earthquake Consortium	12,613	
97.089	Driver's License Security Grant Program	<u>365,997</u>	
	U.S. DEPARTMENT OF HOMELAND SECURITY TOTAL	<u>\$ 3,845,185</u>	
STATE JUSTICE INSTITUTE			
99.SJI-12-T-161	SJI Talent Management Program	<u>\$ 42,050</u>	
	STATE JUSTICE INSTITUTE TOTAL	<u>\$ 42,050</u>	
	TOTAL FEDERAL AWARDS	<u>\$ 313,972,330</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, 2013

1. Scope of Audit

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

Programs Subject to Single Audit:

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

- Corporation for National and Community Service
- U.S. Department of Agriculture
- U.S. Department of Commerce
- U.S. Department of Defense
- U.S. Department of Education
- U.S. Department of Energy
- U.S. Department of Health and Human Services
- U.S. Department of Homeland Security
- U.S. Department of Housing and Urban Development
- U.S. Department of the Interior
- U.S. Department of Justice
- U.S. Department of Labor
- U.S. Department of Transportation
- U.S. Environmental Protection Agency
- National Foundation on the Arts and the Humanities
- State Justice Institute

2. Summary of Significant Accounting Policies

a. Basis of Accounting:

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

GOVERNMENT OF GUAM

Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2013

2. Summary of Significant Accounting Policies, Continued

b. Reporting Entity:

For purposes of complying with The Single Audit Act of 1984, as amended in 1996, GovGuam's reporting entity is defined in Note 1A to its September 30, 2013 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, 2013.

The federal award totals for the excluded departments and component units as of September 30, 2013, are as follows:

<u>Department or Component Unit</u>	<u>Federal Award Total</u>
Guam Department of Education	\$ 69,560,524
GovGuam Retirement Fund	\$ -
Antonio B. Won Pat International Airport Authority	\$ 17,435,986
Guam Memorial Hospital Authority	\$ 6,979,061
Guam Power Authority	\$ 11,350,979
Guam Waterworks Authority	\$ 4,834,643
Port Authority of Guam	\$ 16,819,147
University of Guam	\$ 36,312,436
Guam Community College	\$ 11,761,367
Guam Housing and Urban Renewal Authority	\$ 43,541,715
Guam Housing Corporation	\$ 497,500
Guam Economic Development Authority	\$ 4,451,442
Guam Visitors Bureau	\$ 14,616
Guam Preservation Trust	\$ 648,066
Guam Educational Telecommunications Corporation	\$ -

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

c. Cost Allocation:

The Government of Guam has a plan for allocation of common costs related to public health and social services federal awards programs. The amounts allocated to 2013 grant programs are based on 2013 actual expenditures and caseloads.

d. Matching Costs:

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

3. Amounts Passed-Through to Subrecipients

Expenditures include amounts passed through to subrecipients during the fiscal year.

GOVERNMENT OF GUAM

Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2013

4. Noncash Awards

Certain federal awards programs do not involve cash awards to the Government of Guam. These programs generally could include donated commodities, insurance, electronic benefit payments under the Supplemental Nutrition Assistance Program (SNAP), and loans. For the year ended September 30, 2013, the Government of Guam had the following noncash award:

U.S. Department of Agriculture Food Stamps CFDA #10.551 SNAP EBT payments	\$ <u>118,956,507</u>
Total SNAP EBT payments reported on the Schedule of Expenditures of Federal Awards	\$ <u>118,956,507</u>

The reported expenditures for benefits under the Supplemental Nutrition Assistance Program (SNAP) (CFDA No. 10.551) are supported by both regularly appropriated funds and incremental funding made available under section 101 of the American Recovery and Reinvestment Act of 2009. The portion of total expenditures for SNAP benefits that is supported by Recovery Act funds varies according to fluctuations in the cost of the Thrifty Food Plan, and to changes in participating households' income, deductions, and assets. This condition prevents USDA from obtaining the regular and Recovery Act components of SNAP benefits expenditures through normal program reporting processes. As an alternative, USDA has computed a weighted average percentage to be applied to the national aggregate SNAP benefits provided to households in order to allocate an appropriate portion thereof to Recovery Act funds. This methodology generates valid results at the national aggregate level but not at the individual State level. Therefore, we cannot validly disaggregate the regular and Recovery Act components of our reported expenditures for SNAP benefits. At the national aggregate level, however, Recovery Act funds account for 10.95 percent of USDA's total expenditures for SNAP benefits in the Federal fiscal year ended September 30, 2012.

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

In February 2009, the Federal Government enacted the American Recovery and Reinvestment Act of 2009 (ARRA). As of September 30, 2013, GovGuam's expenditures during the fiscal year and related grant award notifications are as follows:

<u>CFDA</u>	<u>Grant Amount</u>	<u>FY 2013 Expenditures</u>
16.710	\$ 1,817,536	\$ 494,676
16.803	\$ 4,972,500	346,745
20.205	\$ 19,560,000	4,036,253
20.509	\$ 921,976	56,788
66.454	\$ 200,000	12,866
81.041	\$ 19,098,000	1,372,450
81.042	\$ 1,431,132	337,972
81.128	\$ 9,593,500	5,289,781
84.394	\$ 75,742,784	4,483,972
93.719	\$ 1,600,000	111,107
93.778	\$ 5,405,000	<u>102,541</u>
		\$ <u>16,645,151</u>

GOVERNMENT OF GUAM

Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2013

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

GovGuam received federal funding from certain programs under ARRA, which are not subject to continuing compliance requirements, and therefore, are not included in the Schedule. For the year ended September 30, 2013, \$17.8 million of federal funds not subject to continuing compliance requirements were received, as follows:

Additional Child Tax Credit	\$ 16,312,323
American Opportunity Tax Credit	<u>1,444,363</u>
Total ARRA receipts not included in the Schedule	\$ <u>17,756,686</u>

GOVERNMENT OF GUAM

Reconciliation of Schedule of Expenditures of Federal Awards to Basic Financial Statements Year Ended September 30, 2013

		2013
		<u>Expenditures</u>
Federal contributions, as reported in the 2013 financial statements:		
Federal Grants Assistance Fund, expenditures		\$ 338,990,692
Less local match and contributions		(37,765,960)
Plus transfers out		<u>7,356,400</u>
Federal expenditures, transfers, and other uses		308,581,132
<u>CFDA #</u>		
84.394	Guam Department of Education: State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act	4,483,972
16.013	Superior Court of Guam: Violence Against Women Act Court Training and Improvement Grants	87,518
16.554	National Criminal History Improvement Program (NCHIP)	27,272
16.750	Support For Adam Walsh Act Implementation Grant Program	133,668
99. SJI-12-T-161	SJI Talent Management Program	42,050
93.224	Fund 105: Consolidated Health Centers	1,378,085
	Variance	<u>(761,367)</u>
	Total Federal Expenditures Subject to Audit	\$ <u>313,972,330</u>

GOVERNMENT OF GUAM

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2013

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs Year Ended September 30, 2013

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

CFDA

Numbers Name of Federal Program or Cluster

- | | |
|--------------|--|
| SNAP Cluster | |
| 10.551 | Supplemental Nutrition Assistance Program (SNAP) |
| 10.561 | State Administrative Matching Grants for the SNAP |
| 15.875 | Economic, Social and Political Development of the Territories |
| 16.606 | State Criminal Alien Assistance Program |
| 20.205 | Highway Planning and Construction |
| 66.600 | Environmental Protection Consolidated Grants for the Insular Areas - Program Support |
| 81.042 | Weatherization Assistance for Low-Income Persons |
| 81.128 | Energy Efficiency and Conservation Block Grant Program (EECBG) |
| 84.394 | State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act |
| 93.558 | Temporary Assistance for Needy Families |
| 93.563 | Child Support Enforcement |
| 93.778 | Medical Assistance Program |
| 97.078 | Buffer Zone Protection Program (BZPP) |
| 97.089 | Driver's License Security Grant Program |

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2013

Section I - Summary of Auditors' Results, Continued

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

Section II – Financial Statement Findings

<u>Reference Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
2013-001	Fixed Assets	\$ -
2013-006	Post-Closing Adjustments	\$ -
2013-007	Revenues	\$ -
2013-008	Tax-Related Interface and Reconciliations	\$ -

Section III - Federal Award Findings and Questioned Costs

<u>Reference Number</u>	<u>CFDA Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
2013-001	15.875	Equipment and Real Property Management	-
2013-002	15.875	Period of Availability of Federal Funds	-
2013-001	20.205	Equipment and Real Property Management	-
2013-003	93.558	Eligibility	80
2013-004	93.558	Procurement and Suspension and Debarment	-
2013-003	93.778	Eligibility	3,648
2013-005	97.078	Period of Availability of Federal Funds	<u>14,450</u>
Total Federal Questioned Costs			\$ <u>18,178</u>

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2013

Finding No.: 2013-001
 CFDA Program: 15.875 DOI Economic, Social and Political Development of the Territories
 CFDA Program: 20.205 DOT Highway Planning and Construction
 Area: Equipment and Real Property Management
 Area: Fixed 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. Capitalized assets and construction work in progress should be recorded and capitalized in a timely manner.
3. Inventory of capital assets should be performed routinely and reconciled against the fixed assets register.

Condition:

1. The Government of Guam has not performed the required comprehensive physical inventories of its property in FY 2013 or in the two prior years. We are unable to assess the overall cumulative monetary value of this deficiency. However, a summary of total capital outlays over the past five years for the Government of Guam's FY 2013 major programs is as follows:

		<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>Total</u>
	<u>Program CFDA #s</u>	<u>Purchases</u>	<u>Purchases</u>	<u>Purchases</u>	<u>Purchases</u>	<u>Purchases</u>	
1.	10.551/10.561	\$ 0	14,995	14,500	0	0	29,495
2.	15.875	\$ 2,853,009	573,017	564,249	1,201,607	701,368	5,893,250
3.	16.606	\$ 0	0	0	0	108,450	108,450
4.	20.205	\$ 5,557,352	538,071	6,064,230	11,506,775	3,931,920	27,598,348
5.	66.600	\$ 121,291	0	0	13,552	71,696	206,539
6.	81.042	\$ 0	0	0	0	0	0
7.	81.128	\$ 0	0	0	0	0	0
8.	84.394	\$ 0	0	0	0	0	0
9.	93.558	\$ 0	0	0	0	0	0
10.	93.563	\$ 0	0	20,620	17,790	0	38,410
11.	93.778	\$ 0	0	12,550	0	0	12,550
12.	97.078	\$ 0	0	0	0	0	0
13.	97.089	\$ 0	0	52,105	0	0	52,105

2. Up to nine months subsequent to fiscal year-end, a post-closing entry recorded \$63,178,729 of depreciable assets, \$23,577,704 of depreciation expense, \$50,726,133 of construction work in progress, and \$30,411,200 of land. We further proposed an increase of \$22,421,360 of depreciable assets, \$14,536,285 of depreciation expense, and an increase of \$10,255,163 of construction work in progress.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2013

Finding No.: 2013-001, Continued
CFDA Program: 15.875 DOI Economic, Social and Political Development of the Territories
CFDA Program: 20.205 DOT Highway Planning and Construction
Area: Equipment and Real Property Management
Area: Fixed Assets
Questioned Costs: \$0

Condition, Continued:

3. Of fifteen capital assets tested, four assets approximating \$536k represented surveyed or inoperable items, two items approximating \$1.7M could not be located, and \$3.9M represented items below the asset capitalization policy of \$50,000. There was no indication of the location of such assets. These amounts were considered immaterial to the financial statements.

Cause:

1. Noncompliance with applicable equipment management requirements has been a continuing finding from prior audits, and Government of Guam management is still in the process of effecting corrective action and of developing an equipment management system that complies with applicable equipment management standards. Efforts are being made to tag all equipment with bar code property identification labels. Until the Government completes tagging of all equipment, it will not be able to conduct a comprehensive physical inventory.
2. The cause of this condition is the need for additional personnel versed in accounting reconciliations and processes. Substantial interface with the Department of Public Works (DPW) and other parties that perform engineering responsibilities within GovGuam is required to document and understand the percentage of completion of various projects. Accounting personnel do not have access to this information and coordination with the respective parties has not routinely occurred.
3. Processes over inventory and reconciliation of the fixed assets register are not routine. Rather, processes appear to be initiated in response to audit requests. Additionally, the fixed assets register did not identify all assets by location or identification number.

Effect:

The Government is in noncompliance with applicable equipment management requirements. The underlying capital outlays are not considered questioned costs as corrective action is in progress. This noncompliance applies to the following major programs, for which cumulative capital outlays over the past five years exceed FY 2013 materiality levels: CFDA numbers 15.875 and 20.205. Furthermore, capital assets within the financial statements or related disclosures may be misstated.

Prior Year Status:

The lack of properly recording capital assets was reported as a finding in the audit of GovGuam for fiscal year 2012.

Recommendation:

1. The Government of Guam should complete tagging of all equipment and conduct a physical inventory immediately thereafter.
2. 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 currently being undertaken by the Government of Guam. Furthermore, coordination with DPW and other engineering firms must occur at project commencement so that accounts are established to track capital costs and to allow for the preparation of periodic reports tracking a project's percentage of completion.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2013

Finding No.:	2013-001, Continued
CFDA Program:	15.875 DOI Economic, Social and Political Development of the Territories
CFDA Program:	20.205 DOT Highway Planning and Construction
Area:	Equipment and Real Property Management
Area:	Fixed Assets
Questioned Costs:	\$0

Recommendation, Continued:

3. Routine inventory and reconciliation against the fixed assets register should occur. The fixed assets register should be descriptive to assist in distinguishing assets and allow for their monitoring. Furthermore, periodic communication should occur with other agencies or departments in order to determine the percentage of completion of capital assets that are being constructed.

Auditee Response and Corrective Action Plan:

We agree with the findings and with the recommendations provided. DOA (Department of Administration) will work with DPW's (Department of Public Works') federal highway Division to determine the total outstanding capital improvement projections and to obtain a list of items that need to be transferred from the CIP to the infrastructure account. DOA is in the process of hiring the program coordinator who will primarily be responsible for the reconciliation and investigation of capital asset accounts. Further efforts will be made to seek funding to hire additional staff to perform the fixed assets physical inventory on a more regular basis.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2013

Finding No.: 2013-002
Federal Agency: U.S. Department of the Interior
CFDA Program: 15.875 Economic, Social and Political Development of the Territories
Area: Period of Availability of Federal Funds
Questioned Costs: \$0

Criteria:

In accordance with applicable period of availability of federal funds requirements, entities shall liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation).

Condition:

Obligations were liquidated after the fund's period of availability, as follows:

<u>Account Number</u>	<u>Grant Number</u>	<u>Liquidation End Date</u>	<u>Check Date</u>	<u>Amount</u>
5101J079966IB110290	GUAM-COFA-2007-2	06/29/13	07/26/13	\$128,618

Cause:

Government of Guam management did not consistently monitor liquidations for compliance with applicable period of availability of federal funds requirements.

Effect:

The Government of Guam is in noncompliance with applicable period of availability of funds requirements. No questioned cost is presented as the grantor stated in an email, "OIA does not take exception to the payment (in question by the auditors) from DOA to the vendor even though it was after the liquidation deadline. The work was performed, the payment was requested and the approval given before the deadline."

Recommendation:

Government of Guam management should strengthen monitoring controls over compliance with applicable period of availability of federal funds requirements so that obligations are liquidated not later than 90 days after the end of the funding period. If the period of availability of a fund is approaching and the inability to meet the deadline is identified, the responsible person should seek grantor approval to extend the period of availability.

Auditee Response and Corrective Action Plan:

With the preparation for the relocation to the new office around this time last year, this was overlooked. We have since improved the processing of federal payments to avoid this from happening again.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2013

Finding No.: 2013-003
 Federal Agency: U.S. Department of Health and Human Services
 CFDA Program: 93.558 Temporary Assistance for Needy Families
 Grant Number: 1301GUTANF
 Questioned Costs: \$80

CFDA Program: 93.778 Medical Assistance Program
 Grant Number: 05-1305GQ5MAP
 Questioned Costs: \$3,648

Area: Eligibility

Criteria:

In accordance with applicable eligibility requirements, such documents as application worksheets, social security cards, proof of citizenship, notice of action, verification of employment forms, and recertification forms should be maintained on file to substantiate eligibility determinations. Furthermore, the income and eligibility verification system (IEVS) shall be used to verify eligibility using wage information available from such sources as the agencies administering State unemployment compensation laws, Social Security Administration (SSA), the Internal Revenue Service, or other alternative sources approved by the grantor to verify income eligibility and the amount of eligible benefits.

Condition:

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

CFDA 93.558

- For 1 (or 1%), case file #30-92285 was not provided for examination.

<u>Case #</u>	<u>Eligibility Period</u>		<u>TANF Claim Amount</u>	<u>Questioned Cost</u>
	<u>Begin Date</u>	<u>End Date</u>		
30-92285	09/01/12	08/31/13	<u>\$ 80</u>	\$ 80

CFDAs 93.558 and 93.778

- For 73 (or 97%), we noted no documentation to demonstrate that the income and eligibility verification system (IEVS) was used to verify eligibility. We did note that the new automated data processing (ADP) system has IEVS capabilities. However, no evidence was provided to show that the eligibility specialist used the available IEVS features during the eligibility determination process.

CFDA 93.778

- For 1 (or 1%), no certification of residency or equivalent record is documented for case number 201203383-1.
- For 3 (or 4%), the birth certificate or equivalent record is not documented to substantiate the citizenship of a certain household member for each of the following case numbers: 300053109-4, 340010862-1, and 980008336-1.
- For 4 (or 6%), the social security card is not documented for all household members for the following case numbers: 300053109-4, 330073978-1, 340010862-1, and 980008336-1.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2013

Finding No.: 2013-003, Continued
 Federal Agency: U.S. Department of Health and Human Services

CFDA Program: 93.558 Temporary Assistance for Needy Families
 Grant Number: 1301GUTANF
 Questioned Costs: \$80

CFDA Program: 93.778 Medical Assistance Program
 Grant Number: 05-1305GQ5MAP
 Questioned Costs: \$3,648

Area: Eligibility

Condition, Continued:

6. For 6 (or 7%), the applicable renewal application and required eligibility documents were not provided.

	<u>Case #</u>	<u>Service Date</u>	<u>Medicaid Claim Paid and Questioned Cost</u>
1	201200096-1	07/02/2012	\$ 697
2	300074017-1	05/01/2012	933
3	201203685-1	03/16/2013	762
4	500050840-1	07/30/2012	209
5	980014587-1	12/10/2012	<u>1,235</u>
			\$ <u>3,836</u>

7. For 1 (or 1%), the following case file was not provided.

	<u>Case #</u>	<u>Service Date</u>	<u>Medicaid Claim Paid and Questioned Cost</u>
	500026473-1	12/07/2012	\$ <u>2,796</u>

Cause:

The Government of Guam did not require eligibility specialists to use the available IEVS features of the ADP system. Furthermore, the Government of Guam did not properly manage the files containing the participant's personal data. There is no system in place to properly track the usage and location of each participant's file.

Effect:

The Government of Guam is in noncompliance with applicable eligibility requirements. Questioned costs exist, as follows:

	<u>CFDA 93.558</u>	<u>CFDA 93.778</u>
Costs Questioned Above	\$ 80	\$ 6,632
X Federal Share	<u>100%</u>	<u>55%</u>
Total Questioned Cost	\$ <u>80</u>	\$ <u>3,648</u>

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2013

Finding No.: 2013-003, Continued
Federal Agency: U.S. Department of Health and Human Services

CFDA Program: 93.558 Temporary Assistance for Needy Families
Grant Number: 1301GUTANF
Questioned Costs: \$80

CFDA Program: 93.778 Medical Assistance Program
Grant Number: 05-1305GQ5MAP
Questioned Costs: \$3,648

Area: Eligibility

Recommendation:

The Program Administrator should establish and implement procedures for eligibility specialists to effectively use IEVS features of the ADP system in accordance with applicable eligibility requirements. If GovGuam is unable to use the IEVS, then the Program Administrator should consider discussing the issue with the grantor agency and obtaining a written waiver or approved alternative. Furthermore, the Program Administrator should implement monitoring and recordkeeping controls over maintaining compliance with applicable eligibility requirements.

Auditee Response and Corrective Action Plan:

A corrective compliance plan (CCP) was submitted to U.S. DHHS, Office of Family Assistance on July 9, 2013. On September 6, 2013, U.S. DHHS "...accepted Guam's CCP with the understanding that the territory commits to an end goal of achieving compliance by September 30, 2014."

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2013

Finding No.: 2013-004
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.558 Temporary Assistance for Needy Families Grant (TANF)
Grant Number: 1301GUTANF
Area: Procurement and Suspension and Debarment
Questioned Costs: \$0

Criteria:

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

Furthermore, in accordance with local procurement requirements, sole source procurement is not permissible unless a requirement is available from only a single supplier.

Condition:

For 1 (or 4%) of 26 transactions tested, the sole source method was used to procure training services from a Guam college; however, there is more than one institute of higher education on Guam.

<u>Tran#</u>	<u>Vendor#</u>	<u>Prior Ref#</u>	<u>Amount</u>	<u>Description</u>
0527539	G1381601	C110601710	\$60,933	Project HATSA

Cause:

Government of Guam management did not enforce established procurement regulations.

Effect:

The Government of Guam is in noncompliance with applicable procurement requirements. No questioned cost is presented for reference number C110601710 because the training services were vocational in nature, and we are aware the selected college entity is more vocational oriented than the other institute of higher education on Guam.

Recommendation:

Government of Guam management should enforce established procurement regulations and should ensure maintenance of records sufficient to detail the significant history of a procurement to substantiate compliance with applicable procurement requirements.

Auditee Response and Corrective Action Plan:

The Government of Guam has not provided a response.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2013

Finding No.: 2013-005
Federal Agency: U.S. Department of Homeland Security
CFDA Program: 93.078 Buffer Zone Protection Program (BZPP)
Grant Number: 2008-BZ-T8-0014-S01
Area: Period of Availability of Federal Funds
Questioned Costs: \$14,450

Criteria:

In accordance with applicable period of availability of federal funds requirements, entities shall liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation).

Condition:

Obligations were liquidated after the fund's period of availability, as follows:

<u>Account Number</u>	<u>Liquidation End Date</u>	<u>Check Date</u>	<u>Amount</u>
5101H080280HS301230	11/30/12	01/08/13	\$ 12,500
5101H080280HS301240	11/30/12	01/08/13	<u>1,950</u>
			\$ <u>14,450</u>

Cause:

Government of Guam management did not consistently monitor liquidations for compliance with applicable period of availability of federal funds requirements.

Effect:

The Government of Guam is in noncompliance with applicable period of availability of funds requirements, and questioned costs of \$14,450 exist.

Recommendation:

Government of Guam management should strengthen monitoring controls over compliance with applicable period of availability of federal funds requirements so that obligations are liquidated not later than 90 days after the end of the funding period. If the period of availability of a fund is approaching and the inability to meet the deadline is identified, the responsible person should seek grantor approval to extend the period of availability.

Auditee Response and Corrective Action Plan:

The Government of Guam is in the process of locating grantor extensions.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2013

Finding No.: 2013-006
Area: Post-Closing Adjustments

Criteria:

Financial statements should reflect existing business circumstances and economic conditions in accordance with adopted accounting policies.

Condition:

The financial statements included seventy-six post-closing adjustments approved six to nine months, June 26, 2014, subsequent to fiscal year end.

Cause:

The cause of this condition is due to the need for additional personnel well versed in accounting reconciliations and processes as sufficient time was not available to timely reconcile all required accounts at an earlier date.

Effect:

Financial statements may not reflect existing business circumstances and economic conditions in accordance with the adopted accounting policies.

Prior Year Status:

The lack of timely recognition of accounting transactions resulting in post-closing adjustments was reported as a finding in the audit of GovGuam for fiscal year 2012.

Recommendation:

It appears that additional experienced accountant level personnel may be required to allow for timely reconciliation of all required accounts.

Auditee Response and Corrective Action Plan:

The Government of Guam has not provided a response.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2013

Finding No.: 2013-007
Area: Revenues

Criteria:

The Government of Guam should enforce collection of import and use taxes.

Condition:

The Guam Customs and Quarantine Agency received in excess of \$2.7M of annual revenues in fiscal year 2013. Compared to prior year, recorded receivables increased by approximately \$470K. At September 30, 2013, the recorded receivable approximated \$4.9M.

Cause:

A standard method of enforced collection has not been formulated or implemented during the fiscal year.

Effect:

In fiscal year 2013, related receivables approximated \$4.9M for which an estimated \$4M was allowed for as a provision.

Prior Year Status:

Collection of import and use tax was reported as a finding in the audit of GovGuam for fiscal year 2012.

Recommendation:

We understand that in fiscal year 2014, a formulated plan to implement a centralized collection site for import and use taxes will occur. Effective date of implementation will be on October 1, 2014. .

Auditee Response and Corrective Action Plan:

The Department of Administration (DOA), Department of Revenue and Taxation (DRT), and the Customs and Quarantine Agency (CQA) have worked in conjunction with the Office of Public Accountability and the Governor's Office to create an Inter-Agency Cooperative Agreement to correct condition identified above. The Agreement between DOA, DRT, and CQA will improve the collection and enforcement of the import and use taxes. This agreement will be implemented on October 1, 2014.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2013

Finding No.: 2013-008
Area: Tax-Related Interface and Reconciliations

Criteria:

1. An adequate system should be in place to facilitate taxes filed and paid, segregated by tax type. Such a system should minimize reconciliation issues impacting revenue accounting distributions.
2. The point of sale (POS) system and non-POS system should timely interface with the Treasurer of Guam Payment Records System. Payments applied within the Treasurer of Guam Payment Records System should interface to the Department of Revenue and Taxation AS400 and the Department of Administration AS400.
3. Amounts recorded in the point of sale (POS) register should reconcile with amounts deposited in the bank that are recorded to the corresponding general ledger accounts.

Condition:

1. Monthly Gross Receipts, Use, and Occupancy Tax, Liquid Fuel Tax & Automotive Surcharges Tax, and Monthly Tobacco & Alcoholic Beverages Tax were not completely reconciled to allow for timely distribution of revenue to the correct general ledger accounts. This resulted in an overstatement of approximately \$3.7M in GRT revenues, which resulted in a proposed audit adjustment.
2. Due to the termination of the interface between the Treasurer of Guam Payment Records System and the Department of Revenue and Taxation AS400, a delay occurred in recording GRT collections to the corresponding revenue accounts, which resulted in a suspense account being created in the General Fund. During the restoration of the interface, prior years' collections were incorrectly interfaced, resulting in a debit balance of \$64M in the suspense account and a credit to the corresponding revenue sub-accounts, which has no net impact on the General Fund GRT revenues in the aggregate, but does impact specific analysis of GRT collections by source.
3. Total cash over of \$3.4M was reported at the end of fiscal year 2013. Of this, \$1.75M was reconciled subsequent to year end and was adjusted through a post-closing entry. The amount reconciled consists of various collections on August 9, 2013 that did not timely interface to the respective GL accounts. The remaining cash over of \$1.7M has yet to be identified and recorded to corresponding revenue accounts.

Cause:

1. An adequate (Point of Sale) POS system was not in place during fiscal year 2013. This condition created an inability to timely reconcile tax revenues
2. Termination of the prior POS and the newly acquired POS, which does not interface with the DRT system, resulted in a delay in posting and application of collections to the correct revenue sub-accounts and misapplication of interface.
3. The above condition resulted from a lack of timely interface and reconciliation of POS collections against corresponding revenue accounts.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2013

Finding No.: 2013-008, Continued
Area: Tax-Related Interface and Reconciliations

Effect:

1. An overstatement of GRT revenues of the general fund could result from this matter. Additionally, misclassifications can occur among revenue sub-accounts based on the nature of the gross receipts taxes paid.
2. The lack of timely reconciliation of the suspense account can result in financial statement errors.
3. The lack of timely reconciliation of POS with GL details and bank deposits can result in misstatements of revenue accounts.

Prior Year Status:

Condition 1 was not noted in the prior year audit. Conditions 2 and 3 were noted in the prior year audit.

Recommendation:

1. DRT implemented a revised POS tax system in October 2013. It appears that a corrective action plan had already taken in place. However, it is recommended that the manner in which the tax data will interface with DOA be formalized.
2. We recommend that collections from the POS system and Non-POS system interface with TOG Payment System Records and the DRT system and the DOA AS400 to minimize reconciliation complications.
3. Timely reconciliation of cash short/over should be performed.

Auditee Response and Corrective Action Plan:

1. The Department of Revenue and Taxation (DRT) implemented the Transaction Processing System (TPS) on October 2013. The TPS will correct the deficiencies identified in Criteria 1. Tax data are interfaced on a daily basis.
2. The Department of Administration (DOA) is currently working on implementing our own Transaction Processing System (TPS) which will go live in July 2014. The DOA TPS and DRT TPS will both interface to the AS400 on a daily basis. In addition, DOA has implemented additional quality controls to ensure that the Gross Receipts Taxes are properly categorized.
3. The corrective actions identified directly above, will reduce the interface time and would lead to a more efficient and effective posting to the AS400. Both TPS systems will interface on a daily basis and will result in more timely reconciliations between the TPS systems and the bank deposits.

GOVERNMENT OF GUAM

Summary of Unresolved and Resolved Questioned Costs Arising from
Prior Year Single Audits
Year Ended September 30, 2013

	<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 08	\$ 10,077	\$ 10,077	\$ -
Unresolved Questioned Costs FY 12	<u>35,293</u>	<u>-</u>	<u>35,293</u>
	\$ <u>45,370</u>	\$ <u>10,077</u>	35,293
Add Questioned Costs for FY 2013			<u>18,178</u>
Total Unresolved Questioned Costs at September 30, 2013			\$ <u>53,471</u>

Resolved Questioned Costs as Represented by the Government of Guam:

<u>Finding #</u>	<u>CFDA #</u>	<u>Questioned Costs Resolved in 2013</u>	<u>Responding Office</u>
2008-13	93.778	\$ <u>10,077</u>	DPHSS correspondence with HHS
Total Questioned Costs Resolved		\$ <u>10,077</u>	

Unresolved Questioned Costs by CFDA Program:

<u>CFDA #</u>	<u>Program Name</u>	<u>2013</u>	<u>2012</u>	<u>Total</u>
93.558	TANF	\$ 80	\$ 971	\$ 1,051
93.778	Medicaid	3,648	34,322	37,970
97.078	Buffer Zone Protection Program	<u>14,450</u>	<u>-</u>	<u>14,450</u>
	Totals	\$ <u>18,178</u>	\$ <u>35,293</u>	\$ <u>53,471</u>