

Government of Guam
Single Audit Highlights for the Year Ended September 30, 2004

August 1, 2005

The FY 2004 Government of Guam (GovGuam) Single Audit Reports show questioned costs of \$514,000 a substantial decline compared to FY 2003 questioned costs of \$1.2 million, the lowest amount of questioned costs in years. However, the number of findings remained status quo at 30 from FY 2003's Single Audit Reports. The questioned costs represent GovGuam's federal grant expenditures that do not meet all of the grantors' requirements. If GovGuam is unable to resolve these questioned costs, GovGuam may have to refund the questioned amounts or accept a reduction in future grants.

This year, GovGuam was able to resolve \$17 million of prior years' questioned costs. This has resulted in a reduction in total outstanding questioned costs to \$25 million. Of the remaining \$25 million approximately half or \$12.5 million represent questioned costs unresolved by the Federal Emergency Management Agency (FEMA) following various natural disasters on Guam.

	<u>Questioned Costs</u>	<u>Current Unresolved Questioned Costs</u>	<u>Amount Resolved</u>
FY 1998	\$ 2,305,544	\$ -	\$ 2,305,544
FY 1999	\$ 15,116,122	\$ 6,563,327	\$ 8,552,795
FY 2000	\$ 8,858,571	\$ 8,580,076	\$ 278,495
FY 2001	\$ 9,817,389	\$ 5,526,736	\$ 4,290,653
FY 2002	\$ 4,258,861	\$ 2,708,552	\$ 1,550,309
FY 2003	\$ 1,243,982	\$ 1,243,982	\$ -
FY 2004	\$ 514,486	\$ 514,486	\$ -
	<u>\$ 42,114,955</u>	<u>\$ 25,137,159</u>	<u>\$ 16,977,796</u>

Five of the six findings that resulted in FY 2004 questioned costs were related to procurement. Of the 2004 questioned costs, \$450,000, or 88 %, was the result of violations of procurement requirements by the General Services Agency, the Guam Fire Department, the Department of Administration, Bureau of Budget Management and Research, Agency for Human Resources Development, Guam Environmental Protection Agency, and the Department of Public Health and Social Services. Examples of violations include utilizing sole source method for selection of vendors without sufficient rationale for the selection of the vendor, no documentation of procurement, and no documentation of a cost saving analysis. The one remaining finding cited the Department of Public Health and Social Services for noncompliance with eligibility requirements for Medicaid, which resulted in \$62,000 in questioned costs.

Other findings cited include:

- Federal funds were not de-appropriated after their expiration exposing the funds to be expended outside of their applicable periods of availability.

- Noncompliance with child support requirements to locate absent parents and document eligibility.
- Because bank reconciliations were untimely, an adjustment of \$1.5 million was required to reduce recorded cash balances to reconcile bank balances.
- Accounts receivables of \$4.6 million remain outstanding for supplies purchased on account at GovGuam's store, "Tenda" because no one is assigned to monitor the account charges. This finding was previously identified in OPA Audit of Tendan Gobetnu issued August 2003.
- An allowance for uncollectible bounced checks has been proposed after the general ledger showed \$5 million in bounced checks dating back to 1989. This finding was previously identified in OPA Audit of Bounced Checks issued June 2004
- Child support collections of \$4.4 million comprised of undisbursed payments and stale dated checks. Again this finding was identified in OPA Audit of the Child Support Enforcement Program issued November 2003.

A separate management letter was also issued to address other findings regarding GovGuam's internal control. Twenty-one findings were reported and include:

- Over \$1 million in travel advances have not been cleared because travel documents have not been filed.
- Lack of financial statements and bank reconciliations from the Supreme Court.
- Lack of general computer controls.
- Outstanding encumbrances dated as far back as 1988.
- Lack of documentation of certain expenses and no detailed aging reports for certain accounts receivables to ensure account validity.