

GOVERNMENT OF GUAM

SINGLE AUDIT REPORTS

YEAR ENDED SEPTEMBER 30, 2018

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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, 2018, and the related notes to the financial statements, which collectively comprise GovGuam's basic financial statements, and have issued our report thereon dated June 20, 2019. Our report includes a reference to other auditors and emphasis-of-matters paragraphs for the implementation of new accounting standards and a matter regarding the GovGuam Retirement Fund. 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 Chamorro Land Trust Commission, Guam Ancestral Lands Commission, 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 Port Authority of Guam, the Solid Waste Operations Fund, the Guam Highway Fund, the Tourist Attraction 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 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.

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 2018-001 and 2018-004 that we consider to be material weaknesses.

Compliance and Other Matters

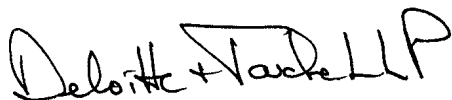
As part of obtaining reasonable assurance about whether GovGuam's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

GovGuam's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. 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.



June 20, 2019

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, 2018. 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, 2018. 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 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 2018-002 and 2018-004 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
2018-002		SNAP Cluster	Special Tests and Provisions
2018-004	15.875	Economic, Social and Political Development of the Territories	Equipment and Real Property Management
2018-004	20.205	Highway Planning and Construction Cluster	Equipment and Real Property Management
2018-004	66.600	Environmental Protection Consolidated Grants for the Insular Areas – Program Support	Equipment and Real Property Management

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; Highway Planning and Construction Cluster; and CFDA 66.600 Environmental Protection Consolidated Grants for the Insular Areas – Program Support for the year ended September 30, 2018.

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, 2018.

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 item 2018-003. 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 Corrective Action Plan. 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.

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 2018-002 and 2018-004 to be material weaknesses.

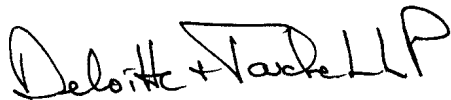
A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important 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 item 2018-003 to be significant deficiencies.

GovGuam's response to the internal control over compliance findings identified in our audit are described in the accompanying Corrective Action Plan. 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.

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 the Government of Guam as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise GovGuam's basic financial statements. We issued our report thereon dated June 20, 2019, which contained unmodified opinions on those financial statements and which report included a reference to other auditors and emphasis-of-matters paragraphs for the implementation of new accounting standards and a matter regarding the GovGuam Retirement Fund. 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.

A handwritten signature in black ink that reads "Deloitte + Tatchell LLP". The signature is written in a cursive, flowing style.

June 20, 2019

GOVERNMENT OF GUAM

Summary of Schedule of Expenditures of Federal Awards, by Grantor
Year Ended September 30, 2018

<u>Federal Agency</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture	\$ 118,313,963
U.S. Department of Commerce	2,491,682
U.S. Department of Defense	3,501,469
U.S. Department of Housing and Urban Development	336,789
U.S. Department of the Interior	20,296,239
U.S. Department of Justice	4,157,654
U.S. Department of Labor	5,487,254
U.S. Department of Transportation	28,209,138
National Foundation on the Arts and the Humanities	459,093
U.S. Environmental Protection Agency	4,146,883
U.S. Department of Energy	366,983
U.S. Department of Education	2,189,607
U.S. Department of Health and Human Services	118,586,511
Corporation for National and Community Service	1,104,161
U.S. Department of Homeland Security	<u>4,767,488</u>
GRAND TOTAL	<u>\$ 314,414,914</u>

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

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2018

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	\$ 133,042	
10.170	Specialty Crop Block Grant Program	163,967	\$ 163,967
10.544	Healthy Body Healthy Spirit		
SNAP Cluster:			
10.551	Supplemental Nutrition Assistance Program (SNAP)	106,454,073	
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	1,981,870	197,599
	Subtotal SNAP Cluster	<u>108,435,943</u>	<u>197,599</u>
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	9,256,725	
10.572	WIC Farmers' Market Nutrition Program (FMNP)	48,967	
10.579	Child Nutrition Discretionary Grants Limited Availability	3,785	
10.664	Cooperative Forestry Assistance	271,534	
	U.S. DEPARTMENT OF AGRICULTURE TOTAL	<u>\$ 118,313,963</u>	<u>\$ 361,566</u>
U.S. DEPARTMENT OF COMMERCE			
11.307	Economic Adjustment Assistance	\$ 26,406	\$ 26,406
11.407	Interjurisdictional Fisheries Act of 1986	27,075	
11.419	Coastal Zone Management Administration Awards	816,682	
11.427	Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	138,770	72,470
11.437	Pacific Fisheries Data Program	85,455	
11.441	Regional Fishery Management Councils	254,950	
11.454	Unallied Management Projects	1,123	
11.467	Meteorologic and Hydrologic Modernization Development	565,137	
11.472	Unallied Science Program	65,551	
11.482	Coral Reef Conservation Program	401,818	245,134
11.549	State and Local Implementation Grant Program	108,715	
	U.S. DEPARTMENT OF COMMERCE TOTAL	<u>\$ 2,491,682</u>	<u>\$ 344,010</u>
U.S. DEPARTMENT OF DEFENSE			
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	\$ 81,695	
12.401	National Guard Military Operations and Maintenance (O&M) Projects	2,891,550	
12.600	Community Investment	320,955	
12.607	Community Economic Adjustment Assistance for Realignment or Closure of Military Installation	206,981	
12.610	Community Economic Adjustment Assistance for Compatible Use and Joint Land Use Studies	288	
	U.S. DEPARTMENT OF DEFENSE TOTAL	<u>\$ 3,501,469</u>	

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2018

Federal CFDA Number	Federal Grantor/Program or Cluster Title	Expenditures	Amounts Passed Through To Subrecipients
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
14.267	Continuum of Care Program	\$ 336,789	
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT TOTAL	<u>\$ 336,789</u>	
	U.S. DEPARTMENT OF THE INTERIOR		
	Fish and Wildlife Cluster:		
15.605	Sport Fish Restoration	\$ 555,193	
15.611	Wildlife Restoration and Basic Hunter Education	<u>630,357</u>	
	Subtotal Fish and Wildlife Cluster	1,185,550	
15.615	Cooperative Endangered Species Conservation Fund	257,510	
15.622	Sportsfishing and Boating Safety Act	20,835	
15.634	State Wildlife Grants	69,285	
15.875	Economic, Social, and Political Development of the Territories	18,432,779	\$ 13,783,511
15.904	Historic Preservation Fund Grants-In-Aid	<u>330,280</u>	
	U.S. DEPARTMENT OF THE INTERIOR TOTAL	<u>\$ 20,296,239</u>	<u>\$ 13,783,511</u>
	U.S. DEPARTMENT OF JUSTICE		
16.017	Sexual Assault Services Formula Program	\$ 60,189	\$ 58,782
16.527	Supervised Visitation, Safe Havens for Children		
16.528	Enhanced Training and Services to End Violence and Abuse of Women	87,549	
16.540	Juvenile Justice and Delinquency Prevention Program	32,172	
16.554	National Criminal History Improvement Program (NCHIP)	370,739	
16.575	Crime Victim Assistance	979,315	367,360
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	132	
16.582	Crime Victim Assistance/Discretionary Grants	25,538	
16.585	Drug Court Discretionary Grant Program	187,325	
16.586	Violent Offender Incarceration and Truth in Sentencing Incentive Grants		
16.588	Violence Against Women Formula Grants	495,602	363,157
16.589	Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	78,753	
16.593	Residential Substance Abuse Treatment for State Prisoners	61,437	60,717
16.606	State Criminal Alien Assistance Program		
16.710	Public Safety Partnership and Community Policing Grants	438,024	
16.727	Enforcing Underage Drinking Laws Program	27,546	
16.738	Edward Byrne Memorial Justice Assistance Grant Program	703,438	637,665
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	7,902	5,350
16.750	Support for Adam Walsh Act Implementation Grant Program	105,486	
16.751	Edward Byrne Memorial Competitive Grant Program	23,010	23,010
16.754	Harold Rogers Prescription Drug Monitoring Program	288,151	
16.812	Second Chance Act Reentry Initiative	129,654	
16.828	Swift Certain and Fair Sanctions Program	<u>55,692</u>	
	U.S. DEPARTMENT OF JUSTICE TOTAL	<u>\$ 4,157,654</u>	<u>\$ 1,516,041</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2018

Federal CFDA Number	Federal Grantor/Program or Cluster Title	Expenditures	Amounts Passed Through To Subrecipients
	U.S. DEPARTMENT OF LABOR		
17.002	Labor Force Statistics	\$ 48,247	
17.005	Compensation and Working Conditions	37,285	
	Employment Service Cluster:		
17.207	Employment Service/Wagner-Peyser Funded Activities	302,261	
17.801	Disabled Veterans' Outreach Program (DVOP)	<u>132,682</u>	
	Subtotal Employment Service Cluster	434,943	
17.235	Senior Community Service Employment Program	677,996	
	WIOA Cluster:		
17.258	WIOA Adult Program	797,759	
17.259	WIOA Youth Activities	770,043	
17.278	WIOA National Dislocated Worker Formula Grants	<u>1,110,584</u>	
	Subtotal WIOA Cluster:	2,678,386	
17.273	Temporary Labor Certification for Foreign Workers	57,714	
17.277	WIOA National Dislocated Worker Grants / WIA National Emergency Grants	1,001,923	
17.281	WIOA Dislocated Worker National Reserve Technical Assistance and Training	22,887	
17.285	Apprenticeship USA Grants	212,236	
17.504	Consultation Agreements	315,637	
17.604	Safety and Health Grants		
	U.S. DEPARTMENT OF LABOR TOTAL	<u>\$ 5,487,254</u>	
	U.S. DEPARTMENT OF TRANSPORTATION		
	Highway Planning and Construction Cluster:		
20.205	Highway Planning and Construction	\$ <u>26,179,553</u>	
	Subtotal Highway Planning and Construction Cluster	26,179,553	
20.218	Motor Carrier Safety Assistance	266,077	
20.237	Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements	13,750	
20.500	Federal Transit Capital Investment Grants	208	
20.509	Formula Grants for Rural Areas	859,287	
	Highway Safety Cluster:		
20.600	State and Community Highway Safety	575,905	
20.602	Occupant Protection Incentive Grants	92,628	
20.616	National Priority Safety Program	<u>195,314</u>	
	Subtotal Highway Safety Cluster	863,847	
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	<u>26,416</u>	
	U.S. DEPARTMENT OF TRANSPORTATION TOTAL	<u>\$ 28,209,138</u>	

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2018

Federal CFDA Number	Federal Grantor/Program or Cluster Title	Expenditures	Amounts Passed Through To Subrecipients
	NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES		
45.025	Promotion of the Arts-Partnership Agreements	\$ 298,517	\$ 130,925
45.310	Grants to States	<u>160,576</u>	
	NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES TOTAL	<u>\$ 459,093</u>	<u>\$ 130,925</u>
	U.S. ENVIRONMENTAL PROTECTION AGENCY		
66.600	Environmental Protection Consolidated Grants for the Insular Areas-Program Support	\$ 4,087,523	80,203
66.804	Underground Storage Tank Prevention, Detection and Compliance Program	59,360	
66.810	Chemical Emergency Preparedness and Prevention Technical Assistance Grants Programs		
	U.S. ENVIRONMENTAL PROTECTION AGENCY TOTAL	<u>\$ 4,146,883</u>	<u>80,203</u>
	U.S. DEPARTMENT OF ENERGY		
81.041	State Energy Program	\$ 274,938	
81.042	Weatherization Assistance for Low-Income Persons	<u>92,045</u>	
	U.S. DEPARTMENT OF ENERGY TOTAL	<u>\$ 366,983</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	1,701,346	
84.177	Rehab Services-Independent Living Services for Older Individuals Who are Blind	467	
84.187	Supported Employment Svcs for Individuals with the Most Significant Disabilities	7,625	
84.403	Consolidated Grant to the Outlying Areas	<u>480,169</u>	
	U.S. DEPARTMENT OF EDUCATION TOTAL	<u>\$ 2,189,607</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	\$ 11,855	
93.042	Special Programs for the Aging: Title VII, Chapter 2: Long Term Care Ombudsman Services for Older Individuals	46,481	
93.043	Special Programs for the Aging-Title III, Part D-Disease Prevention and Health Promotion Services	<u>25,000</u>	<u>\$ 25,000</u>
	BALANCE FORWARD	<u>\$ 83,336</u>	<u>\$ 25,000</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2018

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	\$ 83,336	\$ 25,000
	Aging Cluster:		
93.044	Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers	1,106,622	
93.045	Special Programs for the Aging-Title III, Part C-Nutrition Services	1,822,361	
93.053	Nutrition Services Incentive Program	413,311	
	Subtotal Aging Cluster	<u>3,342,294</u>	
93.048	Special Programs for the Aging-Title IV-and Title II-Discretionary Projects	93,657	
93.052	National Family Caregiver Support, Title III, Part E	379,022	
93.069	Public Health Emergency Preparedness	101,869	
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	867,425	
93.077	Family Smoking Prevention and Tobacco Control Act Regulatory Research	87,873	
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)		
93.110	Maternal and Child Health Federal Consolidated Programs	52,471	
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Program	1,025,758	
93.127	Emergency Medical Services for Children	95,316	
93.136	Injury Prevention and Control Research and State and Community Based Program	35,530	
93.150	Projects for Assistance in Transition from Homelessness (PATH)	50,000	
93.189	Health Education Training Centers Continuing Educational Support for Health Professionals Serving in Underserved Communities		
93.217	Family Planning-Services		
	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)	2,122,703	
	Subtotal Health Center Program Cluster	<u>2,122,703</u>	
93.243	Substance Abuse and Mental Health Services-Projects of Regional and National Significance	2,685,486	99,766
93.268	Immunization Cooperative Agreements	1,021,582	10,000
93.283	Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement		
	BALANCE FORWARD	<u>\$ 12,044,322</u>	<u>\$ 134,766</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2018

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	\$ 12,044,322	\$ 134,766
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	313,369	
93.324	State Health Insurance Assistance Program	20,819	
93.369	ACL Independent Living State Grants	12,056	
	Maternal, Infant, and Early Childhood Home Visiting (MIECHV) Cluster:		
93.505	Affordable Care Act Maternal, Infant, and Early Childhood Home Visiting Program	33,598	
93.870	Maternal, Infant and Early Childhood Home Visiting Grant Program	789,920	
	Subtotal MIECHV Cluster	<u>823,518</u>	
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	579,393	
	TANF Cluster:		
93.558	Temporary Assistance for Needy Families	1,197,858	
	Subtotal TANF Cluster	<u>1,197,858</u>	
93.560	Family Support Payments to States Assistance Payments	1,120,432	
93.563	Child Support Enforcement	4,298,357	
	CCDF Cluster:		
93.575	Child Care and Development Block Grant	5,292,805	
	Subtotal CCDF Cluster	<u>5,292,805</u>	
93.597	Grants to States for Access and Visitation Programs	93,908	
93.630	Developmental Disabilities Basic Support and Advocacy Grants	266,194	
93.667	Social Services Block Grant	2,699,109	
93.735	State Public Health Approaches for Ensuring Quitline Capacity Funded in part by Prevention and Public Health Funds (PPHF)	17,257	
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	124,679	
93.758	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	309,418	
93.767	Children's Health Insurance Program	33,313,840	
	Medicaid Cluster:		
93.778	Medical Assistance Program	52,778,463	
	Subtotal Medicaid Cluster	<u>52,778,463</u>	
	 BALANCE FORWARD	 <u>\$ 115,305,797</u>	 <u>\$ 134,766</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2018

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	\$ 115,305,797	\$ 134,766
93.815	Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for the Infectious Diseases (ELC)	113,017	
93.817	Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	14,328	
93.898	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	610,561	
93.917	HIV Care Formula Grants	245,069	
93.945	Assistance Program for Chronic Disease Prevention and Control	489,794	
93.958	Block Grants for Community Mental Health Services	229,546	
93.959	Block Grants for Prevention and Treatment of Substance Abuse	984,902	
93.994	Maternal and Child Health Services Block Grant to the States	593,497	
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES TOTAL	<u>\$ 118,586,511</u>	<u>\$ 134,766</u>
	CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		
94.003	State Commissions	\$ 244,260	
94.006	AmeriCorps	814,613	\$ 814,613
94.009	Training and Technical Assistance	45,288	
	CORPORATION FOR NATIONAL AND COMMUNITY SERVICE TOTAL	<u>\$ 1,104,161</u>	<u>\$ 814,613</u>
	U.S. DEPARTMENT OF HOMELAND SECURITY		
97.012	Boating Safety Financial Assistance	\$ 313,386	
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	2,154,159	2,039,193
97.042	Emergency Management Performance Grants	82,531	
97.047	Pre-Disaster Mitigation	421,856	307,059
97.067	Homeland Security Grant Program	1,795,556	
	U.S. DEPARTMENT OF HOMELAND SECURITY TOTAL	<u>\$ 4,767,488</u>	<u>\$ 2,346,252</u>
	TOTAL EXPENDITURES OF FEDERAL AWARDS	<u>\$ 314,414,914</u>	<u>\$ 19,511,887</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, 2018

1. Scope of Audit

The Government of Guam (GovGuam) is a governmental entity established by the 1950 Organic Act of Guam (the Act), 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.

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, 2018. 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 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. 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, 2018 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, 2018.

GOVERNMENT OF GUAM

Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2018

3. Summary of Significant Accounting Policies, Continued

The federal expenditure totals for the excluded departments and component units as of September 30, 2018, are as follows:

<u>Department or Component Unit</u>	<u>Federal Expenditure Total</u>
Antonio B. Won Pat International Airport Authority	\$ 8,341,384
GovGuam Retirement Fund	\$ -
Guam Community College	\$ 10,649,258
Guam Department of Education	\$ 68,193,564
Guam Economic Development Authority	\$ 82,981
Guam Educational Telecommunications Corporation	\$ -
Guam Housing and Urban Renewal Authority	\$ 41,402,179
Guam Housing Corporation	\$ -
Guam Memorial Hospital Authority	\$ 3,076,595
Guam Power Authority	\$ 1,333,232
Guam Preservation Trust	\$ -
Guam Visitors Bureau	\$ -
Guam Waterworks Authority	\$ 15,139,749
Port Authority of Guam	\$ 13,492,867
University of Guam	\$ 29,354,902

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 the allocation of common costs related to public health and social services federal awards programs. The amounts allocated to 2018 federal awards programs are based on 2018 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 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, 2018, the Government of Guam had the following noncash award:

U.S. Department of Agriculture CFDA #10.551	
SNAP EBT payments	\$ <u>106,449,157</u>
Total SNAP EBT payments reported on the Schedule of Expenditures of Federal Awards	\$ <u>106,449,157</u>

GOVERNMENT OF GUAM

Reconciliation of Schedule of Expenditures of Federal Awards to
Basic Financial Statements
Year Ended September 30, 2018

	2018 <u>Expenditures</u>
Federal Grants Assistance Fund:	
Total expenditures	\$ 338,929,680
Less transfers in from other funds	(33,949,553)
Plus transfers out to other funds	<u>7,661,550</u>
Federal expenditures, transfers, and other uses	312,641,677
Less rebates included in revenues – intergovernmental	(1,525,935)
<u>CFDA #</u>	
Superior Court of Guam:	
16.554 National Criminal History Improvement Program (NCHIP)	369,953
16.585 Drug Court Discretionary Grant Program	187,325
16.750 Support for Adam Walsh Act Implementation Grant Program	105,125
16.812 Second Chance Act Reentry Initiative	129,654
16.828 Swift Certain and Fair Sanctions Program	55,692
84.403 Consolidated Grant to the Outlying Areas	480,169
93.243 Substance Abuse and Mental Health Services Projects of Regional and National Significance	97,668
Fund 105 Community Health Centers:	
93.224 Health Centers Program	2,122,703
Variance	<u>(249,117)</u>
Total Federal Expenditures Subject to Audit	\$ <u>314,414,914</u>

GOVERNMENT OF GUAM

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2018

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs
Year Ended September 30, 2018

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
 - CFDA # 15.875 Qualified
 - Highway Planning and Construction Cluster Qualified
 - CFDA # 66.600 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 10.561	SNAP Cluster: Supplemental Nutrition Assistance Program (SNAP) State Administrative Matching Grants for the SNAP
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children
15.875	Economic, Social and Political Development of the Territories
20.205	Highway Planning and Construction Cluster: Highway Planning and Construction
66.600	Environmental Protection Consolidated Grants for the Insular Areas - Program Support
93.575	CCDF Cluster: Child Care and Development Block Grant
93.767	Children's Health Insurance Program
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2018

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>
2018-001	General Ledger and SEFA Reconciliations
2018-004	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>
2018-002	10.551/10.561	Special Tests and Provisions - EBT Reconciliation	\$ -
2018-003	15.875	Procurement and Suspension and Debarment	549,023
2018-004	15.875	Equipment and Real Property Management	-
2018-004	20.205	Equipment and Real Property Management	-
2018-004	66.600	Equipment and Real Property Management	-
Total Federal Questioned Costs			\$ <u>549,023</u>

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2018

Finding No: 2018-001
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 for receivables from federal agencies, payables to federal agencies and income from federal grants. A \$104.5M overstatement on the subsidiary ledger of amounts due to and from federal agencies provided on May 31, 2019 was identified. An unreconciled variance of \$551K was noted and included in the summary of uncorrected misstatements.
2. Approximately \$7.8M of expenditures were not reconciled between the general ledger and the SEFA provided May 31, 2019. An updated SEFA was provided on June 6, 2019, reducing the variance to \$26K.
3. Recorded expenditures related to subrecipient transactions were not presented in the SEFA that was provided on February 15, 2019 and May 31, 2019, as follows:

	<u>Per SEFA</u>	<u>Per AS400</u>	<u>Understatement</u>
CFDA 15.875 Expenditures	\$11,771,229	\$18,432,779	\$ (6,661,550)
Amounts to Subrecipients	\$ 5,392,322	\$19,511,887	\$(14,119,565)

The SEFA provided on June 6, 2019 presented the accurate expenditures and subrecipient transactions.

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:

We recommend management 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 Auditee and Planned Corrective Actions:

The Government of Guam describes corrective actions in the Corrective Action Plan.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2018

Finding No.: 2018-002
Federal Agency: U.S. Department of Agriculture
CFDA Program: 10.551/10.561 SNAP Cluster
Federal Award No.: 187GUGU4S2514
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.

Condition:

Of twenty-eight reconciliation dates tested, six dates (or 21%) lacked timely reconciliations, averaging 82 days delayed and ranging from 11 to 169 days delayed. For fourteen dates (or 50%), the reconciliation data contained no dates relative to signoffs, system extractions, or printing, etc., to substantiate whether the daily reconciliation occurred.

Cause:

Government of Guam management did not effectively monitor compliance with applicable EBT reconciliation requirements.

Effect:

The Government of Guam 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 2017-002

Recommendation:

Government of Guam 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, the responsible personnel should consider seeking approval from the Grantor agency for an alternative reconciliation schedule.

Views of Auditee and Planned Corrective Actions:

The Government of Guam describes corrective actions in the Corrective Action Plan.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2018

Finding No.: 2018-003
Federal Agency: U.S. Department of the Interior
CFDA Program: 15.875 Economic, Social, and Political Development of the Territories
Federal Award No.: D17AF00038
Area: Procurement and Suspension and Debarment
Questioned Costs: \$549,023

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.

Condition:

For one (or 4%) of 24 transactions tested, aggregating \$12.8 million out of \$13.8 million in total non-payroll program expenditures, emergency procurement was used to procure food services for Department of Correction inmates after an existing contract expired in March 2018. Emergency procurement procedures were initiated for April 2018 food services and subsequently extended to cover May 2018 and June 2018. However, the procurement file does not contain sufficient documentation to substantiate existing emergency conditions that prevented formal bid procedures in advance of the known March 2018 contract expiration date.

<u>Transaction No.</u>	<u>Date</u>	<u>Vendor No.</u>	<u>Prior Reference</u>	<u>Amount Tested</u>	<u>FY 2018 Expenditures</u>
0654829	08/17/18	B0012200	P186E00250	\$ 265,479	\$ 549,023

Cause:

The Government of Guam did not effectively plan for the expiration of an existing contract and did not enforce compliance with applicable procurement requirements.

Effect:

The Government of Guam is in noncompliance with applicable procurement requirements. Questioned costs of \$549,023 exist.

Identification as a Repeat Finding: 2017-003

Recommendation:

Program personnel should closely monitor the expiration dates of existing large 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.

Views of Auditee and Planned Corrective Actions:

The Government of Guam describes corrective actions in the Corrective Action Plan.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2018

Finding No.: 2018-004
CFDA Program: 15.875 DOI Economic, Social and Political Development of the Territories
CFDA Program: 20.205 DOT Highway Planning and Construction
CFDA Program: 66.600 EPA Environmental Protection Consolidated Grants for the Insular Areas - Program Support
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:

1. Government of Guam performed the required comprehensive physical inventory of its property in January 2016; however, the required reconciliation was not completed. As of September 30, 2018, 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 2018 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>2018</u> <u>Purchases</u>	<u>2017</u> <u>Purchases</u>	<u>2016</u> <u>Purchases</u>	<u>2015</u> <u>Purchases</u>	<u>2014</u> <u>Purchases</u>	<u>Total</u>
15.875	\$ 1,886,709	2,338,541	4,704,637	4,744,016	2,420,836	16,094,739
20.205	\$ 66,080	672,394	937,606	204,102	625,334	2,505,516
66.600	\$ 66,098	44,775	121,799	-	202,311	434,983

2. Reconciliation of capital assets was continuously ongoing 8 months after fiscal year end with numerous post-closing adjustments recorded to adjust capital assets.
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.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2018

Finding No.: 2018-004, Continued
CFDA Program: 15.875 DOI Economic, Social and Political Development of the Territories
CFDA Program: 20.205 DOT Highway Planning and Construction
CFDA Program: 66.600 EPA Environmental Protection Consolidated Grants for the Insular Areas -
Program Support
Area: Equipment and Real Property Management
Area: Capital Assets
Questioned Costs: \$0

Cause:

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

Effect:

The Government of Guam 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 the following major programs, for which cumulative capital outlays over the past five years exceed FY 2018 materiality levels, respectively: CFDA numbers 15.875, 20.205, and 66.600.

Identification as a Repeat Finding: 2017-007

Recommendation:

The Government of Guam should complete the required biannual physical inventory and reconciliations during FY 2019 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.

Views of Auditee and Planned Corrective Actions:

The Government of Guam describes corrective actions in the Corrective Action Plan.

GOVERNMENT OF GUAM

Summary of Unresolved and Resolved Questioned Costs Arising from
Prior Year Single Audits
Year Ended September 30, 2018

	<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	\$ 432,056	\$ 367,705	\$ 64,351
Unresolved Questioned Costs FY 17	<u>135,451</u>	<u>54,400</u>	<u>81,051</u>
	\$ <u>567,507</u>	\$ <u>422,105</u>	145,402
Add Questioned Costs for FY 2018			<u>549,023</u>
Total Unresolved Questioned Costs at September 30, 2018			\$ <u>694,425</u>

Unresolved Questioned Costs by CFDA Program:

<u>CFDA #</u>	<u>Program Name</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>Total</u>
15.875	DOI	\$ 549,023	\$ 61,500	\$ 63,385	\$ 673,908
66.600	EPA	-	11,069	-	11,069
93.224	Health Center Program	-	-	966	966
93.778	Medicaid	<u>-</u>	<u>8,482</u>	<u>-</u>	<u>8,482</u>
	Totals	\$ <u>549,023</u>	\$ <u>81,051</u>	\$ <u>64,351</u>	\$ <u>694,425</u>



LOURDES A. LEON GUERRERO, Governor (*Maga'hága*)
JOSHUA F. TENORIO, Lt. Governor (*Sigundo Maga'låhl*)

EDWARD M. BIRN
Director (*Direktot*)
EDITH C. PANGELINAN
Deputy Director (*Sigundo Direktot*)

DIRECTOR'S OFFICE (*Ufisinan Direktot*)

June 19, 2019

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

Provided below is Government of Guam's Corrective Action Plan for Findings noted on Government of Guam's Single Audit Report for Year Ended September 30, 2018.

Finding No.: 2018-001

Responding Agency: Department of Administration

Responsible personnel: Director or Designee

Management will perform quarterly 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, 2019. Assigned Division of Accounts personnel will be given proper training in SEFA preparation.

Finding No.: 2018-002

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

DPHSS Response:

The BES Issuance Section Program Coordinator II is responsible for the EBT reconciliation. There is also a Program Coordinator IV who oversees the BES Issuance Section and a Human Services Program Administrator who oversees BES.

Although, it cannot be proved that the reconciliation was done daily, we disagree with the averaged 82 days delayed and ranging from 11 to 169 days delayed. The Food and Nutrition Service (FNS), in

addition to a daily reconciliation, also requires Guam to submit an FNS-388 report monthly. The daily reconciliation data is used to complete this monthly FNS-388 report.

At the time this audit was conducted, the BES Issuance Section did not have a written procedure in place that identifies the frequency of performing the EBT reconciliations. Effective June 1, 2019, a Standard Operating Procedure (SOP) has been established and implemented by the BES Issuance Section. The Program Coordinator IV and BES Human Services Program Administrator are responsible for monitoring and ensuring that the SOP is followed and a daily reconciliation is performed.

DOA Response:

Department of Administration's management will perform periodic assessments on the EBT reconciliation process to ensure that mandated daily reconciliations are completed.

Finding No.: 2018-003

Responding Agency: Department of Administration

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

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.

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.

Finding No.: 2018-004

Responding Agency: Department of Administration

Responsible personnel: Director or Designee

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 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.

Biannual physical inventory to be completed by end of FY19.

- Agencies will be required to provide DOA with the following by 15 July 2019
 - 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

DOA to conduct training to all assigned property custodians

- Initial and annual refresher training will be documented

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.



Edward M Birn
Director