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Government of Guam – FY 2018 Compliance Highlights

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Hagåtña, Guam – The Office of Public Accountability has released the Government of Guam’s (GovGuam) fiscal year (FY) 2018 Single Audit Reports on Compliance and Internal Controls. Independent auditors Deloitte & Touche, LLP issued a qualified opinion on four major federal programs due to noncompliance with the timely reconciliation of funds and biannual physical inventory and reconciliation of capital assets. The auditors also identified two material weaknesses in internal control over financial reporting, and two material weaknesses and one significant deficiency in internal control over compliance. There were also other instances of noncompliance pertaining to procurement with questioned costs of \$549 thousand (K).

Federal Program Funding

GovGuam and its line agencies expended \$314.4 million (M) in federal awards from 15 grantor agencies in FY 2018. Of the 15 grantor agencies, the largest grant came from the U.S. Department of Health and Human Services at \$118.6M for the various welfare programs, such as Medicaid at \$52.8M and Children’s Health Insurance Program at \$33.3M. The second largest grantor was the U.S. Department of Agriculture at \$118.3M, of which \$108.4M was for Supplemental Nutrition Assistance Program (SNAP), better known as Food Stamps. The third largest grantor was the U.S. Department of Transportation at \$28.2M, of which \$26.2M was for Highway Planning and Construction.

In addition, GovGuam component units expended \$191.1M in federal awards. The top three agencies were Guam Department of Education at \$68.2M, Guam Housing and Urban Renewal Authority at \$41.4M, and University of Guam at \$29.4M.

Single Audit Findings

In FY 2018, four findings were identified in the Single Audit, of which three were repeat findings from the prior year. This was an improvement from the prior year’s seven findings, of which five were repeat findings.

General Ledger (GL) and Schedule of Expenditures of Federal Awards (SEFA) Reconciliations (2018-001)

- A nonrecurring material weakness in internal control over financial reporting.
- GovGuam did not timely reconcile the GL and the Subsidiary Ledgers for receivables to and from federal agencies.
- GovGuam did not timely reconcile \$7.8M of expenditures between the GL and the SEFA.

- Initially, GovGuam did not present two expenditures related to sub-recipient transactions in the SEFA. The SEFA was subsequently revised in June 2019 to accurately present the expenditures and sub-recipient transactions.

SNAP Special Tests and Provisions (2018-002)

- A repeat material weakness in internal control over compliance.
- GovGuam did not timely reconcile funds on certain dates, averaging 82 days delayed. In addition, certain reconciliation data did not indicate dates relative to signoffs, system extractions, or printing to substantiate whether daily reconciliation occurred.

Procurement and Suspension and Debarment (2018-003)

- A repeat significant deficiency in internal control over compliance and other instances of noncompliance.
- GovGuam used emergency procurement to procure food services for Department of Correction inmates after an existing contract expired in March 2018. Although the emergency procurement covered May 2018 through June 2018, the procurement file did not contain sufficient documentation to substantiate existing emergency procurement conditions.

Equipment and Real Property Management and Capital Assets (2018-004)

- A repeat material weakness since FY 2012 both in internal control over financial reporting and over compliance.
- GovGuam did not perform property inventory reconciliation and biannual physical inventory.
- Capital asset ledgers reconciliation was ongoing eight months after fiscal year end with numerous post-closing adjustments.
- Auditors could not easily identify construction costs by project.

Management Letter

The auditors issued a separate management letter containing four findings. This was a significant improvement compared to the prior year's 11 management letter findings.

- 1) Department of Revenue and Taxation lacked robust analysis of the impact of the Tax Cuts and Jobs Act on the 2018 refund liability.
- 2) General Services Agency did not have inventory records to support \$5.0M of fuel and supplies as of FY 2018.
- 3) Customs and Quarantine did not have a signed lease agreement for its \$3.1M rental and administrative fees.
- 4) Unified Courts do not timely monitor the status of probation cases to allow for the issuance of official court orders for the closure and write-off of uncollectible accounts.

In addition, the auditors issued two findings related to the information technology environment.

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