

GOVERNMENT OF GUAM

SINGLE AUDIT REPORTS

YEAR ENDED SEPTEMBER 30, 2008

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YEAR ENDED SEPTEMBER 30, 2008

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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 Felix P. Camacho
Governor
Government of Guam:

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 (GovGuam) as of and for the year ended September 30, 2008, which collectively comprise GovGuam's basic financial statements, and have issued our report thereon dated June 12, 2009, which report was modified to include a reference to other auditors. Except as discussed in the preceding sentence, we conducted our audit 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. Other auditors audited the financial statements of the GovGuam Retirement Fund, Guam International Airport Authority, the University of Guam, 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 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 Public School System, the Guam Power Authority, the Guam Waterworks Authority, the Port Authority of Guam, the Guam Community College, the Guam Economic Development and Commerce Authority, the Guam Visitors Bureau, Guam Memorial Hospital Authority, and the Guam Educational Telecommunications Corporation, 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. The findings, if any, included in those reports are not included herein.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered GovGuam's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of GovGuam's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

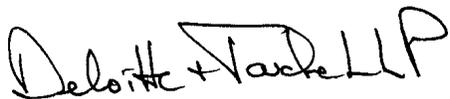
Compliance and Other Matters

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*.

We noted certain matters that we reported to management of the Government of Guam in finding 08-19 in the accompanying Schedule of Findings and Questioned Costs and in a separate letter dated June 12, 2009.

GovGuam's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit GovGuam's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management of the Government of Guam, others within the entity, the Office of the Public Auditor of Guam, federal awarding agencies, pass-through entities and the cognizant audit and other federal agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.

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June 12, 2009

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Honorable Felix P. Camacho
Governor
Government of Guam:

Compliance

We have audited the compliance of the Government of Guam (GovGuam) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2008. The Government of Guam's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs (pages 28 through 77). Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Government of Guam's management. Our responsibility is to express an opinion on the Government of Guam's compliance based on our audit.

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, 2008. 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.

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. Our audit does not provide a legal determination of GovGuam's compliance with those requirements.

As described in finding numbers 08-04 through 08-08, 08-10, 08-12 through 08-18, and 08-21 in the accompanying Schedule of Findings and Questioned Costs, the Government of Guam did not comply with requirements regarding allowable costs/cost principles; Davis-Bacon Act; eligibility; equipment and real property management; matching, level of effort, earmarking; procurement and suspension and debarment; and reporting that are applicable to its major federal programs as described in the Federal Award Findings and Questioned Cost Section of the accompanying Schedule of Findings and Questioned Costs (page 30). Compliance with such requirements is necessary, in our opinion, for the Government of Guam to comply with requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Government of Guam complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2008. The results of our auditing procedures also disclosed other instances of noncompliance with these requirements, 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 finding 08-01 through 08-03, 08-09, 08-11, and 08-20.

Internal Control Over Compliance

The management of GovGuam is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered GovGuam's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as findings 08-01 through 08-21 to be significant deficiencies.

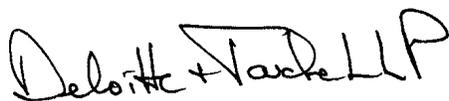
A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider findings 08-04 through 08-08, 08-10, 08-12 through 08-18, and 08-21 to be material weaknesses.

GovGuam's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit GovGuam's responses and, accordingly, we express no opinion on them.

Schedule of Expenditures of Federal Awards

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 (GovGuam) as of and for the year ended September 30, 2008, and have issued our report thereon dated June 12, 2009, which report was modified to include a reference to other auditors. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise GovGuam's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (page 5) is presented for the purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. This schedule is the responsibility of the management of GovGuam. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the management of the Government of Guam, others within the entity, the Office of the Public Auditor of Guam, federal awarding agencies, pass-through entities and the cognizant audit and other federal agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.

A handwritten signature in black ink that reads "Deloitte + Stach LLP". The signature is written in a cursive, slightly stylized font.

June 12, 2009

GOVERNMENT OF GUAM

Summary of Schedule of Expenditures of Federal Awards, by Grantor Year Ended September 30, 2008

| <u>Agency/Program</u> | <u>Federal Expenditures</u> |
|--|---------------------------------|
| U.S. Department of Agriculture | \$ 70,116,419 |
| U.S. Department of Commerce | 1,240,532 |
| U.S. Department of Defense | 2,799,679 |
| U.S. Department of Housing and Urban Development | 158,442 |
| U.S. Department of the Interior | 25,578,239 |
| U.S. Department of Justice | 3,523,390 |
| U.S. Department of Labor | 4,299,252 |
| U.S. Department of Transportation | 12,846,984 |
| National Foundation on the Arts and the Humanities | 306,940 |
| U.S. Environmental Protection Agency | 3,761,333 |
| U.S. Department of Energy | 248,895 |
| U.S. Department of Education | 2,555,762 |
| U.S. Department of Health and Human Services | 39,297,560 |
| Corporation for National and Community Service | 1,278,797 |
| U.S. Department of Homeland Security | 32,138,918 |
| U.S. Elections Assistance Commission | 485,441 |
| | <hr/> |
| GRAND TOTAL | \$ <u><u>200,636,583</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, 2008

| <u>CFDA#</u> | <u>Agency/Program</u> | <u>Federal Expenditures</u> |
|--------------------------------|---|-----------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | |
| 10.025 | Plant and Animal Disease, Pest Control, and Animal Care | \$ 161,286 |
| 10.551 | Food Stamps | 60,125,053 |
| 10.557 | Special Supplemental Nutrition Program for Women, Infants, and Children | 7,734,342 |
| 10.561 | State Administrative Matching Grants for Food Stamp Program | 1,715,275 |
| 10.572 | WIC Farmers' Market Nutrition Program (FMNP) | 60,050 |
| 10.664 | Cooperative Forestry Assistance | 301,485 |
| 10.676 | Forest Legacy Program | 1,915 |
| 10.677 | Forest Land Enhancement Program | 9,356 |
| 10.912 | Environmental Quality Incentives Program | 2,959 |
| 10.914 | Wildlife Habitat Incentive Program | 4,698 |
| | U.S. DEPARTMENT OF AGRICULTURE TOTAL | \$ <u>70,116,419</u> |
| U.S. DEPARTMENT OF COMMERCE | | |
| 11.002 | Census Customer Services | \$ 9,520 |
| 11.004 | Census Intergovernmental Services | 1,102 |
| 11.300 | Investments for Public Works and Economic Development Facilities | 13,867 |
| 11.307 | Economic Adjustment Assistance | (99,499) |
| 11.407 | Interjurisdictional Fisheries Act of 1986 | 126 |
| 11.419 | Coastal Zone Management Administration Awards | 1,103,973 |
| 11.426 | Financial Assistance for National Centers for Coastal Ocean Science | 237,503 |
| 11.427 | Fisheries Development and Utilization Research and Development Grants and Cooperative | 4,692 |
| 11.437 | Pacific Fisheries Data Program | (63,042) |
| 11.454 | Unallied Management Projects | 2,398 |
| 11.463 | Habitat Conservation | 29,892 |
| | U.S. DEPARTMENT OF COMMERCE TOTAL | \$ <u>1,240,532</u> |

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards Year Ended September 30, 2008

| <u>CFDA#</u> | <u>Agency/Program</u> | <u>Federal Expenditures</u> |
|--|---|-----------------------------|
| U.S. DEPARTMENT OF DEFENSE | | |
| 12.113 | State Memorandum of Agreement Program for the Reimbursement of Technical Services | \$ 228,843 |
| 12.401 | National Guard Military Operations and Maintenance (O&M) Projects | 2,024,852 |
| 12.613 | Growth Management Planning Assistance | <u>545,984</u> |
| U.S. DEPARTMENT OF DEFENSE TOTAL | | <u>\$ 2,799,679</u> |
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | |
| 14.235 | Supportive Housing Program | <u>\$ 158,442</u> |
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT TOTAL | | <u>\$ 158,442</u> |
| U.S. DEPARTMENT OF THE INTERIOR | | |
| 15.605 | Sport Fish Restoration Program | \$ 992,296 |
| 15.608 | Fish and Wildlife Management Assistance | 13,277 |
| 15.611 | Wildlife Restoration | 325,119 |
| 15.615 | Cooperative Endangered Species Conservation Fund | 281,995 |
| 15.634 | State Wildlife Grants | 196,199 |
| 15.875 | Economic, Social, and Political Development of the Territories | 23,318,762 |
| 15.904 | Historic Preservation Fund Grants-In-Aid | 440,628 |
| 15.916 | Outdoor Recreation-Acquisition, Development and Planning | <u>9,963</u> |
| U.S. DEPARTMENT OF THE INTERIOR TOTAL | | <u>\$ 25,578,239</u> |

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards Year Ended September 30, 2008

| CFDA# | Agency/Program | Expenditures |
|----------------------------|---|--------------|
| U.S. DEPARTMENT OF JUSTICE | | |
| 16.523 | Juvenile Accountability Block Grants | \$ 271,067 |
| 16.527 | Supervised Visitation, Safe Havens for Children | 7,439 |
| 16.540 | Juvenile Justice and Delinquency Prevention-Allocation to States | 106,792 |
| 16.541 | Part E - Developing, Testing and Demonstrating Promising New Programs | 9,528 |
| 16.548 | Title V - Delinquency Prevention Program | 2,594 |
| 16.554 | National Criminal History Improvement Program (NCHIP) | 475,277 |
| 16.575 | Crime Victim Assistance | 328,907 |
| 16.579 | Edward Byrne Memorial Formula Grant Program | 184,234 |
| 16.580 | Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program | 36,876 |
| 16.585 | Drug Court Discretionary Grant Program | 360 |
| 16.588 | Violence Against Women Formula Grants | 606,618 |
| 16.589 | Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Grant Program | 289,964 |
| 16.592 | Local Law Enforcement Block Grants Program | (24,823) |
| 16.593 | Residential Substance Abuse Treatment for State Prisoners | 39,129 |
| 16.606 | State Criminal Alien Assistance Program | 6,893 |
| 16.609 | Community Prosecution and Project Safe Neighborhoods | 164,593 |
| 16.710 | Public Safety Partnership and Community Policing Grants | 432,295 |
| 16.738 | Edward Byrne Memorial Justice Assistance Grant Program | 574,554 |
| 16.742 | Paul Coverdell Forensic Sciences Improvement Grant Program | 4,853 |
| 16.744 | Anti-Gang Initiative | 6,240 |
| | U.S. DEPARTMENT OF JUSTICE TOTAL | \$ 3,523,390 |
| U.S. DEPARTMENT OF LABOR | | |
| 17.002 | Labor Force Statistics | \$ 57,949 |
| 17.005 | Compensation and Working Conditions | 30,900 |
| 17.203 | Labor Certification for Alien Workers | 20,041 |
| 17.207 | Employment Service/Wagner-Peyser Funded Activities | 318,021 |
| 17.235 | Senior Community Service Employment Program | 938,792 |
| 17.259 | WIA Youth Activities | 2,601,445 |
| 17.273 | Temporary Labor Certification for Foreign Workers | 56,502 |
| 17.504 | Consultation Agreements | 275,602 |
| | U.S. DEPARTMENT OF LABOR TOTAL | \$ 4,299,252 |

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards Year Ended September 30, 2008

| <u>CFDA#</u> | <u>Agency/Program</u> | <u>Expenditures</u> |
|--|--|----------------------|
| U.S. DEPARTMENT OF TRANSPORTATION | | |
| 20.205 | Highway Planning and Construction | \$ 10,209,609 |
| 20.218 | National Motor Carrier Safety | 497,823 |
| 20.509 | Formula Grants for Other Than Urbanized Areas | 896,794 |
| 20.600 | State and Community Highway Safety | 1,177,464 |
| 20.703 | Interagency Hazardous Materials Public Sector Training and Planning Grants | <u>65,294</u> |
| U.S. DEPARTMENT OF TRANSPORTATION TOTAL | | <u>\$ 12,846,984</u> |
| NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES | | |
| 45.025 | Promotion of the Arts-Partnership Agreements | \$ 235,109 |
| 45.310 | Grants to States | <u>71,831</u> |
| NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES TOTAL | | <u>\$ 306,940</u> |
| U.S. ENVIRONMENTAL PROTECTION AGENCY | | |
| 66.600 | Environmental Protection Consolidated Grants - Program Support | <u>\$ 3,761,333</u> |
| U.S. ENVIRONMENTAL PROTECTION AGENCY TOTAL | | <u>\$ 3,761,333</u> |
| U.S. DEPARTMENT OF ENERGY | | |
| 81.041 | State Energy Program | <u>\$ 248,895</u> |
| U.S. DEPARTMENT OF ENERGY TOTAL | | <u>\$ 248,895</u> |

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards Year Ended September 30, 2008

| CFDA# | Agency/Program | Expenditures |
|--|--|--------------|
| U.S. DEPARTMENT OF EDUCATION | | |
| 84.126 | Rehabilitation Services-Vocational Rehabilitation Grants to States | \$ 2,000,775 |
| 84.169 | Independent Living - State Grants | 13,153 |
| 84.177 | Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind | 41,274 |
| 84.186 | Safe and Drug-Free Schools and Communities - State Grants | 464,836 |
| 84.187 | Supported Employment Services for Individuals with Severe Disabilities | 35,724 |
| | U.S. DEPARTMENT OF EDUCATION TOTAL | \$ 2,555,762 |
| 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 | \$ 13,136 |
| 93.042 | Special Programs for the Aging: Title VII, Chapter 2: Long Term Care Ombudsman Services for Older Individuals | 43,499 |
| 93.043 | Special Programs for the Aging-Title III, Part D-Disease Prevention and Health Promotion Svcs | 47,924 |
| 93.044 | Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Ctrs | 905,023 |
| 93.045 | Special Programs for the Aging - Title III, Part C - Nutrition Services | 1,567,334 |
| 93.048 | Special Programs for the Aging-Title IV-and Title II-Discretionary Projects | 211,907 |
| 93.052 | National Family Caregiver Support, Title III, Part E | 387,135 |
| 93.053 | Nutrition Services Incentive Program | 391,832 |
| 93.069 | Public Health Emergency Preparedness | 412,903 |
| 93.104 | Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED) | 404,212 |
| 93.110 | Maternal and Child Health Federal Consolidated Programs | 54,546 |
| 93.116 | Project Grants and Cooperative Agreements for Tuberculosis Control Programs | 375,985 |
| 93.126 | Small Business Innovation Research (NIAAAA, NIDA, NIMH) | 16,657 |
| 93.127 | Emergency Medical Services for Children | 114,727 |
| 93.136 | Injury Prevention and Control Research and State and Community Based Programs | 41,832 |
| 93.150 | Projects for Assistance in Transition from Homelessness (PATH) | 50,000 |
| 93.217 | Family Planning - Services | 308,971 |
| 93.224 | Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, Public Housing Primary Care, and School Based Health Centers) | 1,084,485 |
| 93.234 | Traumatic Brain Injury State Demonstration Grant Program | 6,581 |
| 93.243 | Substance Abuse and Mental Health Services-Projects of Regional and National Significance | 1,152,142 |
| 93.268 | Immunization Grants | 701,577 |
| 93.283 | Centers for Disease Control and Prevention - Investigations and Technical Assistance | 861,599 |
| | BALANCE FORWARD | \$ 9,154,007 |

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards Year Ended September 30, 2008

| <u>CFDA#</u> | <u>Agency/Program</u> | <u>Federal Expenditures</u> |
|--------------|--|---------------------------------|
| | U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | |
| | BALANCE FORWARD | \$ 9,154,007 |
| 93.556 | Promoting Safe and Stable Families | 152,199 |
| 93.558 | Temporary Assistance for Needy Families | 2,957,217 |
| 93.563 | Child Support Enforcement | 2,142,903 |
| 93.575 | Child Care and Development Block Grant | 3,851,859 |
| 93.597 | Grants to States for Access and Visitation Programs | 104,834 |
| 93.630 | Developmental Disabilities Basic Support and Advocacy Grants | 203,502 |
| 93.667 | Social Services Block Grant | 2,156,566 |
| 93.778 | Medical Assistance Program | 15,412,242 |
| 93.779 | Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations | 171,412 |
| 93.917 | HIV Care Formula Grants | 267,108 |
| 93.943 | Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected Population Groups | 378,770 |
| 93.944 | Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance | 18,284 |
| 93.958 | Block Grants for Community Mental Health Services | 187,068 |
| 93.959 | Block Grants for Prevention and Treatment of Substance Abuse | 875,643 |
| 93.977 | Preventive Health Services - Sexually Transmitted Diseases Control Grants | 133,322 |
| 93.988 | Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems | 133,414 |
| 93.991 | Preventive Health and Health Services Block Grant | 200,038 |
| 93.994 | Maternal and Child Health Services Block Grant to the States | 797,172 |
| | | 797,172 |
| | U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | |
| | TOTAL | \$ <u><u>39,297,560</u></u> |

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards Year Ended September 30, 2008

| <u>CFDA#</u> | <u>Agency/Program</u> | <u>Federal Expenditures</u> |
|--|---|-----------------------------|
| CORPORATION FOR NATIONAL AND COMMUNITY SERVICE | | |
| 94.003 | State Commissions | \$ 130,198 |
| 94.006 | AmeriCorps | 1,115,240 |
| 94.009 | Training and Technical Assistance | <u>33,359</u> |
| CORPORATION FOR NATIONAL AND COMMUNITY SERVICE TOTAL | | <u>\$ 1,278,797</u> |
| U.S. DEPARTMENT OF HOMELAND SECURITY | | |
| 97.004 | Homeland Security Grant Program | \$ 1,821,169 |
| 97.012 | Boating Safety Financial Assistance | 197,619 |
| 97.036 | Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 14,976,782 |
| 97.039 | Hazard Mitigation Grant | 12,579,915 |
| 97.042 | Emergency Management Performance Grants | 447,253 |
| 97.044 | Assistance to Firefighters Grant | 318,203 |
| 97.052 | Emergency Operations Centers | 317,690 |
| 97.067 | Homeland Security Grant Program | <u>1,480,287</u> |
| U.S. DEPARTMENT OF HOMELAND SECURITY TOTAL | | <u>\$ 32,138,918</u> |
| U.S. ELECTIONS ASSISTANCE COMMISSION | | |
| 90.401 | Help America Vote Act Requirements Payments | <u>\$ 485,441</u> |
| U.S. ELECTIONS ASSISTANCE COMMISSION TOTAL | | <u>\$ 485,441</u> |
| GRAND TOTAL | | <u>\$ 200,636,583</u> |

Note: Effective March 1, 2003, certain programs became part of the Department of Homeland Security (CFDA# number prefix of 97). However, since funding periods may not coincide with the change in CFDA number, the legacy agency's corresponding CFDA number is presented separately.

GOVERNMENT OF GUAM

Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2008

1. Scope of Audit

The Government of Guam 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
- U.S. Elections Assistance Commission

2. Summary of Significant Accounting Policies

a. Basis of Accounting:

For the purposes of this report, cash receipts relate to all cash derived from the federal agencies for programs within the Catalog of Federal Domestic Assistance. Also, cash receipts include adjustments from the Government of Guam. Cash receipts do not include receipts related to program income. The Government of Guam has not allocated interest income that may have been earned in part from cash received from federal programs. Indirect costs claimed by the Government of Guam from federal agencies are deducted from cash receipts and reimbursements.

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 food stamps electronic benefits transfer (EBT) during the period.

GOVERNMENT OF GUAM

Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2008

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, 2008 basic financial statements; except that the Guam Public School System, 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, 2008.

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 2008 grant programs are based on 2008 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. Noncash Awards

Certain federal awards programs do not involve cash awards to the Government of Guam. These programs generally could include donated commodities, insurance, food stamps EBT payments, and loans. For the year ended September 30, 2008, the Government of Guam had the following noncash award:

| | |
|--|----------------------|
| U.S. Department of Agriculture Food Stamps CFDA #10.551 | |
| Food Stamps EBT benefit payments | \$ <u>60,125,053</u> |
| Total Food Stamps EBT payments reported on the Schedule of Expenditures of Federal Awards | \$ <u>60,125,053</u> |

GOVERNMENT OF GUAM

Schedule of Major Federal Award Programs Year Ended September 30, 2008

The following lists specific grants selected for detailed compliance testing in accordance with OMB Circular A-133 requirements.

| <u>Grantor</u> | <u>CFDA #</u> | <u>Program Name</u> | <u>Fiscal Year 2008 Expenditures</u> |
|---|---------------|--|--|
| U.S. Department of Agriculture | 10.551 | Food Stamps | \$ 60,125,053 |
| | 10.561 | State Administrative Matching Grants for Food Stamp Program | 1,715,275 |
| | 10.557 | Special Supplemental Nutrition Program for Women, Infants, and Children | 7,734,342 |
| U.S. Department of the Interior | 15.875 | Economic, Social and Political Development of the Territories | 23,318,762 |
| U.S. Department of Transportation | 20.205 | Highway Planning and Construction | 10,209,609 |
| U.S. Environmental Protection Agency | 66.600 | Environmental Protection Consolidated Grants: Program Support | 3,761,333 |
| U.S. Department of Health and Human Services | 93.575 | Child Care and Development Block Grant | 3,851,859 |
| | 93.778 | Medical Assistance Program (Medicaid) | 15,412,242 |
| U.S. Department of Homeland Security | 97.036 | Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 14,976,782 |
| | 97.039 | Hazard Mitigation Grant | 12,579,915 |
| | 97.004 | Homeland Security Grant | 1,821,169 |
| | 97.067 | Homeland Security Grant | <u>1,480,287</u> |
| Total Federal Programs selected for audit | | | \$ <u>156,986,628</u> |
| Total Federal Awards program expenditures | | | <u>\$200,636,583</u> |
| Percentage of Federal Awards Programs tested | | | <u>78%</u> |

GOVERNMENT OF GUAM

Reconciliation of Schedule of Expenditures of Federal Awards to Basic Financial Statements Year Ended September 30, 2008

| | Fiscal Year 2008 <u>Expenditures</u> |
|---|--|
| Federal contributions, as reported in the 2008 financial statements: | |
| Federal grants assistance fund, expenditures, transfers, and other uses | \$ 168,295,038 |
| Less local match and contributions | <u>(28,096,067)</u> |
| Federal expenditures, transfers, and other uses | 140,198,971 |
| <u>CFDA #</u> | |
| 10.551 Food Stamps | 60,125,053 |
| 93.224 Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, Public Housing Primary Care, and School Based Health Centers) | 1,084,485 |
| Superior Court of Guam: | |
| 16.554 National Criminal History Improvement Program (NCHIP) | 475,277 |
| 16.585 Drug Court Discretionary Grant Program | 360 |
| Guam Election Commission: | |
| 90.401 Help America Vote Act Requirements Payments | 485,441 |
| Indirect Costs not charged to the Federal grants fund | <u>(1,733,004)</u> |
| Total Federal Expenditures Subject to Audit | \$ <u>200,636,583</u> |

GOVERNMENT OF GUAM

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2008

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs
Year Ended September 30, 2008

Part I - Summary of Auditors' Results Section

Financial Statements

- | | |
|---|---------------|
| 1. Type of auditors' report issued: | Unqualified |
| Internal control over financial reporting: | |
| 2. Material weakness(es) identified? | No |
| 3. Significant deficiency(ies) identified that is not considered to be a material weakness? | None reported |
| 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 that is not considered to be a material weakness? | Yes |
| 7. Type of auditors' report issued on compliance for major programs: | Qualified |
| 8. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? | Yes |
| 9. GovGuam's major programs were as follows: | |

| | |
|----------------|---|
| <u>CFDA</u> | <u>Name of Federal Program or Cluster</u> |
| <u>Numbers</u> | |

- | | |
|--------|---|
| | Food Stamp Cluster: |
| 10.551 | Food Stamps |
| 10.561 | State Administrative Matching Grants for Food Stamp Program |
| 10.557 | 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 |
| 66.600 | Environmental Protection Consolidated Grants: Program Support |
| 93.575 | Child Care and Development Block Grants |
| 93.778 | Medical Assistance Program (Medicaid) |
| | Homeland Security Cluster: |
| 97.004 | Homeland Security Grant Program |
| 97.067 | Homeland Security Grant Program |
| 97.036 | Disaster Grants - Public Assistance (Presidentially Declared Disasters) |
| 97.039 | Hazard Mitigation Grant |

- | | |
|--|-------------|
| 10. Dollar threshold used to distinguish between Type A and Type B Programs, as those terms are defined in OMB Circular A-133: | \$3,000,000 |
| 11. GovGuam qualified as a low-risk auditee, as that term is defined in OMB Circular A-133? | No |

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2008

Part II – Financial Statement Findings Section

| Finding Number | Findings |
|-------------------|-------------|
| 08-19 | Procurement |

Part III - Federal Award Findings and Questioned Cost Section

| Reference Number | | Finding | Questioned Costs |
|--------------------------------|-----------|--|---------------------|
| 08-01 | 10.551 | Procurement | \$ 3,042 |
| 08-01 | 10.551 | Allowable Costs/Cost Principles | 0 |
| 08-02 | 10.557 | Procurement | 44,048 |
| 08-03 | 15.875 | Procurement | 192,770 |
| 08-04 | 15.875 | Reporting | 0 |
| 08-05 | 20.205 | Davis-Bacon Act | 0 |
| 08-06 | 66.600 | Procurement | 109,487 |
| 08-07 | 66.600 | Allowable Costs/Cost Principles | 42,377 |
| 08-08 | 66.600 | Reporting | 0 |
| 08-09 | 93.575 | Period of Availability | 0 |
| 08-10 | 93.575 | Procurement | 2,909 |
| 08-11 | 93.575 | Reporting | 0 |
| 08-12 | 93.575 | Matching, Level of Effort, Earmarking | 235,257 |
| 08-13 | 93.778 | Eligibility | 388,976 |
| 08-14 | 97.036 | Reporting | 0 |
| 08-15 | 97.039 | Reporting | 0 |
| 08-16 | 97.067 | Procurement | 809,146 |
| 08-17 | 97.067 | Allowable Costs/Cost Principles | 0 |
| 08-18 | 97.067 | Reporting | 0 |
| 08-19 | Nonmajor | Procurement | 53,423 |
| 08-20 | 15.875 | Cash Management | 0 |
| 08-20 | 20.205 | Cash Management | 0 |
| 08-20 | 93.778 | Cash Management | 0 |
| 08-20 | 97.036 | Cash Management | 0 |
| 08-20 | 97.039 | Cash Management | 0 |
| 08-21 | All major | Equipment and Real Property Management | 0 |
| Total Federal Questioned Costs | | | \$ <u>1,881,435</u> |

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2008

Finding No.: 08-01
Federal Agency: U.S. Department of Agriculture
CFDA Program: 10.551/10.561 Food Stamp Cluster
Grant Number: 7GU400GU4
Area: Procurement
Area: Allowable Costs/Cost Principles
Questioned Costs: \$3,042

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.

Additionally, in accordance with applicable allowable costs/cost principles requirements and the Common Rule, such accounting records as payment requests, receiving reports, vendor invoices, and purchase orders/contracts should be retained on file for at least three years to substantiate expenditures.

Condition:

Of 4 transactions tested, we noted the following conditions:

1. For one (or 25%), the documents in the procurement file were not sufficient to demonstrate open competition. For instance, the quotation solicitation was lacking, as follows:

| <u>Tran Date</u> | <u>Tran #</u> | <u>Vendor #</u> | <u>Prior Ref</u> | <u>Agency</u> | <u>Amount</u> | <u>Total FY 2008 Expenditures</u> |
|------------------|---------------|-----------------|------------------|---------------|---------------|-----------------------------------|
| 10/22/07 | 0235309 | X0012204 | P076A00378 | DPHSS | \$ 3,608 | \$4,346 |

2. For one (or 25%), no procurement records were provided to demonstrate open competition in the selection of the vendor; no supporting payment request, receiving report, vendor invoice, purchase order, contract, or other records were on file to substantiate the expenditure, as follows:

| <u>Tran Date</u> | <u>Tran #</u> | <u>Vendor #</u> | <u>Prior Ref</u> | <u>Agency</u> | <u>Amount</u> | <u>Total FY 2008 Expenditures</u> |
|------------------|---------------|-----------------|------------------|---------------|---------------|-----------------------------------|
| 04/07/08 | S00032720 | None | None | DPHSS | \$ 1,737 | \$ 1,737 |

Cause:

Government of Guam management did not enforce established procurement regulations. Also, regarding Condition 2 above, the transaction is a fuel transaction, for which expenditures are system generated.

Effect:

The Government of Guam is in noncompliance with applicable procurement requirements and with applicable allowable costs/cost principles requirements. A questioned cost exists of \$3,042 (50% Federal share of \$6,083). Although the known questioned cost is below \$10,000, the projected questioned cost exceeds the threshold; therefore, this finding is considered reportable.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2008

Finding No.: 08-01, Continued
Federal Agency: U.S. Department of Agriculture
CFDA Program: 10.551/10.561 Food Stamp Cluster
Grant Number: 7GU400GU4
Area: Procurement
Area: Allowable Costs/Cost Principles
Questioned Costs: \$3,042

Recommendation:

The responsible procurement officer should ensure that such procurement records as a rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price are maintained on file to substantiate compliance with applicable procurement requirements.

Additionally, the Government of Guam should maintain such underlying accounting records as vendor invoices, receiving reports, and purchase orders/contracts to substantiate system-generated expenditures.

Auditee Response and Corrective Action Plan:

The Chief Procurement Officer provided the following response.

[Condition 1:]

Response:

We disagree with this finding. The procurement file does contain evidence of solicitations made. In fact, two (2) vendors quoted for lease of copiers. The abstract shows that the 10% calculation was in fact considered in the process prior to awarding through the U.S. GSA Federal Schedule. Please be reminded that on 2008 the Office of the Attorney General indicated that the procedure established by the General Services Agency in the utilization of §5122 is an acceptable procedure.

Corrective Action:

Although we disagreed with the finding, GSA will continue to improve the procurement process as it relates to the utilization of the U.S. Federal Schedule. GSA issued Circular No.: 2009-01 on January 09, 2009 to all line departments/agencies/autonomous, that GSA will no longer award or procure directly through the U.S. GSA Federal Schedule, but instead will issue an invitation for bid and that the bids will indicate that the Federal Schedule will be considered in the evaluation of bids.

The Program Office provided the following response.

1. Initial contract for lease of Xerox Copier Machine was obtained in FY2006. Procurement process followed GSA rules. Questioned PO is continuing contract to cover costs for months 18 through 26 of 60 months lease agreement. See attached.
2. Purchase related to Tran# S00032720 was supplies ordered through the GSA Supply Management Division which requires agencies to order supplies available from GSA before purchasing from outside vendors. See attached.

Auditor Response:

At issue is the lack of documentation to demonstrate how the Government of Guam selected one U.S. GSA schedule contractor over any of the other schedule contractors. Therefore, the finding remains.

We noted the Government of Guam has commenced corrective action through the issuance in January 2009 of GSA Circular No. 2009-01 "Utilization of U.S. General Services Administration (GSA) Contract or Schedule," which notifies all governmental departments/agencies of the open competition procedures to be used prior to selecting a vendor from the U.S. GSA contract or schedule.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2008

Finding No.: 08-02
Federal Agency: U.S. Department of Agriculture
CFDA Program: 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
Grant Number: 7GU700GU7
Area: Procurement
Questioned Costs: \$44,048

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.

Condition:

For one (or 1%) of 117 transactions tested, the Government of Guam procured directly through the U.S. General Services Agency. However, no records were provided to demonstrate how Guam GSA selected one U.S. GSA schedule contractor over any of the other schedule contractors to procure the required goods/services, as follows:

| <u>Tran Date</u> | <u>Tran #</u> | <u>Vendor #</u> | <u>Prior Ref</u> | <u>Agency</u> | <u>Amount</u> | Total FY 2008 <u>Expenditures</u> |
|------------------|---------------|-----------------|------------------|---------------|---------------|--------------------------------------|
| 04/07/08 | 272171 | D0096843 | P076A06819 | DPHSS | \$ 23,424 | \$ 44,048 |

Cause:

Government of Guam management believed it could procure directly from any U.S. GSA schedule contractor without the need to demonstrate open competition.

Effect:

The Government of Guam is in noncompliance with applicable procurement requirements. A questioned cost of \$44,048 exists.

Recommendation:

Government of Guam management should demonstrate open competition in the selection of any vendor in accordance with applicable procurement requirements.

Auditee Response and Corrective Action Plan:

Response:

We disagree with this finding. The procurement file does contain evidence of solicitations made. The abstract indicated that GSA solicited quotations from at least three (3) vendors prior to awarding through the U.S. GSA Federal Schedule. Please be advised that on 2008 the Office of the Attorney General issued an opinion to GSA that indicated that the procedure established by the General Services Agency in the utilization of §5122 is an acceptable procedure.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2008

Finding No.: 08-02, Continued
Federal Agency: U.S. Department of Agriculture
CFDA Program: 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
Grant Number: 7GU700GU7
Area: Procurement
Questioned Costs: \$44,048

Auditee Response and Corrective Action Plan, Condition:

Corrective Action:

Although we disagreed with the finding, GSA will continue to improve the procurement process as it relates to the utilization of the U.S. Federal Schedule. GSA issued Circular No.: 2009-01 on January 09, 2009 to all line departments/agencies/autonomous, that GSA will no longer award or procure directly through the U.S. GSA Federal Schedule, but instead will issue an invitation for bid and that the bids will indicate that the Federal Schedule will be considered in the evaluation of bids.

Auditor Response:

At issue is the lack of documentation to demonstrate how the Government of Guam selected one U.S. GSA schedule contractor over any of the other schedule contractors. Therefore, the finding remains.

We noted the Government of Guam has commenced corrective action through the issuance in January 2009 of GSA Circular No. 2009-01 "Utilization of U.S. General Services Administration (GSA) Contract or Schedule," which notifies all governmental departments/agencies of the open competition procedures to be used prior to selecting a vendor from the U.S. GSA contract or schedule.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2008

Finding No.: 08-03
 Federal Agency: U.S. Department of the Interior
 CFDA Program: 15.875 Economic, Social, and Political Development of the Territories
 Grant Number: Guam-COFA-2006-1
 Area: Procurement
 Questioned Costs: \$192,770

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 the applicable local procurement law, the Guam General Services Agency shall use competitive sealed bidding when the procurement exceeds the small purchase threshold of \$14,999.

Condition:

1. In FY 2007, noncompliance with procurement requirements was cited for the purchase order below. The records in the procurement file were not sufficient to demonstrate open competition. Specifically, there was no evidence included, such as the bid evaluation worksheet, for us to make a determination as to whether the most responsive bidder was selected on a reasonable basis. Total expenditures charged to the noncompliant procurement is as follows:

| <u>Tran Date</u> | <u>Tran #</u> | <u>Vendor #</u> | <u>Prior Ref</u> | <u>Agency</u> | <u>Amount</u> | Total FY 2008 <u>Expenditures</u> |
|------------------|---------------|-----------------|------------------|---------------|---------------|--------------------------------------|
| 10/31/07 | 0243614 | C2408101 | P066A05560 | DVR | \$ 62,694 | \$ 62,694 |

In FY 2007, the Chief Procurement Officer provided a response to the finding stating that "... GSA procured via the 5 GCA §5217 Non-Profit Organization (copy of non-profit certification issued by DRT was in the procurement file to include a copy of E.O. 2006-17 as indicated on the purchase order). The Governor of Guam issued E.O. 2007-17 to ensure the government complies with the mandates of the Permanent Injunction." However, there is no written rationale on file as to the selection of one not-for-profit organization over any other.

2. Of 52 transactions tested, we noted the following conditions:
 - a. For one (or 2%), the documents in the procurement file were not sufficient to demonstrate open competition. For instance, the request for bid advertisement, bid specifications, and/or evaluation of bid worksheet was lacking.

| <u>Tran Date</u> | <u>Tran #</u> | <u>Vendor #</u> | <u>Prior Ref</u> | <u>Agency</u> | <u>Amount</u> | Total FY 2008 <u>Expenditures</u> |
|------------------|---------------|-----------------|------------------|---------------|---------------|--------------------------------------|
| 05/15/08 | 0282138 | X0012204 | P086A00219 | DVR | \$ 932 | \$ 5,088 |

- b. For two (or 4%), no procurement documents were provided.

| <u>Tran Date</u> | <u>Tran #</u> | <u>Vendor #</u> | <u>Prior Ref</u> | <u>Agency</u> | <u>Amount</u> | Total FY 2008 <u>Expenditures</u> |
|------------------|---------------|-----------------|------------------|---------------|---------------|--------------------------------------|
| 03/12/08 | EFT_031208 | L0092578 | D082300034 | DMHSA | 62,529 | 62,529 |
| 04/18/08 | EFT_043008 | L0092578 | D082300059 | DMHSA | 62,459 | 62,459 |
| | | | | | | <u>\$ 124,988</u> |

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2008

Finding No.: 08-03, Continued
Federal Agency: U.S. Department of the Interior
CFDA Program: 15.875 Economic, Social, and Political Development of the Territories
Grant Number: Guam-COFA-2006-1
Area: Procurement
Questioned Costs: \$192,770

Cause:

Government of Guam management did not enforce established procurement regulations.

Effect:

The Government of Guam may be in noncompliance with applicable procurement requirements. A questioned cost of \$192,770 exists.

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:

[Conditions 1 and 2]:

Generally, we agree with the audit findings. Government of Guam Management will ensure that procurement regulations are enforced and procurement documentations and records are maintained to substantiate compliance with applicable procurement requirements.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2008

Finding No.: 08-04
Federal Agency: U.S. Department of the Interior
CFDA Program: 15.875 Economic, Social, and Political Development of the Territories
Area: Reporting
Questioned Costs: \$0

Criteria:

In accordance with applicable reporting requirements, GovGuam should prepare and submit Standard Form 272 Federal Cash Transactions Report.

Condition:

No reports were provided for the grants below. Therefore, we were precluded from testing reported amounts against underlying accounting records.

| <u>Grant Number</u> | <u>Grant Title</u> | <u>Account #</u> |
|---------------------|-----------------------------------|------------------|
| Grant Year 2003 | Coral Reef Initiatives Projects | 5101H031623EI113 |
| CRI-GU-6 | Coral Reef Initiatives Projects | 5101H050930EI113 |
| GUAM-BTS-07 | Brown Tree Snake Control/Research | 5101H071624SE108 |
| GUAM-BTS-08 | Guam Brown Tree Snake | 5101H081624SE108 |

Cause:

It appears Government of Guam management did not prepare the required reports.

Effect:

The Government of Guam is in noncompliance with applicable reporting requirements.

Recommendation:

Government of Guam management should ensure that required reports are prepared, submitted, and maintained on file.

Auditee Response and Corrective Action Plan:

Generally, we agree with the findings. Government of Guam Management will ensure that the financial reports are prepared, submitted accurately and timely, and maintained on file to substantiate compliance.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2008

Finding No.: 08-05
Federal Agency: U.S. Department of Transportation
CFDA Program: 20.205 Highway Planning and Construction
Grant Number: 2008 PROJ#GU-NH-0004(104)015-LT10
Area: Davis-Bacon Act
Questioned Costs: \$0

Criteria:

In accordance with applicable Davis-Bacon Act requirements, all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor.

Condition:

Project obligation number R0099490 did not have payroll certifications to ensure compliance with applicable Davis-Bacon Act requirements.

Cause:

Government of Guam management has not established procedures sufficient to ensure compliance with applicable Davis-Bacon Act requirements.

Effect:

The Government of Guam is in noncompliance with applicable Davis-Bacon Act requirements. No questioned cost is presented at this finding as we are unable to quantify the associated questioned costs.

Recommendation:

Government of Guam management should establish controls to ensure compliance with applicable Davis-Bacon Act requirements. The Government of Guam should ensure that the responsible personnel monitors and ensures that wages are paid at rates no less than the established prevailing wage rates set by the Department of Labor.

Auditee Response and Corrective Action Plan:

Name and job title of responsible personnel: All Project Engineers will ensure compliance for all workers with regard to the prevailing wage rates.

Specific corrective procedures to be performed: This project was an Emergency Project on the Ylig Bridge. The DPW has already taken steps to ensure Davis-Bacon compliance, unfortunately, due to the emergency nature of this Project, this procedure was mistakenly overlooked.

Date for performance of corrective action: Steps are already in place to ensure compliance with the Davis-Bacon Act. DPW Staff, along with our consulting firm, have assured that this will apply to Emergency Projects as well.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2008

Finding No.: 08-06
 Federal Agency: U.S. Environmental Protection Agency
 CFDA Program: 66.600 Environmental Protection Consolidated Grants-Program Support
 Grant Number: M-00906304
 Area: Procurement
 Questioned Costs: \$109,487

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, local procurement regulations specify that when the procurement is less than \$15,000, it meets the small purchase threshold, and no less than three positive written quotations from businesses shall be solicited, recorded and placed in the procurement file.

Condition:

Of 35 transactions tested, we noted the following conditions:

1. For one (or 3%), the records in the procurement file were not sufficient to demonstrate open competition. For instance, only one quotation was on file, whereas local procurement regulations require that “no less than three positive written quotations from businesses shall be solicited, recorded and placed in the procurement file.” Positive quotations from other solicited vendors were not on file.

| <u>Tran Date</u> | <u>Tran #</u> | <u>Vendor #</u> | <u>Prior Ref</u> | <u>Agency</u> | <u>Amount</u> | Total FY 2008 <u>Expenditures</u> |
|------------------|---------------|-----------------|------------------|---------------|---------------|--------------------------------------|
| 12/10/07 | 244389 | R1806001 | T0806T0212 | GEPA | \$ 2,417 | \$ 2,417 |

2. Similarly, for four (or 11%), the records in the procurement file were not sufficient to demonstrate open competition. For instance, only two or less positive quotations were on file, whereas local procurement regulations require that “no less than three positive written quotations from businesses shall be solicited, recorded and placed in the procurement file.” Positive quotations from other solicited vendors were not on file. However, unlike the transaction at Condition 1 above, the procurement file for the following transactions included solicitations that were sent to other vendors, indicating the Government of Guam attempted open competition. Therefore, no questioned cost is presented for this condition.

| <u>Tran Date</u> | <u>Tran #</u> | <u>Vendor #</u> | <u>Prior Ref</u> | <u>Agency</u> | <u>Amount</u> |
|------------------|---------------|-----------------|------------------|---------------|---------------|
| 07/02/08 | 292384 | E0098830 | P076A07227 | GEPA | \$ 14,999 |
| 10/23/07 | 235280 | R1806001 | T0806T0038 | GEPA | \$ 2,006 |
| 07/11/08 | 292793 | T0461801 | P086A00323 | GEPA | \$ 1,928 |
| 02/19/08 | 265553 | T4306901 | T0806T0343 | GEPA | \$ 1,989 |

3. For one (or 3%), the Government of Guam procured directly through the U.S. General Services Agency. However, no records were provided to demonstrate how Guam GSA selected one U.S. GSA schedule contractor over any of the other schedule contractors to procure the required goods/services, as follows:

| <u>Tran Date</u> | <u>Tran #</u> | <u>Vendor #</u> | <u>Prior Ref</u> | <u>Agency</u> | <u>Amount</u> | Total FY 2008 <u>Expenditures</u> |
|------------------|---------------|-----------------|------------------|---------------|---------------|--------------------------------------|
| 05/22/08 | 285851 | X0012201 | P086A00284 | GEPA | \$ 913 | \$ 11,070 |

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2008

Finding No.: 08-06, Continued
Federal Agency: U.S. Environmental Protection Agency
CFDA Program: 66.600 Environmental Protection Consolidated Grants-Program Support
Grant Number: M-00906304
Area: Procurement
Questioned Costs: \$109,487

Condition, Continued:

4. For one (or 3%), a payment was made to Guam Ancestral Lands Commission for office space rental for FY 2007. The Program Office has been occupying the same space for several years and had not been charged rent until the period for this payment; however, there was no written rationale on file as to why no other vendor could have provided rental space.

| <u>Tran Date</u> | <u>Tran #</u> | <u>Vendor #</u> | <u>Prior Ref</u> | <u>Agency</u> | <u>Amount</u> | Total FY 2008 <u>Expenditures</u> |
|------------------|---------------|-----------------|------------------|---------------|---------------|--------------------------------------|
| 02/25/08 | 261894 | G0097612 | C080600800 | GEPA | \$ 96,000 | \$ 96,000 |

Cause:

Government of Guam management did not enforce established procurement regulations. Regarding procurements through U.S. GSA, Government of Guam management believed it could procure directly from any U.S. GSA schedule contractor without the need to demonstrate open competition.

Effect:

The Government of Guam is in noncompliance with applicable procurement requirements. A questioned cost of \$109,487 exists.

Recommendation:

Government of Guam management should demonstrate open competition in the selection of any vendor in accordance with applicable procurement requirements.

Auditee Response and Corrective Action Plan:

The Department of Administration provided the following response.

[Condition 1 (T0806T0212)]:

Technically, we agree with this particular finding that the Government of Guam is in noncompliance with applicable procurement requirement by not soliciting the three minimum quotations required however, it is not practical in a special situation when there is a time constraint for the solicitation of the required minimum three quotations when procuring a reservation for an unplanned off-island travel, it creates reservation problems with the airline.

We (Department of Administration – Division of Accounts) have conducted training sessions wherein employees involved in travel were attendees and we emphasized the need to solicit the three minimum quotations required and we will continue to reiterate (through circulars) to all Government departments/agencies that in all situations the minimum three quotes need to be solicited.

[Condition 2 (T0806T0038 and T0806T0343)]:

We disagree with this particular finding that the Government of Guam is in noncompliance with applicable procurement requirements. We agree that we did not received back three quotations but the mere fact that we sent an email to three travel agencies soliciting for price quote and awarded the business to the travel agency that responded and provided the lowest quote should render us in compliance with applicable procurement requirements.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2008

Finding No.: 08-06, Continued
Federal Agency: U.S. Environmental Protection Agency
CFDA Program: 66.600 Environmental Protection Consolidated Grants-Program Support
Grant Number: M-00906304
Area: Procurement
Questioned Costs: \$109,487

Auditee Response and Corrective Action Plan, Continued:

The Guam General Services Agency provided the following response.

[Condition 3:]

Response:

We disagree with this finding. The procurement file does contain evidence of solicitations made. In fact, two (2) vendors quoted for lease of copiers. The abstract shows that the 10% calculation was in fact considered in the process prior to awarding through the U.S. GSA Federal Schedule. Please be reminded that on 2008 the Office of the Attorney General indicated that the procedure established by the General Services Agency in the utilization of §5122 is an acceptable procedure.

Corrective Action:

Although we disagreed with the finding, GSA will continue to improve the procurement process as it relates to the utilization of the U.S. Federal Schedule. GSA issued Circular No.: 2009-01 on January 09, 2009 to all line departments/agencies/autonomous, that GSA will no longer award or procure directly through the U.S. GSA Federal Schedule, but instead will issue an invitation for bid and that the bids will indicate that the Federal Schedule will be considered in the evaluation of bids.

The Program Office provided the following response.

[Condition 4]:

Name and job title of responsible personnel:

Trini F. Borja, Administrative Services Officer

Specific corrective procedures to be performed:

We have previously requested with the Office of the Attorney General of Guam as to what Guam law justified GEPA to enter into the MOU with [Vendor G0097612] (to include agreements between two GovGuam departments/agencies) without going through the RFP process. The response from Deborah Rivera, Assistant Attorney General for Civil and Solicitor Division is 5 GCA Section 5004(b). Please see [ATTACHMENT #001](#).

The Attorney General approves and signs all contracts and MOUs for the Government of Guam. If there was a procurement violation/question, the Attorney General would not have approved and signed the MOU in question.

Date for performance of corrective action:

Will be requesting with Office of the Attorney General of Guam for legal assistance to clarify 5 GCA Section 5004(b) as it relates to agreements between two Gov Guam departments/agencies without going through the RFP process.

Auditor Response:

[Condition 2 (T0806T0343 and T0806T0038)]:

Local procurement regulations require that “no less than three positive written quotations from businesses shall be solicited, recorded and placed in the procurement file.” The procurement records provided to us contained less than the required three positive quotations. Therefore, the finding remains as described in the condition.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2008

Finding No.: 08-06, Continued
Federal Agency: U.S. Environmental Protection Agency
CFDA Program: 66.600 Environmental Protection Consolidated Grants-Program Support
Grant Number: M-00906304
Area: Procurement
Questioned Costs: \$109,487

Auditor Response, Continued:

[Condition 3]:

At issue is the lack of documentation to demonstrate how the Government of Guam selected one U.S. GSA schedule contractor over any of the other schedule contractors. Therefore, the finding remains.

We noted the Government of Guam has commenced corrective action through the issuance in January 2009 of GSA Circular No. 2009-01 "Utilization of U.S. General Services Administration (GSA) Contract or Schedule," which notifies all governmental departments/agencies of the open competition procedures to be used prior to selecting a vendor from the U.S. GSA contract or schedule.

[Condition 4]:

The referenced Section 5004(b) states that the local procurement regulations "...shall not apply to either grants or contracts between the Territory and another government." However, Tran#261894 at Condition 4 does not involve another government. As such, local procurement regulations apply. Furthermore, the Guam Office of the Attorney General reviews and approves contracts only as to form and compliance with local laws. Such review and approval does not extend to Federal competitive procurement requirements or non-form related matters. Therefore, the finding remains.

GOVERNMENT OF GUAM

**Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2008**

Finding No.: 08-07
Federal Agency: U.S. Environmental Protection Agency
CFDA Program: 66.600 Environmental Protection Consolidated Grants-Program Support
Grant Number: M-00906304
Area: Allowable Costs/Cost Principles
Questioned Costs: \$42,377

Criteria:

In accordance with applicable allowable costs/cost principles, the following requirements apply:

- 1) Fines, penalties, damages, and other settlements resulting from violations (or alleged violations) of, or failure of the governmental unit to comply with, Federal or local laws and regulations are unallowable except when incurred as a result of compliance with specific provisions of the Federal award or written instructions by the awarding agency authorizing in advance such payments.
- 2) All activities which benefit from the governmental unit's indirect cost will receive an appropriate allocation of indirect costs.

Condition:

Of 35 transactions tested, we noted the following conditions:

- 1) For one (or 3%), a settlement was charged to the Program. The amount was based on a settlement agreement from the Civil Service Commission: Employee versus Management (CS#0605-AA16), where the Guam Environmental Protection Agency agreed to pay \$47,500 (\$40,000 to employee, \$7,500 attorney fees) to a former employee who was wrongfully terminated. The settlement was compensation for lost wages, and the total actual expenditures charged to the Program in FY 2008 is as follows:

| <u>Tran Date</u> | <u>Tran #</u> | <u>Vendor #</u> | <u>Prior Ref</u> | <u>Agency</u> | <u>Amount</u> |
|------------------|---------------|-----------------|------------------|---------------|---------------|
| 05/09/08 | 0278085 | P0097566 | D082200044 | GEPA | \$ 42,377 |

- 2) For one (or 3%), a payment was made to Vendor G0097612 for office space rental for FY 2007. The Guam Environmental Protection Agency has been occupying the same space for several years and had not been charged rent until the period for this payment; however, there was no allocation of rental expense to locally funded activities. The Federal program was charged 100% of the rental costs despite the fact that locally funded activities also obtained benefits from use of the rental space.

Cause:

- 1) Government of Guam management believed that settlement costs are allowable.
- 2) Government of Guam management did not prepare a cost study to determine an appropriate allocation of rental costs between locally and federally funded activities.

Effect:

The Government of Guam is in noncompliance with applicable allowable costs/cost principles. A questioned cost of \$42,377 exists for Condition 1 above. For Condition 2 above, no questioned cost is presented at this finding as the cost is already questioned at Finding 08-06.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2008

Finding No.: 08-07, Continued
Federal Agency: U.S. Environmental Protection Agency
CFDA Program: 66.600 Environmental Protection Consolidated Grants-Program Support
Grant Number: M-00906304
Area: Allowable Costs/Cost Principles
Questioned Costs: \$42,377

Recommendation:

The Government of Guam should establish controls to ensure that fines, penalties, damages, and other settlements resulting from violations (or alleged violations) of, or failure of the governmental unit to comply with, Federal or local laws and regulations are not charged to the Program, except when incurred as a result of compliance with specific provisions of the Federal award or written instructions by the awarding agency authorizing in advance such payments. Furthermore, for purposes of charging rental costs to a Federal program, Government of Guam management should prepare a cost allocation schedule to ensure the appropriate allocation of such costs.

Auditee Response and Corrective Action Plan:

Name and job title of responsible personnel:
Trini F. Borja, Administrative Services Officer

Specific corrective procedures to be performed:

This cost was verbally discussed with the Guam Program Manager, USEPA Region IX and was in agreement with settlement cost. A conference call is scheduled for Thursday, 5/28/2009 at 9 A.M. (Guam time) to further discuss this audit finding. I will also be requesting for a letter authorizing GEPA to pay this cost with the Consolidated Grant funds.

All contractual services in excess of \$15,000 must receive prior review and approval by the EPA PIO Program Manager.

Date for performance of corrective action:
10/1/2009

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2008

Finding No.: 08-08
Federal Agency: U.S. Environmental Protection Agency
CFDA Program: 66.600 Environmental Protection Consolidated Grants-Program Support
Grant Number: M-0096304-C
Area: Reporting
Questioned Costs: \$0

Criteria:

In accordance with applicable reporting requirements, the recipient agrees to:

1. Complete and submit to the Grants Management Office, MTS-7, a MBE/WBE Utilization Report within 30 days after the end of the fiscal year.
2. Submit semiannual progress reports to the EPA Regional Project Officer and the Exchange Network Program Manager at EPA Headquarters.

Condition:

The Government of Guam did not submit the required reports for FY 2008. Therefore, we were precluded from testing reported amounts against underlying accounting records.

Cause:

Government of Guam management did not fully monitor and enforce compliance with applicable reporting requirements.

Effect:

The Government of Guam is in noncompliance with applicable reporting requirements. Questioned costs are not quantifiable for this condition.

Recommendation:

Government of Guam management should prepare and submit the required reports.

Auditee Response and Corrective Action Plan:

Name and job title of responsible personnel:
Trini F. Borja, Administrative Services Officer

Specific corrective procedures to be performed:

Met with Mr. Joe Ochab, Small Business Advocate during the Guam Mid-Year Consolidated Grant Meeting at San Francisco on May 11, 2009 to further discuss the DBE:MBE/WBE reporting requirements and other issues to ensure that Guam is in compliance with this special condition. He clarified that the reporting is for encumbrances only for construction, equipment, services and supplies during the fiscal year. I am currently processing and preparing the report for submission to USEPA Region IX, Grants Management Office, MTS-7.

GEPA Administrator and I met Ms. Patricia Eklund, Exchange Network Grant Program Manager during the Guam Mid-Year Consolidated Grant Meeting at San Francisco to further discussed the past due NEIEN reports (2 semi-annual & final) to include other issues and concerns. It was verbally agreed that GEPA have six (6) months to complete the workplan and submit the past due reports. We are currently working on completing the workplan. The two semi-annual reports are pending review and approval and final report will be processed and prepared once workplan is completed. As reports are completed, reviewed and approved, it will be submitted to USEPA Region IX.

Date for performance of corrective action:

DBE:MBE/WBE - Report will be emailed and mailed to USEPA Region IX on or before 6/5/2009.
NEIEN – Reports will be emailed and mailed to USEPA Region IX on or before 11/2009.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2008

Finding No.: 08-09
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.575 Child Care and Development Block Grant
Grant Number: G-0301GUCCDF, G-0401GUCCDF, 2005G999003, G-0601GUCCDF
Area: Period of Availability
Questioned Costs: \$0

Criteria:

In accordance with applicable period of availability requirements, funds must be obligated by the end of the succeeding fiscal year after award, and expended by the end of the third fiscal year after award.

Condition:

At September 30, 2008, there are outstanding encumbrances and available balances recorded in the financial management system for expired grants, as follows:

| <u>Grant Year</u> | <u>Award Period</u> | <u>Outstanding Encumbrance</u> | <u>Available Balance</u> | <u>Grant Award #</u> |
|-------------------|---------------------|--------------------------------|--------------------------|----------------------|
| 2003 | 10/01/02 – 09/30/05 | \$ 2,032 | \$ 0 | G-0301GUCCDF |
| 2004 | 10/01/03 – 09/30/06 | \$ 68,531 | \$ 0 | G-0401GUCCDF |
| 2005 | 10/01/04 – 09/30/07 | \$ 481,884 | \$ 0 | 2005G999003 |
| 2006 | 10/01/05 - 09/30/08 | \$ 56,350 | \$ 306,576 | G-0601GUCCDF |

Furthermore, expenditures were charged to the grant after the applicable period of availability, as follows:

| <u>Grant Year</u> | <u>Award Period</u> | <u>FY 2008 Expenditures</u> |
|-------------------|---------------------|---|
| 2005 | 10/01/04 – 09/30/07 | \$ 55 Liquidations after 09/30/07 |
| 2006 | 10/01/05 - 09/30/08 | <u>91,107</u> Liquidations of FY 2008 obligations |
| | | <u>\$91,162</u> |

However, no questioned cost results because GovGuam management provided subsequent journal vouchers, transferring expenditures to the 2007 grant, for which the period of availability is not yet expired as of 09/30/08.

Cause:

Government of Guam management did not perform the necessary monitoring procedures to ensure that expired grants are de-encumbered and/or de-appropriated in a timely manner.

Effect:

The Government of Guam is in noncompliance with applicable period of availability requirements. Outstanding encumbrances and/or available balances for grant years 2003 through 2006 are overstated. If such balances are not de-encumbered or de-appropriated, the Government of Guam could potentially expend Federal funds in noncompliance with applicable period of availability requirements.

Recommendation:

Government of Guam management should develop more specific control procedures over monitoring a fund during the period of availability and de-encumbering or de-appropriating expired funds. The responsible accounting personnel should ensure that expired grants are de-encumbered or de-appropriated in a timely manner and that any liquidation of obligations for expired grants is charged to the General Fund.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2008

Finding No.: 08-09, Continued
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.575 Child Care and Development Block Grant
Grant Number: G-0301GUCCDF, G-0401GUCCDF, 2005G999003, G-0601GUCCDF
Area: Period of Availability
Questioned Costs: \$0

Auditee Response and Corrective Action Plan:

TA provided by ACF (Mr. Martin Tom) regarding grant funding receipt of award and encumbering of available funds. Staff has better understanding and will closely monitor.

GOVERNMENT OF GUAM

**Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2008**

Finding No.: 08-10
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.575 Child Care and Development Block Grant
Grant Number: G-0601GUCCDF, G-0701GUCCDF
Area: Procurement
Questioned Costs: \$2,909

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.

Condition:

For three (or 3%) of 91 transactions tested, the records in the procurement file were not sufficient to demonstrate open competition. For instance, the request for bid advertisement, bid specifications, and/or evaluation of bid worksheet was lacking.

| <u>Tran Date</u> | <u>Tran #</u> | <u>Vendor #</u> | <u>Prior Ref</u> | <u>Agency</u> | <u>Amount</u> | Total FY 2008 <u>Expenditures</u> | <u>Grant Number</u> |
|------------------|---------------|-----------------|------------------|---------------|---------------|--------------------------------------|---------------------|
| 05/14/08 | 278424 | I0096229 | P076A07158 | DPHSS | \$ 2,909 | \$ 2,909 | G-0701GUCCDF |
| 01/07/08 | 245733 | U0226001 | C070601800 | DPHSS | \$ 234,754 | 245,541 | G-0601GUCCDF |
| 09/12/08 | 303116 | G1381601 | C070601650 | DPHSS | \$ 28,200 | <u>28,200</u> | G-0601GUCCDF |
| | | | | | | \$ <u>276,650</u> | |

Cause:

Government of Guam management did not enforce established procurement regulations. Also, for Vendor # U0226001 and G1381601, the contracts were awarded without open competition because the grantee specifically stated in its State Plan that it would partner with these vendors to provide training services to its service providers. The grantee believed that the grantor’s approval of the State Plan translated into approval of sole sourcing to the specified vendors.

Effect:

The Government of Guam is in noncompliance with applicable procurement requirements. A questioned cost of \$2,909 exists for Prior Ref P076A07158. No questioned cost is presented at this finding for the other transactions because the grantee was following its grantor-approved State Plan, and we do not dispute the qualifications of these institutions of higher education.

Recommendation:

Government of Guam management should enforce established procurement regulations. Also, the Government of Guam should ensure that open competition is applied to the selection of all vendors, including the selection of vendors being named in a grant application or State Plan.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2008

Finding No.: 08-10, Continued
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.575 Child Care and Development Block Grant
Grant Number: G-0601GUCCDF, G-0701GUCCDF
Area: Procurement
Questioned Costs: \$2,909

Auditee Response and Corrective Action Plan:

The Chief Procurement Officer provided the following response.

Response:

We disagree with this finding. The procurement file does contain evidence that the company was the only company that can provide airtime services for their radios. An interoffice memorandum was in the procurement file justifying the need to use the method of sole source procurement. The company also provided documentation that they were the only company that can provide services for such equipment.

Corrective action:

Although we disagreed with the finding, GSA will continue to improve the procurement process. GSA issued Circular No.: 09-003 on June 05, 2009 to all line departments/agencies/autonomous, advising them that if they will recommend the method of sole source procurement, they would have to submit a cost analysis to show reasonableness prior to issuing a purchase order.

The Program Office provided the following response.

Clarification received from ACF relating that state shall follow procurement laws of own state. (See attached email)

Auditor Response:

What the procurement file does not contain are third-party records to demonstrate how the Government of Guam knew that no other company could provide the services. Therefore, the finding remains.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2008

Finding No.: 08-11
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.575 Child Care and Development Block Grant
Grant Number: G-0601GUCCDF, G-0701GUCCDF, G-0801GUCCDF
Area: Reporting
Questioned Costs: \$0

Criteria:

In accordance with applicable reporting requirements, the ACF 696 Financial Report should reflect accurate data.

Condition:

Total outlays reported on the FSR as of September 30, 2008, do not reconcile with the expenditures per AS400 as of 9/30/08.

| <u>Grant Year</u> | <u>Grant Award #</u> | <u>Reported Expenditures</u> | <u>Recorded Expenditures</u> | <u>Under-reported</u> |
|-------------------|----------------------|------------------------------|------------------------------|-----------------------|
| 2008 | G-0601GUCCDF | \$ 465,506 | \$ 499,126 | \$ 33,620 |
| 2007 | G-0701GUCCDF | \$ 3,104,105 | \$ 3,127,765 | \$ 23,660 |
| 2006 | G-0801GUCCDF | \$ 3,773,004 | \$ 3,780,089 | \$ 7,085 |

Cause:

Government of Guam management did not maintain underlying accounting records to support report amounts.

Effect:

The Government of Guam is in noncompliance with applicable reporting requirements.

Recommendation:

Government of Guam management should ensure that underlying accounting records are maintained to substantiate reported amounts.

Auditee Response and Corrective Action Plan:

DPHSS is working collaboratively with DOA-Accounting to correct report on the cost allocation for the salaries and benefits.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2008

Finding No.: 08-12
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.575 Child Care and Development Block Grant
Grant Number: G-0801GUCCDF
Area: Matching, Level of Effort, Earmarking
Questioned Costs: \$235,257

Criteria:

The following earmarking requirements are applicable:

- 1) A State/Territory may not spend on administrative costs more than five percent of total CCDF awards expended, and
- 2) States and Territories must spend on quality and availability activities, as provided in the State/territorial plan, not less than 4 percent of CCDF funds expended

Condition:

- 1) The Government of Guam exceeded the administrative earmark ceiling of 5% by \$109,502 for its 2008 grant and by \$105,790 for its 2008 grant.
- 2) The Government of Guam did not meet the quality earmark floor of 4% by \$19,965 for its 2008 grant.

Cause:

The Government of Guam did not fully monitor administrative costs or costs for quality and availability activities for compliance with applicable earmarking requirements.

Effect:

The Government of Guam is in noncompliance with applicable earmarking requirements. A questioned cost of \$235,257 exists.

Recommendation:

Government of Guam management should more closely monitor its administrative costs and costs of quality and availability activities to ensure compliance with applicable earmarking requirements.

Auditee Response and Corrective Action Plan:

TA provided by ACF (Mr. Martin Tom) regarding grant funding receipt of award and encumbering of available funds. Staff has better understanding and will closely monitor.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2008

Finding No.: 08-13
 Federal Agency: U.S. Department of Health and Human Services
 CFDA Program: 93.778 Medical Assistance Program
 Grant Number: 05-0805GQ5028
 Area: Eligibility
 Questioned Costs: \$388,976

Criteria:

In accordance with applicable eligibility requirements, such documents as application worksheets, social security cards, proof of citizenship, 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 190 cases, aggregating \$1,969,415 in total claims, we noted the following:

- For 26 (or 14%), no copy of the social security card is on file for one or more participants associated with the following case numbers:

| | | | | | | |
|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 33-73672-06 | 33-49963-02 | 33-37594-05 | 33-36030-07 | 33-38936-04 | 33-77342-02 | 33-71731-04 |
| 33-36799-02 | 33-52009-02 | 33-24165-09 | 33-52178-01 | 33-72271-02 | 33-60874-01 | 33-02807-09 |
| 33-24165-09 | 33-73352-05 | 33-52566-07 | 33-55362-04 | 30-74326-04 | 33-41359-09 | 30-80658-01 |
| 33-80577-02 | 33-80398-01 | 33-70391-01 | 33-53394-01 | 33-72692-01 | | |

- For seven (or 4%), no copy of the birth certificate card is on file for one or more participants associated with the following case numbers:

33-38322-06, 33-77342-02, 33-53394-01, 33-49533-01, 33-36799-02, 33-73672-06, and 33-36030-07.

- For 19 (or 10%), the case file provided lacked sufficient data to substantiate an appropriate eligibility determination, as follows:

| <u>Case #</u> | <u>Documents Lacking</u> | <u>Total Claims Tested</u> |
|---------------|--|----------------------------|
| 30-16191-01 | Need application and supporting documents applicable to service date | \$ 21,602 |
| 33-39546-04 | Need application and supporting documents applicable to service date | 151,091 |
| 33-51614-01 | Need application and supporting documents applicable to service date | 183 |
| 33-51614-06 | Need application and supporting documents applicable to service date | 2,212 |
| 33-75487-01 | Need application and supporting documents applicable to service date | 1,983 |
| 30-49109-05 | Need application worksheet and PA worksheet applicable to service date | 206 |
| 33-75555-06 | Need application worksheet and PA worksheet applicable to service date | 248 |
| 30-73338-01 | Need application worksheet applicable to service date | 387 |
| 33-36030-07 | Need application worksheet applicable to service date | 907 |
| 33-52607-05 | Need application worksheet applicable to service date | 2,551 |
| 33-53394-01 | Need application worksheet applicable to service date | 964 |
| 33-55662-01 | Need application worksheet applicable to service date | 2,276 |
| 33-70391-01 | Need application worksheet applicable to service date | 1,183 |
| 33-75493-05 | Need application worksheet applicable to service date | 2,937 |
| 33-75797-05 | Need application worksheet applicable to service date | 1,131 |
| 33-77370-03 | Need application worksheet applicable to service date | 227 |
| 33-80005-01 | Need application worksheet applicable to service date | 2,616 |
| 33-80485-01 | Need application worksheet applicable to service date | 2,276 |
| 33-49963-02 | Need PA worksheet | <u>223</u> |
| | | \$ <u>195,203</u> |

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2008

Finding No.: 08-13, Continued
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.778 Medical Assistance Program
Grant Number: 05-0805GQ5028
Area: Eligibility
Questioned Costs: \$388,976

Condition, Continued:

4. For all cases, there is no documentation to indicate that the income and eligibility verification system (IEVS) was used to verify eligibility.

5. For 37 (or 19%), no case files were provided for the following case numbers:

| | | | | | | |
|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 33-20798-04 | 30-55496-01 | 33-75804-01 | 33-56815-05 | 33-38335-01 | 33-03192-02 | 30-54224-01 |
| 30-80353-03 | 30-31045-01 | 33-58324-01 | 33-43272-01 | 33-54978-01 | 33-60377-06 | 33-57839-01 |
| 33-49831-01 | 33-55273-02 | 33-30374-01 | 33-74694-01 | 33-32055-02 | 30-70508-05 | 33-45055-03 |
| 33-74565-01 | 33-43922-01 | 33-76364-03 | 33-75208-03 | 50-46607-01 | 33-80381-01 | 33-50367-05 |
| 33-46776-04 | 33-72333-01 | 33-22678-01 | 33-51748-03 | 33-59007-01 | 33-58781-02 | 33-56355-01 |
| 33-24165-09 | 50-26917-01 | | | | | |

Total claims tested relative to the lack of case files is \$193,773.

6. For two (or 1%), the household member's birthday on the AGUPA system differed from the date on the birth certificate.

33-72553-02 and 33-75493-05

7. For two (or 1%), one of the household members indicated in the application was not included in the AGUPA system.

33-71675-01 and 33-70657-02

8. For 10 (or 5%), the case files lacked certain verification documents, as follows:

| | |
|-------------|--|
| 33-58132-01 | Need documentation of household member's disability |
| 33-02807-09 | Need school verification |
| 33-49533-01 | Need school verification |
| 33-73352-05 | Need school verification |
| 33-74541-01 | Need school verification |
| 33-24352-04 | Need school verification or verification of employment |
| 33-24165-09 | Need work registration |
| 33-47390-08 | Need work registration |
| 33-52009-02 | Need work registration |
| 33-70657-02 | Work registration or school verification |

Cause:

Government of Guam management did not maintain case files in sufficient detail to demonstrate compliance with applicable eligibility requirements.

Effect:

The Government of Guam is in noncompliance with applicable eligibility requirements. A questioned cost of \$388,976 exists for Condition 3 and Condition 5 above, as eligibility determinations could not be substantiated.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2008

Finding No.: 08-13, Continued
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.778 Medical Assistance Program
Grant Number: 05-0805GQ5028
Area: Eligibility
Questioned Costs: \$388,976

Recommendation:

The Program Administrator should strengthen record keeping controls to ensure that complete case files are maintained to substantiate eligibility and that the IEVS is implemented in accordance with applicable eligibility requirements. Furthermore, if the grantee 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.

Auditee Corrective Action Plan:

Agency is working with current vendor to implement IEVS by 10/01/2009

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2008

Finding No.: 08-14
Federal Agency: U.S. Department of Homeland Security
CFDA Program: 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters) Public Assistance
Area: Reporting
Questioned Costs: \$0

Criteria:

In accordance with applicable reporting requirements, the FSR 269 should reflect accurate data.

Condition:

Total outlays reported on the FSR as of September 30, 2008, do not reconcile with the expenditures per AS400 as of 9/30/08.

| <u>Grant Year</u> | <u>Grant Award #</u> | <u>Outlays per FSR</u> | <u>Outlays per AS400</u> | <u>Variance</u> |
|-------------------|----------------------|------------------------|--------------------------|-----------------|
| 2002 | FEMA-1426-DR-GU | \$ 679,682 | \$ 229,120 | \$ (450,652) |
| 2003 | FEMA-1446-DR-GU | 3,198,460 | 3,210,207 | 11,747 |
| 2004 | FEMA-1533-DR-GU | 321,886 | 20,905 | (300,981) |
| 2008 | FEMA-1193-DR-GU | 11,653,104 | 11,132,160 | (520,944) |

Cause:

Government of Guam management did not maintain underlying accounting records to support report amounts.

Effect:

The Government of Guam is in noncompliance with applicable reporting requirements.

Recommendation:

Government of Guam management should ensure that underlying accounting records are maintained to substantiate reported amounts.

Auditee Response and Corrective Action Plan:

Name and Job Title of Responsible Personnel:
James Respicio, RCO Accountant

When preparing the financial reporting documentation for our Program, the grantee has considered drawdowns as expenditures due to this program allowing for small project advances. When small projects are completed with an “under-run” or a balance of funds available, the Sub-Grantee is entitled to the balance. FEMA considers the balance expended. (44 CFR Section 206.203(c)(2) and Section 206.205(a)) For this reason, the FGIA sub-ledger will almost always show the grants are overdrawn and misreporting amounts.

GOVERNMENT OF GUAM

**Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2008**

Finding No.: 08-15
Federal Agency: U.S. Department of Homeland Security
CFDA Program: 97.039 Hazard Mitigation Grants
Area: Reporting
Questioned Costs: \$0

Criteria:

In accordance with applicable reporting requirements, Form FSR 269 Financial Status Report should reflect accurate data.

Condition:

Total outlays reported on FSR 269 as of September 30, 2008, do not reconcile with the expenditures per AS400 as of 9/30/08.

| <u>Grant Year</u> | <u>Grant Award #</u> | <u>Outlays per FSR</u> | <u>Outlays per AS400</u> | <u>Variance</u> |
|-------------------|----------------------|------------------------|--------------------------|-----------------|
| 2002 | FEMA-1426-DR-GU | \$ 2,068,845 | \$ 1,930,137 | \$ (138,708) |
| 2003 | FEMA-1446-DR-GU | \$ 13,188,495 | \$10,649,777 | \$ (2,538,718) |

Cause:

Government of Guam management did not maintain underlying accounting records to support report amounts.

Effect:

The Government of Guam is in noncompliance with applicable reporting requirements.

Recommendation:

Government of Guam management should ensure that underlying accounting records are maintained to substantiate reported amounts.

Auditee Response and Corrective Action Plan:

Name and Job Title of Responsible Personnel:
Rachelle Paulino, Hazard Mitigation Grant Manager

Specific Corrective Procedures to be Performed:

When preparing the financial reporting documentation for our Program, an additional step will implemented. We will now be cross checking the General Ledger and Sub-Ledger to ensure that accurate expenditures are reported in both.

Dates of Performance of Corrective Action:

Effective immediately we will perform this corrective action quarterly as the reporting is required by the Federal Emergency Management Agency.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2008

Finding No.: 08-16
 Federal Agency: U.S. Department of Homeland Security
 CFDA Program: 97.067/97.004 Homeland Security Cluster
 Grant Number: 2003TE-TX-0207, 2003MU-T3-0054, 2004GE-T4-0032, 2005GE-T5-0036, 2006GE-T6-0061
 Area: Procurement
 Questioned Costs: \$809,146

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 the applicable local procurement law, the following requirements apply:

- The Guam General Services Agency shall use competitive sealed bidding when the procurement exceeds the small purchase threshold of \$14,999.
- When the procurement meets the small purchase threshold, no less than three positive written quotations from businesses shall be solicited, recorded and placed in the procurement file.

Condition:

In FY 2007 and FY 2006, noncompliance with procurement requirements was cited for the purchase orders below. Total FY 2008 expenditures charged to the noncompliant purchase orders are as follows:

1. For four purchase orders, sole source procurement was used, based on the rationale that the vendor was the only distributor/agent; however, there was no documentation on file to indicate how the grantee determined that no other vendor could provide the required goods or services.

| <u>Tran Date</u> | <u>Tran #</u> | <u>Vendor #</u> | <u>Prior Ref</u> | <u>Agency</u> | <u>Amount</u> | <u>Total FY 2008 Expenditures</u> | <u>Grant Year</u> |
|------------------|---------------|-----------------|------------------|---------------|---------------|-----------------------------------|-------------------|
| 03/31/08 | 0271367 | S0098524 | P066A06288 | Gov | \$ 130,592 | \$ 130,592 | 2003MU |
| 11/28/07 | 0243291 | P3526001 | P066A09019 | Gov | 94,719 | | 2004 |
| 11/28/07 | 0243291 | P3526001 | P066A09019 | Gov | 19,772 | | 2004 |
| 09/26/08 | 0307527 | P3526001 | P066A09019 | Gov | 33,799 | | 2004 |
| 01/28/08 | 0261616 | P3526001 | P076A01584 | Gov | 72,282 | | 2003TE |
| 01/28/08 | 0265839 | P3526001 | P076A01584 | Gov | 34,895 | | 2003TE |
| 01/28/08 | 0265839 | P3526001 | P076A01584 | Gov | 24,925 | | 2003TE |
| 01/28/08 | 0261616 | P3526001 | P076A01584 | Gov | 24,925 | | 2003TE |
| 12/28/07 | 0245530 | P3526001 | P076A01584 | Gov | 17,447 | | 2003TE |
| 01/28/08 | 0265839 | P3526001 | P076A01580 | Gov | 21,305 | | 2003TE |
| 12/28/07 | 0245530 | P3526001 | P076A01580 | Gov | 10,649 | | 2003TE |
| 01/28/08 | 0265839 | P3526001 | P076A01580 | Gov | 7,988 | | 2003TE |
| 01/28/08 | 0265239 | P3526001 | P076A01580 | Gov | 7,988 | | 2003TE |
| | | | | | \$ 501,286 | \$ 130,592 | |

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2008

Finding No.: 08-16, Continued
 Federal Agency: U.S. Department of Homeland Security
 CFDA Program: 97.067/97.004 Homeland Security Cluster
 Grant Number: 2003TE-TX-0207, 2003MU-T3-0054, 2004GE-T4-0032, 2005GE-T5-0036, 2006GE-T6-0061
 Area: Procurement
 Questioned Costs: \$809,146

Condition, Continued:

Regarding Vendor # P3526001, the Chief Procurement Officer provided a response in FY 2007 to the finding, stating that "...GSA issued an invitation for bid on September 13, 2005 for procurement of a video surveillance camera for the Guam Power Authority. The vendor awarded the bid is the vendor awarded through the sole source procurement based on the HSPD-8 for standardization and interoperability of the government equipments. Therefore, based on the award of the invitation for bid, it was then determined that the sole source was justified because a bid solicitation was issued for the initial purchase of the equipment being standardized by the government." However, the invitation for bid that the Government of Guam relied on occurred in September 2005, and the procurement file did not include documentation to substantiate how the Government of Guam knew that the vendor was the only provider of the compatible/standardized equipment in January 2007; therefore, the finding remains. As open competition was demonstrated through the initial bid, no questioned cost is presented for this finding.

2. For one transaction, informal quotes were obtained for the following transactions that do not meet the local small purchase threshold of \$14,999.

| <u>Tran Date</u> | <u>Tran #</u> | <u>Vendor #</u> | <u>Prior Ref</u> | <u>Agency</u> | <u>Amount</u> | <u>Total FY 2008 Expenditures</u> | <u>Grant Year</u> |
|------------------|---------------|-----------------|--------------------------|---------------|---------------|-----------------------------------|-------------------|
| 03/31/08 | 0271368 | T0602201 | D080280068 P066A04675 | Gov | \$ 173 | \$ 173 | 2003TE |

Of 80 transactions tested, we noted the following:

3. For five (or 6%), the Government of Guam procured directly through the U.S. General Services Agency. However, no records were provided to demonstrate how Guam GSA selected one U.S. GSA schedule contractor over any of the other schedule contractors to procure the required goods/services. Items or services purchased include implementation and training services, annual license fee, monitors, printers, telecommunication/networking, and cartridges.

| <u>Tran Date</u> | <u>Tran #</u> | <u>Vendor #</u> | <u>Prior Ref</u> | <u>Agency</u> | <u>Amount</u> | <u>Total FY 2008 Expenditures</u> | <u>Grant Year</u> |
|------------------|---------------|-----------------|------------------|---------------|-------------------|-----------------------------------|-------------------|
| 12/28/07 | 245526 | K0098664 | P076A07135 | | \$ 61,451 | \$ 61,451 | 2003MU |
| 12/28/07 | 245526 | K0098664 | P076A07135 | | 30,000 | 30,000 | 2003MU |
| 02/12/08 | 265827 | D7271501 | P086A01881 | | 60,084 | 60,084 | 2003MU |
| 03/31/08 | 271365 | D0341504 | P086A01878 | | 42,623 | 42,623 | 2003MU |
| 03/31/08 | 271368 | T0602201 | P066A04675 | | <u>28,614</u> | <u>28,614</u> | 2003TE |
| | | | | | <u>\$ 222,772</u> | <u>\$ 222,772</u> | |

4. For seven (or 9%), positive quotations in the procurement file were not sufficient to demonstrate open competition. Executive Order 2007-12 for TOPOFF 4 was used. The procurement section of the Executive Order states: "The Task Force and the Office of Homeland Security will be actively engaged in the procurement of the resources, supplies, and services necessary in fulfilling the objectives of this exercise. Therefore, the Task Force, the Office of Homeland Security and the GSA shall be diligent and efficient in the procurement of supplies and services as provided by the procurement rules and regulations for the TOPOFF 4 exercise planning and execution." Three or more vendors were sent facsimile solicitations, but only one positive quotation was obtained. Specifically, for prior references P086E00004, P086E00005, P086E00006, P086E00007, and P086E00015, facsimiles were sent on 10/05/07 and due on 10/08/07. For prior reference P086A00671, a facsimile was sent on 10/03/07 and due on 10/08/07. For P086E00016, facsimiles were sent on 10/06/07 and due on 10/09/07. However, as the procurement files indicate that GovGuam attempted open competition, no questioned cost is presented for this condition.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2008

Finding No.: 08-16, Continued
 Federal Agency: U.S. Department of Homeland Security
 CFDA Program: 97.067/97.004 Homeland Security Cluster
 Grant Number: 2003TE-TX-0207, 2003MU-T3-0054, 2004GE-T4-0032, 2005GE-T5-0036, 2006GE-T6-0061
 Area: Procurement
 Questioned Costs: \$809,146

Condition, Continued:

| <u>Tran Date</u> | <u>Tran #</u> | <u>Vendor #</u> | <u>Prior Ref</u> | <u>Agency</u> | <u>Amount</u> | <u>Grant Year</u> |
|------------------|---------------|-----------------|------------------|---------------|------------------|-------------------|
| 02/01/08 | 265537 | G0097467 | P086E00004 | | \$ 5,795 | 2006 |
| 11/09/07 | 243244 | D7486601 | P086E00005 | | 7,100 | 2005 |
| 11/09/07 | 243244 | D7486601 | P086E00006 | | 14,500 | 2004 |
| 11/09/07 | 243244 | D7486601 | P086E00007 | | 14,000 | 2004 |
| 01/25/08 | 260586 | M0098076 | P086E00015 | | 13,815 | 2005 |
| 11/09/07 | 243244 | D7486601 | P086A00671 | | 14,970 | 2005 |
| 12/12/07 | 244515 | P7816001 | P086E00016 | | <u>22,200</u> | 2006 |
| | | | | | <u>\$ 92,380</u> | |

5. For ten (or 12%), the documents in the procurement file were not sufficient to demonstrate open competition. For P076A05202, the request for bid advertisement, bid specifications, and evaluation of bid worksheet were lacking. For P076A03666, P086A05048, D080280078, D080662594, and D080662593 only one positive quotation was on file; positive quotations from other solicited vendors were not on file. For P086A01851, no procurement procedures were followed. The Government of Guam did not solicit quotations either formally or informally. For D080280060, and D080280084, potential bidders were given less than 15 days to respond.

| <u>Tran Date</u> | <u>Tran #</u> | <u>Vendor #</u> | <u>Prior Ref</u> | <u>Agency</u> | <u>Amount</u> | <u>Total FY 2008 Expenditures</u> | <u>Grant Year</u> |
|------------------|---------------|-----------------|------------------|---------------|---------------|-----------------------------------|-------------------|
| 12/14/07 | 245534 | X0012204 | P076A05202 | | \$ 1,616 | \$ 1,616 | 2004 |
| 07/14/08 | 293426 | G3277101 | P076A03666 | | \$ 2,144 | | 2004 |
| 07/28/08 | 297094 | I0096260 | P086A05048 | | \$ 800 | | 2004 |
| 05/16/08 | 278231 | G0097467 | D080280078 | | \$ 6,310 | 21,749 | 2004 |
| 07/01/08 | 307079 | G0097467 | D080662594 | | \$ 6,668 | 33,224 | 2004 |
| 07/01/08 | 307080 | G3277101 | D080662593 | | \$ 744 | 13,398 | 2004 |
| 07/11/08 | 293021 | U0226001 | P086A01851 | | \$104,000 | 104,000 | 2003MU |
| 03/18/08 | 267501 | T0092916 | D080280060 | | \$ 12,000 | | 2003MU |
| 03/18/08 | 271449 | T0092916 | D080280060 | | \$ 3,845 | | 2003MU |
| 06/18/08 | 287722 | G0097542 | D080280084 | | \$ 5,252 | | 2004 |
| | | | | | | <u>\$ 173,987</u> | |

However, for Prior Ref P076A03666, P086A05048, D080280060, and D080280084, the procurement file included solicitations to other vendors, which indicates GovGuam attempted open competition. Therefore, no questioned cost is presented for these four transactions.

6. For two (or 2%), sole source procurement was used, based on the rationale that the vendor was the only distributor/agent; however, there was no documentation on file to indicate how the grantee determined that no other vendor could provide the required goods or services.

| <u>Tran Date</u> | <u>Tran #</u> | <u>Vendor #</u> | <u>Prior Ref</u> | <u>Agency</u> | <u>Amount</u> | <u>Total FY 2008 Expenditures</u> | <u>Grant Year</u> |
|------------------|---------------|-----------------|------------------|---------------|---------------|-----------------------------------|-------------------|
| 12/14/07 | 244507 | I0096229 | P076A00209 | | \$ 1,474 | \$ 5,894 | 2003MU |
| 03/31/08 | 271367 | S0098524 | P076A02186 | | \$ 178,500 | <u>178,500</u> | 2003MU |
| | | | | | | <u>\$ 184,394</u> | |

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2008

Finding No.: 08-16, Continued
 Federal Agency: U.S. Department of Homeland Security
 CFDA Program: 97.067/97.004 Homeland Security Cluster
 Grant Number: 2003TE-TX-0207, 2003MU-T3-0054, 2004GE-T4-0032, 2005GE-T5-0036, 2006GE-T6-0061
 Area: Procurement
 Questioned Costs: \$809,146

Condition, Continued:

In FY 2007, the Chief Procurement Officer provided a response to the finding regarding Vendor # S0098524, stating that “[t]he procurement file contained all the sole source justification needed to execute the purchase order to include the National Preparedness HSPD-8 to include letters from the Navy and Air Force wherein they currently have the same equipment requested by the Office of Homeland Security.” However, the procurement file provided did not include documentation to substantiate how the Government of Guam knew that the vendor was the only provider of the compatible/standardized equipment.

7. For two (or 2%), no procurement documents were provided.

| <u>Tran Date</u> | <u>Tran #</u> | <u>Vendor #</u> | <u>Prior Ref</u> | <u>Agency</u> | <u>Amount</u> | Total FY 2008 <u>Expenditures</u> | <u>Grant Year</u> |
|------------------|---------------|-----------------|------------------|---------------|---------------|--------------------------------------|-------------------|
| 09/12/08 | 302976 | G0507001 | C080601320 | | \$ 65,260 | \$ 97,228 | 2004 |
| 09/12/08 | 302976 | G0507001 | C080601320 | | \$ 31,968 | | 2004 |
| | | | | | | \$ <u>97,228</u> | |

Cause:

Government of Guam management did not enforce established procurement regulations.

Effect:

The Government of Guam is in noncompliance with applicable procurement requirements. A questioned cost of \$809,146 exists.

Recommendation:

Government of Guam management should enforce established procurement regulations and should demonstrate open competition in the selection of any vendor in accordance with applicable procurement requirements. Furthermore, if the sole source method of procurement is used, the Government of Guam should ensure that the procurement records contain a cost analysis to substantiate the reasonableness of the sole vendor’s contract price.

Auditee Response and Corrective Action Plan:

The Chief Procurement Officer provided the following response.

[Condition 1]:

Response:

We disagree with the finding. The procurement file contained evidence that the company was the only company that can service or interface with existing equipments. An initial invitation for bid was announced prior to selecting the type of equipment. Based on the award of the base equipment the intent of the department was to be interoperable with the entire government of Guam surveillance system.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2008

Finding No.: 08-16, Continued
Federal Agency: U.S. Department of Homeland Security
CFDA Program: 97.067/97.004 Homeland Security Cluster
Grant Number: 2003TE-TX-0207, 2003MU-T3-0054, 2004GE-T4-0032, 2005GE-T5-0036, 2006GE-T6-0061
Area: Procurement
Questioned Costs: \$809,146

Auditee Response and Corrective Action Plan, Continued:

Corrective action:

Although we disagreed with the finding, GSA will continue to improve the procurement process. GSA issued Circular No.: 09-003 on June 05, 2009 to all line departments/agencies/autonomous, advising them that if they will recommend the method of sole source procurement, they would have to submit a cost analysis to show reasonableness prior to issuing a purchase order.

[Condition 3; 5 (Tran#245534)]:

Response:

We disagree with this finding. The procurement file does contain evidence of solicitations made. The abstract indicated that GSA solicited quotations from at least three (3) vendors prior to awarding through the U.S. GSA Federal Schedule. Please be advise that on 2008 the Office of the Attorney General issued an opinion to GSA that indicated that the procedure established by the General Services Agency in the utilization of §5122 is an acceptable procedure.

Corrective Action:

Although we disagreed with the finding, GSA will continue to improve the procurement process as it relates to the utilization of the U.S. Federal Schedule. GSA issued Circular No.: 2009-01 on January 09, 2009 to all line departments/agencies/autonomous, that GSA will no longer award or procure directly through the U.S. GSA Federal Schedule, but instead will issue an invitation for bid and that the bids will indicate that the Federal Schedule will be considered in the evaluation of bids.

[Condition 4]:

Response:

I agree with finding.

Corrective Action:

On March 12, 2009, the Chief Procurement Officer (CPO) issued a memorandum to all buyers. Buyers shall make every effort to contact the vendors that were solicited quotations and request for a written response. The CPO will no longer accept purchase orders with only one positive response.

[Condition 5 (Tran#293021)]:

Response:

We disagree with this finding. The GSA used §5004(b) that states in part: "Application to Territorial Procurement. This Chapter shall apply to every expenditure of public funds irrespective of their source, including federal assistance funds except as otherwise specified in §5501 which relates to Construction.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2008

Finding No.: 08-16, Continued
Federal Agency: U.S. Department of Homeland Security
CFDA Program: 97.067/97.004 Homeland Security Cluster
Grant Number: 2003TE-TX-0207, 2003MU-T3-0054, 2004GE-T4-0032, 2005GE-T5-0036, 2006GE-T6-0061
Area: Procurement
Questioned Costs: \$809,146

Auditee Response and Corrective Action Plan, Continued:

Corrective Action:

Although we disagreed with the finding, GSA will continue to improve in the procurement process. GSA issued Circular No. 09-004 dated June 05, 2009 to all line departments/agencies/autonomous that GSA will no longer be awarding contracts through the government to government process, but instead will issue formal solicitations for any training courses in excess of \$14,999.99

[Condition 6]:

Response:

We disagree with this finding. The procurement file does contain evidence that the company was the only company that can provide airtime services for their radios. An interoffice memorandum was in the procurement file justifying the need to use the method of sole source procurement. The company also provided documentation that they were the only company that can provide services for such equipment.

Corrective action:

Although we disagreed with the finding, GSA will continue to improve the procurement process. GSA issued Circular No.: 09-003 on June 05, 2009 to all line departments/agencies/autonomous, advising them that if they will recommend the method of sole source procurement, they would have to submit a cost analysis to show reasonableness prior to issuing a purchase order.

The Program Office provided the following response.

[Conditions 2 and 7]:

Government of Guam Management will ensure that procurement regulations are enforced and procurement documentations and records are maintained to substantiate compliance with applicable procurement requirements.

[Condition 7]:

Response:

Procurement documents are intact in the possession of the Guam International Airport Authority (GIAA).

Corrective Action:

GHS will obtain and maintain a complete file of the procurement documents.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2008

Finding No.: 08-16, Continued
Federal Agency: U.S. Department of Homeland Security
CFDA Program: 97.067/97.004 Homeland Security Cluster
Grant Number: 2003TE-TX-0207, 2003MU-T3-0054, 2004GE-T4-0032, 2005GE-T5-0036, 2006GE-T6-0061
Area: Procurement
Questioned Costs: \$809,146

Auditor Response:

[Condition 1]:

We do not dispute the need for interoperability; therefore, no questioned cost is presented for certain transactions. However, the finding remains for reasons described in the Condition.

[Condition 3; 5 (Tran#245534)]:

At issue is the lack of documentation to demonstrate how the Government of Guam selected one U.S. GSA schedule contractor over any of the other schedule contractors. Therefore, the finding remains.

[Condition 5 (Tran#293021)]:

The finding remains because the Government of Guam's citations do not address the condition. Section 5501 does not specifically relate to Construction, but to Federal Funds, specifying the following: "Where a procurement involves the expenditure of federal assistance or contract funds, or other federal funds as defined by Section 20 of the Organic Act of Guam, all persons within the government of Guam shall comply with such federal law and regulations which are applicable and which may be in conflict with or may not be reflected in this Chapter." Therefore, federal regulations apply. Furthermore, referenced Section 5004(b) states that the local procurement regulations "...shall not apply to either grants or contracts between the Territory and another government." However, Tran#293021 does not involve another government. Therefore, local procurement regulations apply.

[Condition 6]:

What the procurement file does not contain are third-party records to demonstrate how the Government of Guam knew that no other company could provide the services. Therefore, the finding remains.

[Condition 7]:

Procurement documents were not provided to us. Therefore, the finding remains.

We noted the Government of Guam has commenced corrective action through the issuance in January 2009 of GSA Circular No. 2009-01 "Utilization of U.S. General Services Administration (GSA) Contract or Schedule," which notifies all governmental departments/agencies of the open competition procedures to be used prior to selecting a vendor from the U.S. GSA contract or schedule.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2008

Finding No.: 08-17
Federal Agency: U.S. Department of Homeland Security
CFDA Program: 97.004/97.067 Homeland Security Cluster
Grant Number: 2003MU-T3-0054
Area: Allowable Costs/Cost Principles
Questioned Costs: \$0

Criteria:

In accordance with applicable allowable costs/cost principles requirements, capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except where approved in advance by the awarding agency. Capital expenditures for special purpose equipment are allowable as direct costs, provided that items with a unit cost of \$5,000 or more have the prior approval of the awarding agency.

Condition:

For one (or 1%) of 80 transactions tested, no evidence of the required prior grantor approval was provided for the following acquisition of telecommunications/networking items:

| <u>Tran Date</u> | <u>Tran #</u> | <u>Vendor #</u> | <u>Prior Ref</u> | <u>Agency</u> | <u>Amount</u> |
|------------------|---------------|-----------------|------------------|---------------|---------------|
| 03/31/08 | 271365 | D0341504 | P086A01878 | | 42,623 |

Cause:

Government of Guam management did not obtain the required prior grantor approval.

Effect:

The Government of Guam is in noncompliance with applicable allowable costs/cost principles requirements. A questioned cost of \$42,623 exists. However, no questioned cost is presented at this finding as the total is already questioned at Finding 08-16.

Recommendation:

The Program Administrator should ensure that the required prior approval is obtained for all capital expenditures in accordance with applicable allowable costs/cost principles requirements.

Auditee Response and Corrective Action Plan:

The Department of Administration has collaborated with Data Management Research to install a control in the procurement system for any equipment/asset being purchased over \$5000.00 and above. The system will automatically seize any further steps for the agency to complete the processing of the requisition until DOA – Federal Grants Branch approves the purchase. The Federal Grants Branch will require and examine evidence of prior approval on equipment purchase before clearing the requisitions in the system.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2008

Finding No.: 08-18
Federal Agency: U.S. Department of Homeland Security
CFDA Program: 97.067/97.004 Homeland Security Cluster
Area: Reporting
Questioned Costs: \$0

Criteria:

In accordance with applicable reporting requirements, Form FSR 269 Financial Status Report should reflect accurate data.

Condition:

The total outlays reported on the FSR as of September 30, 2008, do not reconcile with the expenditures per AS400 as of 9/30/08.

| <u>Grant Year</u> | <u>Grant Award #</u> | <u>Outlays per FSR</u> | <u>Outlays per AS400</u> | <u>Variance</u> |
|-----------------------|----------------------|------------------------|------------------------------|-----------------|
| 2005 | 2005GET50036 | \$ 1,504,919 | \$ 1,397,102 | \$ (107,817) |
| 2006 | 2006GET60061 | \$ 767,661 | \$ 917,717 | \$ 150,056 |

Cause:

Government of Guam management did not maintain underlying accounting records to support report amounts.

Effect:

The Government of Guam is in noncompliance with applicable reporting requirements.

Recommendation:

Government of Guam management should ensure that underlying accounting records are maintained to substantiate reported amounts.

Auditee Response and Corrective Action Plan:

A letter was sent to the Grantor agency indicating that corrective action will be made. GHS is now collaborating with DOA to ensure that reports' will be accurately submitted.

Auditor Response:

An on-site financial monitoring review was conducted by FEMA and a report was prepared and submitted to Guam Homeland Security on October 27, 2008, which cited that the Financial Status Reports FSRs did not reconcile to the Grantees records. A letter was then prepared by Guam Homeland Security and sent to FEMA, indicating that corrective action will be made. To corroborate the grantee's representation, we examined the subsequent FSR for the quarter ending 12/31/08, noting that the corrections of the errors in the FY2008 FSRs were made. Further, we traced and agreed the total cumulative outlays per FSR to the AS400 expenditures as of 12/31/08.

GOVERNMENT OF GUAM

**Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2008**

Finding No.: 08-19
CFDA Program: Nonmajor Programs
Area: Procurement
Area: Allowable Costs/Cost Principles
Questioned Costs: \$53,423

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 the applicable local procurement law, the following requirements apply:

- The Guam General Services Agency shall use competitive sealed bidding when the procurement exceeds the small purchase threshold of \$14,999.
- When the procurement meets the small purchase threshold, no less than three positive written quotations from businesses shall be solicited, recorded and placed in the procurement file.
- Awards shall be made to the lowest responsible and responsive bidder.

Additionally, in accordance with applicable allowable costs/cost principles requirements and the Common Rule, such accounting records as payment requests, receiving reports, vendor invoices, and purchase orders/contracts should be retained on file for at least three years to substantiate expenditures.

Condition:

Of 24 transactions tested, we noted the following conditions:

1. For two (or 8%), prospective vendors were not given the minimum 15 days to respond to the request for proposal. However, as the procurement file indicates that GovGuam attempted open competition, no questioned cost is presented for this transaction.

| <u>CFDA #</u> | <u>Tran Date</u> | <u>Tran #</u> | <u>Vendor #</u> | <u>Prior Ref</u> | <u>Agency</u> | <u>Amount</u> |
|---------------|------------------|---------------|-----------------|------------------|---------------|---------------|
| 16.588 | 07/30/08 | 297488 | P1606001 | C080601210 | | \$ 4,966 |
| 20.600 | 05/14/08 | 282111 | L0092530 | C070600592 | | \$ 180,000 |

2. For one (or 4%), no procurement documents were provided to demonstrate open competition. Additionally, no contract document was on file to substantiate the expenditure.

| <u>CFDA #</u> | <u>Tran Date</u> | <u>Tran #</u> | <u>Vendor #</u> | <u>Prior Ref</u> | <u>Agency</u> | <u>Amount</u> | <u>Total FY 2008 Expenditures</u> |
|---------------|------------------|---------------|-----------------|------------------|---------------|---------------|-----------------------------------|
| 97.052 | 10/06/08 | 308126 | I0404001 | C060601613 | | \$ 30,746 | \$ 53,423 |

Cause:

Government of Guam management did not enforce established procurement regulations. Additionally, Government of Guam management did not ensure that such accounting records as contracts are on file to substantiate expenditures.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2008

Finding No.: 08-19, Continued
CFDA Program: Nonmajor Programs
Area: Procurement
Area: Allowable Costs/Cost Principles
Questioned Costs: \$53,423

Effect:

The Government of Guam is in noncompliance with applicable procurement requirements and with applicable allowable costs/cost principles requirements. A questioned cost of \$53,423 exists.

Recommendation:

Government of Guam management should enforce established procurement regulations and should demonstrate open competition in the selection of any vendor in accordance with applicable procurement requirements. Additionally, the Government of Guam should strengthen controls to ensure that such accounting records as contracts are retained on file for at least three years to substantiate expenditures.

Auditee Response and Corrective Action Plan:

Generally, we agree with the audit findings. Government of Guam Management will ensure that procurement regulations are enforced and procurement documentations and records are maintained to substantiate compliance with applicable procurement requirements.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2008

| | |
|-------------------|--|
| Finding No.: | 08-20 |
| Federal Agency: | U.S. Department of the Interior |
| CFDA Program: | 15.875 Economic, Social, and Political Development of the Territories |
| Federal Agency: | U.S. Department of Transportation |
| CFDA Program: | 20.205 Highway Planning and Construction |
| Federal Agency: | U.S. Department of Health and Human Services |
| CFDA Program: | 93.778 Medicaid |
| Federal Agency: | U.S. Department Homeland Security |
| CFDA Program: | 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters) |
| CFDA Program: | 97.039 Hazard Mitigation Grants |
| Area: | Cash Management |
| Questioned Costs: | \$0 |

Criteria:

In accordance with applicable cash management requirements, the time elapsed between the receipt of Federal funds and the clearance of disbursed checks should be minimized. Furthermore, any amount of interest from advances over \$100 should be returned to the Federal government.

Condition:

For the following major programs, we noted noncompliance with applicable cash management requirements, as follows:

1. CFDA No. 15.875: For 11 (or 21%) of 52 transactions tested, the time elapsed between the receipt of Federal funds and the clearance of disbursed checks exceeded the approved clearance pattern, ranging from one day to 4 days, plus one transaction exceeding the approved clearance pattern by 28 days.
2. CFDA No. 20.205: For nine (or 32%) of 28 transactions tested, the time elapsed between the receipt of Federal funds and the clearance of disbursed checks exceeded the approved clearance pattern, ranging from two days to 14 days.
3. CFDA No. 93.778: For 30 (or 13%) of 227 transactions tested, the time elapsed between the receipt of Federal funds and the clearance of disbursed checks exceeded the approved clearance pattern, ranging from one day to 24 days.
4. CFDA No. 97.036: For seven (or 21%) of 33 transactions tested, the time elapsed between the receipt of Federal funds and the clearance of disbursed checks exceeded the approved clearance pattern, ranging from one day to 13 days.
5. CFDA No. 97.039: For 12 (or 20%) of 60 transactions tested, the time elapsed between the receipt of Federal funds and the clearance of disbursed checks exceeded the approved clearance pattern, ranging from four days to 12 days.

Cause:

Government of Guam management did not fully monitor the timing of drawdowns.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2008

Finding No.: 08-20, Continued
Federal Agency: U.S. Department of the Interior
CFDA Program: 15.875 Economic, Social, and Political Development of the Territories
Federal Agency: U.S. Department of Transportation
CFDA Program: 20.205 Highway Planning and Construction
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.778 Medicaid
Federal Agency: U.S. Department Homeland Security
CFDA Program: 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)
CFDA Program: 97.039 Hazard Mitigation Grants
Area: Cash Management
Questioned Costs: \$0

Effect:

The Government of Guam is in noncompliance with applicable cash management requirements. Interest earned on advances and the interest liability for each major program is as follows:

| <u>CFDA No.</u> | <u>Interest Earned on Advances</u> | <u>Interest Liability</u> |
|-----------------|------------------------------------|---------------------------|
| 15.875 | \$ 392 | \$ 292 |
| 20.205 | \$ 768 | \$ 668 |
| 93.778 | \$ 595 | \$ 495 |
| 97.036 | \$ 279 | \$ 179 |
| 97.039 | \$ 757 | \$ 657 |

No questioned cost exists because the projected interest liability does not exceed \$10,000 for each major program. Although no questioned cost is associated with this finding, the interest earned exceeds \$100 for each major program; therefore, this finding is considered reportable.

Recommendation:

The Controller should more closely monitor the timing of drawdowns to ensure that the time elapsed between the receipt of Federal funds and the clearance of disbursed checks is in accordance with the approved Treasury-State Agreement. Furthermore, interest earned on advances in excess of \$100 should be remitted to the Federal Government.

Auditee Response and Corrective Action Plan:

CFDA 15.875, 93.778, 97.036, 97.039

Generally, we agree with the audit findings relative to the cash management that some checks had cleared beyond the approved clearance of disbursed checks in accordance with the approved Treasury-State Agreement. We have adopted the revised Standard Operating Procedures (SOP) however; we do not have control as to when these disbursed checks were to be presented for payment at the designated bank.

We continue to encourage our vendors to avail of our electronic fund transfer (EFT) method of payment.

CFDA 20.205

Generally, we agree with the audit findings relative to the cash management that some checks had cleared beyond the approved clearance of disbursed checks in accordance with the approved Treasury-State Agreement. The Department of Administration currently does not control the drawdown request vouchering method. To minimize the lapse between the check clearance and the drawdown request, we will coordinate with Department of Public Works to work improving the existing Standard Operating Procedure (SOP).

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2008

Finding No.: 08-21
 CFDA No. All major programs
 Area: Equipment and Real Property Management
 Questioned Costs: \$0

Criteria:

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.

Specific to CFDA No. 97.067/97.004, grantees that acquire equipment with Federal funds are required to mark the asset as follows: "Purchased with funds provided by the U.S. Department of Homeland Security."

Condition:

- a. The Government of Guam has not performed the required comprehensive physical inventories of its property in FY 2008 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 2008 major programs is as follows:

| | Major Programs | 2008 | 2007 | 2006 | 2005 | 2004 | Total |
|-----|----------------|--------------|-----------|-----------|-----------|-----------|------------|
| | CFDA #s | Purchases | Purchases | Purchases | Purchases | Purchases | |
| 1. | 10.551/10.561 | \$ 0 | 153,222 | 136,679 | 103,219 | 51,380 | 444,500 |
| 2. | 10.557 | \$ 0 | 0 | 0 | 0 | 8,986 | 8,986 |
| 3. | 15.875 | \$ 544,666 | 792,224 | 2,141,421 | 5,515,208 | 3,678,398 | 12,671,917 |
| 4. | 20.205 | \$ 2,962,379 | 1,396,487 | 2,956,688 | 2,150,383 | 7,674,249 | 17,140,186 |
| 5. | 66.600 | \$ 64,389 | 47,436 | 0 | 114,831 | 31,607 | 258,263 |
| 6. | 93.575 | \$ 0 | 0 | 4,018 | 675 | 38,072 | 42,765 |
| 7. | 93.778 | \$ 0 | 0 | 0 | 21,796 | 75,790 | 97,586 |
| 8. | 97.036 | \$ 14,010 | 9,680 | 278,240 | 567,728 | 771,391 | 1,641,049 |
| 9. | 97.039 | \$ 5,399 | 142,331 | 202,522 | 821,559 | 0 | 1,171,811 |
| 10. | 97.067 | \$ 880,622 | 2,054,971 | 1,748,804 | 744,353 | 0 | 5,428,750 |

- b. Regarding CFDA No. 10.551/10.561, for all three assets selected for testing, we were unable to physically observe the existence of the following:

| Tran Date | Tran # | PO | Description | Amount |
|-----------|---------|------------|---------------------------------------|----------|
| 12/31/04 | 32910 | P046A07491 | ZEA 1065-1964911 Poweredge 2650, 1 ea | \$28,278 |
| 12/31/05 | 0106506 | P056A08796 | 9390-80/40 40KVA (PAR) | \$28,457 |
| 04/19/06 | 0122986 | P06A03508 | Computer Disk Processor, Dell | \$53,500 |

- c. Regarding CFDA No. 66.600, the fixed asset listing did not include serial numbers, identification numbers or identification tags for assets acquired from 1996 to 2007.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2008

Finding No.: 08-21, Continued
CFDA No. All major programs
Area: Equipment and Real Property Management
Questioned Costs: \$0

Condition, Continued:

d. Regarding CFDA No. 97.067/97.004, we noted the following:

1. The fixed asset listing did not include serial numbers, identification numbers or identification tags for assets acquired with U.S. Department of Homeland Security funds.

Of 22 assets selected for testing, we noted the following:

2. For 16 (or 73%), totaling \$513,981, there was no indication on the equipment that it was purchased with Federal funds.
3. For six (or 27%), totaling \$786,245, we were unable to physically examine the fixed assets.

Cause:

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.

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.

Prior Year Status:

The above condition is reiterative of conditions identified in our prior year audit of the Government of Guam.

Recommendation:

The Government of Guam should complete tagging of all equipment and conduct a physical inventory immediately thereafter.

Auditee Response and Corrective Action Plan:

[Condition b.]:

The items purchased were IT items. The ZEA 1065-1964911 Poweredge 2650 is the EBT Server located in the Computer Room in DPHSS. The 9390-80-40 40KVA (PAR) is the UPS located in the Communications Room in DPHSS. The Computer Disk Processor, Dell is the SANS Storage Device which was transferred to DOA-Data as a result of the Government of Guam-wide Consolidation of all IT.

[Condition c.]:

Name and job title of responsible personnel:
Connie Afleje, Administrative Assistant – Guam Environmental Protection Agency
John Aguon, Account Technician Supervisor – Department of Administration

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2008

Finding No.: 08-21, Continued
CFDA No. All major programs
Area: Equipment and Real Property Management
Questioned Costs: \$0

Auditee Response and Corrective Action Plan, Continued:

Specific corrective procedures to be performed:

Government of Guam will complete the tagging of all equipment and conduct another comprehensive physical inventory after the tagging is completed.

Date for performance of corrective action:

Government of Guam is performing the corrective action plan, but has not completed the tagging of equipment. Therefore, additional resources will be provided to expedite the completion.

[Condition a. and d.]:

Response:

GHS agrees with the findings.

Corrective Action:

The Government of Guam is currently in the process of implementing its fixed asset management system. The GHS Logistics Section is currently collaborating with DOA Fixed Assets Section as efforts are being made to tag all equipments with bar code property identification labels. Not until the Government of Guam completes the tagging of all equipment, it will not be able to conduct a physical inventory.

GHS Logistics Section (Assets Resource, Critical Infrastructures/Key Resources) is currently collaborating with DOA Fixed Assets Section in moving forward with its corrective action plan to develop and implement an equipment management system that complies with applicable equipment management requirements, including tagging and marking all assets, etc. Related SOPs and checklists are currently being revised to ensure strict enforcement of established grant terms and conditions.

The Department of Administration will issue a circular and collaborate with all line agencies acquiring fixed assets using the Federal Funds to label these fixed assets (using off the shelf labels) with the appropriation account charged in its respective fixed asset acquisition

Auditor Response:

[Condition b.]: The grantee's information regarding the location of the requested assets was provided after our fieldwork date; therefore the finding remains.

GOVERNMENT OF GUAM

Summary of Unresolved Questioned Costs Arising from Prior Year Single Audits Year Ended September 30, 2008

| | <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 02 | \$ 620,993 | 620,993 | \$ - |
| Unresolved Questioned Costs FY 03 | 595,820 | - | 595,820 |
| Unresolved Questioned Costs FY 04 | 113,248 | 97,548 | 15,700 |
| Unresolved Questioned Costs FY 05 | 290,015 | 196,038 | 93,977 |
| Unresolved Questioned Costs FY 06 | 2,661,890 | 211,300 | 2,450,590 |
| Unresolved Questioned Costs FY 07 | <u>2,802,408</u> | <u>2,211</u> | <u>2,800,197</u> |
| | <u>\$ 7,084,374</u> | <u>\$ 1,128,090</u> | 5,956,284 |
| Add Questioned Costs for FY 2008 | | | <u>1,881,435</u> |
| Total Unresolved Questioned Costs at September 30, 2008 | | | <u>\$ 7,837,719</u> |

GOVERNMENT OF GUAM

Summary of Unresolved Questioned Costs Arising from Prior Year Single Audits, Continued Year Ended September 30, 2008

| <u>CFDA #</u> | | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>Total</u> |
|---------------|---------------------------------|--------------------|--------------------|--------------------|------------------|------------------|------------------|---------------------|
| 10.551/10.561 | Food Stamp Cluster | \$ 3,042 | \$ 29,400 | \$ - | \$ - | \$ - | \$ - | \$ 32,442 |
| 10.557 | WIC | 44,048 | 35,069 | - | - | - | - | 79,117 |
| 15.875 | Compact Impact | 192,770 | 963,933 | - | 54,236 | - | - | 1,210,939 |
| 16.579 | Byrne Formula Grant | - | - | - | - | - | 277,427 | 277,427 |
| 20.205 | Highway Planning & Construction | - | 126,170 | - | - | - | - | 126,170 |
| 66.600 | Environmental Protection | 151,864 | 17,503 | - | - | - | - | 169,367 |
| 83.541 | DUA | - | - | - | - | - | 9,855 | 9,855 |
| 83.544 | Public Assistance Grants | - | - | - | - | - | 308,538 | 308,538 |
| 93.283 | CDC | - | - | - | 39,741 | - | - | 39,741 |
| 93.558 | TANF | - | - | 402,764 | - | - | - | 402,764 |
| 93.575 | CCDF | 238,166 | 49,011 | 265,324 | - | - | - | 552,501 |
| 93.778 | Medicaid | 388,976 | 13,125 | - | - | - | - | 402,101 |
| 93.959 | SAPT | - | - | 21,583 | - | - | - | 21,583 |
| 93.994 | Maternal and Child Health | - | - | - | - | 15,700 | - | 15,700 |
| 94.006 | Americorps | - | - | 53 | - | - | - | 53 |
| 97.004/97.067 | Homeland Security | 809,146 | 1,455,162 | 1,640,751 | - | - | - | 3,905,059 |
| 97.039/83.548 | Hazard Mitigation | - | - | 120,115 | - | - | - | 120,115 |
| | Nonmajor Programs | <u>53,423</u> | <u>110,824</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>164,247</u> |
| | Totals | <u>\$1,881,435</u> | <u>\$2,800,197</u> | <u>\$2,450,590</u> | <u>\$ 93,977</u> | <u>\$ 15,700</u> | <u>\$595,820</u> | <u>\$ 7,837,719</u> |

GOVERNMENT OF GUAM

Summary of Unresolved Questioned Costs Arising from
Prior Year Single Audits, Continued
Summary Schedule of Resolved Prior Audit Findings as
Represented by the Government of Guam
Year Ended September 30, 2008

| Finding # | CFDA # | Questioned Costs Resolved in 2008 | Responding Office |
|------------------------------------|---------------|---|---|
| 2002-32 | 93.563 | \$ 620,993 | U.S. Department of Law, 04/24/09 |
| 2004-14 | 93.563 | 97,548 | OMB Circular A-133, Sec. 315(b)(4) |
| 2005-15 | 84.126 | 57,607 | OMB Circular A-133, Sec. 315(b)(4) |
| 2005-27 | 97.004/97.067 | 138,431 | OMB Circular A-133, Sec. 315(b)(4) |
| 2006-12 | 93.563 | 189,900 | U.S. Department of Law, 04/24/09 |
| 2006-13 | 93.563 | 10,484 | U.S. Department of Law, 04/24/09 |
| 2006-20 | 93.778 | 9,427 | Guam Department of Administration, 08/04/08 |
| 2006-24 | 93.959 | 1,489 | Guam Department of Administration, 03/25/08 |
| 2007-26 | 84.126 | <u>2,211</u> | Guam DISID, 02/02/09 |
| Total Questioned Costs Resolved \$ | | <u>1,128,090</u> | |