

GOVERNMENT OF GUAM

SINGLE AUDIT REPORTS

YEAR ENDED SEPTEMBER 30, 2006

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YEAR ENDED SEPTEMBER 30, 2006

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED UPON THE AUDIT 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, 2006, which collectively comprise GovGuam's basic financial statements and have issued our report thereon dated May 31, 2007, which report was modified to include a reference to other auditors; and was qualified due to our inability to determine the sufficiency of the provision for tax refunds and due to inadequate accounting records of the Guam Memorial Hospital Authority. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Government of Guam's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Government of Guam's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 06-36 and 06-37.

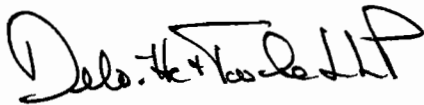
A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Government of Guam's basic 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 have reported to management of the Government of Guam in a separate letter dated May 31, 2007.

This report is intended solely for the information and use of the management of the Government of Guam, 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.



May 31, 2007

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM 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 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, 2006. 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 76). 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.

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 the Government of Guam'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 the Government of Guam's compliance with those requirements.

As described in finding numbers 06-01 through 06-35 in the accompanying Schedule of Findings and Questioned Costs, the Government of Guam did not comply with requirements regarding allowable costs/cost principles; cash management; eligibility; equipment and real property management; matching, level of effort, earmarking; period of availability of Federal funds; procurement and suspension and debarment; reporting and special tests and provisions 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, 2006.

Internal Control Over Compliance

The management of the Government of Guam 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 the Government of Guam's internal control over compliance with 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

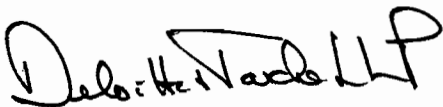
We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Government of Guam's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 06-01 through 06-35.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider finding numbers 06-07, 06-11, 06-12, 06-16, 06-17, 06-25, 06-30, 06-34 and 06-35 to be material weaknesses.

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, 2006, and have issued our report thereon dated May 31, 2007, which report was modified to include a reference to other auditors; and was qualified due to our inability to determine the sufficiency of the provision for tax refunds and due to inadequate accounting records of the Guam Memorial Hospital Authority. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Government of Guam's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (pages 5 through 22) 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 the Government of Guam. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects when considered in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the management of the Government of Guam, 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.



May 31, 2007

GOVERNMENT OF GUAM

Summary of Schedule of Expenditures of Federal Awards, by Grantor
Year Ended September 30, 2006

Agency/Program	Accrued (Deferred) Balance at September 30, 2005	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2006
U.S. Department of Agriculture	\$ (3,010,591)	\$ 68,348,956	\$ 63,934,612	\$ (7,424,935)
U.S. Department of Commerce	581,309	1,517,503	1,274,058	337,864
U.S. Department of Defense	1,465,382	2,724,275	2,084,423	825,530
U.S. Department of Housing and Urban Development	378,454	(131,989)	341,786	852,229
U.S. Department of the Interior	2,502,404	10,705,511	11,683,594	3,480,487
U.S. Department of Justice	714,720	5,299,375	4,367,828	(216,827)
U.S. Department of Labor	2,330,599	7,435,394	5,403,750	298,955
U.S. Department of Transportation	1,216,269	10,678,685	11,157,246	1,694,830
National Foundation on the Arts and the Humanities	294,065	311,271	377,193	359,988
U.S. Environmental Protection Agency	(621,231)	3,691,141	3,740,080	(572,292)
U.S. Department of Energy	95,236	251,046	312,301	156,491
U.S. Department of Education	524,033	2,391,986	2,210,259	342,306
U.S. Department of Health and Human Services	5,533,653	35,345,325	36,674,655	6,862,983
Corporation for National and Community Service	30,617	754,183	731,635	8,069
U.S. Department of Homeland Security	(5,836,664)	16,732,756	16,406,132	(6,163,288)
U.S. Elections Assistance Commission	-	1,467,445	1,467,445	-
GRAND TOTAL	\$ 6,198,255	\$ 167,522,863	\$ 162,166,997	\$ 842,390

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

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2006

CFDA#	Agency/Program	Accrued (Deferred) Balance at September 30, 2005	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2006	Amounts Passed Through to Subrecipients by Major Programs
U.S. DEPARTMENT OF AGRICULTURE						
10.025	Plant and Animal Disease, Pest Control, and Animal Care	\$ 131	-	-	\$ 131	
10.551	Food Stamps	-	54,568,848	54,568,848	-	\$ 0
10.552	Special Food Service Program for Children	80,214	-	-	80,214	
10.557	Special Supplemental Food Program for Women, Infants and Children	1,271,638	7,344,678	6,743,517	670,477	
10.560	State Administrative Expenses for Child Nutrition	(358,003)	-	-	(358,003)	
10.561	State Administrative Matching Grant for Food Stamp Program	(4,895,946)	5,575,304	1,999,997	(8,471,253)	\$ 0
10.572	WIC Farmers' Market Nutrition Program (FMNP)	106,952	131,862	65,152	40,242	
10.664	Cooperative Forestry Assistance	786,577	682,743	494,426	598,260	
10.677	Forest Land Enhancement Program	-	4,521	21,672	17,151	
10.680	Forest Health Protection	-	41,000	41,000	-	
10.766	Community Facilities Loans and Grants	(3,997)	-	-	(3,997)	
10.950	Agricultural Statistics Reports	2,830	-	-	2,830	
10.960	Technical Agricultural Assistance	(987)	-	-	(987)	
	U.S. DEPARTMENT OF AGRICULTURE TOTAL	\$ (3,010,591)	\$ 68,348,956	\$ 63,934,612	\$ (7,424,935)	

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Schedule of Expenditures of Federal Awards
Year Ended September 30, 2006

CFDA#	Agency/Program	Accrued (Deferred) Balance at September 30, 2005	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2006	Amounts Passed Through to Subrecipients by Major Programs
U.S. DEPARTMENT OF COMMERCE						
11.002	Census Customer Services	\$ 17,408	\$ 3,750	\$ 9,365	\$ 23,023	
11.004	Census Intergovernmental Services	(1,102)	-	-	(1,102)	
11.300	Grants for Public Works and Economic Development Facilities	(13,867)	-	-	(13,867)	
11.307	Economic Adjustment Assistance	99,499	-	-	99,499	
11.407	Interjurisdictional Fisheries Act of 1986	16,152	13,942	10,340	12,550	
11.419	Coastal Zone Management Administration Awards	319,761	1,297,275	1,078,220	100,706	
11.426	Financial Assistance for National Centers for Coastal Ocean Science	33,628	36,720	12,692	9,600	
11.427	Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	(4,692)	-	-	(4,692)	
11.437	Pacific Fisheries Data Program	77,908	89,850	111,127	99,185	
11.454	Unallied Management Projects	23,217	75,966	52,314	(435)	
11.463	Pacific Fisheries Data Program	13,397	-	-	13,397	
	U.S. DEPARTMENT OF COMMERCE TOTAL	\$ 581,309	\$ 1,517,503	\$ 1,274,058	\$ 337,864	

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Schedule of Expenditures of Federal Awards
Year Ended September 30, 2006

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2005	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2006
	U.S. DEPARTMENT OF DEFENSE				
12.110	Planning Assistance to States	\$ (158,735)	-	-	(158,735)
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services (DSMOA)	(25,970)	408,151	359,276	(74,845)
12.401	National Guard Military Operations and Maintenance (O&M) Projects	1,650,087	2,316,124	1,725,147	1,059,110
	U.S. DEPARTMENT OF DEFENSE TOTAL	<u>\$ 1,465,382</u>	<u>\$ 2,724,275</u>	<u>\$ 2,084,423</u>	<u>\$ 825,530</u>

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2006

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2005	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2006
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
14.235	Supportive Housing Program	\$ 378,941	\$ (131,989)	\$ 341,786	\$ 852,716
14.854	Public and Indian Housing Drug Elimination Program	<u>(487)</u>	<u>-</u>	<u>-</u>	<u>(487)</u>
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT TOTAL	<u>\$ 378,454</u>	<u>\$ (131,989)</u>	<u>\$ 341,786</u>	<u>\$ 852,229</u>

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2006

CFDA#	Agency/Program	Accrued (Deferred) Balance at September 30, 2005	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2006	Amounts Passed Through to Subrecipients by Major Programs
	U.S. DEPARTMENT OF THE INTERIOR					
15.605	Sport Fish Restoration	\$ 37,398	\$ 527,644	\$ 562,352	\$ 72,106	
15.608	Fish and Wildlife Management Assistance	-	-	805	805	
15.611	Wildlife Restoration	9,660	180,200	181,438	10,898	
15.612	Endangered Species Conservation	(9,195)	-	-	(9,195)	
15.615	Cooperative Endangered Species Conservation Fund	53,417	391,213	362,298	24,502	
15.622	Sportfishing and Boating Safety Act	1,952	1,952	-	-	
15.634	State Wildlife Grants	27,675	172,147	149,392	4,920	
15.875	Economic, Social, and Political Development of the Territories	2,239,841	9,106,703	9,934,217	3,067,355	
15.904	Historic Preservation Fund Grants-In-Aid	89,925	242,303	436,567	284,189	\$ 0
15.916	Outdoor Recreation-Acquisition, Development and Planning	51,731	83,349	56,525	24,907	
	U.S. DEPARTMENT OF THE INTERIOR TOTAL	\$ 2,502,404	\$ 10,705,511	\$ 11,683,594	\$ 3,480,487	

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2006

CFDA#	Agency/Program	Accrued (Deferred) Balance at September 30, 2005	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2006
U.S. DEPARTMENT OF JUSTICE					
16.523	Juvenile Accountability Incentive Block Grants	\$ (37,148)	\$ 307,079	\$ 261,568	\$ (82,659)
16.527	Supervised Visitation, Safe Havens for Children	-	16,123	16,123	-
16.540	Juvenile Justice and Delinquency Prevention--Allocation to States	49,120	58,325	118,321	109,116
16.541	Developing, Testing and Demonstrating Promising New Programs	(25,120)	80,946	112,156	6,090
16.554	National Criminal History Improvement Program (NCHIP)	-	121,013	121,013	-
16.548	Title V - Delinquency Prevention Program	7,587	18,585	36,452	25,454
16.549	Part E - State Challenge Activities	4,792	6,804	2,049	37
16.554	National Criminal History Improvement Program (NCHIP)	122,049	122,049	-	-
16.575	Crime Victim Assistance	27,803	349,020	448,993	127,776
16.576	Crime Victim Compensation	106,590	106,590	-	-
16.579	Byrne Formula Grant Program	-	692,718	932,511	239,793
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	(156,162)	(119,286)	-	(36,876)
16.585	Drug Court Discretionary Grant Program	19,390	87,900	68,510	-
16.588	Violence Against Women Formula Grants	168,585	865,944	622,450	(74,909)
16.589	Rural Domestic Violence and Child Victimization Enforcement Grant Program	116	-	-	116
16.592	Local Law Enforcement Block Grants Program	354,559	436,440	181,176	99,295
16.593	Residential Substance Abuse Treatment for State Prisoners	31,202	100,918	111,843	42,127
16.606	State Criminal Alien Assistance Program	-	64,816	119,558	54,742
16.609	Community Prosecution and Project Safe Neighborhoods	-	4,576	33,949	29,373
16.710	Public Safety Partnership and Community Policing Grants	41,357	714,830	1,138,554	465,081
16.738	Edward Byrne Memorial Justice Assistance Grant Program	-	1,263,985	42,602	(1,221,383)
U.S. DEPARTMENT OF JUSTICE TOTAL		\$ 714,720	\$ 5,299,375	\$ 4,367,828	\$ (216,827)

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2006

CFDA#	Agency/Program	Accrued (Deferred) Balance at September 30, 2005	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2006	Amounts Passed Through to Subrecipients by Major Programs
U.S. DEPARTMENT OF LABOR						
17.002	Labor Force Statistics	\$ 8,228	\$ 52,589	\$ 45,552	\$ 1,191	
17.005	Compensation and Working Conditions Data	3,603	29,784	32,947	6,766	
17.203	Labor Certification for Alien Workers	19,796	82,692	54,113	(8,783)	
17.207	Employment Service	172,858	531,843	526,302	167,317	
17.235	Senior Community Service Employment Program	104,313	937,188	872,914	40,039	
17.250	Job Training Partnership Act	1,601,044	1,079,027	-	522,017	\$ 0
17.258	WIA Adult Program	-	466,786	466,786	-	\$ 0
17.259	WIA Youth Activities	723,893	1,676,848	999,197	46,242	\$ 61,615
17.260	WIA Dislocated Workers	(328,775)	2,307,731	2,145,728	(490,778)	\$ 0
17.504	Consultation Agreements	25,639	270,906	260,211	14,944	
	U.S. DEPARTMENT OF LABOR TOTAL	\$ 2,330,599	\$ 7,435,394	\$ 5,403,750	\$ 298,955	

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2006

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2005	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2006	Amounts Passed Through to Subrecipients by Major Programs
U.S. DEPARTMENT OF TRANSPORTATION						
20.205	Highway Planning & Construction	\$ 994,888	\$ 8,946,171	\$ 9,081,053	\$ 1,129,770	
20.218	Motor Carrier Safety Assistance Program	110,977	328,582	265,920	48,315	
20.509	Formula Grants for Other Than Urbanized Areas	-	1,155,163	1,352,321	197,158	
20.600	State & Community Highway Safety	57,223	181,417	417,956	293,762	
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	53,181	67,352	39,996	25,825	
	U.S. DEPARTMENT OF TRANSPORTATION TOTAL	\$ 1,216,269	\$ 10,678,685	\$ 11,157,246	\$ 1,694,830	

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2006

CFDA#	Agency/Program	Accrued (Deferred) Balance at September 30, 2005	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2006
	NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES				
45.025	Promotion of the Arts-Partnership Agreements	\$ 87,586 \$	311,271 \$	312,456 \$	88,771
45.310	State Library Program	206,479	-	64,737	271,217
	NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES TOTAL	\$ 294,065 \$	311,271 \$	377,193 \$	359,988

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2006

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2005	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2006	Amounts Passed Through to Subrecipients by Major Programs
	U.S. ENVIRONMENTAL PROTECTION AGENCY					
66.600	Environmental Protection Consolidated Grants - Program Support	\$ (621,231) \$	3,691,141 \$	3,740,080 \$	(572,292) \$	83,211
	U.S. ENVIRONMENTAL PROTECTION AGENCY TOTAL	<u>\$ (621,231) \$</u>	<u>3,691,141 \$</u>	<u>3,740,080 \$</u>	<u>(572,292) \$</u>	

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2006

CFDA#	Agency/Program	Accrued (Deferred) Balance at September 30, 2005	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2006
	U.S. DEPARTMENT OF ENERGY				
81.041	State Energy Program	\$ 73,222	\$ 249,723	\$ 302,650	\$ 126,149
81.117	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	1,324	1,323	9,651	9,652
81.119	State Energy Program Special Projects	20,690	-	-	20,690
	U.S. DEPARTMENT OF ENERGY TOTAL	\$ 95,236	\$ 251,046	\$ 312,301	\$ 156,491

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2006

CFDA#	Agency/Program	Accrued (Deferred) Balance at September 30, 2005	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2006	Amounts Passed Through to Subrecipients by Major Programs
U.S. DEPARTMENT OF EDUCATION						
84.009	Education of Children with Disabilities in State Operated or Supported Schools	\$ 111,592	\$ -	\$ -	111,592	
84.029	Special Education-Personnel Development and Parent Training	(65)	-	-	(65)	
84.126	Rehabilitation Services-Vocational Rehabilitation Grants to States	(299,074)	1,982,435	1,754,835	(526,674)	
84.169	Independent Living - State Grants	23,050	27,923	23,125	18,252	
84.177	Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind	7,226	(10,963)	5,722	23,911	
84.186	Safe and Drug-Free Schools and Communities - State Grants	621,274	273,872	356,434	703,836	\$ 353,028
84.187	Supported Employment Services for Individuals with Severe Disabilities	51,034	118,719	70,143	2,458	
84.265	Rehabilitation Training: State Vocational Rehabilitation Unit In-Service Training	8,996	-	-	8,996	
	U.S. DEPARTMENT OF EDUCATION TOTAL	\$ 524,033	\$ 2,391,986	\$ 2,210,259	\$ 342,306	

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2006

CFDA#	Agency/Program	Accrued (Deferred) Balance at September 30, 2005	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2006	Amounts Passed Through to Subrecipients by Major Programs
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	\$ 12,008	\$ 16,497	\$ 13,545	\$ 9,056	
93.042	Special Programs for the Aging: Title VII, Chapter 2: Long Term Care Ombudsman Services for Older Individuals	17,050	32,727	24,250	8,573	
93.043	Special Programs for the Aging-Title III, Part D-Disease Prevention and Health Promotion Services	42,361	71,205	71,886	43,042	
93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	5,895	168,551	183,182	20,526	
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services	181,740	1,468,427	1,598,649	311,962	
93.048	Special Programs for the Aging-Title IV-and Title II-Discretionary Projects	-	120,691	135,170	14,479	
93.052	Nation Family Caregiver Support Program	-	423,694	439,800	16,106	
93.053	Nutrition Services Incentive Program	37,503	55,704	95,485	77,284	
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	292,028	2,298,750	2,378,261	371,539	
93.110	Maternal and Child Health Federal Consolidated Programs	451	146,957	148,008	1,502	
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	21,192	296,700	288,454	12,946	
93.126	Small Business Innovation Research (NIAAA, NIDA, NIMH)	-	9,670	12,655	2,985	
93.127	Emergency Medical Services for Children	6,202	133,261	166,452	39,393	
93.150	Projects for Assistance in Transition from Homelessness (PATH)	32,000	121,067	42,000	(47,067)	
93.163	Health Services in the Pacific Basin	-	(357,439)	-	357,439	
93.217	Family Planning - Services	188,965	474,935	464,888	178,918	
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)	-	1,110,386	1,236,656	126,270	
93.234	Traumatic Brain Injury State Demonstration Grant Program	750	25,733	30,402	5,419	
93.235	Abstinence Education Program	41,745	1,521	555	40,779	
93.243	Substance Abuse and Mental Health Services-Projects of Regional and National Significance	76,822	783,207	867,953	161,568	
	BALANCE FORWARD	\$ 956,712	\$ 7,402,244	\$ 8,198,251	\$ 1,752,719	

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2006

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2005	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2006	Amounts Passed Through to Subrecipients by Major Programs
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	\$ 956,712	\$ 7,402,244	\$ 8,198,251	\$ 1,752,719	
	BALANCE FORWARD					
93.256	State Planning Grants Health Care Access for the Uninsured	50,081	110,982	128,342	67,441	
93.259	Rural Access to Emergency Devices Grant	904	201,091	208,406	8,219	
93.268	Immunization Grants	49,815	537,864	489,967	1,918	
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	164,374	917,694	879,549	126,229	
93.399	Cancer Control	4,702	25,835	10,128	(11,005)	
93.556	Promoting Safe and Stable Families	(150,917)	-	-	(150,917)	0
93.558	Temporary Assistance for Needy Families	399,594	2,759,170	3,449,640	1,090,064	\$
93.563	Child Support Enforcement	1,670,779	2,629,852	3,119,159	2,160,086	\$
93.575	Child Care and Development Block Grant	812,335	3,410,641	3,175,291	576,985	\$
93.597	Grants to States for Access and Visitation Programs	4,780	5,985	3,574	2,369	
93.630	Developmental Disabilities Basic Support and Advocacy Grants	24,986	250,728	252,258	26,516	
93.667	Social Services Block Grant	262,812	2,131,714	2,018,491	149,589	
93.778	Medical Assistance Program (Medicaid; Title XIX)	497,932	11,592,987	11,659,727	564,672	\$
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	294,870	414,705	121,171	1,336	
93.917	HIV Care Formula Grants	10,429	105,579	110,515	15,365	
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	117,268	-	-	117,268	
93.928	Special Projects of National Significance	(599)	-	-	(599)	
93.940	HIV Prevention Activities-Health Department Based	239,094	-	-	239,094	
93.943	Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected Population Groups	43,901	472,453	448,971	20,419	
	BALANCE FORWARD	\$ 5,453,852	\$ 32,969,524	\$ 34,273,440	\$ 6,757,768	

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2006

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2005	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2006
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	\$ 5,453,852	\$ 32,969,524	\$ 34,273,440	\$ 6,757,768
	BALANCE FORWARD				
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	4,822	28,361	24,739	1,200
93.945	Assistance Program for Chronic Disease Prevention and Control	77	-	-	77
93.957	Occupational Health and Safety Surveillance	-	52,315	64,670	12,355
93.958	Block Grants for Community Mental Health Services	56,231	156,988	219,474	118,717
93.959	Block Grants for Prevention and Treatment of Substance Abuse	(101,258)	901,125	880,980	(121,403)
93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants	75,688	89,452	87,525	73,761
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	22,581	167,177	144,978	382
93.991	Preventive Health and Health Services Block Grant	35,391	312,826	309,245	31,810
93.994	Maternal and Child Health Services Block Grant to the States	(13,731)	667,557	669,604	(11,684)
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	\$ 5,533,653	\$ 35,345,325	\$ 36,674,655	\$ 6,862,983
	TOTAL				

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2006

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2005	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2006
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE					
94.003	State Commissions	-	\$ 118,381	\$ 129,567	\$ 11,186
94.006	AmeriCorps	30,617	604,227	570,365	(3,245)
94.009	Training and Technical Assistance	-	31,575	31,703	128
	CORPORATION FOR NATIONAL AND COMMUNITY SERVICE TOTAL	<u>\$ 30,617</u>	<u>\$ 754,183</u>	<u>\$ 731,635</u>	<u>\$ 8,069</u>
					<u>569,743</u>

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2006

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2005	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2006	Amounts Passed Through to Subrecipients by Major Programs
U.S. DEPARTMENT OF HOMELAND SECURITY						
97.004	Homeland Security Grant Program	\$ 115,551	\$ 2,906,351	\$ 3,245,690	\$ 454,890	\$ 0
97.007	Homeland Security Preparedness Technical Assistance	(7,676)	1	-	(7,677)	
97.012	Boating Safety Financial Assistance	273,838	123,322	104,913	255,429	
97.021	Hazardous Materials Assistance Program	-	-	3,295	3,295	
83.543	Individual and Family Grants	(315,681)	-	-	(315,681)	
83.544	Public Assistance Grants	(6,692,300)	8,617,893	7,375,708	(7,934,485)	
83.548	Hazard Mitigation Grant	493,748	4,282,777	4,355,500	566,471	\$ 3,156,118
97.042	Emergency Management Performance Grants	156,357	17,625	289,740	428,472	
97.041	National Dam Safety Program	1,926	-	-	1,926	
97.044	Assistance to Firefighters Grant	-	16,764	-	(16,764)	
97.047	Pre-Disaster Mitigation	37,636	37,636	-	-	
97.052	Emergency Operations Centers	20,692	410,265	739,051	349,478	
97.053	Citizen Corps	26,640	-	-	26,640	
97.067	Homeland Security Grant Program	52,605	320,122	292,235	24,718	\$ 0
	U.S. DEPARTMENT OF HOMELAND SECURITY TOTAL	\$ (5,836,664)	\$ 16,732,756	\$ 16,406,132	\$ (6,163,288)	
U.S. ELECTIONS ASSISTANCE COMMISSION						
90.000	Unknown	-	1,467,445	1,467,445	-	
	U.S. ELECTIONS ASSISTANCE COMMISSION TOTAL	\$ -	\$ 1,467,445	\$ 1,467,445	\$ -	
	GRAND TOTAL	\$ 7,665,700	\$ 167,522,863	\$ 162,166,997	\$ 2,309,835	

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, 2006

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, 2006

2. Summary of Significant Accounting Policies, Continued

b. Subgrants:

Certain program funds are passed through the Government of Guam to subrecipient organizations. The Schedule of Expenditures of Federal Awards does not contain separate schedules disclosing how the subrecipient outside of the Government of Guam's control utilized the funds. Federal awards provided to subrecipients are treated as expenditures when paid to the subrecipient. In the Schedule of Expenditures of Federal Awards, the Government of Guam has identified the total amount provided to subrecipients from each Type A program and from each Type B program which is audited as a major program.

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 2006 grant programs are based on 2006 actual expenditures and caseloads.

As of September 30, 2006, there is no approved indirect cost negotiation agreement for FY 2006.

3. Reporting Entity

The Government of Guam, for the purposes of the Schedule of Expenditures of Federal Awards, includes all the funds of the primary government as defined by GASB 14. It does not include the following component units of the Government of Guam:

- Government of Guam Retirement Fund
- Guam Community College
- Guam Economic Development and Commerce Authority
- Guam Educational Telecommunications Corporation
- Guam Housing and Urban Renewal Authority
- Guam Housing Corporation
- Guam International Airport Authority
- Guam Memorial Hospital Authority
- Guam Power Authority
- Guam Visitors Bureau
- Guam Waterworks Authority
- Port Authority of Guam
- University of Guam

These component units may receive federal awards. If awards are expended, these entities separately satisfy the audit requirements if applicable.

Also, for the purposes of the Schedule of Expenditures of Federal Awards, it does not include the Guam Public School System, a component of the Government of Guam's General Fund, which separately satisfies the audit requirements.

GOVERNMENT OF GUAM

Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2006

3. Reporting Entity, Continued

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.

4. Noncash Awards

Certain federal awards programs do not involve cash awards to the Government of Guam. These programs generally could include donated commodities, insurance, food stamps EBT payments, and loans. For the year ended September 30, 2006, 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>54,568,848</u>
Total Food Stamps EBT payments reported on the Schedule of Expenditures of Federal Awards	\$ <u>54,568,848</u>

GOVERNMENT OF GUAM

Schedule of Major Federal Award Programs
Year Ended September 30, 2006

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 2006 Expenditures</u>
U.S. Department of Agriculture	10.551	Food Stamps	\$ 54,568,848
	10.561	State Administrative Matching Grants for Food Stamp Program	1,999,997
U.S. Department of the Interior	15.904	Historic Preservation Fund Grants-In-Aid	436,567
U.S. Department of Labor	17.258	WIA Adult Program	466,786
	17.259	WIA Youth Activities	999,197
	17.260	WIA Dislocated Workers	2,145,728
U.S. Environmental Protection Agency	66.600	Environmental Protection Consolidated Grants: Program Support	3,740,080
U.S. Department of Education	84.186	Safe and Drug-Free Schools and Communities-State Grants	356,434
U.S. Department of Health and Human Services	93.558	Temporary Assistance for Needy Families	3,449,640
	93.563	Child Support Enforcement	3,119,159
	93.575	Child Care and Development Block Grant	3,175,291
	93.778	Medical Assistance Program (Medicaid)	11,659,727
	93.959	Block Grants for Prevention and Treatment of Substance Abuse	880,980
U.S. Corporation for National and Community Service	94.006	AmeriCorps	570,365
U.S. Department of Homeland Security	97.004	Homeland Security Grant Program	3,245,690
	97.039	Hazard Mitigation Grant	4,355,500
	97.067	Homeland Security Grant	<u>292,235</u>
Total Federal Programs selected for audit			\$ <u>95,462,224</u>
Total Federal Awards program expenditures			\$ <u>162,166,997</u>
Percentage of Federal Awards Programs tested			<u>59%</u>

GOVERNMENT OF GUAM

Reconciliation of Schedule of Expenditures of Federal Awards to Basic Financial Statements Year Ended September 30, 2006

	<u>Fiscal Year 2006 Expenditures</u>
Federal contributions, as reported in the 2006 financial statements:	
Federal grants assistance fund, expenditures, transfers, and other uses	\$ 140,020,346
Less local match and contributions	<u>(33,488,805)</u>
Federal expenditures, transfers, and other uses	106,531,541
<u>CFDA #</u>	
10.551 Food Stamps	54,568,848
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)	1,236,656
90.401 Help America Vote Act Requirements Payments	50,000
Office of the Public Auditor:	
15.875 Economic, Social, and Political Development of the Territories	51,744
Superior Court of Guam:	
16.554 National Criminal History Improvement Program (NCHIP)	121,013
16.585 Drug Court Discretionary Grant	68,510
Guam Election Commission:	
90.xxx Unknown	1,467,445
Indirect Costs not charged to the Federal grants fund	<u>(1,928,760)</u>
Total Federal Expenditures Subject to Audit	<u>\$ 162,166,997</u>

GOVERNMENT OF GUAM

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2006

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs
Year Ended September 30, 2006

Part I - Summary of Auditors' Results

1. The Independent Auditors' Report on the financial statements expressed a qualified opinion due to our inability to determine the sufficiency of the provision for tax refunds and to inadequate accounting records for the Guam Memorial Hospital Authority.
2. Reportable conditions in internal control over financial reporting were identified, some of which are considered to be material weaknesses.
3. No instance of noncompliance considered material to the financial statements was disclosed by the audit.
4. Reportable conditions in internal control over compliance with requirements applicable to major federal award programs were identified, some of which are considered to be material weaknesses.
5. The independent auditors' report on compliance with requirements applicable to major federal award programs expressed a qualified opinion.
6. The audit disclosed findings required to be reported by OMB Circular A-133.
7. The Government of Guam's major programs were as follows:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Food Stamp Cluster:	
Food Stamps	10.551
State Administrative Matching Grants for Food Stamp Program	10.561
Historic Preservation Grants-In-Aid	15.904
WIA Cluster:	
WIA Adult Program	17.258
WIA Youth Activities	17.259
WIA Dislocated Workers	17.260
Environmental Protection Consolidated Grants: Program Support	66.600
Safe and Drug-Free Schools and Communities-State Grants	84.186
Temporary Assistance for Needy Families	93.558
Child Support Enforcement	93.563
Child Care and Development Block Grants	93.575
Medical Assistance Program (Medicaid)	93.778
Block Grants for Prevention and Treatment of Substance Abuse	93.959
AmeriCorps	94.006
Homeland Security Cluster:	
Homeland Security Grant Program	97.004
Homeland Security Grant Program	97.067
Hazard Mitigation Grant	97.039/83.548

8. A threshold of \$3,000,000 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.
9. The Government of Guam did not qualify as a low-risk auditee as that term is defined in OMB Circular A-133.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2006

Part II – Financial Statement Findings Section

Finding

Number Findings

06-36 Unrecorded Liabilities
06-37 Deposit Liabilities

Part III - Federal Award Findings and Questioned Cost Section

Reference Number	Finding	Questioned Costs	GovGuam Agency
06-01	10.551/10.561	Cash Management	\$ 0 DOA
06-02	17.258/17.259/17.260	Eligibility	\$ 0 AHRD
06-03	17.258/17.259/17.260	Cash Management	\$ 0 DOA
06-04	17.258/17.259/17.260	Allowable Costs/Cost Principles	\$ 11,280 AHRD
06-05	17.258/17.259/17.260	Procurement	\$ 15,708 AHRD
06-06	66.600	Cash Management	\$ 0 DOA
06-07	66.600	Procurement	\$ 85,119 GEPA, GSA
06-08	66.600	Special Tests and Provisions	\$ 0 GEPA
06-09	93.558	Special Tests and Provisions	\$ 0 DPHSS - TANF
06-10	93.558	Cash Management	\$ 0 DOA
06-11	93.558	Procurement	\$ 402,764 DPHSS, GSA
06-12	93.563	Allowable Costs/Cost Principles	\$ 189,900 Law
06-13	93.563	Procurement	\$ 10,484 Law, GSA
06-14	93.563	Special Tests and Provisions	\$ 0 Law
06-15	93.563	Eligibility	\$ 0 Law
06-16	93.575	Period of Availability	\$ 155,168 DPHSS - CCDF
06-17	93.575	Earmarking	\$ 101,569 DPHSS - CCDF
06-18	93.575	Cash Management	\$ 0 DOA
06-19	93.575	Allowable Costs/Cost Principles	\$ 8,587 DPHSS – CCDF, DOA
06-20	93.778	Cash Management	\$ 9,427 DOA
06-21	93.778	Special Tests and Provisions	\$ 0 DPHSS - Medicaid
06-22	93.778	Eligibility	\$ 0 DPHSS - Medicaid
06-23	93.959	Cash Management	\$ 0 DOA
06-24	93.959	Allowable Costs/Cost Principles	\$ 1,489 DPHSS – Medicaid, DOA
06-25	93.959	Procurement	\$ 21,583 DMHSA, GSA
06-26	93.959	Matching, Level of Effort, Earmarking	\$ 0 DMHSA, DOA
06-27	94.006	Cash Management	\$ 53 DOA
06-28	97.004/97.067	Period of Availability	\$ 0 DOA
06-29	97.004/97.067	Allowable Costs/Cost Principles	\$ 0 GHS
06-30	97.004/97.067	Procurement	\$ 1,640,751 GHS, GSA, DOA
06-31	97.039/83.548	Reporting	\$ 0 GHS
06-32	97.039/83.548	Cash Management	\$ 0 DOA
06-33	97.039/83.548	Procurement	\$ 43,106 DPW, Gov, GPD, DPHSS, Mayor, DMA
06-34	97.039/83.548	Matching, Level of Effort, Earmarking	\$ 77,009 DOA
06-35	All major programs	Equipment Management	\$ 0 DOA
Total Federal Questioned Costs			\$ <u>2,773,997</u>

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2006

Finding No.: 06-01
Federal Agency: U.S. Department of Agriculture
CFDA Program: 10.551/10.561 Food Stamp Cluster
Grant Number: 7GU4004GU, 7GU420GUX
Area: Cash Management
Questioned Costs: \$0
Interest Liability: \$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. Based on the 2006 Treasury-State Agreement, the specified clearance pattern for Guam is one day. Furthermore, any amount of interest from advances over \$100 should be returned to the Federal government.

Condition:

For one (or 50%) of two transactions, the time elapsed between the receipt of Federal funds and the clearance of disbursed checks exceeded the approved one-day clearance pattern by 26 days.

Cause:

There appears to be weak internal controls over ensuring compliance with applicable cash management requirements.

Effect:

The Government of Guam is in noncompliance with applicable cash management requirements. The interest earned on advances is below \$100; however, the projected interest liability exceeds the threshold; therefore, the finding remains.

Recommendation:

The Controller should strengthen internal controls 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:

In general our first rule is to refer to the FGIA accounts receivable subsidiary ledgers to determine draw down amounts which is inclusive of paid invoices and unpaid invoices that require immediate payment. Federal funds drawn down for immediate payments are disbursed upon notification of credit to the designated depository bank. We do not have control as to when these disbursed checks were to be presented for payment at the designated bank. In fiscal year 2005 the Government of Guam received a U.S. Treasury Cash Management Improvement Act Training and out of this training we implemented the Zero-Based Accounting funding technique in fiscal 2006. Currently, we now have substantial number of vendors under the Electronic Fund Transfer method.

We have recently gathered system data for our several checking accounts for a clearance pattern study to determine the average number of days a disbursed check were to clear and intend to utilize these gathered information from our clearance pattern study for the next Treasury- State Agreement.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2006

Finding No.: 06-02
Federal Agency: U.S. Department of Labor
CFDA Program: 17.258/17.259/17.260 WIA Cluster
Grant Number: AA-15517-06-55
Area: Eligibility
Questioned Costs: \$0

Criteria:

In accordance with applicable eligibility requirements, such documents as Eligibility Review and Verification Form should be maintained to substantiate eligibility determinations.

Condition:

For three (or 12%) of 25 cases, we noted the Eligibility Review and Verification Form is not on file for the following participants:

<u>Number</u>	<u>Registration Date</u>	<u>Funding Source</u>	<u>Component All Comp/Group</u>
0125	06/09/06	Statewide	WE-Youth Leadership Training
9755	06/23/06	Youth	WE-Youth Summer PTC
8583	06/22/06	Youth	WE-Youth Summer PTC

Cause:

There appears to be weak internal controls over ensuring compliance with applicable eligibility requirements.

Effect:

The Government of Guam is in noncompliance with applicable eligibility requirements. No questioned cost is presented at this finding, as we are unable to quantify the dollar amount of the noncompliance.

Recommendation:

The Program Administrator should strengthen record keeping controls to ensure that documents, such as the Eligibility Review and Verification Form, are maintained on file for at least three years to substantiate eligibility.

Auditee Response and Corrective Action Plan:

Source documents in participant file indicates the participant is eligible for WIA services, Eligibility and Verification Form was documented and inserted in file (post audit review).

Auditor Response:

The Eligibility and Verification Form was subsequently documented as corrective action by the grantee.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2006

Finding No.: 06-03
Federal Agency: U.S. Department of Labor
CFDA Program: 17.258/17.259/17.260 WIA Cluster
Grant Number: AA-13836-04-05, AA-15517-06-55
Area: Cash Management
Questioned Costs: \$0
Interest Liability: \$679

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. Based on the Treasury-State Agreement, the specified clearance pattern for Guam is one day. Furthermore, any amount of interest from advances over \$100 should be returned to the Federal government.

Condition:

For seven (or 28%) of 25 transactions, the time elapsed between the receipt of Federal funds and the clearance of disbursed checks exceeded the approved one-day clearance pattern, ranging from 6 to 67 days.

Cause:

There appears to be weak internal controls over ensuring compliance with applicable cash management requirements.

Effect:

The Government of Guam is in noncompliance with applicable cash management requirements. Interest earned on advances is \$779, and an interest liability of \$679 exists. No questioned cost exists because the projected interest liability does not exceed \$10,000. Although no questioned cost is associated with this finding, the interest earned exceeds \$100; therefore, this finding is considered reportable.

Recommendation:

The Controller should strengthen internal controls 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:

In general our first rule is to refer to the FGIA accounts receivable subsidiary ledgers to determine draw down amounts which is inclusive of paid invoices and unpaid invoices that require immediate payment. Federal funds drawn down for immediate payments are disbursed upon notification of credit to the designated depository bank. We do not have control as to when these disbursed checks were to be presented for payment at the designated bank. In fiscal year 2005 the Government of Guam received a U.S. Treasury Cash Management Improvement Act Training and out of this training we implemented the Zero-Based Accounting funding technique in fiscal 2006. Currently, we now have substantial number of vendors under the Electronic Fund Transfer method.

We have recently gathered system data for our several checking accounts for a clearance pattern study to determine the average number of days a disbursed check were to clear and intend to utilize these gathered information from our clearance pattern study for the next Treasury- State Agreement.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2006

Finding No.: 06-04
Federal Agency: U.S. Department of Labor
CFDA Program: 17.258/17.259/17.260 WIA Cluster
Grant Number: AA-13836-04-50, AA-14713-05-05, AA-15517-06-55
Area: Allowable Costs/Cost Principles
Questioned Costs: \$11,280

Criteria:

In accordance with applicable allowable costs/cost principles requirements, costs must be authorized to be allowable under Federal awards.

Condition:

For one (or 3%) of 32 non-payroll transactions, costs were incurred in August 2006 under a memorandum of agreement that expired June 30, 2006, for the following transaction:

<u>Tran Date</u>	<u>Tran #</u>	<u>Prior Ref</u>	<u>Vendor #</u>	<u>Invoice #</u>	<u>Invoice Date</u>	<u>Amount</u>
09/28/06	154435	C040603781	G0767401	2923	09/07/06	\$11,280

Cause:

There appear to be weak internal controls over ensuring that costs are authorized.

Effect:

The Government of Guam is in noncompliance with applicable allowable costs/cost principles requirements. A questioned cost of \$11,280 exists.

Recommendation:

The Program Administrator should strengthen internal controls to ensure that costs charged to the Federal program are authorized and incurred under agreements that have not expired. Also, the Payroll Supervisor should strengthen internal controls to ensure that leave taken by employees is approved in accordance with allowable costs/cost principles requirements and local personnel regulations.

Auditee Response and Corrective Action Plan:

The agency has a four (4) year apprenticeship program with the Guam Power Authority (Vendor No. G0767401), Contract No. C040603781 and is certified under the US Department of Labor, Bureau of Apprenticeship Training. The program began in July 2004 with an anticipated graduation date scheduled for 2008. In good faith effort, the agency began negotiations with Guam Power Authority since February 2006 pursuant to the first contract document SECTION VIII, Terms and Conditions as follows:

The term of this agreement is for one year from the date of the Governor's signature. Thereafter, this agreement may be renewed annually if eligible training provider meets re-certification criteria and approved by the Guam Workforce Investment Board, and subject to the availability of funds.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2006

Finding No.: 06-04, Continued
Federal Agency: U.S. Department of Labor
CFDA Program: 17.258/17.259/17.260 WIA Cluster
Grant Number: AA-13836-04-50, AA-14713-05-05, AA-15517-06-55
Area: Allowable Costs/Cost Principles
Questioned Costs: \$11,280

Auditee Response and Corrective Action Plan, Continued:

Workforce Investment Act (WIA) PL 105-220 Section 122 (b) (1) provides the governance for certifying eligible training providers. The above referenced WIA section stipulates the requirements for training and Post Secondary Educational Institutions and entities carrying out apprenticeship programs certified by US Department of Labor, Bureau of Apprenticeship to be initially eligible and subsequently eligible to receive training funds. The GPA apprenticeship program is certified for a period of four years pursuant to USDOL BAT, the performance expectation pursuant to WIA is successful completion of the four year program; however procurement law requires annual contract and funding certification. The negotiations process required certification of attendance, cost proposals and GPA legal review. The agency has provided attachment (a), MOA No. 07-06-GPA for reference. The agency has certified that funds were available at the time of negotiations and is currently available to continue this contract for a period of one year.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2006

Finding No.: 06-05
Federal Agency: U.S. Department of Labor
CFDA Program: 17.258/17.259/17.260 WIA Cluster
Grant Number: AA-13836-04-05, AA-14713-05-05, AA-15517-06-55
Area: Procurement
Questioned Costs: \$15,708

Criteria:

In accordance with applicable procurement requirements, the Local Board shall identify eligible providers by awarding grants or contracts on a competitive basis. Also, the grantee will maintain records sufficient to detail the significant history of compliance with applicable procurement requirements. 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 1 (or 3%) of 32 transactions, there is no sole source determination signed by the CPO for this sole source procurement in file for review:

<u>Tran Date</u>	<u>Tran #</u>	<u>Prior Ref</u>	<u>Vendor Number</u>	<u>Amount</u>
11/15/05	88766	P066A00247	X0012204	\$ 1,234

For 1 (or 3%) of 32 transactions, there was no evidence that any effort was made to obtain other vendor quotations:

<u>Tran Date</u>	<u>Tran #</u>	<u>Prior Ref</u>	<u>Vendor Number</u>	<u>Amount</u>
05/30/06	133253	P066A05055	P4626621	\$14,314

For 1 (or 3%) of 32 transactions, no procurement documents were provided in support of the following transaction:

<u>Tran Date</u>	<u>Tran #</u>	<u>Prior Ref</u>	<u>Vendor Number</u>	<u>Amount</u>
01/30/06	108582	C060600030	O0081905	\$ 160

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 \$15,708 exists.

Recommendation:

Government of Guam management should enforce established procurement regulations. Prior to preparing a purchase order or contract, the responsible procurement official should ensure that the rationale for selecting each vendor is documented in accordance with applicable procurement regulations. To effect resolution of this finding, the requested documents should be provided.

Auditee Response and Corrective Action Plan:

The Government of Guam has not provided a response.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2006

Finding No.: 06-06
Federal Agency: U.S. Environmental Protection Agency
CFDA Program: 66.600 Environmental Protection Consolidated Grants-Program Support
Grant Number: 00906304
Area: Cash Management
Questioned Costs: \$0
Interest Liability: \$564

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. Based on the Treasury-State Agreement, the specified clearance pattern for Guam is one day. Furthermore, any amount of interest from advances over \$100 should be returned to the Federal government.

Condition:

For nine (or 53%) of 17 transactions, the time elapsed between the receipt of Federal funds and the clearance of disbursed checks exceeded the approved one-day clearance pattern, ranging from 8 to 44 days.

Cause:

There appears to be weak internal controls over ensuring compliance with applicable cash management requirements.

Effect:

The Government of Guam is in noncompliance with applicable cash management requirements. Interest earned on advances is \$664, and an interest liability of \$564 exists. No questioned cost exists because the projected interest liability does not exceed \$10,000. Although no questioned cost is associated with this finding, the interest earned exceeds \$100; therefore, this finding is considered reportable.

Recommendation:

The Controller should strengthen internal controls 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:

In general our first rule is to refer to the FGIA accounts receivable subsidiary ledgers to determine draw down amounts which is inclusive of paid invoices and unpaid invoices that require immediate payment. Federal funds drawn down for immediate payments are disbursed upon notification of credit to the designated depository bank. We do not have control as to when these disbursed checks were to be presented for payment at the designated bank. In fiscal year 2005 the Government of Guam received a U.S. Treasury Cash Management Improvement Act Training and out of this training we implemented the Zero-Based Accounting funding technique in fiscal 2006. Currently, we now have substantial number of vendors under the Electronic Fund Transfer method.

We have recently gathered system data for our several checking accounts for a clearance pattern study to determine the average number of days a disbursed check were to clear and intend to utilize these gathered information from our clearance pattern study for the next Treasury- State Agreement.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2006

Finding No.: 06-07
Federal Agency: U.S. Environmental Protection Agency
CFDA Program: 66.600 Environmental Protection Consolidated Grants-Program Support
Grant Number: 00906304
Area: Procurement
Questioned Costs: \$85,119

Criteria:

In accordance with applicable procurement requirements, the grantee 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 20%) of 15 transactions, no procurement documents were provided in support of the following transactions:

<u>Tran Date</u>	<u>Tran #</u>	<u>Prior Ref</u>	<u>Vendor Number</u>	<u>Amount</u>
09/30/06	155832	P066X00004	S0097594	\$ 1,138
12/30/05	112710	P066X00004	S0097594	770
06/15/06	138574	C060601280	G1381601	<u>83,211</u>
				<u>\$ 85,119</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 \$85,119 exists.

Recommendation:

Government of Guam management should enforce established procurement regulations. Prior to preparing a purchase order or contract, the responsible procurement official should ensure that the rationale for selecting each vendor is documented in accordance with applicable procurement regulations. To effect resolution of this finding, the requested documents should be provided.

Auditee Response and Corrective Action Plan:

Purchase order P066X00004 - Procurement documents were provided by Mr. Jerry Zamora, GSA Administrative Aide, to Deloitte.

Contract C060601280 - The Guam Community College (GCC) is an autonomous department within the Government of Guam. GCC is the only school that is set up to instruct students in various trades and vocations such as carpentry, construction, etc. In addition, Radon Mitigation and Measurement Technology courses were previously taught at GCC. The past history of providing these courses was supportive in the consideration to choose GCC to teach these courses again.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2006

Finding No.: 06-07, Continued
Federal Agency: U.S. Environmental Protection Agency
CFDA Program: 66.600 Environmental Protection Consolidated Grants-Program Support
Grant Number: 00906304
Area: Procurement
Questioned Costs: \$85,119

Auditee Response and Corrective Action Plan, Continued:

A Memorandum of Agreement (MOA) was established in lieu of a Request for Proposal (RFP) because of prior RFP for the train-the-trainer course failed to generate certified radon proficient individuals. In previous RFP, GCC agreed to provide the instructors, the course and classrooms to local contractors and government regulators. Because most of the individuals were unsuccessful in passing the course and/or did not or could not fulfill their obligation agreement to instruct future courses at GCC, there was a lack of qualified individuals on Guam to provide radon measurement and mitigation.

Taking into consideration the inability to produce certified radon proficient trainers the US EPA granted additional funding to accomplish this task. US EPA recognized that GCC would be given a sub-grant along with required performance standard. These performance standards are outlined in the MOA. One of the goal is to make the GCC the Pacific Regional Radon Training Center.

Auditor Response:

As of our report issuance date, procurement documents for purchase order P066X00004 were not provided by the Guam General Services Agency.

Regarding Contract C060601280, we do not question the qualifications of the vendor. No documents were provided to demonstrate how the grantee determined that "there was a lack of qualified individuals on Guam." Therefore, the finding remains.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2006

Finding No.: 06-08
Federal Agency: U.S. Environmental Protection Agency
CFDA Program: 66.600 Environmental Protection Consolidated Grants-Program Support
Grant Number: 00906304
Area: Special Tests and Provisions
Questioned Costs: \$0

Criteria:

In accordance with applicable special tests and provisions requirements and grant terms and conditions, the Government of Guam must develop and implement a communications strategy to inform and interact with water systems.

Condition:

The Government of Guam has not developed a water systems communications strategy.

Cause:

There appears to be a lack of internal controls over ensuring compliance with this requirement.

Effect:

The Government of Guam is in noncompliance with applicable special tests and provisions requirements and grant terms and conditions regarding the development and implementation of a water systems communications strategy. No questioned cost is presented at this finding, as we are unable to quantify the dollar amount of the noncompliance.

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 develop a water systems communications strategy.

Auditee Response and Corrective Action Plan:

The Government of Guam has not provided a response.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2006

Finding No.: 06-09
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.558 Temporary Assistance for Needy Families
Grant Number: G-0601GUTANF
Area: Special Tests and Provisions
Questioned Costs: \$0

Criteria:

In accordance with applicable special tests and provisions requirements and 45 CFR 205.55, each State shall participate in the Income Eligibility and Verification System (IEVS) required by section 1137 of the Social Security Act, as amended. Under the State Plan, the State is required to coordinate data exchanges with other federally assisted benefit programs, request and use income and benefit information when making eligibility determinations, and adhere to standardized formats and procedures in exchanging information with other programs and agencies. Specifically, the State is required to request and obtain information as follows (42 USC 1320b-7; 45 CFR section 205.55):

1. Wage information from the State Wage Information Collection Agency (SWICA) should be obtained for all applicants at the first opportunity following receipt of the application, and for all recipients on a quarterly basis.
2. Unemployment Compensation (UC) information should be obtained for all applicants at the first opportunity, and in each of the first three months in which the individual is receiving aid. This information should also be obtained in each of the first three months following any recipient-reported loss of employment. If an individual is found to be receiving UC, the information should be requested until benefits are exhausted.
3. All available information from the Social Security Administration for all applicants at the first opportunity.
4. Information from the Immigration and Naturalization Service and any other information from other agencies in the State or in other States that might provide income or other useful information.
5. Unearned income from the Internal Revenue Service (IRS).

Condition:

During fiscal year 2006, the Government of Guam did not utilize the Income Eligibility and Verification System.

Cause:

The existing computer system (Agupa) does not have the capability to do IEVS matching. The data match activity was an incomplete deliverable of the Agupa project.

Effect:

There is no known effect on the financial statements as a result of this condition. However, there is a potential for the Government of Guam to be providing benefits to participants who would have otherwise been determined ineligible had the required data exchanges been coordinated.

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 participate in the Income Eligibility and Verification System (IEVS) as required.

Auditee Response and Corrective Action Plan:

We agree that we are in noncompliance with IEVS because our current computer system "AGUPA" doesn't have the capability to perform the data matching activities. The Program Administrator is ensuring that the "IPASS" computer system under development to replace "AGUPA" will have this capability.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2006

Finding No.: 06-10
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.558 Temporary Assistance for Needy Families
Grant Number: G-0601GUTANF
Area: Cash Management
Questioned Costs: \$0
Interest Liability: \$7,922

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. Based on the Treasury-State Agreement, the specified clearance pattern for Guam is one day. Furthermore, any amount of interest from advances over \$100 should be returned to the Federal government.

Condition:

For 15 (or 31%) of 49 transactions, the time elapsed between the receipt of Federal funds and the clearance of disbursed checks exceeded the approved one-day clearance pattern, ranging from 8 to 56 days.

Cause:

There appears to be weak internal controls over ensuring compliance with applicable cash management requirements.

Effect:

The Government of Guam is in noncompliance with applicable cash management requirements. Interest earned on advances is \$8,022, and an interest liability of \$7,922 exists. No questioned cost exists because the projected interest liability does not exceed \$10,000. Although no questioned cost is associated with this finding, the interest earned exceeds \$100; therefore, this finding is considered reportable.

Recommendation:

The Controller should strengthen internal controls 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:

In general our first rule is to refer to the FGIA accounts receivable subsidiary ledgers to determine draw down amounts which is inclusive of paid invoices and unpaid invoices that require immediate payment. Federal funds drawn down for immediate payments are disbursed upon notification of credit to the designated depository bank. We do not have control as to when these disbursed checks were to be presented for payment at the designated bank. In fiscal year 2005 the Government of Guam received a U.S. Treasury Cash Management Improvement Act Training and out of this training we implemented the Zero-Based Accounting funding technique in fiscal 2006. Currently, we now have substantial number of vendors under the Electronic Fund Transfer method.

We have recently gathered system data for our several checking accounts for a clearance pattern study to determine the average number of days a disbursed check were to clear and intend to utilize these gathered information from our clearance pattern study for the next Treasury- State Agreement.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2006

Finding No.: 06-11
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.558 Temporary Assistance for Needy Families
Grant Number: G-0601GUTANF
Area: Procurement
Questioned Costs: \$402,764

Criteria:

In accordance with applicable procurement requirements, the grantee 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:

Of 49 transactions, we noted the following:

1. For one (or 2%), no procurement documents were provided in support of the following transactions:

<u>Tran Date</u>	<u>Tran #</u>	<u>Prior Ref</u>	<u>Vendor #</u>	<u>Amount</u>
12/30/05	EFT	C030602684	C0098250	\$ 25,979

During fiscal year 2006, a total of \$282,995 was charged to the program under this contract.

2. For one (or 2%), prospective vendors were not given the minimum 15 days to respond to the request for proposal for the following transaction:

<u>Tran Date</u>	<u>Tran #</u>	<u>Prior Ref</u>	<u>Vendor #</u>	<u>Amount</u>
05/24/06	133195	C050604970	G1066001	\$ 33,350

During fiscal year 2006, a total of \$114,500 was charged to the program under this contract.

3. For one (or 2%), the requisition specified a brand name for the following purchase of a transceiver switch:

<u>Tran Date</u>	<u>Tran #</u>	<u>Prior Ref</u>	<u>Vendor #</u>	<u>Amount</u>
06/22/06	137453	P066A03656	C0098729	\$ 5,269

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 \$402,764 exists.

Recommendation:

Government of Guam management should enforce established procurement regulations. Prior to preparing a purchase order or contract, the responsible procurement official should ensure that the rationale for selecting each vendor is documented in accordance with applicable procurement regulations. To effect resolution of this finding, the requested documents should be provided.

Auditee Response and Corrective Action Plan:

The Government of Guam has not provided a response.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2006

Finding No.: 06-12
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.563 Child Support Enforcement
Grant Number: 0604GU4004
Area: Allowable Costs/Cost Principles
Questioned Costs: \$189,900

Criteria:

In accordance with applicable allowable costs/cost principles requirements, costs must be authorized to be allowable under Federal awards. Local accounting policies require the following:

1. Contracts must be certified by the department's certifying officer, approved by the department's approving officer, and approved by the Governor of Guam.
2. Journal vouchers that are greater than \$100,000 must be signed by the Controller, General Accounting Supervisor, and Accounting technician or clerk.
3. Direct payment requests must be signed by the approving officer and certifying officer.

Condition:

Of 26 transactions tested, we noted the following conditions:

1. For one (or 4%), the journal voucher has no approval signature for the following:

<u>Tran Date</u>	<u>Tran #</u>	<u>Prior Ref</u>	<u>Vendor #</u>	<u>Amount</u>
04/06/06	J060600282	C060600660	B0098057	\$ 102,673

2. For six (or 23%), the direct payment request was signed certified and approved by a sole officer for the following:

<u>Tran Date</u>	<u>Tran #</u>	<u>Prior Ref</u>	<u>Vendor #</u>	<u>Amount</u>
04/06/06	121918	C060600660	B0098057	\$ 25,668
04/17/06	123138	D061100044	20100000	33,606
04/17/06	123138	D061100044	20100000	16,096
04/17/06	123138	D061100050	20100000	45,499
04/17/06	123138	D061100050	20100000	32,086
04/17/06	123138	D061100050	20100000	<u>32,100</u>
				<u>\$185,055</u>

3. For one (or 4%), no supporting approval documents were provided for review for the following:

<u>Tran Date</u>	<u>Tran #</u>	<u>Prior Ref</u>	<u>Vendor #</u>	<u>Amount</u>
02/16/06	S00031018	S753000809		\$ 1,434

Cause:

There appears to be weak internal controls over ensuring that contracts, journal vouchers, and direct payment requests are signed approved by the required officials.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2006

Finding No.: 06-12, Continued
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.563 Child Support Enforcement
Grant Number: 0604GU4004
Area: Allowable Costs/Cost Principles
Questioned Costs: \$189,900

Effect:

The Government of Guam is in noncompliance with applicable allowable costs/cost principles requirements. For transactions at Condition 1 and 2 above, a questioned cost exists in the amount of \$189,900 (66% Federal share of \$287,728). For Condition 3, no questioned cost is presented at this finding as the cost is already questioned at Finding 06-13.

Recommendation:

The responsible personnel should strengthen internal controls to ensure that all transactions are properly authorized prior to incurring expenditures under the Federal program.

Auditee Response and Corrective Action Plan:

The Government of Guam has not provided a response.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2006

Finding No.: 06-13
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.563 Child Support Enforcement
Grant Number: 0604GU4004
Area: Procurement
Questioned Costs: \$10,484

Criteria:

In accordance with applicable procurement requirements, the grantee 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 two (or 8%) of 26 transactions, no procurement documents were provided in support of the following transactions:

<u>Tran Date</u>	<u>Tran #</u>	<u>Prior Ref</u>	<u>Vendor #</u>	<u>Amount</u>
11/30/05	89302	C010600139	J0016001	14,451
02/16/06	S00031018	S753000809		<u>1,434</u>
				\$ <u>15,885</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 \$10,484 exists (66% Federal share of total questionable costs of \$15,885).

Recommendation:

Government of Guam management should enforce established procurement regulations. Prior to preparing a purchase order or contract, the responsible procurement official should ensure that the rationale for selecting each vendor is documented in accordance with applicable procurement regulations. To effect resolution of this finding, the requested documents should be provided.

Auditee Response and Corrective Action Plan:

The Government of Guam has not provided a response.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2006

Finding No.: 06-14
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.563 Child Support Enforcement
Grant Number: 0604GU4004
Area: Special Tests and Provisions
Questioned Costs: \$0

Criteria:

The following special tests and provisions requirements apply to the program:

1. Location of Noncustodial Parents - In accordance with 45 CFR 303.3, the State IV-D agency must attempt to locate the noncustodial parent or sources of income and/or assets within no more than 75 calendar days when location is necessary to take necessary action.
2. Establishment of Paternity and Support Obligations - In accordance with applicable special tests and provisions requirements and 45 CFR 303.4 and 303.5, the State IV-D agency must attempt to establish paternity for children born out of wedlock and to establish a support obligation.
3. Securing and Enforcing Medical Support Obligations - In accordance with applicable special tests and provisions requirements pertaining to medical support obligations, the State IV-D agency must attempt to secure medical support information, and establish and enforce medical support obligations for all individuals eligible for services under 45 CFR 302.33. Specifically, the State IV-D agency must determine whether the custodial parent and child have satisfactory health insurance other than Medicaid. If not, the agency must petition the court or administrative authority to include medical support in the form of health insurance coverage in all new or modified orders for support.
4. Provision of Child Support Services for Interstate Cases - In accordance with 45 CFR 303.7, the State IV-D agency must provide the appropriate child support services needed for interstate cases, establish an interstate central registry responsible for receiving, distributing and responding to inquiries on all incoming interstate IV-D cases, and meet required time frames pertaining to provision of interstate services.
5. In accordance with special tests and provisions requirements and 45 CFR 303.2, for all cases referred to the IV-D agency or applying for services under Sec. 302.33, the IV-D agency must, within no more than 20 calendar days of receipt of referral of a case or filing of an application for services under Sec. 302.33, open a case by establishing a case record and, based on an assessment of the case to determine necessary action, as follows:
 - (a) Solicit necessary and relevant information from the custodial parent and other relevant sources and initiate verification of information, if appropriate; and
 - (b) If there is inadequate location information to proceed with the case, request additional information or refer the case for further location attempts, as specified in Sec. 303.3.

Furthermore, the case record must be supplemented with all information and documents pertaining to the case, as well as all relevant facts, dates, actions taken, contacts made and results in a case.

Condition:

Of 45 case files tested, we noted the following conditions:

1. For 10 (or 22%), the attempt to locate the absent parent occurred after the maximum 75-calendar-day requirement for the following cases: 22416, 22282, 22172, 22164, 22406, 22545, 22147, 22367, 22162, and 22559.
2. For six (or 13%), a support obligation has not been established for the following cases: 22172, 22164, 22178, 22499, 22367, and 22559.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2006

Finding No.: 06-14, Continued
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.563 Child Support Enforcement
Grant Number: 0604GU4004
Area: Special Tests and Provisions
Questioned Costs: \$0

Condition, Continued:

3. a. For three (or 7%), there is no documentation on file to indicate whether an attempt to establish medical insurance was conducted for the following cases: 22164, 22178, and 22559.
 - b. For two (or 4%), there is no documentation on file to indicate the absent parent's inability to provide medical insurance for the following cases: 22150 and 22178.
4. a. For three (or 7%) (i.e., case # 22178, 22147, and 22559), case documentation was not sent within 10 days of the inquiry of the IV-D agency where the case was initiated, and the State IV-D agency was not notified within 30 days when the information would be ready.
 - b. For two (or 4%) (i.e., case # 22178 and 22559), the IV-D agency did not send initiating documentation to the State's interstate central agency within 20 days.
 - c. For two (or 4%) (i.e., case # 22315 and 22178), either there was no review documentation on file or review documentation was not sent within 20 days to another State.
5. For three (or 7%), there is no documentation on file to indicate whether any services were provided after the case file was opened for the following cases: 22164, 22178, and 22559.

Cause:

There appears to be weak internal controls over ensuring that required services under 45 CFR 303 are provided to eligible individuals in a timely manner.

Effect:

There is no known effect on the financial statements as a result of this condition. However, the grantee is in noncompliance with applicable special tests and provisions requirements and 45 CFR 303. No questioned cost is presented at this finding, as we are unable to quantify the dollar amount of the noncompliance.

Recommendation:

The grantee should strengthen internal controls to ensure that the responsible personnel provide the required services to eligible individuals in a timely manner and properly document such attempts on file in accordance with applicable special tests and provisions requirements and 45 CFR 303.

Auditee Response and Corrective Action Plan:

The Government of Guam has not provided a response.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2006

Finding No.: 06-15
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.563 Child Support Enforcement
Grant Number: 0604GU4004
Area: Eligibility
Questioned Costs: \$0

Criteria:

In accordance with applicable eligibility requirements and 45 CFR 74.53, all programmatic documents, such as birth certificates and social security numbers, should be maintained on file to substantiate eligibility determinations.

Condition:

Of 45 case files tested, we noted the following conditions:

1. For 14 (or 31%), there was no social security number of the child or children in the file for the following cases: 22498, 22328, 22355, 22597, 22619, 22624, 22153, 22416, 22273, 22226, 22315, 22499, 22367, and 22568.
2. For one (or 2%), there was no birth certificate copy of the child or children in the file for case 22367.

Cause:

There appears to be weak internal controls over ensuring that required social security numbers and birth certificates are maintained on file to substantiate eligibility determinations.

Effect:

There is no known effect on the financial statements as a result of this condition. However, the grantee is in noncompliance with applicable eligibility requirements and 45 CFR 74.53.

Recommendation:

The grantee should establish and implement internal controls to ensure compliance with applicable eligibility requirements and 45 CFR 74.53.

Auditee Response and Corrective Action Plan:

The Government of Guam has not provided a response.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2006

Finding No.: 06-16
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.575 Child Care and Development Block Grant
Area: Period of Availability
Questioned Costs: \$155,168

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:

1. At September 30, 2006, 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	\$ 69,431	\$ 1,205	G-0401GUCCDF
2005	10/01/04 – 09/30/07	\$ 0	\$ 602,422	2005G999003

2. Costs were incurred beyond the expiration stipulated for grant year 2003, as follows:

<u>Grant Year</u>	<u>Award Period</u>	<u>Amount Expended</u>	<u>Grant Award #</u>
2003	10/01/02 – 09/30/05	\$ 155,168	G-0301GUCCDF

Cause:

Government of Guam management did not enforce internal controls over ensuring that expired grants are deencumbered and/or deappropriated in a timely manner.

Effect:

Outstanding encumbrances and/or available balances for grant years 2003, 2004, and 2005 are overstated. If such balances are not deencumbered or deappropriated, the Government of Guam could potentially expend Federal funds in noncompliance with applicable period of availability requirements. For costs incurred against expired grants, a questioned cost of \$155,168 exists.

Recommendation:

Government of Guam management should develop more specific internal control procedures over monitoring a fund during the period of availability and deencumbering or deappropriating expired funds. The responsible accounting personnel should ensure that expired grants are deencumbered or deappropriated in a timely manner and that any liquidation of obligations for expired grants is charged to the General Fund.

Auditee Response and Corrective Action Plan:

The Department of Administration requested a system change or enhancement on the BACIS-AS400 and is currently being implemented. The Department of Administration issued a memorandum dated March 26, 2007 address to all directors of departments informing them regarding the system change on the DOA's BACIS-AS400 accounting system relative to the issue of "Period of Availability".

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2006

Finding No.: 06-16, Continued
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.575 Child Care and Development Block Grant
Area: Period of Availability
Questioned Costs: \$155,168

Auditee Response and Corrective Action Plan, Continued:

Memorandum

To: All Directors

From: Director, Department of Administration

Subject: AS400 System Change Relative to Funds Availability of Expired Federal Grants.

Hafa Adai!

There is a system change on the DOA's AS400 accounting system relative to the treatment of funds available. Please be advised that upon the expiration of your federal grant period the AS400 accounting system will reclassify your unobligated funds from an "Available" status into a "Reserve" status, which means that the funds cannot be obligated when your grant period expires.

Please note that we will open the account upon the submission of an approved "No Cost Grant Extension" received from your federal grantor. We strongly recommend that you submit to us your approved federal grant extensions early to avert the reclassification of your funds into a "Reserve" status.

Should you receive your grant period extensions after the funds are placed in "Reserve" status, you will need to prepare the necessary BBMR documents to open the account and have the funds re-loaded. Your attention and cooperation on this matter will be greatly appreciated.

Should you have any question or need clarification, please contact Peter Aguon at 475-1283.

Si' Yu'os Ma'ase.

Lourdes M. Perez,
Director

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2006

Finding No.: 06-17
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.575 Child Care and Development Block Grant
Grant Number: G-0601GUCCDF
Area: Matching, Level of Effort, Earmarking
Questioned Costs: \$101,569

Criteria:

In accordance with applicable matching, level of effort, earmarking requirements, a State/territory may not spend on administrative costs more than five percent of total CCDF awards expended.

Condition:

At the end of FY 2006, administrative earmarking requirements were exceeded, as follows:

	<u>Grant Year 2006</u>
FY 2006 CCDF expenditures	\$ 455,982
Earmark %	<u>5%</u>
Maximum earmark	22,799
FY 2006 Actual administrative costs	<u>(124,368)</u>
Excess administrative costs	\$ <u>(101,569)</u>

Cause:

Government of Guam management did not enforce internal controls over ensuring that administrative costs were within earmarking levels.

Effect:

The Government of Guam is in noncompliance with applicable earmarking requirements. A questioned cost of \$101,569 exists.

Recommendation:

The Program Administrator should monitor administrative cost expenditures to ensure compliance with the above earmarking requirements.

Auditee Response and Corrective Action Plan:

The Government of Guam has not provided a response.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2006

Finding No.: 06-18
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.575 Child Care and Development Block Grant
Grant Number: G-0501GUCCDF
Area: Cash Management
Questioned Costs: \$0
Interest Liability: \$96

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. Based on the Treasury-State Agreement, the specified clearance pattern for Guam is one day. Furthermore, any amount of interest from advances over \$100 should be returned to the Federal government.

Condition:

For 21 (or 50%) of 42 transactions, the time elapsed between the receipt of Federal funds and the clearance of disbursed checks exceeded the approved one-day clearance pattern, ranging from 2 to 48 days.

Cause:

There appears to be weak internal controls over ensuring compliance with applicable cash management requirements.

Effect:

The Government of Guam is in noncompliance with applicable cash management requirements. Interest earned on advances is \$196 and an interest liability of \$96 exists. No questioned cost exists because the projected interest liability does not exceed \$10,000. Although no questioned cost is associated with this finding, the interest earned exceeds \$100; therefore, this finding is considered reportable.

Recommendation:

The Controller should strengthen internal controls 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:

In general our first rule is to refer to the FGIA accounts receivable subsidiary ledgers to determine draw down amounts which is inclusive of paid invoices and unpaid invoices that require immediate payment. Federal funds drawn down for immediate payments are disbursed upon notification of credit to the designated depository bank. We do not have control as to when these disbursed checks were to be presented for payment at the designated bank. In fiscal year 2005 the Government of Guam received a U.S. Treasury Cash Management Improvement Act Training and out of this training we implemented the Zero-Based Accounting funding technique in fiscal 2006. Currently, we now have substantial number of vendors under the Electronic Fund Transfer method.

We have recently gathered system data for our several checking accounts for a clearance pattern study to determine the average number of days a disbursed check were to clear and intend to utilize these gathered information from our clearance pattern study for the next Treasury- State Agreement.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2006

Finding No.: 06-19
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-0401GUCCDF
Area: Allowable Costs/Cost Principles
Questioned Costs: \$8,587

Criteria:

In accordance with applicable allowable costs/cost principles requirements, costs must be authorized to be allowable under Federal awards.

Condition:

1. For one (or 2%) of 42 transactions, the invoice was not stamped approved by accounting.

<u>Tran date</u>	<u>Tran #</u>	<u>Prior Ref</u>	<u>Vendor #</u>	<u>Invoice #</u>	<u>Invoice Date</u>	<u>Amount</u>
01/19/06	106459	C040600832	F0096287	DE05-15	12/07/05	\$6,375

2. For one (or 2%) of 42 transactions, costs were incurred in October 2005 under work order number WR041700008 and under a memorandum of agreement that expired September 30, 2005, for the following transaction:

<u>Tran Date</u>	<u>Tran #</u>	<u>Prior Ref</u>	<u>Vendor #</u>	<u>Invoice #</u>	<u>Invoice Date</u>	<u>Amount</u>
12/21/05	89929	P056A08200	S1132201	19205	10/27/05	\$ 2,212

Cause:

There appear to be weak internal controls over ensuring that costs are authorized.

Effect:

The Government of Guam is in noncompliance with applicable expenditure requirements. A questioned cost of \$8,587 exists. Although the known questioned cost is less than \$10,000, the projected questioned cost exceeds the threshold; therefore, this finding is considered reportable.

Recommendation:

The Program Administrator should strengthen internal controls to ensure that costs charged to the Federal program are authorized and incurred under agreements that have not expired.

Auditee Response and Corrective Action Plan:

The Government of Guam has not provided a response.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2006

Finding No.: 06-20
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.778 Medical Assistance Program
Grant Number: 75X0512
Area: Cash Management
Questioned Costs: \$9,427
Interest Liability: \$9,427

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. Based on the Treasury-State Agreement, the specified clearance pattern for Guam is one day. Furthermore, any amount of interest from advances over \$100 should be returned to the Federal government.

Condition:

For 105 (or 81%) of 129 transactions, the time elapsed between the receipt of Federal funds and the clearance of disbursed checks exceeded the approved one-day clearance pattern, ranging from 2 to 114 days.

Cause:

There appears to be weak internal controls over ensuring compliance with applicable cash management requirements.

Effect:

The Government of Guam is in noncompliance with applicable cash management requirements. Interest earned on advances is \$9,527, and an interest liability of \$9,427 exists. Also, the projected interest liability exceeds \$10,000; therefore a questioned cost of \$9,427 exists.

Recommendation:

The Controller should strengthen internal controls 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:

In general our first rule is to refer to the FGIA accounts receivable subsidiary ledgers to determine draw down amounts which is inclusive of paid invoices and unpaid invoices that require immediate payment. Federal funds drawn down for immediate payments are disbursed upon notification of credit to the designated depository bank. We do not have control as to when these disbursed checks were to be presented for payment at the designated bank. In fiscal year 2005 the Government of Guam received a U.S. Treasury Cash Management Improvement Act Training and out of this training we implemented the Zero-Based Accounting funding technique in fiscal 2006. Currently, we now have substantial number of vendors under the Electronic Fund Transfer method.

We have recently gathered system data for our several checking accounts for a clearance pattern study to determine the average number of days a disbursed check were to clear and intend to utilize these gathered information from our clearance pattern study for the next Treasury- State Agreement.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2006

Finding No.: 06-21
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.778 Medical Assistance Program
Grant Number: 75X0512
Area: Special Tests and Provisions – Provider Eligibility
Questioned Costs: \$0

Criteria:

In order to receive Medicaid payments, providers of medical services furnishing services must be licensed in accordance with Federal, State, and local laws and regulations to participate in the Medicaid program.

Condition:

The Government of Guam did not provide the medical provider's license for the following medical providers to which payments were made during FY 2006, as follows:

	<u>Medical Provider</u>	<u>Payments</u>
a.	EXW	\$ 924
b.	FIJ	18
c.	FHR	173,482
d.	FHY	69,274
e.	897	103,978
f.	AKQ	31
g.	FJI	990
		<u>\$ 348,697</u>

Cause:

There appears to be weak internal controls over ensuring that medical providers paid with Program funds are licensed.

Effect:

The Government of Guam is in noncompliance with applicable special tests and provisions requirements pertaining to provider eligibility.

Recommendation:

The Program Administrator should strengthen internal controls to ensure that medical providers paid with Program funds are licensed in accordance with applicable special tests and provisions requirements pertaining to provider eligibility.

Auditee Response and Corrective Action Plan:

The Government of Guam has not provided a response.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2006

Finding No.: 06-22
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.778 Medical Assistance Program
Grant Number: 75X0512
Area: Eligibility
Questioned Costs: \$0

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 103 cases tested, we noted the following:

1. For one (or 1%), there was no birth certificate copy on file for the following household member:

<u>Case #</u>	<u>HH Member</u>	<u>SSN</u>	<u>DOB</u>
33-41617	SPC	3594	05/14/00

2. For three (or 3%), there were no social security card copies on file for the following household members:

<u>Case #</u>	<u>HH Member</u>	<u>SSN</u>
30-73265	RSZ	7843
30-73265	DMZ	1414
33-38292	MC	4535
50-72103	JA	1561
50-72103	VQ	8074

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

Cause:

There appears to be weak internal controls over record keeping. Furthermore, the existing computer system (Agupa) does not have the capability to do IEVS matching.

Effect:

The Government of Guam is in noncompliance with applicable eligibility requirements. No questioned cost is presented at this finding, as we are unable to quantify the dollar amount of the noncompliance.

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.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2006

Finding No.: 06-22, Continued
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.778 Medical Assistance Program
Grant Number: 75X0512
Area: Eligibility
Questioned Costs: \$0

Auditee Response and Corrective Action Plan:

Agree to deficiencies 1 and 2, no documentations – However deficiency 1, birth certificate for SPC, is now in the case file. The Program Administrator currently requires Eligibility Specialist Supervisors (ESS) to conduct “Supervisory Case Reviews” to ensure that the case files have the appropriate documents to substantiate eligibility or action.

Disagree to deficiency 3 – there are two Medicaid Assistance Programs, *Categorically Eligible* Medicaid Assistance Program (CEMAP) which is linked to cash assistance [Temporary Assistance for Needy Families (TANF), Old Age Assistance (OAA), Aid to the Blind (AB), and Aid to Permanently and Totally Disabled (APTD)] and, effective October 1, 2001, the *Categorically Needy* Medicaid Assistance Program (CNMAP) which is for individuals who are Aged, Disabled, Pregnant, Children age 0 to 20, and Caretaker Relatives who meet the 100% Federal Poverty Guideline in addition to other eligibility criteria. Since the CEMAP is linked to cash assistance programs, the document requirements are with the specific cash assistance programs. As for CNMAP, there is no application worksheet, minimal document requirements, and the procedure for determination of eligibility is very straightforward.

Compliance with Income and Eligibility Verification System (IEVS) is not required by MAP but for the cash assistance programs. IEVS is a mandatory requirement for the cash assistance programs so a waiver would not be applicable. We agree that AGUPA does not have the capability to do IEVS matching. However, the new and anticipated “IPASS” computer system will address this deficiency.

Auditor Response:

Specifications at 42 CFR 435.948 require the use of an income and eligibility verification system for Medicaid. As no documentation from the Grantor agency has been provided to the auditors to affirm that IEVS is not required by MAP, the finding remains.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2006

Finding No.: 06-23
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.959 Block Grants for Prevention and Treatment of Substance Abuse
Grant Number: 05B1GUSAPT-03
Area: Cash Management
Questioned Costs: \$0
Interest Liability: \$1

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. Based on the Treasury-State Agreement, the specified clearance pattern for Guam is one day. Furthermore, any amount of interest from advances over \$100 should be returned to the Federal government.

Condition:

For 13 (or 57%) of 23 transactions, the time elapsed between the receipt of Federal funds and the clearance of disbursed checks exceeded the approved one-day clearance pattern, ranging from 4 to 49 days.

Cause:

There appears to be weak internal controls over ensuring compliance with applicable cash management requirements.

Effect:

The Government of Guam is in noncompliance with applicable cash management requirements. Interest earned on advances is \$101, and an interest liability of \$1 exists. No questioned cost exists because the projected interest liability does not exceed \$10,000. Although no questioned cost is associated with this finding, the interest earned exceeds \$100; therefore, this finding is considered reportable.

Recommendation:

The Controller should strengthen internal controls 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:

In general our first rule is to refer to the FGIA accounts receivable subsidiary ledgers to determine draw down amounts which is inclusive of paid invoices and unpaid invoices that require immediate payment. Federal funds drawn down for immediate payments are disbursed upon notification of credit to the designated depository bank. We do not have control as to when these disbursed checks were to be presented for payment at the designated bank. In fiscal year 2005 the Government of Guam received a U.S. Treasury Cash Management Improvement Act Training and out of this training we implemented the Zero-Based Accounting funding technique in fiscal 2006. Currently, we now have substantial number of vendors under the Electronic Fund Transfer method.

We have recently gathered system data for our several checking accounts for a clearance pattern study to determine the average number of days a disbursed check were to clear and intend to utilize these gathered information from our clearance pattern study for the next Treasury- State Agreement.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2006

Finding No.: 06-24
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.959 Block Grants for Prevention and Treatment of Substance Abuse
Grant Number: 05B1GUSAPT-03
Area: Allowable Costs/Cost Principles
Questioned Costs: \$1,489

Criteria:

In accordance with applicable allowable costs/cost principles requirements, costs must be authorized to be allowable under Federal awards. Local accounting policies require that journal vouchers greater than \$10,000 be signed by the General Accounting Supervisor or Accounting III and by the Accounting Technician or Clerk.

Condition:

1. For one (or 5%) of 22 payroll transactions, the employee's approved Personnel Action Form indicates that the employee's salary is locally funded; however, the employee's payroll costs of \$1,489 (80 hours @ \$18.61/hr.) for the pay period ended 07/22/06 were Federally funded, as follows:

<u>Account number</u>	<u>Employee #</u>	<u>Per Personnel Action Form</u>			
		<u>Rate</u>	<u>Effective Date</u>	<u>Action date</u>	<u>Local Acct #</u>
5101H052310SE105111	7618	\$18.61	04/17/06	05/17/06	5602A062310SE002

2. For one (or 4%) of 26 transactions, the journal voucher has no approval signature, as follows:

<u>Tran Date</u>	<u>Tran #</u>	<u>Prior Ref</u>	<u>Amount</u>
09/30/06	J060613677	CK:#0149207	\$ 11,983

Cause:

There appears to be weak internal controls over ensuring that leave taken by employees is approved and that journal vouchers are signed approved by the required officials.

Effect:

The Government of Guam is in noncompliance with applicable allowable costs/cost principles requirements. A questioned cost of \$1,489 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 06-25.

Recommendation:

The responsible personnel should strengthen internal controls to ensure that all transactions are properly authorized prior to incurring expenditures under the Federal program. Also, the Payroll Supervisor should strengthen internal controls to ensure that payroll costs for locally funded employees are charged only to the approved local accounts in accordance with allowable costs/cost principles requirements and local personnel regulations.

Auditee Response and Corrective Action Plan:

The Government of Guam has not provided a response.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2006

Finding No.: 06-25
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.959 Block Grants for Prevention and Treatment of Substance Abuse
Grant Number: 05B1GUSAPT-03, 06B1GUSAPT-03
Area: Procurement
Questioned Costs: \$21,583

Criteria:

In accordance with applicable procurement requirements, the grantee 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:

1. For three (or 13%) of 23 transactions, no procurement documents were provided in support of the following transactions:

<u>Tran Date</u>	<u>Tran #</u>	<u>Prior Ref</u>	<u>Vendor #</u>	<u>Amount</u>
08/03/06	143781	D062300249	H0097074	\$ 840
08/16/06	144340	D062300344	3U662749	144
09/18/06	149207	D062300393	D0097134	<u>11,983</u>
				<u>\$12,967</u>

2. For one (4%) of 23 transactions, no history of procurement (i.e., method of procurement, vendor quotations, bid abstract) was in the file provided for the following transaction:

<u>Tran Date</u>	<u>Tran #</u>	<u>Prior Ref</u>	<u>Vendor #</u>	<u>Amount</u>
07/11/06	138725	P066A04207	P0096001	\$ 1,705

During fiscal year 2006, a total of \$7,590 was charged to the program under this purchase order.

3. For one (4%) of 23 transactions, the applicable local procurement regulations require obtaining “no less than three written quotations” for small purchases; however, the grantee obtained only two positive quotations prior to selecting the vendor for the following transaction:

<u>Tran Date</u>	<u>Tran #</u>	<u>Prior Ref</u>	<u>Vendor #</u>	<u>Amount</u>
05/09/06	128531	P066A04282	I0096157	\$ 1,026

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 \$21,583 exists.

Recommendation:

Government of Guam management should enforce established procurement regulations. Prior to preparing a purchase order or contract, the responsible procurement official should ensure that the rationale for selecting each vendor is documented in accordance with applicable procurement regulations. To effect resolution of this finding, the requested documents should be provided.

Auditee Response and Corrective Action Plan:

The Government of Guam has not provided a response.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2006

Finding No.: 06-26
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.959 Block Grants for Prevention and Treatment of Substance Abuse
Grant Number: 05B1GUSAPT-03, 06B1GUSAPT-03
Area: Matching, Level of Effort, Earmarking
Questioned Costs: \$0

Criteria:

In accordance with applicable matching, level of effort, earmarking requirements, the State:

1. Shall for each fiscal year maintain aggregate State expenditures for authorized activities by the principal agency at a level that is not less than the average level of such expenditures maintained by the State for the two State fiscal years preceding the fiscal year for which the State is applying for the grant.
2. Must maintain expenditures at not less than the calculated fiscal year 1994 base amount for SA treatments services for pregnant women and women with dependent children; and
3. Shall maintain expenditures of non-Federal amounts for tuberculosis services at a level that is not less than an average of such expenditures maintained by the State for the 2 year period preceding the first fiscal year for which the State receives such a grant (42 USC 300x-24; 45 CFR section 96.127).
4. Shall expend not less than 20 percent of SAPT for primary prevention programs for individuals who do not require treatment of Substance Abuse.

Condition:

The Government of Guam did not provide the necessary documents to evidence compliance with the above criteria.

Cause:

There appears to be weak internal controls over ensuring compliance with applicable matching, level of effort, earmarking requirements.

Effect:

The Government of Guam may be in noncompliance with applicable matching, level of effort, earmarking requirements. No questioned cost is presented at this finding, as we are unable to quantify the noncompliance.

Recommendation:

The Government of Guam should provide the necessary documents to effect resolution of this finding.

Auditee Response and Corrective Action Plan:

The Government of Guam has not provided a response.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2006

Finding No.: 06-27
Federal Agency: Corporation for National and Community Service
CFDA Program: 94.006 AmeriCorps
Grant Number: 05AFHGU001
Area: Cash Management
Questioned Costs: \$0
Interest Liability: \$53

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. Based on the Treasury-State Agreement, the specified clearance pattern for Guam is one day. Furthermore, any amount of interest from advances over \$100 should be returned to the Federal government.

Condition:

For nine (or 32%) of 28 transactions, the time elapsed between the receipt of Federal funds and the clearance of disbursed checks exceeded the approved one-day clearance pattern, ranging from 3 to 16 days.

Cause:

There appears to be weak internal controls over ensuring compliance with applicable cash management requirements.

Effect:

The Government of Guam is in noncompliance with applicable cash management requirements. Interest earned on advances is \$153, and an interest liability of \$53 exists. No questioned cost exists because the projected interest liability does not exceed \$10,000. Although no questioned cost is associated with this finding, the interest earned exceeds \$100; therefore, this finding is considered reportable.

Recommendation:

The Controller should strengthen internal controls 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:

In general our first rule is to refer to the FGIA accounts receivable subsidiary ledgers to determine draw down amounts which is inclusive of paid invoices and unpaid invoices that require immediate payment. Federal funds drawn down for immediate payments are disbursed upon notification of credit to the designated depository bank. We do not have control as to when these disbursed checks were to be presented for payment at the designated bank. In fiscal year 2005 the Government of Guam received a U.S. Treasury Cash Management Improvement Act Training and out of this training we implemented the Zero-Based Accounting funding technique in fiscal 2006. Currently, we now have substantial number of vendors under the Electronic Fund Transfer method.

We have recently gathered system data for our several checking accounts for a clearance pattern study to determine the average number of days a disbursed check were to clear and intend to utilize these gathered information from our clearance pattern study for the next Treasury- State Agreement.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2006

Finding No.: 06-28
Federal Agency: U.S. Department of Homeland Security
CFDA Program: 97.004/97.067 Homeland Security Cluster
Grant Number: 2002-TE-CX0137
Area: Period of Availability
Questioned Costs: \$0

Criteria:

In accordance with applicable period of availability requirements, funds should be used within the budget period specified in the notice of grant award.

Condition:

At September 30, 2006, there are outstanding obligations and available balances recorded in the financial management system for an expired grant, as follows:

<u>Grant Year</u>	<u>Award Period</u>	<u>Outstanding Encumbrance</u>	<u>Available Balance</u>	<u>Grant Award #</u>
2002	08/01/02 – 07/31/05	\$ 1,482	\$ 73,647	2002-TE-CX-0137

Cause:

Government of Guam management did not enforce internal controls over ensuring that expired grants are deencumbered and/or deappropriated in a timely manner.

Effect:

The available balance for grant year 2002 is overstated. If such balances are not properly deencumbered or deappropriated, 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 internal control procedures over monitoring a fund during the period of availability and deencumbering or deappropriating expired funds. The responsible accounting personnel should ensure that expired grants are deencumbered or deappropriated in a timely manner.

Auditee Response and Corrective Action Plan:

The Department of Administration requested a system change or enhancement on the BACIS-AS400 and is currently being implemented. The Department of Administration issued a memorandum dated March 26, 2007 address to all directors of departments informing them regarding the system change on the DOA's BACIS-AS400 accounting system relative to the issue of "Period of Availability".

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2006

Finding No.: 06-28, Continued
Federal Agency: U.S. Department of Homeland Security
CFDA Program: 97.004/97.067 Homeland Security Cluster
Grant Number: 2002-TE-CX0137
Area: Period of Availability
Questioned Costs: \$0

Auditee Response and Corrective Action Plan, Continued:

Memorandum

To: All Directors

From: Director, Department of Administration

Subject: AS400 System Change Relative to Funds Availability of Expired Federal Grants.

Hafa Adai!

There is a system change on the DOA's AS400 accounting system relative to the treatment of funds available. Please be advised that upon the expiration of your federal grant period the AS400 accounting system will reclassify your unobligated funds from an "Available" status into a "Reserve" status, which means that the funds cannot be obligated when your grant period expires.

Please note that we will open the account upon the submission of an approved "No Cost Grant Extension" received from your federal grantor. We strongly recommend that you submit to us your approved federal grant extensions early to avert the reclassification of your funds into a "Reserve" status.

Should you receive your grant period extensions after the funds are placed in "Reserve" status, you will need to prepare the necessary BBMR documents to open the account and have the funds re-loaded. Your attention and cooperation on this matter will be greatly appreciated.

Should you have any question or need clarification, please contact Peter Aguon at 475-1283.

Si' Yu'os Ma'ase.

Lourdes M. Perez,
Director

GOVERNMENT OF GUAM

**Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2006**

Finding No.: 06-29
Federal Agency: U.S. Department of Homeland Security
CFDA Program: 97.004/97.067 Homeland Security Cluster
Grant Number: 2002-TE-CX0137
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 two (or 6%) of 34 transactions, equipment purchases exceeded the prior grantor approval amount, as follows:

<u>Tran Date</u>	<u>Tran #</u>	<u>Prior Ref</u>	<u>Vendor #</u>	<u>Amount</u>	<u>Approved Amount</u>	<u>Unapproved Amount</u>
03/16/06	121400	P066A02018	N0096645	\$ 59,547	\$ 43,900	\$ 15,647
07/06/06	EFT	P066A03554	T0092839	\$452,042	\$450,000	<u>2,042</u>
						<u>\$ 17,689</u>

Cause:

There appears to be weak internal controls over ensuring that prior grantor approval is obtained for all capital expenditures for general purpose equipment, buildings, and land.

Effect:

The Government of Guam is in noncompliance with applicable allowable costs/cost principles requirements. No questioned cost is presented at this finding as the cost is already questioned at Finding 06-30.

Recommendation:

The Program Administrator should strengthen internal controls to ensure that the required prior approval is obtained for all capital expenditures in accordance with applicable allowable costs/cost principles requirements. The responsible accounting personnel should not charge capital expenditures to the Program unless the payment request is supported by written prior grantor approval. Capital expenditures without prior grantor approval should be charged to the General Fund until such time that written prior grantor approval is obtained.

Auditee Response and Corrective Action Plan:

The Government of Guam has not provided a response.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2006

Finding No.: 06-30
 Federal Agency: U.S. Department of Homeland Security
 CFDA Program: 97.004/97.067 Homeland Security Cluster
 Grant Number: 2003-MU-T3-0054, 2003-TE-TX-0207, 2004-GE-T4-0032, 2005-GE-T5-0036
 Area: Procurement
 Questioned Costs: \$1,640,751

Criteria:

In accordance with applicable procurement requirements, the grantee 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 procure from the United States only when the cost is ten percent less than procuring from other contractors.
- The Guam General Services Agency shall use competitive sealed bidding when the procurement exceeds the small purchase threshold of \$14,999.

Condition:

Of 34 transactions, we noted the following:

1. For one (or 3%), sole source procurement was used; however, the procurement files contained documentation showing that at least one other vendor could provide the products/services for the following:

<u>Tran Date</u>	<u>Tran #</u>	<u>Prior Ref</u>	<u>Vendor #</u>	<u>Amount</u>
08/07/06	0143874	P066A05335	I0096012	\$ 153,904

2. For nine (or 26%), 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>Prior Ref</u>	<u>Vendor #</u>	<u>Amount</u>	<u>Total FY 2006 Expenditures</u>
09/29/06	0154518	P056A07369	S0098454	\$ 187,214	\$ 226,170
06/29/06	0142549	P066A04675	T0602201	76,856	104,658
07/06/06	EFT	P066A03554	T0092839	313,562	313,562
07/06/06	EFT	P066A03554	T0092839	138,480	138,480
02/15/06	112456	P056A08470	A0098184	25,695	25,876
09/26/06	154533	P056A08629	T0602201	38,508	41,470
03/16/06	121400	P066A02018	N0096645	59,547	59,547
01/06/06	102076	P056A07451	V0071311	28,072	28,072
02/23/06	113152	P056A07680	S0098461	44,894	103,192
				<u>\$ 912,828</u>	<u>\$ 1,041,116</u>

3. For one (or 3%), only one price quotation was obtained for the following travel transaction:

<u>Tran Date</u>	<u>Tran #</u>	<u>Prior Ref</u>	<u>Vendor #</u>	<u>Amount</u>
02/06/06	107802	T0606T0337	T4306901	\$ 3,040

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2006

Finding No.: 06-30, Continued
 Federal Agency: U.S. Department of Homeland Security
 CFDA Program: 97.004/97.067 Homeland Security Cluster
 Grant Number: 2003-MU-T3-0054, 2003-TE-TX-0207, 2004-GE-T4-0032, 2005-GE-T5-0036
 Area: Procurement
 Questioned Costs: \$1,640,751

Condition, Continued:

4. For four (or 12%), sole source procurement was used based on compatibility of equipment, accessories, or replacement parts; however, there is no documentation on file to indicate how the grantee determined that no other vendor could provide such goods or services for the following:

<u>Tran Date</u>	<u>Tran #</u>	<u>Prior Ref</u>	<u>Vendor #</u>	<u>Amount</u>	<u>Total FY 2006 Expenditures</u>
08/28/06	0149055	P066A06288	S0098524	\$ 100,000	\$ 100,000
02/23/06	113116	P056A06527	M0941414	25,260	154,776
02/23/06	113116	P056A06527	M0941414	44,120	44,120
09/26/06	154418	P066A01866	E0098759	20,000	20,000
02/14/06	108573	P056A04909	M0862201	1,900	1,900
				<u>\$ 191,280</u>	<u>\$ 320,796</u>

5. For one (or 3%), prospective vendors were not given the minimum 15 days to respond to the request for proposal for the following:

<u>Tran Date</u>	<u>Tran #</u>	<u>Prior Ref</u>	<u>Vendor #</u>	<u>Amount</u>
01/11/06	102544	P056A00474	N0161201	\$ 28,031

6. For two (or 6%), no procurement documents were provided in support of the following transactions:

<u>Tran Date</u>	<u>Tran #</u>	<u>Prior Ref</u>	<u>Vendor #</u>	<u>Amount</u>	<u>Total FY 2006 Expenditures</u>
02/02/06	106979	D060280006	T0092639	\$ 2,100	\$ 14,716
12/01/05	102286	D060661371	G0097467	3,498	3,498
				<u>\$ 5,598</u>	<u>\$ 18,214</u>

7. For two (or 6%), the requisition specified a brand name for the following:

<u>Tran Date</u>	<u>Tran #</u>	<u>Prior Ref</u>	<u>Vendor #</u>	<u>Amount</u>
03/03/06	113398	P066A02275	I0096012	\$ 23,550
03/03/06	113398	P066A02276	I0096012	52,100
				<u>\$ 75,650</u>

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2006

Finding No.: 06-30, Continued
Federal Agency: U.S. Department of Homeland Security
CFDA Program: 97.004/97.067 Homeland Security Cluster
Grant Number: 2003-MU-T3-0054, 2003-TE-TX-0207, 2004-GE-T4-0032, 2005-GE-T5-0036
Area: Procurement
Questioned Costs: \$1,640,751

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 \$1,826,751 exists.

Recommendation:

Government of Guam management should enforce established procurement regulations. Prior to preparing a purchase order or contract, the responsible procurement official should ensure that the rationale for selecting each vendor is documented in accordance with applicable procurement regulations. To effect resolution of this finding, the requested documents should be provided.

Auditee Response and Corrective Action Plan:

The Government of Guam has not provided a response.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2006

Finding No.: 06-31
Federal Agency: U.S. Department of Homeland Security
CFDA Program: 97.039 Hazard Mitigation Grant
Area: Reporting
Questioned Costs: \$0

Criteria:

In accordance with applicable reporting requirements, grantees should submit standard federal financial reports.

Condition:

The Government of Guam did not provide the following required reports:

- a. SF-270, *Request for Advance or Reimbursement*
- b. SF-271, *Outlay Report and Request for Reimbursement for Construction Programs*
- c. FEMA Form 20-19, *Reconciliation of Grants and Cooperative Agreements (OMB No. 3067-0206)*

Cause:

There appears to be weak internal controls over ensuring compliance with applicable reporting requirements.

Effect:

The Government of Guam may be in noncompliance with applicable reporting requirements.

Recommendation:

The Government of Guam should provide the above reports to effect resolution of this finding. In addition, the Government of Guam should strengthen internal controls over federal financial reporting.

Auditee Response and Corrective Action Plan:

The Government of Guam has not provided a response.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2006

Finding No.: 06-32
Federal Agency: U.S. Department of Homeland Security
CFDA Program: 97.039 Hazard Mitigation Grant
Area: Cash Management
Questioned Costs: \$0
Interest Liability: \$3,921

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. Based on the Treasury-State Agreement, the specified clearance pattern for Guam is one day. Furthermore, any amount of interest from advances over \$100 should be returned to the Federal government.

Condition:

For 16 (or 55%) of 29 transactions, the time elapsed between the receipt of Federal funds and the clearance of disbursed checks exceeded the approved one-day clearance pattern, ranging from 7 to 34 days.

Cause:

There appears to be weak internal controls over ensuring compliance with applicable cash management requirements.

Effect:

The Government of Guam is in noncompliance with applicable cash management requirements. Interest earned on advances is \$4,021, and an interest liability of \$3,921 exists. No questioned cost exists because the projected interest liability does not exceed \$10,000. Although no questioned cost is associated with this finding, the interest earned exceeds \$100; therefore, this finding is considered reportable.

Recommendation:

The Controller should strengthen internal controls 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:

In general our first rule is to refer to the FGIA accounts receivable subsidiary ledgers to determine draw down amounts which is inclusive of paid invoices and unpaid invoices that require immediate payment. Federal funds drawn down for immediate payments are disbursed upon notification of credit to the designated depository bank. We do not have control as to when these disbursed checks were to be presented for payment at the designated bank. In fiscal year 2005 the Government of Guam received a U.S. Treasury Cash Management Improvement Act Training and out of this training we implemented the Zero-Based Accounting funding technique in fiscal 2006. Currently, we now have substantial number of vendors under the Electronic Fund Transfer method.

We have recently gathered system data for our several checking accounts for a clearance pattern study to determine the average number of days a disbursed check were to clear and intend to utilize these gathered information from our clearance pattern study for the next Treasury- State Agreement.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2006

Finding No.: 06-33
Federal Agency: U.S. Department of Homeland Security
CFDA Program: 97.039 Hazard Mitigation Grant
Area: Procurement
Questioned Costs: \$43,106

Criteria:

In accordance with applicable procurement requirements, the grantee 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 3%) of 29 transactions, no procurement documents were provided in support of the following transaction:

<u>Account Number</u>	<u>Agency</u>	<u>Tran Date</u>	<u>Tran #</u>	<u>Prior Ref</u>	<u>Vendor #</u>	<u>Amount</u>
G031700PG1H1	DPHSS	01/30/06	107699	P056P00190	A0097625	\$ 39,023

During fiscal year 2006, a total of \$47,895 was charged to the program under this purchase order.

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 \$43,106 exists (90% Federal share of total questionable costs of \$47,895).

Recommendation:

Government of Guam management should enforce established procurement regulations. Prior to preparing a purchase order or contract, the responsible procurement official should ensure that the rationale for selecting each vendor is documented in accordance with applicable procurement regulations. To effect resolution of this finding, the requested documents should be provided.

Auditee Response and Corrective Action Plan:

The Government of Guam has not provided a response.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2006

Finding No.: 06-34
Federal Agency: U.S. Department of Homeland Security
CFDA Program: 97.039 Hazard Mitigation Grant
Area: Matching, Level of Effort, Earmarking
Questioned Costs: \$77,009

Criteria:

In accordance with applicable matching, level of effort, earmarking requirements, the Federal share may not exceed 90%.

Condition:

For eight (or 26%) of 29 samples tested, the Federal share is 100%.

	<u>Account number</u>	<u>Tran Date</u>	<u>Tran #</u>	<u>Prior Ref</u>	<u>Vendor #</u>	<u>Tran Amount</u>
a.	5101G021010TC1H1450	10/31/05	0084768	D061061007	T2816001	\$ 183,179
b.	5101G021010TC1H1230	01/12/06	102500	P056P00178	C0098516	47,002
c.	5101G031000PG1H1230	09/14/06	EFT	P066P00138	P0097455	32,700
d.	5101G031200PG1H2230	03/27/06	122964	C060600080	A7816001	73,950
e.	5101G031700PG1H1230	01/30/06	107699	P056P00190	A0097625	39,023
f.	5101G032800PG1H1230	09/30/06	168498	P066P00007	E3243001	30,520
g.	5101G031200PG1H2230	04/11/06	0121975	P056A05230	M0941404	360,781
h.	5101G033750PG1H4250	06/01/06	EFT	P066A01785	O0081827	2,934
						<u>\$770,089</u>

Cause:

Governments of Guam appear to have weak internal controls over ensuring that the required local match is met.

Effect:

The Government of Guam is in noncompliance with applicable matching, level of effort, matching requirements. A questioned cost of \$77,009 (10% local share of \$770,089) exists.

Recommendation:

The Government of Guam should strengthen internal controls over ensuring that applicable matching requirements are met. The responsible personnel should be cognizant of the Federal share and should not charge the Program for costs in excess of the Federal share.

Auditee Response and Corrective Action Plan:

The Government of Guam has not provided a response.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2006

Finding No.: 06-35
CFDA No. All
Area: Equipment Management
Questioned Costs: \$0

Criteria:

In accordance with Section 32(d) of the Common Rule, Equipment Management Requirements, governmental agencies that acquire equipment through Federal funds are required to perform a physical inventory and reconcile such to the property records at least once every two years. In addition, adequate maintenance procedures must be established to keep the property in good condition.

Condition:

The Government of Guam has not conducted the required comprehensive physical inventories of its equipment.

Cause:

The Government is currently in the process of implementing its fixed asset management system. 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 physical inventory.

Effect:

The Government is in noncompliance with applicable Federal regulations.

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:

The Government of Guam has not provided a response.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2006

Finding No.: 06-36
Area: Unrecorded Liabilities

Criteria: Expenditures should be recorded when incurred.

Condition: At September 30, 2006, the General Fund recorded accounts payable to the Guam Memorial Hospital Authority (GMHA) in the amount of \$249,658 relating to outstanding Medical Assistance Program (MAP) billings. Based on a confirmation received from GMHA, estimated accounts payable relating to MAP amounted to \$13,473,447. As the estimated unrecorded accounts payable was considered material to the financial statements, an audit adjustment was proposed to record a liability of \$13,223,789. Liabilities under MAP are based upon the submission by the Department of Public Health and Social Services of approved GMHA billings to the Department of Administration for recordation and payment.

Cause: The cause of the above condition is the lack of established policies and procedures regarding the timely recognition of expenditures at the time services are rendered.

Effect: The effect of the above condition is that expenditures reported are based on paid dates and not on service dates. Further, actual expenditures incurred during the year are not accrued resulting in the understatement of current year expenditures and unrecorded liabilities. As Medical Assistant Program expenditures are limited to the amount of the grant award, this condition results in additional local matching expenditures and does not result in questioned costs.

Recommendation: We recommend that the Department of Public Health and Social Services ensure that all billings received are reviewed and forwarded to the Department of Administration in a timely manner to ensure that expenditures are recorded in the correct accounting period.

Auditee Response and Corrective Action Plan:

The Government of Guam has not provided a response.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2006

Finding No.: 06-37
Area: Deposit Liabilities

Criteria: Child support collections and disbursements should be supported by a detailed subsidiary ledger and be reconciled to the general ledger in a timely manner.

Condition: At September 30, 2006, GovGuam recorded a liability with a general ledger balance of \$4,307,610 (G/L Account #s 110027000 and 110027100) relating to child support collections payable to recipients. No supporting schedule was extracted and made available from the APASI system within the Child Support Enforcement Division to support the liability account.

Cause: The cause of the above condition is the lack of adequate internal control procedures over the reconciliation of child support collections and disbursements to supporting subsidiary schedules.

Effect: The effect of the above condition is the potential misstatement of child support liability balances.

Recommendation: We recommend that GovGuam establish procedures to ensure the timely reconciliation of general ledger balances relating to child support collections and disbursements to supporting subsidiary schedules.

Auditee Response and Corrective Action Plan:

We have assigned an accountant from Division of Accounts to work with Child Support Division (CSD) to reconcile the sub-ledger maintained by CSD with the Division of Accounts general ledger.

GOVERNMENT OF GUAM

Summary of Unresolved Questioned Costs Arising from
Prior Year Single Audits
Year Ended September 30, 2006

	Prior Year Listed Unresolved <u>Questioned Costs</u>	Questioned Costs Resolved <u>During the Year</u>	End of <u>Year</u>
Unresolved Questioned Costs FY 00	\$ 2,908,460	\$ 1,886,946	\$ 1,021,514
Unresolved Questioned Costs FY 01	4,177,376	4,177,376	-
Unresolved Questioned Costs FY 02	1,779,482	1,158,489	620,993
Unresolved Questioned Costs FY 03	833,904	227,071	606,833
Unresolved Questioned Costs FY 04	225,459	-	225,459
Unresolved Questioned Costs FY 05	<u>584,348</u>	<u>72,456</u>	<u>511,892</u>
	\$ <u>10,509,029</u>	\$ <u>7,522,338</u>	2,986,691
Add Questioned Costs for FY 2006			<u>2,773,997</u>
Total Unresolved Questioned Costs at September 30, 2006			\$ <u>5,760,688</u>

GOVERNMENT OF GUAM

Summary of Unresolved Questioned Costs Arising from
Prior Year Single Audits, Continued
Year Ended September 30, 2006

<u>CFDA #</u>		<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2000</u>	<u>Total</u>
10.551/10.561	Food Stamps	\$ -	\$ 127,680	\$ -	\$ -	\$ -	\$ -	\$ 127,680
11.419	Coastal Zone Mgmt	-	53,478	-	-	-	-	53,478
15.875	Compact Impact	-	54,236	28,512	-	-	-	82,748
16.579	Byrne Formula Grant	-	-	-	277,427	-	-	277,427
17.258/17.259/17.260	WIA Cluster	26,988	2,240	-	-	-	-	29,228
66.600	Environmental Protection	85,119	12,808	21,107	-	-	-	119,034
83.541	DUA	-	-	-	9,855	-	-	9,855
83.544	Public Assistance Grants	-	-	-	308,538	-	1,021,514	1,330,052
84.126	Voc. Rehabilitation	-	57,607	-	-	-	-	57,607
93.283	CDC	-	39,741	-	-	-	-	39,741
93.558	TANF	402,764	-	-	-	-	-	402,764
93.563	Child Support Enforcement	200,384	-	97,548	9,251	620,993	-	928,176
93.575	CCDF	265,324	-	-	-	-	-	265,324
93.778	Medicaid	9,427	25,671	62,592	1,762	-	-	99,452
93.959	SAPT	23,072	-	-	-	-	-	23,072
93.994	Maternal and Child Health	-	-	15,700	-	-	-	15,700
94.006	Americorps	53	-	-	-	-	-	53
97.004/97.067	Homeland Security	1,640,751	138,431	-	-	-	-	1,779,182
97.039/83.548	Hazard Mitigation	<u>120,115</u>	-	-	-	-	-	<u>120,115</u>
	Totals	<u>\$2,773,997</u>	<u>\$ 511,892</u>	<u>\$ 225,459</u>	<u>\$606,833</u>	<u>\$620,993</u>	<u>\$1,021,514</u>	<u>\$ 5,760,688</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, 2006

Finding #	CFDA #	Questioned Costs Resolved in 2006	Responding Office
2000-08	20.205	\$ 18,365	OMB Circular A-133, Section .315(b)(4)
2000-09	83.544	1,851,569	OMB Circular A-133, Section .315(b)(4)
2000-12	83.548	17,012	OMB Circular A-133, Section .315(b)(4)
2001-09	15.875	378,178	OMB Circular A-133, Section .315(b)(4)
2001-15	20.205	36,498	OMB Circular A-133, Section .315(b)(4)
2001-20	83.544	46,800	OMB Circular A-133, Section .315(b)(4)
2001-21/22	83.544	2,458,357	OMB Circular A-133, Section .315(b)(4)
2001-24	83.548	145,150	OMB Circular A-133, Section .315(b)(4)
2001-37	93.558	543,972	OMB Circular A-133, Section .315(b)(4)
2001-52	93.575	568,421	OMB Circular A-133, Section .315(b)(4)
2002-12	20.205	369,584	OMB Circular A-133, Section .315(b)(4)
2002-21	83.543	10,588	OMB Circular A-133, Section .315(b)(4)
2002-24	83.544	153,987	OMB Circular A-133, Section .315(b)(4)
2002-28	93.558/93.778	14,942	OMB Circular A-133, Section .315(b)(4)
2002-39	20.205	241,430	OMB Circular A-133, Section .315(b)(4)
2002-39	93.044	367,958	OMB Circular A-133, Section .315(b)(4)
2003-01	15.875	28,865	OMB Circular A-133, Section .315(b)(4)
2003-01	93.558	12,000	U.S. DHHS Letter
2003-09	15.875	26,800	OMB Circular A-133, Section .315(b)(4)
2003-09	20.205	102,231	OMB Circular A-133, Section .315(b)(4)
2003-09	93.563	57,175	OMB Circular A-133, Section .315(b)(4)
2005-07	17.258/259/260	26,434	U.S. DOL Letter
2005-08	17.258/259/260	19,738	U.S. DOL Letter
2005-09	20.600	<u>26,284</u>	U.S. DOT Letter
Total Questioned Costs Resolved \$		<u>7,522,338</u>	